World Bank Will Continue to Betray Its Mission of Fighting Poverty Under New Director

Advancement of Structural Adjustment and Neo-Liberal Austerity Will Continue, Though Bank Has New Competitors with Growth of Chinese-Run Lending Institutions that Don't Attach Same Strings to Loans

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On June 2, Ajay Banga began a five-year term as the new head of the World Bank after his nomination by President Joe Biden and selection by the Bank's 25 Executive Directors.

A member of the elite Trilateral Commission, Council on Foreign Relations and World Economic Forum, Banga is a former CEO of Mastercard and Citigroup Asia Pacific, a Vice Chairman of General Atlantic, a leading private equity firm, and has sat on the board of Dow Chemical, infamous for its manufacture of napalm and Agent Orange during the Vietnam War.

The son of an Indian army officer who began his professional career working for Nestlé, Banga has recently teamed with Vice President Kamala Harris to promote greater U.S. corporate investment in Central America—including by Cargill, Pepsico and Mastercard—as a strategy to try to solve the migration crisis spawning from there.

However, the low wages paid by U.S. corporations and their takeover of Central American economies along with the advancement of neo-liberal economic policies accompanied by U.S. covert military intervention is what spawned the migration crisis in the first place.

In an interview in *Jacobin* magazine, economist Milford Bateman emphasized that Banga was a terrible choice by the Biden administration to head the World Bank because as the long-time CEO of Mastercard, he was involved with efforts to abandon cash so that Mastercard could intermediate most of the tiny financial transactions made by the poor and extract a growing amount of money from them.

Bateman, who is the author of the book *Why Doesn't Microfinance Work? The Destructive*

Rise of Local Neoliberalism (New York: Bloomsbury, 2021), said that the abandonment of cash "is not about benefiting the poor in the Global South, as is typically claimed, but about benefiting Mastercard. The fact that many believe Mastercard, and Banga himself, 'want to do right' for the global poor is an outcome of a brilliant PR exercise carried out over many years. It is not the reality, sadly."[1]

From its founding at the 1944 Bretton Woods conference, the World Bank has served mostly U.S. government's interests, attaching conditions to loans that forced foreign governments to privatize their economies and privilege foreign investors.

1944 Bretton Woods conference. [Source: share.america.gov]

The Biden administration favors Banga, according to Bateman, because the goal of the United States is to "repatriate as much value as possible from the Global South," which Banga's scheme to advance digital banking as Mastercard CEO helped to enable.[2]

