Reforming Paradoxes of Socio-Economic Development: Modeling Change and Continuity at the World Bank

Peter Hammer, Wayne State University

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I Introduction

The World Bank is no stranger to controversy. Polemically, the Bank is either heralded as a champion of technocratic guidance for economic growth, or condemned as a modern extension of the same forces of domination that characterized Western colonialism. In the end, there are some truths and some falsities in both extremes. The Bank is full of paradoxes and contradictions. Only one truth is certain: the Bank is too large and complicated to be perfect and too important and potentially dangerous to be ignored. Ironically, change, not continuity, has characterized Bank policy in the past six decades. The frequency and magnitude of these changes strike a dissonant tone to the Bank’s claim of technical expertise. For example, the 1980s were dominated by ideologically driven, Reagan-era Structural Adjustment Programs (SAPs). This marked a dramatic shift away from the human capital and poverty focus of the

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2 Simplistically, the Bank has cycled through phases focusing on physical capital (infrastructure projects), human capital (poverty alleviation), structural adjustment (macroeconomic policy reform) and social capital (institutions and governance). See infra notes 72-73 and accompanying text.

3 HOWARD STEIN, BEYOND THE WORLD BANK AGENDA, at 31-41 (2008) (detailing the Bank’s Structural Adjustment Programs of the 1980s).
Robert McNamara Presidency (1968-81). SAPs were macro-level economic reforms designed to minimize the role of the state and maximize the role of private markets in developing countries. In almost whispered, conspiratorial tones, SAPs were associated with the Washington Consensus® and Neo-Liberalism.® Regardless of the label, SAPs were an unmitigated public relations disaster, triggering a global backlash against the Bank and throwing it into a state of internal crisis and drift. Just when the Bank was ready to celebrate its fiftieth anniversary in 1994, it was facing opposition campaigns calling for its elimination, the slogan

4 See generally, ROBERT L. AYRES, BANKING ON THE POOR: THE WORLD BANK AND WORLD POVERTY (1983) (evaluating the Bank=s policies during the McNamara years).

5 Robert Wade, Japan, the World Bank, and the Art of Paradigm Maintenance: The East Asian Miracle in Political Perspective, 217 NEW LEFT REVIEW 3, 5 (1996) (The Bank=s new Structural Adjustment Loans applied conditions conforming to these ideas, such that borrowers had to shrink the state and open the economy to international transactions.®) [hereinafter Wade, Paradigm Maintenance].


7 The United Nation=s Children=s Fund (UNICEF) was one of the first organizations to critically document the adverse consequences SAPs were having on the poor and to call for reform. G.A. CORNIA, R. JOLLY, AND F. STEWART, ADJUSTMENT WITH A HUMAN FACE (1988). SAPs were roundly criticized in the non-governmental community. GEORGE AND SABELLI, supra note 1, at 59 (Virtually everyone affiliated with a non-governmental organization in contact with poorer people or concerned about the environment in adjusting countries say that adjustment is an unmitigated social and ecological disaster.®).

8 SEBASTIAN MALLABY, THE WORLD=s BANKER: A STORY OF FAILED STATES, FINANCIAL CRISES, AND THE WEALTH AND POVERTY OF NATIONS at 46 (2004) (Budget austerity, urged by the IMF and the World Bank, triggered riots in Zambia, Morocco, Bolivia and the Dominican Republic; in Sudan they precipitated the fall of a government. The Bank was accused of prescribing toxic medicine for the poor; and to a large chunk of public opinion, these attacks sounded convincing.®). See also KEVIN DANAHER, 10 REASONS TO ABOLISH THE IMF AND WORLD BANK (2nd ed.) (2004).
being 50 years is enough. Even the Bank acknowledged that changes were necessary. At a minimum, for the Bank to move forward, Structural Adjustment had to be given a more human face.

In 1995, Clinton-designated Bank President, James Wolfensohn, inherited an institution in need of new energy and a new direction. Reform became the mantra of his two-term stewardship. Paul Francis, an anthropologist working at the Bank, provides a broad overview of Wolfensohn’s new socio-economic agenda.

The Wolfensohn years (1995-2005) were a period of reinvention at the World Bank of organizational change, diversification and opening. This was reflected in increasing willingness on the part of the Bank to engage with a wider range of stakeholders, including civil society and faith-based organizations; the institution’s aspiration to become a knowledge bank; the emergence of the Poverty Reduction Strategies as the guiding frameworks for development policy and assistance; and the adoption of the Comprehensive Development Framework with its stress on country ownership and partnership, and its long-term holistic vision emphasized the interdependence of all elements of development: social, structural, human, governance, environmental, economic, and financial.

9 MALLABY, supra note 8, at 60-61. See also KEVIN DANAHER, 50 YEARS IS ENOUGH: THE CASE AGAINST THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND (1994).


11 Paul Francis, Swimming Upstream: Anthropology and Social Development at the
This is a comprehensive and ambitious agenda, but what is to be made of these initiatives? Not surprisingly, many remain skeptical. Critics on the right decry the reforms as distractions from the Bank’s core mission of fostering economic growth. Critics on the left do not necessarily disagree with the objectives of reforms, but doubt their sincerity. Harsher critics completely dismiss the possibility of any real change at the Bank, arguing that the Bank is ideologically driven and fundamentally incapable of change. Finally, others dismiss labels of poverty reduction, participation and pro-poor growth as cynical public relations ploys. There are no easy answers.

This article explores the meaning and implications of the Wolfensohn era reforms. A


13 For these critics, structural adjustment may now have a somewhat contorted human face, but it is still structural adjustment, implementing the same neo-liberal agenda of the previous era. Other contemporaneous commentators, however, struck notes of cautious optimism. MERI KOIVUSALO AND Eeva OLLILA, MAKING A HEALTHY WORLD: AGENCIES, ACTORS AND POLICIES IN INTERNATIONAL HEALTH 29 (1997) (The choice of James Wolfensohn as President raised expectations among the critics of the World Bank, especially in relation to greater emphasis on dialogue with nongovernmental actors and emphasis on poverty and social issues.).

14 Toby Carroll, Efficiency of What and for Whom? The Theoretical Underpinnings of the Post-Washington Consensus= Socio-Institutional Neoliberalism, ASIA RESEARCH CENTRE WORKING PAPER No. 122 (July 2005).

15 KOIVUSALO AND OLLILA, supra note 13 at 41 (There is also evidence that poverty reduction= is being used to justify the same old policies that used to be rationalized on other grounds.).
number of these reforms are of direct relevance to the legal academy.\footnote{American lawyers, law professors and students need to become more conversant about the workings of the World Bank. In addition to the basic literacy necessary for effective citizenship in an increasingly globalized world, Bank projects are a ready laboratory (for better or worse) for almost every topic that falls in the domain of Law & Society. Moreover, the type of institutional economics increasingly employed by the Bank, provides a more useful set of tools for lawyers and policy makers than do the more traditional microeconomic theories that dominate the Law & Economics movement.}

For example, there is a greater appreciation for the role of governance and institutions in economic development.\footnote{Omar Azfar, \textit{The NIE Approach to Economic Development: An Analytic Primer}, \textit{Forum Series on the Role of Institutions in Promoting Economic Growth} (Center for Institutional Reform and the Informal Sector, University of Maryland) (February 11, 2002) (examining the tools of institutional economics as applied to economic development).} Relatedly, there is an increased focus on stakeholder participation\footnote{Jean-Louis Sarbib, \textit{Putting People at the Center}, in \textit{Balancing the Development Agenda}, \textit{supra} note 10, at 10.} in the formulation and implementation of Bank projects.\footnote{Frannie A. Leautier, \textit{Creating the Knowledge Bank}, in \textit{Balancing the Development Agenda}, \textit{supra} note 10, at 98.} Finally, there is a growing appreciation of the role that knowledge and learning play in development efforts.\footnote{STEIN, \textit{supra} note 3, at 85 (\textit{Chapter 4: Institutions and the Missing Link@ in the World Bank Strategy}) (tracing the development of institutional economics at the Bank in contrast} This suggests a more dynamic and adaptive approach to institutions and development than past understandings. The perceptive reader may have already noted how these reforms are not just an effort to change Bank policies, but also an effort to affect deeper changes in the neoclassical economic paradigm that has historically guided Bank operations. \footnote{STEIN, \textit{supra} note 3, at 85 (\textit{Chapter 4: Institutions and the Missing Link@ in the World Bank Strategy}) (tracing the development of institutional economics at the Bank in contrast}
This article develops a relatively simple framework to model Bank behavior. The framework highlights the tension between (1) political, (2) organizational and (3) epistemic constraints as they affect the Bank’s ability to formulate and implement broad-ranging policies and reforms. International politics are mediated through the Bank’s share-based voting structure, predicated on the assumption that nation states act in what they perceive to be their own self-interest. Only creditor nations have a strong voice in Bank policy making, because votes are weighted by a country’s relative investment in the institution. Organizational constraints reflect the difficulties of any large bureaucracy to formulate and implement new policies, especially those that challenge core assumptions and past operational practices. Finally, policy reforms must be mediated through the epistemic constraints of the Bank’s staff, which is characterized here as a community of neoclassically trained economists. The dictates of traditional economic theory and the training and socialization of economists place real constraints on the Bank. Lessons drawn from the Philosophy of Science will be used to assess the ability of neoclassical economics to meaningfully incorporate and implement policies that fit more comfortably within the domains of other disciplines.

The core insight flowing from this framework is that Bank reforms face multiple constraints. First, reforms can be pushed no further than what is in the perceived collective self-interest of the majority voting constituents of Bank shareholders (political constraints). Second, reforms face the obstacles and inertia inherent in any large bureaucracy (organizational constraints). Finally, reforms are internally constrained by the dissonance they create for the
neoclassically trained economists implementing Bank policy (epistemic constraints). Each of these forces limits whatever radical potential Wolfensohn era reforms might otherwise have.

While the Bank is one of the most important international organizations in the world, it is also one of the most poorly understood. Part II provides a basic introduction to the Bank and to Wolfensohn’s reforms. It is intended to provide the uninitiated reader with sufficient literacy to understand and participate in the fundamentals of the debate. Part III develops the framework for modeling World Bank behavior, focusing on political, organizational and epistemic constraints. Part IV applies the framework to reforms promoting (1) debt relief, participation, knowledge and learning, (2) social capital theories, and (3) institutions and governance to assess the capacity for the Bank to change in these different contexts. The analysis demonstrates that change can and has happened at and through the Bank, but that such changes are typically modest, incremental and highly path-dependent. Part V argues that lasting change, if possible, will likely start outside the World Bank where such efforts are free from the Bank’s organizational and epistemic constraints. For real change to take place, new interdisciplinary approaches to development will have to be established and such policies will have to be implemented and refined by a more professionally diverse staff than currently exist at the World Bank. Such approaches, if they are to be successful, must develop an open, process-oriented framework for policy making capable of facilitating meaningful learning and adaptation.

II The ABCs of the World Bank

What Is the World Bank?21 The World Bank Group is not a bank in any traditional sense.
Legally, the World Bank is a specialized agency of the United Nations, with its own Articles of Agreement and autonomous governing structure. This structure oversees a collection of programs and funds. The two most important programs for our purposes are the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together, these programs embody what is popularly referred to as the World Bank.

The IBRD dates back to a set of international meetings held in Bretton Woods, New Hampshire in 1944. The meetings were an attempt by the allied powers to plan for the post-war international economic and financial order. The premise was that financial stability was essential for peace and security, responding to the role that monetary crises and breakdowns in international trade played in contributing to the Second World War. The primary focus of the meeting was facilitating monetary stability and the meeting’s principal accomplishment was the creation of the International Monetary Fund (IMF). The World Bank, a multilateral funding mechanism to facilitate post-war reconstruction, was also on the table, but this was only a

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22 Mason and Asher, supra note 21, at 8, 559 (outlining the World Bank’s legal status and initial relations with the United Nations).

23 The other major programs administered by the World Bank include the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

24 Kapur, Lewis and Webb, supra note 21, at 58.
secondary concern. The notion of development, with a focus on what is now referred to as the Third World (then many still colonial territories) was even further down the agenda. In the end, the parties did in fact reach agreement on both the IMF and the International Bank for Reconstruction and Development. These are sister institutions. To understand one, it is necessary to understand the other. Illustrating their close formal linkage, IMF membership is a prerequisite to membership in the IBRD. The IBRD became more commonly known as the World Bank. Suggesting their common historical roots, the IMF and the World Bank, even today, are often simply referred to as the Bretton Woods Institutions (BWIs).

Currently, the IBRD has 187 member countries. The World Bank likes to characterize itself as something like a cooperative owned and operated for the benefit of its member countries. This is partially correct, but it is not a cooperative where each member has the same voice. When countries join, they must buy a minimum subscription. Wealthier countries are allotted additional shares based upon an IMF formula reflecting the relative size of their national economies. Unlike the one-nation-one-vote rule that characterizes most international

25 Mason and Asher, supra note 21, at 21 (The first week=s discussion at Bretton Woods was devoted entirely to the Fund. Indeed, fears began to be expressed that the conference would never get around to the Bank.); Kapur, Lewis and Webb, supra note 21, at 57.

26 World Bank, International Bank for Reconstruction and Development Articles of Agreement, Article II, Section I, Membership (designating membership in the IMF as a condition for eligibility for joining the IBRD) [hereinafter IBRD Articles of Agreement].


organizations, voting at the IBRD (and IMF) is share-weighted. The more shares a country possesses, the more influential their vote. After reforms in 2010 allocating greater voting rights to China, the Bank=s leading shareholders are the United States (15.85%), Japan (6.84%), China (4.42%), Germany (4%), Britain (3.75%) and France (3.75%). Pragmatically, countries are divided between the creditor nations and the debtor nations, establishing a clear creditor-debtor, donor-donee relationship.

Countries are obligated to pay up-front only 20% of the value of their shares. The remaining amount remains callable if necessary. Significantly, the IBRD does not rely upon its shares as its principle means of financing. Most of the money the Bank lends comes from selling its own bonds in private capital markets. Since 1959, the Bank has had a AAA@ financial rating, making it a safe place to invest. The IBRD makes ÂloansÂ to member countries with

29 IBRD Articles of Agreement, supra note 26, at Article V, Section 3, Voting. See also STEIN, supra note 3, at 7.


31 IBRD Articles of Agreement, supra note 26, at Article II, Section 5, Division and Calls of Subscribed Capital. Initially, only 10% of the shares had to be paid. AYERS, supra note 4, at 58


33 KAPUR, LEWIS AND WEBB, supra note 21, at 1169. Obtaining the initial AAA rating was a substantial accomplishment. The financial community had no basis for believing that the Bank would operate in a non-political manner. MASON AND ASHER, supra note 21, at 44. Moreover, establishing the initial creditworthiness of the Bank was not an easy task. Id. at 53-54. Notwithstanding these challenges, the Bank=s claim today that its AAA@ rating is a sign of the financial strength of the loans it makes (lending only for projects that will be profitable and
the money raised by selling bonds. It earns income by maintaining a small markup on the interest rate for the money it lends, as well as earning a return on its own equity. These earnings are used to pay the Bank’s operating expenses, build further equity and make independent contributions to the International Development Association (IDA) that will be discussed shortly. This financial formula has proven durable. Member countries have paid into the IBRD only 11 billion in capital since 1946 and the Bank has been able to make over 400 billion in loans over this same period.  

The IBRD was initially intended to finance post-war reconstruction, predominantly in Europe. As history would have it, grants would replace loans in this endeavor and the Bank’s reconstruction mission would be superceded by the US Marshal Plan.  

Subsequently, as the Bank sought to redefine its mission in the 1950s, the AD (development) of the IBRD began to assume greater importance than the AR (reconstruction). It soon became clear, however, that there were serious constraints to a bank-based model of economic development. To remain financially viable, Bank loans must be repaid and borrowing countries must be charged a high enough interest rate to cover the cost of raising capital. This approach might work for middle-income developing countries, but it would not work well for the poorest and most needy

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35 *Mallaby, supra* note 8, at 22; *Kapur, Lewis and Webb, supra* note 21, at 10.
developing countries. A different model would be needed to facilitate the development of these nations.

The International Development Association (IDA) was intended to address this gap. The IDA provides no interest loans (known as credits) and some grants to the world’s poorest countries, although counties are assessed a service charge of 0.75 percent.\(^{36}\) Credits are long-term and typically have a ten-year grace period before repayment begins. Country eligibility for IDA credits is determined primarily in terms of relative poverty (a threshold Gross National Income (GNI) of $1,165 in 2011).\(^{37}\) A total of 79 countries are eligible for IDA credits. 39 of these countries are in Sub-Saharan Africa. A small number of countries such as India and Pakistan are blend\(^{\dagger}\) countries, receiving both loans from the IBRD and credits from the IDA.

Money to finance IDA credits comes from the contributions (donations) of wealthier countries.\(^{38}\) Every three years, the Bank seeks replenishments\(^{\ddagger}\) of IDA funds. The funds raised from these contributions, in addition to some independent Bank contributions from the sales of IBRD bonds and the repayment of the principle of past IDA credits define the budget for future IDA lending. IDA commitment amounted to 14.5 billion dollars in 2010, constituting about one quarter of Bank lending.\(^{39}\)


\(^{37}\) Id.

\(^{38}\) Id.

\(^{39}\) World Bank, *The World Bank Annual Report 2010: Year in Review* at 6 (2010). IBRD lending for the same year was 44.2 Billion dollars. Id. at 5. IDA lending accounted for about 24.7% of the IDA/IBRD total.
While IBRD and IDA reflect different financing mechanisms, target different countries and contain different terms, they are administered by the same Bank bureaucracy and personnel. When one reads about the World Bank, the label properly embodies both IBRD and IDA programs. Some make the analogy to different windows at the same institution. Middle income countries line up to see one teller at one window (IBRD), while poorer countries line up at a different window and see a different teller (IDA). Although the Bank may have different windows, it is still one bank with integrated personnel, administration, policies and politics.

What is the Bank’s mission? The mission of the World Bank is best understood in light of the nested relationship between the IDA, the IBRD and the IMF. Membership in the IMF stands as the gateway to membership in the World Bank. Founded at the same 1944 Bretton Woods meetings, the IMF is dedicated to creating a stable monetary environment that can facilitate international trade. The economic volatility between the two World Wars illustrated the fragility of the international trade regime and its vulnerability to short-term strategic manipulation by individual nation states. It is a classic prisoner’s dilemma. Ostensibly, all

40 Ayres, supra note 4, at 19.

41 Id. at 18 (The staff and officials of the Bank are the staff and officials of the IDA. The IDA is simply a window of the Bank.).

42 International Monetary Fund, International Monetary Fund: Cooperation and Reconstruction (1944-71) at http://www.imf.org/external/about/histcoop.htm (last visited April 14, 2011) (This breakdown in international monetary cooperation led the IMF’s founders to plan an institution charged with overseeing the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to buy goods and services from each other. The new global entity would ensure exchange rate stability and encourage its member countries to eliminate exchange restrictions that hindered trade.).

43 The energy that drove the Bretton Woods delegates to seize the moment and carry the plans through to final approval had its source in the palpable and shared experience of the Great
countries are better off cooperating to create a stable monetary/trade environment, yet countries can often obtain significant short term gains by cheating on these agreements. Cheating here takes the form of trade barriers, such as tariffs, or the devaluation of currencies.

The IMF was an institutional response to this cooperation problem. The first stated Purpose in the IMF’s Articles of Agreement is to promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems. The logic for such an organization is predicated upon standard economic theories of the benefits of comparative advantage trade. In this framework, trade is linked to economic growth and economic growth is linked to greater well-being. This linkage is reflected in the IMF’s second Purpose: To facilitate the

Depression and the world war still in progress, horrors that were widely associated with the collapse of international economic arrangements. Delegates feared, with good reason, that the failure of Bretton Woods would result in a nightmare of postwar depression and a new cycle of nationalism and war. In a 1942 memo, U.S. Treasury official Harry Dexter White outlined the components needed to rebuild the postwar economic order. No matter how long the war lasts or how it is won, we shall be faced with three inescapable problems: to prevent the disruption of foreign exchanges and the collapse of monetary and credit systems; to assure the restoration of foreign trade; and to supply the huge volume of capital that will be needed virtually throughout the world for reconstruction, relief, and for economic recovery. Mason and Asher, supra note 21, at 15 (quoting April 1942 memo Proposal for a United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations).

Kapur, Lewis and Webb, supra note 21, at 61 (They strongly felt that they all stood to gain from cooperation, and that their overriding priority should be to agree on a system that would ensure monetary order, open trade and capital flows).

International Monetary Fund, International Monetary Fund Articles of Agreement, Article I (I) [hereinafter IMF Articles of Agreement].

If countries (or individuals) specialize in what they are good at, and are able to trade on fair terms with other countries (individuals) specializing in what they are good at, then everyone should be better off than in a regime without specialization and trade.
expansion and balanced growth of international trade, and to contribute thereby to the promotion
and maintenance of high levels of employment and real income and to the development of the
productive resources of all members as primary objectives of economic policy.\textsuperscript{47}

Once inside the international trade and monetary regime created by the IMF, countries
can become members of the IBRD. The Purposes of the IBRD bear a strong historical imprint
from the 1944 emphasis on post-war reconstruction.\textsuperscript{48} The IBRD was primarily designed to help
rebuild the European counties devastated by the war, so they could become active members of
the trade community being overseen by the IMF and, therefore, share in the economic benefits of
trade. The focus of the \textit{IBRD Articles of Agreement} is on capital formation through private
investment, supplemented, when necessary, by IBRD loans. Capital is to be used to build
productive capacity and to enable trade. Trade, in turn, will facilitate growth and increase the
standard of living of member states. In highly redacted form, the IBRD is designed to help
the reconstruction and development of territories of members by facilitating the investment of

\textsuperscript{47} \textit{IMF Articles of Agreement, supra}, note 45, at Article I (ii). The remaining IMF
Purposes provide further insights into the dynamics of trade relationships and the need for formal
international institutions to surmount the difficult challenges of facilitating effective cooperation:

(iii) To promote exchange stability, to maintain orderly exchange arrangements among
members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of
current transactions between members and in the elimination of foreign exchange
restrictions which hamper the growth of world trade.

(v) To give confidence to members by making the general resources of the Fund
temporarily available to them under adequate safeguards, thus providing them
with opportunity to correct maladjustments in their balance of payments without
resorting to measures destructive of national or international prosperity. and

(vi) In accordance with the above, to shorten the duration and lessen the degree of
disequilibrium in the international balances of payments of members.

\textit{Id.}

\textsuperscript{48} \textit{IBRD Articles of Agreement, supra} note 26, at Article I.
capital for productive purposes; to promote private foreign investment; and to promote the long-range balanced growth of international trade . . . thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.\footnote{49}

There is only one phrase of the IBRD Purposes that addresses the issue of development or developing countries. The first Purpose dedicates the IBRD to facilitating the investment of capital for productive purposes but also acknowledges the need to encourage the development of productive facilities and resources in less developed countries.\footnote{50} While the needs of developing countries were not high on the agenda at the 1944 Bretton Woods meetings, the needs

\footnote{49} A complete statement of IBRD Purposes are:
(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.
(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.
(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.
(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.
(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate postwar years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above. \textit{IBRD Articles of Agreement, supra} note 26, at Article I (emphasis added).
of the poorest of poor countries became the central focus of the 1960 IDA. But what does
development mean in the context of the IDA? As clear from the foundation documents, development is all about economics. The IDA Articles state: The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world. It will accomplish these goals by providing loans (credits) on more favorable terms than the IBRD, but with the same general objective, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities. In turn, the IBRD was designed to be the companion organization to and further the purposes of the IMF.

Understanding the history and the nested nature of these institutions is important to understanding the evolution of World Bank policies and objectives. This section is written in a manner that tries to simplify and make transparent the economic underpinnings of these organizations. The foundation documents of these institutions, however, reveal much deeper

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50 Id. at Article I (i).

51 A complete statement of IDA purposes is as follows:

The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities.

The Association shall be guided in all its decisions by the provisions of this Article World Bank, International Development Association Articles of Agreement, Article I [hereinafter IDA Articles of Agreement].

52 Id. at Article I.
truths. The World Bank is an unmistakable product of the economic worldview of the western allied powers, forged at a time of war and reflective of the deeply embedded political economy of the United States and western European countries. This is not a trivial or inconsequential observation. Ideas matter, and these deeply embedded worldviews shape our cultural understandings. In the western tradition, money, markets and economic transactions have had (and continue to have) a profound impact in our thinking about ourselves, our society and our politics. As such, Bank policies and rhetoric cannot be interpreted in isolation, but must always be filtered through the political-economic worldview of western states.

This worldview reflects a particular view of the relationship between the state and the market, stressing the virtues of private markets over a minimalist state. Internationally, this

53 Richard Tarnas, The Passion of the Western Mind: Understanding the Ideas that Have Shaped Our World View (1991) (providing an intellectual history of the powerful ways that particular ideas have shaped western civilization).


55 There is growing appreciation for how economics as an academic discipline also functions as a worldview. Uskali Maki, The Economic World View: Studies in the Ontology of Economics (2001) (examining how the ontological presuppositions of economists shape their theories and beliefs). Not surprisingly then, western approaches to economic development, often without conscious recognition, frequently project these embedded values and assumptions onto third world countries. Ozay Mehmet, Westernizing the Third World: The Eurocentricity of Economic Development Theories (1995) (providing a fundamental critique of modern development theory for projecting its own subjective and normative beliefs on the residents of developing countries).

