Hacettepe University Graduate School of Social Sciences

Department of Economics

Master of Economics

THE EVOLUTION OF THE DEVELOPMENT DISCOURSE OF THE WORLD BANK AND ITS EVALUATION IN THE CONTEXT OF THE ECONOMIC THEORY

Betül Sarı

Master's Thesis

Ankara, 2016

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ACCEPTANCE AND APPROVAL

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The jury finds that Betül SARI has on the date 29.11.2016 successfully passed the defense examination and approves her Master Thesis titled "The Evolution of the Development Discourse of the World Bank and Its Evaluation in the Context of the Economic Theory".

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ABSTRACT

Sarı, Betül. *The Evolution of the Development Discourse of The World Bank and its Evaluation in the Context of the Economic Theory,* Master Thesis, Ankara, 2016.

World Bank is an international development and financial institution, which was founded with the name International Reconstruction and Development Bank and located within the United Nations; offering customized resources, development prescriptions, consultancies and loans to the many countries from various parts of the world. The largest part of the World Bank Group is the World Bank which is the greatest organization working on private sector initiatives and projects in developing countries; providing technical assistance and development proposals to the businesses and governments. The adopted development approaches of this organization and its policy prescriptions to countries has evolved parallel to the periodic characteristics of capitalism and the change in the economic theory corresponding to these periods since its foundation. The aim of the thesis is to evaluate the evolution of the development discourse of the World Bank, and to put forward whether this evolution realizing parallel with the evolution of the development and economic theories. In that context, the evolution of the development discourse of the World Bank is handled in three period in thesis. In these three periods, the development discourse of the World Bank has been shaped under the influence of Keynesian economic theory, neoliberal ideology and neoclassical economic theory, and the basic principles of the new institutional school of economics, respectively. Through a review of the literature and history, this thesis has made clear the ways in which the World Bank's discourse of development has both influenced and also been influenced by the evolution of the development and economic theories.

Key Words

The World Bank, Development Discourse, Development Theory, Economic Theory, Keynesianism, Neoliberalism, Globalization, Poverty, Governance, New Institutionalism.

ÖZET

Sarı, Betül. *Dünya Bankası'nın Kalkınma Söyleminin Evrimi ve İktisat Teorisi Bağlamında Değerlendirilmesi,* Yüksek Lisans Tezi, Ankara, 2016.

Dünya Bankası, İkinci Dünya Savaşı'nın ardından Uluslararası Yeniden Yapılanma ve Kalkınma Bankası adıyla kurulan ve Birleşmiş Milletler bünyesinde yer alan; dünyanın çeşitli kesimlerinden çok sayıda ülkeye kredi, danışmanlık, özelleştirilmiş kaynaklar ve kalkınma reçeteleri sunan uluslararası bir finans ve kalkınma kuruluşudur. Dünya Bankası Grubunun en büyük parçası olan Dünya Bankası, gelişmekte olan ülkelerde özel sektör girişimleri ve projeleri üzerine çalışma yapan; iş dünyasına ve hükümetlere, teknik yardım ve kalkınma önerileri sunan en büyük küresel örgüttür. Bu kurumun kuruluşundan bu yana benimsediği kalkınma yaklaşımları ve bu konuda ülkelere telkin ettiği politikalar, kuruluşundan bu yana kapitalizmin dönemsel özelliklerine, bu dönemlere karşılık gelen iktisat teorisinin değişimine paralel olarak evrilmiştir. Bu tezin amacı, Dünya Bankası'nın kalkınma söyleminin evrimini değerlendirerek, bu evrimin iktisat ve kalkınma teorilerindeki evrimle paralel olarak gerçekleşip gerçekleşmediğini ortaya koymaktır. Bu bağlamda, Dünya Bankası'nın kalkınma söyleminin evrimi üç dönemde ele alınmıştır. Bu üç dönemde, Dünya Bankası'nın kalkınma söylemi sırasıyla Keynesyen iktisadi teori, neoliberal ideoloji ve neoklasik iktisadi teori, ve yeni kurumsal iktisat okulunun temel prensiplerinin etkisi altında şekillenmiştir. Tezde, kalkınma literatürü incelenerek ve tarihsel perspektif izlenerek Dünya Bankası'nın kalkınma ajandası ile kalkınma teorileri arasındaki karşılıklı ilişkiler açıklığa kavuşturulmuştur.

Anahtar Sözcükler

Dünya Bankası, Kalkınma Söylemi, Kalkınma Teorisi, İktisat Teorisi, Keynesyenizm, Neoliberalizm, Küreselleşme, Yoksulluk, Yönetişim, Yeni Kurumsalcılık.

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INTRODUCTION

The World Bank was founded in 1944 at Bretton Woods Conference and its main objective was to provide long-term loans to countries (especially to the European countries) for reconstruction and economic development after the Second World War. Since its foundation, over the course of 70 years, its development discourse has evolved in accordance with the evolution of economic theories over the past seventy years. The Bank's development approach has evolved from the recovery and reconstruction to reducing poverty and improving living conditions across the world. New economic theories and models influenced the Bank's development strategies and discourse. That case has naturally created some questions: (1) How was the World Bank's development discourse influenced by the evolution of economic theories? (2) In what aspects these theories have given shape to its development discourse?

In order to find out answers to these questions, it is fundamental to investigate the relationship between the Bank's development discourse and development theories. To be able to set forth that relationship, it is essential to provide an assay of the historical background of World Bank and its approach to development. Moreover, to examine the aspects in which Bank's development discourse has been influenced by an understanding of development and economic theories would help better understand the Bank's evolution of development discourses. Finally, it is also important to explore the World Bank's role across the world and its impact on development thinking.

The World Bank is the general name of a number of international organisations whose original body (the International Bank for Reconstruction and Development (IBRD) was created at the Bretton Woods Conference in July 1944 at the Bretton Woods Conference (Akyüz, 2015:477). As its original name implied, the Bank's prior function was to provide long term loans to governments for reconstruction and the economic development of member territories by the means of simplifying the investment of capital for prolific objectives and reparing the economies destroyed or confused by the Second World War.

When the World Bank was established, its main policies and main development discourse were under the influence of the Keynesianism. The effect of Keynesian economic thought on the World Bank policies lasted few decades.

However, in the 1960's and 70's, the less-development problems of Africa, Latin America and the Caribbean countries which could be defined as the periphery countries were began to be investigated by the World Bank. Therefore, it began to focus on the poverty alleviation of these countries.

In the terms of cases mentioned above, the World Bank's development discourse in its first few decades was roughly based on Keynesian economic and development theories and the Bretton Woods system including its other international organizations. That system, of course, was processed under the dominance of the U.S. and carried some aims about the integration of countries to the market economy solidly. The U.S. considered the threat of Soviet Russia and also the conjecture of the world after the World Wars and Great Depression especially. Therefore, the U.S. proposed largely *development with state* until the world's recovery would be realized.

However, Keynesian based development policies and Keynesian discourse of the World Bank began to turn reverse at the end of the 1960's till 1980's. Then, the Bank advocated a new economic theory and development discourse based on neoliberalism at the beginning of 1980's.[1] For nearly few decades neoliberalism has become a dominant ideology in developed and developing countries. Neoliberalism's main objective is creating the laissez-faire economic liberalism approach to economic development. Neoliberalism involves broadly economic liberalization policies such as privatization, fiscal discipline, deregulation, free trade and reductions in government expenditures in

[1]This shift of the World Bank can be based on the several factors. Especially by the end of the 1960's, financing the Vietnam War created financial burden and rapidly rising inflation and unemployment rates of the fixed exchange rate system. Therefore, the management of capital control increasingly became difficult. In this respect, the power of capital began to prevail the state's power and consequently collapse of the Bretton Woods fixed exchange rate system in 1971. These developments brought about the collapse of the Keynesian economic policies day by day. Addition, the voidness of the Keynesian economic policies were clearly understood when the World faced the oil crisis in 1973 and 1979. Consequently, struggles for searching new economic paradigm began (Ünay, 2009:87-111).

order to increase the role of private sector in the economy. Especially Milton Friedman's and Friedrich August von Hayek's theories were influential in the progress and propagation of the neoliberalism.[2]

Through the neoliberal economic policies the World Bank intervened to the global capitalist relations. Addition, its policies experienced further dramatic shift in the 1980s when the prevalent crisis of global accumulation achieved the dreadful measures of the Latin American Debt Crisis in 1982. In that context, the World Bank started to pipeline billions of dollars to debt stricken countries in order to simplify continued interest payments on their old debt but on condition that a commitment to neoliberal-style structural adjustment policies (George and Sabelli, 1994). Roughly about a decade the Bank's development discourse was shaped by the structural adjustment policies, credits and efforts to integrate developing and less developed countries to the global system and neoliberalism. In that term, neoclassical development theories gained greater impact in the Bank and the World Bank adopted the discourse based on pure neoclassical economic theories and pure neoliberalism with the Washington Consensus in 1989.

By the early 1990s, particularly after the end of the Cold War, hegemony of the neoliberalism appeared. Its applications to development policies and prescriptions of the World Bank reflected themselves in almost all governments, regardless of political orientation and adherence of its basic tenets. However, 1990s were covered with the spectre of intense financial volatility and social depredation of the Bank's most hailed success stories resulted with severe economic crisis e.g. Argentina 2001; South East Asia 1997, Mexico 1994 and Russia, 1998 (Taylor, 2004:12). Moreover, deficiency of the policies and principles of the neoclassical economic theories, neoliberalism and consequently the Washington Consensus to reduce poverty and unemployment and to delivere growth with equity were realized. This case created the new views to the

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[2] Both Milton Friedman and Friedrich August von Hayek were awarded the Nobel Prize for their contributions to the field of economics. Friedman was awarded for his contributions in the fields of consumption analysis, monetary history and theory and for his exposition of the complexity of stabilization policies. On the other hand, Hayek was awarded for his pioneering work on the interdependence between social, economic and political processes. As a matter of fact, these economists determines the mainstream of the economic theories and thus pave the way for the evolution of the economic theories and impact the economic discourses of the world. (In order to find more information see http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1976/friedman-facts.html and http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/hayek-facts.html

development question. Human-centered development apprehension and policies based on the environmental, social and institutional facts emerged and arised at the beginning of the 1990s. Through them the impossibility of looking the development only from the perspectives of the growth and macroeconomic stability was understood. On the other hand, after the mid 1990s especially with the Post-Washington Consensus, development discourse largely based on institutions and institutional reforms started to dominate economic policies. Its foundations located in the neoclassical theory of economics which presented a theory of economic change through taking institutions on its center stage. With another words, it refers to the institutional turn in neoclassical economic theory.

After the 2000s, the development discourse of the World Bank started to be determined on the axis of the achievement of the United Nations *Millenium Development Goals*. By broadening the scope of human development; the concepts such as participatory, democracy, environmental sustainability and eradication of poverty were brought into the agenda of the Bank. That case was determined as the social turn in neoclassical economic theory, but in real world it is always possible to mention about the World Bank’s aim of the find sustainable development models based on the main principles of the neoliberalism through only disguising them.

The main argument of this study is dealing with the evolution of the World Bank's development discourse. The change in the discourse of the World Bank has been parallel with the development and changes of economic theory and development theory which corresponds to it. But at the same time, Bank has given shape to the international development thinking and economic theories especially in the context of the situation of the international economic system and its hegemonic powers.

In this study, the development discourse of the Bank is investigated in three periods. Those are; the development discourse of the Bank under the effect of the Keynesian economic thought and theories. After that under the effect of the neoliberalism, and pure neoclassical economic theories. And finally Bank determined its development discourse under the effect of the combination of the institutional, social, environmental and political aspects of development under the cover of the neoliberalism, endogenous growth theories and neoclassical economic theories again.

According to the results obtained here, the evolution in the discourse of the World Bank was shaped under the influence of the evolution of the development and economic theories. However, it should not be underestimated that the World Bank, at the same time, has been the main creator of the evolution of the development and economic theories.

1. WORLD BANK AND KEYNESIAN DEVELOPMENT ERA

Although the World Bank was emerged during the Bretton Woods conference, the roots of Keynesianism extend till to the crisis of 1873-1896, as main solutions of some economic problems of the world.

The biggest crisis of industrial capitalism faced between 1873 and 1896 paved the way to the First World War. After that Great Depression, there was rapid decolonization period causing rapid rise of socialist and fascist regimes in Europe and the global system. All those events brought into mind some questions about the basic principles of classical liberalism and also the stability of the global capitalist system.

Addition, the U.S. has emerged as the largest international creditor and industrial power of the World replacing the British hegemonic position in the international system gained after the First World War. On the other hand, in 1929, the international capital markets collapsed with the Great Depression and that crisis spread throughout the World causing collapse of international capital markets in 1931. All those developments forced Britain to abandon the gold standard. In this context, the Great Depression was an important milestone in the interwar period. It was also an indicator of the introduction of the abandonment of the liberal tradition in financial relationships. The Great Depression revealed the idea that there was a need to change economic system and policies instead of classical liberalism. John Maynard Keynes gave the response of that need in 1936 with his most famous book *The General Theory of Employment, Interest and Money* which explains the main reasons and also offers the solutions for Great Depression. Keynes has brought some criticisms to the *laissez-faire* discourse of the classical liberalism and found it inadequate to serve as an explanation about the economic shocks and fiascos, because economy models of classical liberalism do not consider occurrence extraordinary situations of economies (Balaam and Dilman, 2015:70).

As a matter of fact, Keynesian economic policies beginning with the first application before General Theory, through the New Deal administration in the US have moved to the international dimension after the Second World War. After the World War II, Bretton Woods Conference followed the War and the principles of the international economic system were identified during the Conference. Economic system was not organized as pure liberal form there. Furthermore, trade on money and capital market regime based on state hand in this system. This period has been called *embedded liberalism* by Ruggie (1982: 392-393). Embedded liberalism was proposing the state coordinated development process through the Bretton Woods regime and Keynesian economic policies. It included a number of objectives widely based on the revitalization of Western capitalism devastated due to the World Wars and Great Depression. In that context, the first mission was to revive free trade which was damaged by the World Wars and Great Depression. The second mission was to permit national governments the freedom to create wide welfare programmes and to interfere in their economies in order to sustain full employment. Following that embedded liberalism period Hogan (1989: 13) made a statement on economic depression and the new deal activism that has led to a redefinition of economic management and policies of the Keynesian strategy.

Furthermore, Keynesian economic theory exerted a strong influence on development economics. By being in a contradiction with orthodox economics, Keynes had created the way to find a new solution option to economic problems. Although he gave broad role to the public sector, he had also prepared a case for discretional national economic management. Therefore, public policy formation became much more active force in national economies (Meier and Seers, 1984:14). The spirit of policies and discourses of the World Bank were characterized by the early views of Keynesian based development theories. That case originated from the aim of the Bank at postwar reconstruction in Western Europe through the assistance of foreign aid and some economic planning and cooperation created optimism for the task of economic development in Latin America, Asia and Africa. Especially the role of planning reflected itself through the strategies of industrialization, import substitution, and the mobilization of resources in the interest of national development in 1950s. World Bank’s major development themes such as attention on the capital accumulation, industrialization, and planning can be traced to Keynesian background.

1.1. MAIN DEVELOPMENT DISCOURSE UNDER THE EFFECT OF KEYNESIANISM

In this section, the World Bank’s development discourse largely based on Keynesian economic thought is discussed in detail. The effect of Keynesianism reflected itself firstly with the recovery and reconstruction discourses of Bank through the Marshall Plan. Beside Keynesianism hegemonic wars, political processes and the situation of the international economic system defined the discourse of the Bank. Then particularly with the rise of the development economics, Bank defined its discourse on the axis of the growth. However, with the rise of the Third World and the failure of the Keynesian economic thought the development discourse of the World Bank evolved again.

1.2. RECOVERY AND RECONSTRUCTION BASED DEVELOPMENT DISCOURSE THROUGH THE MARSHALL PLAN & COLD WAR

In its early years, the Bank's the first main mission was to help rebuilding Europe and the second was to promote the economic growth of the countries in South, many of which were still under colonial rule (Toussaint, 2008:17). In that point, it could be said that development was the second mission for the Bank in that period. With another saying, the World Bank's development discourse focused on the recovery of the Europe after the Second World War and the Bank defined its main route through the Keynesian economic policies.

On the other hand, there were some other dynamics directly affecting the international economic system, development strategies of the period and also the World Bank's development discourse.

Soviet Russia finished the Second World War as one of the most powerful country in terms of industrial capacity and the second military power following the US. According to Hobsbawm (2015:302), the period of history after the Second World War until the collapse of the Soviet Russia fused into a single model. As he stated:

> *"After the Second World War, the two superpowers have confrontation in a continuous fight called Cold War."*

At this point, it is possible to mention about the U.S. incentives of the enforcement of its economic, political ideas and policies especially to the European countries and by that way predominating their international policies. The U.S. considered Soviet Russia as a formidable rival and there was also fear about the spreading of the communist waves to other countries after World War II under the leadership of Soviet Russia. Those fears had putted the United States into motion. Therefore, the U.S. had aimed achieving a strong Japanese economy and realizing further recovery of European economy to consist the powerful and stable international division of labour under its own hegemony. Then, the U.S. putted into action the Marshall Plan, a kind of indication of the U.S.'s aims about highlighting Its hegemonic power on the World and thus fighting against formidable rival Soviet Russia (Hobsbawm, 2015:322).

The Cold War should be evaluated in the context of its impacts on the international economic system in more detail. According to Amin (1993: 12):

> *"The protection of the U.S. hegemony caused to be beaten of the world market since 1945. This has taken place in the military and ideological bipolarity and the Cold War atmosphere. All the East-West conflict during this stage seems as the contradiction of socialism and capitalism. But the reality, though a center-periphery conflict in its most radical form was concerned."*

Beside those things it will be beneficial to mention about the Bretton Woods System. Bretton Woods System indexed dollar's value to the gold. Thus, it became the most valid and crucial currency of the international finance system. Furthermore fixed exchange and restrictions of the capital flows have indicated the existence of an international economic system under the hegemonic position of the U.S. Those facts would also allow the United States being the most effective country on the World Bank's development discourse.

In all these contextes, The World Bank began its operations in 1946 and lent mainly to industrialized countries of Europe during its the first years operations. It granted loans for a total of just over $500 million to countries in the Western Europe ($250 million to France, $207 million to the Netherlands, $40 million to Denmark and $12 million to Luxembourg) while only one loan was made to a developing country ($16 million to Chile) in the period of between 1946 and 1948 (Toussaint, 2008:19).

The World Bank's lending policy to Europe was radically destabilized and curtailed by the introduction of the Marshall Plan in 1948 (Toussaint, 2008:19). Therefore, the Bank began to lose its mission to rebuild the European economies because of Marshall Plan. Addition, the Bank has changed its domain after that point and the most effective domains were the regions where were the most important areas the for U.S.'s jeo-strategic objectives.

The United States devoted to the Bank more than $13 billion and $11 billion of which was freely given, between 1948 and 1951 to restore the economy of 17 European countries in the context of the Organization for European Economic Cooperation (OEEC, today OECD) (Table 1) (Toussaint, 2008:38).

Table 1. Expenses involved in Marshall Plan economic assistance in the period between 3 April 1948 and 30 June 1952.

Countries	Total	Grants	Loans
	The U.S. Dollar		
Austria	677.8	677.8	-
Belgium-Luxembourg	559.3	491.3	68.0[a]
Denmark	273.0	239.7	33.3
France	2,713.6	2,488.0	225.6
Germany (FR)	1,390.6	1,173.7	216.9
Greece	706.7	706.7	-
Iceland	29.3	24.0	5.3
Ireland	147.5	19.3	128.2
Italy (including Trieste)	1,508.8	1,413.2	95.6
Norway	255.3	216.1	39.2
Sweden	107.3	86.9	20.4
Portugal	51.2	15.1	39.2
Netherlands (Indonesia)[b]	1,083.5	916.8	166.7
Turkey	225.1	140.1	85.0
United Kingdom	3,189.8	2,805.0	348.8
Regions[c]	407.0	407.0	-
TOTAL	$13,335.8	$11,820.7	$1,505.1

Source: Toussaint, 2008:38.

[a]The loan included 65 million for Belgium and 3 million for Luxembourg.

[b]Marshall Plan support to the Dutch East Indies (Indonesia) extended to the Netherlands after the former became independent on 30 December 1949.

[c]Included the U.S. contribution to the European Payments Union (EPU), European social fund of 361.4 million.

The main goals of the United States via Marshall Plan were rebuilding of the war-devastated regions, modernization of industry and making European countries prosperous again. These goals can be defined as the economic goals of the plan. But on the other hand, Marshall Plan had political goals beside economic goals. As previously mentioned, against the background of the Cold War, and powerful socialist and communist parties in Western European countries, it also sought to prevent the continent from falling into the Soviet camp (Eichengreen, 2010:3).

The recipients of Marshall Plan showed a strong recovery with the implementation of the Plan while they were on the brink of economic collapse. Consequently, industrial production in the recipient European countries leapt from just 87 per cent of pre-World War II levels in 1947 to fully 135 per cent in 1951, a 48 per cent jump in just four years. Moreover the resumption of growth was sustained and Europe embarked on a *golden age of economic growth* that spanned a period of decades (Eichengreen, 2010:1).

Also, The North Atlantic Treaty Organization (NATO) and NATO's attemption to impose the German economic power as the U.S.'s anti-Soviet military alliances 1949 were complementary elements of the Marshall Plan. All those were also indicators of clashes between the two rivals. Addition, there were some efforts of the U.S. to keep apart the Western countries from the Eastern Block under the leadership of Soviet Russia. To realize that the U.S. involved the Bretton Woods system, binding the liberal-capitalist domination qualified monetary and financial system to strictly limit capital movements towards communist countries. That was another complementary function of the U.S. efforts towards Soviet Russia's policies. Furthermore, the Cold War paved the way of development policies and main determinates of the period.

