https://internationalviewpoint.org/spip.php?article3590

Series : Bretton Woods, the World Bank and the IMF : 70th anniversary (Part 7)

Domination of the United States on the World Bank

- Features -

Publication date: Tuesday 9 September 2014

The concept of the World as a huge bureaucracy, gradually freed from the influence of the US, is actually a far cry from reality. This mistaken conception is revealed in particular by the North American environmentalist Bruce Rich in his insightful book on the World Bank. In real terms, the institution is firmly under the control of the US government which negotiates, with the governments of other major capitalist powers, the policies to be followed within the World Bank, and under its leadership. It has frequently failed to make the effort to reach a consensus with its principal partners (since the end of the 1950s, these are Japan, Germany, Great Britain and France) and it imposes its views directly on the Bank.

Relations have sometimes been tense between the US government and the Bank's president and/or its management in the wider sense. One must also consider the intervention (more or less active depending on the period) of Congress. On several occasions, the US executive has had to make a deal with Congress concerning the attitude to be taken with reference to the Bank and its activities. [2]

Although the World Bank is systematically subject to US influence, it nevertheless enjoys a certain measure of autonomy. It possesses a certain logic of its own which sometimes comes into conflict with the immediate interests of the US government. The Bank's autonomy is very limited and the US government imposes its will on all issues that it considers important. Also, one must take into consideration the close links between the US business world (big capital) and the Bank.

The influence of the United States on the Bank

"*Throughout the history of the International Bank for Reconstruction and Development (the World bank), the United States has been the largest shareholder and the most influential member country. U.S. support for, pressure on, and criticisms of the Bank have been central to its growth and the evolution of its policies, programs, and practices*." [3] These sentences introduce the chapter on relations between the US and the World Bank from 1945 to 1992, published in a book commissioned by the World Bank to recount its first fifty years of existence. [4]

Other excerpts from the same text, reproduced below, are so explicit as to need no comment:

"*And the top management of the Bank spends much more time meeting with, consulting, and responding to the United States than it does with any other member country. Although this intense interaction has changed little over the years, the way the United States mobilizes other member countries in support of its views has changed considerably. Initially, it was so predominant that its positions and the decision of the board were virtually indistinguishable*". [5]

"*The United States has viewed all multilateral organizations, including the World Bank, as instruments of foreign policy to be used for specific U.S. aims and objectives*" [6].

"The United States is often impatient with the processes of consensus building on which multilateral cooperation rests." [*7*]

"*A preoccupation with containing communism, and the change in the relative U.S. power in the world explain much of the evolution in U.S. relations with the World Bank over the past fifty years*." [8]

"*The debt crisis in the south and the collapse of communism in eastern Europe led to renewed U.S. interest in the Bank*." [9]

Referring again to the origin of the World Bank and the influence of the US

"*In contrast to the IMF which is the result of intense negotiation between the United States and Britain, the Bank is largely an American creation. The role of the United States was acknowledged by John Maynard Keynes in his opening remarks at the Bretton Woods Conference.*" [10]

"*The result was a strong and enduring American imprint on all aspects of the Bank, including its structure, general policy direction, and the manner of granting loans*." [11]

Among the issues that divided the participants at the Bretton Woods conference was the location of the Bank and IMF headquarters. The US Treasury wanted it to be established in Washington, within the reach of its influence, while several foreign delegations preferred New York, on the one hand to put it at a distance from the US government, and on the other hand to move it closer to the future headquarters of the United Nations. John Maynard Keynes explicitly asked that the Bank and the IMF be kept at a distance from the US Congress and, he added, from the influence of the embassies; New York must therefore be the choice of headquarters. In fact, Keynes initially tried to persuade the participants to choose London. Realizing it was a losing battle, he then tried to avoid Washington by proposing New York. The secretary of the US Treasury, Henry Morgenthau, replied that it was necessary to move the centre of the world from London and from Wall Street towards the US Treasury. Morgenthau's line of argument was clever with respect to other delegations since at the end of World War II, the British empire, though shaky, was still dominant - hence the desire not to locate the headquarters of the new financial institution in London, close to the leading financial centre, the City of London. The second part of his argument was also clever in that Wall Street was synonymous with the domination of the business world that had produced the 1929 crash.

Basically, Morgenthau wanted, as he declared, to place the centre of the new financial institutions effectively in the control of the Treasury and maintain a distance in relation to Wall Street. Henry Morgenthau, Harry White and Emilio Collado later left or would be dismissed under the pressure of Wall Street (see http://cadtm.org/The-WB-assists-those-in-power-in-a). In fact, the Bretton Woods institutions very quickly came under the double supervision of the Treasury and Wall Street (from 1947 in fact).

Out of the ten presidents of the World Bank from 1946 till 2014, seven, including the first, came directly from the business world.

To avoid undue influence of the US government on the Board of Directors of the Bank, Keynes wanted its members (executive directors) to divide their activity between their country of origin and World Bank headquarters: he therefore proposed that they work on a part-time basis. [12] The Treasury's proposal prevailed: the Executive Directors were to be permanent residents in Washington and the headquarters of the two institutions just a five-minute walk from the White House.