56 These are intended to be descriptive, rather than normative observations. Much can be said in support of the central tenets of the western economic worldview. Well-functioning markets, the flow of private capital, investment in productive capacity and free international trade
worldview is committed to principles of comparative advantage trade and the free flow of capital. Therefore, when one is trying to understand Bank documents and policies, one must reflectively think in these linked economic terms. Economic development means facilitating economic growth. Facilitating economic growth is the primary mechanism to fight poverty. From this perspective, poverty reduction sits at the end of this long chain of nested economic analyses and does not exist as an end unto itself.57

Indeed, despite its current prominence, poverty reduction has not always been the self-defined mission of the World Bank. A specific concern for poverty is never once expressly mentioned in the Purposes section of the Articles of Agreement of either the IBRD or the IDA, can and has produce substantial economic growth in many settings. Economic growth, in turn, can lift the standard of living. Improved standards of living can reduce poverty. Moreover, there are times when these theories and claims function in the straightforward manner of economics as an academic discipline. There are other times, however, when these claims function at a deeper social and psychological level as a worldview. In trying to understand the work of the World Bank, the reader needs to become sensitive to how economics works at each of these different levels. 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 155-58 (Peter J. Hammer, ed.) (2009) (examining how development economics functions as a worldview and how this shapes development policy).

Rhetorically, however, the Bank often uses catchphrases that are employed in the absence of broader context. For example, the Bank often speaks of poverty and poverty reduction without reference to the Banks implicit set of economic beliefs. On its main web portal under the legend of The World Bank, one now finds the moto: IBRD and IDA: Working for a World Free of Poverty. See World Bank, World Bank at http://www.worldbank.org/ (last visited April 14, 2011). This is a laudable goal. But the Bank=s commitment to poverty reduction cannot be viewed in isolation. Claims about poverty reduction must be filtered through a particular set of economic assumptions about the role and function of economic markets as they relate to the state. The uninitiated reader, thinking abstractly about poverty and poverty reduction, might easily follow defensible lines of logic that would quickly lead them far outside the bounds of what could ever be embraced as part of the contemporary World Bank agenda. The same caution applies to understanding other catchphrases such as participation, country ownership and pro-poor growth.
although references are made to improving standards of living. Not surprisingly, like any institution that has been around for over sixty years, the Bank has gone through many different phases and transitions and has made numerous attempts to redefining itself and its core mission.

*How has the World Bank sought to accomplish its mission?* In understanding how the Bank has sought to accomplish its mission, it is useful to distinguish between tools and theories. In terms of tools, the Bank has the ability to provide loans, credits and grants. Furthermore, the Bank has the ability to provide countries with technical assistance, policy advice and engage in country dialogues. At least in the later phases of its existence, the Bank has also striven to be the authoritative international voice defining what economic development is and what the

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58 KAPUR, LEWIS AND WEBB, *supra* note 21, at 52 (The Bank’s Articles of Agreement contain no reference to poverty or to related notions such as social welfare or equity, and to judge by the almost two thousand pages of published documents and proceedings of the Bretton Woods meetings, the conference payed only passing reference to the concept of relative need. The first twenty-six annual reports of the Bank barely touch on the concept.®).  

59 In speaking about International Organizations, it is useful to distinguish between the entity’s formal mandate and its effective mandate. The formal mandate is reflected in its foundation documents, such as the *IMF, IBRD and IDA Articles of Agreement*. The effective mandate defines a contemporary understanding of the organization’s mission, goals and actions. The discussion here so far has focused on these institution’s formal mandates, in part, because such mandates are more reflective of the embedded political economies in which these institutions are grounded. While poverty reduction is not a part of the Bank’s formal mandate, it has episodically come to the forefront of the Bank’s effective mandate. For a discussion of the difference between formal and effective mandates in the arena of international public health see Kelley Lee, Sue Collinson, Gill Walt and Lucy Gilson, *Who Should be Doing What in International Health: A Confusion of Mandates in the United Nations?*, 312 *BRITISH MEDICAL JOURNAL*, 302-07 (Feb, 3, 1996).  

60 AYERS, *supra* note 4, at 19.  

61 *Id.* at 46-49.
development agenda should be. In this capacity, it employs its internal research services and its flagship publication the *World Development Report*. When working well, the Bank’s loans, technical assistance and intellectual leadership function in an integrated and coordinated fashion to effectuate its broader development objectives, although we will see how the Bank’s own objectives have repeatedly shifted over time.

There are many different types of Bank loans. There is project lending, specific loans designed to fund specific projects, whether it is a road, a dam or a power plant. There is lending with a sector or institutional focus, such as reorganizing a country’s energy or intellectual leadership in the field of economic development was aggressively promoted by McNamara. Kapur, Lewis and Webb, supra note 21, at 17.

Ayers, supra note 4, at 20.

The terminology employed by the Bank has changed over time. George and Sabelli provide a useful summary of the types of loans traditionally provided by the Bank. George and Sabelli, supra note 1, at 16-19 (detailing project lending, sector lending, institutional lending and structural adjustment lending.). Sector, institutional and structural adjustment lending now appear to be collectively referred to as “Investment and Development Policy Operations.” See World Bank, *World Bank: Projects and Operations* at http://go.worldbank.org/I0ICQQ8X50 (last visited April 15, 2011). “Investment operations focus on the long-term (5 to 10 years) and finance goods, works and services that support economic and social development projects. These investment projects encompass a broad range of sectors from agriculture to urban development, rural infrastructure, education and health.” Id. Originally designed to provide support for macroeconomic policy reforms, development policy loans, credits and grants now focus more on structural, financial sector and social policy reforms improving, for example, the management of public resources, the functioning of the judiciary or promoting good governance.” Id. For clarity and historical continuity, this article will employ the more traditional terminology and categories of project, sector and structural adjustment.

agricultural policies, or establishing new systems for the regulation of public utilities.\textsuperscript{66} The content of these loans is heavily influenced by the Bank’s technical analysis and its own view on proper domestic policy. It is not surprising, therefore, that these loans often contain conditions that require the borrowing countries to implement policy reforms that are consistent with what the Bank believes (at that time) to be sound economic principles. The most dramatic examples of conditionality were the Structural Adjustment Programs (SAPs), where loans intended to relieve a country’s external debt burden were conditioned on substantial changes in the country’s entire macroeconomic agenda, including fairly aggressive cutbacks in government programs and the implementation of fiscal austerity programs.\textsuperscript{67}

The Bank makes numerous attempts to coordinate its policies and actions. At the country level, the Bank sponsors the preparation of Country Assistance Strategies (CAS), comprehensive reports designed to outline intermediate and long-term development goals for the borrower.\textsuperscript{68} In theory, all individual country loans must be consistent with the CAS. The Bank also does development research on a sector-by-sector basis, attempting to define best practices and identify

\textsuperscript{66} KAPUR, LEWIS AND WEBB, supra note 21, at 516-18.

\textsuperscript{67} Id. at 522-44. See also KOIVUSALO ANDOLLILA, supra note 13, at 31-33.

\textsuperscript{68} Country Program Papers (CPP) started in 1968 under McNamara. KAPUR, LEWIS AND WEBB, supra note 21, at 244; AYERS, supra note 4, at 70-71. The Bank also produced Country Economic reports. AYERS, supra note 4, at 31-32. This practice is now embodied in the Country Assistant Strategies (CAS), which, in recent years, have sought to integrate greater country involvement and participation pursuant to the Poverty Reduction Strategy Papers (PRSPs). See World Bank, World Bank: Projects and Operations & Country Assistant Strategies at http://go.worldbank.org/4M75BI76J0 (last visited April 15, 2011). For a more detailed assessment of the PRSPs see infra Part IV.A.1.
appropriate strategies for future lending. Finally, the Bank seeks to lead internationally, defining the global development agenda. This leadership role is assumed by the Bank’s research function generally, but most specifically in the annual publication (since 1978) of the *World Development Report*. These Reports identify important issues and themes in development and assert the Bank’s position as a technocratic authority in the field.

*Where is the Bank leading development?* The assertion of leadership begs the question of what direction the Bank should lead. Ultimately, the Bank’s tools must be guided by policy and theory. The Bank’s dominant development focus, however, has shifted over time. From the perspective of economic theory, there has been a thematic shift in the Bank’s emphasis from (1) physical capital to (2) human capital, to (3) structural adjustment (macroeconomic policy), and,  

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69 *Ayers, supra* note 4, at 32-34 (discussing the Bank’s Economic and Sector Work (ESW)).

70 *Mallaby, supra* note 8, at 70-71 (The Bank’s research department enjoyed a clear intellectual supremacy over nongovernmental aid groups, United Nations agencies, and even top flight universities; it hired some of the best academics in the world, supplied them with copious research funds, and left them to push back the horizons of development thinking. @).

71 The various topics that have been covered by the *World Development Reports*, as well as copies of the reports themselves are available at http://go.worldbank.org/LOTTGBE910 (last visited April 14, 2011).

72 *Mallaby, supra* note 8, at 205 (describing a movement at the Bank from physical capital to human capital to social capital). *See also* Anthony Bebbington, Scott Guggenheim and Michael Woolcock, *The Ideas-Practice Nexus in International Development Organizations: Social Capital at the World Bank*, in *The Search for Empowerment: Social Capital as Idea and Practice at the World Bank* at 11 (Anthony Bebbington, Michael Woolcock, Scott Guggenheim and Elizabeth Olson eds.) (2006) (describing four phases of Bank operations: 1) ADevelopment is about engineering and physical infrastructure, @ 2) ADevelopment is about poverty (version 1) @ (McNamara); 3) ADevelopment is about policy reform @ (structural adjustment); and 4) ADevelopment is about poverty (version 2) @ (Wolfensohn)) [hereinafter Bebbington, Guggenheim and Woolcock, *Ideas-Practice Nexus*].
finally to (4) social capital.\textsuperscript{73} In broad strokes, the focus on physical capital marked the initial orientation of the Bank in the 1940s, 1950s and early 1960s.\textsuperscript{74} From an economic perspective, this was an era dominated by Import Substitution Industrialization (ISI) theories\textsuperscript{75} and the Harrod-Domar capital growth model.\textsuperscript{76} From a project perspective, this was an era of large,

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\textsuperscript{73} These four phases tell a simplified story in order to emphasize general trends. In truth, the seeds for each new phase can often be found in previous periods. Moreover, each new phase represents an organic layering that does not necessarily displace past practices. For example, lending for softer social projects started in the Woods Presidency with the initiation of the IDA, before taking full form in the McNamara era. \textit{Kapur, Lewis and Webb, supra} note 21, at 15-16. Similarly, lending for structural adjustment began in 1979 with McNamara, before becoming a defining characteristic of the Washington Consensus. \textit{Id.} at 22; \textit{Ayers, supra} note 4, at 42; \textit{Mallaby, supra} note 8, at 36-37. Finally, experiments with participation, social development and institutional economics pre-date Wolfensohn. \textit{Kapur, Lewis and Webb, supra} note 21, at 40 (discussing history of participation in Bank projects); \textit{Stein, supra} note 3, at 26 (dating important precursors of the social development agenda to 1989). This is not surprising. When new leadership wants to take an organization in a different direction, they will often build upon some aspect of existing tools and programs. It is also important to note that lending for infrastructure and physical capital has played a substantial role throughout the Bank=s history. \textit{Ayers, supra} note 4, at 232 (it may be estimated that considerably more than one-half and perhaps as much as two-thirds or more of combined Bank and IDA lending remained traditional at the end of the McNamara presidency.\textsuperscript{@}). Finally, as we will see\textit{ infra} Part IV.B. it is an exaggeration to claim that social capital theories ever became a defining tenet of Bank thinking.

\textsuperscript{74} \textit{Stein, supra} note 3, at 10 (eighty-three percent of all pre-IDA loans to poor countries went to power and transportation projects; not a single loan was for education, health, or other social sectors.\textsuperscript{@}) (reference omitted); \textit{Mallaby, supra} note 8, at 22-23; \textit{Kapur, Lewis and Webb, supra} note 21, at 8.


\textsuperscript{76} \textit{Stein, supra} note 3, at 18-19 (explaining basics of the Harrod-Domar growth model). \textit{See also John Toye, Dilemmas of Development} at 22 (\textit{Chapter 2: Development Policy in the Shadow of Keynes}) (examining the influence of Keynes on post-war theories of economic development).
ambitious infrastructure and energy initiatives. Under President McNamara (1968-80), a stronger emphasis was placed on human capital theories.\textsuperscript{77} After nearly thirty years in existence, poverty alleviation was now formally trumpeted as the central mission of the Bank.\textsuperscript{78} Human capital theories led the Bank into greater involvement in the social sectors of developing countries. In terms of projects, the Bank started investing in education and health, particularly as it related to population control.\textsuperscript{79}

In the 1980s, the focus on human capital was abruptly changed to a focus on pro-growth macroeconomic policies, as embodies in the Structural Adjustment Programs (SAPs).\textsuperscript{80} World Bank lending was conditioned upon borrowing countries adopting economically conservative and far-reaching reforms of domestic policy. For example, countries had to commit to fiscal discipline, making sharp cuts in government spending, including spending on health, education and other building blocks of human capital.\textsuperscript{81} Other aspects of structural adjustment included privatizing state-owned industries and even, in some instances, privatizing the provision of traditional public goods, such as water and sanitation.\textsuperscript{82} Countries had to cut back on regulations and subsidies and open their economies to more imports and greater direct foreign investment.

\textsuperscript{77} Ayers, supra note 4, at 1-3, 41; Mallaby, supra note 8, at 34.

\textsuperscript{78} Mallaby, supra note 8, at 35 (discussing McNamara=s 1973 Nairobi speech).

\textsuperscript{79} Ayers, supra note 4, at 5-6; Stein, supra note 3, at 15.

\textsuperscript{80} Kapur, Lewis and Webb, supra note 21, at 516-44.

\textsuperscript{81} MacLeans A. Geo-Jaja and Garth Mangum, Economic Adjustment, Education and Human Resource Development in Africa: The Case of Nigeria, 49 International Review of Education 293, 301 (2003).

\textsuperscript{82} Kuonqui, supra note 75, at 13.
There was little discussion during this period of poverty. Indeed, SAPs often resulted in greater suffering for the country’s poor and vulnerable populations. UNICEF and other organizations were highly critical of World Bank and SAPs. In response to this backlash, the Bank endeavored to put a more human face on structural adjustment, rediscovering, among other things, their commitment to poverty alleviation.

Crisis creates opportunity. The stage was set for yet another shift in World Bank development focus. Starting in the early 1990s and continuing through the Wolfensohn Presidency (1995-2005), interdisciplinary theories of social capital and institutional economic theories of governance gained prominence. Social capital theories acknowledge a wide and complex range of factors that contribute to economic development. In addition, there was a greater appreciation at the Bank of the role of governance and institutions in economic growth, as well as a recognition of the role that civil society and participation can play in fostering development. Finally, there was a realization that learning and knowledge must be

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83 STEIN, supra note 3, at 38 (During the 1980s the Bank all but forgot the problem of poverty.); KAPUR, LEWIS AND WEBB, supra note 21, at 25.

84 CORNIA, JOLLY AND STEWART, supra note 7.

85 KAPUR, LEWIS AND WEBB, supra note 21, at 28-29; MALLABY, supra note 8, at 46-47.

86 MALLABY, supra note 8, at 228-31.

87 See infra notes 344-46 and accompanying text.

88 MALLABY, supra note 8, at 175, 218-19.

89 Id. at 202-06.
incorporated into strategies for development. The sustainability of these reforms, versus the real possibility that the Wolfensohn era too may simply melt into the next phase of the Bank’s vacillating theories of development lies at the heart of our present inquiry.

What is to be made of this shifting set of dominant theories of economic development? At least two competing narratives are possible. The technocratic narrative is that each phase represents the consensus thinking of economic development in each period. Development policy, which is now largely dictated by the Bank itself, embodies the best of contemporary economic understanding of what policies are most likely to produce economic growth. The Bank’s policies change as the consensus of expert opinion change. The alternative narrative is more heretical from an economic perspective. The starting premise of this narrative is not authoritative expertise, but ignorance. This narrative stresses how little we really know about development and how difficult the challenges actually are. Development is a complex and perhaps, in some situations, intractable problem. From this perspective, there is no authoritative expert consensus to guide policy. When the Bank’s dominant theorizing shifts from one set of beliefs to another, from this perspective, something other than expert knowledge and empirical evidence must be in play. The merits of these different narratives should be kept in mind as we move to build a framework for modeling Bank behavior.

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90 Id. at 158-61.
III A Framework for Modeling World Bank Behavior

The World Bank is a complex institution. This framework highlights the overlapping effects of 1) political, 2) organizational and 3) epistemic constraints. Political concerns reflect the demands and pressures placed upon the Bank as an actor in the international community. Organizational concerns reflect the capacities and limitations derived from the Bank as an institution, with its specific structure, staff, management and internal politics, policies and procedures. The epistemic concerns reflect the direct and indirect effects that neoclassical economics has upon the Bank, as a matter of theory, worldview and the socialization of economists.

These domains constitute sets of independent and overlapping influences. At times, politics may be an independent concern, separate and apart from organizational and epistemic considerations. In other ways, political and organizational concerns, or political and epistemic concerns can interact in important ways. The role of the Executive Directors and the share-weighted voting system are obvious illustrations of how organization and politics overlap. Epistemic and political concerns can overlap in less obvious, but no less important ways. A particular economic worldview is embedded in western politics, embodying a specific template for the proper relationship between the state and the market. This limits the set of potential economic theories that can be considered viable and constrains the Bank’s ability to learn and adapt to empirical information that is dissonant with the tenets of its dominant political economy.

91 This approach favors synthesis and inclusion and is intentionally under-determined. What combination of political, organizational and epistemic concerns are most relevant will depend on the particulars of the problem at hand. Moreover, different academic disciplines will likely highlight different aspects of the internal and external dynamics.
Similarly, we will see how changes in the composition of Bank management and staff, over time, have led to an increasing role for economists within the institution. This introduces new pathways for the overlap of organizational and epistemic concerns, particularly as it impacts the Bank’s research function and the generation of ideas.

A Overlapping Political, Organizational and Epistemic Concerns

1 Political Constraints

The international political economy of development is mediated through the Bank’s formal structure and voting rules, as well as its informal norms and understandings. The World Bank’s structure shares much in common with that of a private corporation. Rather than a Charter or a Constitution, the IBRD and IDA have Articles of Agreement. The member states form a Board of Governors that meets once a year. 92 The Board of Governors elect a set of Executive Directors, that meet on a more frequent basis and monitor the operations of the Bank. 93 The Executive Directors appoint a President, who functions as the CEO of the organization. 94 In turn, the President oversees an extensive administrative bureaucracy.

One of the most distinguishing features of the World Bank as an international

92 MASON AND ASHER, supra note 21, at 63 (noting that the size of the Board of Governors and its infrequent meetings undermine its capacity to be a governing body).

93 The Executive Directors serve as the Areal® governing authority, being small enough to serve as a functioning deliberative body and meeting frequently enough to monitor effectively. Id. at 63. See also MALLABY, supra note 8, at 161-62.

94 IBRD Articles of Agreement, supra note 26, at Article V, Section 5, President and Staff.
organization is its share-based voting. Unlike the United Nations and most other international organizations, such as the World Health Organization, decision making at the World Bank is not dictated by a one-country-one-vote formula. Like its sister Bretton Woods Institution, the IMF, Bank voting is share-weighted. The more shares a country has, the more its vote counts. This share-based voting is also reflected in the election of the Executive Directors. There are twenty-four Executive Directors. The five largest shareholders each get to appoint one Executive Director. The remaining Executive Directors are selected through a complicated process intended to afford broad geographic representation. Again, shares, not Directors dominate this process. Each Director votes as a unit the number of country shares producing that Director=s initial election.

There are ways, however, in which the World Bank is not like a private corporation. Unlike Executive Directors in most private corporations who are distant, part-time overseers of corporate operations, Executive Directors at the Bank work in a full-time capacity and are heavily involved in certain aspects of Bank operations. Formally, all significant Bank decisions, including loans, must be presented to the Executive Directors for approval. But the

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95 KAPUR, LEWIS AND WEBB, supra note 21, at 1165-66; MALLABY, supra note 8, at 21; AYERS, supra note 4, at 59.

96 IBRD Articles of Agreement, supra note 26, at Article V, Section 4(b)(I).

97 Id. at Article V, Section 4(g).

98 Id. at Article V, Section 4(e) (The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.).

99 Id. at Article V, Section 4(a) (The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers
power of the Executive Directors should not be overstated.\textsuperscript{100} In an important early power struggle between the Executive Directors and the President, operational authority was vested in the President and Bank staff.\textsuperscript{101} While the Executive Directors must approve all loans, they have no operational authority to propose projects of their own.\textsuperscript{102} Nevertheless, powerful Executive Directors, such as the Director from the United States, can still exercise significant influence over the institution.\textsuperscript{103}

dele gated to them by the Board of Governors.\textsuperscript{@}).

\textsuperscript{100} Ayers reports that the Executive Directors did not exercise substantial influence in the McNamara years. The executive directors, however, seemed to have relatively little power in McNamara=s Bank. The Bank was very much a management run institution.\textsuperscript{@} Ayers, supra note 4, at 66. During the course of the research for this study no single instance was discovered of a project being turned down by the directors.\textsuperscript{@} Id. See also William Ascher, New Development Approaches and the Adaptability of International Agencies: The Case of the World Bank, 37 INTERNATIONAL ORGANIZATIONS 415, 421 (1983) (In practice, the Executive Directors veto a project only under extraordinary circumstances and have virtually no opportunity to initiate consideration of specific projects.\textsuperscript{@}) [hereinafter Ascher, Adaptability of International Agencies].

\textsuperscript{101} Kapur, Lewis and Webb, supra note 21, at 4 (But the pro-management tilt of power within the Bank was accentuated when, in 1947, the second president, John McCloy, imposed an agreement on the Executive Board that blocked it from taking operational initiatives. Henceforth, all loan proposals would have to come from the staff, that is, management.\textsuperscript{@}); Mallaby, supra note 8, at 21.

\textsuperscript{102} Kapur, Lewis and Webb, supra note 21, at 1162.

\textsuperscript{103} When the U.S. government is adamantly opposed to World Bank lending to a given country and successfully blocks such lending, the result is more likely to be that the loan proposals simply do not make it through the process to the point of Executive Board decision.\textsuperscript{@} William Ascher, The World Bank and U.S. Control, in The United States and Multilateral Institutions: Patterns of Changing Instrumentality and Influence (Margaret P. Karns and Karen A. Mingst, eds.) at 124 (1990) [hereinafter Ascher, World Bank and U.S. Control]. Any signal of displeasure by the U.S. executive director has an almost palpable impact on the Bank leadership and staff, whether the signal is an explicit complaint or simply the executive director=s request for information on a problem.\textsuperscript{@} Id. See also Ayers, supra note 4, at 57 (There is no doubt, however, that the U.S. government retains an extremely important,
Formally, the President of the World Bank is elected by the Executive Directors.
Informally, there has been a common understanding that the United States selects the President of the World Bank. Each President of the World Bank has been an American (by birth or naturalization). The U.S. executive department most involved with the selection of the Bank President and monitoring Bank policies is the Treasury Department. This makes Wall Street and private financial interest the most active domestic constituent involved with Bank policy. Many of the Bank’s past Presidents have come from the private banking community. The adoption of the IDA in 1960 and the need to seek replenishments every three years, however, opened up avenues for the U.S. Congress (the largest IDA contributor) to exercise its own political influence. Finally, in recent years, the Bank has also been the target of NGO activism and special interest lobbying, further broadening the range of potential domestic constituencies. It is probably safe to say, however, that most American citizens have no real
decidedly preeminent role in the operations of the Bank.\footnote{Ascher, \textit{World Bank and U.S. Control}, supra note 103, at 125 (AA second, nearly formal device is the privilege of the U.S. president to select the president of the World Bank based on a general understanding rather that the Articles of Agreement.).}

\footnote{Mallaby reports how Wolfensohn, an Australian by birth, became a naturalized American citizen in the late 1970s to hopefully boost his chances to become World Bank President when McNamara was considering resigning. \textit{MALLABY}, \textit{supra} note 8, at 39-40.}

\footnote{KAPUR, LEWIS AND WEBB, \textit{supra} note 21, at 1164 (describing how the Treasury Department won out over the State department in the 1940s in structural affiliation for Bank oversight). \textit{But cf.} Ascher, \textit{World Bank and U.S. Control}, \textit{supra} note 103, at 123-24 (detailing how the U.S. Executive Director at the World Bank reports to the Secretary of Treasury, but that a broader intergovernmental Working Group helps shape U.S. policy.).}

\footnote{Ascher, \textit{World Bank and U.S. Control}, \textit{supra} note 103, at 118.}

\footnote{MALLABY, \textit{supra} note 8, at 6-7.}
idea what the World Bank is or what it does.

How is political influence exercised at the World Bank? Politics pervades almost every aspect of the World Bank. Indeed, the very conception and founding of the IMF and the World Bank were very political acts. Politics can play out at a number of different levels: the meta-orientation of the institution, the dominant Bank policies pursued at any given time, the particular projects and programs funded, the appointment and retention of personnel, and the research agenda and economic theories promulgated by the bank, such as those featured in the annual *World Development Report*. ¹⁰⁹ Some of these levels are more deeply embedded than others, and therefore subject to different levels of observation and change. The nature and mechanism of the political influence will depend upon the issue and context. The following analysis is intended to be suggestive and not exhaustive.

