

1944 and after: The WB assists those in power in a witch-hunting context

Series : Bretton Woods, the World Bank and the IMF: 70th anniversary (Part 2)

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Contrary to common belief, the mission of the World Bank is not to reduce poverty in developing countries. The Bank's mission, as originally conceived by the victors of the Second World War, the United States and Great Britain in particular, was to help rebuild Europe, and secondarily to promote the economic growth of the countries in the South, many of which were still under colonial rule. It was this second mission that went by the name of "development" and which constantly increased in scope. The World Bank lent money first of all to the colonial powers (Great Britain, France, Belgium) to help them more effectively exploit their colonies. Then, when these colonies became independent, the Bank made them liable for the debt that had only been contracted by their former metropolis in order to better exploit their natural resources and their population.

In the first 17 years of its existence, the projects supported by the World Bank focussed on improvement of communication infrastructures and the production of power. The money lent by the World Bank was to be spent essentially in industrialized countries. Projects approved by the Bank were designed to improve the South's export capacities to the North, thereby meeting the needs of Northern countries and enriching a handful of transnational companies in the relevant sectors. During this period, no projects were undertaken in the areas of education, health, drinking water supply and waste water treatment.

From the start, the Bank's missions served to increase its ability to influence the decisions taken by the authorities of a given country in a way that would benefit the shareholding powers and their companies.

World Bank policy evolved in response to the threat of spreading revolution and the Cold War. For the directors of the Bank, the political stakes were a central issue: their internal debates were heavily biased towards the interests of Washington or other industrialized world centres.

The World Bank effectively began operations in 1946. On 18 June of that year, Eugene Meyer, editor of the *Washington Post* and formerly a banker, became the Bank's first president. He lasted six months.

The early days of the Bank were difficult. The hostile attitude of Wall Street was still acute even after Franklin Roosevelt's death in April 1945. The banking world mistrusted an institution that, in its view, was still too influenced by the excessively interventionist, public policy of the New Deal. They would have preferred the United States to concentrate on developing the Export Import Bank. They were overjoyed when Henry Morgenthau left the Treasury [[1](#)], they were not particularly averse to Eugene Meyer's appointment as president of the Bank, but they by no means welcomed those enthusiastic supporters of public control - Emilio Collado and Harry White - who were appointed executive directors of the World Bank and the IMF respectively.

However, in 1947 a number of changes were made in the Bank's higher echelons, and a new trio favourable to Wall Street took the reins: John J. McCloy was made president of the World Bank in February 1947, seconded by Robert Garner, vice-president, while Eugene Black was brought in to replace Emilio Collado. Before their appointment, John J. McCloy had been a prominent business lawyer on Wall Street, Robert Garner vice-president of General Foods Corporation and Eugene Black vice-president of the Chase National Bank. Meanwhile, at the IMF Harry White had been fired. Wall Street was most happy about this. With the ousting of Emilio Collado and Harry White, the last proponents of public intervention and control of capital movements were gone. The financial world could "get down to business".

The witch-hunt

Operations at the World Bank and the IMF were largely influenced by the Cold War and the witch-hunt launched in the U.S. and largely orchestrated by the Republican Senator of Wisconsin, Joseph McCarthy. Harry White, "father" of the World Bank and executive director of the IMF, was placed under investigation by the FBI (Federal Bureau of Investigation) as early as 1945, suspected of spying for the USSR [2]. In 1947, his case was put before the federal grand jury that refused to prosecute. In 1948, he was questioned by the Un-American Activities Committee. Hounded by a spiteful and unrelenting campaign, he died of a heart attack on 16 August 1948, three days after appearing before the Committee [3]. In November 1953, during Eisenhower's presidency, the Attorney General brought posthumous charges against Harry White as a Soviet spy. He also accused President Truman of appointing Harry White executive director of the IMF in the knowledge that he was spying for Russia.