During the vote in Congress on US participation in the World Bank and the IMF, an overwhelming majority emerged (345 against 18 in the House of Representatives; 61 against 16 in the Senate) - a very unusual state of affairs. This clearly proved that Congress was indeed satisfied with the choices made in the construction of these two institutions.

While the Bank was principally created to ensure reconstruction of the countries devastated by World War II, the US preferred to launch the Marshall Plan on its own initiative, because in this way it could totally control operations and also make donations to whomever they liked (see http://cadtm.org/Why-the-Marshall-Plan).

Although it in fact played a marginal role in reconstruction, nevertheless the Bank allocated certain loans to European countries, starting with the first in its history: 250 million dollars to France in May 1947. [13] According to Catherine Gwin, the US government refused to grant any loan to France as long as the French Communist Party (PCF) was in the government. The State Department therefore took an explicit and formal step in this matter, the PCF was pushed out of the governmental coalition and, in the days that followed, the representative of the World Bank announced that the loan of 250 million dollars was granted. This clearly shows the direct influence exercised by the US Executive on the Bank and the political choices leading to this intervention. In the same study, the author indicated that in 1947, the US intervened successfully in order to prevent the granting of a loan to Poland and Czechoslovakia on the grounds that the governments of these countries included Communists. [14]

Since the start of operations, the policies of the World Bank were determined by the context of the Cold war and US interests in this regard.

The president of the World Bank has always been a US citizen proposed by the US government

Since its origin and up to the present time, the president of the World Bank has been a US citizen proposed by its government. The members of the Board of Governors simply ratify the candidate presented by the US. This privilege does not figure in the statutes of the Bank. Although the statutes allows it, no governor has ventured up to now - or at any rate, publicly [15] - to propose a candidate of another country or even an American candidate other than the one selected by the government. [16]

The United States' right of veto at the World Bank

From its beginnings till today, the US is the only country to have a *de facto* right of veto at the World Bank. With the creation of the Bank, the US had 35.07% of the voting rights [17]; since the last modification of voting rights, made in 2013, they enjoy 15.85% [18]. Since its origin in 1947 (the year the Bank went into operation), the majority required to modify the statutes was 80% (held by at least 60% of the member countries), which in fact gave the US a right of veto. The wave of newly independent countries in the South increased the number of member nations of the World Bank Group, gradually diluting the weight of the US vote. However, the US took care to preserve its right of veto: in 1966, it had only 25.50% of voting rights but this percentage was still sufficient for the purpose.

When in 1987 the situation was no longer tenable for the US, the definition of the qualified majority was modified in its favour. In fact, that year, Japan [19] negotiated a significant increase in its voting rights with the US, placing it as the second most important country ahead of Germany and Great Britain. In order to concede this increase to their Japanese allies, the US accepted a reduction of its voting rights provided that the required majority was raised to 85%. In this manner it gave full satisfaction to Japan while maintaining its right of veto.

According to Catherine Gwin, *"The United States is also the dominant member of the Bank's board - but only in part it is lead shareholder. Formally, most Bank decisions, including those affecting lending levels and loan allocations, require a simple majority vote of the board."* Which means that that the US could be made a minority. But the author continues: *"Decisions are, however, often worked out between the United States and Bank management before they ever get to the board, or among members of the board before they get to a vote. And most board decisions are taken by consensus. It is the weight of its voice, therefore, more than the exercise of its vote that gives the United States effective power on the board."* [20]

The influence of the US on the Bank in specific cases of countries

We will present the cases of five countries in order to illustrate the influence of the US in the choices made by the Bank. To do this, we draw on the two books commissioned by the World Bank to narrate his own history, [21] as well as on the annual Reports of the Bank, while comparing the information provided with other sources, generally critical of the Bank. The choice has not been easy since we have a profusion of examples at our disposal. In fact, according to these two books, the instances in which the opinion of the US government did not prevail can be counted on the fingers of both hands.

Nicaragua and Guatemala

Central America is considered by the US government as part of its own exclusive sphere of influence.The policies adopted by the World Bank in terms of granting loans to the countries of the region are directly influenced by the political choices of the US government. The case of Nicaragua and Guatemala during the 1950s makes this clear. *"Thus one of the largest developing country borrowers, in number of loans, was Nicaragua, a nation with one million inhabitants, controlled by the Somoza family [22*]. âEurosÜWashington and the Somozas found their relationship highly convenient. The United States supported the Somozas and the Somozas supported the United States - in votes at the United Nations, in regional councils, and by offering Nicaragua as a base for training and launching the Cuban exile forces that met disaster at the Bay of Pigs in 1961.' Between 1951 and 1956 Nicaragua received nine World Bank Loans, and one in 1960. An American military base was established in 1953 from which was launched the successful overthrow, by the U.S. Central Intelligence Agency (CIA), of Guatemalan President Jacobo Arbenz, who had legalized the Communist Party and threatened to expropriate the assets of the United Fruit Company. Guatemala itself, with three times the population of Nicaragua, and though it was one of the first countries to receive a survey mission (published in 1951), did not obtain a loan until 1955, after the overthrow of its âEurosÜcommunist' regime." [23]