The origins and nested nature of the IMF, IBRD and IDA are reminders of the fact that these institutions are situated within a particular western political economy. At a foundational level, these institutions are dedicated to a western-liberal view of market-based economics. ¹¹₀

¹⁰⁹ The *World Development Report* serves as a good example of the tension between the Bank’s technical and political objectives. Conversely, the Bank tries to present itself (and its researchers) as autonomous of any one government, as making up its own mind about what is the best for development according to the evidence and best technical research; but in practice it must often bend to the efforts of the US Treasury and US NGOs (sometimes pushing for the same thing, sometimes different things) to get it to endorse their agendas, while pretending that it makes up its own mind. @ Robert Hunter Wade, *Making the World Development Report 2000: Attacking Poverty*, 29 *World Development* 1435, 1440 (2001) [hereinafter Wade, *Attacking Poverty*]. This tension, however, pervades all of the Bank’s work.

This economic worldview was shaped by the historical experience of Western European and North American industrialization. It embodies an intrinsic faith in the primacy of economic markets and the long-term benefits of comparative advantage trade. At the same time, it is important to avoid the impression that there is a consensus on these issues within or between western societies. Huge battles have been and still are waged between free trade and protectionist instincts, and over the role of the state and its relationship to the market. When dealing at the level of deeply embedded worldviews, one must be comfortable with a framework that permits intense intra-paradigm disputes and a dynamic capable of encompassing everything from Keynesian state interventionist policies to the minimalist state in the Reagan-Thatcher tradition. 111 Despite wide disagreements about particular policies, there is still substantial agreement within and between western societies about the virtues of well-functioning markets and the benefits of free trade.

The degree of Western consensus is best illustrated by contrasting Western economic beliefs with the Marxist-Leninist-Maoist views of capitalism championed by the Soviet Union and later China after World War II. It is telling that while the Soviet Union was involved in the 1944 meetings and forced a number of concessions, it did not join either Bretton Woods Institution after the war. 112 The People’s Republic of China did not become a member of the paradigms endure and change is not only an effect of such struggles among members of communities. Deeper cultural and political economic structures influence what is and is not debatable, and what is or is not practicable. 112

111 See infra notes 247-54 and accompanying text.

112 Mason and Asher, supra note 21, at 3.
World Bank until 1980.¹¹³ Russia did become a member of the IMF and World Bank until 1992.¹¹⁴

The creation of the IMF was a recognition that international institutions were needed to facilitate effective monetary cooperation between developed countries. The IBRD was initially focused on reconstructing the damaged West, not developing the impoverished south. Not surprisingly, the movement from western reconstruction to southern development and the 1960 formation of the IDA were heavily influenced by the politics of the Cold War.¹¹⁵ As such, economic development, at least of the kind stewarded by the World Bank, was in the perceived self-foreign-policy-interest of western countries, extending the scope of western markets, and buying allies in the ideological struggle with Communism.¹¹⁶

There are times when politics can get ahead of the economics. H.W. Arndt traces the intellectual history of economic development.¹¹⁷ As a distinct discipline, the field did not exist in any meaningful sense at the time of the 1944 Bretton Woods meetings.¹¹⁸ This

¹¹³ KAPUR, LEWIS AND WEBB, supra note 21, at 1228.

¹¹⁴ Id. at 1233.

¹¹⁵ MALLABY, supra note 8, at 26.

¹¹⁶ AYERS, supra note 4, at 226-27 (explaining McNamara=s anti-poverty agenda from the perspective of defensive modernization).


¹¹⁸ What, before 1945, did the mainstream of Western economists have to say about underdevelopment outside Europe and development economics? The answer is, very little. . . [a]s professional economists, they had, until World War II, almost nothing to say about what we now call the Third World, its problems and its future. Id. at 29-30. See also MALLABY, supra note 8, at 16 (In 1948, Paul Samuelson published the first edition of his classic economics textbook. It contained less than three sentences on development. ).
anticipates a problem we will examine shortly. Political needs can be a stimulus for epistemic change. Now that economic development was a political goal of the west, what should be the economic content of development policy? Similarly, how does the wider discipline of neoclassical economics go about creating a new sub-discipline of development economics? What role should the World Bank itself play in these processes?

Following the Cold War theme to its conclusion, the demise of the Soviet Union opened new political and disciplinary economic opportunities in the 1990s. The defensive political motivations for development were gone. Space was free to move policy in new directions. Moreover, a significant new problem had to be addressed—the needs of transition economies. How (or even) could one move from centrally-planned economies to market-based economies? This new political need created a window for changes in the economics, as well as the politics of development, facilitating a greater role for institutional economics and theories of governance.

Earlier, we highlighted a series of shifting policies pursued by the World Bank—a focus on physical capital (1950s to early 1960s), human capital (mid 1960s to 1970s), macroeconomic structural adjustment (1980s to early 1990s) and social capital (early 1990s to present). What are the possible relationships between politics and these changes in economic policy? I do not want

119 Bebbington, Guggenheim and Woolcock, Ideas-Practice Nexus, supra note 72, at 11 (The end of the Cold War ushered in a new, if somewhat delayed and ultimately contested, period for reframing the problem of and solution(s) to development.®).

to imply a direct causal relationship, but there is a general correspondence between changes in international economic policy and shifts in the domestic politics of Western developed countries over the same period, albeit with a slight lag. Given that Western democracies are the building blocks of the Bank’s share-weighted voting structure, such a correspondence is not surprising. It also reflects an unfortunate tendency to perceive the economic problems of developing countries through the dominant lens of contemporary domestic economic understandings of the developed world. This implies the absence of substantial independent intellectual content in development economics or much careful attention to the actual needs of developing countries themselves.

Especially at the conception of the World Bank, there was a tendency to form development economics out of the residuals of prevailing domestic policies in developed countries. The focus on physical capital and infant industry protection was consistent with the Keynesian state-interventionist policies that held sway in the immediate pre- and post-war years. It is also not surprising that the Bank embarked on large infrastructure projects at the same time European infrastructure was being rebuilt and the US interstates were being constructed under Eisenhower. The focus on human capital and subsequently poverty alleviation was in step with Johnson’s “Great Society” program in the 1960s. The 1968 appointment of Robert MacNamara as President of the World Bank and his emphasis on poverty was also consistent with a policy of defensive modernization is the fight against communism in the midst of the Vietnam War. The radical shift of the 1980s Structural Adjustment Programs was partly driven by increasing international debt burdens, but also the fiscal austerity and anti-statist

\[121\] TOYE, supra note 76, at 22-46.
policies of the Reagan-Thatcher Era. Finally, one can see a resonance between social capital\textsuperscript{2} theories and the \textquotedblright Third Way\textquotedblright politics of the Clinton-Blair years, as well as the pragmatic problems raised by transition economies.\textsuperscript{122}

Not surprising, there are more direct ways that politics can influence the Bank at both a country-by-country and a program-by-program basis. Ayers provides a number of examples of this type of political influence in the 1970s.

Judged solely on the basis of where the World Bank under McNamara put its money, the United States was an effective prosecutor of its interests at the Bank. American conservatives have failed to note that there was no new lending to Allende=s Chile, that there was sharply curtailed lending to Peru following nationalization of the International Petroleum Company, and that there was no lending to Peronist Argentina from 1973 to 1976 (it resumed when the generals returned).\textsuperscript{123}

Mallaby outlines more recently the politics of how the Bank was brought into Bosnia for reconstruction in the Clinton years\textsuperscript{124} and kept out of initial Iraq reconstruction under Bush.\textsuperscript{125} Mallaby further details the complicated (and from his viewpoint unfortunate) politicization of particular projects in China for what it might do to Tibetan interests.\textsuperscript{126} There is nothing

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\item \textsuperscript{122} For a similar analysis of Bank developments in light of western political trends see Mallaby, \textit{supra} note 8, at 255.
\item \textsuperscript{123} Ayers, \textit{supra} note 4, at 234.
\item \textsuperscript{124} Mallaby, \textit{supra} note 8, at 117-44.
\item \textsuperscript{125} Id. at 364-67.
\item \textsuperscript{126} Id. at 270-76.
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shocking or necessarily inappropriate about these incidents. They simply serve as a reminder that the Bank works in a contested political environment and that, particularly in light of the Bank’s share-based voting structure, Bank policy will be influenced by shareholder politics in those instances where shareholders have strong political interests. More recent developments, however, illustrate a broadening of potential political constituencies as NGOs and other members of global civil society exercise greater political influence through and against traditional nation states.

Politics can also extend to the level of personnel, illustrating links between political and organizational concerns. Obviously, the appointment (and decision whether to reappoint) the Bank President is an opportunity for political influence. Mallaby tells the story of the intense lobbying James Wolfensohn went through to obtain the position. The appointment and subsequent resignation of Paul Wolfowitz further illustrate the interplay between politics, policy and personnel. Mallaby describes how some Bank officials are more concerned about pleasing their own superiors or influential Executive Directors than pleasing their country clients. There is also the possibility that unpopular Bank officials might be removed because of political pressure. Robert Wade tells of a deal being struck between Wolfensohn and Larry Summers,

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127 Id. at 74-83.


129 MALLABY, supra note 8, at 149 (If you were preparing a health project in Peru, the opinion of the Norwegian director on the Board mattered more than the opinion of Peru=s health ministry.®).
then US Secretary of the Treasury, where Wolfensohn=s reappointment was obtained at the price of his obtaining the resignation of Joseph Stiglitz, the Bank=s controversial Chief Economist and outspoken critic of IMF policies. 130 Wolfensohn denies the story. 131 The larger point remains, however. The boundary between the political and the organizational realm is a porous one, and selection of personnel is an important instrument in influencing the future direction of Bank policy. Our later discussion of the role that economists play at the Bank will illustrate similar interrelationships between political and epistemic concerns, suggesting how politics can influence the research agenda of the Bank, as well as the substance of its official reports.

2 Organizational Constraints

What are the internal factors that influence Bank policies and programs? While international political economy is important, International Organizations are not simply the slavish implementers of the collective interests of their member states. 132 Organizations like the World Bank have some degree of autonomy, driven, in part, by their Alarge professional-


131 MALLABY, supra note 8, at 266.

132 Ascher, Adaptability of International Agencies, supra note 100, at 415. Ascher makes an important early contribution to efforts to model the World Bank. Arguing against the realist tradition in International Relations theory, he maintains that the Bank=s conduct is not exclusively determined by its constituent nation-state interests. Id. Phillip Krause comes to a similar conclusion, reasoning that Aan international organization like the World Bank is never just a tool for implementation, but a >reluctant tool= at best.@ Philip Krause, From Epistemic Change to Action? The Case of State Reform at the World Bank at 10 (undated) available at http://www.ihs.ac.at/powi04/papers/AG%20internationale%20beziehungn/Krause_Philipp.pdf (last visited June 24, 2011).
technical staffs, full-blown bureaucratic structures, and ingrained routines, all of which may be influenced by a variety of professional and organizational norms distinct from nation-state interests. As evidence of this autonomy, Ascher points to Ascher’s resistance by World Bank staff to certain reform efforts in the 1970s, such as McNamara’s integrated rural development, human resource development and the introduction of social rate of return analysis. The important question then is what factors influence the autonomy that the Bank possesses?

The World Bank raises a dual agency problem. The Bank is the agent of the member states who are the ultimate principals. The Bank staff, in turn, are the agents of the Bank’s management. The level of discretion that an International Organization will have vis-a-vis its nation-state stakeholders and the degree of autonomy that Bank employees will have vis-a-vis Bank management will depend upon a combination of elements. On one side of the equation

133 Ascher, *Adaptable* of International Agencies, supra note 100, at 415.

134 *Id.* at 416.

135 *Id.* at 420-21.

136 For Ascher, one important source of this autonomy is uncertainty. The problems of economic development raise numerous forms of uncertainty. How does one accomplish the goal? What policies should be pursued? Who should decide? Ascher predicts that the greatest degree of autonomy will reside with those parties most capable of absorbing and managing these residual uncertainties. *Id.* at 417. Asher explores the factors that might influence the exercise of that autonomy, including epistemic concerns such as the professional nature of the staff, *id.* at 418, 428, and organizational concerns, such as the distinction between programmatic staff and project staff. *Id.* at 432.

137 Krause offers an organizational model of Bank behavior. His model emphasizes the day-to-day problems of boundedly rational decision-makers on the operational level of the organization. Krause, *supra* note 132, at 3. This analysis is analogous to Ascher’s discussion of the role of uncertainty as a source of administrative autonomy.

High information costs and actors bounded rationality make it impossible for states to anticipate and provide for all contingencies, thus giving the international organization
is the complexity of the organization’s task, the ability or inability to define a clear set of objectives or criteria, the degree of asymmetry of information between the organization’s staff and the nation state members (reliance of staff expertise) and, relatedly, the degree of uncertainty associated with the appropriate means of fulfilling the organization’s mandate. On the other side is a set of factors that relate to the ability of member states to monitor and sanction improper behavior. Organizations will have greater autonomy in areas where monitoring/evaluation is difficult, sanctions are costly to apply and the consequences of agency failure are not perceived to be serious. A range of epistemic concerns, such as the common commitment of staff and dominant nation state members to the tenets of neoclassical economics, also play an important but underappreciated role in addressing these agency problems.  

As applied to the Bank, the mission is undoubtedly complex. There is at best a mixed consensus as to the proper objectives of development and even less agreement as to the best more freedom in its activities. Provided the World Bank is capable of formulating its own goals, its information advantage would allow it to pursue these goals within the limits of how costly it would be for its principals to reign it in.  

Id. at 6. Structurally, the Bank’s ability to raise its own funds by selling bonds and not to be solely dependent on member contributions adds to its level of autonomy.  

Id. at 7.

Wade makes the interesting observation that the common epistemic commitment of Bank Staff to the precepts of neoclassical economics is one way to address agency problems. The common commitments to the neoclassical meta-policy by the Bank’s management cadre helps senior management to overcome the agency problem of subordinates exercising discretion in ways they do not like. It keeps the whole management spine in proper alignment.  

Wade, Paradigm Maintenance, supra note 5, at 16. The same observation can be made about policing the agency relationship between the Bank as an international organization and the institutional national shareholders. Ascher, World Bank and U.S. Control, supra note 103, at 132 (The persistence of a commonality of outlook on a wide range of issues between the United States and the World Bank does not prove that the United States dictates World Bank policy. Yet that commonality is rooted in the neoclassical training of economics both at the Bank and in the U.S. government.)

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means to accomplish the goals. There are few set criteria or guidelines available to instruct Bank personnel as how best to perform their task. In this environment, expertise plays a significant role in the formulation and implementation of Bank policy. Levels of asymmetric information and uncertainty are both high. All of these factors tend to suggest that the Bank will enjoy a relatively high degree of autonomy and discretion.

The monitoring side of the equation is plagued with similar problems. If it is not possible to clearly define a task, it is often equally difficult to monitor and evaluate performance. This is true at both an aggregate and a project-specific level. How does one determine that a program or policy has failed and who should be held responsible? Monitoring is best thought of not in absolute, but in relative terms. As such, Bank conduct is likely to be closely monitored only in those areas that are politically important to influential stakeholders and, therefore, where the

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139 Ascher discusses the lack of clarity of the priorities of organizational objectives. Ascher, Adaptability of International Agencies, supra note 100, at 437. In the absence of clear-cut priorities, the signals from the organization=s leadership are more likely to be ambiguous; the inability to reduce the set of reasonable options to those corresponding to clearly ranked objectives leaves greater scope for staff discretion. Id.

140 Id. at 426 (as long as the staffs of the international agencies can claim and hold the highest level of expertise, theoretical assessment comes uncomfortably close to sheer second-guessing. Thus any outside critique of the approaches taken by the World Bank or the IMF can be deflected by the argument that the staff knows best and the critique itself is false. ). Perversely, this also means that the staff has incentives to increase the complexity and sophistication of its analyses to further avoid close supervision. The very sophistication of the models on which they are based limits opportunities for criticism, especially from the executive directors, thus promoting Bank autonomy. Ascher, The World Bank and U.S. Control, supra note 103, at 128.

141 Ascher, Adaptability of International Agencies, supra note 100, at 422 (the proliferation and increasing complexity of projects has reduced the capacity of the Executive Board to oversee the Bank=s operations with any mastery; at the same time the Bank=s executive leadership had lost some of its mastery over the staff as well.).
benefits of monitoring are high. Outside of these pockets, Bank operations will likely face little direct scrutiny. The assertion here is that pockets of scrutiny are relatively small. If this is the case, then the Bank will enjoy substantial autonomy/discretion in the vast majority of its work, facing only limited areas of more intense monitoring and supervision.

There is no denying that the Bank is a large and often unwieldy bureaucracy. It is also a fairly closed institution, resistant to radical forms of change and outside influences. These organizational constrains constitute an independent source of influence that can lead the Bank to act in a manner not otherwise consistent with its governing political and epistemic concerns.

142 AYERS, supra note 4, at 72-73 (Political factors seemed to enter in to a greater extent for countries that were highly salient to the interests of the foreign policy of the most important donor countries (most notably the United States) or countries whose development policies, for whatever reasons, were highly conflictual and thus the subject of relatively intense international attention and controversy.

143 Given the dual nature of the agency problem, parallel arguments can be made asserting that Bank staff will necessarily have substantial autonomy vis-a-vis Bank management. Ascher, Adaptability of International Agencies, supra note 100, at 422 (The result of the leadership=s inability to monitor all of the staff decisions that constitute World Bank operations is that the staff itself has considerable discretion to accept or resist new approaches, even if these approaches are >sponsored= by the executive leadership.

144 Even energetic and charismatic new Bank Presidents are in for a struggle. Mallaby characterizes the confrontation between Wolfensohn and the Bank establishment as follows: But the Bank is a proud institution, and its formidable technocrats did not always take kindly to Wolfensohn=s high-voltage style. And so there followed a titanic clash: in one corner, a plutocratic financier who always got his way; in the other, a phalanx of superqualified experts with years of development experience. It was unstoppable force versus immovable object, and both sides ended up in unexpected places.

145 Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 18-19 (While the Bank is influenced by political economy and its complementary social structures and systems of knowledge, it is also a bureaucratic structure with rules, procedures and norms. Such rules are not always consonant with the pressures of political economy, and at certain times may create incentives for action that cannot easily be interpreted as functional neo-liberal or post-Washington consensus agendas.)
To understand an organization, one must understand its structure and culture. This creates a challenge for those seeking to model the World Bank, because the lid is seldom taken off the black box of its internal operations. Bebbington and his colleagues provide a useful summary of contemporary Bank organizational structure with an eye toward exploring how the confluence of political, organizational and epistemic constraints affect the development of intellectual ideas at the World Bank.

In mapping the internal workings of the Bank it is necessary to imagine distinct but overlapping 1) geographic, 2) substantive and 3) hierarchical/functional dimensions. The World Bank is a large organization with approximately ten thousand employees. Even after Wolfensohn era reforms, nearly three-quarters of Bank employees are still based in Washington, D.C. Each country receiving loans has a Resident Mission and a Country Director, who manages all Bank activities for that country. Countries are geographically organized into six

146 Bebbington, Guggenheim and Woolcock, *Ideas-Practice Nexus, supra* note 72, at 7 (Ãin order to understand how bureaucracies frame and implement development interventions, it is critical to understand the internal sociology of those bureaucracies.®).

147 *Id.* at 8 (calling for greater ethnographies of the internal workings of development agencies). *See also* Nilima Gulrajani, *Between Democracy and Technocracy: The Anatomy of Institutionalizing a Development Paradigm at the World Bank*, at 5, Paper Presented at Workshop for Researchers on the World Bank (Central European University, Budapest) (April 1-2, 2005) (®Most scholarly work on the Bank=s organizational behaviour has traced ideas within organizations using a political-historical approach with limited ethnographic experience within these organizations.®).


149 *Id.* at 12; MALLABY, *supra* note 8, at 379. This stands in contrast with the more highly centralized days of the McNamara years where some 94% of all Bank staff were located in Washington, D.C. AYERS, *supra* note 4, at 64-65.
regions, each reporting to the Bank Vice President for that region.\footnote{150} In contrast to staff with a single-country focus, staff with a multiple-country or a regional focus are typically based in Washington.\footnote{151} Bank structure encompasses a substantive, or sector focus, in addition to the geographic orientation. These substantive networks encompass Human Development, Environmental and Socially Sustainable Development, Poverty Reduction and Economic Management and Private Sector Development and Infrastructure.\footnote{152} Persons within these networks have differential administrative, analytic or operational responsibilities. In addition, network staff may have overlapping regional or cross-cutting regional obligations.\footnote{153}

How does the Bank produce research within this structure? While some research may take place within the substantive networks, the bulk (in budget, staff and output terms) of the research and data management activities of the Bank is conducted by the Department Economics (DEC) Vice Presidency, its two most visible departments being the Development Research Group and the Data Management Group.\footnote{154} As will be discussed in the next section, in the past 40 years, this function has become the intellectual and epistemic domain of neoclassically trained economists. Ideas do not become part of the Bank establishment unless they can effectively penetrate the intellectual and organizational domain of the DEC. That said, there is also an

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\footnotetext{150}{Bank regions include sub-Saharan Africa; Middle East and North Africa; Europe and Central Asia; East Asia and the Pacific; South Asia; and Latin America and the Caribbean. Bebbington, Guggenheim and Woolcock, Ideas-Practice Nexus, supra note 72, at 12.}
\footnotetext{151}{Id.}
\footnotetext{152}{Id. at 12-13.}
\footnotetext{153}{Id. at 13.}
\footnotetext{154}{Id.}
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important evaluative function of the Operations Evaluation Department, which reports directly to the Executive Directors and is supposed to serve an internal auditing function.\textsuperscript{155}

\textsuperscript{155} Id.
Ideas get produced, vetted and shared in manners other than formal Bank publications. Overlaid on this organizational matrix are various Communities of Practice, or groups that come together around a particular issue of interest at the intersection of research, policy and lending that does not otherwise fit into a single unit or department.\textsuperscript{156} These Thematic Groups, one of which formed around the issue of social capital, provide opportunities for networking inside the Bank, as well as an opportunity to interface with interested parties outside the Bank structure, through online discussions, visiting scholar programs and conferences.\textsuperscript{157}

This is not to suggest that the Bank operates as a modern day version of Plato’s Academy. Indeed, a series of organizational reforms at the Bank has tried to make the Bank’s internal bureaucracy work more like a competitive labor market. This makes time for reading new materials and discussing new ideas a valuable commodity itself. Reading is constrained by the Bank’s internal contracting system, under which staff are required to allocate their time to budget codes, few of which they are in charge of: that is, many staff have to sell their time, much as internal consultants do.\textsuperscript{158} This has implications not only for the production of new ideas, but also for the ability of Bank staff to be consumers of new ideas and information. In such

\textsuperscript{156} Id.

\textsuperscript{157} Id.

\textsuperscript{158} Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 48 (reference omitted) (Internal contractors rarely pay for reading anything other than immediately relevant documentation, and free time is limited.). The authors even report a tendency for the Bank to contract the reading function to outsiders. There is a certain tendency to hire in consultants to do the reading (that is, write literature reviews=) for permanent staff.\textsuperscript{Id.} at n. 24.
an institutional setting, sound bites matter.\textsuperscript{159}

Ironically, the creation of internal markets and the commodification of ideas has created an opportunity for countries to circumvent some of the Bank’s political and organizational constraints. If a country wants the Bank to generate ideas and reports that the Bank orthodoxy would otherwise not produce (within limits), all they have to do is be willing to pay for it. The mechanism for such a transaction is the A Trust Fund.\textsuperscript{160} A Trust funds are pockets of money that exist in the Bank, financed by different governments for which Bank staff can apply to cover work not financed by core budget.\textsuperscript{160} This mechanism has been used to fund a variety of projects that may otherwise have fallen outside the domain of the Bank’s core vision. For example, Trust funds were used to support early work on participation in development.\textsuperscript{161} It has also been a significant factor in the propagation of work on civil society and social capital.\textsuperscript{162}

\textsuperscript{159} \textit{Id.} at 48.

\textsuperscript{160} \textit{Id.} at 45 n.19. (A member governments use grant resources to support work of particular interest to the government, and in many cases related to that government’s own beliefs about development.\textsuperscript{6}) See also KAPUR, LEWIS AND WEBB, \textit{supra} note 21, at 47. (A The other option, adopted by the Nordic countries, for instance was to influence the Bank’s agenda by supplementing its administrative budget by providing, outside the regular budget process, >trust funds= that targeted particular activities and consultants.\textsuperscript{6}).

\textsuperscript{161} Bebbington, Guggenheim, Olson and Woolcock, \textit{Exploring Social Capital Debates, supra} note 110, at 42 (A Founded in 1990, the >Bankwide Learning Group on Participatory Development= had broken some of the marginality down. Staff of the NGO Unit and the Social Policy Division. . . provided an anchor for the Group’s work, and mobilized Swedish aid resource to support its activities.\textsuperscript{6}) (ellipses added).

\textsuperscript{162} \textit{Id.} at 45 n.20 (A More generally, the Social Development Department (and the earlier Social Policy Division) have enjoyed support from Scandinavian donors \textsuperscript{6} whose foreign aid programmes, and indeed own notions of state-society relations at home, have emphasized an important role for participation, civil society and popular organisations. Notably, a Danish Trust Fund supported the second round of social capital research in the Social Development
The Trust Fund instrument has contributed to a greater diversity of research and programming than would otherwise have existed.\textsuperscript{163}

The final, but no less important dimension of Bank organizational constraints involves the functional and hierarchical aspects of Bank staffing. There is a great distance between Washington, D.C., and the Bank’s in-country operations. It is intrinsically difficult for even a good idea coming from central Bank staff in Washington to be effectively implemented in distant places, such as rural Cambodia. Borrowing from Jarred Diamond’s version of the Anna Karenina principle,\textsuperscript{164} every successful Bank project is the same. Every unsuccessful Bank project is unsuccessful in its own way, failing due to the infinite number of ways that a complex bureaucratic structure can go wrong. The failure to properly align actor incentives can cause problems even when the objective has the full backing of the Bank hierarchy.