The witch-hunt also had repercussions throughout the United Nations and its specialized agencies, since, at the end of his term of office, on 9 January 1953, President Truman adopted a decree ordering the UN Secretary General and the directors of specialized agencies to inform the United States of all applications made by U.S. citizens for jobs at the UN. The United States would then carry out a full investigation to determine if the applicant was likely to engage in espionage or subversive activities (such as "*advocacy of revolution ... to alter the constitutional form of government of the United States*" [4]). During this period, the term "un-American » was a common euphemism used to describe subversive behaviour. A subversive element could not be hired by the UN. Interference in the internal business of the UN went very far, as demonstrated by the tone and content of a letter sent by Secretary of State J.F. Dulles of the Eisenhower [5] administration to the president of the World Bank, Eugene Black: "*Secretary Dulles has asked me (wrote his assistant secretary) to express to you the extreme importance he attaches to obtaining the full cooperation of all heads of the Specialized Agencies of the United Nations in the administration of Executive Order 10422.*

He believes it is manifest that without this full cooperation the objectives of the order cannot be achieved, and without such achievement, continued support of these Organizations by the United States cannot be assured." [6]

To lend money to its member countries, the World Bank had first to borrow from Wall Street by way of bonds [7]. Private banks required guarantees before lending to a public organization, especially since at the beginning of 1946, 87% of European bonds were in default on payment, as were 60% of Latin-American bonds and 56% of Asian bonds [8].

With the McCloy-Garner-Black triumvirate at the helm of the Bank, private bankers were willing to loosen the purse strings because they counted on recovering their outlay and making a profit too. They were not wrong.

During its first years of operation, the Bank lent mainly to industrialized countries in Europe. It was only with the greatest caution that it began to grant loans to developing countries. Between 1946 and 1948, it granted loans for a total amount of just over 500 million dollars to countries in Western Europe (250 million to France, 207 million to the Netherlands, 40 million to Denmark and 12 million to Luxemburg), while only one loan was made to a developing country (16 million to Chile).

The World Bank's lending policy to Europe was radically destabilized and curtailed by the introduction of the Marshall Plan in April 1948. The scope of the Plan far exceeded the Bank's capacities. For the Bank, one of the immediate consequences of the introduction of the Marshall Plan was the resignation a month later of its president, John J. McCloy, who went to Europe to take up the post of U.S. High Commissioner for Germany. Eugene Black replaced him at the Bank and occupied the post until 1962.

With the Chinese revolution of 1949 the United States lost a valuable ally in Asia, causing the leaders in Washington to incorporate the "under-development" dimension into their strategy in order to prevent Communist "contagion". The terms of Point IV of President Truman's inaugural address in 1949 are very illuminating: *"We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat to them and to more prosperous areas. [...] I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. [...] With the cooperation of business, private capital, agriculture, and labour in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living. [...] Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge. [...] ...we hope to create the conditions that will lead eventually to personal freedom and happiness for all mankind."* [9].

In the first page of the World Bank annual report, which appeared after President Truman's inaugural address, the Bank announced that it would henceforth work in the spirit of Point IV of Truman's speech: *"As of the date of this report the full implications of the Point IV program, and the precise method of its implementation, are not yet entirely clear. From the standpoint of the Bank, however, the program is of vital interest. (...)The Bank's basic objectives in this field are essentially the same as those of the Point IV program."* [10].

The words read like the minutes of a party meeting intent on executing an order from central committee. This being said, this fourth annual report, written under the dual impact of the Chinese revolution and Harry Truman's speech, was the first to point out that the political and social tensions caused by poverty and unequal distribution of wealth were an obstacle to development, as were poor distribution of land and its twin effects of inefficiency and oppression.

The report went on to say those diseases like malaria [11] must be eradicated, the rate of school attendance increased, public health services improved. In addition, said the report, the development of the South was also important for developed countries because their own expansion depended on the markets that these underdeveloped countries represented.

In subsequent reports, the social themes gradually disappeared and a more traditional view became prevalent.

As regards its lending policy, the World Bank did nothing to embrace the social dimension evoked in

Point IV. It failed to support any project aimed at the redistribution of wealth and the granting of land to landless peasants. And as regards improvements in health, education, and the provision of drinking water, it was only in the 1960s and 1970s that the Bank supported a small number of projects, and even then, with the greatest circumspection.

Some characteristics of the Bank's lending policy

High costs for the borrower

The loans made by the World Bank to developing countries were very costly: a high interest rate (equal to that practised in the market or close to it) plus a management commission, and a relatively short period for repayment. This very quickly brought protests from the developing countries, who proposed that the UN should set up an alternative, less costly means of financing than that offered by the World Bank.