After Somoza's fall in 1979, the US attempted, by different political, economical and military means, to destabilize and then overthrow the new Sandinista system. This led to a plea by Nicaragua against the US in the International Court of Justice of The Hague which delivered a verdict in 1986 condemning the United States for violation of obligations enforced by international law, in particular the ban on the use of force (article 2 & 4 of the UN Charter) and on attempts against the sovereignty of another state. [24]

Concerning the attitude of the Bank with regard to the Sandinista regime during the 1980s and the influence that was brought to bear on it by the US government, we quote another excerpt from Catherine Gwin's study: *"A more recent example in which the Bank's refusal to lend clearly coincided with U.S. policy is that of Nicaragua in the 1980s. The reason for the suspension of lending was the accumulation of arrears. However, in September 1984, the Nicaraguan government formally proposed a solution to its arrearages problem" [25*]

Gwin details the concrete proposals formulated by Nicaragua and she explains that although these proposals were acceptable, the Bank made no effort to help the Sandinista regime. She pointed out that this was in contrast to the flexibility adopted by the Bank in respect to other regimes which were allies of the US.

- Yugoslavia

In order to strengthen the distance taken by Marshal Tito's regime vis-Ã -vis the Soviet Union, the US government incited the Bank to grant a loan to Yugoslavia at the end of the 1940s. As the following quotation shows, the US government preferred to assist Tito's Yugoslavia through the Bank rather than grant direct bilateral assistance for fear of being criticized in Congress by the numerous parliamentarians who opposed any support of a Communist regime: [26] *"The Bank lent to Yugoslavia soon after the break from the Soviet bloc in 1948. George Kennan [27*] had recommended âEurosÜdiscreet and unostentatious support' by the West, fearing Russian reaction, and aware that Congress would be unwilling to assist a Communist country. The âEurosÜinternational Bank' was an appropriate vehicle for such a role, and a mission travelled to Belgrade the following year." [28] The president of the Bank, Eugene R. Black, went in person to negotiate directly with Marshal Tito.

- Chile

After the election of Salvador Allende in 1969 and the government's setting up of the Popular Unity, the Bank, under US pressure, suspended its loans to Chile from 1970 to 1973. The Chilean case shows that there can be a contradiction between the judgment of the Bank and the position of the US government, the latter finally getting the Bank to modify its position. Although the Bank's management considered that Chile fulfilled the conditions to receive loans, the US government made sure that no loan was granted to the Salvador Allende government. Catherine Gwin summarizes this emblematic case as follows: *The United States pressured the Bank not to lend to the Allende government after nationalization of Chile's copper mines. Despite the pressure, the Bank sent a mission to Santiago (having determined that Chile was in compliance with Bank rules requiring that for lending to resume after nationalization, procedure for compensation had to be under way). Robert McNamara subsequently met with Allende to indicate that the Bank was prepared to make new loans contingent upon government commitments to reform the economy. But the Bank and the Allende regime could not come to terms on the conditions for a loan. Throughout the period of the Allende regime, Chile received no new loans. Shortly after Allende's assassination in 1973 during a coup that brought General Pinochet's military junta to power, the Bank resumed lending, providing a fifteen-year credit for copper mine development. (...) The suspension of lending in 1970-73 was cited in the 1982 U.S. Treasury report as a significant example of the successful exercise of U.S. influence on the Bank and although the Bank reached an agreement in principle on new lending in June 1973, the loan proposals were not formally considered by the board until after the September coup that brought General Pinochet to power. [29]*

As a complement to this information there is a document conserved in the archives of the World Bank, in which the Chilean government, on the occasion of a meeting of the Bank in September 1972, protested against the suspension of loans and pointed out that precisely-defined projects had already been submitted to the Bank. [30] Under pressure from the US, the Bank took no action as long as Allende was in power. Several internal working documents of the Bank critically refer back to the Bank's policies towards Chile under Allende and under Pinochet).

Some twelve years later, when the atrocities committed by the Augusto Pinochet regime were incurring wide protests in the US, and even within Congress, the US government asked the Bank to delay a discussion on granting loans to Chile in order to avoid opposition in Congress. This request was rejected by the President of the Bank, Barber Conable, in a letter addressed to James Baker, Secretary of the Treasury, on October 29, 1986. One can deduce that the request of the US government was simply lip service to public opinion, designed to depict the government as being sensitive to expressed democratic concerns, while remaining fully aware that, in a well-rehearsed distribution of roles, the president of the Bank would keep to the political course recommended by the government. It was a question of pleasing everyone.

- Vietnam

From the 1960s until the end of the Vietnam War in 1975, the US successfully encouraged the Bank, through its affiliate IDA, to grant loans regularly to the South Vietnam regime - an ally of the US. After the end of the war and the defeat of the US, the World Bank sent two successive fact-finding missions which concluded that the Vietnamese authorities, although not pursuing a totally satisfactory economic policy, fulfilled the conditions required to receive concessional loans. Shahid Husain, director of the Bank's mission, specified that the economic performances of Vietnam were not inferior to Bangladesh or Pakistan, which received aid from the Bank. In spite of this, the Bank management, under pressure from the US, suspended loans to Vietnam and its president, Robert McNamara, affirmed in Newsweek (August 20 1979) that the suspension was based on the negative report of the mission. This affirmation is factually false, as pointed out by Catherine Gwin: *"The mission's contention, in contrast to what McNamara said publicly in Newsweek, was that on substantive grounds there was no basis for stopping all lending to Vietnam." [31]*

Conclusion concerning the precise cases of countries

The World Bank management justifies allocation or non-allocation of loans on purely economic grounds. But we have seen that in reality, the policies of granting loans is first and foremost determined by the intervention of the US government in the Bank's business, on the basis of mainly political objectives.