Ayers study of McNamara’s poverty agenda is illustrative. Even though poverty alleviation was ostensibly a central component of the Bank’s focus, it failed to break through and permeate all aspects of the Bank’s work. For example, thinking about poverty never became an important component on the Bank’s in-country policy work, such as its advising on macroeconomic issues.\textsuperscript{165} Similarly, there were substantial gaps between the research function of the so-called Social Capital Initiative.\textsuperscript{166}

\textsuperscript{163} Whether this market inside a market will be allowed to continue remains an open question. KAPUR, LEWIS AND WEBB, supra note 21, at 1206-07 (At the present writing, there is no clear sense in the Bank of how the >phantom economy< of trust funds, accounting in different years from something between one-sixth to one-quarter of the institution’s administrative budget, was affecting the budget. The issue remains to be resolved,\textsuperscript{167}).

\textsuperscript{164} JARRED DIAMOND, GUNS GERMS AND STEEL (1997).

\textsuperscript{165} AYERS, supra note 4, at 234-35 (At the Bank’s country economic and sector work
the Bank and the front line needs of the Bank’s operational staff. As such, many of the possible synergies between field work and research were not realized. In addition, dominant staff incentives were not conducive to doing high quality work on poverty-related projects.

McNamara was a highly centralized administrator whose decision making was legendarily data-driven. Staff were disproportionately rewarded in terms of the volume of loans and the size of projects. This created a system that tended to reward quantity and not necessarily quality.

Moreover, the drive to standardize and scale-up projects comes at the cost of local context and appreciating complexity. To the extent that context matters and local concerns are important to development, then the Bank, as currently conceived, faces a number of challenges. The Bank’s poverty work under McNamara was staff-intensive and generated relatively small individual loans. To aggressively pursue this work would require a corresponding commitment of substantially greater numbers of in-country staff. It is doubtful, (then and now) whether the Bank would be willing to make such a commitment.

under McNamara (or its work on the >macropolicy dialogue,= as it has increasingly come to be called) did not change in a poverty-oriented direction as much as project work apparently did.¹⁶⁶

¹⁶⁶ Id. at 30.

¹⁶⁷ Id. at 65.

¹⁶⁸ Id. at 65-66 (The priority placed upon the prompt meeting of targets and directives from higher management was sometimes seen to be at the expense of the nuances, subtleties, and ultimate quality of the Bank=s address of poverty alleviation.).

¹⁶⁹ Id. at 249.

¹⁷⁰ Id. at 249 (It was doubtful at the end of McNamara=s tenure whether the Bank could continue to process an ever-increasing number of such relatively small projects; the staffing implications appeared too severe.).
These organizational constrains faced a poverty agenda that had the backing and support of the Bank President. Predictably, projects that lay on the periphery of the Bank=s self-defined agenda or projects that challenge Bank orthodoxy will face even greater organizational difficulties. One prerequisite for operational staff even trying more innovative projects is support by their unit Director. Such support is unevenly distributed though the Bank.\textsuperscript{171} If there is sufficient administrative space for programmatic innovation, the next essential element is a committed operational staff member or Task Manager on the ground.\textsuperscript{172} This Task Manager must act strategically against the numerous organizational forces (both internal and external) that can foil new initiatives. In light of the Anna Karenina principle, this can be quite an extensive list.\textsuperscript{173} All the while, just as in the McNamara era, individual staff incentives are driven by
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\item Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 52 (AMore generally, interest in and commitment to a social agenda emphasizing participation, inequalities of power, and the social embeddedness of economic and political institutions is highly uneven across the Bank, and staff predisposition to engage in these issues depends considerably upon the social and theoretical inclinations of the Directors of the Units in which they work.@).
\item The gauntlet that must be run is quite formidable: Governments might reject the idea outright; intermediary NGOs, expected to be vehicles of empowerment, might have disempowering agendas that are primarily oriented toward institutional survival and growth . . . Task Managers may be replaced by more conservative and risk-averse Task Managers . . . local elites may be just too clever and find a way to ensure that they can still capture project benefits . . . government project staff may simply not understand or may have no interest in seeing the idea through; or Country Directors may become less supportive of a risky pro-empowerment project. The list is long. Id. at 274 (ellipses added).
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project size and the volume of lending.\textsuperscript{174} The sheer expected volume of loans that staff are expected to process is itself a deterrent to innovation.\textsuperscript{175}

3 \textbf{Epistemic Constraints}

This discussion will focus on how epistemic concerns affect the Bank’s exercise of its discretion.\textsuperscript{176} What are the constraints imposed on the Bank by the professional discipline of economics itself, as well as the current composition of senior staff that consists largely of a self-selected group of Ph.D. economists?\textsuperscript{177} How does this affect the Bank’s collective imagination

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\textsuperscript{174} Id. at 277 (\textgreater\ Operationalizability= counts a great deal within the Bank, where professional incentives are still to get projects approved, and the bigger the project, the better.\textsuperscript{\textregistered}).
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\textsuperscript{175} Ascher, \textit{World Bank and U.S. Control, supra} note 103, 131 (\textgreater\ But this expansion itself has serious liabilities. The need to move so much money has made it very difficult to entertain small prototype projects that could focus the Bank’s potential for innovation and creativity.\textsuperscript{\textregistered}).
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\textsuperscript{176} When I speak of epistemic constrains, I am interested in examining the role that neoclassical economics as a distinct academic discipline influences the way knowledge is generated and disseminated at the Bank, the scope of policies (and ideas) that are deemed legitimate, and how neoclassical economics as a worldview affects the Bank’s interactions with its stakeholders in the North and in the South. While there is no perfect word that captures all of these factors, associated concepts would be Aprofessional socialization,\textsuperscript{\textregistered} Aworldview\textsuperscript{\textregistered} and Abelief systems.\textsuperscript{\textregistered}
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\textsuperscript{177} The notion of Aepistemic constraints\textsuperscript{\textregistered} needs to be distinguished from that of Aepistemic communities.\textsuperscript{\textregistered} See, e.g., Peter M. Haas, \textit{Introduction: Epistemic Communities and International Policy Coordination}, 46 \textit{INTERNATIONAL ORGANIZATION} 1 (1992); Emanuel Adler and Peter M. Haas, \textit{Conclusion: Epistemic Communities, World Order, and the Creation of a Reflective Research Program}, 46 \textit{INTERNATIONAL ORGANIZATION} 367 (1992). To some extent, the notions are complementary. Epistemic communities are networks of Aprofessionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area.\textsuperscript{\textregistered} Haas, \textit{Id.} at 3. Epistemic communities are groups of actors that operate within the bounds of the political, organizational and epistemic constraints developed in this article. They are also change agents that can work to shift the bounds of those constraints over time. At the same time, there are ways in which the notion of epistemic constrains differs from that of epistemic communities. I am interested in the
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of which policies are possible or not possible? How does it influence which theories are deemed legitimate and which are deemed illegitimate? How do the epistemic constraints interact with the political and organizational constraints discussed earlier?

Economists have always been present at the World Bank, but they did not always play a dominant role. In early years, the role of economists was primarily limited to technical assessments of the creditworthiness of borrowing countries. In the 1952 reorganization, the Economics Department was actually reduced in scope and demoted through re-labeling to an Economic Staff not a full Department. Ironically, lawyers, not economists, were the functioning of neoclassical economics at a level more deeply embedded than could typically be impacted by any given epistemic community at any given time. For example, I have portrayed the Bank as shifting from a physical capital to a human capital to a macroeconomic structural adjustment model of operation. I maintain that all of these approaches are broadly consistent with the dominant tenentes of neoclassical economic thought. Haas would likely model (and rightfully so) each episode of change as being mediated through new and distinct epistemic communities. Haas, Id. at 19 (distinguishing between the economics profession as a whole and distinct epistemic communities as applied to competing schools of development economics). That said, understandings of the Bank and the IMF can benefit greatly from more detailed evaluations from the epistemic communities literature. See, e.g., Jeffrey Chwieroth, Neoliberal Economists and Capital Account Liberalization in Emerging Markets, 61 INTERNATIONAL ORGANIZATION 443 (2007).


179 MASON AND ASHER, supra note 21, at 74; KAPUR, LEWIS AND WEBB, supra note 21, at 12 (describing role of economists under President Black (1948-59)).

180 MASON AND ASHER, supra note 21, at 75.
ones weighing in on the Bank’s broader policy concerns.\textsuperscript{181} This had important implications for the role that theories of economic development played at the Bank. The short answer is that economic theory played a very limited role during this period.\textsuperscript{182} The Bank was an operational, project-focused, lending institution. To the extent that theory was operative, the Bank was guided by a simple physical capital and physical infrastructure approach to development.\textsuperscript{183} With respect to the broader epistemic community of economists, the Bank was a follower, not a leader in thinking about development.\textsuperscript{184} It generated no internal systematic models. It made little effort to institutionally learn from its own lending experience. It engaged in little economic research. Moreover, its thinly staffed group of economists would not have been in a position to undertake such an objective even if it had been desired.\textsuperscript{185}

The role of economists started to change as the Bank itself began transitioning from a bank to a development agency, a process greatly accelerated by the 1960 creation of the IDA.\textsuperscript{186} To begin with, project lending started to move beyond energy utilities and physical infrastructure. AIDA quickly broadened Bank lending’s substantive scope to include agriculture,

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\textsuperscript{181} The economist did not speak up in those early days about longer-range problems and broad policy questions of the Bank . . . The gap was filled by the lawyer.\textsuperscript{Id. at 75 n. 20 (quoting Harold Larsen, in de Wilde, Larsen and Alter,  Oral History,  at 6-7) (ellipses in original).}

\textsuperscript{182} Id. at 467-69.

\textsuperscript{183} Id. at 458-60.

\textsuperscript{184} Id. at 468.

\textsuperscript{185} Id. at 467.

\textsuperscript{186} Id. at 81.
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water and education. As the role of development increased, so did the role of economists. President George Woods’s early 1960s remark about the role of economists versus bankers is revealing.

If the Bank were still a Bank, I wouldn’t need any economists at all because I know how to give bank loans. But . . . with IDA I don’t know how to deal with it and I therefore need economists to give me advice on what to do with this. . . . If we can’t have a big IDA, I don’t want an economics staff, because . . . as long as the Bank is bigger than IDA, we’ll [never] transform the Group into a development agency.

Whether Woods’s confidence that economists were the best professionals for the job of spearheading development is a different question, but the role of economists and economic research was beginning to change at the Bank. Woods went on to expand the size and status of the Bank’s economic staff. Between 1965 and 1969 the Economic Department grew from 20 to 120 members.

The most dramatic changes in the role and status of economists, however, happened in the McNamara years (1968-81). McNamara emphasized the importance of economic research at the Bank. One of Robert McNamara’s lasting and strongest personal legacies at the Bank

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187 KAPUR, LEWIS AND WEBB, supra note 21, at 14.

188 Id. at 212 (quoting Friedman, Oral History, March 1974, pt. 1, p.48) (ellipses in original).

189 Id.

190 Id. at 17; AYRES, supra note X, at 27 (The McNamara Years witnessed a major expansion of the Bank’s research program. The Bank did not have a separate budget for research until fiscal year 1972. By fiscal year 1980, however, expenditures on formal research by
was a massive increase in the financial support and status of research.¹⁹¹ He hired the distinguished development economist Hollis Chenery as Chief Economist to lead the initiative. Chenery was encouraged to build a research establishment that, as strong globally as any in the development economics field, would appropriately engage in basic research as well as feed analytical guidance to the institution’s regional and country-policy economic staffs.¹⁹² Economists at the Bank were not limited to a research role. Second and more numerous, practicing economists, mostly in the Bank’s regional bureaus, engaged heavily in the economic and sector work (ESW) that became the mainstay of the intensity with which the institution conducted lending operations.¹⁹³ The influence of economists carried beyond the McNamara era, although the temperament of the economics and economists themselves shifted to the right under his successor, President A.W. Clause. Given the wave of neoclassical economic orthodoxy that was building in the intellectual communities around the Bank, Chenery’s replacement was especially significant. Clausen chose Anne Krueger, an able, unflinching neoclassical trade economist, and she, in turn, replaced large fractions of the Bank’s central economics establishment until she had a highly compatible staff.¹⁹⁴ While it is important to avoid polemics, the change in staff and the express narrowing of acceptable views during this period the Bank had grown to $11.4 million.¹⁹¹

¹⁹¹ KAPUR, LEWIS AND WEBB, supra note 21, at 17.

¹⁹² Id.

¹⁹³ Id. at 1181.

¹⁹⁴ Id. at 22.
was sharp and dramatic.\textsuperscript{195} Within the broad domains of neoclassical economic thought, there was a fair degree of openness and diversity at the McNamara Bank. Charting a new course in the post-McNamara years would require changes in official doctrine, as well as changes in personnel, organization and policies. A\textsuperscript{196} The institution=s research establishment was transformed to give >the new orthodoxy= a more cohesive voice.\textsuperscript{196} The first step was to get rid of people with dissonant views. AThe new Group in the research establishment regarded the former incumbents as deficient in appropriate technical economic skills and wedded to the >statist= ways of the past.\textsuperscript{197} Staff turnover was extreme. A[O]nly eight of thirty-seven staff in the Development Research Department (DRD) remained three years later.\textsuperscript{198}

Not surprisingly, this led to the kinds of internal strife and convulsions at the Bank that would be manifest through traditional bureaucratic instrumentality, such as complaints to the Personnel Department.

Between early 1983 and 1986, the Bank=s Personnel Department informed the institution=s senior management that the Economics Department had adopted an Aintelligence@ system to detect staff divergence from established positions, that it was

\textsuperscript{195} \textit{Id.} at 1193-94 (AIt is hardly uncommon for a new manager to try and shape his or her subordinates in his or her own image, but the degree of such thought control in this instance, by new arrivals with utter confidence in their version of the truth, was unusual. The abrupt onset of the intolerance of dissent contaminated the atmosphere of open intellectual inquiry on which good research depends.@); \textit{STEIN, supra} note 3, at 37-38.

\textsuperscript{196} \textit{KAPUR, LEWIS AND WEBB, supra} note 21, at 1193.

\textsuperscript{197} \textit{Id.}

\textsuperscript{198} \textit{Id.} at 37 n. 23 (AKrueger made life difficult for Chenery=s economists, thereby encouraging departures.@).
categorizing staff by school of economic thought and openly favoring Aloyalsists, and that it was hiring staff on fixed term contracts to render them more pliable. ERS, the personnel people said, increasingly was seen as a unit selling ideology instead of objective research. The situation might warrant senior management attention. Similar disturbing changes at the bank were noted by its Ombudsperson. This internal turmoil was happening at the same time that SAPs and the emerging Washington Consensus were defining the external image of the Bank. The Bank emerged as the headquarters, the fountainhead some half jokingly say the Vatican of neoorthodox development economics. While there have been important changes at the Bank since the 1980s, it is still not possible to think about the Bank without also thinking about the dominant role played by economics and Bank economists. This has important implications for Bank policy and programing. Economists are trained to view the world differently than are other professional disciplines. The professional economics degree renders fairly homogenous a staff that is

199 Id. at 1194.

200 Id.

201 Id. at 1193.

202 Many have observed the prevalence of staff economists as a distinguishing feature of the World Bank. MALLABY, supra note 8, at 3 (contributing much of the mystic of the World Bank to its intellectual prowess). Others are more skeptical. Stein argues that the World Bank is seldom an innovator in the field. STEIN, supra note 3, at 17 (Although the Bank played a major role in shaping the development economics agenda with its influence and resources, it was almost never the originator of new ideas, and in fact it was often quite slow in adopting new techniques introduced by economists in academia). 203 [P]rofessional training of economists serves as a form of socialization that shapes their subsequent preferences and drives the diffusion of policy practices. Chwieroth, supra note 177, at 446. See, e.g., Bruno S. Frey, Werner W. Pommerehne, Friedrich Schneider and Guy
otherwise quite heterogeneous from a geographic perspective. There are multiple levels of selection at work. There are those whose personality and temperament make them decide to pursue a degree in graduate economics. Further, there are those who aspire to work at the World Bank. Selection continues in the Bank’s hiring decisions. Robert Wade has commented not only on the role of economists at the Bank, but at the extremely narrow range of schools that these economists come from. After being hired, there are additional sets of incentives and sanctions in the form of professional development and advancement.

My claim is not that all economists think alike, or even that all Bank economists think alike. That is certainly not true. My claim, however, is that the narrow and consistent range of professional training of Bank economists and their dominant role within the organization does

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Gilbert, *Consensus and Dissension Among Economists: An Empirical Inquiry*, 74 AM. ECON. REV. 986, 987 (1984) (reporting results of international survey of economists and finding a substantial degree of consensus on issues such as the efficacy of the price mechanism as means making social choices). Chwieroth’s own empirical work on epistemic communities, however, suggests that the mechanisms of self-selection and propagation operate in a narrower manner than simply graduate training in economics. In his study of the impact of neoliberal economic training of policy makers in countries with emerging markets on those countries’ subsequent adoption of policies favoring capital account liberalization, he identified a particular set of universities that were most influential. Chwieroth, *supra* note 177, 451 n. 35. Moreover, in statistical analyses in which >U.S.-educated= or >Anglo-American educated= is employed the effect is found to be insignificant. This suggests the importance of professional training in specific academic departments. @ *Id.* at 451 n. 36.

204 KAPUR, LEWIS AND WEBB, *supra* note 21, at 4.

205 Wade, *Paradigm Maintenance*, *supra* note 5, at 15-16 (@some two thirds of World Bank economists are certified by US universities @ 80 per cent by North American or British universities.@). Significantly, despite Japan being the second largest shareholder, the Bank did not hire economists trained at Japanese universities. With his typical lack of diplomatic skills, Larry Summers, the Bank’s Chief Economist at the time, is reported to have openly held the view that Japanese economists were >second rate=. @ *Id.* at10.
influence how the Bank views the world and defines its mission.\textsuperscript{206} It is meaningful to speak of an economic worldview and to believe that such a worldview has a substantial influence on how the development banks define and undertake their objectives.\textsuperscript{207} This worldview helps to define what is and is not possible to imagine in terms of policy options. A meta-policy is derived from neoclassical economics and receives the endorsement of most US- and UK-trained economists who control of the Bank from top to bottom over the 1980s.\textsuperscript{208} Policies outside of this template are not given serious consideration.\textsuperscript{209} The neoclassical bias affects form as well as substance. For knowledge to become authoritative, it must be rigorous and quantitative.\textsuperscript{210} Ideas that cannot be filtered through such a screen are soft, suspect and likely misguided.\textsuperscript{211}

\textsuperscript{206} As a thought experiment, imagine the Bank with the same mandate for development and the same resources, but with a dominant staff of anthropologists or sociologists, rather than economists. People may disagree about whether the anthropologists = World Bank would be better or worse, but almost every one would agree that it would be profoundly different. These differences illustrate the significance of professional training and socialization.

\textsuperscript{207} Hammer, \textit{supra} note 56, at 156 (Development economics . . . reflects the norms, biases and values of mainstream neoclassical economics, which itself embodies, in exaggerated form, many of the attributes of the modern worldview discussed earlier B a hyper sense of individualism, autonomy, rationality and instrumental analysis. Economics then becomes the lens through which policy makers perceive and understand the needs of the Third World and its discrete communities of indigenous peoples.\textsuperscript{2}).

\textsuperscript{208} Wade, \textit{Paradigm Maintenance, supra} note 5, at 16.

\textsuperscript{209} \textit{Id.} at 16 (Policies seen to be inconsistent with neoclassical normative theory are excluded from the start.\textsuperscript{2}). \textit{See also} Ascher, \textit{Adaptability of International Agencies, supra} note 100, at 429 (Unless and until development strategies can be converted into decision-making processes acceptable to the professional norms of those entrusted with using them, the implementation of these strategies is bound to meet resistance.\textsuperscript{2}).

\textsuperscript{210} Wade, \textit{Paradigm Maintenance, supra} note 5, at 35 (The research must also be largely quantitative, for numbers and econometric technique themselves confer authority.\textsuperscript{2}).

\textsuperscript{211} Ascher, \textit{Adaptability of International Agencies, supra} note 100, at 428 (Many
Given that the neoclassical economic assumptions are themselves largely matters of belief/faith, the discipline is resistant to pressures for learning, adaptation and change. At the level of principles, the neoclassical and largely free-market meta-policy is insulated from particular modifications.\footnote{Wade, Paradigm Maintenance, supra note 5, at 17.}

While this discussion has focused on the World Bank, very similar observations can be made about the World Bank=s sister institution, the IMF.\footnote{If anything, the IMF is even more hierarchical and steeped in neoclassical economic doctrine than is the World Bank. Bessma Momani, Recruiting and Diversifying IMF Technocrats, 19 GLOBAL SOCIETY 167 (2005) [hereinafter Momani, Recruiting and Diversifying IMF Technocrats]. Given time embargos, Momani was only able to examine internal IMF documents from the early 1980s to the late 1990s. The typical new recruit into the Economist Program is a young, male Ph.D. graduate, a national of an industrial country, and American-trained in macroeconomics.\footcite{Id. at 173. Economists trained in developing countries are typically viewed as lacking proper qualifications. Id. at 175. The result is that the IMF hires a very narrow band of economists to define and implement international financial policy. The effort to define a specific IMF policy brand continues after the initial hire. The IMF eventually trains them to be homogenizing in their approach to analyzing economic maladjustment. A former staff member stated in an interview: >your success at the Fund was determined by your ability to adapt to the Fund.\footcite{Id. at 181. Tellingly, in spite of the consistency of views, IMF personnel deny that there is an IMF orthodoxy. \footcite{Id. at 183. It is not ideology, it is just good economics. Stanley Fisher, former deputy managing director, commented that the IMF did not have a doctrine, the Fund promoted good economics.\footcite{Id.}}}

Robert Wade provides important insights as to how this works in practice, examining how truth claims at the World Bank are manufactured and maintained. Wade argues that the United States is able to exercise tremendous influence over the Bank, not directly through political pressure, but by ensuring that a particular set of economic views prevails at the Bank professionals in the World Bank have been reluctant to incorporate new considerations in formulating development strategies if they require modes of analysis less rigorous than the traditional economic framework.\footnote{Stanley Fisher, former deputy managing director, commented that the IMF did not have a doctrine, the Fund promoted good economics.\footcite{Id.}}.
and guides Bank policies. He has coined the term Aparadigm maintenance@ to describe the phenomenon. Economists play a critical role.

The first step in Aparadigm maintenance, therefore is in careful selection of staff.

As noted, about 80 per cent of Bank economists are North American or British trained, and all but a few share the preconceptions of mainstream Anglo-American Economics. If they were to show sympathy for other ideas if they were to argue that sectoral industrial policies can in some circumstances be effective, for example they would be unlikely to be selected by the Bank, on the grounds of incompetence.

The second step in paradigm maintenance is through the internal review processes for research.

A document goes through rounds of discussion at successively higher levels of the hierarchy, each level being a filter that narrows the range of views espoused by the

214 Both the World Bank and the U.S. Treasury share a common economic worldview and hence complementary views as to what constitutes good economic policy. Wade, Paradigm Maintenance, supra note 5, at 3-4.

215 Id. at 3. Picking up on the same theme, Robin Broad has identifies six mechanisms at work in supporting Aparadigm maintenance@ within the research function at the Bank. The mechanisms include: 1) hiring, 2) promotion, 3) selective enforcement of rules, 4) discouraging dissonant discourse, 5) manipulation of data, and 6) external projection. See Robin Broad, Research, Knowledge, and the Art of Paradigm Maintenance: The World Bank=s Development Economics Vice-Presidency (DEC), 13 REVIEW OF INTERNATIONAL POLITICAL ECONOMY 387 (August 2006).

216 Wade, Paradigm Maintenance, supra note 5, at 31. The suggestion that economists dominate non-economists in the research function of the Bank is supported elsewhere. Bank anthropologist, Paul Francis, notes that there is Avery little representation of non-economists (two out of 83 full time research staff) in the Bank=s central research unit (known, indeed, as Development Economics or (DEC)). See Francis, supra note 11, at 11. Francis further notes how the Asocial network@ of the economic research staff extends throughout the Bank and to economic academia. AThe seamless link between Bank researchers and senior country program officers, on the one hand, and academia on the other, etc. has no equivalent in social
Bank. It is not just that higher levels are more concerned with the Bank=s and the system=s integrity than with the integrity of the research. It is also that the promotion criteria select people for the higher levels who make decisions quickly and with closure, using facts selectively to support preconceived patterns and convictions. Such people tend to be intolerant of those who do not share the conclusions to which they leap.217

These forces give Bank publications, including the World Development Reports their particular shape and content.218 This is not to imply that teams of thought police roam the corridors of the World Bank with a checklist of correct beliefs. Rather, it is to underscore the often subtle and unobserved ways that neoclassical economics defines a discrete worldview, with profound implications for how those trained in it perceive and understand the world in which they work.219

217 Wade, Paradigm Maintenance, supra note 5, at 31.

218 A critical survey of the World Development Reports illustrates Wade=s paradigm maintenance at work. The second purpose of the Reports is, however, softly softly, to legitimate a certain outlook and position. This has moved from the Washington Consensus to the post-Washington Consensus, but it remains neoliberal, economic and technocratic at heart. Emma Mawdsley and Jonathan Rigg, A survey of the World Development Reports I: Discursive Strategies, 2 PROGRESS IN DEVELOPMENT STUDIES 93, 108 (2002) (references omitted). To attain this affect, the Bank relies heavily on a rhetoric that emphasizes objective, technocratic expertise. The authors conclude after reviewing the entire series of World Development Reports that these documents are an important tool in projecting a particular, continuous worldview of what development is and how it should be conducted. The WDRs are a prominent mechanism by which the World Bank seeks to extend its world view, to pre-frame development debates, and to naturalize particular economic and political discourses. Id.