In fact, the World Bank's development discourse also shifted under the effect of Marshall Plan. While it was recovery and reconstruction of Europe before the Plan, after that it started to become the development of the developing and underdeveloped countries of the non-European world and former colonies. Thus, the word of *recovery* also started to lose its influence on Bank's operations gradually and the word of *growth* was preferred to be used by Bank instead of the recovery. The Bank's focus started to gradually move from recovery and reconstruction of Europe to the provision of growth and development also in underdeveloped and developing countries of world. As Gardner (1956:303-304) pointed out:

> *"As the Marshall Plan gained momentum, the Bank moved out of the reconstruction field. It turned instead, somewhat modestly at first, to the job of helping underdeveloped and developing countries of the world."*

1.2.1. The Rise of Development Economics and Growth-Based Development Discourse

The World Bank defined its development discourse and mission on the growth basis of the development economics. That was to say main doctrines and theories of the development economics oriented the actions and policies of the Bank. Moreover, the radical changes in the Bank's development discourse including the move from after the Second World War reconstruction programs to economic development policies were results of the dominant development and economic theories of the 1950s and afterwards.

It would be useful to provide some information about the rise of development economics. After the Second World War, large capital surplus was formed in developed countries. Then, that large surplus needed to be reassessed. During that period, it was necessary to expand the demand of imports and new investment areas for developed countries in order to prevent the depreciation of that capital surplus. In this context, the first that came into mind was the less developed countries depended on imports. Addition, the economies of many of them was characterized largely with investment gap.

Groups of countries taken into undeveloped category in the 1950s were often former colonial countries. Direct colonialism formally disappeared during this period (Başkaya, 2005:29). The concept of development has taken the place of colonialism. While the concept of development was only dealing with the development problems of the developed Western countries previously, it also started to address undeveloped countries and underdevelopment after 1950s (Kaynak, 2009:30). Production of information for this area has revealed a separate discipline: Development economics. In this area, a wide development literature has arisen about the development of less developed countries.

Development economics requires an integrated international capital mobility and capital accumulation. The functions performed by the state in the accumulation process could be realized at the national level. In order to realize that in the international level, the realization of institutionalization was necessary. World Bank was a piece of that process. Therefore, its development discourse can be defined with *economic growth* through which capital accumulation can be provided.

The emergence of development economics and *modernization theory*[3] has affected the discourse of the Bank, too. Modernism puts people at its center and goes along with the Renaissance, Reform and enlightenment processes. The word of modern means scientific, industrial and powerful; on the other humane, participatory and democratic. The West (US and Western Europe) represents modern culture. Modernist discourse, inspired by 19th century liberal philosophy, directed to the development of third world countries following the development processes and strategies of the Western countries.

As a matter of fact, modernization theory, in terms of domestic politics of third world countries, has identified the mechanisms to ensure the continuation of the US hegemony and offered advices to the policy makers in these countries. The establishment of the social order proposed by political developments improving the understanding of the US intervention has led to the emergence of roles such as state building, nation building, making institutions, making the bureaucracy (Kesselman, 1973:139-145).

Moreover, modernization theory supported by many disciplines such as economics, politics, sociology, antropology has especially affected the development policies and suggestions of the World Bank. The whole of Asia, the Middle East, Africa, and Latin America were turned with passion to the goal of modernization: to get themselves into take-off or to move to the stage beyond (Meier and Seers, 1984:238). Therefore, the Bank encouraged less developed and developing countries to take developed Western countries and the advocations of the Bank *development via industrialization* statements as examples for their own development process.

Beside these, the depression of the interwar period evoked the Keynesian economic theories of short-period business cycles and the possible threat of secular stagnation in mature capitalist countries. A return to the growth and development themes did not emerge until the post-Second World War and the late 1940s and 1950s in many respects

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[3] But economic development for developing and less-developed countries was largely attributed to only the adoption of the economic, political, social and cultural structures of the Western societies by modernization theory. That theory also defined development apart from the historical processes of countries and regarded development as universal and linear process. However, the modenization theory would gradually lose its impact on development discourse of the World Bank with 1960’s.

in the pioneering period of the new development economics focusing on the development problems of Asian, African and Latin American countries (Meier and Seers, 1984:3). Many economists and their economic theories advocates that the development of those countries depended on the pursuit of the true development policies and provision of the industrialization. Import substitution industrialization (ISI) has appeared in a such environment. ISI is a trade and economic policy which broadly advices replacing foreign imports with domestic production, with another saying it is an economic theory commonly used by developing countries or emerging market nations looking for to reduce dependence to developed countries and enhance self-sufficiency. This case reflected itself through quotes from especially the Latin America's most famous economists. The change in behavior toward industrialization was considered as a cure of the area's ills. For instance, as Raul Prebisch (1950:6) stated in his well-known manifesto of 1949:

> *"Formerly, before the great depression, development in Latin-American countries was stimulated from abroad by the constant increase of exports. There is no reason to suppose, at least at present, that this will again occur to the same extent, except under very exceptional circumstances. These countries no longer have an alternative between vigorous growth along those lines and internal expansion through industrialization. Industrialization has become the most important means of expansion."*

ISI strategy was also formed on the group of developmental policies and its foundation was a kind of combination of the infant industry argument[4], the Singer-Prebisch thesis, Albert Hirschman's views and Keynesian economics. Hirschman's largely advocated that the import substitution policy is important on development process of the many less developed and developing countries. Hirschman (1958) largely putted forward that the import substitution industrialization and through it the industrial growth should have occurred based on targeted investments who developed the unbalanced growth

[4] Infant industry argument emphasizes that developing and less developed countries should protect their industries, until they get the power of competition in global scale. This argument was largely articulated by the Alexander Hamilton in his 1790 *Report on Manufactures*, then enhanced by the Friedrich List in his 1841 work *The National System of Political Economy*.

strategy[5]. On the other hand, Singer-Prebisch Thesis initially developed by development economist Hans Singer, and then expanded by the other economist Raul Prebisch. Singer-Prebisch Thesis explains that the price of primary commodities decreases relatively the price of manufactured goods after a certain time. That case brings mind primary product based economies got worsened. The theory of Prebisch little bit held over the development policies in the 1950s and 1960s. His theory paved the way for the domination of the ISI policies formulated with the protectionism, industrialization and planning. Beside that, the infant industry argument is one of the most notable arguments for protection, industrialization and planning again. The argument advocates that protection is essential for small new firms particularly in less developed and developing countries. Moreover, according to that argument, emerging domestic industries need protection against international competition until they become mature and stable; thus they depend on the protectionist policies until a certain time.

ISI theory gained large importance with the foundation of the United Nations Economic Commission for Latin America and the Carribean (UNECLAC or NEPAL). The main goal of the ISI theory is to protect, strengthen and expand local industries by using several methods containing tariffs, import quotas, and subsidized government loans. With this respect, it is possible to state that the term of development was preoccupied with industrializing; which largely tended to mean import substitution. Thus, the World Bank's trade and industrialization program in the 1950s and 1960s was to chase both import-substitution and export-promotion industrialization through a liberalized price rationing of inputs, protected by tariffs and in some ways organized by national economic planning (Kapur et al., 1997:451). However, these kinds of programs and policies were gradually abandoned by the World Bank.

In those contexts, especially during the 1950's and 1960s, the Bank's main development discourse can be defined as *growth does it all*, *growth via industrialization*, *growth with import substitution policies and export promotion*

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[5] This strategy pioneered by Hirschman (1958). It advocates that the unbalanced growth is a natural way of economic development. It emphasizes that government of any less developed or developing country needs to make investments to the certain and selected sectors of industries. Because according to this strategy only the unbalanced investment can complement or correct existing imbalances of economies. The growth and development of the certain sectors will result in the growth and development of the other sectors also. Thus, with that way hole economies will develop and grow.

(Gilbert and Vines, 2006:88). About that the central idea came from the Rosenstein Rodan's economic theories and ideas also, who was the assistant director of the Economics Department of the World Bank between the years 1946 and 1952 and from his paper, *Economic Backwardness in Historical Perpesctive* (Rosenstein-Rodan, 1943), which gave incentive to the Bank for *big push ways of thinking* about development.

Moreover, development economics emerged after the Second World War and it mainly criticized largely the neoclassical economics and theories. Actually the basic tenets of the development economics were based on the ideas of Keynes who developed the macroeconomic critique of neoclassical thinking. The Post-Second World War development economics and main theories lasting until the end of 1970's, kind of golden era of the development economics, determined the World Bank's main development policies and discourse.

Development economics was formulated to achieve industrialization via the big push or the balanced growth strategies and theories[6] (Rosenstein-Rodan, 1943; Nurkse, 1953). The big push-idea-a dramatic cross-fertilizing increase in investment- was one of the theoretical bases for the World Bank's strategy giving priority to financing infrastructure (Pereira, 1995:215). The work of Rostow (1956), *The Take-off Into Self-Sustained Growth*, introduced the staged theory of development and emphasized the importance of investments on infrastructure for moving from the stage of preconditions to the stage of take-off. In that context, increasing infrastructure investments was defined the development way of the World Bank. From the Bank's view, all infrastructure investments whether social or economic, directly or indirectly self-liquidated, contribute to the short-term or long-term development of the countries (Shevyen, 1955:3). That view of the Bank was reflected in its the sixth annual report:

> *"It is only natural that, except for the early reconstruction loans, the Bank's lending operations have been concentrated in the field of basic utilities. An adequate supply of power, communications, and transportation facilities is a pre-condition for the most productive application of private savings in*

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[6] The balanced growth theory emphasizes that the government of any less developed or developing country needs to make broad investments in a number of industries simultaneously. This theory pioneered by the economist Ragnar Nurkse (1953). Theory generally expresses that the large scale investments in many sectors simultaneously lead to the complementarity of demand between sectors, after a certain time size of market expands and thus economies grow and develop.

new enterprises. It is also the first step in the gradual industrialization and the diversification of underdeveloped countries. These basic facilities require large initial capital outlays, which, because of the low level of savings and the inadequate development of savings institutions, often cannot be financed wholly by the countries themselves. Moreover, most of the machinery and equipment used in the construction of these facilities must be imported. Therefore the resources of the Bank are called upon to provide the foreign exchange necessary for the building of these vitally important facilities." (World Bank, 1950:1-14).

In that context, especially in its the first 17-year operation, the World Bank lended money for specific projects like road, port, infrastructure, dam, agricultural project etc.; but it did not grant one single loan for school, health unit, drainage system or drinking water conveyance (Toussaint, 2008:21). Between the 1948 and 1952, investments on infrastructures (energy, railways, roads, ports, telecommunications, irrigation, water supply, agricultural research, urbanization) have benefited from the Bank's total financing of 77.1%. Direct productive sectors (agriculture and rural development and irrigation, except for agricultural research, industry, banking and tourism) have had 21.4% and technical assistance only 1.5% portion. The shares of those sectors, infrastructure investments, directly productive sectors and technical assistances, between 1953 and 1957 were 68.9%, 20.5% and 10.9%, respectively. Between 1958 and 1962, while infrastructure investments had the highest share of 87%, the share of direct productive sector declined to 13%. On the other hand, the technical assistance did not receive any share from financing (Sönmez, 2005:317).

The Bank's main concern was provision of growth and it was avoiding from social services, redistribution and only concentrating on infrastructure (Table 2.). The statements of Robert Cavanaugh, the Bank's chief fund-raiser from 1947 to 1959, approves this tendency of the Bank. He stated that:

"*If we got into the social field then the bond market would definitely feel that we were not acting prudently from a financial standpoint. If you start financing schools and hospitals and water works, and so forth, these things don't normally and directly increase the ability of a counrty to repay a* *borrowing. On the other hand we're a Bank and at this point our priorities are different."*[7]

Table 2. The World Bank development lending before International Development Association (IDA).

Recipient	Gross commitments		Net lending
	1948-1961[a]	1956-1961[b]	
	Billions US Dollars		
Total Development loans	5.1	2.8	3.9
More developed countries[d]	1.7	0.9	1.1
Colonies[e]	0.5	0.3	0.4
Less developed countries[f]	2.9	1.7	2.3
Power and transportation	2.4	1.4	2.0
Agriculture and irrigation	0.1	0.1	0.1

Source: *World Bank Annual Report 1961* and, Kapur, Lewis and Webb, 1997:86. Sums may not total because of rounding.

[a]Commitments from March 1, 1948 through April 30, 1961.

[b]Commitments from July 1, 1956 through April 30, 1961.

[c]Gross commitments from March 1, 1948 through April 30, 1961, less repayment of principal, cancellations and participations and sales from portfolio to other investors.

[d]Australia, Austria, Belgium, Denmark, Finland, Iceland, Israel, Italy, Japan, Netherlands, Norway and South Africa.

[e]Algeria, Belgian Congo (Zaire), Cote d'Ivoire, Gabon, Kenya, Mauritania, Nyasaland (Malawi), Nigeria, Northern Rhodesia, Ruanda-Urundi (Burundi), Southern Rhodesia (Zimbamwe), Tanganyika (Tanzania), and Uganda.

[f]Brazil, Burma (Myanmar), Ceylon (Sri Lanka), Chile, Colombia, Costa Rica, Ecuador, El Salvador, Ethiopia, Guatemela, Haiti, Honduras, India, Iran, Iraq, Lebanon, Malaya (Malaysia), Mexico, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Sudan (after independence in 1956), Thailand, Turkey, United Arap Republic (Egypt), Uruguay and Yugoslavia.

Towards its goal of providing the industrialization of the countries, most weight was given to productive capital in direct investments by the World Bank. Moreover, in that way, developing countries were able to enhance and grow their industries and export raw materials, oil, tropical agricultural products to developed and highly industrialized countries. On the other hand, developed countries would reach important market domains with the progression of developing countries (Zabçı, 2009:34).

Addition, in those years, the policies, institutional structure and stability of the Bank were determined by regarding the satisfaction and priority of five countries, the United

[7] Cavanaugh R. W., interview, World Bank Oral History Program, July 25, 1961, 63–64, quoted in Kapur et al., *The World Bank. Its First Half Century*, 119–120.

States, Japan, Germany, England and France, having the most voting rights at the Bank (Table. 3 and 4) (Zabçı, 2009:34).

Table 3. Geographical distribution of expenditures rates of the funds loaned by the World Bank, between 1946 and 1955.

Regions	Years 1946-1951	1952	1953	1954	1955
	Expenditure rate %				
United States	73.1	65.3	63.5	58.7	47.1
Europe	11.3	25.3	30.1	38.1	48.8
Canada	6.6	8.8	4.3	2.4	2.9
Sub-total industrialized countries	91.0	99.4	97.9	99.2	98.8
Latin America	8.3	0.5	1.1	0.4	0.1
Middle East	0.4	0.0	0.0	-0.1	0.0
Africa	0.3	0.2	0.8	0.3	1.0
Asia	0.0	0.0	0.2	0.2	0.1

Source: *World Bank Annual Reports, 1946 to 1955*.

In order to realize industrialization, progresses of agricultural sectors were crucial according to the Bank. *The United Nations Report (1947)* determined this tendency of the Bank previously. Report had stated that:

> *"Economic development has to be thought of largely in terms of industrialization, though importance should be attached to agriculture in national development, it is nevertheless true that industrialization forms the decisive element of economic development."*[8]

Table 4. Distribution of expenditure rates of the funds loaned by the World Bank over countries between 1946 and 1962.

Countries	Years Until 1955	1956	1957	1958	1959	1960	1961	1962
	Expenditure rate %							
Germany	4.1	14.1	18.6	17.2	16.3	16.9	13.5	10.9
Belgium	3.7	2.9	2.8	2.9	3.3	2.1	2.5	1.6
Canada	5.6	7.0	6.0	1.1	2.0	2.3	1.5	1.1
The U.S.	63.4	50.5	44.3	38.8	29.7	29.8	29.6	33.2
France	2.7	3.3	3.5	1.2	5.2	6.7	12.0	12.3
Italy	0.9	1.7	3.0	5.8	6.3	7.7	6.6	8.3
Japan	0.0	0.2	2.2	8.3	6.2	3.9	6.1	5.0

[8] United Nations, *"Report of the Sub- Commission on Economic Development of the United Nations Economic and Employmenyt Commission"* (ECM147), December 18, 1947, pp. 6 and Kapur, Lewis and Webb, 1997:115.

Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Sweden	0.7	1.5	2.7	0.9	2.1	2.3	3.1	2.6
Switzerland	2.1	2.3	1.9	1.3	2.7	4.3	4.5	3.6
The U.K.	11.1	13.2	10.9	18.8	20.5	16.5	13.7	13.7
Sub-Total industrialized countries	94.2	96.7	95.9	96.3	94.4	92.5	93.1	94.7
Other countries	5.8	3.3	4.1	3.7	5.6	7.5	6.9	5.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *World Bank, Annual Reports, 1946 to 1962*.

Additionally, Chenery (1955:40), the chief economist of the Bank through 1970's, stated the importance of industrialization for the developing and under-developed countries, in their development process:

> *"Industrialization is the main hope of most developing and underdeveloped countries trying to increase their levels of income and development."*

It is also possible to state that the Bank's policies and strategies were highly influenced by the *Harrod-Domar model* in that period. Keynes's proposals and theories for less-developed and developing countries based largely on the state-intervention and central planning transposed through the Harrod-Domar model. Model was largely used in development economics in order to find an economy's growth rate in respect to the level of saving and productivity of capital. It was also adopted by the Bank as a way to define the amount of aid required to bring up poor countries to a more prosperous growth path. Especially after the 1950s, Harrod Domar Model was used to find out the relationship between the aid and investment, inequality, consumption and investment.

Another point is worth to mention, according to Harrod-Domar Model, economic growth depends on the direct relationship between the capital and savings coming from both internal and external. In that context, the Bank often emphasized the need to resort the external funding to get rid of insufficient savings. With another saying, shortage of savings was seen as a fundamental factor for blocking of development; so influx of external funding was always necessary. Paul Rosenstein Rodan (1961:107), the assistant director of the Bank, found the following formula to resort to foreign capital in order to solve the insufficient saving problem:

> *"Foreign capital will be a pure addition to domestic capital formation, i.e. it will all be invested; the investment will be productive or 'businesslike' and results in increased production. The main function of foreign capital*

> *inflow is to increase the rate of domestic capital formation up to a level which could then be maintained without any further aid."*

Moreover, the Bank thought that private capital and investments had crucial and strategic role in development process. The main objective of the Bank in relation to the less-developed and developing countries was the promotion of private foreign investment by means of guarantees of participations in loans and other investments made by private investors; and when private capital was not available on reasonable terms, to supplement private investment by providing suitable conditions, finance for productive purposes out of its own capital, funds raised by it and other resources (Pereira, 1995:217).

It is possible to emphasize that, the World Bank's *development discourse* was the *economic growth-based development discourse* especially through the 1950's. Furthermore, the Bank adopted both interventionist Keynesian economic theories and laissez-faire economics; with another words *embedded liberal* policies. All of them imply and reflected the both political and economic objectives of the Bank. The Bank's main policies and development discourse roughly stated in 1950's by Gwin (1997:213) as follow:

> *"The late 1950's and early 1960's seem to have been motivated by three concerns: building a strong organization to promote a 'free and open world economy'; leveraging funds from the private market and other countries to ease the burden on the U.S.; and supporting countries deemed important to the U.S. interests."*

Keynesian economic policies and the main theories of development economics were considered as the main solutions in order to refres and recover the Western capitalism in post-war conditions and with that way constructing the stable international economic order and division of labour under the hegemony of the United States.

Furthermore, it is also necessary to emphasize that the Bank embraced the basic ideas of development economics and its dominant economic theories of the time represented by

Lewis (1955), Rostow (1956), Hirschman (1958))[9]. The Bank tried to create a favorable climate for domestic and foreign infrastructure investments for realization of industrialization and also economic growth in underdeveloped and developing countries. On the other the theories of those economists shaped the Bank's development discourses and policies for few decades. It would be beneficial to mention about their theories and the reflections on the World Bank's policies and discourses.

For instance, Rostow defined the five stages of development in his book entitled *The Stages of Economic Growth: a Non-Communist Manifesto.* Rostow (1956) asserted that all countries fell into one of the five categories and that they could only pursue this route. First stage is the traditional society branded by the superiority of agricultural activities. In that stage there is no technical advances and thus no practically growth in productivity. Second stage is before take-off; with another saying pre-conditions for take-off refering the changes in society where the economy had to be of fundamental nature in the socio-political structure and production techniques (Mishra, 2010:127-130). The third stage is take-off which indicates a critical stage referring to a qualitative bounce, with a dramatic rise in savings and investment rates and a movement towards cumulative growth. The fourth stage is the drive to maturity. Rostow defines it as the period when a society has powerfully practiced the variety of modern technology to the mass of its resources and long time of sustained growth. Eventually, the fifth stage implies the era of mass consumerism. Moreover, Rostow stated that the central problem of development was not the poor-rich gap between nations, but the poor-rich gap within the developing countries. Thus he called for more focus on agriculture and cheap mass-market manufactured goods (Kapur et al. 1997: 207-208). Rostow was high-ranking political adviser of World Bank and became adviser to Robert McNamara during the Vietnam War. His theories shed light to the operations of World Bank in countries of

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[9] All these economists can be defined as the main establishers of the development economics which emerged after Second World War. They largely proposed the big-push strategies that largely suggested the large investments to the industry sectors to create important and dramatic progresses after a certain time on all sectors of economies. Addition, that theory also suggested the adoption of modernization and development via modernization which theory lightened especially the development process of the developed Western countries. The World Bank was largely influenced from these views and theories. Especially its policies for industrialisation of developing worlds and largely focusing on the infrastructure investments were the best indicators for that case.

periphery especially. The period of McNamara and World Bank in his era will be handled in more detail in the following sections.

Moreover, Hirschman's theories and advocacies about the import-substitution policies especially in Latin American countries determined the Bank's development discourse. He claimed that resorting to import substitution was an acceptable method in Latin American countries which reduced the deficit in the foreign currency and also the foreign trade deficit. Through import substitution policies, these countries would have had unbalanced growth in certain sectors and that unbalanced growth would have helped their development. Hirschman came to the World Bank in its early years as an economic advisor and in that context, the Bank largely adopted ISI as a growth and development strategy the most large Latin American countries roughly until the end of the 1960s.