This is not to say that economic objectives have no importance but they are subordinated or supplementary to political and strategic choices. Catherine Gwin, who defends the generally positive result of US influence on the World Bank, from the Washington standpoint, adopts a rigorous approach in which she does not conceal the contradictory aspects of the policies of both the US and Bank management. In this regard, the following remark is particularly interesting*: "Although one need not dispute the Bank's economic policy assessments of Allende's Chile, Vietnam, and Nicaragua under the Sandinistas, it is worth noting that equally harsh assessments could have been made, but were not, of Somoza's Nicaragua, Marcos's Philippines, and Mobutu's Zaire, regimes that were all important cold war allies of the United States" [32*]

The influence of the United States concerning sectoral loans

From the 1970s, the US systematically used its influence in an attempt to convince the Bank not to grant loans which facilitated the production of goods that would compete with US products. Thus the US regularly opposed the production of palm oil, [33] citrus fruits and sugar. In 1987 the US got the Bank to drastically reduce loans granted to the steel-manufacturing industry in India and Pakistan. In 1985, the US successfully opposed an investment project by the International Financial Corporation (IFC - World Bank group) in the Brazilian steel industry and later a loan from the Bank to support the restructuring of the steel-manufacturing sector of Mexico. It also threatened to use its power of veto to block a loan for the Chinese steel industry in the 80s. The US also blocked a loan from the IFC to a mining company for the extraction of iron ore in Brazil. It took similar action regarding an investment by the IFC in the Chilean copper industry.

In addition, the US actively influenced the Bank in its policy on the oil sector. The US was in favour of loans for oil drilling but not refining. No comment is necessary.

Cases of convergences between the United States and another power (Great Britain for example)

On several occasions, US interests coincided with those of other powers; the attitude adopted by the Bank is then the result of close consultations between the United States, the other concerned power(s) and the Bank. Two examples: the attitude of the Bank concerning the Aswan dam construction project under the regime of Gamal Abdel Nasser in Egypt, and in Iraq since the occupation of that territory by troops from the US, Great Britain and their allies in March 2003.

- The Aswan dam project in Egypt

The project for the construction of the Aswan dam on the Nile preceded the accession of Colonel Nasser to power in 1952 but took its final form during that year. In January 1953, the Egyptian Finance Minister wrote to Eugene Black, president of the World Bank, proposing the co-financing of this gigantic project. Although the execution of this infrastructure corresponded to the priorities of the Bank, its management was reluctant to be involved because Great Britain, at that time the second power in terms of voting rights within the Bank's Board of governors, considered the progressive military regime to be a threat to its strategic interests. In effect, the Egyptian military in power challenged the occupation of the Suez Canal by British troops. President Eugene Black personally visited Egypt and discussed the project; the Bank sent engineers, etc. The project involved a dam whose capacity of 130 billion cubic metres would be four times greater than those of the largest artificial dams to date. The vast scope of this project offered huge prospects to international construction firms.

The negotiations between Egypt and Great Britain for the departure of British troops resulted in an agreement, which reduced the reluctance of Great Britain and the pressures it was placing on the Bank management not to grant loans. The North American and British governments gave the Bank management their go-ahead for negotiations, but, they imposed restrictions by dividing the execution of the project into two phases: the financing of the first phase was guaranteed while the financing of the second phase would depend on the political evolution of the Egyptian authorities. Of course, this was not explicitly expressed in the agreements but that was how the Egyptian government interpreted it. The Egyptians wanted to start the works in July 1957, which meant that the contract had to be signed in July 1956. Consequently, they asked the Bank to confirm the granting of loans as quickly as possible.

In December 1955, a meeting of the executive directors of the Bank gave Eugene Black the green light to pursue negotiations with the Egyptians on the basis of the conditions laid down by the North American and British governments. The Egyptians gave the Bank's conditions a cool reception. Meanwhile, the British authorities learned that the Egyptians had signed a commercial agreement with the Soviet Union with a view to a cotton-for-arms exchange. [34] The historians Mason and Asher commented on the appearance of the Soviet Union on the scene as follows: "*These manoeuvres had simply heightened the desire of the Western powers to associate themselves with the dam*." [35] Eugene Black, before going to Cairo to finalize the agreement with the Egyptians, contacted the US government, who confirmed the go-ahead. On his way to Cairo, Eugene Black also met the British Prime Minister in London. After ten days of negotiations in Cairo, one fundamental point of disagreement remained: the Egyptians would not accept the conditions fixed by the US and Great Britain. On his return to Washington, Eugene Black proposed pursuing negotiations because he was eager to reach an agreement. On the other hand, in Washington and especially in London, hesitation was growing as the Egyptian regime took on an Arab nationalist orientation. The opposition of the British increased further when King Hussein of Jordan on 1 March 1956 sacked the entire British command of the Arab Legion. Eugene Black now found himself more and more isolated, but the governments let him pursue negotiations, implying that they could succeed, while it appears to the Bank historians that the decision to refuse had already been taken.