Today, the Bank lends money at close to the market rate in the case of developing countries with a per inhabitant annual income of more than 965 dollars. Like any conventional bank, it is careful to select profitable projects, and makes sure that it imposes drastic economic reforms. The money lent comes mainly from bonds issued on the financial markets. The solidity of the World Bank, guaranteed by the rich countries that are its biggest shareholders, allows it to procure these funds at a favourable rate. Repayment of loans is made over periods varying from 15 to 20 years; with a grace period of three to five years during which there is no repayment of capital. This lending business is very lucrative: the World Bank makes profits to the tune of several billion dollars per year at the expense of developing countries and their people [\[12\]](#).

Not one loan for a school until 1962

The World Bank lends money for specific projects: a road, a port infrastructure, a dam, an agricultural project, etc.

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Until 1962, all loans, without exception, were put into electrical power infrastructure, communications (roads, railways, etc.), dams, agricultural machinery, the promotion of export crops (tea, cocoa, rice, etc.), or, to a marginal extent, the modernization of processing industries.

Export-oriented investments

It is easy to see where the priorities lay: the idea was to increase the capacity of developing countries to export the raw materials, fuel and tropical agricultural products necessary to the well-being of the most industrialized countries.

An analysis of projects accepted or rejected by the World Bank clearly shows that, with a few exceptions, the Bank was unwilling to support industrial projects designed to satisfy the domestic demand of developing countries because this would result in reduced imports from the most industrialized countries. The exceptions to the rule concern a handful of strategically important countries possessing real bargaining power. India was one of these.

Money lent to the South found its way back North

The World Bank made its loans on condition that the money is spent by the developing countries on goods and services ordered from industrialized countries. During the first seventeen years, more than 93% of the money lent came back each year to the most industrialized countries in the form of purchases. Annual figures were provided by the World Bank until 1962. From the following year to the present, this kind of data has no longer been publicly available. The explanation is simple: up to 1962, the rich countries with the most influence in the Bank were happy enough to show that the money lent by the Bank came back to them immediately. They were proud to demonstrate that the Bank was an extremely profitable business for them. But as time went by, more and more recently independent countries joined the World Bank and it became embarrassing to show, in the Bank's Annual Report, that its activities in fact benefited the wealthiest countries most.

Table 1
Geographic distribution of expenditures made with funds lent by the WB from 1946 to 1955

	1946	1952	1953	1954	1955
United States	73.1%	63.2%	63.3%	58.7%	47.1%
Europe	11.3%	23.2%	20.1%	28.1%	48.9%
Canada	0.0%	8.8%	4.2%	2.4%	2.0%
Industrial and commercial countries	91.4%	94.4%	87.4%	89.2%	98.0%
Latin America	8.3%	0.0%	1.1%	0.4%	0.1%
Middle East	0.4%	0.0%	0.0%	0.1%	0.0%
Africa	0.1%	0.0%	0.0%	0.2%	1.0%
Asia	0.0%	0.0%	0.2%	0.2%	0.1%
Total	100%	100%	100%	100%	100%

Source: World Bank, Annual Reports, 1946 to 1955

Table 2
Geographic distribution of expenditures made with funds lent by the WB from 1946 to 1962

	1946	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Germany	4.1%	14.1%	18.0%	17.2%	14.2%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
France	1.7%	2.8%	2.8%	2.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Canada	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	61.4%	30.1%	44.2%	38.0%	27.1%	27.1%	27.1%	27.1%	27.1%	27.1%	27.1%	27.1%
Japan	2.7%	1.8%	2.0%	2.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Italy	0.0%	1.7%	1.7%	1.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Spain	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sweden	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Denmark	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Netherlands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Belgium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
United Kingdom	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%
Industrial and commercial countries	91.2%	94.1%	93.9%	92.2%	84.4%	84.4%	84.4%	84.4%	84.4%	84.4%	84.4%	84.4%
Latin America	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: World Bank, Annual Reports, 1946 to 1962



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Odious loans to colonial powers...

Ten years after its creation, the World Bank counted only two members in Sub-Saharan Africa: Ethiopia and South Africa. In strict violation of the right of peoples to self-determination, the World Bank granted loans to Belgium, France and Great Britain to finance projects in their colonies [13]. As World Bank historians have recognized: *"These loans, which served to alleviate the dollar shortages of the European colonial powers, were largely directed to colonial interests, especially mining, either through direct investments or indirect assistance, as in the development of transport and mining."* [14] These loans enabled colonial powers to reinforce domination over the people they had colonized. They helped supply the colonial powers with minerals, agricultural products and fuel.