Lewis was another economist and theorist shaped the development discourse of the World Bank in that era. His theory emphasized the growth of a developing economy on the account of the labour transition realized between the capitalist and subsistence sectors. Lewis also posited that growth and development were direct, arithmetic consequences of the transfer of low-productivity workers from a backward, largely from agricultural sector to a modern, high-productivity, largely industrial and urban sector (Kapur et al. 1997:116). In that respect, he established the strong correlation between the agricultural and industrial modernization. Theory of Lewis, particlarly influenced the Bank's lending allocation during the 1950s. In order to strengthen agricultural and industrial capacity of many countries, the Bank gave importance on infrastructure investments and dam projects as previously discussed.

But towards the 1960s, the influence of those theories started to lose its impact on the World Bank's policies. Keynesianism started to decline because growth rates were too low in especially developing and undeveloped countries of Asia, Latin America and Africa in 1960s. The failure of ISI came forward and its prediction about the economic and structural transformation did not take place in these countries. Nevertheless, they became more dependent on the international division of labour. On the other hand, the failure of the European centered economic theories based on modernization theory also arised. Those theories suggested the linear, uneven and ahistorical development process to the world; however, their nullity was understood through the realizing of the Third World and their development problems especially. Those cases will be discussed in more details following sections.

1.2.2. Poverty Alleviation and Redistribution with Growth Development Discourse

Roughly through the 1950's, the World Bank gave its direct attention to the infrastructure, agricultural and industrial investments. Actually, the Bank defined its policies on the axis of the development of the Western Europe through Marshall Plan. At the same time, the Bank's main focus from the beginning of the Cold War through the late 1950's was the prevention of spreading of communism via strategic plans and simultaneously development of the world's important countries for establishing strong international economic order under the hegemony of the the U.S. In order to realize that it largely used and proposed to the countries Keynesian economic policies and development theories as previously mentioned. The yields of the World Bank's policies, lending and investments dramatically shifted to the Western Europe and Japan; but actually the Bank gave little attention to the other parts of the developing world. As late as 1960s, it was allocating only about two percent of its economic aid to Latin America and less to Africa (Rabe, 1988:135-136).

The main objective of foreign aids of the Bank through 1950's was the increasing the aggregated growth rate, because there was a belief that the growth would cause a *trickle -down effect* and thus poor countries would also benefit from that after a certain time. Mainly for this reason the development problems of Asia, Africa and Latin America countries with other definition *Third World* neglected by Bank.

While the Bank's development discourse was understanding to raise GDP via the industrialization, Keynesian economic theories and policies through 1950's, now that discourse has been expanded to the fact which includes development problems and solutions of the Third World countries including their problems of income distribution and poverty, inequality between developed and the Third World countries. Its strategies to achieve that development discourse were also shifted. The Bank anymore gave much more importance to capital accumulation, foreign exchange earnings, construction of large infrastructure projects like dams and power plants especially for small farmers, renewable resources and the provision of social services in urban areas.

In fact through the 1950's, the Bank largely insulated itself from the development and poverty problems of the Third World. But with the establishment of International Development Association (IDA), the Bank started to redefine and revitalize its development discourse for those countries and to consider the inequality case in Asia, Latin America and Africa countries rather than the growth (Table 5).

Table 5. International Development Association commitments to countries classified by per capita GNP[a].

Classification of recipients	Number of countries	Millions of U.S. dollars (1961-1968)	Percent	Millions of U.S. dollars (1969-1973)	Percent
Poorest (up to $120)	32	181	79	564	76
Indian subcontinent	2	157	69	356	48
Indonesia	1	-	-	90	12
Other[b]	29	24	10	118	16
Intermediate ($121-250)	29	21	9	109	15
Above $250	4	27	12	59	8

Source: Kapur et al., 1997:193.
[a]Per capita GNP figures are from 1972 World Bank Atlas.
[b]Other countries include Afghanistan, Burma, Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Ethiopia, Gambia, Haiti, Kenya, Laos, Malagasy Republic, Malawi, Mali, Nepal, Niger, Nigeria, Rwanda, Somalia, Sudan, Tanzania, Thailand, Togo, Uganda, Upper, Upper Volta, and Vietnam.

IDA was largely funded by donations from wealthy countries and its main objective was to reduce poverty by giving loans and grants for development programmes that accelerated economic growth, reduced inequalities and improved living conditions which they were complemantary to the World Bank's original lending arm (Akyüz, 2015:478). IDA has had great impact on the evolution of the Bank's development discourse from focusing on growth and rebuilding infrastructure to alleviating poverty in developing countries.

After 1960s, early loans for many projects largely went to those regions. Honduras, Chile, Nicaragua, Colombia, Costa Rica, and Paraguay were all borrowers during IDA's initial two years of operation (Kapur et al., 1997:163). Furthermore, its commitments highly concentrated on India and Pakistan.[10]

Addition, especially Latin American countries received full benefit from the Fidel Castro's revolution in 1959, because there was a fear of the U.S. about the spreading of the communist waves in that region. That situation affected the World Bank's development discourse as well. Richard Webb, one of the ex- presidents of the Central Bank of Peru, emphasized the effects of that case as follow:

> *"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 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." (Kapur et al., 1997:163).*

Eisenhower (1966:530-537), the president of US between 1953 and 1961, also emphasized the strategy of the U.S. against the spreading of the communist waves that affected the World Bank's development discourse, too:

> *"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 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."*

On the other hand in those years, there was loss of confidence to the term of *national economic growth*, which was seen as the main engine of the economic development, because it was widening unfair income distributions and inequalities in the most of the Third World countries. Furthermore, unfair income distributions and inequalities were

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[10] A history of early aid coordination states: "Aid to India is one operation to which the aid-givers as a corporate entity, as distinct from individual aid-givers with special interests, appear irrevocably committed. I regard India as a special kind of test case for he West." Moreover Knapp add that 'It is assumed that the Bank continues to lend both India and Pakistan, the returns of them would be shifted to IDA again.' (Knapp, 1964: 36-38).

rising due to the absence of the development approach and discourse, which had more general perspective and considering social dimensions of the development process. Albert Hirschman's statement about growth-oriented development and its deleterious side effects proved that:

> *"The series of political disasters that struck a number of the Third World countries from the 1960's on were clearly somehow connected with the stresses and strains accompanying development and 'modernisation.' These development disasters, ranging from civil wars to the establishment of murderous authoritarian regimes, could not but give pause to group of social scientists" (Kapur et al., 1997:231).*

Moreover, there were some accurate views about the ending of the *trickle down effect*. In that context, Mason and Asher (1973) emphasized the necessity for defining new development discourse of the World Bank. *Trickle down effect* did not valid for all the Third World countries. Besides, they suggested that a broad measure of consensus existed about giving more attention to social and civic dimensions of the development process including employment creation, income distribution, participation, social justice (Kapur et al., 1997:221).

McNamara, the president of the Bank between 1968 and 1981, stated that the Bank started to give more importance to the poverty and distribution problems of the world rather than the growth.[11] This fact kind of a prove the Bank's gradual shift from pure growth base development discourse to the poverty alleviation discourse. McNamara suggested the economic and social policies should permit more equitable distribution. In that context, he outlined a comprehensive program in Nairobi of developing strategies for attacking poverty (Finnemore, 1997:212).

The Bank was anymore planning to carry out a large rural development programmes focused on small farmers, as a vehicle for direct poverty alleviation (Kapur et al., 1997:223). However, it began to define its development discourse not only on the axis of the economic growth, but giving importance to other factors as well. Economic development began to be evaluated as multidimensional process. Because there was still

[11] Mc Namara often emphasized that growth, by itself, is not enough. The social aspects of development are also important. And poverty alleviation must be the main focus and discourse of the World Bank (See Kapur et al., 1997:360).

malnutrition, unemployment, illiteracy, the gap between rich and poor countries in the world despite high annual growth rates (United Nations, 1973). In this sense, the Bank started to adopt a new development discourse considering such kinds of facts.

Under the leadership of McNamara, the Bank made important contributions and supports to the *Green Revolution.* Thanks to him, Green Revolution has sharply increased concentration of land ownership, massive dispossession of small-holders, proliferation of landless workers and increase in the domination of the multinational concerns over production and distribution of agricultural products and inputs (Feder, 1976:532). That case reflected itself on the development and lending policies of the World Bank, of course.

The Bank began adopting the development discourse that provided subsistence agrarian economies especially. It started to give importance land and tenancy reforms and thus increased the productivity of small farmers. Beside that, in order to prevent the deterioration of the poorest countries, the Bank started to express social dimensions of the development process. In that context, it also focused on health, nutrition, education and lending policies especially in the low income countries (Table 6).

Table 6. International Bank for Reconstruction and Development (IBRD) and IDA lending during the McNamara period, fiscal 1969-1982[a].

Borrowers[b]	1969-1973	1974-1982	Total
	Millions of the U.S. Dollars		
Total	11,215	79,207	90,421
High income	811	770	1,581
Middle and low income	10,401	78,437	88,840
Middle income	6,499	48,248	54,747
Low income	3,905	30,188	34,093
Middle and low income by sector	10,404	78,437	88,840
Transport, power, telecommunications	4,922	27,153	32,075
Agriculture, social[c]	3,267	31,694	34,961
Agriculture	2,101	22,623	24,724
Education	531	3,380	3,911
Population, health and nutrition	71	489	559
Urban development	25	1,374	1,399
Water supply and sewerage	540	3,828	4,367

Source: World Bank, Financial Database Information and Kapur et al., 1973:234.

[a]McNamara period includes commitments, from July 1, 1969 through June 30, 1982, based on the assumption that loan commitments made during 1982 largely reflected lending decisions and preparations carried out under McNamara.

[b]High income borrowers: Bahamas, Cyprus, Finland, Greece, Iceland, Ireland, Israel, New Zealand, Singapore, Spain, and Taiwan. Middle income borrowers: Algeria, Argentina, Barbados, Bolivia, Bosnia-Herzegovina, Botswana, Brazil, Cameroon, Chile, Colombia, Congo, Costa Rica, Croatia, Djibouti, Dominica, Dominican Republic, Ecuador, El Salvador, Fiji, Gabon, Guatemela, Indonesia, Iran, Iraq, Jamaica, Jordan, Korea, Lebanon, Macedonia, Malaysia, Maldives, Mauritius, Mexico, Morocco, Oman,

Panama, Papua, New Guinea, Paraguay, Peru, Philippiness, Portugal, Romania, Senegal, Slovenia, Solomon Islands, Swaziland, Syria, Thailand, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Venezuela, Western Samoa, and Yugoslavia. Low-income borrowers: Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, China, Comoros, Cote d'Ivoire, Egypt, Equatorial Guinea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Kenya, Lao, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Myanmar, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Rwanda, Sierra Leone, Somalia, Sri Lanka, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, Zaire, Zambia, and Zimbabwe.
[c]Social sectors include education, population, health and nutrition; urban development; and water supply and sewerage.

The views of Hollis B. Chenery, prominent economist and Vice President of the World Bank between 1972 and 1982, were effective on the development discourse of the Bank in those years.[12] Chenery (1974)'s theory stated that in the early stages of a country's economic growth, the poorest segment of society deteriorated mostly. He emphasized that situation as below connotation:

> *"It is now clear that more than a decade of rapid growth in under-developed countries has been of little or no benefit to perhaps a third of the population."*

Moreover, the opinions about the inadequacy of the economic growth for realization of the economic development gradually strengthened. Some views and studies occurred about the term of development. These views advocated development should be handled with the terms like redistributions of growth and welfare, employment and they criticised the development policies only based on the economic-growth[13] (Seers, 1969, Haberler, 1970, Viner 1970, Chenery 1974, Streeten, 1981) The World Bank considered these views and criticisms while it was determining development discourse and policies. The Bank brought about the *basic needs approach*[14] through McNamara. Basic needs approach influenced the Bank's perspective on development and redefining as a real

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[12] Hollis Chenery created a broader view of economic growth (away from the neoclassical model) which involved structural changes in the reallocation of resources to realize economic growth in developing countries (See, Chenery 1971 and Chenery and Syrquin, 1975).

[13] For instance Viner (1970)'s theories criticized the growth-based development ideas and large government interventions. Addition, he criticized the dominant development model's emphasis to the industrial sector and recommended the agricultural development strategy. According to him, revival of agriculture in the overall economy due to its demand-side effects, especially in the rural areas could provide the rise in average income.

[14] Basic needs approach is one of the crucial approach while measuring the absolute poverty in countries. Traditional list of the basic needs includes the food, shelter and clothing and beside them sanitation, education and healthcare. This approach was largely introduced by the International Labour Organization's World Employment Conference in 1976. Then it was developed by the Paul Streeten, who was a senior adviser with the World Bank, helping to define development policies on basic needs.

development agency (Akyüz, 2015:480). This approach was also adopted by the International Labour Organization (ILO). It was stated that the economic growth was not enough for the elimination of the poverty and inequality problems of the world (ILO, 1976:15-16). Addition, development was not only a financial issue, but also had some social dimensions. Education, health, employment, environment, clean water etc., all those were considered substantial elements of development. So in this regard, the Bank began to give more importance to the social projects, lending and expenditures.

Therefore, the World Bank underwent a radical transformation in terms of development discourse and missions after the 1960s and until the end of the 1970s. The Bank initiated more projects and lent more fund to lower-income countries. Lending and borrowing volumes, number of projects and project objectives of the Bank expanded dramatically comparing number of personnel.

As a matter of fact, The Bank's development discourse continued to stick on Keynesian axis and theories, but it was not only the growth-centered no longer. Development discourse of the Bank gave attention the concepts such as poverty, inequality, situation of the Third World countries and also the social aspects of the development process.

1.2.3. Towards the end of the Keynesian development period

Nearly 30 years after the Second World War, many countries implementing Keynesian economic policies reflected the embedded liberal economic policies at the same time. Addition, the development economics discipline emerged after Second World War in order to find solutions for the reconstruction of the world. The birth of the development economics brought modernization theories to the stage which substantially affected and dominated on the development discourse of the World Bank for few decades.

Therefore, Keynesian economic policies and theories began to lose its effects. The first cracklings of the Keynesian economic system started to show itself with the series of currency crises in the late 1960s. The Vietnam War especially brought the huge financial burden on the U.S. economy. Foreign military spending accelerated the flow out of the U.S. dollar and caused the U.S. budget deficit, inflation and also growing balance deficits of payments. In order to overcome this case, the U.S. restrain foreign investments and headed through euro-dollar instead of dollar. Thus the U.S. gradually lost the control of capital movements. So that, it was not possible to maintain the fixed exchange rate system. Consequently, Bretton Woods system collapsed on 15 August 1971 by the announcement *closing of the gold window* of Richard Nixon, the president of the U.S. Other thing that led to the collapse of the Bretton Woods system were contradictions inherent in the system. On the one hand, dollar and its value in Bretton Woods system stayed fixed as a means of paymentas previously mentioned. . Addition, its national currency and value must be variable as a competitive tool. However, different economies within the capitalist system have developed in different ways and speeds as a result of uneven development law. The US exports were higher than imports for a long period following the Second World War, because there were increased demand for its goods. But, developing European countries and Japan, in terms of the production of capital and consumer goods, were becoming serious competitors of the US by the middle of the 1960s. As a result of these progresses, the US trade balance started to give deficit and balance of payments deteoriated towards the end of the 1960s. These circumstances brought about the internationalization of capital and enhancement of its mobility; also the collapse of the Bretton Woods system.

Another factor caused the losing influence of the Keynesian economic policies was the oil crisis began in 1973 with the rapid rise on the oil prices. Many oil importer countries particularly the least developed ones faced external payment difficulties and macroeconomic instabilities by the effects of high oil prices (Table 7). In parallel to the oil crises, current account deficits increased especially for developing countries. Addition, production volumes of many sectors went down, on the other hand, price and unemployment levels increased. All those cases caused a new fact observed in many economies simultaneously called *stagflation*[15]. Herewith, a new economic theory quest has arisen especially to clean away the stagflation from many economies because Keynesian demand-side policies have failed to find solutions to that problem.

Table 7. Responses of developed and developing countries to the oil shocks of the 1970s.

	Years

[15] In economics, stagflation is a situation in which inflation rate is high, economic growth rate slow, and also unemployment levels are high simultaneously. It largely occurred after the first petrol crisis occurred in 1973 and the second one in 1979. Keynesian policies failed to explain that problem; because Keynes advocates that the impossibility of realization of unemployment and inflation simultaneously. He advocates that there is always trade-off between economies as Philips Curve represented. But petrol crisis showed the contrast situation of those advocacies. Thus, stagflation became a fact showing gradually the beginning invalidity of the Keynesian economic policies.

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Oil prices[a]	2.70	9.76	10.72	11.51	12.40	12.70	16.97	28.67	32.57	33.49
	Industrial countries									
Growth rate[c]	5.59	0.02	-1.07	4.40	3.42	5.52	2.51	0.97	1.49	-1.19
Current account surplus[b]	20	-11	20	1	-2	33	-6	-40	1	-1
	Oil-exporting developing countries									
Growth rate	6.39	5.34	-1.29	5.93	1.50	-3.56	3.96	-4.66	-4.59	1.63
Current account surplus[b]	7	68	35	40	30	2	69	114	65	-2
	Other developing countries									
Growth rate[c]	4.34	3.75	2.85	3.22	4.02	3.09	2.16	3.31	1.54	-2.11
Current account surplus[b]	-11	-37	-46	-31	-29	-41	-61	-89	-108	-87

Sources: IMF (1981,1983,1985); Summers and Heston (1988), transmitted by Gilbert and Vines, 2006:162.
[a]US $/ barrel, for Saudi Arabian crude at Ras Tanura.
[b]US $ billion, in IMF (1983) definitions.
[c]Per cent. Weighted average growth rate of real GDP per capita, with weights given by real GDP'S as a share of group's real GDP.

Friedman brought about the new explanations and solutions to the stagflation problem. The rise of the petrol prices was not the single problem caused stagflation, but the economic policies of the Keynesian welfare state also leaded to stagflation (Friedman, 1953, 1962 and 1976; Hayek, 1983:38). It was claimed that the high aggregate demand, employment policies, high tax rates and social welfare expenditures of the Keynesian policies only created negativity (Bayraktar, 2012:260). Lucas (1972) and some other economists explained this situation with some empirical evidences and discussions after Friedman criticized these policies.

Furthermore, Friedman created the term of monetarism emphasizing the desirability of predetermined rules to conduct monetary affairs, to provide the stability of the economy and the efficiency of the market mechanisms and also to break up the unfavorable effects of destabilizing fiscal policy (Parasız, 1991:46).

The role of Friedman cannot be ignored on the failure of the Keynesianism, who exhibited the invalidity of it especially after 1970s. Lapavitsas (2005:34)'s statements verifies that claim:

> *"In mainstream economic theory, the charge against Keynesianism was led by Milton Friedman's monetarism, which is a resurrected version of the Quantity Theory of Money. Inflation, the key economic problem of the 1970's, was treated by Friedman as purely monetary phenomenon resulting from too much money chasing after too few goods. For Friedman, it is not possible for governments to choose among combinations of inflation and unemployment. He argued that capitalist economies have a 'natural rate' of unemployment, and any attempt to bring the actual rate of unemployment, below the 'natural' would merely lead to inflation."*

After that, neoliberalism started to emerge as the new term and the new name of the development and economic policies of many countries to find solutions to the problems largely aroused after the collapse of the Bretton Woods system and petrol shocks. With another saying, neoliberalism emerged as an ideological response to the crisis of the Keynesian welfare state precipitated by the generalized capitalist crisis associated with the end of the postwar reconstruction boom. Addition, the escalating cost of the U.S. war against Vietnam at the beginning of the 1970s contributed to the emergence of neoliberalism (Clarke, 2005:57-58; Akansel, 2015:3).

Therefore, under effects of all those developments, the World Bank underwent a radical transformation in respect to development discourse between the mid of 1960s and the mid 1970s. Roughly in 1970s, the Bank's main development discourse shaped on the alleviation of poverty axis, as defined by McNamara at the Bank's Annual General Meeting at Nairobi in September 1973. But approximately month after, Organization of the Petrolium Exporting Countries (OPEC) announced 70 percent increase in oil prices and after that second devaluation of dollar in February 1973 was realized. The first devaluation had resulted in the collapse of the Bretton Woods fixed exchange rate regime. Furthermore, in February 1974 termination of capital controls in the U.S. was realized and this radical transformation caused financial global imbalances in many important countries including Japan and Germany which they faced large current account deficits and closed their capital markets to the Bank while oil producer OPEC countries were significantly escalating their current account surpluses. In that context, this sudden oil shocks and stagflation fact obliged the Bank to adopt new and directive discourse. The Bank started to give more attention to policies and lending towards the oil importer countries and also tried to cultivate a new market consisted of OPEC countries.

Then, the first issue of the World Bank was to examine how developing countries were financially challenged by the oil crisis and also to find solutions for that situation. The Bank's main concern became struggling with inflation and finding proper solutions to the problem of developing countries dependent on the importation of oil for their energy needs that financially challenged by the increasing costs. Grant (1974: 1-2) pointed out the main concerns of the Bank for the developing world in that period:

> *"The admittedly limited goal of increasing growth rates was jeopardized in a majority of developing countries… by the jolt of sudden, massive price increases in their essential imports, primarily oil, food and fertilizers, and by the impending global economic slowdown. The development prospects of some of the most populous poor countries… were thus even more gravely endangered for the balance of the decade. And some of the higher-income developing countries… now faced serious short-term disruption."*

After the oil shocks, the Bank's borrowings from OPEC countries dramatically rised.[16] The total volume of borrowings and lendings of the Bank also rised significantly (Table 8 and 9).

Table 8. IBRD planned borrowings and lending, fiscal between 1969 and 1978[a].

Borrowing/Lending	Actual 1969-1973	Projected end-1971	Projected end-1974	Actual 1974-1978
	Billions of U.S. Dollars			
Commitments	8.9	14.0	22.1	22.4
Gross Disbursements	4.7	9.8	12.5	11.4
Net Disbursements	2.9	6.7	9.2	8.4
Borrowings	6.8	11.3	13.9	17.5

Source: Kapur et al., 1997:981.
[a]Lending figures do not include loans to the IFC or to developed countries.