At the beginning of July 1956, thanks to tenacious negotiation, Eugene Black got Gamal Abdel Nasser, the Egyptian Prime Minister, to declare his acceptance of the conditions fixed by the western powers. Nevertheless, when the Egyptian ambassador officially announced Egypt's agreement on 19 July, 1956, he was told that in the present circumstances the US government had decided not to participate in financing the Aswan dam. On 20 July, the British Parliament was informed that the British government had withdrawn from the project. Mason and Asher specify that the State Department informed the Bank of its decision to withdraw from the project only one hour before the official communication was made to the Egyptian ambassador. They add that in this communication, the US used the pretext of a negative judgment by the Bank, justified by economic reasons. While the printed version of this text was already being circulated in the chancelleries, the Bank's president persuaded the US government to withdraw this argument from the text released to the press.

To come back to the fundamental political consequences, we once again refer to the judgment made by Mason and Asher: *"The dramatic sequel is well known. On July 26, 1956, Premier Nasser announced that the government was taking control of the property and operations of the Suez Canal Company. On October 29, after a series of border incidents, Israeli troops invaded Egypt, and on December 2, British and French military action against Egypt began - ostensibly for the purpose of protecting the Canal Zone but, in the opinion of many observers, actually for the purpose of overturning Premier Nasser." [36]*

The Aswan dam affair shows how the US government can work with another government to exert an influence on the decisions of the World Bank when their interests coincide. It also reveals that the US can take refuge behind a so-called refusal of the Bank to oppose a project, thus making the Bank seem responsible for its failure.

In a limited number of cases, the US government has allowed other powers to use their means of influence on the Bank. This has happened when the strategic interests of the United States were not directly concerned. For example, France was able to exert influence on the Bank to persuade it to adopt a policy in accordance with "French" interests in Ivory Coast.

- The occupation and reconstruction of Iraq

The military intervention of March 2003 against Saddam Hussein's Iraq, followed by the occupation of its territory, was carried out without the agreement of the UN and against the opinion of several major powers such as France, Germany, Russia and China. The US, at the head of the coalition which launched the attack against Iraq, had the active support of three other members of the G7 (Great Britain, Japan and Italy) and of medium-size powers such as Spain and Australia. As early as April 2003, the US took the initiative of negotiating with the G7 and within the framework of the Paris Club a substantial reduction of the debts contracted by the Saddam Hussein regime. The idea was to reduce the burden of this debt so that the "new" Iraq, allied to the United States, would be in a position to contract new ones and to repay them. In addition to this approach, which we have analyzed elsewhere, [37] the US government put pressure on the World Bank and the IMF to lend to the new Iraqi authorities which were directly under their control through the civil administrator of Iraq, the American Paul Bremer. In several declarations from the end of March to the end of May 2003, it can clearly be seen that the president of the World Bank and the director of the IMF were very reluctant. The necessary conditions for granting loans were not met. What were the problems?

The legitimacy of the authorities at the head of Iraq was not recognized, particularly because they exercised no real sovereignty in view of the role played by Paul Bremer and the occupation authorities.
In principle, the World Bank and the IMF respect the following rule: they do not grant new loans to a country that has defaulted on payment of its sovereign debt. The pressure exerted by the US on the Bank and the IMF on the one hand, and the powers opposing the war on the other hand, gradually removed the obstacles inasmuch as the UN Security Council, at its meeting on 22 May, 2003, entrusted the US and its allies with the management of Iraqi oil and lifted the embargo against Iraq. The Security Council did not recognize the war but it recognized the *fait accompli* of the occupation. The US and their allies got the World Bank and the IMF to agree to actively participate in the donor conference for the reconstruction of Iraq held in Madrid on 23 October, 2003. The case of Iraq demonstrates that the US can constitute an alliance to determine the orientation of the Bank and the IMF despite the reluctance of their principal directors, James Wolfensohn and Horst Kölher. [38] In October 2004, the United States managed to get the member nations of the Paris Club (to which it also belongs) to agree to make a three-phase cancellation [39] of 80% of their 38.9 billion dollar claim against Iraq. [40]

Divergences between the World Bank management and the United States

In the early 1970s, divergences appeared between the US Executive and the Bank management. This was due to the fact that Robert McNamara, president of the Bank since 1968, was directly in phase with the Democratic party: he entered politics thanks to president John F. Kennedy who made him his advisor in 1961; his career continued under the second Democratic president, Lyndon B. Johnson (as Defense Secretary), and whose administration appointed him president of the Bank in 1968. In 1969, the position changed when Republican president Richard Nixon took office while Robert McNamara's term was still running. Several skirmishes between the Nixon administration and the management of the Bank occurred during 1971. For example, the Executive ordered the executive director representing the United States to vote against a loan that the Bank had decided to grant to Guyana. In 1972, the option was to renew Robert McNamara's term (a term of five years) or to replace him. The Republicans were favourable in principle to the appointment of one of their own but in the end, the executive reluctantly renewed Robert McNamara's term.