Bateman said that

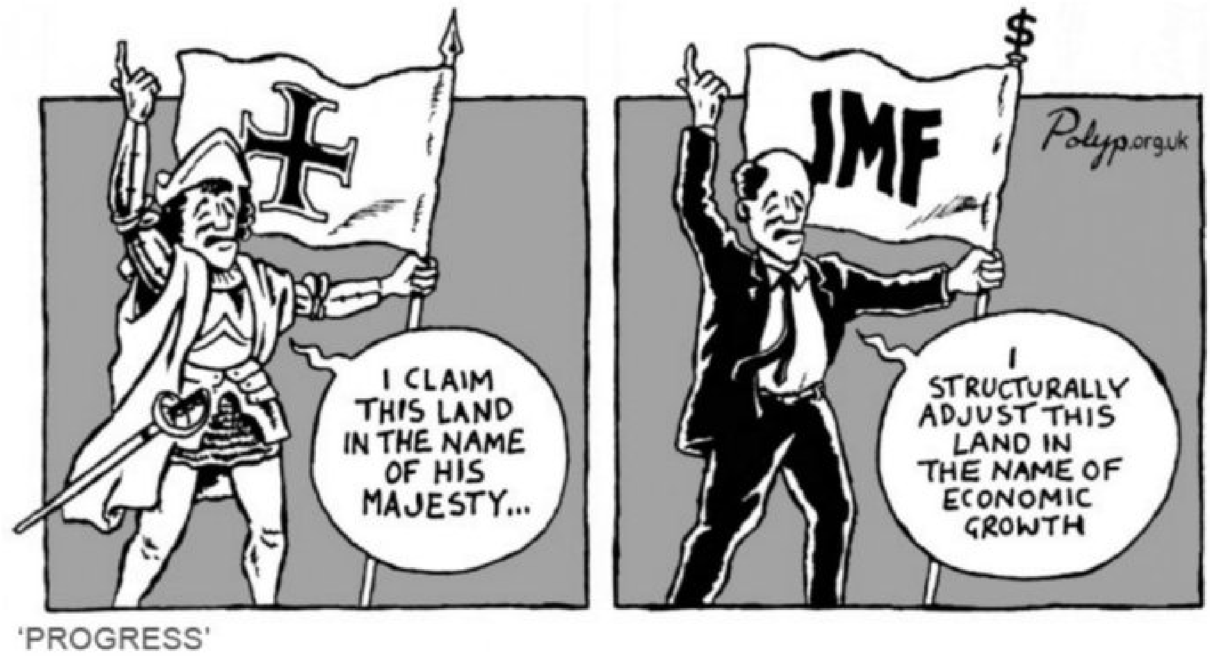
> "I don't believe the choice of Banga is a coincidence given his experience at Mastercard and his personal, almost religious belief in the supposed power of financial inclusion [expansion of the digital marketplace]. His appointment by the current U.S. administration, I'm sure, was at least partly conditional upon him doing the right thing for the U.S. government over the longer term and opening markets in the Global South for U.S. corporations and investors. His immediate task will be to ensure markets are kept open, regulations are kept to a bare minimum, efforts to tax fintechs [financial tech companies] are smothered, and so on."

Bateman added that

> "The losers in all this, of course, are the global poor whose local financial systems will fall under the day-to-day control of foreign-owned financial intermediation systems, like Mastercard. Unlike selling furniture, clothes, household goods, and the like, which are irregular events and often require extensive advertising, control of the local financial system is the gift that keeps on giving—it means you simply quietly skim off your slice of every financial transaction every day forevermore."[3]

Tools of Empire

On June 12, the War Industry Resisters Network hosted a webinar on the World Bank and International Monetary Fund (IMF) as tools of empire.[4]



Source: twitter.com

The first speaker, Elaine Zuckerman, President of Gender Action, an advocacy campaign that tries to hold international financial institutions accountable for harmful gender and climate impacts, emphasized the World Bank's heavy investment in fossil fuel industries that ravage the environment.

Zuckerman also reiterated how the World Bank and IMF betrayed their mission of trying to fight poverty by attaching strings to loans that they provided that forced countries to adopt neo-liberal economic policies—privatization, tariff reductions and cutbacks in social services—which cause huge wealth disparities and poverty.

Highly indebted countries cannot resist the structural adjustment loans because they are often disbursed very quickly, and offer an attractive infusion of cash that usually only harms long-term economic health and fuels further indebtedness.

When discussing Banga, Zuckerman emphasized that he had personally benefited from a Trump-era tax cut to sell $45 million in Mastercard stock, and that he had worked for dominant corporations with a record of exploiting Third World nations.

The second speaker, Liza Maza, a long-time activist from the Philippines and convener of an anti-poverty commission under the Duterte administration from 2016 to 2018, detailed the ravaging economic effects of the IMF and World Bank in her country.

Maza started by noting that, this year, Filipinos commemorated the 125th anniversary of their independence from Spain, but she said that this is a sham independence as the U.S. stole the victory of the Philippines revolution and has imposed colonial and neocolonial rule ever since.

According to Maza, the World Bank first began issuing loans to the Philippines in the 1950s and increased those loans significantly during the rule of Ferdinand Marcos (1965-1986).

Robert S. McNamara, the Vietnam War architect who was head of the World Bank during the 1970s, saw the Philippines as a key U.S. ally which provided military bases that were used for invading Vietnam.