It is possible to emphasize under the effects of those events that the Bank's main development discourses and concerns took its shape on the axis of the internal equity and especially after the oil crisis combating with stagflation and macroeconomic instabilities of many developing and underdeveloped countries.

Table 9. Net resource receipts of developing countries between 1970 and 1979.

Source	Years 1970-1974		1975-1979	
	Billions of US Dollars	Percent	Billions of US Dollars	Percent
World Bank	5.8	4.6	16.6	5.0

[16] Within the eighteen months following the oil shock, nearly 80 percent ($2.2 billions) of the Bank's net borrowings of $2.8 billions was raised from OPEC countries such as Iran, Nigeria, Saudi Arabia and Venezuela. For more details see Kapur et al., 1997:973.

IBRD	3.4	2.7	10.7	3.2
Other Multilateral	8.5	6.7	24.0	7.2
Bilateral	40.9	32.3	84.9	25.4
Private	32.8	25.9	92.6	27.7
Export Credits	13.9	11.0	48.7	14.6
FDI	17.1	13.5	52.5	15.7
Other	7.8	6.2	15.1	4.5
Total	126.8	100.0	334.4	100.0

Source: OECD, (1980).

Meantime, none of countries in the world was no longer unrivaled in global markets in the terms of capital and labor. The World Bank had invested so much in fixed capital, capacity building and infrastructure by the late 1960s, the post-war expansion period, in many conutries especially in the U.S., the Western Europe and Japan; nonetheless their profit rates had begun to decrease. On the other hand, particularly after the collapse of the Bretton Woods fixed exchange rate system, the control on the capital inflows and outflows were removed by many countries and that case brought the phenomenon of financialization. Therefore, the Keynesian-type economic policies were no longer attractive to capitalist profitability, and also for the definition of the development strategies. Toporowski (2010:18) stated about the invalidness of the Keynesian economic policies as below:

> *"It should be emphasized that Keynesian stabilization policies were not abandoned for purely ideological reasons; i.e., because, as many critics of neo-liberalism argue, a laissez-faire animus spread from Chicago, infecting politicians of all parties and persuading them of the benefits of free markets. Keynesian systems of financial regulation (capital controls and managed exchange rates) could not withstand the growing pools of unregulated international credit, the Euromarkets, which came to dominate international finance."*

As stated above, the transformation of the world made necessary shiftings of the economic theory. New economic and development theory called neoliberalism emerged especially at the late 1970s as previously mentioned. In that context, Thacther and Reagan, Prime Minister of England and President of the U.S., respectively, restructured their economic projects towards trials and applications of the neoliberal economic theories. Therefore, many world economies entered into neoliberal turn from the Keynesianism.

As a result, the World Bank went under a radical transformation in the context of its development discourses and policies. The Bank was affected from the transformation and shifting of the economic theories of the world. But, at the same time, it was one of the main providers of that radical turn of the many economies.

2. WORLD BANK AND NEOLIBERAL DEVELOPMENT ERA

In this chapter the World Bank's development discourse based on the principles of the neoliberalism with another words, neoclassical school of economics is discussed in detail. After the collapse of Keynesianism, the Bank defined its development discourse on the axis of the neoliberalism and its main principles broadly. The Bank's approach to development moved away from project-based loans toward policy-based loans through the structural adjustment loans and policies especially in 1980s. On the other hand, with the creation of the Washington Consensus, the Bank adopted pure neoliberal development discourse. However, unsustainability of this development discourse and model was realized especially after 1990s.

2.1. THE RISE OF NEOLIBERALISM AND ITS FIRST REFLECTIONS ON THE BANK

The Keynesianism constituted the dominant theory for understanding the determination of the World Bank's development discourse around 25 years between 1945 and 1970s. This period was represented the era of which the main wisdom based on the Great Depression and post-war economic experiences in the countries of North and West. Addition, the independence movements and anticolonialism in newly emerging countries favored mixed economies which were neither wholly capitalist nor wholly socialist; but, they reflected the embedded liberal case (Kapur et al, 1997:450).

Towards the end of the 1960's, global capitalism, embedded liberal bases with largely Keynesian economic policies and developmental state models, started to give bad signals and falling into disarray as previously mentioned. Addition, Bretton Woods fixed exchange rate system representing international economic system of that period also started to give bad signals by the late 1960s due to the case of the U.S. currency under pressure derived from combination of Vietnam War and the growing trade deficit. In fact that system had delivered high rates of growth, especially to the advanced capitalist countries and generated some spillover benefits; most definitely to Japan and Western Europe; but also unevenly across South America and to some other countries of South East Asia during the golden age of capitalism in the 1950's and early 1960's (Harvey, 2007:27). But it was unsustainable anymore; that fact was broadly understood and this situation brought about the abandonment of fixed exchange rates and the commencement of floating exchange rates where the value of all the main currencies was determined by market forces. The maintenance of Keynesian economic and development was not possible anymore because of its features largely based upon the permanent capital controls. Furthermore, a dramatic recession, the first one since the great slump of the 1930’s, emerged in early 1973. Then, the oil embargo and boost of oil prices followed that year with the Arab-Israeli War which exacerbated critical problems about the Keynesian economic policies. The oil crisis affected many countries in the world through the combination of rising unemployment and accelerating inflation which called with the term of stagflation. Consequently, many views have risen about the ineffectiveness of Keynesian economic policies for explanation and solution of that problem. This case spelled out by Radice (2005:94) as follow:

> *“Keynesian compromise, centered on income policies and fiscal and monetary expansionism, served only to make matters worse, with inflation accelerating and being transmitted around the world through trade and currency speculation.”*

On the other hand besides Keynesian economic policies, development economics was in crisis since the mid 1970’s and that case was noticed by one of its pioneers Arthur Lewis who said *development economics is dead.* Furthermore, Hirschman (1981:1) wrote a paper about it titled *The rise and decline of development economics*. He also stated that *the forward movement of our subdiscipline has notably slowed down and new ideas are ever harder to come by and the field is not adequately reproducing itself.*

All these progresses required the gradual appeal to the new economic and development theory throughout the world, as previously mentioned. Neoliberalism emerged as new economic and development theory and reinterpretation of liberal theories in that atmosphere. These progresses has summarized briefly by Clarke (2004:58) through following words:

> *“Neoliberalism emerged as an ideological response to the crisis of the “Keynesian welfare state”, which was precipitated by the generalised capitalist crisis associated with the end of postwar reconstruction boom and was brought to head by the escalating cost of the U.S. war against Vietnam at the beginning of 1970s.”*

Another point worth to mention is that, after the Second World War, unsocialist wing of anti-fascist encamp has achieved reestablishment of capitalist production which has never been abandon by market doctrine. Setting up the ways of protection of capital, how to self-protect the market mechanism was the best achievement of Keynes and his economic theories. With the end of 1970's when capital class wanted to regain its old gorgeous days, Keynesian economics and theories have snatched its crown to neoclassical and neoliberal economic theories, monetarism, supply-side, market-based economic theories etc. As reported by Eres (2008:761):

> *"The concept of neoliberalism as economics politics can be summarized economic liberalization, removing price controlling, minimizing the state, and restricting state interventions, privatizing public enterprises, obtaining fiscal discipline, reducing public payments, closing budget deficits, and narrowing money supply (deflation politics). It will be understood that all these politics mean to release the market which is chained as a dragon."*

The elections of Margaret Thatcher in 1979 and Ronald Reagan in 1980 can be accepted as the formal beginning period of the neoliberal economic and development policies dominance. Especially in the early 1980s, neoliberal policy makers pursued the application of Chicago School monetarist approaches broadly. Addition, Xiaoping's announcement about gradually movement to the neoliberal policies in China, Paul Volcker's, president of Federal Reserve of the U.S., decisions and applications about adjustment of interest rates and the first trials of neoliberal economic policies in Chile can be considered as important events symbolising the neoliberal transition of world economies step by step (Yıldırım, 2011:74).

These radical changes and transformations have affected and evoluted the World Bank's development discourse and policies. Bank started to adopt a new development discourse which largely included the economic theories based on the free market by means of the Friedman and others's theories as previously mentioned. The economic theories based on the free market theorize that the government acted positively to reduce market distortions, such as absence of complete information and inflated prices of products and factors (Wade, 1990: 22-25).

Furhermore, the Bank's approach to development moved away from project-based loans toward policy-based loans, which purposed to restructure the economies of especially developing and undeveloped countries with ideological goals (i.e. neoliberal economic policies) over the course of 1980s (Ayres, 1993). That case first was felt in the rise of the *structural adjustment policies and loans and sectoral adjustment policies and loans* as a result of designing of a new development theory and discourse. Structural adjustment can be seen as encompassing a large type of policy reforms; macroeconomic, microecnomic and sectoral in nature. At the same time they are largely concerned with the performance of the supply side of the economy. It based on the trade reforms advocating the free trade, price reforms which advocates the determination of the price levels in free market, tax reforms aiming both at increasing the efficiency of revenue raising and financial reforms. The aims of the reforms were improving the functions and completeness of domestic capital markets and financialization, privatisation aiming redrawing the borders between the public and private sectors in accordance with new ideas as to their comparative advantages (Gilbert and Vines, 2006: 166-167). With other words, structural adjustment involves the privatization, deregulation, reduction of trade barriers, financialization with the aim of the desired reduction in borrowers fiscal imbalances.

Mainly, it represented a kind of obligation to the industrialized countries to open their markets to the exports; particularly the nontraditional, manufactured exports of the developing countries. Furthermore, it created support for trade policy reforms in Europe, Middle East and North Africa. Hollis Chenery and Earnest Stern, the main policy determinators of the Bank, supported loans. Then, in 1979, the main objectives of those loans were explained by McNamara by following expressions:

> *"In order to benefit fully from an improved trade environment the developing countries will need to carry out structural adjustments favoring their export sectors. This will require both appropirate domestic policies and adequate external help.*
>
> *I would urge that the international community consider sympathetically the possibility of additional assistance to developing countries that undertake the needed structural adjustments for export promotion in line with their long-term comparative advantage. I am prepared to recommend to Executive Directors that the World Bank considers such requests for assistance, and that it make available program lending in appropirate cases." (Transmitted by Kapur et al, 1997:507).*

In fact, the structural adjustment loans had multidimensional objectives; but the most notable features of it were of moving money and policies into many countries. Especially, the new oil shock encountered by midsummer 1979 sharply increased the oil prices. Addition, the need to obtain quick-bursing transfers for oil-importing countries dramatically increased as well. Those entire situations world faced made strong the case for structural adjustment loans. In that environment, Volcker Shock[17] occurred with the upward lurch in petroleum prices and it caused increment in financial needs and deterioration of economic indicators for many developing countries. That circumstance was expressed in the paper of the World Bank, which broadly emphasized the necessities of the lending for structural adjustment needed for evolution of many countries for their development patterns and also economic structure:

> *"The increase in the price of oil, caused high levels of inflation and prolonged periods of slow growth in the OECD economies. The affected countries which faced deteriorating terms of trade and growing current account deficits had to consider how they can adjust their development patterns and economic structures to changed international environment." (World Bank/IDA, 1980:1).*

Structural adjustment loans were policy based. The loans reflected the features of the nonproject variety, contained the revision of investment programs, reforms improving incentives, infrastructure, marketing instead of export differentiation. Addition, it declined protection to make domestic industries more competitive and also policies connected to domestic resource mobilization, price incentives and efficient resource use. World Bank (1980:3-4)'s report about structural adjustment loans emphasized the loans features by following statement*:*

> *"Increased efficiency of resource use and improved responsiveness of the economies to changes in economic conditions. They must be accepted as an agreement with a borrower in a program of structural change over three to five years which will require financial support and technical partnership all through this period."*

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[17]Volcker Shock took its name from Paul Adolph Volcker, chairman of Federal Reserve between the years 1979 and 1987, after the petrol shocks occured in 1973 and 1979. He addressed the details of the countries dependence on foreign oil and also examined their cases about stagflation. He also emphasized the ignorance of the Keynesian economic models for inflationary shocks. Therefore, he gave point to monetary policies for struggling with inflation in the light of the Friedman's inspirations.

Structural adjustment loans and policies used by the Bank as the tools of neoclassical and neoliberal economic theory and principles. The structural adjustment policies in line with the IMF's stabilization measures have targeted the promotion of exports, an efficient use of resources, sustainable trade balance and sustainable economic growth. In order to reach those targets, the World Bank, under the structural adjustment policies; focused on the reduction of domestic demand, the liberalization of the foreign trade regime, reduction of inflation and provision of the external balance. Furthermore, the Bank proposed fiscal, monetary/exchange rate policies and institutional and administrative reforms in order to achieve the macroeconomic balance. In that context, it is possible to handle the structural adjustment programs in two stages. The first stage is stability which involves the rapid devaluation and large-scale restrictions on public spending. The second stage is adjustment applied with various degrees of deregulation, privatization consisting of the transformation of economic structures and institutions through measures such as the elimination of bureaucracy. These stages have served to the Bank’s objective about the creation of the development discourse based on the liberalization and minimal state, as will be described detail in the following sections.

2.1.1. The Development Discourse Based on Structural and Sectoral Adjustment Policies (Lost Decades of Development)

It has been debated that the basic, long-term roots of structural adjustment in the 1980s lie in the adoption, by many countries in the 1950’s and 1960’s, of within the framework of Keynesian import substitution policies based on price and interest rate biases through the development discourses of World Bank. Eventually, it became harder for firms in those economies to respond the changes in the external environment they faced (Gilbert and Vines, 2006:161). A reappraisal of the Keynesian development and economic policies by the World Bank indicating compulsion for realized dramatic shift of discourse was emphasized in a pivotal advisory paper in 1979:

> *“It is noteworthy that, until the early seventies, the Bank’s economic and sector missions to developing countries used to adopt benevolent attitudes towards (protectionist) import-substitution policies, while they now advocate vigorously for fairly neutral incentive systems combined with reasonably liberalized trade regimes and realistic exhange rates.” (Transmitted by Kapur et al., 1997:484).*

In the light of that statement, it is possible to express that, the stabilization and structural adjustment policies were initiated to be implemented by the World Bank, which has laid the on foundations for a development strategy for the integration of external demand to the new international capital accumulation process by directing export production.

In that context, it is possible to understand that, the World Bank initiated to produce development discourse giving importance to the liberalized export expansion and floating exchange rates[18] while the protectionist Keynesian policies and import-substitution strategies implemented from its establishment to 1970s were considered as a good model.

Furthermore, the Bank started to give much more emphasis to economic and sector work (ESW), country program papers (CPPs) and program lending as three components of development policies while defining its development discourse. In retrospect, the Bank gave the below activities high marks:

> *"Some of IDA's most important contributions to development have been made through the discussions made with governments on a broad range of policy issues. Considerable time is spent on general economic and sector work before any actual project lendig takes place. Economic reports survey macroeconomic conditions and the main sectors agriculture, industry, and energy. They tend to study the key issues of investment and savings; public finances; the balance of payments, particularly the performance of exports; and overall prospects for growth. They act as the starting point for discussions with governments on the nature and severity of their development constraints, and on the policies and resources needed to overcome them. Sector reports go into more detail on sectoral developments- specific bottlenecks, investment programs, and government policies and set the stage for project identification. These reports are valued not only by the borrowing country but also by other donors and institutions, since they are usually the most comprehensive and up-to date assessment of the country's economic prospects and development strategy. The fact that detailed reports are produced periodically for each country underlines IDA's belief that each economy is unique and changing. While IDA recognizes that every government has its own economic philosophy and is free to choose its own development goals, it does point out distortions and inefficiencies that hinder resource mobilization.*
>
> *Macroeconomic and sectoral policies are naturally interrelated, and they often have a direct bearing on the success or failure of individual projects.*

[18] After the collapse of the Bretton Woods fixed exhange rate system, it was impossible the sustainability of the fixed exhange rate regime in many countries.

> *It is difficult to sustain a good project in an unfavorable environment. Furthermore, fruitful policy dialogue can do more to influence a country's development than even a series of good projects." (Kapur et al., 1997:486).*

Therefore, the Bank adopted new strategies and approaches in development strategy at the beginning of the 1980s emphasizing and considering the relationship between government and private sector. But, that relationship was denied in *Berg report*[19] (World Bank, 1981). Singly the state was defined as the main cause of all economic problems. Report also putted emphasis on macroeconomic reform -opening domestic economies to imports, freeing prices from controls, and macroeconomic stabilization- and microeconomic reforms including privatization of state-owned enterprises and financial and labor market liberalization.

In fact, all those progresses can be assumed as indicators of the World Bank's policy changes for joining into the antigovernment and pro-market trend.

2.1.2. Dramatic Shift of Development Discourse to the Financial based Discourse by Latin American and African Debt Crisis

As a matter of fact, the end of the 1970's and the beginning of the 1980's represented the wrenching period for numerous low and middle income countries. Especially, hard hit were on the fragile low-income economies in Sub-Saharan Africa, but same circumstances started to be valid for the middle-income countries of Latin America, which were swept into an economic turmoil with the beginning of the 1980's.

In early 1980s, the low and middle income countries simultaneously faced economic travails and those travails were seen in the magnitude at the shares of commercial bank debts and debt services in 1981, before the outbreak of the crisis.

Table 10. Debt shares of severely indebted developing countries in 1981[a].

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[19] *The Berg report* is a report of the World Bank published in 1981 with the title of *Accelerated Development in Sub-Saharan Africa: An Agenda For Action*. This report is historically important for emphasizing the shift in economic policies of African countries towards economic liberalization. Report advocates development strategies for African countries based on more suitable trade and exchange-rate policies, increased efficiency in resource use in public sector and improved agricultural sector. Report also defines government and parastatal agencies and their importance for fortification of the private sector and definition of the strong development policies. But it is not suggested the huge expansion of goverment's domain area which might affecte badly the export performance of these countries (World Bank, 1981: 1- 7).

Creditor	Low-Income countries	Middle-income countries
	Billions of U.S. Dollars	
Total debt	74.7	278.3
Official Creditors	39.9	43.8
Commercial Banks	10.3	130.6
Debt Service	6.8	52.1
Official Creditors	1.8	5.2
Commercial Banks	2.2	30.8

Source: The World Bank, World Debt Tables and Kapur et al., 1997:596.

[a]Defined as countries in 1979 in which three of four ratios were above critical levels: debt to GNP (50 percent); debt to exports of goods and all services (275 percent); accrued debt service to exports (30 percent); accrued interest to exports (20 percent).

Addition, the depts of developing countries to commercial banks and official creditors dramatically increased after 1980s until the the first quarter of 1990s (Table 11). With the outbreak of the *Latin American debt crisis*, the World Bank had spent almost a decade looking for ways to save these countries from crisis and work about prevention of spreading especially to the Western Europe and the U.S.. Then, it turned attention to more short-run objectives, macroeconomic policies and indicators such as stabilization, balance of payments, policy reforms etc.

Latin American debt crisis was financial crisis firstly occurred in Mexico than spreaded throughout the Latin America (Brazil, Venezuela, Argantine, Chile) with declaration of the Mexico that it could no longer continue to pay its foreign debt. That largely took its roots from the petrodollar recycling by commercial banks after the oil crisis. Addition, decreased exports and high interest rates in the early 1980s caused debtor countries to default on their foreign loans.

The World Bank's early diagnosis about debt crisis was expressed in its internal documents with this statement*:*

> *"Even though some developing countries face serious debt problems, a generalized debt problem seems highly unlikely. There is a problem of liquidity rather than solvency."* (Kapur et al., 1997:614).

In that context, that is assumed that the World Bank evaluated that problem as a short-term problem and focused on the provision of stabilization in these countries through stabilization and adjustment programs with the partnership of IMF.

Table 11. Real debt of developing countries with debt-servicing difficulties.

Year	To commercial banks	To official creditors	Share of official creditors in total
	Billions of 1982 the U.S. Dollars		
1982	278	115	29.3
1984	286	143	33.3
1986	278	187	40.2
1988	254	232	47.7
1990	222	251	53.1
1992	200	252	55.7

Source: Kapur et al., 1997: 642.

The World Bank’s structural adjustment measures largely promoted market-based reforms to increase efficiency. Although such kinds of reports differed among countries, they shared two common themes; the first was the liberalization of domestic and free trade and the second was the privatization of large and inefficient public enterprises (Carrasco, 1999: 123- 124). Those reforms and themes contained domestic liberalizations including abolishment price controls, freeing interest rates, ending credit rationing and establishing a capital market, liberalization of external trade typically included reduction of high tariffs, elimination of quotas on imports and import licenses, abolition of export duties and licenses, devaluation of the currency, financialization and product diversification (Carrasco, 1999: 123- 124).

All those progresses were kinds of indicators showing the Bank’s gradual shift to the neoliberal policies and theories. After that, the Bank’s development discourse was taking its shape on the axis of the debt crisis threatening the global financial system and the United States. Moreover, the Bank’s principal objective was to keep a focus on that kind of structural features of borrowing country policies and their economic adjustment with respect to changing exogenous circumstances. With another saying, it is possible to mention about the World Bank’s objectives for debt-stricken countries. There was Bank’s desire about to simplify the commitment to neoliberal style structural adjustment policies of these countries. Most of them belonged to South. The Bank started to advocate increasingly rigorous set of reforms that required radical transformations in the relationship between states and societies in the South and the mode of integration of Southern economies into the world market (Taylor, 2004:9).

In early 1983, management of the World Bank designed a two year *Special Action Program* to fire up disbursements under current and proposed loan commitments and to shift the structure of lending to quicker-disbursing *high-priority operations.* Steps were taken to streamline disbursement procedures. As a result net disbursements increased nearly by $1 billion between 1980 and 1984 and $1.8 billion between 1985 and 1989[20] (Kapur et al., 1997:613).