During his second term, tensions increased considerably. The government foiled an initiative to which Robert McNamara was strongly committed: he had negotiated with the OPEC member nations for the creation of a new development financing fund fuelled by petrodollars. The government, which wanted to break the OPEC monopoly, aborted this initiative. During this tense period, Secretary of State Henry Kissinger led the offensive against Robert McNamara. As an alternative to the creation of a special fund fuelled by OPEC, Henry Kissinger proposed increasing the funds made available for the International Financial Corporation and the World Bank. [41]

Relations between Robert McNamara and the Executive improved substantially again with the arrival of the new Democratic president, Jimmy Carter, in the white House. Robert McNamara was even invited to participate in the meetings of the National Security Council to discuss an increase in financial resources for the IDA.

The end of Robert McNamara's term was somewhat eventful due to the election of a new Republican president, Ronald Reagan, in January 1981. Ronald Reagan and the Republicans campaigned in favour of a radical change in US foreign policy with immediate consequences for the World Bank. Ronald Reagan proposed a drastic reduction in multilateral aid, and therefore the US contribution to the IDA, in favour of bilateral aid, notably by a major increase in military assistance.

The bill presented in January 1981 by David Stockman, director of the Office of Management and Budget, eloquently reflects the spirit of the Ronald Reagan camp. Its adoption would have meant the end of US contributions to the IDA and to the United Nations, and an increase in expenditure for military assistance. In 1986 David Stockman summed up in the following manner the contents of the bill that he presented jointly with parliamentarian Phil Gramm to Congress in January 1981: *The Gramm-Stockman budget plan had called for deep cuts in foreign economic aid on the basis of pure ideological principle. Both Gramm and I believed that the organs of international aid and so-called Third World development...were infested with socialist error. The international aid bureaucracy was turning Third World countries into quagmires of self-imposed inefficiency and burying them beneath mountainous external debts they would never be able to pay." [42]*

The influence of the United States as seen by the Executive

A report from the US Treasury in 1982 praised the pre-eminence of the US in the multilateral financial institutions: *"The United States was instrumental in shaping the structure and mission of the World Bank along Western, market-oriented lines ... We were also responsible ... for the emergence of a corporate entity with a weighted voting run by a board of directors, headed by a high-caliber American-dominated management, and well-qualified professional staff. As a charter member and major share-holder in the World Bank, the United States secured the sole right to a permanent seat on the Bank's Board of Directors. (...) Others significant actors - management, major donors, and major recipients - have recognized the United States as a major voice in the [multilateral development] banks. They know from past experience that we are capable and willing to pursue important policy objectives in the banks by exercising the financial and political leverage at our disposal." [43]*

According to Walden Bello, another passage in this Treasury document specifies that *"in a study of fourteen of âEurosÜthe most significant issues' that sparked debate at the Bank - ranging from blocking observer status for the Palestine Liberation Organization (PLO) to halting Bank aid to the Vietnam and Afghanistan - the United States was able to impose its view as Bank policy in twelve cases" [44]*

A passage in another Treasury report dated the same year is also devoted to the World Bank and to the other development banks: *"On the whole, the policies and programs of the World Bank Group have been consistent with U.S. interests. This is particularly true in terms of general country allocation questions and sensitive policy issues. The international character of the World Bank, its corporate structure, the strength of the management team, and the Bank's weighted voting structure have ensured broad consistency between its policies and practices and the long term economic and political objectives of the Unites States"* [45]

Elsewhere in the same report, one reads: *"By promoting economic and social development in the Third World, fostering market-oriented economic policies, and preserving a reputation for impartiality and competence, the MDBs encourage developing countries to participate more fully in an international system based on liberalized trade and capital flows... This means expanding opportunities for U.S. exports, investment, and finance" [46]*
In a letter from President Ronald Reagan to Robert Michel, Republican leader of the House of Representatives,

asking him to support the an increase in World Bank capital in 1988, one finds a very useful list of middle income countries that are strategic allies of the US and supported by the Bank. Here is an excerpt from that letter: *"The Bank commits the vast majority of its funds in support of specific investment projects in the middle income developing nations. These are mostly nations (such as the Philippines, Egypt, Pakistan, Turkey, Morocco, Tunisia, Argentine, Indonesia and Brazil) that are strategically and economically important to the United States" [47]*

The financial advantages enjoyed by the US thanks to the existence of the World Bank and its influence on the Bank

Catherine Gwin [48] made an estimate of what the Bank and its activities had brought the US between 1947 and 1992. First one must distinguish two contributions: first, income received by US citizens possessing bonds issued by the Bank (according to her, this represents 20.2 billion dollars for the said period); second, the operating expenditures of the Bank on US territory (this represents 11 billion dollars for the same period). Next, she writes, one must above all take into account the lever effect of US investment in the World Bank and the IDA. Since the creation of the World Bank, the US would have made only a minimum outlay: 1.85 billion dollars while the World Bank granted loans for a total amount of 218.21 billion dollars (this is more than a hundredfold increase). These loans have generated large orders for US firms. She provides no estimate regarding the amount of the orders (flow-back, in Bank jargon). In the case of the IDA, the United States has made a larger outlay than for the World Bank: 18 billion dollars to finance IDA loans to the tune of 71 billion.