219 Wade makes a similar caveat: My argument does not imply that these techniques were deliberately deployed in an attempt to maintain the Bank=s central beliefs. One does not need to embrace postmodernism to agree that people=s commitment to a particular paradigm has a large subjective element is underdetermined by the evidence and that they are largely unaware of how the commitment is protected by themselves and others, from contrary evidence or interpretations. Wade, Paradigm Maintenance, supra note 5, at 33 n.74.
Neoclassical economics defines the core of the institution. Non-economic ideas and personnel exist on the periphery.\footnote{Wade notes the fate of other social scientists. The organization=s few non-economist social scientists are employed on marginal issues like resettlement and participation, like anthropologists by colonial administrators before them.\textsuperscript{Id.} at 31. See also Francis, supra note 11, at 12 (And yet . . . a sense of institutional marginalization is still felt by many social scientists in the Bank.) (ellipses in original).} Even the Bank=s authorized historians acknowledge that economics has an important homogenizing influence.\footnote{KAPUR, LEWIS AND WEBB, supra, note 21, at 4 (As this work demonstrates, economics would become the Bank=s hallmark scholarly discipline, and the economists who heavily shaped Bank operations as well as its research were recruited from a wide array of countries. To a large degree, however, they were the products of the graduate economics departments of English-speaking, but especially American universities. This fact, as it played into the Bank=s consulting, research, technical assistance, and agenda setting would enhance the U.S. role in the institution beyond the apparatus of formal governance.)}

In light of these epistemic constraints, what meaning do the words political and economic have at the World Bank? Article IV, Section 10 of the \textit{IBRD Articles of Agreement} expressly prohibit interfering with the political affairs of any member and require that Bank decision be based strictly on economic considerations.\footnote{IBRD Articles of Agreement, supra note 26, at Article IV, Section 10, Political Activity Prohibited (The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.) (ellipses in original).} The \textit{IDA Articles of Agreement} contain a nearly identical provision.\footnote{IDA Article of Agreement, supra note 51, at Article V, Section 6, Political Activities (ellipses in original).} How can such provisions be operationalized where the political and the economic necessarily overlap at the realm of the institution=s governing worldview? The World Bank has long taken the public position that it is totally
nonpolitical. The practical boundary between politics and economics must be assessed in light of the interconnected relationship between the Bank=s political and epistemic constraints.

There is a rough isomorphic relationship between the economic worldview embedded in the Bank=s western political economy and the scope of interventions that the World Bank is able to make in the name of economics, without being said to interfere with the internal political affairs of a country. This frame can permit the radical restructuring of a country=s entire political, economic and social agenda under the auspices of SAPs, without this being viewed (in the western mindset) as undertaking political acts. It is just good economics. Conversely, interventions that are inconsistent with the western template of state-market relations can readily be rejected for being political.

In truth, there is very little difference between the economic and the political when it comes to the construction of development policy. Even the bedrock of traditional World Bank

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224 Ascher, *The World Bank and U.S. Control*, supra note 103, at 129. Ayers characterizes the Bank=s alleged non-political stance as being part of Bank Amythology, a mythology, he argues that is undermined by specific examples such as Bank lending to Chile during the Pinochet regime. AYERS, supra note 4, at 71.

225 Stein argues that economics can and is used as a pretext to hide what is in fact an overt political agenda. STEIN, supra, note 3, at 24 (A Economists also helped maintain the pretense that the Bank was operating in strict accordance with institutionalized rules by using their technical criteria and abstruse methods and terminology. This facade protected the substantive and procedural dimensions of hegemony, which have provided a legitimizing veneer for the realization of U.S. priorities at the Bank. ).

226 Momani, *Recruiting and Diversifying IMF Technocrats*, supra note 213, at 182 (A As one Fund staff interviewee stated the ideas of neoclassical liberalism are not sold as an ideology . . . but are promoted because they are thought to be right, to be the best policy advice economics has to offer. (quoting an email exchange with a former senior Fund staff member)).
project lending is an economic concept ripe with political connotations. Nevertheless, Article IV, Section 10's prohibition serves a pragmatic function, policing an important but contested boundary of World Bank operations. Any such distinction, however, invites strategic behavior. The Bank invokes the prohibition on politics to excuse conduct the Bank does not want to engage in and classifies projects that it does support as strictly economic.

There is another underappreciated implication associated with Section 10's prohibition. The prohibition has worked as a strong disincentive for Bank reforms and innovations that would push the boundaries of traditional neoclassical thought. The rule appears to be invoked most often internally for initiatives that fall outside the conservative domain of mainstream economic approaches. For example, aggressive efforts of poverty alleviation might be avoided because they could be perceived as overly political and not economic. Similarly, when governance and institutional concerns reached the top of the Bank agenda in the early 1990s, they were

227 KAPUR, LEWIS AND WEBB, supra, note 21, at 343 (The Bank remained more attentive to social conditions than it seemed. Indeed, one reason for that attention demanded confidentiality. As a lender to governments, the Bank always kept a close eye on the politics of its borrowers.).

228 Arguments based on Article IV, Section 10, by no means obvious given the many ways the Articles could be interpreted, serves the dual purpose of avoiding attacks for actions that the Bank does take and fending off pressures to take other actions. Ascher, The World Bank and U.S. Control, supra note 103, at 129. The rule has similarly been invoked to avoid unwanted interference by other International Organizations, such as the United Nations. MASON AND ASHER, supra note 21, at 588-89 (detailing 1966-67 episodes where the Bank interpreted the mandate not to interfere with the political affairs of member countries to apply to foreign as well as domestic affairs in light of a UN resolutions calling for the caseation of IRBD lending to Portugal and South Africa in light of their respective colonial and apartheid policies).

229 Ascher, The World Bank and U.S. Control, supra note 103, at 129 (The stance of political impartiality limits more aggressive efforts to promote poverty alleviation.).
challenged by some for being political in nature. One implication was a scaling back of the scope of potential institutional reforms. A legal opinion by the Bank’s general counsel introduced a new agenda specifying which aspects of governance were considered acceptable for the Bank’s development work. Not surprisingly, the aspects of reform that made it onto the list reflected a more conservative, neoclassical view of the role of institutions and the state in relation to free markets.

The application of the rule can also chill internal efforts to innovate in areas that challenge the traditional political-economic boundary. Significantly, this constraint is perceived as real by Bank insiders who are pursuing reform agendas. Still, those who understand both the problems and solutions of development in political terms face real legal barriers in their attempt to move such an agenda overtly within the Bank. Though not impossible . . . such efforts are not straightforward either, requiring deft strategic guidance and courageous leadership. To increase the probability of success, internal reformers may consciously adopt language and frames that de-politicize the concepts. External critics may scoff at the use of terms such as

230 Kapur, Lewis and Webb, supra, note 21, at 29 (Hemmed in by the Bank’s Articles that mandated the institution to remain apolitical, the new governance agenda was initially a cautious attempt to address the political realities in many borrowing countries while remaining within the bounds of the Articles.).

231 Stein, supra note 3, at 41.

232 Id. (These included civil service reform, legal reform, support for greater participation, accountability in public spending, and budgetary responsibility, which were supposed to improve government stability and predictability and enhance the rule of law. (footnote omitted).

233 Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 51 (ellipses added).
>empowerment= and >pro-poor coalitions= as soft-peddling (at best) politics and power, but often such writing B and the social capital discourse that underpins it B reflects serious strategic attempts to generate internal debates on political issues as much as possible within the real constitutional and organizational constraints.@\textsuperscript{234} The Bank=s epistemic constraints exercise a profound influence on the Bank and its operations.

B Understanding the Dynamic Nature of Epistemic Change

If the Bank has some degree of discretion as an International Organization and if that discretion is exercised, in part, by a large staff of neoclassically trained economists, then understanding the nature of economic beliefs and how economic theories change over time is important to understanding the Bank itself. What factors lead to a consensus within a professional discipline? What factors undermine that consensus and lead to different understandings? How much elasticity exists within traditional economics to accommodate new problems and challenges? What forces can lead to the creation of completely new ways of understanding an academic disciple? There is no question that the Bank has undergone numerous transitions in the past sixty years, with substantial changes in programmatic emphasis and underlying economic theory. Examining these questions through the lens of the Philosophy of Science can shed light on the Bank=s past, as well as its possible future directions.

\textsuperscript{234} Id. at 51 (emphasis in original).
It is common to see passing references to paradigm shifts with reference to development economics and World Bank policies. These claims are most frequently made about the rise and asserted demise of the so-called neoliberalism that animated the Washington Consensus and the 1980s Structural Adjustment Programs. A few of these scholars expressly examine the notion of paradigm shifts at the Bank in light of the work of Thomas Kuhn. Charles Gore invokes Kuhn in examining what he terms *The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries.* For Gore, a paradigm is a constellation of beliefs, values, techniques and group commitments shared by members of a given community, founded in particular on a set of shared axioms, models and exemplars. He argues that the Washington Consensus represented a shift from state-led dirigisme to market-oriented policies, but notes that substantive policy differences alone are not sufficient to constitute a paradigm shift. As Kuhn shows, when paradigms change, there are usually significant changes in methods, problem-field, and standards of solution which are accepted by common practitioners. Gore is convinced that the Washington Consensus triggered this deeper change as well. He concludes that there was also a deeper shift in the way development problems were framed and in the types of explanations through which development policies were justified.

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236 Gore, supra note 6.
237 *Id.* at 801 n.1 (citing KUHN, *supra* note 235).
238 *Id.* at 790.
239 *Id.* at 790 (citing KUHN, *supra* note 235, at 103).
240 *Id.*
Christopher Kuonqui also examines development economics from a Kuhnian perspective, but considers whether the human capabilities approach championed by Amartya Sen and others constitute a shift in governing paradigms: *Is Human Development a New Paradigm for Development? Capabilities Approach, Neoliberalism and Paradigm Shifts.*

Kuonqui begins by cautioning against casual or rhetorical uses of the notion of paradigm shifts.

The term *paradigm,* following Kuhn’s influential analysis is frequently used as well as misused in common parlance, to apply to issues from religious views and social science theories. If we keep in mind the critical aspect that paradigm shifts replace previous paradigms and construct worldviews anew, we can see on a cursory level that the use of the term *paradigm* has erred in much of its history.

Kuonqui’s most important contribution is to accurately frame the field of development economics from a Kuhnian perspective. He examines the historical shifts in development theory from the state-based Import Substitution Industrialization (ISI) theories of the 1950s and 1960s to the market-based neoliberal policies of the Washington Consensus in the 1980s. He also considers theoretical challenges raised by the state-based, export-oriented development experience of East Asian countries like Korea and Taiwan. He concludes that none of these episodes constitute a paradigm shift in the sense maintained by Kuhn. He further argues

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241 Kuonqui, *supra* note 75.

242 *Id.* at 8.

243 *Id.* at 9-15.

244 *Id.* at 15-20.

245 *Id.* at 13 (speaking of neoliberalism and concluding that no clear paradigms shift and
that Sen=s human capabilities approach, so far, does not constitute a competing paradigm, but rather is best understood as the theory in the midst of Kuhn=s description of paradigm crisis, noting limitations of the current orthodoxy.\textsuperscript{246}

If ISI theories and those of neoliberalism are not distinct paradigms, how does one characterize the paradigm governing development economics? As suggested earlier, development economics needs to be situated within the broader field of neoclassical economics. Kuonqui reaches the same conclusion.

\textsuperscript{246} \textit{Id.} at 30.
I would argue that in fact the single paradigm of neoclassical economics is the worldview through which the major development theories discussed are linked. The pinning of ISI versus neoliberalism betrays variants of the lifeblood debate of neoclassical economics: the Aproper@ roles of the state and market in economic growth. The issue of what for simplicity we may label the East Asian miracle model . . . clearly lies within neoclassical economics as well.\textsuperscript{247}

Framed in this light, the potentially radical challenge of the Ahuman capabilities approach@ becomes clearer. ARather, human development should be couched in terms of providing the basis for the \textit{paradigm shift}, beginning to point out many anomalies and paradoxes apparent in neoclassical economics and the shapes it takes in neoliberalism and the extreme form of the Washington Consensus.\textsuperscript{248} To effectuate a shift in paradigms, however, Kuonqui suggests that there needs to be a reworking of the neoclassical understandings of Arationality@\textsuperscript{249} and Ahomo economicus.@\textsuperscript{250} In other words, it requires revisions in the commitments of neoclassical economics to methodological individualism.

\textsuperscript{247} \textit{Id.} at 33-34 (ellipses added).

\textsuperscript{248} \textit{Id.} at 28 (emphasis in original).

\textsuperscript{249} \textit{Id.} at 22-23 (ASen argues that other, >non-selfish= motivations exist for human action that much of economics fails to grasp and account for. I argue in the final section that this is perhaps the most significant point if pursuit of a new paradigm for economics is at hand, the reconfiguration of human agency and identity leading to a likewise reconceptualization of the very terms of rationality.\textsuperscript{2}A).

\textsuperscript{250} \textit{Id.} at 34 (AWhere we may find the greatest hope is the decentering of the subject of neoclassical economics: homo economicus.\textsuperscript{2}).
Earlier, the intellectual history of Bank policy was portrayed as moving from physical capital theories, to human capital theories, to structural adjustment and finally to social capital. Kuonqui addressed ISI policies (physical capital) and the Washington Consensus (structural adjustment) and argued that they are both better situated within the broader paradigmatic domain of neoclassical economics. It is relatively easy to make the same argument about human capital theories, particularly as employed at the World Bank. Like ISI and Structural Adjustment, human capital theories and the Bank’s focus on poverty reduction are consistent with broader manifestations of neoclassical economics.\textsuperscript{251}

What, however, is to be made of social capital theories and institutional economics? This is a more interesting and more difficult question. If one wants to understand the history of economic policies at the World Bank and how recent theories of social capital and institutional economics fit within this shifting constellation, the teachings of Imre Lakatos are more useful than the paradigmatic analyses of Kuhn.\textsuperscript{252} According to Lakotas, a research programme consists of a \textit{hard core} and a \textit{protective belt}. The \textit{hard core} consists of a set of foundational assumptions that are not to be questioned. The \textit{protective belt} consists of the set of research questions subject to investigation, and potential revision. The composition of the \textit{protective belt} is

\begin{footnotesize}
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\item \textsuperscript{251} Ayres, supra note 4, at 234-35.
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belt can change over time. Alteration of the hard core, however, represents a fundamental shift in paradigms. Returning to the field of economic development, the shifts from physical capital to human capital to structural adjustment can be interpreted as changing sets of theories, programs and policies (the protective belt) that revolve around the common and unchanging hard core of neoclassical economic thought. The changing theories are not new revolutionary paradigm shifts, they are fluctuations within a larger paradigm. Jimi Adesina comes to a similar conclusion in assessing the shift to and then allegedly away from the neoliberalism of the Washington Consensus.

Neoliberalism may be an extreme expression of this ontological discourse, but it is a discourse that it shares with other branches of neoclassical synthesis-economics. Disagreements (within this broad church) have often been about massaging the protective belt of this microeconomic thinking rather than displacing core narratives or propositions.

None of the changes in development economics during the Bank’s history have involved a rejection of the hard core of neoclassical economics, nor any serious questioning of the broader western political economy of which it is a part.

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253 Jimi O. Adesina, *From Development Crisis to Development Tragedy: Africa’s Encounter with Neoliberalism*, at 3, Paper Presented at the International Development Economics Associates International Conference on the Economics of the New Imperialism, Jawaharlal Neru University, New Delhi, India (January 2004) (emphasis in original). *See also* Jimi O. Adesina, *NEPAD and the Challenge of Africa’s Development: Towards the Political Economy of a Discourse*, at 4 (December 2002) (As while there has been . . . an effort to massage the protective belt of neoliberalism, the core values have remained largely the same.) (ellipses added).

254 Sir John Maynard Keynes, the man, is incapable of fitting into any one box,
Lakotas= framework is helpful for another reason. His focus of the role of the Anhard
core@ of a discipline provides a useful taxonomy to investigate the relationship between
neoclassical economics and institutional economics. Kuonqui examined Bank policies up
through structural adjustment (neoliberalism) and then looked ahead to Ahuman capabilities@
theories. This narrative misses important changes at the Bank in response to the backlash against
structural adjustment, changes that culminated in the Wolfensohn-era reforms. At the heart of
these reforms is a recognition of the significance of social capital and the Bank=s embrace of
teachings from the domain of institutional economics. Philipp Krause provides a useful
description of the rise of institutional economics at the World Bank.255 From a theoretical
perspective, institutional economics stands in sharp contrast with the Structural Adjustment
Programs of the 1980s. From the neoliberal standpoint, the state is a principal obstacle to
development. The policy objective is to minimize the role of the state and to maximize the role
of the market. As criticisms of Structural Adjustment mounted, there was a renewed
appreciation of the role that the state can play in development. For neoclassical economics,
however, there is just one problem. Neoclassical economic theory offers no useful theory of the

particularly a neoclassical one. If one examines the Keynesian policies adopted in the United
States and elsewhere, however, it is easy to defend their substance as being broadly neoclassical.
Indeed, due to the same type of epistemic constrains examined here, the policies were tamed in
the United States and made to conform with neoclassical principles, creating the Aneoclassical
synthesis.@ Paul Davidson, Samuelson and the Keynes/PostKeynesian Revolution: The Evidence
Showing Who Killed Cock Robin, 3-5 (2005) (describing how Paul A. Samuelson crafted the
Aneoclassical synthesis@ by merging the concepts of Keynes with more traditional neoclassical
theory) at http://www.newschool.edu/scepa/events/papers/051005_Davidson.pdf (last visited
June 24, 2011).

255 Krause, supra note 132, at 15-19. See also STEIN, supra note 3, at 84 (Chapter Four: Institutions and the AMissing Link@ in World Bank=s Strategy).
state or other nonmarket institutions.\textsuperscript{256}

Krause dates the neoliberal "Rolling back the State" phase at the World Bank as lasting from 1982-1991.\textsuperscript{257} He characterizes 1991-97 as a period of theoretical ambiguity and transition, creating the space for institutional economics to germinate and take root at the Bank.\textsuperscript{258} Institutional economics helped provide an important part of the intellectual framework for the reforms initiated during the Wolfensohn Presidency.\textsuperscript{259} Completing the narrative, Krause characterizes the increasing entrenchment of institutional economic perspectives as an acknowledgment of "The Complex State,"\textsuperscript{259} dating this period as beginning in 1998. A critical indication of this sea change, according to Krause, was the publication of the \textit{1997 World Development Report: The State in a Changing World}.\textsuperscript{260}

The embrace of institutional economics took place in an era of political controversy, leaving the Bank open to the charge that the institution is engaging in nothing more but

\textsuperscript{256} Krause, \textit{supra} note 132, at 15.

\textsuperscript{257} \textit{Id.} at 12-15.

\textsuperscript{258} \textit{Id.} at 15-19.

\textsuperscript{259} \textit{Id.} at 19 ("The period of ambiguity came to an end after James Wolfensohn assumed office as World Bank President. A new, institutionalist state reform consensus was adopted by the Bank=s leadership between 1995 and 1997, which was subsequently applied at an operational level.\textsuperscript{2})

\textsuperscript{260} "The Report made a strong case for the New Institutional Economic, which left little doubt that as far as the Bank was concerned, institutions mattered.\textsuperscript{2} The emerging consensus also contained all the other major elements of the debate of the preceding years, especially the tie between institutions and governance.\textsuperscript{2} \textit{Id.} at 20 (referencing WORLD BANK, WORLD DEVELOPMENT REPORT: THE STATE IN A CHANGING WORLD (1997)) [hereinafter 1997 WDR, STATE IN A CHANGING WORLD]. For a critical examination of the Bank=s experience with institutional economics and the significance of the 1997 WRD see infra notes 385-86 and accompanying text.

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window-dressing and still serves only its political masters. Still others say that there is more continuity than change in the Bank’s new economic theories. How much of a turnaround took place in the mid-1990s lies to some degree in the eye of the beholder. Many critiques continue to emphasize the continuities from 1980 until today, saying NIE [New Institutional Economics] is a mere reinterpretation of neoliberalism, while the Washington establishment remains committed to its old ways. Whatever the new policies are, they will be implemented by a Bank staff more steeped in the teachings of neoclassical economics than institutional economics. From this perspective, the ways in which the new reforms are similar to and different from the hard core of neoclassical economics will partially determine their fate. For many World Bank staff, however, it is precisely the appeal of NIE that it shares many fundamental concepts with neoclassical economics. It may not be surprising that a major international financial institution only adopts what is part of the economic mainstream and fits the cognitive frame of its members.

As suggested in the discussion of epistemic constraints, Krause is on the right track. The internal success of the Bank’s reforms inspired by institutional economics will depend largely on the degree to which they are similar to or different from the central tenets (hard core) of neoclassical economics. There is a range of possibilities. Thrainn Eggertsson creates a useful taxonomy of the relationship between neoclassical and institutional economics using Lakatos=

\footnote{261} Id. at 21.

\footnote{262} Id. at 19 (citing Mark T. Berger and Mark Beeson, Lineages of Liberalism and Miracles of Modernization: The World Bank, the East Asian Trajectory and the International Development Debate, 19 THIRD WORLD QUARTERLY 487 (1998)).

\footnote{263} Id.
Institutional theories of economics are either similar to, or different from neoclassical economics to the extent that they either share or reject the elements of the neoclassical hard core. Stable preferences, rational choice and equilibrium structures of interaction constitute the hard core of the microeconomic paradigm, which all this century has been the dominant research program in economics. \(^{265}\)

Eggertsson then distinguishes between Neo-Institutional economics, New institutional economics and Old Institutional Economics. Neo-Institutional economics accepts the entire hard core of neoclassical economics, particularly its assumption of rational choice. Its innovation is to add new questions to the protective belt by introducing information and transaction costs and the constraints of property rights to the neoclassical agenda. \(^{266}\) New-Institutional economics in Eggertsson’s taxonomy explores the significance of institutions in economics while expressly rejecting core assumptions like rational choice, potentially adopting the satisficing models of people like Herbert Simon, as well as exploring models permitting multiple equilibria. \(^{267}\) Economists like Ha-Joon Chang openly embrace the historic roots of institutional economics as a guide to future development policy. He argues that the limits of the neo-liberal view of the state can be overcome only by adopting an alternative approach that incorporates politics and institutions into its analytic core. \(^{268}\) He is careful to distinguish this from what Eggertsson would


\(^{265}\) Id. at 5.

\(^{266}\) Id. at 6.

\(^{267}\) Id. at 9 (citing Herbert Simon, Models of Man (1957)).
call neo-institutional economics.

When I refer to an institutionalist approach, I do not mean it to be of the New-Institutionalist Economics (NIE) kind, but a development of the tradition found in the classic works . . . which is sometimes called the Old Institutional Economics, differs from the NIE in a number of important respects, but most importantly in seeing institutions not simply as constraints on the behaviours of the pre-formed and unchanging individuals as in the NIE [stable preferences], but also as shaping the individuals themselves.\(^{268}\)

Eggertsson’s taxonomy establishes benchmarks that can help reveal whether the Bank’s move to institutional economic views is just the most recent development fad of neoclassical flavoring, or whether the Bank’s focus on social capital and institutional economics is a harbinger of deeper changes in the Bank’s fundamental economic orientation. Do the new reforms reflect changes in the hard core of neoclassical economics or only its protective belt? Are the broader social factors suggested by the theories of either Kuhn or Lakatos present that would anticipate a deeper shift in our understanding of development economics? Is the Bank prepared to move beyond a strict economic focus and adopt a more open and interdisciplinary approach to the development needs of the Third World?

IV Reforming Paradoxes: Assessing the World Bank=s Capacity for Change

The Wolfensohn era reforms (1995-2005) provide a fertile domain to apply the above model of overlapping political, organizational and epistemic constraints to assess the World Bank=s capacity to change.\textsuperscript{269} The scope of Bank reforms in this period was quite expansive. They might broadly be thought of as encompassing a new orientation of Asocio-economic development.@\textsuperscript{270} Why was so much change happening at one time? Susan Park and Antje Vetterlein identify a number of factors associated with the likelihood of international organizations like the World Bank to initiate change. AThe triggers we identified are (1) the acknowledgment that certain policies do not work according to expectations, (2) external shocks, 

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\textsuperscript{269} It makes a difference how the reforms themselves are envisioned. Reforms take one shape if envisioned as discrete, technocratic and self-contained solutions to a closed problem. From this perspective, reforms require some minor tinkering to what can otherwise be business as usual. Epistemic and organizational resistance will be minimal in this setting. Reforms take quite another shape if the problem is considered to be complex and open, where initial reforms are simply first steps down a path that necessarily entails further learning, adaptation and change. From this perspective, reforms are a much larger threat to business as usual and likely to face greater internal resistance.

and (3) mass condemnation. This succinctly describes the World Bank at the end of the last century, with mounting evidence of the failure of SAPs to improve economic growth or decrease poverty, growing protests over globalization, such as the Battle in Seattle, and the Asian financial crisis of 1997. In this environment, a reform agenda is consistent with political constraints demanding increased institutional legitimacy. It was in the Bank=s self-interest to at least appear like it was implementing serious changes. By the same token, James Wolfensohn was the right person to oversee the Bank at a time of crisis and his Chief Economist, Joseph Stiglitz, was in a unique position to translate the vision of social development into terms that the dominant neoclassical economic culture at the Bank might be able to understand and operationalize. Nevertheless, change is never easy and, more often than not, it is not successful. The right political environment and the support of top executive leadership might be necessary, but they are not sufficient conditions for successful reform.