Furthermore, the World Bank and International Monetary Fund launched the Baker Plan[21] and then Brady Plan to help highly indebted middle-income countries. Baker Plan emphasized new lending to the highly indebted countries hinged on market conditionality and implementation of the market-oriented reforms such as tax reductions, privatization of state-owned enterprises, reduction of trade barriers and investment liberalization. Brady Plan[22] largely aimed the implementations of market liberalizations, reduction of the commercial bank debts in exchanges and providing new money from commercial banks and multilateral agencies in many cases (Vasquez, 1996: 234). Moreover, it can be defined as a new U.S. strategy that putted emphasis on debt-forgiveness for highly indebted developing countries. During its first stage, from 1982 to 1985, developed nations reacted to the possibility of default of Third World countries by creating new loans to those countries through commercial banks, the IMF, and other multilateral lending agencies (Vasquez, 1996:233). In return for that, those countries pursued IMF-sponsored adjustment measures that composed of raising taxes, raising tariffs, devaluing currency and in many circumstances, reducing government expenditures, because the main problem of them was thought to be the lack of liquidity. In that context, that plan can be seen as one of the first steps paving the way for financialization almost all around the world. Starting from the late 1970s, to mid 1990s net capital flows to the Latin American countries increased dramatically as indicated by Annex 1.

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[20] Latin American region was the biggest beneficiary, accounting for 40 percent of the special account advances because of the debt crisis (For more details see; Kapur et al., 1997:613).

[21] Baker Plan was designed to help and solve the problems of highly indebted middle and low-income countries, but ultimately failed due to its unequitable principles on deciding which countries received aid (For more information see Buiter and Srinivasan, 1987:411-417).

[22] The Brady Plan was designed to address the debt crisis of middle and low-income countries in the 1980s. In fact the main targets of the plan have moved aggressively toward the free market introducing far-ranging reforms and have begun attracting impressive levels of finance again from the international capital markets (For more details see, Vasquez, 1996:234-235). Furthermore, that was the origin of the Washington Consensus (will be mentioned in the next sections), which refers to a set of broadly free market economic ideas and it can be defined also as a claim emphasizing the ideas for constitution of the purely neoliberal economies.

Sub-Saharan Africa was another region suffering from the debt crisis deepened by the mid- 1980s. Thus the World Bank appeared as a predominant external economic actor there. By mid 1982, Sub-Saharan Africa was facing a far more serious debt crisis as Berg Report had predicted and the Bank started to regard and evaluate Sub-Saharan Africa as a region that increased external assistance was critical for it.

The World Bank adapted itself for showing a more dominant and sustained effort in different ways and its main development objective shaped on the axis of the economic reformism and adjustment of Africa. That tendency and strategy of the Bank was clear and at the same time it putted emphasis on such strategies:

> *"We must recognize that the role and reputation of the Bank group is at stake in Africa. To be frank, the Bank has stuck its "neck out a mile" in Africa. We have said publicly on many occasions that we are giving Africa the highest priority among development problems in the world. We have been telling Africa how to reform, sometimes in terms of great detail. Now a significiant number of these African countries are beginning to follow the Bank's advice. If these programs fail, for whatever reasons, our policies will be seen widely to have failed, the ideas themselves will be set back for a long time in Africa and elsewhere." (Transmitted by Kapur et al., 1997:730).*

The World Bank largely emphasized the importance of the recovery of the key financial assumptions, terms of trade, private flows, cost of servicing commercial debt and it advocated the need for policy changes for African countries like Latin American countries. According to the Bank, recovery was hampered by the lack of external capital in Africa region and the Bank largely emphasized that problem in its 1986 report:

> *"Growth and equity programs already under way are foundering because of inadequate donor funding, which is often inappropirate in form and timing. In the absence of adequate financial support, structural reforms can not be achieved with growth. Adjustment through further economic contraction is not a feasible alternative in a continent where per capita income levels are no higher than they were twenty years ago. In the past, the Bank has argued that resource availability is only one element in addressing Africa's development; the political will of African leaders, essential to effectively utilized both domestic and foreign resources, is also critical. But there is growing evidence that many African countries are exercising this political*

> *will. Their commitment and efforts must be matched by the political will of the donor community to increase the resources available to implement growth-oriented adjustment programs." (Kapur et al., 1997:732).*

In that context, the Bank started to take much more active role in mobilizing resources by enhancing aid coordination role gradually. The Bank's agenda was determined to reshape the role of the states in Africa by giving much emphasis to markets and private sector as done in Latin America and other developing and undeveloped regions. In that context, the World Bank concentrated on topics such as the structure of incentives, institutional reforms and the balance between public and private sectors in Africa through reorienting incentives, more liberal policies, pricing reforms in exchange and interest rates, agriculture and utilities. All those progresses showed again the Bank's shift in respect to development policies and discourses. Its main development discourse was shaped on the axis of the structural adjustment and provision of macroeconomic stabilities by transmitting African countries to neoliberal economic policies especially via increasing IDA commitments (Table 12).

Table 12. IDA Commitments to Sub-Saharan Africa.

Years	Annual Averages Billions of 1995 the U.S. $
1961-1964	0.1
1965-1968	0.3
1969-1971	0.3
1972-1974	0.77
1975-1977	0.83
1978-1980	1.3
1981-1984	1.7
1985-1987	2.0
1988-1990	3.0
1991-1993	3.2
1994-1996	2.5

Source: World Bank Data and Kapur et al., 1997: 734.

Throughout the 1980's, the main development discourse of the World Bank was shaped for the structural and sectoral adjustment of the countries which have higher external debts, especially Latin America and Sub-Saharan Africa countries. Within the scope of the structural adjustment programs, dialog was expansed between the credit, development and economic policies. But at the same time, these programs indebted countries, weakened the capacity for set their own development goals at the expense of a conditionality. Conditionality can be defined as the lending on the basis of economic policies. With another saying, the World Bank and IMF gave loans to indebted countries on condition that changing their economic policies. Many world economies adopted the neoliberal economic policies through that programs. This new way was proved to be the most useful tool to ensure the rapid transfer of money on the world, in the context of the debt crisis (Pereira, 1995; Gwin, 1997). The adjustment lendings of the Bank to Africa, Europe, Central Asia, Latin America, Carribean and South Asia countries were significiantly increased especially from the 1980s to mid 1990s as showed by Annex 2.

Structural adjustment policies and loans, commonly used in throughout the 1980s by the World Bank, have been largely criticized beginning from the second half of the 1980s. These criticisms summarized by the Tatar-Peker (1996:39) as follows:

-Contractionary monetary and fiscal policies had a negative impact on developing countries growth rates.

-The supply-side theories based on the liberalization of basic input prices, exchange and interest rates caused the inflationary booms, increment of uncertainty and reduction of investments; thus long-term growth chance of less-developed countries decreased.

-Liberalization of trade policies that undermined the domestic industry and public sector reforms caused increase in unemployment.

-These reforms, did not consider the social indicators such as income distribution, poor nutrition and infant mortality rates etc. Thus, the social services were deteriorated and the living conditions of poors receded.

Thus, almost whole 1980s was defined as the lost decade of development in the literature of economics.

Moreover, that can be understood, the priorities of the Bank were underestimated under the effect of the shifts in G-7 politics[23] and unfolded debt crisis. The social aspects of development containing basic needs such as feeding and nutrition programs, welfare

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[23] Group of countries consists of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States; as a principal actors of the global financial system. They have large influence on the World Bank's policies. The G7 plays key role in determination of the policies of the World Bank. Each G7 countries has its own director on the Institution's Executive Board while other directors are elected by the rest of the approximately 150 member countries (For more details, see Foch, 2013: 1-31).

and human resources issues, poverty alleviation[24] were dropped back from the Bank's agenda and vision as mentioned. However, that picture remained the same roughly a decade.

2.1.3. Washington Consensus Based Development Discourse: Pure Neoliberal Era

As previously mentioned, the years all through the 1980s can be labeled as the *lost decade of economic development* because of the Latin America's international debt crisis arousen with Mexico's default inauguration in 1982 and Sub-Saharan Africa's crisis.

That crisis was provoked by the repealing the net financial transfers to Latin America and Sub-Saharan Africa, linked to a sharp increase in their foreign debt service combined with roughly restricted access to external finance and deterioration in their terms of trade. Furthermore such external shocks brought about critical disequilibira in the balance of payments, fiscal accounts and the resumption of inflation in the regions (Moreno-Bird et al., 2004: 345-346).

Some more essential reactions to the crisis were occurred by the applications of the radical transition in the theory of development when the international financial institutions and many governments depicted Latin America's and Sub-Saharan Africa's economic collapse and international debt crisis in the 1980s as proofs of failure of their previously followed strategies largely based on import substitution and state-led industrialization through Keynesian development and economic policies.

Moreover, in the late 1970s and early 1980s, the growth rates of most developing countries with the notable exception of some countries in East Asia, collapsed (Gore, 2000:792). In these situations, assertions which expressed the positive role of free markets in development process gained greater attention.

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[24] By 1980s, the emphasis and discourse of the World Bank had begun shift away from the poverty alleviation. In that context, Kapur et al. (1997:336) summarized the Bank's main discourse especially in 1980's with these words: "Bank did little to suggest an energetic, urgent concern for and belief in the possibility of rapid poverty alleviation. World Development Reports, stressed stabilization, balance of payments adjustment, and the market economy, all of which seemed consistent with a former private banker's priorities."

In this respect, the new works and discourses of the World Bank especially on trade policy and economic reform started to show themselves in World Development Reports. For instance *World Development Report of 1987*[25] emphasized outward orientation and liberal trade regimes as synonymous and showed that countries following outward orientation developed better than others. That report largely expressed economic success of the East Asian countries and it widely attributed to the liberal trade regimes as source of the success (World Bank, 1987).

Furthermore, the structural adjustment and stability programs were putted forward since early 1980s. Bretton Woods institutions and the World Bank had key role again in the implementation and adoption of those programs as previously mentioned.

Eventually, the radical macroeconomic reforms were fundamentally accomplished by the early 1990s in whole continents to eradicate trade protectionism, deregulate and liberalize financial and other key markets, privatize state-owned firms, and cancel subsidies and any type of active industrial policies. All those reforms were rooted from the basic assumption diminishing the size of the state and thus placing the private sector and market forces at the center of the investment and resource allocation actions (Moreno-Bird et al., 2004: 346-347).

In this respect, the notion of the Washington Consensus, constituted in US Congressional Commitee in 1989 for Brady Plan, was putted forward to get through the debt crisis experienced in 1980s in Latin America and Sub-Saharan Africa caused by virtue of high interest rates, low commoditiy prices and commercial bank loans (Marangos, 2009:198-199). The Washington Consensus was labeled as a new development approach to developing countries and emerged as the main alternative to national developmentalism (Gore, 2000: 792). With another saying, it was a practice within a broader counter-revolution against Keynesian economic policies and theories.

The Washington Consensus represented the hegemonic position of modern neoclassical economic theory within development economics. As it is known, the neoclassical theory supposes that the market is efficient and the state is inefficient, thus it follows from this

[25] The broaden version of World Development Report was the East Asian Miracle published by the World Bank in 1993 and it largely emphasized again the economic success of the East Asian countries.

argument that the market rather than the state should address such economic problems of development as industrial growth, international competitiveness and creation of employment (Saad-Filho, 2010:4).

Washington Consensus can be defined as a pillar and the highest stage of neoliberal policies initiated in Latin America through the structural and sectoral adjustment programs under the leadership and collaboration of IMF and World Bank. However, neoliberalism has been presented to whole world step by step via Washington Consensus and its main policies (Table 13).

In that context, through the basic principles of the Washington Consensus, the World Bank's main development discourse and policies started to be defined on the axis of changing government policies, especially with regard to the trade regime, expansion and evolution of the government policies from deregulation and state-owned enterprises to civil service reforms and privatization, respectively. All these principles rejected the former emphasis on state-led national developmentalism. In short, it might be suggested Bank's discourse and policy held that development would follow from rolling back the state and placing faith in the market (Krever, 2011:298).

Table 13. Main principles of Washington Consensus.

1. Fiscal Discipline: Budget deficits must be small enough to be financed without resource to the inflation tax.
2.Public expenditure priorities: Moving them away from subsidies and administration towards previously neglected fields with high economic returns and the potential given to the expenditures which improve income distribution, such as primary education and health, and infrastructure.
3.Tax Reform: Refers to the enlargement of the tax base and cutting of the marginal tax rates.
4.Financial Liberalization: Refers to the deregulation of domestic financial markets and the liberalization of the capital account, ultimate objective of that principle acquiring of market determined interest rates.
5.Exchange Rate Policy: A unified exchange rate at a level sufficiently competitive to give rise to a rapid growth in non-traditional exports. A competitive exchange rate is rate that is either not misaligned or undervalued; nevertheless overvaluation is worse than undervaluation (Williamson, 2004:200).
6.Trade Liberalization: Quantitative trade limitations to be rapidly displaced by tariffs which would be progressively reduced up to a uniform low rate in the range of 10-20% actualized.
7.Foreign Direct Investment (FDI): Elimination of barriers restraining the entrance of FDI between countries all around the world.
8.Privatization: Privatization of state enterprises and companies.
9.Deregulation: Removal of all barriers on factor and good entries and exits and, elimination of regulations of government that block the entry of new firms or restrict competition in markets.
10.Property Rights: The ensuring of secure property rights, particularly to the informal sector.

Source: Williamson, 1990, 1993, and 2000.

As reported by the Washington Consensus, development was inevitable outcome of a set of appropriate incentives and neoclassical economic policies including fiscal restraint, privatization, the abolition of government intervention in prices, labour market flexibility and trade, financial and capital account liberalization (Saad-Filho, 2010:4). The ideological agenda of Washington Consensus was asserted to be that of neoliberalism, the set of ideas developed primarily by Milton Friedman and Friedrich von Hayek and then to some extent applicated by Ronald Reagan and Margaret Thatcher when they were in power (Williamson, 2003:1476).

In fact, through the Washington Consensus and its market fundamentalism, the implementations of neoliberal economic policies have varied both temporally and spatially among the countries in the world. For instance, in continental Europe and Japan diluted neoliberal policies were applied whereas they were applied in a unique way[26] in developing countries such as China and India. But, it was intensely applied especially in the countries where there were no civil society organisations such as Latin America countries and Turkey (Yıldırım, 2011:75).

The World Bank directed its attention to assist developing countries attempting to increase efficiency and cost effectiveness through privatization. Especially in the 1980s and the first half of the 1990s, debt-ridden poorer nations sold off their state assets, which indicated the first stage of the Washington Consensus privatization. By the 1990s, the Washington Consensus transformed its privatization into public services such as the water systems, electrical utilities, health care systems which largely encouraged by the World Bank. For example, according to a study of Enron's overseas activities by the Institute for Policy Studies, over 4 billion dollar in US tax dollars and about 3 billion dollar from the combined governments of Belgium, Britain, Canada, France, Italy and Japan plus the European Union were used to subsidize Enron's takeover of assets in 29 poorer nations (Broad, 2004:141). Furthermore, the Bank has accepted and supported over 140 projects in member countries (Shirley, 1992:32). Moreover, the Bank set out some activities to accelerate privatization helping to finance technical advice. Addition,

[26] See Harvey (2005) in order to examine the main examples of the differences of the application of neoliberal economic policies among different countries.

it helped countries put privatization in their context and supported comprehensive programs of reforms.[27]

On the other hand, through the structural adjustment policies and Washington Consensus principles, the importance of the financial markets, financial motives, financial actors and their transactions increased broadly. That meant increasing of the financialization in the world through the World Bank's policies. Financial liberalization started to be applied through standard orthodox IMF and the World Bank adjustment package and sectoral loans. Policies associated with finance generally included the removal of quotas priority lending, the liberalization of interest rates, the opening up of the banking sector to foreign ownership, and the privatization of the commercial banks. Before the Washington Consensus, financialization started slowly. Columbia, Uraguay, and Venezuela in the early 1970's, Malaysia in the late 1970's, Turkey and Israel in the 1980's, and later in the 1990's along with South Asian countries; such as Thailand, Malaysia and South Korea, all implemented financial reforms. (Arestis, 2004: 264). By means of these policies, many countries have taken measures to mitigate and remove controls on the financial system, while opening their borders to the international capital movements. That is to say, financial liberalization undisputedly became a part of the World Bank. It led countries to dismantle many of their financial controls especially in the 1990s (Broad, 2004:138). Moreover, staff of international financial institutions and loan recipients were motivated and promoted in terms of the volume of commitments enhanced largely.

At the same time, the World Bank largely expressed the importance of the trade liberalization and economic reforms in developing countries. Both debate and policy of the World Bank are strongly correlated with the belief that: *Trade is good, not bad.* (Broad, 2004:143). Export-led growth started to viewed as the way to development. For

[27] Shirley (1992:29) addressed that, the former East Germany took the lead with 4,500 enterprises. On the other hand among developing regions, Latin America was an important privatizing region; it has sold over 800 firms and Eastern Europe excluding East Germany has privatized some 805 enterprises. Addition, Africa was the next followed by Asia. When that fact was examined basing on the countries, New Zealand, Britain, Mexico and Chile could be defined as the succesful privatizers. They have created programs which included trade reforms encouraging competition and export; price reforms liberalizing markets; regulatory reforms safeguarding competition by removing obstacles to private entry and exit; and legal reforms assuring proper dislosure, enforcement of contracts and due process through the principles of the Washington Consensus and World Bank.

instance in 1991, the report recognized by the Bank authorities titled *Best Practices in Trade Policy Reform,* considered that the substance and essentialness of the global economy were based on trade liberalization, the interaction among trade and domestic reform, and export expansion for economic development (Thomas and Nash, 1991).

Those policies and their adoptions provided by the Bank were also introduced through the other World Development Reports, especially since from the beginning of the 1990s. *The World Development Report 1991: The Challenge of Development*[28] defined a market-friendly approach in which government permited markets to operate well, and governments focused on their interventions on areas in which markets proved inadequate (World Bank, 1991a).[29] On the other hand, the World Bank attributed aid strategies to the bilateral donors, nongovernmental organizations, and multinational agencies rather than governments in many countries. Then, the World Bank established main *development framework* on the axis of the human development, the domestic economy, the international economy and macroeconomic policies. Macroeconomic policies should be reflected in the free market economy policies as it was pointed out in that report:

> *"In reappraising their spending priorities, implementing tax reform, reforming the financial sector, privatizing state-owned enterprises, and using charges to recover the cost of some state-provided services, governments can meet the goals of microeconomic efficiency and macroeconomic stability at the same time." (World Bank, 1991a:9).*

Those years were the end of the Cold War and the United States started to appear as the only superpower of the World transforming the global political economy and

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[28] That report defined a development approach for governments and emphasized the main functions in that context. According to report, governments should provide a stable macroeconomic foundation in order to inspire the confidence of the private sector, create a competitive environment in which enterprise could flourish, integrate their economies to the global economy, invest on people to supplement the market where needs were unmet in the areas of health, education, nutrition and family planning (For more details see World Bank, 1991 and Cammack, 2002: 166-167).

[29] With another saying, the main theme of report was the conducive role to be played by the state in promoting free-market development. The state was crucial for putting in place the proper institutional foundations for markets, further the same objective and themes re-emphasized later in the World Development Report of the World Bank (For more detail see World Bank, 1991 and World Bank, 2002).

development thinking.[30] That event can be defined as the victory of the global capitalism and neoliberalism against communism almost all around the world. The collapse of communism in Eastern Europe and the Soviet Union has been accepted as affirmation of arguments figuring out the impossibility of central planning and reinforcing and the apparent superiority of market-oriented development approaches serving to adapt governments of peripheral countries to a political agenda focused on the liberalisation of the world economy and in the orientation of the state as the provider of a normative framework which could guarentee the security and profitability of private business (Gore, 2000:795; Mendes-Pereira, 2016:819).

Another important point needed to be mentioned, development experiences of non-Western nations. Especially the *East Asian tigers*[31] started to be often emphasized by the Bank in order to express and underpin the success of the neoliberal economic policies. The World Bank built on dramatic economic success and leapt of these countries their adoptance of the main principles of market-friendly policies of Washington Consensus (World Bank, 1993).

In that context, Uruguay Round was organized in 1994 and the General Agreement on Tariffs and Trade (GATT) was transformed into the World Trade Organization (WTO). Its authorization was not only including the arbitration of trade disputes but included provisions intended to bind countries to agreement on so-called trade related issues such as intellectual property rights and free trade (Levitt, 2006:173). In the same year, the US offered the foundation of a Free Trade Area of the Americas (FTAA) which went far beyond free trade affairs in order to secure the rights of investors. The FTAA was intended to expand the North American Free Trade Agreement (NAFTA) of 1994 to embrace the entire continent (Levitt, 2006:173).

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[30] That fact also evoluted the World Bank's development policies. With the aftermath of the Cold War, it is not possible to state that the Bank has been freed from political impacts in its lending policies. The end of the Cold war brought about new geostrategic challenges and especially the integration of Russia and the former Soviet bloc into the world economy. In that context, strategic and the U.S.-defined economic priorities influenced the Bank's lending decisions; particularly to the countries such as Gaza, Bosnia and Herzegovina as well as the deployment of the Bank resources in the Mexican and Russian financial crises of the 1990s (See, Gilbert and Vines, 2006: 133- 147).

[31] Four Asian Tigers refers to a term used in reference to the highly free market developed and high-growth economies of Hong Kong, Singapore, South Korea and Taiwan. These countries perpetually continued high levels of economic growth since the 1960s triggered by exports and rapid industrialization.

Within this framework, it might be suggested that the World Bank tried to create better environment providing reorientation of the state in order to underpin and enhance laissez-faire liberalization policies through the main principles of the Washington Consensus. The Washington Consensus was included in the globalization project which was nothing less than the attempted creation of the liberal economic order under the American hegemony. It necessitated the new international political and economic institutions and order which showed the self-regulating nature and give weight to private section of the economies. As the World Bank stated:

> *"One effect of globalization is to expand the options available to private individuals and firms while reducing those of policy makers."* (World Bank, 1995:5).

Until the end of 1990s, the implementation of economic policies referred to Washington Consensus was thought to be sufficient for economic growth and development in many countries. Taken macro-economic measures through which liberalization occured in many countries and opening to the outside world resulting in the reduction of activities of the states in the world economies, were believed to be necessary to adapt to the world. In that context, the 1990s were the years of studies describing how countries had grown and developed by implementing these kind of policies.[32] Such studies would create a powerful weapon to put pressure on developing countries for the implementation of the World Bank and the IMF policies based on the Washington Consensus economic policies (Rodrik, 2011:145). *Stabilization, liberalization, deregulation and privatization* had become almost dogmas on these international institutions policies and discourses (Rodrik, 2011: 143). But towards the end of the 1990s, that positive atmosphere started to disperse and neoliberal economic policies started to be criticized and Bank's discourse tended to evolution again.