In the Belgian Congo, the millions of dollars loaned to the colony for projects determined by Belgium were almost entirely spent by the colonial administration of the Congo on products exported by Belgium. The Belgian Congo received a total of 120 million dollars in loans (in 3 phases), 105.4 millions of which were spent in Belgium [15].

... creating a heavy burden for young independent nations

When the above-mentioned colonies gained independence, the main shareholders came to an agreement to transfer the debt contracted by the colonial power to these new nations.

A blatant example can be seen in the case of Mauritania. On 17 March 1960, France stood surety for a loan of 66 million dollars contracted by the Société Anonyme des Mines de Fer de Mauritanie (MIFERMA). Mauritania was living its last months as a colony, as independence was proclaimed on 28 November of the same year. This loan was to be repaid between 1966 and 1975. According to the Bank's Annual Report six years later, independent Mauritania had a debt to the Bank of 66 million dollars [16]. The debt incurred at France's request while Mauritania was its colony had become passed on to Mauritania a few years later. Transferring debts contracted by a colonial power to the new independent state was a current practice at the World Bank.

A similar case had already occurred in the past and had been decided by the Treaty of Versailles. When Poland was reconstituted and made an independent state after the First World War, it was pronounced that the debts contracted by Germany to colonize the part of Poland under its domination would not be passed on to the new independent state. The Treaty of Versailles of 18 June 1919 stipulated thus: *"That portion of the debt which, in the opinion of the Reparation Commission, is attributable to the measures taken by the German and Prussian Governments for the German colonisation of Poland shall be excluded from the apportionment to be made under Article 254"* [17]. The Treaty stated that the creditors that had lent money to Germany for projects in Polish territory could only claim their due from this power, and not from Poland. Alexander-Nahum Sack, le theoretician of odious debt, states in his treatise of 1927: *"When the government contracts debts for the purpose of subjugating part of the people's territory or of colonizing it by nationals of the dominant nationality, etc., these debts are odious for the native population of this part of the territory of the debtor State."* [18] This principle applies in every respect to the loans made by the Bank to Belgium, France and Great Britain for the development of their colonies. Consequently, the Bank acted in violation of international law by making the new independent states liable for debts incurred for the purpose of colonizing them. The Bank, with the connivance of its main colonial shareholders and with the blessing of the United States, committed an act that should not go unpunished. These debts are null and void and the Bank should answer for them before the law. The states that have been victims of this violation should demand reparations and use the sums in question to repay the social debt due to their people [19].

The World Bank's missions

The World Bank is in the habit of sending specialists on missions to certain member countries. In its first twenty years, these specialists were in most cases sent from the United States.

In the beginning, the "test" country most visited was undoubtedly Colombia. It was a key country from the point of view of strategic U.S. interests. One of Washington's priorities was to prevent Colombia falling into the Soviet camp or heeding the call of revolution.

In 1949, the Bank sent a well-manned mission to Colombia, including experts from the Bank, the IMF, the FAO (Food and Agriculture Organization of the United Nations) and the WHO (World Health Organization). Its task was to study the needs and determine a global development strategy

for the country. The concrete projects supported by the Bank concerned the purchase from the United States of 70 bulldozers, 600 tractors and equipment for three hydroelectric stations! In 1950, it was learned that the Colombian government was studying the report delivered by the Commission with a view to formulating a development programme on this basis. The next year - 1951 - a commission of independent Colombian experts finished drawing up such a development programme, which the government then put into action: budgetary and bank reforms; reduction and relaxing of import restrictions; relaxing of exchange controls; adoption of a liberal and accommodating attitude with regard to foreign capital.

Consultants designated jointly by the Bank and the Colombian government also drew up proposals concerning the railways, civil aviation, industrial investment and the issuing of public debt bonds. An economic advisor nominated by the Bank was taken on by the Colombian National Board of Economic Planning. This is what one of the top people at the IMF, Jacques Polack [20], had to say about his participation in a mission to Colombia; *"The oral instructions that I received as head of a Fund (IMF) mission to Colombia in 1955, formulated in a meeting between the vice-president of the Bank and the deputy managing director of the Fund, conveyed the same notion, expressed in the heartier language of these days: 'You twist their right arm and we'll twist their left arm.'"* [21].

As one can see, in general these missions served essentially to increase the capacity of the Bank (and other institutions, in particular the IMF) to influence the decisions taken by the authorities of a given country in a way that would benefit the shareholding powers and their companies.

World Bank policy evolved in response to the threat of spreading revolution and the Cold War.