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273 MALLABY, supra note 8 at 175 (AReflecting on his relationship with Stiglitz, Wolfensohn said, >He would translate in many cases some of the ideas that I had intuitively and put it all into economic language . . .=); Wade, Showdown at the World Bank, supra note 130, at 128 (stressing the synergies between the views and approaches of Wolfensohn and Stiglitz); Michael Edwards, AEnthusiasts, Tacticians, and Skeptics: Social Capital and the Structures of Power, in THE SEARCH FOR EMPOWERMENT: SOCIAL CAPITAL AS IDEA AND PRACTICE AT THE WORLD BANK at 93 (Anthony Bebbington, Michael Woolcock, Scott Guggenheim and Elizabeth Olson eds.) (2006) (ABefore his departure, Joseph Stiglitz (the Bank=s former Chief Economist) laid much of the intellectual groundwork for the Wolfensohn revolution.);

274 It must also be said that the social development agenda faced certain obstacles of its own making. Individually, and even more so collectively, the components of the social development agenda arguably lacked the initial depth, coherence and consistency necessary to
This Part examines three episodes of reform, each framed to distill different lessons. First, externally driven and top-down efforts at debt relief are examined in combination with bottom-up efforts at participatory development (Poverty Reduction Strategy Papers), to assess the ability of the World Bank and IMF to learn, change and adapt. Second, the Bank’s experience with social capital theories is examined to assess how the Bank deals with internal reform efforts where the intellectual core of the reform agenda comes from outside the domain of economics. Finally, the Bank’s experience with institutional economics is examined to assess how the Bank deals with reforms where the intellectual core of the reforms reflects a challenge from inside the domain of economics.

A Debt Relief and PRSPs: Participation, Knowledge and Learning

1 Debt Relief, PRSPs and the Unfilled Promise of Participation

Debt relief initiatives and experience with Poverty Reduction Strategy Papers (PRSPs) illustrate both the possibilities and limitations of change within the Bretton Woods Institutions. Even considering the possibility of debt relief required tremendous political and institutional recalibrations within the World Bank and the IMF. Again, Wolfensohn=s leadership was essential. Under Wolfensohn, debt relief moved from a completely taboo subject to being a top carry out transformative change. Each aspect of the agenda item contains an important kernel of truth: institutions do matter, social capital is important, learning, knowledge and adaptation must be part of the development equation and people must more actively participate in the process. There is a far cry, however, from having a collection of partials truths to having a reform agenda that can work its way through the sometimes hostile bureaucratic politics and the always skeptical phalanxes of neoclassical economists that dominate Bank operations.
agenda item. Bessma Momani details how the issue of debt relief worked its way through the BWIs. Despite support from the United States (Bill Clinton), Britain (Tony Blair) and the Bank (Wolfensohn), debt relief faced substantial opposition on the part of the IMF Board of Governors and staff. This episode illustrates how a strong International Organization can resist political pressure, even from its leading shareholders. It also illustrates how IMF staff could demand accommodations that made debt relief more consistent with the organization’s internal culture and beliefs. Debt relief was initially adopted in 1996 targeting heavily indebted poor countries (HIPC). These countries were put on a short leash, subject to strong IMF conditionality and oversight. While these were considered big steps for the IMF, they were viewed as only modest measures by the international community. External pressures for

275 Mallaby, supra note 8, at 105.

276 Bessma Momani, Internal and External Norm Champions: The IMF and Multilateral Debt Relief, in Owning Development (Susan Park and Antje Vetterlein, eds.) at 29 (2010) [hereinafter Momani, Norms Champions].

277 If the Bank can be characterized as an epistemic community of neoclassical economics, the Fund might be thought of an epistemic community of neoclassical economists on steroids, overlaid by an even more hierarchical power structure. Momani, Recruiting and Diversifying IMF Technocrats, supra note 213, at 182 ( Former managing Director Camdessus reportedly said, >the intellectual discipline will be maintained while I am here B we deal with crises and we cannot have our troops [the staff] rethinking strategy on the field of battle. It was rare and perhaps very difficult for staff to criticize the Fund=s thinking due to the hierarchal nature of the Fund. (quoting Ian Clark, Should the IMF Become More Adaptive?, IMF Working Papers at 25 (1996)).

278 Momani, Norms Champions, supra note 276, at 29 ( Yet IMF staff, trained as neoclassical economists and socialized within a technocratic organizational culture that had been hesitant to adopt the multilateral debt relief norm, was unable to translate debt relief into policy without serious modifications, leading to an IMF-devised norm. ).

279 Id. at 40.
debt relief continued to grow. The Jubilee 2000 campaign helped usher in a more robust relief program (HIPC II), with lower thresholds of country qualification and the removal of certain *ex ante* IMF conditions. Significantly, HIPC II also gave Wolfensohn the opportunity to implement his new Comprehensive Development Framework (CDF) under the auspices of country-led PRSPs.  

This is a complicated tale. The Comprehensive Development Framework (CDF) was proposed by the World Bank in early 1999 as a means by which countries can manage knowledge and resources to design and implement effective strategies for economic development and poverty reduction.  

The CDF was intended to be the perfect blend of technocratic advice, country-led stewardship and civil society participation. In theory, it is a framework without a plan, permitting adaptation to local context and autonomous country choices. The CDF matrix

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280 *Id.* at 47.

281 *World Bank, The Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSP), Joint Note by James D. Wolfensohn and Stanley Fischer* (April 5, 2000) [hereinafter *Joint Note by James D. Wolfensohn and Stanley Fischer*]. See also Gulrajani, *supra* note 147, at 8-9 (The comparative evaluation marked the codification of the CDF memo into four measurable >principles:= equal treatment between social and >structural= concerns and macroeconomic and financial issues, country ownership of the policy agenda, partnership with all stakeholders, and a long-term holistic vision of development built through national consultations.

282 *Joint Note by James D. Wolfensohn and Stanley Fischer, supra* note 281, at 1. (It brings together many current trends in development thinking and is centered on a long term vision B prepared by the country through a participatory national consultation process B that balances good macroeconomic and financial management with sound social, structural and human policies.

283 *Id.* (The CDF, however, is not a blueprint. It is voluntary, and each country must decide on, and own, its priorities and programs. In order to ensure the most effective use of human and financial resources, the CDF emphasizes partnerships between government (at the national, and local levels), civil society, the private sector, and external assistance agencies.)
is supposed to be implemented through the drafting of PRSPs.\textsuperscript{284} In the end, however, the contents of the PRSP must be presented to and approved by the Boards of both the World Bank and the IMF. If the PRSP is not approved, then the country does not qualify for HIPC II debt relief.\textsuperscript{285}

The PRSP-CDF-HIPC story illustrates the promise, as well as the serious limitations, of the broader socio-economic development reform agenda. As with the other reforms, the CDF and PRSPs contain important kernels of truth: development is complex, participation is important and better coordination is essential. These ideas sound relatively manageable on paper and in World Bank Reports. Unfortunately, while acknowledging complexity, the CDF still conveys the impression that development problems can be resolved in relatively closed processes that consist of appropriate doses of technocratic knowledge and country-led, participatory buy-in. In practice, it should have been fairly obvious to everyone at the beginning, that PRSPs would be nearly impossible to implement in any meaningful form, particularly in the rapid time frame necessary to qualify for debt relief.

It is an understatement to say that the PRSP-CDF-HIPC vision was ambitious:

PRSPs and the CDF embody central aspects of the broader social development agenda.

\textsuperscript{284} Id. (AThe Poverty Reduction Strategy Paper (PRSP) is based on CDF principles. It integrates poverty reducing policies into a coherent, growth oriented macroeconomic framework. As with the CDF, national governments are responsible for the preparation of PRSPs with the participation of domestic and external partners. External partners are encouraged to assist governments in preparing PRSPs, and to link their development efforts to them. ①).

\textsuperscript{285} Id. (A A PRSP must be broadly endorsed by the Bank and Fund Boards to provide a basis for both institutions= programs in low income countries, and for countries to obtain debt relief under the HIPC Initiative. ①).
The PRSP=s aim is clear: to strengthen country ownership of poverty reduction strategies; to broaden the representation of civil society particularly the poor themselves in the design of such strategies; to improve coordination among development partners; and to focus the analytical, advisory, and financial resources of the international community on achieving results in reducing poverty.\textsuperscript{286}

Taken at face value, this is a radical new agenda. It is important to remember that these quotes come directly from the Bank=s own publication. Armed with poverty reduction strategies, countries become the masters of their own development.\textsuperscript{287} Ostensibly, the new role for the Bank and the Fund is to assist in but not control the development process. As with all participating development partners, the World Bank and IMF stand ready to provide support to governments in the development of their strategies without in any way predetermining the outcome or undermining country ownership.\textsuperscript{288} The Bretton Woods Institutions acknowledge that this will require substantial changes in the way that business has traditionally been done (organizational and epistemic constraints). World Bank and IMF management realize that this will require an important shift in the organizational culture and attitudes in both these organizations and in partner institutions.\textsuperscript{289} It would require a delicate balance to effectively


\textsuperscript{287} \textit{Id.}

\textsuperscript{288} \textit{Id.} at 6.

\textsuperscript{289} \textit{Id.}
provide technical assistance but not exercise control or dictate results. Significantly, this balance would have to be struck quickly if the PRSP process could be implemented in time for countries to qualify for HIPC II assistance.

What was the actual experience with PRSP implementation? Frances Steward and Michael Wang reviewed the first 30 PRSPs prepared under the new procedures. The authors were interested in assessing the quality of participation employed in producing the papers, as well as the nature of the substantive policies recommended in the final proposals. The results should not surprise anyone with experience working with inclusive decision making processes. There was very little meaningful participation in the preparation of the PRSPs. The authors document systematic procedural problems, such as inadequate notice of meetings and barriers of

\[290\] World Bank and IMF staff will work to give each government their views on the core impediments to poverty reduction and growth within the country, and the policy options for overcoming these obstacles. These common perspectives are not intended to determine the shape of the final strategy, or to detract from country ownership of the strategy, but to provide input to the policy debate in a transparent form.\[ Id. at 7.\]

\[291\] In principle, countries seeking assistance under the HIPC Initiative should have a poverty reduction strategy in place at the decision point (the point at which debt relief is committed by participating creditors), and should have made demonstrable progress in its implementation by the completion point (the point at which full debt relief is provided irrevocably).\[ Id. at 5.\]

\[292\] Frances Steward and Michael Wang, Do PRSPs Empower Poor Countries and Disempower the World Bank, or is it the Other Way Around?, QEH WORKING PAPER SERIES No. 108 (October 2003).

\[293\] Id. at 15 (In many countries key elements of participation have been seriously flawed. Key sections of civil society (e.g., women, religious organisations, workers=movements, rural groups) and government (e.g., line ministries and parliament) have been missing from the process or insufficiently represented.).
language. But even with proper notice and the translation of key documents into indigenous languages, the barriers to meaningful participation would remain nearly insurmountable. The issues raised in the CDF are not easy to understand. Learning to speak Adevelopment speak@ is akin to learning a brand new language and engaging in graduate school level dialogues. Not surprisingly, very little real participation took place.

In almost no cases did civil society participate in the drafting of the framework for initial PRSPs. Most were presented with drafts formulated by small teams of external consultants or central ministry staff. From the perspective of ownership, these limitations to the participatory process have constrained the perception that programmes were popularly owned.

If participation is to be an important component of future development planning, it will have to take substantially different forms than those that generated the PRSPs.

Independent of concerns over meaningful participation, did the PRSPs produce policies better tailored to meet the unique poverty-reduction needs of different developing countries? Stewart and Wang state their hypothesis: AIf PRSPs are genuinely country owned we would expect to see considerable variation across country programmes reflecting different national priorities and inputs from participation, and for policies to diverge from standard orthodox packages.@ After reviewing the first 30 PRSPs, however, the authors report very little

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294 Id. at 13-14. (ACambodia=s PRSP was only made available in Khmer in the final version and not in earlier drafts.@).

295 Id. at 15.

296 Id. at 16.
variation between country proposals and almost no departure from the orthodox macroeconomic structural adjustment policies of the past.

Current policies contain all the elements of the first generation of policy reforms designed to promote the role of the market and get the prices right, and share a similar format and content involving all of the following reforms: financial and trade liberalisation; privatisation; public sector reform; sectoral policies (e.g., infrastructure, energy and manufacturing); and social sector reform.\textsuperscript{297}

The authors conclude that there is no fundamental departure from the kind of policy advice provided under earlier structural adjustment programmes.\textsuperscript{298}

The fact that PRSPs were not implemented in a manner that lived up to the initial (unrealistic) vision is not surprising.\textsuperscript{299} Beyond the political, organizational and epistemic

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\textsuperscript{297} Id. at 19.
\textsuperscript{298} Id.
\textsuperscript{299} Bank anthropologist Paul Francis catalogs many of the perceived problems with the Bank=s experience with Poverty Social Impact Analysis (PSIA), including the PRSPs: World Bank watchers have complained, with some justification, that PSIAs are not undertaken long enough in advance of policy reforms, and indeed often take place after they have been implemented, and often do not explore policy options that are real alternatives rather than just minor variations or mitigating measures. Public awareness of PSIA processes and fora in borrowing countries is quite low (the large majority of civil society groups involved in poverty reduction strategy debates have not heard of PSIA, let alone had an opportunity to engage in it), and reports and other outputs are not easily accessible, even to those literate in English and with access to the internet. Local ownership and technical participation may be limited, and borrower governments have begun to see PSIA as another donor imposition rather than a way of enhancing and democratizing the policy process. As regards approach and methods, the economic has tended to dominate at the expense of the social, with comparatively few cross-disciplinary initiatives.

Francis, supra note 11, at 6-7. See also LUCY HAYES, OPEN ON IMPACT? SLOW PROGRESS IN WORLD BANK AND IMF POVERTY ANALYSIS (September 2005) (providing an evaluation and
constraints of the Bank and Fund, national governments and indigenous civil society institutions themselves are ill-prepared to participate in the manner anticipated by the PRSPs. Nor are the criticism of the process controversial. The IMF’s Independent Evaluation Office has been very critical of the PRSPs and the Fund’s own shortcomings in implementing the process.

What does the PRSP-CDF-HIPC episode teach about the ability of the Bretton Woods Institutions to implement far reaching reforms? The Bank acknowledged at the beginning that PRSP implementation would require substantial behavioral changes within the institution itself. The actual implementation of PRSPs, however, revealed very little capacity for such behavioral changes. The problem is whether there is a willingness to take the necessary critique of the Bank’s and Fund’s PRSPs and PSIA experience).

300 A[G]overnments have only a limited capacity to effectively develop and implement programmes. @ Brenton Woods Project, New Development Tools or Empty Acronyms?: The Reality Behind the Comprehensive Development Framework and Poverty Reduction Strategy Papers, at 3 (September 2000). Civil society faces similar limitations. A[C]apacity for civil society organizations to engage these processes is limited and further inhibited by poor access to government, Bank and Fund documents and data. @ Id.


303 The critique of the Bank’s experience with participation goes beyond the PRSPs. The dilemma is that there can be no meaningful participation without meaningful choice. There can be no choice without some range of options. So far, the Bank has favored participation without substantial free choice. A[T]he World Bank views >participation= as just a more efficient means of achieving its largely unchanged neoliberal agenda B and not as a new and radical paradigm that demands some fundamental re-thinking of the Bank’s core beliefs. @ Emma Mawdsley and Jonathan Rigg, The World Development Report II: Continuity and Change in Development Orthodoxies, 3 DEVELOPMENT STUDIES 271, 281 (2003) (reference made to N. Hildyard and A. Wilks, An Effective State? But Effective for Whom? 29 IDS BULLETIN 49 (1998)) [hereinafter Mawdsley and Rigg, The World Development Report II].
steps, especially at the Bank and the IMF, to ensure that the reality fits with the rhetoric.

Experience so far suggests that many Bank and Fund staff perceive that its "business as usual," however, the new "ownership" approach is inherently in conflict with the paternalistic attitude of the International Financial Institutions and their major shareholders. Some of the obstacles deal with ongoing organizational constraints. Other obstacles illustrate the deep significance of the epistemic constraints. For the PRSPs to generate a range of different, context-specific macroeconomic and poverty reduction strategies would be to challenge the very idea that legitimate economic development consists of universal principles that can be derived strictly from economic theory. So far the BWIs have been unable to surmount these obstacle.

304 Brenton Woods Project, supra note 300, at 4.

305 Id. (At the moment staff are rewarded for the amount of lending they do which puts the emphasis on delivering projects and programmes rather than ensuring processes are good.).


307 Antje Vetterlein uses the IMF=s experience with the same PRSP process to consider how policy norms can be internalized at the Fund. Antje Vetterlein, Lacking Ownership: The IMF and Its Engagement with Social Development as a Policy Norm, in OWNING DEVELOPMENT (Susan Park and Antje Vetterlein, eds.) at 93 (2010). All in all, the story is one of accommodating a policy norm which is clearly difficult to align with the organizational mandate and belief about how best to tackle development problems. Id. at 94. Vetterlein concludes that the Fund simply lacks ownership when it comes to social policies. Id. at 95. Once again, epistemic constraints play an important role. To begin with, Fund staff lacked interest in issues that were non-economic. When social issues were addressed there was a tendency to force them to fit within the framework of traditional economic analysis. The Fund lacks experience in this area with the result that social issues will always be framed in economic terms, thus delimiting the social development policy norm. Id. The possibility that social issues might trigger internal debates that could introduce new ways of thinking is stifled by the homogenous nature of the staff itself. Id. at 99. These narrowing tendencies are reinforced by the Fund=s understanding of its formal mandate. Just like the World Bank, the Fund=s actions are supposed to be based on economics, not politics. For the IMF, social issues are political, while economic issues are not. According to the Fund=s internal norms, economic growth is an apolitical,
It is important to realize that certain aspects of the epistemic constraints operate at a deep psychological level and that the purported beliefs are sincerely held. It is in this capacity that neoclassical economics starts to function as a worldview and not simply as a discrete academic discipline. BWI officials believe in poverty reduction, but they believe that poverty reduction takes place through economic growth and that growth is spurred by adopting a uniform set of macroeconomic policies. From this perspective, social issues are at best a distraction and at worse potentially counterproductive. It is not surprising, therefore, that the World Bank and the IMF implementation of the PRSPs was not successful and did not substantially change Abusiness as usual.

2 Knowledge and Learning at the World Bank

An analysis of the World Bank’s experience with knowledge and learning reveals similar shortcomings. I want to explore not only how the Bank has used knowledge as a tool for development, but also to consider what this teaches about the Bank’s own institutional capacity for learning. Shortly after his arrival, James Wolfensohn committed to make the World value-neutral goal.  

308 Id. at 105 n.9 (The assumptions of the so-called Washington Consensus are reiterated, that is, that economic growth will lead to poverty reduction and therefore the >right= economic policies are more important than social policies.).

309 The Fund only gives attention to social issues when it might serve a strategic (political) function, such as when social policies are necessary to build legitimacy or consensus for the Fund’s core economic proposals. Id. (noting that social policies are embraced at the Fund only when they are seen as necessary to facilitate economic reforms.).

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Bank a Knowledge Bank. The 1999 WDR, *Knowledge for Development* was a reflection of this commitment. What constitutes knowledge and how knowledge might be a tool to facilitate development are both complicated questions. The World Bank is an institution dominated by neoclassically trained economists. Not surprisingly then, its approach to knowledge is substantially influenced by the strengths and limits of this academic field, making *Knowledge for Development* a useful instrument to contrast the economic understanding of knowledge with approaches from other disciplines.

At one level, the Bank is to be congratulated for wading into the field, and doing so from a position of distinct disciplinary disadvantage. At best, theories of knowledge lie at the periphery of traditional economics. The neoclassical model of perfect competition assumes the existence of perfect information. All relevant knowledge exists and is known by all actors. Knowledge is not an issue and learning is not necessary. Important advances have been made by Joseph Stiglitz, among others, to address economic problems that arise from incomplete and imperfect information. Even given these refinements, economics does not bring a particularly robust set of tools to the table. In identifying the types of knowledge most important to development, the WDR settles upon technical knowledge or simply know-how and

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310 MALLABY, *supra* note 8, at 158-60.


A knowledge about attributes, such as product quality or a firm’s creditworthiness. The report generalizes about the first type of knowledge: Typically, developing countries have less of this know-how than industrial countries, and the poor have less than the nonpoor. We call these unequal distributions across and within countries knowledge gaps. Prescriptively, the Bank’s role in development is, therefore, to facilitate the transfer of this type of knowledge from the North where it predominately resides, to the South where it is needed, and therefore fill these gaps. This knowledge (despite some assertions of it having public good characteristics) appears to be readily commodifiable. Indeed, southern states are encouraged to adopt standard First-World practices to obtain it. Three key means of facilitating the acquisition of knowledge from abroad are an open trade regime, foreign investment, and technology licensing. If knowledge can be shipped effectively from the North to the South, the knowledge gap will be filled and development will be furthered.

Knowledge about attributes invokes a different logic. This is a blend of transaction cost and institutional economics. Models of perfect competition assume complete information. Incomplete information is a source of market failure and, therefore, a source of inefficiency. Information about attributes, such as product quality, is often lacking and is costly to obtain. Poor countries differ from rich in having fewer institutions to certify quality, enforce standards

313 1999 WDR, KNOWLEDGE FOR DEVELOPMENT, supra note 270, at 1.
314 Id. (emphasis in original).
315 Id.
316 Id. at 6.
317 Id. at 7-8.
and performance, and gather and disseminate information needed for business transactions.\(^{318}\)

The World Bank and national governments can encourage institutional reforms that can help resolve the information problems, such as establishing standards, weights and measures. This will make markets work more efficiently. While none of this might seem very radical for outsiders, the WDR is, in fact, pushing the disciplinary envelop form an economic perspective. As with other borrowing from institutional economics, it is broadening the traditional economic agenda inside the Bank. When laid bare, however, is also reveals how thin economic theories of knowledge are compared to those of some of the other social sciences.

Lyla Mehta criticizes the Bank’s approach to knowledge from outside the domain of economics.\(^{319}\) The main argument is that the WDR operates with a very narrow and reductionist notion of knowledge which ignores the dynamic and plural aspects of shaping knowledge production and generation, and that its analyses are bereft of questions concerning a wider political economy.\(^{320}\) Mehta outlines three specific criticisms of *Knowledge for Development*:

1. Knowledge is usually incomplete and tends to be partial. Two, it cannot be analyzed in isolation of the sociohistorical, political, cultural and economic context within which it

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\(^{318}\) Id. at 1.


\(^{320}\) Mehta, *From Darkness to Light, supra* note 319, at 151.
emerges. Three, given these diverse contexts, there can be no *one* absolute kind of knowledge or truth, but instead knowledge is plural, perspectival and largely socially constructed.\(^{321}\)

This more textured, context-specific analysis of knowledge suggests the type of insights from other social sciences that are largely missing from the WDR. The Bank’s analysis is absolute and monolithic.\(^{322}\) The opening two lines of the WDR have been particularly criticized in this regard: *Knowledge is like light.*Weightless and intangible, it can easily travel the world, enlightening the lives of people everywhere. Yet billions of people still live in the darkness of poverty unnecessarily.\(^{323}\) Frames of analysis matter. Mehta argues that the *knowledge as light* frame legitimizes top down development interventions and unidirectional initiatives, leading to a privileging of certain dominant discourses.\(^{324}\) All that economists at the World Bank need to do is turn on the switch and let their knowledge enlighten the Third World.

Alternative theories of knowledge suggest alternative possible courses of action and development policies. Colin McFarlane contrasts *rationalists* approaches to knowledge, such as that characterized in the Bank’s *Knowledge for Development,* with a post-rationalist

\(^{321}\) *Id.* at 153.

\(^{322}\) *Id.* at 154.

\(^{323}\) 1999 WDR, *Knowledge for Development,* *supra* note 270. at 1 (capitalization in original).

\(^{324}\) Mehta, *Knowledge Empire,* *supra* note 319, at 191.
A post-rationalist approach has the following characteristics:

[I]t is situated in systems of ongoing practices; it is relational and mediated through artifacts; it is always rooted in a context of interaction and acquired through some form of participation in a community of practice; and it is continually reproduced and negotiated, hence always dynamic and provisional.326

Here one sees a connection between the Bank=s (failed) efforts at participatory development as reflected in the PRSPs and its theory of knowledge.327 From an economic perspective, participation (like knowledge) is an abstract input that can simply be plugged into whatever development function is at issue, whether that is the production of development by closing the knowledge gap, the operation of more efficient markets by adding more complete information about product quality or producing PRSPs by mandating participation and inclusion. In contrast, viewing the production of knowledge as an inherently relational and social process, working through communities of practice, necessarily engenders a very different orientation to participatory forms of development.328

325 Colin McFarland, Knowledge, Learning and Development: A Post Rationalist Approach, 6 PROGRESS IN DEVELOPMENT STUDIES 287, 292 (2006) (In sum, the rationalist approach to knowledge and knowledge transfer evidenced in Bank literature conceives of knowledge as objective and universal, as a technical entity that can be moved in a linear way unchanged from place to place, and in so doing separates the conception of knowledge from politics and context.®).