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[32] For example the study of the Sachs and Warner (1995) in this regard is important. According to the study, the countries open to international trade were growing 2.45 percent faster than those countries not open to the international trade (For more details see Sachs and Warner 1995).

2.1.3.1. Sequential Financial Crises and Criticisms to the Principles of the Washington Consensus

Starting from the mid 1990s; with the recurring economic crisis in Argentina, and later with the Asian financial crisis, the criticism to the Washington Consensus has increased steadily.[33] The economic and export-oriented industrialization success and the good growth and development performance of the East Asian countries, especially in 1980's and the early 1990's were cited as a proof of the consistency and accomplishment of the Washington Consensus especially by the World Bank (See World Bank, 1993). The newly industrialized countries of East Asia compared to the countries in Latin America and elsewhere were less protectionist, but more extroverted and they were close to the free market norms. But much more observation envisaged that there were also some more important factors rather than neoliberal theory in the success of these countries. Asian Tigers like Japan, South Korea, Taiwan, Singapore and Hong Kong have showed the positive effects of the government intervention in the development process under certain circumstances. Addition, development of the Tigers suggested that there might be a way out of the borders drawn by neoliberal policy oriented Washington Consensus. On the basis of great performance and success achieved by these countries, rather than a market compatible or the market pursuer state, there was a state which had led the market with various institutional arrangements Many countries in the 1990s could not catch the expected economic growth and development although they materialized the articulation of the global economy, the liberalization of capital movements, the privatization of public enterprises and markets and elimination of macroeconomic imbalances. Most countries were adjusted their tax regimes, banking regulations, social security institutions, financial rules and the legal system in line with the Washington Consensus. Addition, their labor markets also became flexible. However, few countries

[33] (For more information about the concept of developmental states and also economic policies and their applications and practices in Japan, South Korea and Taiwan, Hong Kong, Singapore see Johnson (1982), Amsden (1989) and Wade (1990)). The main reasons of criticism to the Washington Consensus were summarized with three premises (Hayami, 2003: 41-42),: (i) Latin American economies were not able to sustain economic growth after their recovery from the debt crisis; (ii) East Asian economies were plunged into crisis in the late 1990s due to a major disruption in regional financial markets; and (iii) structural adjustment programs had failed to achieve economic growth and reduced poverty in low-income economies, especially in Africa.

were able to grow and most of them became more fragile due to the financial crises (Rodrik, 2011:152).

In addition, many African countries have achieved negative growth rate and entered into recession in this period. On the other hand, countries of Latin America left behind a period of instability with very low growth rates even if they captured a positive trend. However, despite faltering investment performance and weak industrialization in both regions, the East Asian countries have demonstrated very good performance (Öniş and Şenses, 2005:6).

Subsequent advances of the neoliberal restructuring period prescribed by the Washington Consensus; a trend not only in terms of the overall average growth in the developing world, but also towards the more equitable income distribution structure in the global economy has not emerged (Table 14).

Table 14. GNP Per Capita for region as % of Core[34]'s GNP per capita[a].

Region	Years		
	1960	1980	1999
	%		
Sub-Saharan Africa	5	4	2
Latin America	20	18	12
West Asia and North Africa	9	9	7
South Asia	2	1	2
East Asia (without China and Japan)	6	8	13
China	1	1	3
South	5	4	5
North America	121	100	101
Western Europe	111	104	98
Southern Europe	52	60	60
Australia and New Zealand	95	75	73
Japan	79	134	145
North (=core)	100	100	100

Source: Arrighi et al., 2003 (Transmitted by Wade, 2004: 568).
[a]Based on World Bank data. GNP at current exchange rates.

[34] In world system's theory, the core countries are refer to the industrialized capitalist countries on which periphery and semi-periphery countries depend on them in the context of the economic aspect. Thus, core countries control and benefit from the world market.

Many circumstances experienced in the 1990s caused criticism of the Washington Consensus. Some of them were intensely summarized by Rodrik (2006: 975).

The first, in most countries passed from communism through a market economy, contrary to their expectations, quite deep and prolonged crisis have been occured. Although it has been over a period of 10 years, these countries could not capture the output level from 1990s until the mid-2000s.

The second, despite of signifíciant policy reforms, constant external assistance, corrections in the political structure of the outside world, Sub-Saharan African countries have been unable to launch a kind of development. Countries like Uganda, Tanzania and Mozambique achieved relative success in the development process among the countries of that region although their economies were very fragile.

The third; Latin America, East Asia, Russia[35] and Turkey[36] have experienced frequent and painful balance of payments crises. Even the slightest negative progress initated the crisis of the balance of payments by the flight out of the foreign capital from those countries. In that context the Bank's expressions and praises about The East Asian Miracle as previously mentioned, based on the high growth rates, came to a halt with the 1997 financial crisis. One of the most important reasons making possible continuation of high growth rates in East Asia roughly until the mid of 1990s was increase in the foreign capital inflows risen due to the liberalization of financial transactions. The important factor encouraging the rapid increase in the foreign capital inflows and making region safe in terms of the investments was adoption of fixed exchange rate system that pegged to the dollar. Those facts consisted the dynamics of the East Asian Crisis at the same time. The Asian Crisis broke up by the withdrawal of the funds of foreign creditors they had invested before in those areas quickly. These facts caused the questioning of the Washington Consensus and its basic principles,

[35] There was a recession in the majority of the Central and Eastern European countries including Russia until the mid-1990s. The experiences of countries have showed that there was an incorrect timing and sequencing concerning with the neoliberal measures (For more details see, Lavigne, 2000 and Kolodko, 2000).

[36] Turkey's liberalization have started about in the early 1980s without creating the necessary regulatory mechanisms and without taking adequate protective measures. This case triggered of the Turkey's economic crises which showed up in the mid 1990s and early 2000s (For more details about the origins of these crises see; Güloğlu and Altunoğlu, 2002:2-29).

especially financialization (Gore, 2000: 789- 804). Wade and Veneroso (1998: 3-23)'s statements after the break out of the Asian Crisis can be evaluated as the proofs of not only that situation of the East Asian countries, but also the Mexico's and Latin American countries:

> *"Financial crises have always caused transfers of ownership and power to those who keep their own assets intact and who are in position to create credit, and the Asian crisis is no exception. There is no doubt that Western and Japanese corporations are the big winners. The combination of massive devaluations pushed financial liberalization, and IMF-facilitated recovery may even precipitate the biggest peacetime transfer of assets from domestic to foreign owners in the past fifty years anywhere in the world, dwarfing the transfers from domestic to U.S. owners in Latin America in the 1980s or in Mexico after 1994. One recalls the statement attributed to Andrew Mellon: "In a depression assets return to their rightful owners."*

The fourth, the recovery of Latin American countries which began in the 1990s has lasted short-term. Because the growth rates of that period fell behind the 1950-1980 period, in which the import substitution and central planning largely implemented. Due to that case, that period called as *lost decade of development.* [37]

Finally, Argentina, the poster boy of the Latin American economic revolution, economically collapsed in 2002 since its currency board was proved unsustainable in the wake of Brazil's devaluation in January 1999.[38]

Trade liberalization as previously mentioned holds an important place in the criticism of the Washington Consensus. Countries using a wholesaler method rather than a specific method about the opening to the foreign countries have failed in development (World Bank, 2005:18). Assertors of the trade liberalization advocate it for the efficiency and

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[37] The debt crisis emerged in early 1980s in Latin American economies while they were trying to overcome the U.S.-backed structural adjustment programs and neoliberal policies of the Washington Consensus entered into operation in roughly about mid 1980s. The Consensus was considered to be performed towards a successful economic development in the form of a series of necessary reforms. However, some of the major Latin American countries especially Mexico and Argentina could not get rid of the new crises despite of all reforms, structural adjustment policies and proposals they had.

[38] Until the mid 1990s, Argentina grew rapidly with unprecendented levels in its history. However, negative advances came on about the mid 1990s and Argentina's economy entered into recession. Although it was an important factor on Argentina's crisis encountered roughly in the early 2000s, it was not the sole determining cause. Furthermore, wrong structure of external debts and inflationist tendencies can be defined as the factors triggered the emerging of the Argentina Crisis (For more information see Grugel and Riggirozzi, 2007: 87-107.)

economic growth. Economic growth is considered as a natural result of the efficient use of resources. Therefore, the current capacity must be increased and reached to full efficienctly use of capacity for economic growth which means the (World Bank, 2005:10).

All those developments discussed above discredited the Washington Consensus and its main principles based on free market system. Most curious criticisms came from Joseph Stiglitz (2006: 94-96) in that context:

> *"Economy policies, constitituing Washington Consensus and submitted to the developing countries and also to the other countries on the first stage of development process, is not suitable."*

> *"Market system requires excellent information and competition. But competition is limited and information is far from being perfect in developing countries; also well-functioning competitive markets can not be established overnight. Theory states that all the assumptions should rely on realization of the efficient market economy. Reforms carried out in only one area, in some cases, unless carried out in conjunction with other reforms may make things even worse. This is a matter of ranking. The ideology does not care for such matters, it now tells to many countries quickly switch to market economy as much possible as. But economic theory and history shows that ignorance of ranking leads to how terrible results."*

Another important thing can be defined as another challenge to the Washington Consensus and causing criticism was the UNDP's *sustainable human development* approach carried on some themes of the UNICEF critique of the dominant approach, *Adjustment With a Human Face*, originally published in 1987. Later, it has been detailed through *Human Development Report* first emerged in 1990 (Gore, 2000:795).

The main charecteristics of the sustainable development approach differentiates from the Washington Consensus's main charecteristics. While sustainable development approach espouses different sets of values, the Washington Consensus doesn't have this kind of status. With another word, whereas the Washington Consensus focuses on the promotion of GDP growth and it has been implemented through a top-down, donor-conditionality driven and outside-expert led approach, the Sustainable Human

Development Approach argues that the ultimate test of development practice should improve the nature of people's lives and advocate on participation, more equal partnership between developing countries and aid donors (Gore, 2000:795).

This approach can be defined as *human-centered approach* and introduced itself as an alternative development theory. It has been quite influential through some important economists (Sen 1993 and 2004; Haq, 1995). These approaches have emphasized that the inadequacy of the policies of the Washington Consensus reducing poverty and unemployment, delivering growth with equity. Thus these kinds of social concerns were already addressesed by people centered approaches.

Furhermore, Romer (1994) has included the human development among the internal factors affecting economic growth by putting forward the new endogenous growth theory. Beside that he has accepted the education and vocational training as data. In that context, through the impact of this new growth theory, human-centered approaches including enhancement of the education level of people has become the main objective of the development.

The World Bank's development policies and discourse have been affected from these progresses and approaches. It is possible to say that the World Bank's main development policies and discourse were largely determined by the Washington Consensus and its main principles from the end of 1980s until the mid 1990s. But after that, it started to change its discourse because of the some important progresses world faced. One of these, as previously mentioned, was neoliberal reforms and policies largely implemented since the early 1980's in many countries. Those reforms and policies have created devastating results; especially for the late capitalized countries. Then, they were exposed to more widespread criticism especially after the mid 1990s, after a series of crises seen in the East Asian countries, Turkey, Argentina and Russia. The other was emerging human development approach taking its theoretical bases from the *basic needs approach.* This approach largely criticized the structure of development theory based on the economic growth and stabilization policies and argued the way of development as a process enhancing the potential of human.

Change in the World Bank's development discourse in the light of those mentioned affairs, mostly reflected in World Development Reports. The Bank started to largely focus on the issues such as the state's role on development, human development, social aspects of development, environment and development, human capital for development; especially health and education etc.; rather than reducing the role of states in economies through privatisation, financialization and deregulation. In short, the Bank started to leave market fundamentalism through the principles of the Washington Consensus. Then, in later years, market fundamentalism approach of the Bank would turne into the market-friendly approach with Post-Washington Consensus which will be discussed in next chapters in details.

The World Bank reports, published in late 1980s and 1990s, discussed this situation mentioned above. For instance, the World Bank's World Development Report 1988, *Public Finance in Development*, largely emphasized the risks and opportunities that they might emerge from the expansion of public sector. Report states that:

> *"The risks arise from the inefficient use of public resources and from the overextension of government into areas that are better left to private markets."* (World Bank, 1988:6).

Report remarked that reduction of the role of state and decentralization of public expenditure crucial for realizing economic growth and development. According to World Development Report 1989, *Financial Systems and Development*, giving importance to the private sector in their financial system was necessity for many countries. The Report's statement in that context is important*:*

> *"Maximizing the benefits of foreign entry requires the deregulation of domestic financial institutions and the establishment of a competitive environment."* (World Bank, 1989:131).

But in 1990s, the picture has started to change. The World Bank's World Development Report 1990, *Poverty* focused on the significance of the international cooperation in reduction of poverty. The safety nets, transfers for poverty reduction were emphasized in the report, and these strategies could be seen as a theory convergence towards the Post-Washington Consensus to be discussed in the next sections (World Bank, 1990). The World Bank's World Development Report 1991, *The Challenge of Development*, emphasized the linkage between market and state for accelerating development. The report stated that:

> *"Experience shows that success in economic growth and poverty reduction is most likely when governments are complement to markets. Dramatic failures occured when they conflicted."* (World Bank,1991:3).

In other words, the report determined that market alone could not provide adequate education, nutrition, health care, better and safer environment and access to family planning. Frankly, that report revealed soften shift of the World Bank from pure neoliberal development laissez faire discourse to the discourse containing Keynesian discourse in essential cases. The World Bank's World Development Report 1992, *Development and Environment,* defined the relationship between the environment and economic development. According to the report, governments must be more responsible for environment. Report also emphasized the government as a leading actor in dealing with environmental issues. The World Bank dealt with health issue in the World Development Report 1993, *Investing in Health.* It was about the cooperation between the health policy and economic development. Similar to the previous reports, this report also gave crucial role to the government to accelerate economic development. Report stated that:

> *"If governments do intervene, they must do so intelligently, or they risk exacerbating problems they are trying to solve."* (World Bank, 1993:5).

Since infrastructure was one of the most important elements of development portfolio, the Bank focused on that issue in the World Development Report 1994, *Infrastructure for Development*. The report identified the link between infrastructure and economic development. Addition, it also explained the importance of improving both the provision and the quality of infrastructure services. For realizing that, it gave crucial role to government again (World Bank, 1994). The Bank continued to study and prepare reports on important issue for development after the mid 1990s, too. It handled workes, transition in economies and largely discussed the role of the states in development. The World Development Report 1995, *Workers in an Integrating World,* evaluated the meaning of the more-market driven and integrated world for workers. The report investigated on which development strategies best addressed workers needs and what domestic labor market policies could provide more equitable income distribution, higher workplace standards. At this point, it attributed important role to the government again

(World Bank, 1995). The World Development Report 1996, *From Plan to Market,* examined the transisition of countries with alternative systems of centrally planned economies back to a market orientation. But report emphasized that this transition required the foundation of key market instititutions and how important the role of a government was (World Bank, 1996). The World Development Report 1997, *The State in a Changing World,* addressed the role and effectiveness of the state in the context of what and how the state should do and how it could adjust in rapidly changing world. That had critical importance to have government contribute more effectively to the development process especially for the institutional environment underlying the economy (World Bank, 1997).

All these reports showed the gradual divergence of the World Bank from the principles of the Washington Consensus and purely liberal discourses. As a matter of fact, the Washington Consensus and the World Bank's Washington Consensus-based development discourse aimed to create perfectly functioning market in the world. However, the market cannot function in a flawless way. The domination and principles of the Washington Consensus started to be criticized in the beginning of the 1990s with the Mexico, Russia, Brazil and Asian Crisis[39] and the emerging of the human and human-centered development approaches emphasizing the social aspects of the development process different from the main principles of the Washington Consensus as previously mentioned.

With the light of these advances, consequently the idea of the modification of the Washington Consensus in order to handle development issues has come to the stage. This job was carried out by chief economist of the World Bank, Joseph Stiglitz[40]. After

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[39] Before the Asian Crisis the World Bank advocated the free-market economy policies and attributed the economic success of the East Asian countries to their free- market economy policies. But after Asian Crisis, the Bank started to blame their free-market economy policies based on the principles of the Washington-Consensus (As a matter of fact, the East Asian countries have not pursued the pure neoliberal economic policies in their development process. If their development process is examined in more detail, the effect of the state policies in their development process can be seen). This fact can be evaluated as a proof reflecting the contradictory manner of the World Bank.

[40] Joseph Stiglitz is famous economist and who was the Chief Economist of the World Bank between the 1997 and 2000. He was awarded the Nobel Prize in 2001, thanks to his contributions to the field of economics. His works putted forward that assymetric information can provide the way to realizing many observed market phenomena, including unemployment and credit rationing. Beside that, he emphasized the importance of the state in order to extinguish the assymetric information of the market and establish

that progress, the World Bank started to adopt new development discourse which was not based on the *market fundamentalism* anymore, but *market-friendly approaches*.

2.1.4. While the Pure Neoliberal Discourse is Ending…

Development theories, policies, and discourses of the World Bank were marked by the Washington Consensus and its main principles during the important part of the 1980s and 1990s. By early 1990s, particularly after the Cold War, neoliberalism's domination was converging to universality. Many governments, irrespective of political orientation, attached to its principles. However, neoliberal approach affecting the World Bank's development policies and discourse started to be criticized towards the end of the 1990s. Pure liberalization and market fundamentalism realized through the main principles of the Washington Consensus, were exposed to many criticisms by means of the empirical evidences.[41]

Addition, as a matter of fact, *lost decade*[42] taught lessons to the policy makers and they realized that markets cannot function perfect without government intervention. They also became aware of the fact that economies always need the government regulations.

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the powerful market economy. His views also led to the evolution of the mainstream of the economic theories and the discourse of the World Bank. After Stiglitz's views started to became more influential, Bank also started to adopt the development discourses, which morely emphasizes the importance of the state in development processes of many countries. (In order to get more information enter to the site: http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2001/stiglitz-bio.html)

[41] For critiques about the consequences of neoliberal policiesi see Chang and Grabel (2004: 276-279) and Öniş and Şenses (2005: 263-290). For an assessment of the adverse effects of the economic applications applied within the framework of the Washington Consensus in Latin American countries see Ocampo, (2004: 293-314), and Moreno-Brid et al. (2004: 345- 365). Even Williamson addressed the negative results of the Washington Consensus; especially in the context of the growth, employment and poverty reduction (Kregel, 2008: 541- 560).

[42] 1980's largely emcompassed with the debt crisis of the Latin American and Sub-Saharan African countries. To overcome the crisis the World Bank and IMF began to stipulate market-oriented reforms in the early 1980's. Those reforms were condition to the governments of developing economies for granting credit (Hayami, 2003:41). That approach called structural adjustment policies as previously mentioned. For instance, Chile was the first country setting the stage for reforms in Latin America. After that, a number of Latin American economies including Argentina, Bolivia, Mexico, Peru, undertook structural adjustment reforms and somehow they were able to quell the decade-long Latin American crisis. However, towards the end of the 1990's the negative results of that policies started to showe itselfs. In 1994, the new crisis hit Mexico named Tequilia Crisis. The financial crisis in East Asia represented the storm of financial disruption followed by sharp contractions in their GDP. On the other hand, the collapse of the Argentine economy in 2001 represented a great failure of the advocates of structural adjustment programmes.

Neoliberal restructuring process were beginning brought about weak and unstable growth performance, continuing poverty, growing inequalities to many countries. Especially from the 1970s to the 1990s, growth rates veritably slowed in many countries. For instance, between 1950 and 1973, real GDP grew 2.52% in Latin America and 2.07% in Africa; furthermore by way of contrast, following three decades, real GDP per person grew only 0.99% and 0.01% a year in Latin America and Africa, respectively (Krever, 2001:299). The liberalization of the financial system and the abolition of restrictions on international capital movements have not directly affected the rising of the activity and volume of the productive investments. Therefore, they caused financial crisis in some countries. In the restructuring period, countries showing performance on average went out of neoliberal norms in critical areas. The economic development success of these countries was realized without complying with the basic suggestions of the Washington Consensus prescription.[43] Most of these countries located in the East Asia. These countries have acted protectionist in terms of public finances, strictly controlled the domestic financial markets contrary to expectations and brought restrictions to the imports. In many cases, they have not encouraged the foreign direct investments, controlled the international capital movements, organized many local markets and they have had important part of the national productive capacity.

Roughly in 1990's, in both periphery and centre countries, academia and policy makers, even privileged sections of the Washington brought about the need of a change about the Washington Consensus under the pressure of the intensified criticims. Unsustainability of the main principles of the Washington Consensus in development policies of countries was clearly seen. It is widely conceived that the policy attitudes of the Washington Consensus were too homogenized, and may have defeated because of the regional and national differences in the nature of the economic difficulties facing countries (Williamson, 2003: 1476). However, the main determining effect heading to the new consensus came from within the people who took place in international institutions largely producing and effecting economic and development policies of many countries.

[43] For more information see Chang and Grabel (2004: 276-279) and Öniş and Şenses (2005: 267-272)).

Besides academic credentials, especially Stiglitz, Vice president and chief economist of the World Bank, and other personnels undertakening effective duties as consultant of the U.S. President, had an important role on the change of the Consensus.

Around the end of the 1990’s, an orientation from the solid neoliberalism towards a new type of synthesis called the Post-Washington Consensus has been seen on the policies of the World Bank.[44] A new perspective started to set out in the early 1990’s with the discussions of the poverty and governance through some researches, reports and publications. Especially the examination of the economic success experiences of the East Asian countries, have strengthen the idea of the requirement to the advanced forms of government intervention and institutions in order to realize market-based reforms. Addition, a fact was realized about the settled poverty which cannot be eliminated only with the increasing efficiency and economic growth in a simple manner.