In 1950, the U.S. and its allies in the World Bank effectively expelled China when it became a Communist state and gave its seat to the anti-Communist government of General Chiang Kai-shek, which had set up headquarters on the island of Taiwan [22]. To prevent contagion spreading to the rest of Asia, various strategies were used and certain countries were the focus of systematic intervention by the World Bank. Such was the case of India [23], Pakistan, Thailand, the Philippines and Indonesia. Up to 1961, the Bank was not authorized to deal with South Korea, which was the exclusive domain of the United States.

Poland and Czechoslovakia, which were part of the Soviet bloc, left the Bank early on [24]. On its expulsion from the Soviet camp, Yugoslavia received financial support from the Bank.

In 1959 a tremendous revolutionary hurricane shook the Americas: in Cuba the struggle for revolution finally triumphed under the very nose of Uncle Sam [25]. Washington was obliged to grant concessions to the governments and people of Latin America to try to prevent revolution spreading like wildfire to other countries.

The Bank's historian, Richard Webb, ex-president of the Central Bank of Peru, recalled the effects of this phenomenon: *"Between 1959 and 1960, Latin America received the full benefit of Fidel Castro's revolution. The first effects had already appeared with the decisions to establish an Inter-American Development Bank and to surrender - after a long resistance- to Latin American demands for a commodity price stabilization, a coffee agreement was signed in september 1959. The aid momentum increased in early 1960, following Cuba's sweeping expropriation, its trade pact with the USSR, and Eisenhower's trip to South America. 'Upon my return' he wrote 'I determined to begin...historic measures designed to bring about social reforms for the benefit of all the people of Latin America.'"* [26].

President Eisenhower added: *"Constantly before us was the question of what could be done about*

the revolutionary ferment in the world. (...) We needed new policies that would reach the seat of the trouble, the seething unrest of the people. (...) One suggestion was (...) to raise the pay of the teachers and start hundreds of vocational schools. (...) [We] had to disabuse ourselves of some of old ideas (...) to keep the Free World from going up in flames.” [27].

Richard Webb continued: *“In April, secretary of State Christian A. Herter informed the Pan American Union of a sharp change in American foreign policy toward Latin America, including a decision to support land reform. Dillon presented a new aid program to Congress in August, which called for \$600 million in funding for soft loans by the Inter-American Development Bank and stressed social expenditures to contend with income inequality and outdated institutions, two serious impediments to progress. The bill was promptly enacted.*

The perception of crisis in the region continued into 1961, and Kennedy escalated the response: ‘Next to Berlin it’s the most critical area. (...) The whole place could blow up on us. (...) I don’t know if Congress will give it to me. But now’s the time, while they’re all worried that Castro might take over the hemisphere.’ In March 1961 Kennedy demanded action to avert chaos in Bolivia. His staff decided to ‘ignore proposals by both the International Monetary Fund and State Department that Bolivia needed a good dose of an anti-inflationary austerity, and instead should offer immediate economic assistance. (...) Things were grim enough without calling for further sacrifice from those who had nothing to give.’ A week later Kennedy announced the Alliance for Progress with Latin America, a ten-year program for cooperation and development, stressing social reform, with large-scale aid to countries that ‘did their part’.” [28].

The announcement of big reforms did not prevent the Bank and the United States from supporting corrupt and dictatorial regimes like that of Anastasio Somoza in Nicaragua, as demonstrated in the following example. On 12 April 1961, just five days before the United State was due to launch a military expedition against Cuba from Nicaraguan territory [29], the directors of the Bank decided to grant a loan to Nicaragua although fully aware that the money would be used to reinforce the dictator’s economic power. It was the price to pay for his support for the assault on Cuba. Below is an excerpt from the official minutes of the discussion between the Bank’s directors on this 12 April 1961 [30]:

Mr. [Aron] Broches. I am told that the Somoza Family is in everything and it would be difficult to find anything in Nicaragua which did not raise this problem.

Mr. [Robert] Cavanaugh. I am concerned that we would appear to be fostering an arrangement under which people will be urged to sell land that the President wants...

Mr [Simon] Cargill. If the project itself is satisfactory I don’t believe that the interest of the President is such a problem that the whole thing should be held up...

Mr Rucinski. I agree that it is too late to turn it down.

Mr. Aldewereld. The problem of the land holding and Somoza ownership is an unfortunate one but it is one we have been aware of from the very start and I think it is too late to raise the question now.