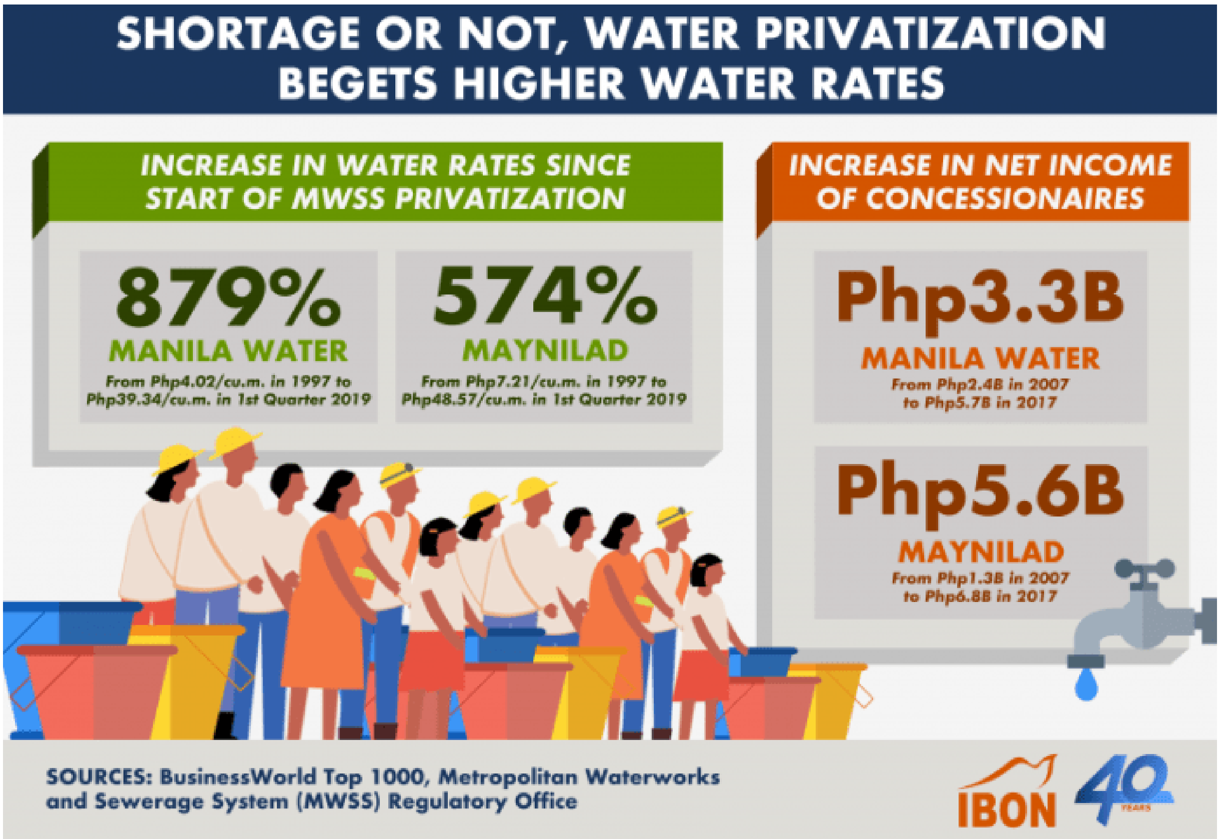
Because of the stringent conditions attached to the World Bank's loans and U.S. de facto control over the Philippines economy, the Philippines' economic production declined by 15% from 1965-2010; manufacturing output declined by 5%; and agricultural production declined by 7%.

As the first foreign leader to receive structural adjustment loans, Marcos lowered tariffs and replaced import-substitution policies designed to protect local industry with a neo-colonial economic strategy emphasizing export-oriented production.

Marcos himself got a share of the loans and placed privatized businesses in the hands of family members and political cronies.