Stiglitz (1998), transmitted by Pender, (2001), seeked to put forward a new framework for economic development in his speech *More Instruments and Broader Goals: Moving toward the Post-Washington Consensus.* After that, Post-Washington Consensus has firmly founded as the principal guidepost to policies of many countries in the world. Post-Washington Consensus created dramatic shift in the orientation of the World Bank’s activities which have been paralleled with changes in other international organizations with mandates for international development assistance (Hayami, 2003:60).

Another issue is worth to mention; different from the post-war years when American economic and financial power was unique, the capitalist world economy now represent the features of the multi-polarity, especially with Europe, Japan and the emerging economic powers of China, India and the tiger economies of Asia greatly surpassing the US in productive capacity (Levitt, 2006:169). Thus, it was imperative to find out new development models and theories for World Bank in order to serve the interests of the American capitalism and its conflicts. So, it is possible to state that, especially after

[44] The process and policy evolution leading to the Post-Washington Consensus and its new principles did not appear at the same time in the Bretton Woods institutions. Moreover, new consensus was not shared in the same way through the wide agenda. IMF received more criticism and exhibhited more conservative manner. Especially with the Asian Crisis, IMF countered with large critiques. After that, between two sister Bretton Woods institutions, World Bank and IMF, serious cracks and controversies have emerged (For detailed information about that see Öniş and Şenses (2005:269).

1990s the World Bank has got ahead of the United States in order to protect its interests with much different development models and discourses.

In all these contexts, the World Bank can be defined as both producer and receiver of the evolution of its development discourse. In other words, it was affected from the evolution and also orientation of other international organizations and world affairs. Thus, development discourse and policies of the Bank were evoluted again.

3. WORLD BANK AND POST-WASHINGTON CONSENSUS ERA

In this section, World Bank and its development discourse largely based on the main principles of the Post-Washington Consensus is discussed broadly. Post-Washington Consensus largely influenced from the main principles of the new institutional school of economics. In that context, the bank started to define its discourse based on institutions. However, at the same time bank is the main institution which enhanced the new institutional school of economics and its main principles in order to make sustainable neoliberalism and with another saying its models based on the neoclassical school of economics. On the other hand, especially starting from 2000s until today, it adopted the development discourse largely reflects the combination of the institutional, social, environmental and political aspects of development under the cover of the neoliberal discourse.

3.1. TRANSITION OF DEVELOPMENT DISCOURSE TOWARDS FROM MARKET FUNDAMENTALISM MARKET-FRIENDLY STATE APPROACH

The strategy purposed triggering the growth of developing economies substantially based on the efficiency-enhancing power of free markets and market fundamentalism, which was founded as a theory under the popular title of the Washington Consensus especially with the beginning of the 1990s. However, it has been replaced by a new development theory and discourse by the World Bank and it has lasted less than a decade.

The term *the Washington Consensus* represents the era of the World Bank largely based on the pure neoliberalism. Furthermore, it was understood as an economic doctrine and development discourse in support of structural adjustment programs under the guidance of the World Bank with IMF. The early success of the structural adjustment programs on the debt crisis of the Latin America exalted the Washington Consensus and its main principles and also status of a theory. But, its credibility sharply dropped by the failure of the application of the joint structural adjustment programs of the World Bank with IMF to overcome the recurrent crisis in Argentina and the Asian financial crisis, as detaily mentioned in the previous section. In addition, some approaches have been raised such as human-centered development approach giving importance to the human and social development largely. All those advances caused the end of the domination of Washington Consensus and appearance of the Post-Washington Consensus to be a better recipe constituted by underdeveloped markets for developing economies.

In 1998, the United Nations University UNU-WIDER lecturer[45] Stiglitz explained that reducing government intervention would be ineffective or even damaging especially in low-income economies. On the other hand, he argued that while the structural adjustment policy approach and the Washington Consensus-based development policies might be effective in middle-income economies with relatively well-developed market organizations, they were ineffective in *customary economies,* characterized by underdeveloped market where market was highly imperfect or even nonexist under severe information imperfection. The structural adjustment policy reforms of liberalization deregulation and privatization largely enhanced by the Washington Consensus did not only fail to improve such economies, but often made them less efficient with an increased tendency of market failure (Hayami, 2003:56).

Furthermore, Stiglitz determined the importance of state and its complementary functions to the market and broght some more determinations for developmental terms such as sustainable, egalitarian and democratic developments disregarded broadly by Washington Consensus [46], as he stated:

> *"Although the Washington Consensus provided some of the foundations for well-functioning markets, it was incomplete and sometimes even misleading."* (Stiglitz (1998), *Transmitted by Pender, 2001:*33).

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[45] Joseph Stiglitz's annual lecture *More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus*, was realized on 7th January 1998 in Helsinki-Finland, http://www.globalpolicy.org/component/content/article/209/43245.html (Date of Access: 24/05/2016). Some other ideas devoted to the Washington Consensus were more soft and some changes in the nature of the revision were charecterized with terms such as *updated, augmented, revised* (For more details see Chang and Grabel (2004:276-279) and Arestis (2004:251-271)).

[46] Addition, Stiglitz, the president of the World Bank, emphasized the importance of state in foreword of the *World Development Report 1997* by giving some examples from the poor and undeveloped countries of the world; such as Somali and Libya. He attributed the poorness and undevelopedness of those countries to the inadequacies of the functions of the state. He suggested government action might be vital in positioning the theoretical basis for market (World Bank, 1997:41).

Apart from that he also declared below statements:

> *"Economics is important: after all, one of the features which distinguishes more developed from less developed countries is their higher GDP per capita. But the focus on economics has confused not only means with ends, but also cause with effect. It has confused means with ends, because higher GDP is not an end in itself, but a means to improved living standards and a better society, with less poverty, better health and improved education."* (Stiglitz, 1998, *Transmitted by Pender, 2001:*31).

> *"I had certain objectives in mind when I came to the World Bank. One of them was to change the thinking, with respect to the objectives-broadening from just growth to more broad-based democratic and equitable sustainable development. The second objective was to bring about a change in economics. The answers given in the Washington Consensus were either partial answers or actually wrong. The third objective was to change the process of the development dialogue. There was still the colonial mentality of developed countries telling the rest of the countries what to do." (Stiglitz 1998, Transmitted by Pender, 2001:403).*

Addition to his dominant academic and policy-making circles for the North America, Stiglitz has made influential contributions to the Post-Washington Consensus. Dani Rodrik, Paul Krugman, Stanley Fischer and William Easterly can be defined as individuals made important intellectual contributions in challenging the main precepts of the dominant orthodoxy[47] (Öniş and Şenses, 2005:14).

Main principles of the Post Washington Consensus consider the public sector, private sector, the community, the family and the individuals as the interrelated and the essential components of the development as denoted by Annex 3. In that context, cooperation of public and private sector is crucial. At this point, the most important role belongs to the public sector strategies as Stiglitz (1998:26), transmitted by Pender (2001), pointed out:

> *"Central ingredients to the public sector strategy are: (i) focus of the public sector on the unique functions that it must perform, (ii) strengthening the capabilities of the public sector, including the development of an effective civil service and restructuring of the public sector to make more effective use of incentives and market and market-like mechanisms, and (iii) matching both of responsibilities and modes of operation capabilities of state."*

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[47] For more detais also see Şenses (1991).

With the light of those statements and advances, it is possible to suggest that the main development objectives and tools have evoluted from the Washington Consensus to the Post-Washington Consensus. In that context, the main development policies and discourse of the World Bank were affected from different aspects.

The Bank's main development objectives and tools started to change with adoption of the Post-Washington Consensus based policies and it largely oriented its development discourse from pure market neoliberalism to the market-friendly approaches (Table 15). That change started to show itself from different aspects. After that point, the Bank started to adopt new development policies and discourse largely based on the terms and statements such as *appropirate institutions & governance poverty reduction and empowerment, development of human & social capital, people, development aid and democratic governance.*

Table 15. Development-objective and tools of Washington and Post Washington Consensuses of the World Bank.

	Washington Consensus	Post-Washington Consensus
Objective	Economic Growth	Enhancements in living standards, Sustainable development (protection of the natural resources, healthy environment)
Tools	Macroeconomic Stability	Institutional reforms
	Liberalization of Trade	Investment in human capital
	Privatization	Financial regulation
	Deregulation	Competition policy
	Financilisation	Technology transfer

Source: Williamson, 2000.

3.2. NEW DEVELOPMENT DISCOURSE BASED ON GOVERNANCE, INSTITUTIONALISM & COMPREHENSIVE DEVELOPMENT

3.2.1. The Discourse Based on the Governance and Institutions

The term of governance was first used by the World Bank in the late 1980s. However, it would show its huge impact on the World Bank's development discourse with the Post-Washington Consensus by which the Bank struggled for creation of the global governance system with its different objectives and interests.

As a matter of fact, one of the main fields of interest of the World Bank was the determination of the relationship between state and economy. That issue was discussed in more implicit way until the 1970s and projects were started at the beginning of 1978 through the Bank’s World Development Reports to assist the internal political problems of states. The Bank's interpretations on institutional and governance issues after 1980 gradually expanded and reached its highest point in the 1990s.

The Bank’s discourses about institutions and governance based on some theoretical bases. Champions of the neoliberalism, inside both the Bank and the academy, tried to explain the dismal failure without investigating the neoliberal model and neoclassical economic theory itself (Krever, 2011:303). In that context, towards the end of the 1980s, new institutional school of economics, emphasizing the importance of the institutions in development process, emerged.

As a matter of fact, the new institutional school of economics takes its roots from the institutional economics and its methodological foundations. Institutional economics emphasized that economic events exhibit a dynamic structure and therefore economic rules and institutions must change over time. Institutional economics which is considered to have begun with the Thorstein Veblen’s *Why is Economics not an Evolutionary Science?* article. It can be argued that institutional economics developed in the US in the early twentieth century, in a line against the abstractionist way of the neoclassical economics and its deductive method, and finally its economic policy proposals which tries to minimize the state intervention. With another saying the institutional economics is far beyond the scope of the orthodox assumptions of the neoclassical economics (Hodgson, 1989: 261). However, after the 1950’s, because of the broad adoption of the Keynesian economics and realization of the significiant progresses in science it has lost its efficacy. As for the new institutional school of economics is the common name of various schools of economics which point to the importance of the rules and institutions for ensuring economic order. New institutional school of economics brings together different branches of science such as law, economics, organizational theory, political science, sociology and anthropology. Thus, it can be defined as an interdisciplinary initiative that seeks to understand social, cultural, political and economic institutions such as government, law, markets, corporations, and the family that we face in our daily lives (Şenalp, 2007:59). However, the new institutional school of economics did not emerge as a trend that followed and defined the traditional line before it. Beside that, from both political and theoretical perspectives the new institutional school of economics takes its place far from the institutional economics at many points.

The strong linkages among the development and institutional progresses and settlements were considered by the means of the school. In other words, the new institutional school of economics approach explored an environment, its economic facilities and directions designed by good institutions Coase (1984:229-231) and North (1986:230-237)). Person developed the new institutional school of economics was North who was awarded with Nobel Prize for his studies in the field of economics.[48] North determined the institutions largely defining the rules of the game played in a society and also he regarded them humanly devised constraints that structure political, economic and social interactions (North, 2002:9). Furthermore, according to him, institutions were the range of motions of the economic agents and actors. North argued that some institutions were in effect on the performance of the economy; however, mainstream economics has ignored these effects. The World Bank’s development policy and discourse largely influenced from them. It started to focus on to the institutional issues after 1990s and published many reports emphasizing the relationship between better institutions and development as discussed detaily in the following sections (World Bank, 1992, 1997, 2002).

As a matter of fact, the new institutional school of economics puts forward a significiant criticism of the neoclassical economic theory that provided the new theoretical bases for neoliberal reforms of the Bank. Its advocates claim that neoclassical economic theory has largely ignored the institutional contexts which markets operate and by which the costs of market transactions are determined (Cameron, 2004:98). As the North (1989:1319) asserts:

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[48] Douglass North created the new research in economic history by applying economic theory and quantitative methods in order to manifest the relationship between the economic and institutional change. His works made broad contribution on the economic development process of the Europe and the United States particularly. He explained the role of property rights and institutions on development processes of these countries. Through the North’s studies the World Bank started to adopt largely the development discourse on the axis of the institutions especially after the 1990’s.

> *"What economists have not realized until recently is that the exchange process is not costless"*, moreover he insists that *"there is no such thing as laissez-faire"*, "*rather institutions-the formal rules designed by states and cultural norms and informal codes of conduct that shape human interaction operate in ways that either reduce or increase the costs of market transactions."*

By following the main principles of neoliberalism such as the liberalization, privatization, deregulation etc., most of the neoliberal and neoclassical economists advocated that market economy would develop entirely (Sachs, 1993: viii). But there was no such advance. Thus the champions of the neoliberalism, inside both the World Bank and the academy tried to express the main failures of it without undermining the neoliberal model itself (Krever, 2011:303). The new institutional school of economics, which especially based on the studies of Ronald Coase and Douglass North, presented neoclassical theory of economic change taking its center stage the institutions as previously mentioned. In that context, it is possible to state that the new institutional school of economics is an institutionalist approach like the new institutionalist branch of neo-liberal economics; it expresses the role of institutions affecting economy within and surrounding the state (Chang, 2002:557). Institutionalist approach advocates that the market and politics shaped by the institutions. The process of the economies and politics depends on them.

In this context, the World Bank started to give large importance to institutions; beside its good macroeconomic and sustainable development discourses while determining its development policies.

The Bank's central argument in this respect was stated by Burki and Perry (1998:3):

> *"Good macroeconomic and development policy is not enough, good institutions are critical for macroeconomic stability and sustainable development in today's world of global financial integration."*

The theories of the new institutional school of economics has provided some opportunities for thinking about the problems of development by presenting a theoretical framework to the World Bank. Development is no longer seen mainly as a process of capital accumulation largely based on financialization and liberalization, but rather as a institutional change. Washington Consensus was offering only one development prescription to countries as mentioned previously, whereas the realization of radical development stage depends on the creation of the necessary institutions. The World Bank started to adopt these kinds of views while determining its development discourse. While the countries such as China, India, Chile were developing, the reasons of the crisis occured in many regions of the world were reforms which largely focused on the reduction of the role of state and enhancement of the role of market, and thus forgot the role of institutions (World Bank, 2005:10). For instance, if financial institutions do not support real sector development enough, opening to the outside could end with disappointment (Rodrik, 2006:978).

Toye (1997: 49-68) asserts that the new institutional school of economics can be incorporated into the development analysis and policies with two main categories. First, the concepts of the new institutional economics can be applied to the specific problems at the micro level. Second, the role of institutions on development putted forward. From the perspective of the new institutional economics, institutions reduce the uncertainty of the daily life. This case can be explained by the economic terminology. Institutions define the preferred set of individuals and also limit them (North, 2002:10).

Furthermore, Toye (1997:59) handled the relationship between the concepts of the new institutional school of economics and development in international context by considering the World Bank's case. The World Bank largely applied the main assumptions of the new institutional economics to its development policies and discourses. The Bank included the elements to its development discourse and policy prescriptions in the context of the Post-Washington Consensus. Moreover, issues reduced to the management of the technical issues related to governance and social institutions are discussed in social capital title by Bank (Carroll, 2005:20). The intensity of the structural adjustment programs of the Washington consensus, thus, leaves a place to market operations for social repair. As World Bank states:

> *"What are the things that limiting the opportunities presented by the market? The things such as insufficient information, the property rights are defined and implemented wrongly, transaction costs arising from the prevention of the entry of new participants. Which things cause to augmentation of those opportunities? The institutions help the proliferation of efficiency and management of the market risks arising from the exchange." (World Bank, 2002:5).*

Stein (2008:38-42) stated about the impact and popularity gain of the new institutional economics on the development discourse of the World Bank as follow:

> *"Influenced by the broader revival of interest in institutions on economics represented by the rise of new institutional economics in the 1980s. Institutions started gaining popularity by the early 1990s as an explanation of international differences in economic development, even in places such as the World Bank and the International Monetary Fund, which had been rather hostile to the notion." (Transmitted by Akansel, 2016:17).*

Furhermore Chang (2011:1) emphasized that:

> *"However, it is from the late 1990s that institutions have moved to the centre stage in the debate on economic development. In accordance, the IMF and the World Bank started to impose many "governance related conditionalities", which required that the borrowing country adopts better institutions that improve governance." (Transmitted by Akansel, 2016:17).*

The effects of the new institutional school of economics on the development discourse of the Bank can be defined as the Bank's direction to the governance and institutional reforms discourses and often use of that term through identifying governance and institutional reforms with development. Addition to the relationship between state and economy, freehold discourses of the World Bank was affected and evoluted. Furthermore, new institutional school of economics affected the Bank's discourse about the role of government in economy and this case has reflected itself through the reports and publications of the World Bank. The World Bank's emphasis of institutions on its development discourse was felt mostly in the term of governance.

It can be stated that, the World Bank's development discourse has taken its shape mainly from the theme of governance after the mid 1990s although it was based on structural adjustment policies and market fundamentalism before. Tatar-Peker (1996:42) has summarized this orientation of the Bank by few progresses as follow:

> *"First, towards the end 1980s, international context has transformed rapidly, the direction of the strategic and political concerns of G-7 countries have changed. Second, new political economy passed through a crossroad which has articulated the contributions of the new institutional economists and started to emphasize institutional variables. The theoretical shift of the new political economy, to some extent, has taken place in the*

> *association of the development success of the East Asian countries with the understanding that the government had large role in the creation of market in these countries."*

But it is possible to state that the World Bank's discourse on institutions and governance can be defined as legal, political and institutional arrangements. Through them it has struggled placing of the so-called democratic polity, and making government more efficient and effective; in the process of the restructuring of the global economic order, inclusion of developing countries in order to become part of the global market through the disguising neoliberalism. These policies generally called the governance institutional reforms discourses by the Bank, and it tried to introduce democtaric and humanitarian neoliberalism by the means of those policies.

The first trace of the governance approach of the World Bank was in its 1989 report *Sub Saharan Africa: From Crisis to Sustainable Development*[49]. The report largely emphasized the terms *good governance and market-friendly state* as the crucial elements of new development discourse.[50] As discussed in this report along with the results of structural adjustment programs in Africa, the problems were basically governmental crisis.

The World Bank explicitly defined the relationship between governance and development in *Governance and Development Report*, 1992. According to the report, governance had many components. Those were, (i) public sector management[51], (ii)

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[49] After that report, Bank's *Governance and Development (1992)* report largely expressed the necessity of good governance in order to reach strong and equitable development. The World Bank Report (1993); largely criticized structural adjustment policies disregarding institutional and political factors. *World Development Report: The State in a Changing World (1997)* addressed central role of state in economic and social development. *The Comprehensive Development Framework* of Wolfensohn (1999) defined the importance of inter-agency dependence and the development of human, physical, social and macroeconomic aspects. *World Development Report: Building For Institutions for Markets (2002)* presented information of institutions role on the development of the private sector and their political guidance in that context.

[50] Report largely discusses the negative economic circumstances of the Sub-Saharan African countries which largely originated from the governments, and some lacks and mistakes of administration. Governance in this report is defined as *the use of political and governmental power in the administration of a country*. (See, World Bank 1989).

[51] World Bank between 1991 and 1993 gave 609 million US dollar loan for public sector management. Distribution of loans includes capacity building, decentralization, economy management in regard to governance. For more details see *World Bank (1994) Governance: "Box2: Measuring Governance in World Bank Operations."*

accountability, (iii) legal framework for the development objectives, (iv) transparency, (v) participation, (vi) predictability, (vii) credibility. Those were also the crucial components of government. Therefore, under the light of these components, it is possible to state that the World Bank's development discourse defined with the connotations such as *market-friendly state, creation of the market-friendly state in development processes.* Moreover, those components are required for the effective management of public resources, enabling suitable environment for private sector and efficient collaboration among government, non-govermental organizations (NGOs) and private sector. Hence, the term of governance is expressed as:

> *"The capacity of the institutional environment, in which individual actors, social groups, civic organizations, and policy makers interact with each other,is to implement and enforce public policies and to improve private-sector coordination."* (Ahrens, 2000:18).

With that respect, the World Bank's development discourse started to be shaped on the governance and through the governance, it aimed to realize efficient and small state axis of the reforms for the management of the public sector. With the light of the different views and definitions of governance, it was shaping that discourse (Box 1).

Box 1: Definitions of governance.

- Governance capacity is defined "as the ability to coordinate the aggregation of diverging interests and thus promote policy that can be credibly taken to represent the public interest." (Frischtak, 1994: vii).
- Governance is "an interactive process by which state and social actors reciprocally probe for a consensus on the rules of the political game." (Bratton and van de Walle, 1992:30).
- Governance means "identifying economic and social objectives" and charting a course designed to move society in that direction (Doornbos, 1985:383).
- "Governance is the conscious management of regime structures with a view to enhancing the legitimacy of the public realm." (Hyden, 1992:7).
- Governance is the "capacity to establish and sustain workable relations between individuals and institutional actors in order to promote collective goals." (Chazan, 1992).
- Governance signifies "the capacity to define and implement policies." (Kjaer, 1996:6).

Source: Ahrens, 2000:15.

In addition, the World Bank started to give much more emphasis to the ability improvements of public sector organizations, either singel or in cooperation with other organizations to perform proper tasks. In order to realize that, the Bank aimed to achieve the main components of governance through some policies (Box 2).

Box 2. Main components of governance [52].

Credibility: Veto-Rights; Bonding/Signaling Mechanisms; Agenda Control Mechanisms; Separation of Powers **Accountability**: Public Sector Management; Public Enterprise Management and Reform; Public Financial Management; Civil Service Reform **Participation**: Participation of Beneficiaries and Affected Groups in Projects; Public-Private Interface; Decentralization of Economic Functions and Empowerment of Local Government; Cooperation With Non-Governmental Organizations;

Box 2 continued.

Predictability: Legal and Regulatory Reform; Legal Framework for Private Sector Development **Transparency**: Disclosure of Information; Clarity about government rules and regulations; Transparency in political decision making and public policy implementation.