A few months later, in June 1961, the same Bank directors were debating the question of a loan to Ecuador. The contents of this discussion are eloquent reminders of the global political stakes behind the Bank’s action [31]:

What is the political risk of the submerged Indians, representing half or two-thirds of the population, who are still completely out of the political and economic picture?...

Mr. [John] de Wilde. Ecuador has a good record. (...) [I]sn't [this] a strategic time for the agencies (...) such as the Bank to step into the picture (...) and (...) prevent a deterioration in the political situation?

Mr. Knapp. (...) That is the sort of salvage job that the United States must perform.

Mr. Broches. Where does Ecuador stand on the index of social injustices Mr Kennedy has been referring to?

"Mr. Knapp. Ecuador would appear to be the next country on the list to go "Fidelistic"... (...)
Mr [Orvis] Schmidt. While there is great disparity in the distribution of wealth in Ecuador, this is less so than in other countries in Latin America. (...) The Indians up on the mountains are still quiet although the Government has not really been doing very much on their behalf.

Mr. Demuth. In looking at the Latin American feudal countries (...) to be realistic we must assume that revolutions are going to occur and only hope that the [new governments] will honour the obligations of former governments. (...)

Mr. Aldewereld. Colonialism is certainly bad in Ecuador (...) even (...) worse than in the Far East. Something violent is going to happen. (...) I think that our projects do serve to relieve internal pressures. (...) I agree that we might consider more IDA money because of these political risks.

Mr. Knapp. (...) But political situations do lead to defaults."

It could hardly have been put more clearly...

Éric Toussaint

Part 1, ESSF (article 32599): [1944 and after: Concerning the founding of the Bretton Woods' Institutions](#)

Part 3, ESSF (article 32655): [1944 and after: Early conflicts between the UN and the World Bank-IMF tandem](#)

P.S.

* <http://cadtm.org/The-WB-assists-those-in-power-in-a>

* Translated by Judith Harris.

* Éric Toussaint is a historian with a doctoral degree in political science from the universities of Paris VIII and Liège. He is the President of CADTM Belgium (www.cadtm.org). He has written many essays on geopolitics including **The World Bank: A Critical Primer**, Pluto Press, London, 2008, (<http://cadtm.org/The-World-Bank-A-critical-Primer>), *The Life and Crimes of an Exemplary Man*, CADTM, 2014 (<http://cadtm.org/The-Life-and-Crimes-of-an>) and *A Glance in the Rear View Mirror. Neoliberal Ideology from its Origins to the Present*, Haymarket Books, Chicago, 2012. He has also written several works with Damien Millet, including *Debt, the IMF, and the World Bank: Sixty Questions, Sixty Answers*, Monthly Review Press, New York, 2010, <http://cadtm.org/Debt-the-IMF-and-the-World-Bank> See also Eric Toussaint, doctoral thesis in

political science, presented in 2004 at the Universities of Liège and Paris VIII: “Enjeux politiques de l’action de la Banque mondiale et du Fonds monétaire international envers le tiers-monde” (“Political aspects of the World Bank and the International Monetary Fund actions toward the Third World”), <http://cadtm.org/Enjeux-politiques-de-l-action-de>

Footnotes

[1] Henry Morgenthau, a close collaborator of Franklin Roosevelt, clashed with his successor, President Truman, before the Potsdam Conference of July 1945 and handed in his resignation.

[2] According to R. Oliver, Harry White was a progressive in political terms, sympathising with workers’ causes throughout the world and fraternizing with Communists. See Oliver, Robert W. 1975. *International Economic Co-operation and the World Bank*, pp. 81-85.

[3] During this hearing, he had a first warning attack.

[4] Executive Order 10422 of Jan. 9, 1953. Part II. 2. c.

[5] Dwight D. Eisenhower, a general and a Republican politician, succeeded Harry Truman as U.S. president in January 1953. He was re-elected in 1957 and ended his second term of office in 1961.

[6] Letter, John D. Hickerson, Assistant Secretary of State, to President Eugene Black, 21 February 1953 in Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. *The World Bank, Its First Half Century*, Volume 1, p. 1173.

[7] From 1953, the World Bank did not only borrow from within the United States: it also issued bonds in Europe, then in Japan. In the 1970s, when oil prices surged, the Bank also borrowed from Venezuela and from oil-producing Arab countries.

[8] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. *The World Bank, Its First Half Century*, Volume 1, p. 917.