326 Id. at 293.

327 Mehta, From Darkness to Light, supra note 319, at 155 (The notion of Knowledge as Light ® transferable in a top-down fashion ® also goes against [the Bank=s] own recent espousing of participatory approaches in development.®).

328 See generally, ETIENNE WENGER, COMMUNITIES OF PRACTICE: LEARNING, MEANING AND IDENTITY (1998); JEAN LAVE AND ETIENNE WENGER, SITUATED LEARNING: LEGITIMATE
In light of the fairly narrow focus of *Knowledge for Development* and the Bank=s unsuccessful effort at participation as reflected in the PRSPs, can the Bank be a learning organization? This is a critical question for assessing the Bank=s future and the ability of the Wolfensohn era reforms to have transformative potential. There are reasons to be concerned. To begin with, the Bank is fairly insular. ABank research tends to adhere to its own agenda and world-views. Its own publications lack self-criticism and its internal research is rarely subjected to a rigorous process of peer review.\(^329\) All large organizations face challenges in learning and adaption. The challenges for the Bank, however, are particularly formidable. At one level, it is a question of the ability of economics as an academic discipline to evolve and change. At another level it calls for a differentiation of the role of economics as it functions as an academic discipline in contrast to its function as a worldview. Academic disciplines have capacities to learn and change. The capacity of most worldviews to adapt and change, however, is much more constrained. In addition, there are specific organizational and bureaucratic obstacles to learning and adaptation at the World Bank.

David Ellerman, who served as an Economic Advisor to the Chief Economist at the World Bank, raises other concerns about the Bank=s ability to learn.\(^330\) He explains the conundrum as follows: AWhen an agency attaches its >brand name= to certain Official views, then it becomes very difficult for the agency also to be a learning organization or to foster


genuine learning on the part of its clients.\(^{331}\) This is a dilemma faced by churches, political parties and other official organizations. \(A\)The authorities in the organization determine >the Official views= and tend to shut off or >embargo= and feedback loop that may call into question those views, thereby diminishing the >franchise value= of the >brand name= \(B\) not to mention reflecting poorly on the wisdom of the authorities who sanctioned the views in the first place.\(^{332}\) A related problem is the >rage to conclude< and come up with definitive answers or sanctioned >best practices<, even in the face of problems as complicate and potentially intractable as those of economic development.\(^{333}\) If learning inside the Bank is going to take place, it will not be easy. The recent experience of the Bank dealing with theories of social capital provides another forum to examine more closely the Bank’s internal capacity to learn, change and adapt.

**B  Social Capital: The Potential for Change from the Inside Out**

The World Bank’s work with social capital theories provides a window to examine the ability for change to come from inside the institution. The history of >social development<, of which social capital is simply the latest manifestation, goes back to the 1970s, when the Bank was focusing on integrated rural development in its fight against poverty. Consultants argued that employing anthropologists and sociologists might make Bank projects more effective.\(^{334}\)

\(^{331}\) Id. at 285.

\(^{332}\) Id. at 287.

\(^{333}\) Id. at 289.

Since then, the Social Development Network, under its various guises, has been the home of most of the Bank’s social scientists. Many participants of this Network have sought to transform the Bank from the inside out. It is reasonable to argue that throughout the group’s existence, most members have aimed to alter the way the Bank as an institution understands development and have been searching for a way of framing these alternatives theoretically, and in ways that other professional constituencies in the Bank would understand. To state the objective slightly differently, the agenda was to make inroads into how neoclassically trained economists understood development and therefore help transform the Bank’s epistemic approach to its primary mission.

The Bank has been subject to no shortage of external critiques and attacks. Significantly, Anthony Bebbington and his colleagues tell an insider’s story, exploring the potential for human agency and change from inside the institution.

The World Bank might be viewed as a battlefield of knowledge with different arenas in which the contests are waged: internally among its staff (the battlefield we focus on here); externally with non-Bank actors and those encountered in the course of implementing projects; and more intriguingly cross-border battles in which different subcommunities within the Bank are linked to different communities outside the Bank, and where the battles engage larger communities whose members transcend institutional...
This image of the Bank as a battlefield of knowledge is similar to the work of John Girwood who examines the Bank from the perspective of Foucault=s analytics of government. AThe World Bank emerges in this analytics of government perspective as a form of a permutating assemblage, that is, >a temporarily stable and shifting complex of relations that is highly permeable in relation to many different expert interventions and cultural values. This is counter to those who anthropomorphize and unify the World Bank as an intellectual actor.  

337 Id. at 38. In these skirmishes, a scorecard is useful. Anthony Bebington is an outsider, working as a Professor in the Institute for Development Policy and Management in the School for Environment and Development at the University of Manchester, U.K. Scott Guggenheim is an anthropologist, but a World Bank insider, working as a Lead Social Development Specialists in the East Asia and Pacific Region in the Environmentally and Socially Sustainable Development Network of the World Bank. Elizabeth Olson is an outsider, a Lecturer in the Department of Geography, Lancaster University, UK. Michael Woolcock is another insider, working as a Senior Social Scientist in the core Development Research Group of the World Bank.

338 John Girwood, Reforming the World Bank: From Social-Liberalism to Neo-Liberalism, 43 COMPARATIVE EDUCATION 413 (2007). Girwood draws upon works such as Michelle Foucault, Governmentality, in THE FOCAULT EFFECT: STUDIES IN GOVERNMENTALITY (G. Burchell, C. Gordon and P. Miller eds.) (1991). Girwood defines an analytics of government approach as follows:

An analytics of government perspective has different emphasis to problematics of the state in the study of power in relation to new models of government such as the neo-liberalism of advanced liberal nations. Government for Foucault, is the conduct of conduct.® It is understood as a programmatic for of power relations built on rationalities and technologies of government, which are embedded within discursive and other social practices.

Id. at 415 (quoting G. Burchell, Peculiar Interests: Civil Society and Governing the System of Liberty, in THE FOCAULT EFFECT: STUDIES IN GOVERNMENTALITY (G. Burchell, C. Gordon and P. Miller eds.) at 2 (1991) (references omitted)).

and truth claims play important roles in these dynamics. An analytics of government perspective is also particularly concerned with power-knowledge relations and the links between regimes of government and the authority of knowledge and the truth claims associated with expertise.\(^{340}\) This is particularly important for the World Bank. Much of the World Bank’s political authority is linked not just to finance and financial relations but also to truth claims evidenced by apparently apolitical techno-economic reason and reinforced by economic statistics manipulated into various forms (prose, tables, graphs, charts, etc) in text-based discourse.\(^{341}\) It is in this contested realm that theories of social capital were introduced in the Bank.

The story of social capital also fits well with the general model of World Bank behavior developed in Part III, supra, focusing on political, organizational and epistemic constraints. The global political economy of which the Bank is a part, along with the wider debates in development, influence the nature of discourse in the Bank, the possibilities that it might change, and the ways in which it might change.\(^{342}\) Organizational factors constrain as well as political ones. The World Bank is also a bureaucratic structure with rules, procedures and norms.\(^{343}\) The social capital episode, however, is predominately a challenge to the Bank’s epistemic constraints, a challenge by a group of social scientists to an institution dominated by neoclassically trained economists.

\(^{340}\) *Id.* at 417 (references omitted).

\(^{341}\) *Id.*


\(^{343}\) *Id.*
Social capital is an amorphous concept that means different things to different people. This can be a source of strength, as well as weakness, in seeking to effectuate internal change. At its most functional level, it refers to the norms and networks that enable people to act collectively. This focus on the social dimensions of the problem stands in sharp contrast with most economic approaches. For their part, neoclassical and public choice theories which were most influential in the 1980s and early 1990s assigned no distinctive properties to social relations per se. How can advocates of greater social context engage and potentially persuade members of an academic discipline defined almost exclusively by methodological individualism? That is the challenge, and social capital, was a fairly promising vehicle. The concept of social capital offers a way to bridge sociological and economic perspectives, thereby providing potentially richer and better explanations for economic development.

But would the economists listen? World Bank economists Jeffrey Hammer (no relation) and Lant Prichett, provide an interesting insider's answer. They argue that the Bank's flirtation with social capital theories, roughly 1993-2004, happened at a time when Bank economists were particularly susceptible to extra-disciplinary influences. One reason for this

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345 Id. at 34.

346 Id. at 52.

susceptibility was that the highly critical internal Wapenhans Report emphasized the failures of eliciting the ongoing cooperation of the intended beneficiaries in project operations and maintenance. The Report called for substantially greater social analysis of projects. A related explanation was the failure of economically oriented game theory to provide a workable alternative theoretical framework for examining cooperation problems from an individual perspective. AOur conjecture is that one of the reasons economists were susceptible to the notion of social capital was that the research program at the time had no compelling way of examining small-group, non-arm= s-length (personalized, repeated) transactions. This courtship of Bank economists with social capital theories, they claim, was short-lived and did not bear much fruit. AOur view is that the brief infatuation with some economists at the World Bank with social capital is over. Michael Edwards, a former World Bank employee who moved on to Direct the Governance and Civil Society Program at the Ford Foundation, has a different perspective on the role of social capital at the Bank.

[A]t the deepest level the debate over social capital is less an argument about definitions than a struggle between competing paradigms of development, and a campaign by different groups to legitimize or de-legitimize particular bodies of knowledge and

348 Id. at 69 (reference made to WORLD BANK REPORT OF THE PORTFOLIO MANAGEMENT TASK FORCE, EFFECTIVE IMPLEMENTATION: KEY TO DEVELOPMENT IMPACT, (1992) (Wapenhans Report).

349 Id. at 66.

350 Id. at 86. Hammer and Prichett caution, however, that there are as many views by economists toward social capital as there are economists. @ Id. at 63.
methods in the social science.\textsuperscript{351}

In this struggle, he delineates the role of \textit{enthusiasts}, \textit{tacticians} and \textit{skeptics}.\textsuperscript{3} The enthusiasts are the economists and other social scientists at the Bank who truly believe in the concept of social capital. \textit{For} them, social capital is the missing ingredient that, by integrating non-market rationality into economic models, explains why some countries and communities grow faster than others.\textsuperscript{352} The enthusiasts are contrasted with the tacticians, other Bank social scientists. The tacticians believe that social capital is an important, but partial truth. \textit{For} tacticians, the most interesting evidence lies in the interactions between social, economic and political processes, not the notion of social capital divorced from its wider context.\textsuperscript{353} The question for tacticians is how to get from here to there. They are willing to employ the concept of social capital instrumentally, as a means to talk to an epistemic community dominated by economists and to persuade them to embrace a wider range of development concerns. \textit{Since} economics still reigns supreme, its better to influence the field from within than to stand on the sidelines throwing intellectual bricks.\textsuperscript{354} The skeptics constitute the last group, consisting mostly of academics and activists outside the Bank. Skeptics question the wisdom, propriety and possibility of transforming economics or the Bank through internal means. \textit{Let}s be blunt, they say: What is economically important about social relations is already known from sociology and political science . . . and what is not known \textit{B} how to reshape these dynamics in favor of poverty.

\textsuperscript{351} Edwards, \textit{supra} note 273, at 93.

\textsuperscript{352} \textit{Id.} at 94.

\textsuperscript{353} \textit{Id.} at 95.

\textsuperscript{354} \textit{Id.}
These camps stake out important and controversial perspectives. What lessons can be learned from the Bank’s internal experiment with social capital theories? First, it illustrates how the Bank’s epistemic constraints are real and can be binding. The primary virtue of social capital as advocated by both enthusiasts and tacticians was that it opened up avenues to talk to economists about social relations. This tactic, however, did not come without its costs. Here, in-group members seeking greater external influence may find themselves confronting something of a Faustian bargain, namely, an imperative to change their language in order to speak truth to power, but at the risk of undermining the galvanizing coherence of their internal discourse. Squaring the circle of social capital may be an impossible task. Social capital as used in the pioneering work of Pierre Bourdieu is a metaphor, not an economic variable subject to measurement and manipulation. Economists like Kenneth

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355 Id. at 96 (ellipses added).

356 Bebbington, Guggenheim and Woolcock, Contexts and Consequences, supra note 172, at 264 (And finally as all the Bank staff in this collection state clearly dialogue on social capital helped them engage their more economistic colleagues on social issues of local organization and collective action. ); Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 57 (The social capital discussion allowed people to talk more explicitly about the role that local organizations and social networks might play in development and poverty reduction, deepening ideas raised far more tentatively inside the Bank back in the early 1980s. ).

357 Bebbington, Guggenheim and Woolcock, Context and Consequences, supra note 172, at 280.

358 PIERRE BOURDIEU, OUTLINE OF A THEORY OF PRACTICE (1972). I am grateful to my colleague Steve Winter for this particular insight. Allan Schmid notes that Bourdieu’s
Arrow have been equally troubled by the term, reasoning that none of the concepts championed under its banner have any of the characteristics economists would traditionally associate with capital.\textsuperscript{359} Arrow argues that the capital-based label should be abandoned.\textsuperscript{360}

There are dangers in trying to conform to the economic norm. To translate a number of social concepts into economic terminology is to flatten them and rob them of their power.\textsuperscript{361} The perspective does not lend itself to measurement.\textsuperscript{8} A. Allan Schmid, Book Review: Social Capital: Critical Perspectives by Stephen Baron; John Field; Tom Schuller, 36 JOURNAL OF ECONOMIC ISSUES 824, 825 (2002). Given the multiple, ambiguous possible meanings of the term, the challenges of empirical assessments may be insurmountable. When theory points to such widely varying measures, there is a potential for babble.\textsuperscript{9} Id.

\textsuperscript{359} Kenneth J. Arrow, Observations on Social Capital, in SOCIAL CAPITAL: A MULTIFACETED PERSPECTIVE at 3 (Partha Dasgupta and Ismail Serageldin, eds.) (2000). Arrow notes that the term >capital= implies three aspects: a) extension in time; b) deliberate sacrifice in the present for future benefit; and c) alienability.\textsuperscript{3} Id. at 4. Other than having a possible extension in time, social capital is lacking in most of the conventional elements. Id. Robert Solow makes similar criticisms. Robert M. Solow, Notes on Social Capital and Economic Performance, in SOCIAL CAPITAL: A MULTIFACETED PERSPECTIVE at 6 (Partha Dasgupta and Ismail Serageldin, eds.) (2000) (\textsuperscript{4}Start with the phrase itself. Why social capital? I think it is an attempt to gain conviction from a bad analogy. Generically >capital= stands for a stock of produced or natural factors of production that can be expected to yield productive services for some time.\textsuperscript{5}).

\textsuperscript{360} Arrow, supra note 359, at 4 (\textsuperscript{6}More specifically, I would urge abandonment of the metaphor of capital and the term, >social capital.=\textsuperscript{7}).

\textsuperscript{361} Catherine Weaver tells a similar story about the flattening of gender and development\textsuperscript{8} (GAD) norms at the World Bank. Catherine Weaver, The Strategic Social Construction of the World Bank=\textsuperscript{s} Gender and Development Policy Norm, in OWNING DEVELOPMENT (Susan Park and Antje Vetterlein, eds.) at 70 (2010). \textsuperscript{8} In Particular, the paths chosen to gain entry and traction of the GAD policy norm inside the Bank and with borrower states have over time led to a particularly technocratic and increasingly narrow economics-focused approach, as opposed to the rights- or security-based policy norm framework favoured by other institutions.\textsuperscript{9} Id. at 73. This flattening happens at many different levels. Formal accountability mechanisms are rejected in favor of softer approaches to avoid internal backlash or accountability mechanisms becomes sterile fill-in-the-box procedures. Id. at 83-84. Just like social capital, gender becomes an acontextual variable subject to econometric manipulation. Id.
effort to reduce social capital to a variable subject to quantitative econometric analysis was done for internal tactical reasons.

The operational staff (all non-economists) felt qualitative research was far more likely to deliver useful results for project design. Staff at the Acenter® (that is, non-operational staff working in policy and research) tended to argue that it was important to deliver more rigorous results® if the work was to have any influence on how other people in the Bank would think, in particular economists at the Acenter,® country economists and country managers.362

The result is a growing (and not necessarily satisfying) body of literature showing that some particular construction of Athe social® has a statistically significant effect on some particular aspect of economic growth.363 The enthusiasts are satisfied with the method and results, but the tacticians are less complacent.364 Tacticians are happy to have pushed the ball forward, but still conscious about how much more remains to be done.

at 85. AMany of the deeper issues impeding women=s empowerment, security and development, are neglected or overshadowed. The language of rights and security is there, but hidden in the language of >economic empowerment of women.=& AId. at 87.

362 Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 45. The argument inside the Bank was that Asocial capital ought to be talked about econometrically® and Athat it ought to be understood as an asset affecting household welfare® Id. at 44.

363 See generally Steven N. Durlauf and Marcel Fafchamps, Social Capital, in HANDBOOK OF ECONOMIC GROWTH at 1639 (Philippe Aghion and Steven Durlauf eds.) at 1699 (2005) (providing a critical survey of econometric studies of social capital).

364 Edwards, supra note 273, at 95 (ATacticians understand that the link between social capital and development outcomes are much more complex than the enthusiasts suggest B dependent on history, context, and operating through processes we do not fully understand.®).
The tacticians have to be cautious. They face not only epistemic constraints, they also face serious political constraints. The 2000 WDR Attacking Poverty was supposed to be the showcase for the Bank’s new social capital focus. The initial draft of the Report (the red cover version) stressed a civil society empowerment message and cautioned that liberalization of the economy did not necessarily lead to benefits for the poor.\footnote{\textit{Wade, Attacking Poverty, supra} note 109, at 1436; \textit{Wade, Showdown at the World Bank, supra} note 130, at 131} In short, the red cover draft supported the >civil society= agenda more than the >finance= agenda on those points where they disagree.\footnote{\textit{Wade, Attacking Poverty, supra} note 109, at 1436.} There was substantial push back and criticism of the draft from both inside the Bank and from officials in the U.S. Treasury.\footnote{\textit{Id.} at 1436-1438.} Rather than compromising in the initial focus and emphasis of the Report, Ravi Kanbur, the Director of the WDR, resigned.\footnote{\textit{Id.} at 1438; \textit{Wade, Showdown at the World Bank, supra} note 130, at 134.} Despite the asserted independence of the teams that produce the WDRs, the political and epistemic constraints at the Bank are real and often binding.

In the end, there are serious limits for the prospects for internal change. Bebbington and his colleagues have made an important contribution. Going inside the black box of the World Bank reveals a more complicated and heterogeneous dynamic than most external critics have acknowledged. Human agency does exist and permits some realm of contingent action.\footnote{Bebbington, Guggenheim and Woolcock, \textit{Ideas-Practice Nexus, supra} note 72, at 5 (\textit{AThis is a body of work that \textit{B while fully recognizing the weight of political economy and other sources of path-dependent constraints on development possibilities \textit{B holds that there are contingencies in the process of development and that some of those contingencies are the affects}})
said, the scope of the space available for contingent action is still quite constrained. Even if the work involved was intended, by many involved, to challenge the Bank’s way of doing things, it remained very much on the margins of dominant theories of development in the institution. The changes that can and do take place are likely to be quite uneven and fairly diffuse, affecting different people and parts of the organization in different ways. Politics enable but also restrict. Bebbington and his colleagues acknowledge that the social capital moment was made possible in large part due to the internal space created with the arrival of President Wolfensohn. At the same time, there are still more dominant political constraints that put certain topics, projects and methodologies off limits. Bebbington’s work is most important, however, in illustrating the significance of ongoing epistemic constraints at the Bank. The dominant role that economists play matters. It affects how debates are framed and how issues are perceived. It defines which possibilities are conceivable and which are not. The dominance of people’s deliberate efforts to create space for change and then use it.

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370 Bebbington, Guggenheim, Olson and Woolcock, Exploring Social Capital Debates, supra note 110, at 42.

371 Bebbington, Guggenheim and Woolcock, Contexts and Consequences, supra note 172, at 265 (The more general point here is that debates travel very unevenly within an organization as large and complex as the Bank.); 278 (What comes through in all this is the notion of unevenness over space and across time.).

372 Bebbington, Guggenheim and Woolcock, Ideas-Practice Nexus, supra note 72, at 12; Bebbington, Guggenheim and Woolcock, Contexts and Consequences, supra, note 172, at 263.

373 Bebbington, Guggenheim and Woolcock, Contexts and Consequences, supra note 172, at 263 (The 1990s were a post-Cold War period of Democratic administrations in US government, a period in which some of the sensitivities to a sniff of anything vaguely political were perhaps blunted. That said, not everything became speakable, and full-fledged notions of political economy were still not going to fly in the institution.).
economics makes it difficult for other social sciences to make inroads at the Bank or to alter the agenda or trajectory of the institution.

Some of the blame for the limited effectiveness of the social capital movement, however, must lay with the underdeveloped nature of its own theories and ideas. Any theory from outside the core of neoclassical economics that seeks to change the World Bank from the inside out will require a much stronger rudder to guide it than current understandings of social capital permit. Given its current state of development, theories of social capital may be able to start cross-disciplinary conversations, but they are not in a good position to guide or direct their subsequent evolution.\textsuperscript{374} That said, there is also serious reason to question whether any viable counter theory of development can come from inside an institution such as the World Bank or even from inside the domain of economics.

\textbf{C Institutional Economics: Challenges from Inside the Economic Paradigm}

The social capital debate permitted an examination of epistemic constraints when economics was confronted from the outside, by theories from another social science. The story of the Bank's experience with institutional economics permits the examination of epistemic constraints when Bank economists take on an intra-disciplinary contender. The rise of \textit{A institutions} as a significant contender in international development came from the

\textsuperscript{374} 	extit{Id. at} 279-80 \textregistered (it is a separate matter, however, as to whether social capital has the capacity to sustain and expand those discussions. If the issues is \textit{sustaining} a discussion around a specific policy issue, we suspect that social capital lacks the depth and rigor to inform a long-term agenda and needs to be successively replaced.\textsuperscript{)} (italics in original).
convergence of a number of different strands of economic thinking. Contemporary institutional understandings as applied to development are typically built on the foundations of the work of Ronald Coase, Douglass North and Oliver Williamson. In 1994, Oliver Williamson was invited to present a paper at the World Bank=s 1994 Conference on Development Economics, exploring the implications of his institution-based theories. Around the same time, institutional economic theories started making their way into Bank publications, such as the 1995 publication *Bureaucrats in Business*. Finally, institutional economics were central components in the 1997 and 2002 World Development Reports, *The State in a Changing World* and *Building Institutions for Markets*.

What do these developments tell us about the World Bank and its capacity for reform? For those who would like to see the institutional turn lead to substantial changes in the Bank=s fundamental approach to economic development, the Bank=s early work is

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376 STEIN, supra note 3, at 87-92 (summarizing the institutional economic views of Coase, North and Williamson).


disappointing. Howard Stein persuasively illustrates how documents like *Bureaucrats in Business* and even the 1997 WRD flatten institutional concepts, applying them in an unduly narrow and sometimes simply misguided manner.\(^{381}\) For example, Williamson’s Bank paper outlines the stock approach of a comparative institutional analysis,\(^{\oplus}\) where various institutional forms are viewed as functional substitutes and compared in terms of their real world strengths and weaknesses.\(^{382}\) This is supposed to be an empirical and not an ideological exercise. Williamson specifically cautions against comparing real world (and therefore unavoidably imperfect) institutions to hypothetical, idealized alternatives.\(^{383}\) Despite these cautions, *Bureaucrats in Business* employs a hollow version of comparative institutional analysis to demonstrate the asserted and predetermined superiority of markets over state-based enterprises.\(^{384}\) This is part of a more damning criticism in which Stein argues that institutional


\(^{382}\) Williamson, supra note 377, at 178 (*The new institutional economics is predominately an exercise in discrete structural analysis in which alternative modes of organization B markets, hybrids, hierarchies, bureaus B are described as syndromes of related attributes. The exercise, developed mainly with reference to the traditional concerns of industrial organization, has relevance also to an understanding of bureaucratic and incentive differences between comparative economic systems.\(^{\oplus}\)*) (references omitted).

\(^{383}\) Id. at 185 (*Accordingly, the appropriate test of failures of all kinds B markets, bureaucracies, redistribution B is remediableness: an outcome for which no feasible superior alternative can be described and implemented with net gains is presumed to be efficient.\(^{\oplus}\)*) (emphasis in original). This is just a variant of Demsetz=s caution to avoid the Anirvana fallacy.\(^{\oplus}\) Harold Demsetz, *Information and Efficiency: Another Viewpoint*, 12 J. LAW & ECON. 1 (1969).

\(^{384}\) STEIN, supra note 3, at 97 (*It is clearly evident that the World Bank, in spite of*
economics at the Bank has largely been employed not to evaluate and reconsider new approaches, but to rationalize and breathe new life into old (and, according to Stein, failed) policies.\textsuperscript{385}

As with social capital, non-traditional economic approaches are flattened and made to conform with the Bank=s traditional practices and epistemic orientation. The \textit{1997 WDR} is consistent with this critique. Despite its name, \textit{The State in a Changing World}, the theories advanced under the auspices of institutional economics do not reflect radically new approaches or understandings.