His regime opened the Philippines economy to takeover and plunder by U.S. corporations as external debt expanded dramatically. These disastrous economic policies were accompanied by growing political repression and the declaration of martial law.

When the Philippines privatized its water utilities in 1997, water rates for consumers went through the roof along with the profits of Manila Water and Maynilad.



Source: ibon.org

Because of liberalization policies, the Philippines is also no longer self-sufficient in rice production.

The country currently has a $111.3 billion debt, amounting to 27.5% of its GDP and the government has to spend 30% of its budget on debt servicing.

To add insult to injury, President Biden is now cozying up to Marcos's son, Ferdinand Marcos, Jr. (aka Bongbong), and setting up new military bases designed to be a launching pad for a war with China.

The final speaker at the webinar, Ben Norton, emphasized how the World Bank was established at a time when much of the world was still living under colonialism.

He said that economist John Maynard Keynes had envisioned creation of an international reserve currency not in U.S. dollars and a more highly regulated framework for world trade that would have created a more equitable world economic order than that which came about.

According to Norton, a key figure in the rise of neo-liberalism was Paul Volcker, Undersecretary of the Treasury for International Monetary Affairs from 1969 to 1974 and Chairman of the Federal Reserve from 1979 to 1987, who raised interest rates on loans and helped to crush organized labor and bring wages down with the goal of bringing down inflation.

Volcker's worldview continues to guide the World Bank and IMF, which adopt similar hostility to organized labor and advance conservative economic policies that have preserved essentially a colonial economic framework where Third World economies are structured in ways that benefit the West.

The World Bank and IMF are no longer monolithic, however, and are slowly being replaced by Chinese lending institutions that do not attach the same strings to their loans.

With more and more countries turning to China, the U.S. is growing desperate and threatening war in order to try to sustain its hegemonic power that has not benefited much of humanity.

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Notes

1. Bateman continued: "The process of driving cash out typically starts slowly, so as not to alarm ordinary people and governments, and to ensure that the process is not halted midway. But once cash has been largely abandoned, then the profiteering can start, as the poor cannot easily revert back to cash payments. That's the goal: lure them in, then once they are in and effectively can't back out, you can start to squeeze them hard to make money. It's a tactic Americans call 'bait and switch.' The need to push the poor to abandon cash as quickly as possible also explains why Mastercard funds a number of its own supposedly philanthropic bodies, such as the Mastercard Foundation and the Mastercard Foundation Fund for Rural Prosperity. They operate under the seductive cover of 'advancing financial inclusion' or some other pro-poor-sounding term. In reality, they hasten the process whereby the global poor abandon cash and switch to using Mastercard-intermediated transactions, such as those involving mobile phones and debit cards. The value extracted by Mastercard from such transactions is already pretty large, but if cash could be removed entirely, then there is almost no limit to the value that Mastercard and other digital payment corporations can extract from the poor. For Mastercard and others like it, serving the financial transactions needs of the poor in the Global South is a new 'gold rush.'"
2. Another article in *Jacobin* by Linsey McGoey pointed out that Mastercard's scheme to advance digital banking was financed considerably by the Bill and Melinda Gates Foundation, which had its own interests in mind.
3. Asked whether Banga would support any public financial technology companies, Bateman said: "I doubt it. Banga will be expected to ensure that there will be no chance of any local publicly owned fintech projects. That would just be way too much like socialism—as is comically said in the U.S. government, World Bank, and IMF about even mildly pro-poor policies—but it would also deny foreign investors their 'right' to enter any market they chose, which is the fundamental right given to them under the current global economic order."
4. Like the World Bank, the IMF provides loans—including emergency loans—to member countries experiencing actual or potential balance of payments problems. It also monitors

the international monetary system and global economic developments to identify risks and recommend policies for growth and financial stability, and provides technical assistance and training to governments, including central banks, finance ministries, revenue administrations, and financial sector supervisory agencies.

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