The influence of US business circles and big capital on the World Bank

The fact that the World Bank, since its creation, obtains the bulk of its financial resources by issuing bonds keeps it in a permanent and privileged relationship with the big private US financial bodies. These are some of the biggest holders of Bank bonds and they exert a considerable influence.

The link between US business circles, big capital and the World Bank is also immediately perceptible when one looks more closely at the careers of the ten American citizens that have succeeded each other at the head of the Bank up to the present day.

Eugene Meyer, the first president, who lasted only eight months, was the publisher of the Washington Post and a former banker. The second, John J. McCloy, was a leading business lawyer on Wall Street and was subsequently appointed Commissioner in chief of the allies in Germany, and later, chairman of the Chase Manhattan Bank. The third, Eugene R. Black, was vice president of Chase National Bank and later became Special Adviser to president Lyndon B. Johnson. The fourth, George D. Woods, also a banker, was president of the First Boston Corporation. Robert S. McNamara had been CEO of the Ford Motor Company, then Secretary of Defense under Kennedy and Johnson. His successor, Alden W. Clausen, was president of the Bank of America (one of the principal US banks deeply involved in the Third World debt crisis), and which he returned to on leaving the World Bank. In 1986, Barber Conable, a former Republican member of Congress, succeeded him. Lewis T. Preston, formerly chairman of the Executive Committee of the JP Morgan bank, arrived in 1991. James D. Wolfensohn, president from 1995, was a banker on Wall Street with Salomon Brothers. At the end of his presidency in May 2005, he joined the management of Citibank-Citigroup, one of the world's leading banks. Paul Wolfowitz was Deputy Secretary for Defense until he took office as the tenth president of the World Bank in May 2005.

In summary, and in general, a close link has been established between US political power, business circles (or if one prefers, the hard core of the US capitalist class) and the presidency of the Bank.

The12 presidents of the Worl Bank since 1946

Name	Term	Past career
Meyer	June 1946-December 1946	Merchant banker on Wall Street, publisher of the Washington Post
McCloy	March 1947 - June 1949	Director of the Chase National Bank (later to become Chase Manhattan)
Black	July 1949 - December 1962	Vice-President of Chase Manhattan Bank
Woods	January 1963 - March 1968	President of First Boston Corporation
McNamara	April 1968 - June 1981	CEO of Ford, then US Secretary of Defense
Clausen	July 1981 - June 1986	President of Bank of America
Conable	July 1986 - August 1991	Member of Congress and the Congress Banking Commission.
Preston	September 1991 - May 1995	President of J P Morgan & Co.
Wolfensohn	June 1995-May 2005	H Schroder Bank, then Salomon Brothers Bank, later, President of James Wolfensohn Inc.
Wolfowitz	June 2005 - June 2007	US Deputy Secretary for Defense
Zoellick	July 2007 - June 2012	Bank executive with Goldman Sachs, Deputy Secretary of State and US Trade Representative
Jim Yong Kim	July 2012 -	Physician and anthropologist, co-founder of Partners in Health and 17th President of Dartmouth College

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[1] "But the only fully consistent hypothesis to reconcile the discordant elements of the Bank's actions, performance, and stated goals was that of a bureaucracy that had become an end in itself, driven by an institutional culture of expansion and a will to power for its own sake." in Rich, Bruce. 1994. Mortgaging the Earth, Earthscan, London, p. 103

[2] This is a unique position in the world. No other parliament had played as active a role as the United States in the World Bank Group (and the

IMF). Besides the part of this chapter devoted to this question, chapter 18 on the Meltzer commission will address the subject again.

[3] See Catherine Gwin, "U.S. relations with the World Bank, 1945-1992", in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 2, p. 195

[4] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 1 and 2, p. 1275 and p. 766

[5] Catherine Gwin, in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 2, p. 248

[6] Idem, p. 195

[7] op.cit. p. 195

[8] op.cit, p. 196

[9] op.cit, p. 196

[10] op.cit, p. 196

[11] op.cit, p. 197

[12] Rich, Bruce. 1994. Mortgaging the Earth, p.64 ; Mason Edward S. and Asher, Robert E. 1973. The World Bank since Bretton Woods, p. 30

[13] This was the first and the biggest loan in its 50 years of existence (see Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 1: History, Brookings Institution Press, Washington, D.C., p. 1218).

[14] See Gwin Catherine, p. 253-254. Note that Poland withdrew from the WB on 14 March, 1950 and Czechoslovakia on 31 December, 1954. The Soviet Union, which was present at the beginning of the Bretton Woods conference, did not participate in the system's implementation.

[15] None of the sources that we have consulted mentions the existence of an internal debate in the Board of governors during which a different candidate than that of the government was proposed.

[16] The US upheld this tradition so strongly that when it wished to propose a candidate who was not a US national - as happened in 1995 in the case of James Wolfensohn, an Australian - it quickly granted him citizenship to ensure it could offer him the position of President of the World Bank.