The report reaffirms the focal points about the role of the state—foundation of law, nondistortionary policy environment, basic social services and infrastructure, protecting the vulnerable and the environment—that are justified by standard neoclassical microeconomic theory: market failures, public goods, externalities, and so on.\textsuperscript{386}

\footnote{Williamson=s warning, is working with an institutionalized ideal in which the results of any study are predetermined.\textsuperscript{\textregistered}}.

\textsuperscript{385} \textit{Id.} at 107 (\textit{A}Instead of using institutional economic theory to actually rethink and reevaluate its policies, which would have been especially appealing given the overwhelming evidence of the failures of its earlier programs, the Bank used institutional economic theory to buttress its orthodox agenda.\textsuperscript{\textregistered}). For Stein, the cooption of institutional rhetoric is even more troubling. \textit{A[B]y adopting the language of its critics, the Bank cleverly disarmed the opposition under the pretense of compromise.\textsuperscript{\textregistered}} \textit{Id.} at 87.

\textsuperscript{386} \textit{Id.} at 98. See also Mawdsley and Rigg, \textit{The World Development Report II, supra} note 303, at 278 (\textit{A}even WDR 97, which for many heralded an important new appreciation of the state, \textgreater the basic recipe for reform (deregulation, privatization and liberalization) remain unchanged and unquestioned.\textsuperscript{\textregistered}) (quoting G. A Cornia, \textit{Convergence on Governance Issues, Dissent on Economic Policies}, 29 \textit{Institute of Development Studies (IDS) Bulletin} 32, 36 (1998). The authors further fault the Report for the view of the state that it projects. According to the \textit{1997 WRD}, for the state to function well the state itself must become more like a market. \textit{A}But from reading the WDRs, it is clear that the state is not only being \textit{re-legitimized} to support
Stein attributes this to Bank economists operating from impoverished neoclassical understandings, where there is no state (and therefore no theory of institutions). In the relaxed version of general equilibrium theory that defines the field, markets are presented as neoclassical exchanges arising from the spontaneous interactions of self-seeking individuals, not as institutional constructs.\(^387\) When pressed, this approach can begrudgingly admit a limited role for government in discrete functions such as defining property rights and enforcing contracts, but not much more. This analysis again illustrates how epistemic constraints are real. Economists trained in this tradition have a very difficult time expanding their horizons. Even when operating with the more robust tools of institutional economics, they can still only craft fairly traditional and anemic understandings of the state and its possible functioning.

Some readers may fairly wonder whether too much is being made of epistemic orientations and professional socialization. The Bank=s experience with institutional economics provides an unusual case where the actors themselves argue about the boundaries of their discipline, at the same time they are writing about the policy implications of their work. As discussed earlier, there are a number of competing flavors of institutional economics B New, Neo and Old.\(^388\) Most Bank economists adopt a version of institutional economics that most easily conforms to their neoclassical beliefs. Eduardo Wiesner is Columbia=s former Minister of Finance and a former Executive Director of the World Bank. He is also co-editor of the World

the market, but increasingly it is being re-invented to operate itself on market mechanisms and assumptions.@ \(Id.\) at 279.

\(^{387}\) STEIN, supra note 3, at 87.

\(^{388}\) See supra notes 264-68 and accompanying text.
Bank publication *Evaluation & Development: The Institutional Dimension*. He defines his understanding of the relationship between institutional and neoclassical economics:

A common thread runs through the volume: the recognition of the crucial role of institutions, organizations and political economy restrictions is not tantamount to a rejection of the neoclassical model. Most authors perceive neoinstitutional economics as a broadening of the neoclassical model to deal with situational constraints. The recent ascendance of neoinstitutional economics is traced to its microanalytical orientation and its realistic appreciation of the role of transaction costs, economic incentives, and property rights frameworks.

What does this mean in terms of the philosophy of science? Wiesner responds: Following the methodology suggested by Lakotos (1970) . . . we can say that neoinstitutional economics is part of the evolutionary protective belt of the hard-core neoclassical model. This is one defensible interpretation, but this approach emphasizes continuity and not change. Neoinstitutional economics does not reject competition or rational choice assumptions. Rather, it builds upon them, emphasizing the need to satisfy restrictions related to information, incentive

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structure, property rights, transaction costs, and rent-seeking in the political and economic markets.\(^{392}\) This is a positive half-step. If one is interested in the economies of developing countries, this is already a substantially more robust and useful orientation than the traditional neoclassical model. Still, important methodological choices are being made that will open some doors and close others. Wiesner focuses strongly on individual incentives. AInstitutions matter because incentives trigger motivation and action in both the public and the private sectors. Incentives, therefore, are the first building block for policy design implementation, and evaluation of results.\(^{393}\) This is true. Individual incentives do matter, but this does not leave much room for creative analysis of the social dimensions of institutions and development.

What effects have theories of institutional economics had on the Bank’s actual practice? From one perspective, it may be fair to question whether theories of institutional economics have made any real difference in the Bank’s operational programming. AStrictly speaking, [New Institutional Economics] NIE has had little practical significance at the operational level.\(^{394}\) When the Bank has specifically acted in the realm of institutional development, its conduct has

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\(^{392}\) Id. at 114.

\(^{393}\) Weisner, Introduction, supra note 301, at xii.

\(^{394}\) STEIN, supra note 3, at 86. More critically, Stein argues that the tools of institutional economics were simply manipulated to rationalize pre-existing Bank policies. AIn a similar way, much of the >new< governance agenda introduced in the early 1990s was actually a creative reclassification of existing strategies.\(^{392}\) Id. at 44. The focus of actual lending continued to be structural adjustment policies. ADespite the rhetoric emphasizing governance, if financial allocation is any indication, adjustment still dominated the agenda in the late 1990s.\(^{392}\) Id. at 45. In anything, the focus on institutions and governance may simply have increased the number of loan conditions that were imposed. AGovernance does not displace any of the standard adjustment conditions, but rather adds a new layer of compliance on already overburdened African states.\(^{392}\) Id. at 46-47.
revealed a fairly narrow and rote understanding of institutional economics. Peter Evans has coined the term "monocropping" to define the approach that international financial institutions, like the World Bank, have taken to institutional change.\textsuperscript{395} Currently, the dominant method of trying to build institutions that will promote development is to impose uniform institutional blueprints on the countries of the global South.\textsuperscript{396}

If one pauses to authentically reflect on the quandary of institutions and development, the first reaction should be an appreciation of the amazing complexity of the problem. These are difficult if not overwhelming questions. The interaction of ideas, presumed behavioral repertoires, cultural assumptions, and organizational forms are complicated enough, but a theory of institutional change must also address political power and conflict.\textsuperscript{397} The second realization, should be that existing theories and tools are simply not up to the task.\textsuperscript{398} The third reaction should be an appreciation of the need for a more modest, process-oriented approach to development that tries to build learning and adaptation into the very DNA of policy action.

These realizations stand in sharp contrast to the Bank=s actual conduct. Despite paying

\textsuperscript{395} Peter Evans, \textit{Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation}, 38 \textit{STUDIES IN COMPARATIVE INTERNATIONAL DEVELOPMENT} 30 (2004) [hereinafter Evans, \textit{Monocropping}].

\textsuperscript{396} \textit{Id.} at 30-31.

\textsuperscript{397} \textit{Id.} at 32-33.

\textsuperscript{398} \textit{Id.} at 32 (\textit{Unfortunately, our theories of how fundamental institutional change occurs are underdeveloped.}) (references omitted). \textit{See also} Jeffrey Nugent, \textit{Institutions, Markets and Development Outcomes}, in \textit{EVALUATION & DEVELOPMENT: THE INSTITUTIONAL DIMENSION} (Robert Picciotto and Eduardo Wiesner eds.) at 7 (1998) (\textit{Nevertheless, the distance between where we are now and what would be needed to make valid and reliable policy recommendations in this area is very substantial indeed.}).
lip service to new institutional theories, there has been little change to business as usual.

Instead of prompting imaginative new departures in development policy, the institutional turn in development theory has been accompanied by a set of policies that has little more sensitivity to the political complexities of institutional change than older more-capital-equals-more-development strategies. The institutional monocropping that followed was simply to take developed western institutions as the template for solutions to all countries’ economic problems and to export that standard template around the world. International organizations, local policy makers, and private consultants combine to enforce the presumption that the most advanced countries have already discovered the one best institutional blueprint for development and that its applicability transcends national cultures and circumstances. Not surprisingly, few of these policies had their intended effects.

As with limitations in theories of social capital, part of the responsibility for institutional economics failings to have a greater impact must lie with the underdeveloped state of field itself. In all frankness, institutional economics perhaps better reflects an eclectic set of useful tools and perspectives than it does a unified field. Moreover, just as social capital, the label denotes

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400 Id.

401 Id. at 35 (The most obvious concrete examples of monocropping’s lack of efficacy are the governance-related conditionalities imposed by the international financial institutions (IFIs), which usually do not take, and often fail to produce the expected results even when adopted.).

402 We have progressed substantially from the day when Coase could disparage the work of Old Institutional Economics as constituting description without theory. Ronald H. Coase, *The New Institutional Economics*, 140 JOURNAL OF INSTITUTIONAL AND THEORETICAL ECONOMICS 229, 230 (1984) (Without a theory they had nothing to pass on except a mass of descriptive
different things to different people. Wiesner can embrace a set of neoinstitutional perspectives that fit in a complementary fashion with his neoclassical premises.\textsuperscript{403} Stein, on the other hand, can reject the Anew\textsuperscript{®} or Aneo\textsuperscript{®} institutional economic approaches in favor of Aold\textsuperscript{®} variants of institutional theories.\textsuperscript{404} Similarly, different people can see different potentials in the leading theories and thinkers in the field. For example, I see far more far more transformative potential in the work of Coase, Williamson and North that Stein suggests in his admittedly brief summary of the field.\textsuperscript{405}

The work of Ronald Coase provides just one illustration. Coase starts in 1937 with a simple but profound question of why some goods are produced internally by firms (governed by centralized hierarchical decision making), while other goods are acquired through the market (governed by the price mechanism).\textsuperscript{406} It is useful to note that the 1917 Russian Revolution formed an important backdrop to this question.\textsuperscript{407} When Coase pursues the thought experiment of why all economic activity is not carried out by a single firm, statist theories of command and control are not far from his mind. Coase\textquotesingle s logic identifies a continuum of different private organizational forms all capable of performing identical sets of economic functions:

\textsuperscript{403} Wiesner, \textit{Transaction Cost Economics, supra note 391, at 114.}

\textsuperscript{404} \textsc{stein, supra} note 3, at 111 ( \textit{Chapter 5: Building on Lost Foundations: The Institutional Matrix and Socioeconomic Development}).

\textsuperscript{405} Id. at 87-92.


\textsuperscript{407} RONALD H. COASE, \textsc{ESSAYS ON ECONOMICS AND ECONOMISTS} at 7 (1994).
Firms <=> Long-Term-Contracts <=> Short-Term-Contract <=> Markets

The key insight is that the same economic function can be performed by a range of quite distinct organizational forms. Coase then reasons that each organizational form is associated with its own set of transaction costs and that entities select the form that minimizes the total costs of transacting business. 408 It is not difficult to derive a public analogue to this reasoning. The same basic function, such as the provision of health care, can be performed by a wide range of organizational forms, some public, some hybrid, some private.

State <=> Regulatory <=> Quasi-Public <=> Private

Which form is selected should be an exercise of rigorous comparative institutional analysis, where the costs and benefits of each imperfect organizational form are considered from an empirical, not an ideological perspective. This framework can be radical. It moves beyond binary categories of public and private. As I tell my students, once they truly understand the argument they will see that there is no real public and there is no real private. There are many competing types of public-private organizational forms capable of performing comparable social and economic functions.

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408 Coase, Nature of the Firm, supra note 406, at 395. Today, transaction costs are best understood as a metaphor for a long and growing list of factors ranging from elements that affect the actual costs of transacting business (drafting contracts), to information and principal-agent problems, to issues of strategic and opportunistic behavior.
Getting to this realization, however, is not easy. We all bring ideological baggage to the table that influences our perceptions of competing options. As illustrated in *Bureaucrats in Business*, the World Bank was inclined to take this set of intuitions and use it as a framework to rationalize the dismantling of the state, theorizing how a number of state functions could be better re-configured and delivered through private instrumentalities.\(^\text{409}\) Depending on context and empirical evidence, this may or may not be the correct recommendation. One important insight from this institutional framework, however, is the similarity between the state acting as a provider of services, the state acting as a regulator of private conduct or the state overseeing the contracting and monitoring processes involved with privatization.\(^\text{410}\) While taking different forms, the essence of the function and the required capacity to effectively carry it out, has substantial similarities. The irony, then, is that countries that lack the institutional capacity to provide public services or to regulate effectively are also likely to lack the capacity to implement effective privatization. The ultimate realization that follows is that private markets are themselves social institutions that come with their own social infrastructures and associated costs. There are no magic bullets and there are no free lunches in development. When properly employed, a comparative institutional analysis can help identify and contrast the costs and benefits of different instrumentalities. The end result, however, typically involves hard choices

\(^{409}\) *See supra* notes 278-81 and accompanying text.

\(^{410}\) 1997 *WDR, State in a Changing World*, *supra* note 260, at 10 ("But countries with inadequate and weak capacity need to proceed with caution. For these countries, giving public managers more responsibility will only increase arbitrariness and corruption with no commensurate increase in performance. Writing and enforcing contracts, particularly for complex outputs, require specialized skills that are scarce in many developing countries. These countries need first to strengthen rule-based compliance and financial accountability.").
with stark and unavoidable tradeoffs. 411

There remain serious limits on what the Bank has done or likely can do to develop a new approach to socio-institutional development through the use of existing tools and theories. There are serious limits on what economists of a neoclassical, a neoinstitutional or even an institutional orientation can accomplish on their own. The future construction of the field must necessarily be an interdisciplinary undertaking. In the same article that Peter Evans details the institutional turn inside economic thinking, he persuasively argues for the importance of interdisciplinary approaches in the future.412 If the contradictions between existing institutional interests and development goals can be resolved, it will only be through a more sophisticated approach to the politics of institutional change, an approach which connects power and culture and focuses on distributional issues.413 Sadly, these lines of analysis are likely to run afoul of the Bank=s political and organizational constrain, as well as its epistemic constraints.414

411 That said, World Bank analyses that attempt to factor in institutional dimensions are likely to be better that analyses that do not. Soft neoinstitutional economic analysis is typically better than standard neoclassical analysis standing alone. It is also true that the 2002 WDR, Building Institutions for Markets, is a broader and more thoughtful document that the 1997 WDR, The State in a Changing World.

412 Evans, Institutional Turn, supra note 375 at 91 (At the frontiers of development theory have shifted to new, inevitably interdisciplinary, theoretical terrain. ).

413 Id. at 90.

414 Again, there are lessons from history. Ayers persuasively argues that a substantial reason for the failure of McNamara=s poverty initiative was its unwillingness and inability to examine the social and political dynamics of poverty. Poverty is not simply an economic problem. At in a sense therefore a poverty-oriented World Bank in the future would need to become a more political institution and require greater awareness of the sociopolitical contexts of its operations at the local level. Ayers, supra note 4, at 250. Unfortunately, such an interdisciplinary approach was missing in the 1970s. ASuch a theory is totally lacking at present. The Bank was aware of this problem. It lamented in one of its papers that >little
What has led different strands of economics to recognize the importance of institutions will now lead such analysis beyond the strict domains of economics. The necessary framework involves a complex combination of legitimation, social learning and coercive power. These issues start to define a new alternative development agenda. Economists are not well trained to address these questions.

Preferences depend on beliefs and expectations rooted in shared cultural understandings. Relationships among economic agents are based on loyalties and identification not easily reduced to the pursuit of material ends enter the mix. Technological change is shaped by incentives as well as shaping them. Development theory becomes a brave new world, full of intriguing but ornery conceptualizations.

Future work in this area must become increasingly interdisciplinary. It challenges social scientists outside economics, who have traditionally claimed to be institutionally oriented, to engage with new perspectives coming out of economics and demonstrate how their approaches can help resolve some of the complications created by the institutional turn.

analysis has gone so far into the political, institutional and administrative framework required to make a successful attack on poverty and to remove obstacles to fulfilling basic needs. Some interdisciplinary studies in this field must be organized soon. Everson, supra note 4, at 87.

Evans, Institutional Turn, supra note 375, at 95.

Id. at 104 (All the intellectual developments discussed here have originated within the discipline of economics. Yet, the analytical tools and disciplinary presumptions of economics provide little in exploring their implications and responding to the challenges they present.

Id. at 92.

Id. at 97. This is also a challenge to Bank staffing and hiring decisions. Social scientists have typically been ghetoized at the Bank. Wade, Paradigm Maintenance, supra note
Even some of the best work of institutional economics looks fairly thin when juxtaposed to the demands of creating a new field of socio-economic development. What one finds for the most part are smart economists, not trained for the task, engaging in ad hoc theorizing about complex social dynamics.\textsuperscript{419} The different and varied definitions put forward for basic concepts such as what is an institution,\textsuperscript{4} are suggestive of the difficulties. Sociologist Alejandro Portes observes: \textquote{E}conomists do not routinely deal with the multiple elements of social life or their interaction and, in their attempts to do so, they often confuse them, producing impoverished or simply erroneous perception of reality.\textsuperscript{420} This is less a criticism than an observation about the power and limits of different academic disciplines. Economists Geoffrey Hodgson frames the problem in a similar manner.

The blinders may be partial, but the impairment is nevertheless serious and disabling. What is meant by this allegation of blindness is that, despite their intentions, many mainstream economists lack the conceptual apparatus to discern anything but the haziest institutional outlines . . . [they] have not got adequate vision tools to distinguish between different types of institutions, nor to appraise properly what is going on in them.\textsuperscript{421}

Portes proceed to reframe a number of the institutional economic theories and their

\textsuperscript{5, at 31. See also Francis, supra note 11, at 3.}


\textsuperscript{420} \textit{Id.} at 234.

corresponding propositions within the framework of contemporary sociology. Economists and other social scientists can draw on established traditions to sharpen their conceptual tools and devise a more sophisticated mapping of social life. . . . The resulting thick institutionalism is preferable, in most instances, to the thin version now making the rounds in several disciplines.\textsuperscript{422}

For the most part, Portes\textsuperscript{422} critique is persuasive. Readers of the Institutional Economic literature are likely to have the sense that the authors are asking the right questions when it comes to the social and cultural dimensions of their theories, but that the answers and analyses being provided are not entirely satisfying. Importantly, more sophisticated work is starting to be done, by the leading economists in the field themselves. Williamson\textsuperscript{s} discussion of how different types of social institutions are embedded in different ways within society and subject to different influences and time frames is an important step in the right directions.\textsuperscript{423} Similarly, Douglass North\textsuperscript{s} analysis of the interdisciplinary aspects of socio-economic development takes a quantum leap between the 1990 publication of Institutions, Institutional Change and Economic Performance,\textsuperscript{424} and his 2005 publication of Understanding the Process of Economic Change.\textsuperscript{425} Drawing from sociology, anthropology and cognitive science, North begins to sketch a broad interdisciplinary framework that should serve as a useful guide to future research. That said,

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\item Portes, \textit{supra} not 419, at 236.
\item \textit{DOUGLASS C. NORTH, INSTITUTIONS, INSTITUTIONAL CHANGE AND ECONOMIC PERFORMANCE} (1990).
\item \textit{DOUGLASS C. NORTH, UNDERSTANDING THE PROCESS OF ECONOMIC CHANGE} (2005).
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most would agree that substantial work remains to be done that work must be of an increasingly interdisciplinary nature.

V Conclusion: The Need for an Alternative Development Economics

Where does the future lie? Part of the answer can be found in the kernels of truths at the heart of the Wolfensohn-era reforms: development is complex (Comprehensive Development Framework); people and participation must be part of the process (Poverty Reduction Strategy Papers); knowledge and learning are key (Knowledge for Development); social relations and context are critical (social capital); and governance and the institutional infrastructures underlying effective forms of cooperation are essential (institutional economics). Part of the answer lies in the need to transcend the strictures of traditional neoclassical economics in each of these domains and introduce new, multi-disciplinary dialogues. But part of the answer must also lie in the need to reexamine how knowledge about development is constructed, understood and implemented by international financial organizations.

The fundamental problem with the World Bank is that it is an expert-led system in a policy domain where no extant system of expert knowledge exists that can provide effective answers to the quandaries of development. Radical changes are therefore necessary to the very manner in which development policy is conceived and practiced. Mallaby states the challenge as follows:

The shift in outlook that's needed is best captured by a scientific metaphor. The old Bank had an engineer's mindset: It designed ideal systems on its drawing board, then went out and tried to build them. The new Bank, by contrast, needs to think like a doctor.
The first step is to understand the human organism in all its complexity, the second is to prescribe an intervention that is subtle enough to stimulate the immune system without poisoning the patient.\textsuperscript{426} Interestingly, Jeffrey Sachs makes a similar medical analogy in his call for adopting a new methodological orientation of \textit{Clinical Economics}.\textsuperscript{427} Among other things, \textit{Clinical Economics} would recognize that economies are complex systems, that economists need to learn the lessons of differential diagnosis, that clinical economics must approach problems from a social, and not just an individual perspective, that good practice requires greater monitoring and evaluation of the patient, and that greater attention must be paid to the construction of appropriate norms and ethics to guide the field of development economics itself.\textsuperscript{428} \textit{Clinical Economics} implicitly recognizes the need to move away from theoretically derived, universal prescriptions and to pay greater attention to the contexts of individual countries and circumstances.

The challenge is to construct a new field of socio-economic development. This field must acknowledge up-front that the unknowns of development frequently trump the knows, and that the reality of this radical uncertainty must be built into the very policy making framework being formulated and implemented. Such an endeavor does not stand against theory, but, by necessity, it must predominately be an inductive, learning exercise. There are few good

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\textsuperscript{426} MALLABY, \textit{supra} note 8, at 420-21.

\textsuperscript{427} JEFFREY D. SACHS, \textit{THE END OF POVERTY: ECONOMIC POSSIBILITIES FOR OUR TIME}, 74 (2005) (Development economics needs an overhaul in order to be much more like modern medicine, a profession of rigor, insight, and practicality.\textsuperscript{8}).

\textsuperscript{428} Id. at 78-81.
examples of this type of open, process-oriented policy making. Perhaps the best contemporary model is the World Health Organization=s Maximizing Positive Synergies Campaign which seeks the creation of an evolving policy making framework to meld the objectives of the disease-specific work of Global Health Initiatives with the broader objectives of health system development.\footnote{World Health Organization, Maximizing Positive Synergies Collaborative Group, \textit{An Assessment of Interactions between Global Health Initiatives and Country Health Systems}, 373 \textsc{The Lancet} 2137, 2140 (June 20, 2009).} The Positive Synergy Campaign is simultaneously forging a tentative theoretical construct for health system development, seeking new formal and informal empirical understandings and finding creative ways to incorporate communities in the process.\footnote{Peter J. Hammer and Charla Burill, \textit{Global Health Systems and Health System Development: The Historic Quest for Positive Synergies} (2011) available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1858641 (last visited June 16, 2011).}

There is a growing awareness that similar changes must be made in the development practices of the IMF and World Bank.\footnote{Id. at 19-21.} The argument starts with the premise that very little empirical evidence exists to support the efficacy existing policy prescriptions.\footnote{Id. at 21.} Indeed, the problem lies in the financial institutions= theoretically derived and largely acontextual framework for policy formation. AThe best-practice model presumes that it is possible \textit{ex ante} to settle on a unique set of appropriate arrangements (best-practices), and that convergence toward these institutional arrangements is attractive.\textsuperscript{g} The alternative vision calls for a greater appreciation of local context and a willingness to build in experimentation and learning into the

\footnote{Abbot, Andersen and Tarp, \textit{supra} note 306.}
policy process. An application via growth diagnostics is limited by our imperfect knowledge of the impact of alternative development strategies and policies. This suggests that searching with experimentation and learning is required in order to achieve better reform outcomes.\footnote{Id. at 23.}

Unfortunately, the prospects of internal reform at the international financial institutions are not very great. Currently, however, the IMF is not well-suited to adopt macroeconomic policy trailing as an approach to reform. There are at least two reasons for this. Firstly, the IMF is plagued by a lack of intellectual diversity (so-called intellectual monocropping) and a policy template that is overly rigid. Secondly, IMF staff face incentive structures that does not encourage risk-taking.\footnote{Id. (references omitted).}

The call for a more open, process-oriented policy framework at the World Bank would run into a similar set of political, organizational and epistemic constraints. As such, if viable alternative approaches to development are to arise, they will likely have to emerge outside of the confines of the World Bank and the IMF. But, herein lies the dilemma. Anyone sensitive to institutional dynamics realizes that the development of new disciplinary approaches requires a substantial degree of resources, structure and support.\footnote{Anna Orrnert, \textit{Missing Pieces: An Overview of the Institutional Puzzle}, 26 PUBLIC ADMINISTRATION AND DEVELOPMENT 449 (2006) (examining the difficulties bilateral donors and aid agencies have in developing coherent policy in the absence of clear guidelines and understandings about the relationship between institutions and development).} If not from the Bank, from where can such a supportive infrastructure arise? There are no clear answers. Ad hoc experimentation can be helpful, as illustrated by the kernels of truths in the Wolfensohn-era reforms. One particularly
promising direction lies in exploring ways to combine the lessons of institutional economics with Amartya Sen’s human capabilities focus. The Millennium Villages Project is another important experiment. But while it can sometimes be helpful to let a hundred flowers bloom, if the real task is developing a new multi-disciplinary field of development, it will require its own institutional infrastructure, networks and resources. Good ideas alone are not enough.

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