The World Bank Matters: A Personal Perspective

Adal Isaw
adalisaw@yahoo.com
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The World Bank matters and here is why.

The World Bank has helped needy countries ameliorate specific social and economic problems. Staunch critics may vehemently disagree—with or without evidence to challenge the role of the Bank quite to the contrary. As for me, I anticipate the debate to continue for years. And, critics, both big and small, I think, are not able and equipped for now to change the global order of international banking. In addition, objections to what the World Bank does may matter less—as long as there is evidence—tying the specific works of the Bank with ameliorated social and economic problems of many countries.

There is evidence, tying the specific works of the World Bank with ameliorated social and economic problems of Ethiopia. For example, poverty headcount ratio has dwindled from 45.5% in 1995 to 29.6% in 2011. Potable water source has improved—from 29% in 2006 to 34% in 2010; and by 2011, primary school enrollment has risen by 106% to surpass the enrollment of Sub-Saharan countries. In all, the $4.43 billion dollar activities of the World Bank covers nine sectors—transportation, education, health and social services, energy and mining, agriculture, public administration, water and sanitation, industry and trade, and others. And in all of these sectors, there is evidence, tying the specific works of the World Bank with ameliorated social and economic problems of Ethiopia.[1]

These are results the World Bank attained in collaboration with the Ethiopian people and their government— in spite of the presumed or assumed differences in political ideology of doing "A" instead "B"—in some areas of economic development. The World Bank can afford to tolerate differences in political ideology. Because political ideology and economic development are not inherently tied to the point that one cannot exist without the other. Economic development requires no specific or preferred political ideology. And this very fact is well established and it is almost axiomatic; there is no causal relationship between a given political ideology and economic development.

It is true; economic development is a highly broad and elastic concept, and, to make it even worst, it subsumes conflicting claims and counterclaims of competing political and economic ideologies. But so far, claims and counterclaims of political and economic ideologies are areas of contentious debate in search of an agreeable conclusion; and the debate continues.

[1] See the detail projects and programs of the World Bank in Ethiopia @ http://www.worldbank.org/en/country/ethiopia/projects

However and at least for now, many scholars agree that there is no causal relationship between a political ideology and economic development. This is not to say that politics of global governance in the economic issue area cannot be understood using differing political and economic perspectives. Instead, this is to underscore the fact that there is no perspective of the sort, which unequivocally shows us the sure, singular and lonely path to economic development. The main point at the expense of redundancy is this: there is no causal relationship between a political ideology and economic development.

China for one has a political system unlike the United States and has nonetheless developed extraordinarily in the real sense of capitalist development. South Korea, one of the four economic tigers of East Asian countries, is another case that had it not for Park Chung Hee, an authoritarian leader, may not have leaped into a superb technological advancement and much more. These cases are more than testimonial; they are indeed facts of economic development, entailing the nearly axiomatic truth that there is no sure causal relationship between a political ideology and economic development.

Moreover, this article is not about describing and explaining competing political and economic ideologies of development. Instead, this article is a personal perspective of what matters for economic development of a country in a global setting. In this regard, I am of the opinion that the World Bank matters—for it has 187 member states and it is now nearly an indispensable and universal institution that no state can easily afford to ignore.

But the core reason as to why I think the World Bank matters relates to the fact that the Bank, although not fundamentally, is now a changed institution that refrains from rejecting the role played by states to ensue economic development. This means that the World Bank matters even in a very important way since it does not outrightly reject developmental state—the kind that openly intervenes to engender development. This is a great shift from what the World Bank used to espouse in matters concerning economic development. This shift is also the premise up on which the conclusion and the title of my article are built. The World Bank matters.

In 1993, the World Bank published a major report titled, *The East Asian Miracle: Economic growth and Public Policy*, and the report included eight "high performing Asian countries," also known as HPAEs. In this report, the World Bank underscored a number of important changes in the region, including economic growth, income equality and human welfare. According to this report and relative to other major regions in the world, the East Asian economies grew at a significantly faster pace between 1960 and 1990. Real GDP per capita growth in East Asia was roughly three times as fast as Latin America and South Asia, and 25 times faster than sub-Saharan Africa—where Ethiopia belongs.[2]

The question what if any common reason led these East Asian countries to a "miraculous" economic growth, income equality and human welfare has been at the center of academic inquiry. The verdict is in and most academics agree that the role played by the East Asian states is one major reason. The World Bank is not that far from this verdict and it concurs that "[i]n most of these [East Asian] economies, in one form or another, the government intervened – systematically and through multiple channels—to foster development, and in some cases the development of specific industries."[3] Not only that, the report revealed in detail the role played by developmental states of East Asian countries to engender economic growth, income equality and human welfare. By so doing, the "miracle" was unveiled by the report and in many of "high performing Asian countries," the "miracle" was indeed the work of the developmental state.

The "miraculous" economic leap of East Asian countries and the recent economic development of some African countries, particularly Ethiopia, are similar. At least at a general level, evidence shows that what the Ethiopian developmental state does now is what most East Asians developmental states have done to engender a "miraculous" economic growth, income equality and human welfare. If a researcher controls certain variables, such as the huge fund that the US was willing to infuse in East Asian countries, particularly in Japan, South Korea and Taiwan, the economic development of Ethiopia at a general level mimics the economic "miracle" of East Asian countries. Because, according to the World Bank,"… the Ethiopian economy has been growing at twice the rate of the Africa region, averaging, 10.6 percent GDP growth per year between 2004 and 2011 compared to 5.2 percent in Sub-Saharan Africa…" in part by "…government-led development investments."[4]

Now that the World Bank is a changed institution to the extent of accepting the role played by developmental states to ensue development, it should be high time for the Bank to work as closely as it can with the developmental state of Ethiopia. Because the capitalist development that enveloped East Asian countries did not happen in a vacuum. It happened for a reason beyond the role played by the states, and the reason as some strongly suggest, includes the planned "invitation" by the United States to allow Japan, South Korea and Taiwan develop into

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[2] In addition to the World Bank report of 1993, Professor Timothy C. Lim, in his soon to be published book titled, *Explaining Change and Continuity in East Asia*, also details not only the particular economic ascent of Japan, South Korea and Taiwan but also the role played by their respective developmental state to engender such development.
[3] See the 1993 report of the World Bank, titled, *The East Asian Miracle: Economic growth and Public Policy*, p 225.
[4] See the impressive economic development of Ethiopia @ http://www.worldbank.org/en/news/press-release/2012/12/13/ethiopia-economic-update-overcoming-inflation-raising-competitiveness

a new frontier of global capitalism. Detailed discussion aside, one can argue at ease that Ethiopia, in spite of the presumed or assumed differences in political ideology of doing “A” instead of “B”, is the new frontier in the Horn of Africa for global capitalism of the prudent kind. Prudent global capitalism thrives in part by the newly found works of the World Bank, and it is for this precise reason that the World Bank matters. And I should add, this is a personal perspective.