[17] The second country in terms of percentage of voting rights was Great Britain with 14.52%.

[18] See World Bank : http://siteresources.worldbank.org/BODINT/Resources/278027-1215524804501/IBRDCountryVotingTable.pdf , consulted the 26 August 2014

[19] Japan had joined the Bank in 1952 at the same time as the Federal Republic of Germany.

[20] Catherine Gwin, in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 2, p. 244

[21] Mason Edward S. and Asher, Robert E. 1973. The World Bank since Bretton Woods, The Brookings Institution, Washington, D.C., p. 915. and Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, The Brookings Institution, Washington, D.C., Volume 1 and 2, p.1275 and p.766

[22] The Somoza family ruled Nicaragua from 1935, the year it was put in power by a US military intervention, to 1979 when a popular insurrection brought about the fall of Dictator Anastasio Somoza and his flight to Paraguay, also ruled by a dictator, Alfredo Stroessner.

[23] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 1, p. 103

[24] ICJ, Case concerning the military and paramilitary activities in and against Nicaragua, Judgment of 27 June 1986. Following this conviction, the US officially announced that it will not further acknowledge the competence of ICJ.

[25] Catherine Gwin, in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 2, pp. 258

[26] We will see much later that on several occasions, the Executive uses its direct influence on the Bank to bypass possible opposition from Congress or, in any case, avoid a debate that does not appear to it expedient.

[27] George Kennan represented the State Department (NDA).

[28] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 1, pp. 103

[29] Catherine Gwin, in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 2, op. cit., p. 256-57.

[30] International Bank for Reconstruction and Development, Summary Proceedings of the 1972 Annual Meetings of the Boards of Governors (Washington, 1972), pp. 55

[31] Catherine Gwin, in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, volume 2, op. cit., p. 258

[32] Idem, p. 258

[33] The different examples concerning sectoral loans are from Catherine Gwin, op. cit. p. 223-224 and 259-263.

[34] According to Mason and Asher, it is unlikely that Prime Minister Nasser actively desired the support of the Soviets for the financing of the dam before the withdrawal of American & British offers. After this withdrawal, seventeen months passed before he signed an agreement with the Soviets to finance the first phase of the construction of the dam. (Mason and Asher, p. 642)

[35] Mason and Asher, op. cit., p. 636

[36] Mason and Asher, op. cit, p. 641

[37] Toussaint Eric. 2005. Your Money or Your Life, The Tyranny of Global Finance, Haymarket Books, Chicago, chapter 16, p. 327-338.

[38] Horst Kölher resigned from his post on 4 March, 2004 in order to be able to accept the mandate of President of Germany as proposed to him by the German Social-Christian opposition. Once released from his responsibilities at the IMF, he made declarations in which he criticized the American occupation of Iraq. Rodrigo Rato, who was appointed on 4 May, 2004 by the Board of governors to succeed him, was until March 2004 Minister of Finance and Economy in the José Maria Aznar government, a faithful ally of the US and the host of the conference of donors in October 2003.

[39] More precisely: a) an immediate cancellation of a part of the late payment interests representing 30% of the debt stock on 1st January 2005. The non-cancelled debt stock was postponed until the approval date of a standard program with the IMF. This reduction resulted in a cancellation of 11.6 billion dollars; b) with the approval of a programme with the IMF a reduction of 30% of the debt stock would be implemented. The remaining debt stock would be re-phased over a period of 23 years, including a period of grace of 6 years. This step would reduce the debt stock of 11.6 billion dollars, bringing the total cancellation rate to 60%; c) an additional debt reduction representing 20% of the initial stock when the last review of the standard three-year program of the IMF would be approved by the board of directors of the IMF. This reduction would concern 7.8 billion dollars.

[40] The agreement was confirmed and signed one year later on 27 October, 2005

[41] These facts are related by Catherine Gwin in KAPUR, Devesh, LEWIS, John P., WEBB, Richard. 1997. The World Bank, Its Firsst Half Century, volume 2, p. 213

[42] David A. Stockman, The Triumph of Politics: How the Reagan Revolution Failed, Harper and Row, 1986, pp. 116-19 (quoted by Catherine Gwin, op. cit., p. 229).

[43] Department of the Treasury, Assessment of US participation in Multilateral Development Banks in the 1980s, Washington DC, 1982, chapter 3, quoted by Walden Bello, 2002, Deglobalization. Ideas for a new world economy, Zedbooks, London - New York, p 59-60

[44] Bello, Walden. 2002. Deglobalization. Ideas for a new world economy, Zedbooks, London - New York, p. 60

[45] Department of the Treasury, United States Participation in Multilateral Development Banks, 1982, p. 59. (quoted by Catherine Gwin, op. cit. p. 270)

[46] Department of the Treasury, United States Participation in Multilateral Development Banks, 1982, pp. 48, 52 (quoted by Catherine Gwin, op. cit. p. 271)

[47] Letter from President Ronald Reagan to Representative Robert Michel, 10 June 1988, p. 1. (quoted by Catherine Gwin, op. cit. p. 271)

[48] Catherine Gwin, op. cit. p. 271-272