[9] Excerpts from point IV and the conclusion of the inaugural address presented by G. Rist, *Le développement. Histoire d’une croyance occidentale*, Paris, Presses de Sciences Po, 1996, pp. 116-121. The other points concerned support for the United Nations system, the creation of NATO and the introduction of the Marshall Plan.

[10] IBRD (World Bank), *Fourth Annual Report 1948-1949*, Washington DC, 58 p.

[11] Almost sixty years later, the World Bank is still concerned with the eradication of malaria, the fatal disease of the poor. See Castro Julie, Millet Damien, “Malaria and Structural Adjustment: Proof by Contradiction”, in Boete Christophe, *Genetically Modified Mosquitoes for Malaria Control*, Landes Bioscience, 2006.

[12] On the other hand, the concessional loans department of the World Bank, called IDA (see next chapter), devoted exclusively to the poorest countries, lends them money from rich countries and from countries that have contracted debts with the IBRD at a rate lower than that of the market (around 0.75%) over long periods (usually between 35 and 40 years, with an initial grace period of 10 years).

[13] The colonies concerned by World Bank loans were, for Belgium, the Belgian Congo, Rwanda and Burundi; for Great Britain, East Africa (including Kenya, Uganda and the future Tanzania), Rhodesia (Zimbabwe and Zambia), Nigeria, and British Guiana in South America; for France, Algeria, Gabon, French West Africa (Mauritania, Senegal, French Sudan - which became Mali, Guinée, Côte d'Ivoire, Niger, Haute-Volta - which became Burkina Faso, Dahomey - which became Bénin).

[14] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 1, p. 687.

[15] The fact that Belgium was the beneficiary of loans to the Belgian Congo can be deduced from a chart published in the fifteenth report of the World Bank for the year 1959-1960. IBRD (World Bank), Fifteenth Annual Report 1959-1960, Washington DC, p. 12.

[16] IBRD (World Bank), Fifteenth Annual Report 1959-1960, Washington DC, p. 52 ; IBRD (World Bank), Fifteenth Annual Report 1965-1966, Washington DC, p. 79.

[17] Quoted by Sack, Alexander Nahum. 1927. Les Effets des Transformations des Etats sur leurs Dettes Publiques et Autres Obligations financières, Recueil Sirey, Paris, p. 159.

[18] Sack, Alexander Nahum. 1927. p. 158.

[19] Reparations should be demanded from the former colonial powers via the International Court of Justice in The Hague. It should be noted that as long as the UN Agencies, of which the World Bank is one, continue to enjoy immunity, and as long as the Bank's statutes are not modified, the member states of the World Bank will have difficulty taking legal proceedings against it. On the other hand, citizens' associations representing the victims can take the Bank to court either in their own country or in a country where the Bank has an agency or where it has issued loans. This point will be developed later in the book.

[20] Jacques Polack participated in the Bretton Woods conference of 1944. He was director of the research department of the IMF from 1958 to 1980, and IMF executive director for the Netherlands from 1981 to 1986.

[21] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century, Volume 2: Perspectives, p. 477.

[22] This situation lasted until 1980, the year China returned to the World Bank and the IMF. At the United Nations, the situation lasted until 1971.

[23] See Millet Damien, Toussaint Eric, "India, 60 years after the long struggle for independence when will India's new liberation come ?", in Tsunami Aid or Debt Cancellation! The Political Economy of Post Tsunami Reconstruction, VAK, Mumbai, 2005, chapter 4.

[24] Poland withdrew from the World Bank in March 1950 and Czechoslovakia in December 1954, the Bank having refused to grant them a single loan.

[25] Havana is some 200 kilometres from the coast of the United States, which had been effectively controlling Cuba since 1898.

[26] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. The World Bank, Its First Half Century,

Volume 1, p. 163.

[27] D. Eisenhower, *Waging Peace*, pp. 530 - 537

[28] Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. *The World Bank, Its First Half Century*, Volume 1, p 163-164

[29] The expedition took place on 17 April 1961. More than 1 500 anti-Castro mercenaries disembarked in the Bay of Pigs. The expedition was a monumental fiasco.

[30] This text is taken from Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. *The World Bank, Its First Half Century*, Volume 1, p. 165

[31] This text was taken from Kapur, Devesh, Lewis, John P., Webb, Richard. 1997. *The World Bank, Its First Half Century*, Volume 1, p. 166.