THE WORLD BANK AND THE POST-WASHINGTON CONSENSUS IN VIETNAM AND INDONESIA

Susan Engel

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Reviewed by Frank Stilwell

The international conference held at Bretton Woods in 1944 established 'a small, conservative banking institution' called the International Bank for Reconstruction and Development (IBRD). Together with the establishment of the International finance Corporation (IFC) twelve years later – and the subsequent development of bodies concerned with securing multilateral investment – came the emergence of The World Bank as a distinct institutional grouping. The IBRD and the IFC are still the Bank's two principal development lending arms, sharing the same staff, headquarters and president (who is always from the USA). The IFC provides zero-interest loans to the poorest of countries, while the IBRD provides loans at market rates to more conventionally credit-worthy nations ranging from poor to middle-income. Together, their cumulative lending totalled over $590 billion by the end of 2006.

This book by Susan Engel investigates how the funding lever of the World Bank has been used to promote a particular view and practice of economic development. Her book is a study of hegemonic power – 'the organisation of consent'(p.7). That emphasis on hegemony distinguishes the book methodologically from other critiques of the World Bank, of which there are many. In historical terms, it involves analysis of how the Bretton Woods negotiations and outcomes reflected the shift from British to American hegemony. It also involves study of how the Bank's later 'discovery' of poverty became linked with a neoliberal agenda through structural adjustment programs, 'transforming the Bank from a reflection of *pax americana* to an institution that was a key force in establishing and reproducing that hegemony' (p.35).

As an enforcer of the 'Washington Consensus', the Bank emphasised loan conditions relating to trade liberalisation, privatisation of state-owned enterprises, banking deregulation, removal of foreign exchange controls and its own interpretation of what constitutes 'good governance'. The problems of this particular prescriptive model came to be widely recognised, and the subject of much resistance in developing nations. By 2000, as the author notes, the Bank had to admit the negative impact of the Washington Consensus: that was the time when its former chief economist Joseph Stiglitz resigned and came out as a strong critic of the Bank and its policies. A more nuanced Post-Washington Concensus was then developed, with emphasis on 'social capital' and redressing some problems of 'market failure', albeit showing considerable continuity with neoliberal principles of 'sound' public finance and trade liberalisation.

A great strength of Susan Engel's book is its detailed examination in how these policies operated 'on the ground' in two important developing economies – Indonesia and Vietnam. The Bank has claimed to be increasingly sensitive to individual countries' social, political and economic circumstances, but the evidence tends to suggest otherwise. Of course, consultations occur with government officials in each country seeking loans, but the nature of policy prescriptions almost invariably has a quite standard character. It is a neoliberal agenda that has been pushed in ways that are inimical to a balanced, sustainable or pro-poor development process. As Engel concludes, 'the case studies showed only a few indications that the Bank has moved beyond its traditional concern with economic growth within a market capitalist framework' (p.197). Even the emphasis on community 'participation' in the Post-Washington Consensus does not fundamentally change this orientation: rather 'in Gramscian terms … it is a moral, intellectual and educative engagement to construct civil society in the neoliberal image' (p.193).

So what is to be done? The book's focus is on understanding what has happened, not on prescribing change. One is left with the general feeling, however, that a campaign similar to the '50 years is enough' movement against the International Monetary Fund would have more than sufficient justification.

From a Gramscian perspective, challenging hegemonic power requires, first and foremost, an understanding how that power operates, how it determines the discourse and practices and creates complicity with the prevailing political economic processes even among these whose interests are thereby subordinated. Engel's book helps to provide that analysis. It is a carefully researched, clearly presented and well reasoned contribution to international political economy.