The World Bank's development policies and suggestions were introduced especially to Latin America and Carribean region because of the demands of the governments of those regions (The World Bank, 1994: xiv). Countries such as Argentina, Equator, Guaiane, Honduras and Jamaica were implementing the reform of public sector management. Addition, Eastern Europe and Central Asia countries were opening their credit taps through privatization for the creation and development of market economy institutions of private sector (World Bank, 1994:9).

With the governance discourses, the World Bank loans in the early 1990s have supported the privatization areas requiring long-term planning such as infrastructure, energy and water.[53] But, the results of these kinds of policies were not like expected. Efficiencies of loans did not increase, but corruption increased. In that context, the

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[52] World Bank (1997) states that, those governance components and their implemetations reduce transaction costs and information assymetries, stabilize expectations and prompt political authorities to credibly precommit to abide rules and regulations and to sustainably promot economic development. Addition, Stiglitz (1998), transmitted by Pender (2001), pointed out that policy makers could enhance their capabilities of undertaking policy reforms especially by reinvigorating institutions of state through some policies and reforms.

[53] Countries such as China, Korea, Taiwan ,rather given priority to the privatization, have chosen the recognition of opportunities to the private sector to progress in government sector (World Bank, 1997:3-4).

Bank's policies started to be shaped on the centerline of *the fighting against corruption.* Especially in the Central Asia and Europe, their economies largely called transition economies, corruption fact has increased dramatically. In *World Development Report: The State in a Changing World* 1997, the World Bank announced its objective to provide systematic framework for addressing corruption as a development issue in the assistance, it provides to countries and in its operation work more generally (World Bank, 1997:2).

Under the effect of corruption fact, the Bank's development discourse was changed again. It can be said that the World Bank's development discourse was shifted from *market-friendly state*, to *state for market* discourse. The Bank's 1997 report represents important breaking point in that context. Report stated that:

> *"It is not just a too overbearing state that impedes markets; frequently, a too weak state is the problem."* (World Bank, 1997).
>
> *"Development requires an effective and active state that supports the efforts of private enterpreneurs and individuals. It is true that the conception of development with only state has lost its validity, however stateless development conception also vanished."* (World Bank, 1997: iii).

Moreover, the World Bank anymore largely emphasized the critical phases of the restructuring process of the state. In this point, the most important role was considered belonging to the non-governmental organizations, private sector actors, independent government organizations and civil society organizations. However, state was crucial from the Bank's perspective in order to realize the establishment of the globally free market and operations. That discourse of the Bank can be seen in the following statements:

> *"State is important in terms of the arranging appropriate institutional basis for market."* (World Bank, 1997:3).
>
> *"State exists in order to correct the failure of markets to develop partnerships with them, but without taking their place. With taxation, prohibition, and punishment rights; they need to attend to the administration. Taxing power of the state provides financing of public goods. Prohibiting and punishing power guarantee personal safety and property rights. The State required participation is also prevent them from acting independently of the public and markets."* (World Bank, 1997:25)

In this respects, the World Bank's 1997 report indicates a specific breaking point in the Bank's governance approach. That breaking point reveals the intention for governance came to stage which can be applied at global level. The regulation of the global competitive market became the reason for existence of state, not only for function of market.[54]

Except governance, the new institutional school of economics brought about new discourses and policies to the World Bank. The Bank's that new discourse was also determined by the *Governed Market Theory*. As Wade (1990:22-33) emphasized, the success of the some countries; especially the East Asian countries resulted from government action to constrain and accelerate the competitive process. Development discourse must include the maintenance of a post-land reform ceiling, control of domestic and cross-border sources of credit, stabilization of the main macroeconomic parameters of investment choice, export promotion, investment in technology; and state must have the key and comprehensive role in applications of them.

Thus, by the last quarter of the 1990s, the governance discourse started to lose its impact by the financial crisis spreading across the world and also from other negative cases largely observed in African countries. Countries, such as Mexico, Russia, Brazil, Argentina, and Asian countries defined as emerging economies, were shaken by an earthquake caused by financial and economic crises. On the other hand, important sections of Africa were under hunger, poverty, war and scarcity. They were called *Fourth World.* While poverty increased gradually throughout the world, the gap between rich and poor countries more deepened. The GDP per capita of the richest 20 countries of the world was 37 times greater than the poorest 20 countries. Briefly, the gap has doubled in the last 40 years (World Bank, 2001:329). These negative progresses forced to World Bank for the adoption of the new discourses.

3.2.2. Rise of the Comprehensive Development Framework

The World Bank has worked to develop a new governance model by defining global management in the global division of work. In that respect, the World Bank's president

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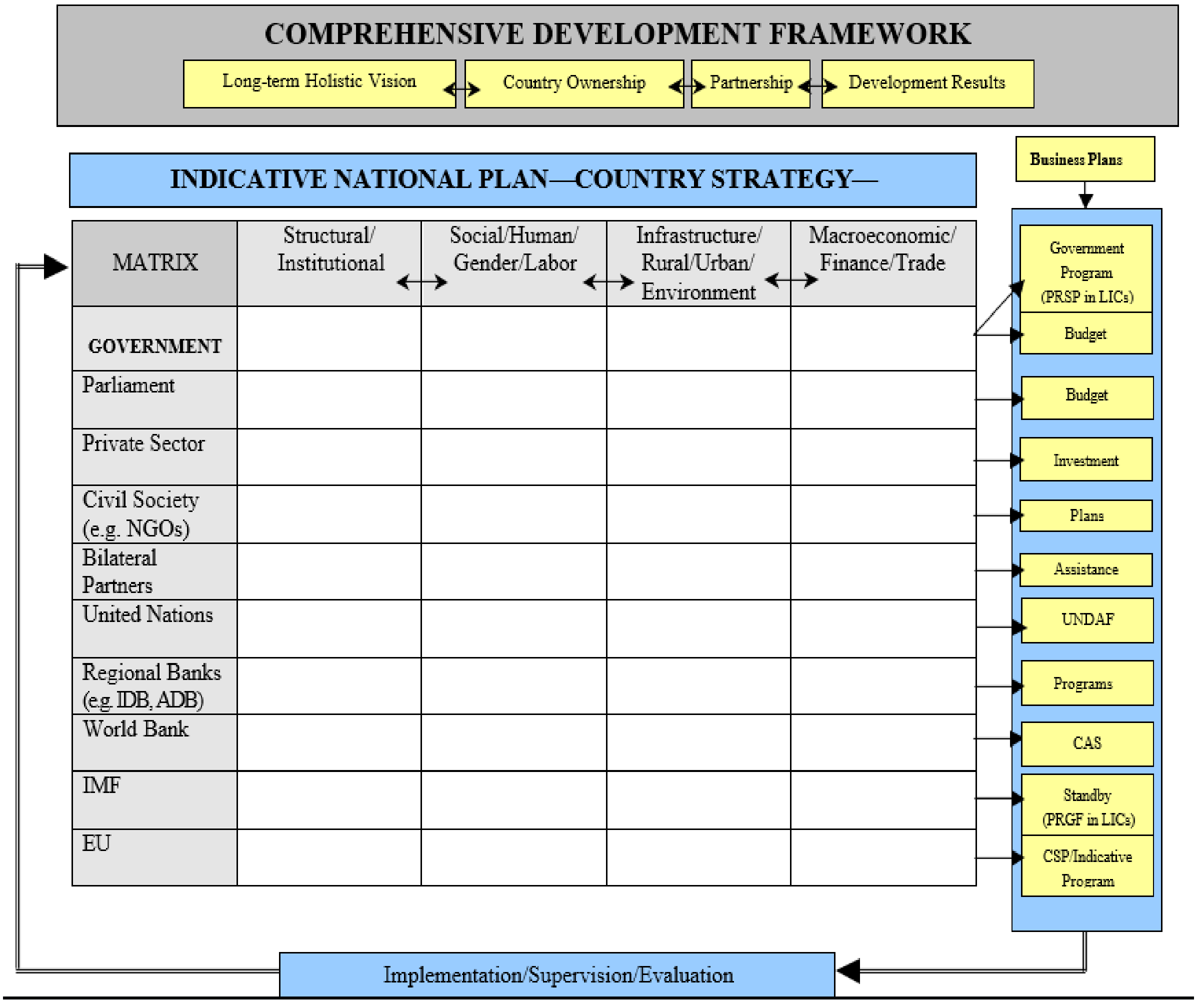
[54] A new concept of social democracy apprehension *Third Way*, implemented first by Clinton in the U.S. and by Blair in England; was consistent with the approach of the state on development process in 1997 report of the World Bank. See Blair and Schroeder (1999).

James D. Wolfensohn, on 21st January 1999, suggested a new development proposal named *A Proposal for a Comprehensive Development Framework.* The point making Wolfensohn's suggestion important was its feature integrating and correlating the functional work shared between IMF and World Bank. In fact, he proposed a mechanism establishing relationship between macroeconomic stability and development of social and structural dimensions in the form of a matrix.[55] The development discourse of the World Bank from 2000s and broadly until today has defined by the means of the matrix and the Bank has started to focus on the social aspects of development largely, beside institutional and political aspects.

Comprehensive Development Framework arranges relationships and duties of all stake holders and issues of development via a matrix (Table 16). The Framwork includes government, governmental bodies, private sector, funding agencies, social, structural and finance and business plans. Addition, implementation, supervision and evaluation of the development programs are included in the matrix as main factors effecting the development (Wolfensohn, 1999).

Table 16. The Matrix of the Comprehensive Development Framework.

[55] Wolfensohn stated that: *"World Bank and IMF are sister international organisations. IMF responsible for the macroeconomic stability and its control in countries while the World Bank responsible for the social and structural aspects of the development. Thus, these organisations are so close and complementary each other."* (Wolfensohn, 1999:3).



Source: Wolfensohn, 1999.

Cammack (2003:37) defined the matrix as the *mother of government*, a mechanism based on the object controlling of countries by IMF and World Bank. Therefore, the World Bank seized the strategic control of the debtor countries and governments and maked them responsible for the implementation of its policies through the matrix.

Comprehensive development framework strategies were largely implemented by the World Bank through its *Country Assistance Strategies, Country Policy an Institutional Assesments, Poverty Reduction Strategy Papers.* In addition, within the scope of the United Nations, World Bank tried to give legitimacy the Framework. The World Bank and United Nations do not have the same viewpoints on comprehensive development framework. There are some fundamental differences between them in this regard. The World Bank highlighted the interrelation of all elements of development-social, structural, human, governance, environmental, economic and financial. Beside that it emphasizes the importance of the partnerships among governments, donors, civil society. On the other hand, United Nations focused on the works in a variety of the ways to promote both economic and social goals without so much mentioning about that interrelation. Notwithstanding, United Nations have many practices and reports stressing the Comprehensive Development Framework.

The contribution of the United Nations to the development in theory and practice of governance can be seen at three points. The first was the United Nations Conference on Environment and Development, Rio Summit, in Brazil on June 1992 realized by the attendances of 153 country, 1400 non-governmental organization and 8000 media representatives. After that conference, putting into practice, of *Agenda 21*[56] at the local government level programs was a concrete example of governance.[57] The second was the report of the global governance committee, *Our Global Neighbourhood. Our Global Neighborhood* report defined governance as the sum of individual and institutional tools while nations managing their activities.

The third was the *Millenium Summit of the United Nations*. In that summit, the *United Nations Millenium Declaration* was published. The importance of the *Millennium Declaration* was incorporation of the issues related to human rights and human development in the declaration. With those new issues, the term of *democratic governance*[58] started to be used. Addition, the United Nations Development Program (UNDP) aimed to develop a governance-centered development policy increasing human

[56]Agenda 21 was a comprehensive plan and voluntarily implemented action plan of the United Nations with regard to sustainable development. Moreover, It was taken globally, nationally and locally by organizations of the United Nations System, Governments and Major Groups in every domain met in Rio Summit in 1992 in which adverse human impacts on the environment were considered as obstacles for susutainable development (For more details see the United Nations Conference on Environment and Development, 1992). Agenda 21 largely influenced the development discourse of the World Bank. Its report, Advancing Sustainable Development: The World Bank and Agenda 21 can be defined as evidence of that case. In that report,, the Bank determined its development discourse largely on the sustainable development in a broad perspective. The Bank aligned six principles for development through the report: Mainstreaming sustainable development, integrating social and cultural dimensions, investing in effective partnerships, building and sharing knowledge, measuring progress differently, mobilizing financial resources (For more details see World Bank, 1997b).

[57] After Agenda 21, the Bank decided to organize the World Summit on Sustainable Development (Rio+10) between August 26 and September 4, 2002 in Johannesburg, South African Republic in order to make an assessment of the last decade after the Rio Summit and to develop forward concrete strategies. .

[58] Preparers of the Millennium Declaration expressed that the generation of the term *democratic governance* by United Nations criticized by Richard Falk and he suggested *humanitarian governance* Instead (Fukuda-Parr and Ponzio, 2002).

development in *Human Development Report* (UNDP, 2002)[59]. That report defined the governance associated with the sustainable human development. In other words, in the light of sustainable development parameters, governance meant public administration with fair and effective justice system, and managing processes through the provision of broad public participation. Besides, the declaration outlined some facts such as common vision of peace and security, development and poverty eradication, securing human rights, democracy and good governance.

Millenium Declaration can not be defined as a decision agreed during a meeting, but the outcome of a complex and evolving configuration of forces that Robert Cox conceptualizes as an historical structure (Hulme, 2010:136). Cox (2002) defined and emphasized three categories of forces determining the policies of the World Bank (Figure 1). He explained the categories as follow:

-Material capabilities expresses technological and organizational capabilities with productive and destructive potentials. When this term evaluated in the context of the World Bank's Development Policies, it largely refers to the evolution of the capitalism through historical, social, cultural and political processes.

-Ideas, including intersubjective meanings, around which there is widespread agreement across a society, and collective images of social order which are often several and opposed. In respect of World Bank's development discourses, ideas implies the dominant economic theories of the time.

-Institutions, as combination of ideas and material power which are means of stabilizing and sustaining a particular social order. They reflect the power relations prevailing their point of origin and are often formalized as organizations. Institutions represents the World Bank here.

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[59] As a matter of fact, there are some differences between the United Nations and World Bank about the definition of the governance; however World Bank effected also from the United Nations's definition. According to the United Nations, the governance is a term providing respect for human rights and the rule of law; fortifying democracy, increasing transparency and capacity in public administration (UNDP, 2002). On the other hand, the World Bank is focused on the features of the governance which creates the reform of economic and social resource control (World Bank, 1992).

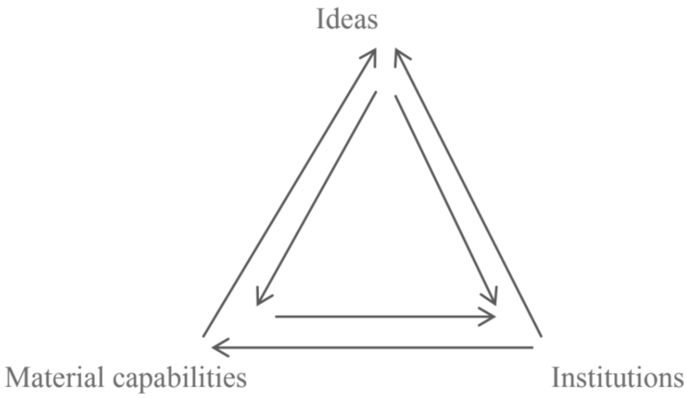

Figure 1. Representation of historical structure of three force categories determining the World Bank policies (Source: Cox, 2002:98).

In all those contexts, the World Bank's development discourse, especially after the 2000s, was representing the combination of governance, different ideas, achievement of material capabilities, institutional reforms and some specific policy instruments through the *Comprehensive Development Framework*. Those specific policy instruments were open and honest government, property and personal rights laws, financial regulatory systems, strong welfare measures, education and health policy provision; water, sewerage, electricity and transportation systems, preservation of culture and the physical environment; rural development and urban management policy (Table 17). It was claimed that Comprehensive Development Framework offered an integrated approach to the structural, social and human aspects of development (Wolfensohn, 1999:8).

Table 17. Comprehensive Development Framework and its strategies.

Structural Strategies	Human Strategies	Physical Strategies	Specific Strategies
-Constitution of good and transparent government	-Creation of quality education and knowledge institutions	-Water and sewerage	-Rural strategies
-Constitution of effective legislation and the justice system	-Focusing more on health and population issues	-Energy	-Urban strategies
-Constitution of well-organized and well-regulated financial system		-Roads, transports and telecommunications	-Private sector strategies
-Constitution social safety nets and social programs		-Sustainable development, environmental cultural issues	-Special and national conditions

Source: Yavuz, 2007:185-186.

As a matter of fact, the World Bank's adoption of Comprehensive Development Approach and vision of development were explained in the Bank's *World Development Report 1999/2000*:

> *"The idea that development has multiple goals and that the policies and processes for meeting them are complex and intertwined has provoked as intense debate on the wisdom of traditional development thinking. This report emphasizes the need to reach beyond economics to address social issues in a holistic fashion*."(World Bank 2000: 14).

Addition, Wolfensohn (1999:5) described the *Comprehensive Development Approach* as below:

> *"On one side of the coin, the macro-economic criteria; on the other side social, structural and human factors is located. Both sides need to be evaluated."*

In order to realize that, Wolfensohn suggested *Comprehensive Development Framework* described as a framework evaluating both national and international level without differentiating the macroeconomic and financial components from structural, social and human factors.

The Comprehensive Development Framework was also desribed as a new development theory by Hanna and Picciotto (2002). They explained main differences of new development theory from that of pre-Washington Consensus era symbolized largely by Keynesian economic thought and policies. On the other hand, they defined the development theory after 1980s largely represented the neoliberalism, structural adjustment policies and the basic principles of the Washington Consensus. The World Bank's development discourse was shaped and evoluted through these three different development theory and their main founders (Table 18).

Table 18. Three main development theories of the World Bank.

Planning	Adjustment	Comprehensive Development Framework
-Pervasive market failures -Government led failure	-Pervasive government failures -Market-led development	-Joint public-private-civil society failures -Country-led development through partnerships
-Centrally driven, detailed blue prints	-Short-term adjustments	-Long-term vision, social transformation, adaptive learning process

-Investment-led development -Resource allocation by a administrative fiat	-Incentive led-development, with investments and institutions following	-Investment, incentives, and institutions considered jointly
-Dominance of planners and engineers	-Dominance of economists and financial experts	-Multidisciplinary approach
-Resource gap filled by donors	-Resource envelope determined by donors	-Country-driven aid coordination based on comparative advantages
-Donor-placed foreign experts	-Donor-imposed policies	-Donor-provided advisory assistance to empower stakeholders with options
-Marginal role for monitoring and evaluation	-Donor-driven monitoring of policy implementation	-Participatory monitoring and evaluation to enhance learning and adaptation

Source: Hanna and Awargala, 2000:10.

The World Bank's development discourse has evoluted by *Comprehensive Development Framework* and largely based on the institutions and the term of governance especially until the end of the 1990s. Roughly whole 1990s represented the era of the World Bank in which it shifted from pure-neoliberal development policies to the policies neoliberal but at the same time, based on the state in required areas. In other word, 1990s symbolized the Bank's passing from the pure-neoliberal development discourse to the development discourse which largely adopted the market-state collaboration.[60] However, towards the 2000s, the picture has started to change again. Then, the World Bank started to focus on the more comprehensive development policies and discourses which can be defined as the combination and representation of the economic, political social and institutional aspects of the development. But as a matter of fact, those policies reflect the auxiliary mechanisms for neoliberalism and represent human and the softened face of neoliberalism only. This fact will be detailly evaluated in the next sections.

3.2.3. New Development Discourse: Combination of the Institutional, Social, Environmental and Political Aspects of Development under the Cover of the Neoliberalism

3.2.3.1. Comprehensive Development Years and World Bank

After initiating the implementation of Comprehensive Development Framework and its main principles, the World Bank started to focus on multiple development objectives.

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[60] These kinds of policies carried on both the Keynesian and neoliberal theories.

Those objectives included the creation of the essentials of good governance, the regulatory and institutional fundamentals essential to workable market economy, policies (in education, health and social protection) to accelerate inclusion, public services and infrastructure necessary for communications and transport, strategies for rural and development, and objectives to ensure environmental and human sustainability (Cammack, 2004:200). The Bank's tendency about embracing these kinds of objectives and main reaons for that were explained by Wolfensohn (1998:8). As known, he before largely criticized the Bank's pure-neoliberal policy implementations:

> *"Too often we have been too narrow in our conception of the economic transformations that are required-while focusing on macroeconomic numbers, or on major reforms like privatization, we have ignored the basic institutional infrastructure, without which a market economy simply cannot function. Rather than incentives for wealth creation, there can be misplaced incentives for asset stripping. Too often we have focused too much on the economics, without a sufficient understanding of the social, the political, the environmental, and the cultural aspects of society. We have not thought adequately about the overall structure that is required in a country to allow it to develop in an integrated fashion into the type of economy that is chosen by its people and its leadership. We have not thought sufficiently about the vulnerabilities-those parts of an economy that can bring all the building blocks tumbling down. Or about sustainability-what it takes to make social and economic transformation last. Without that, we may build a new international financial architecture. But it will be a house built on sand."*

Addition, some other expressions broadly defined the position of the Bank reflecting the new consensus and giving the best insider guide to the logic behind it:

> *"The World Bank's knowledge and experience put it in a unique position to advise governments on the policies they should adopt if they are to make progress. Under the 'structural adjustment' lending programs became important in the 1980s, the Bank paid governments to adopt 'sound' policies-flexible exchange rate regimes, low tariffs, market liberalization, privatisation and so on. Hence, lending was conditional on governments accepting the Bank's policy recommendations. But this form of conditionality has been unsuccesful: governments failed to deliver on promised reforms and actually held back from reform in the hope of being able to 'sell' the reforms to donors for a higher price or a second time. The Bank's threats to withhold funding from defaulters have often been exposed as empty. We now know from research evidence that lending to governments with poor policies is simply waste of money. The new perception is that reforms must be 'owned' by governments, ministries, and other potential beneficiaries if they are to be successful.*

> *This concept underlies the 'Comprehensive Development Framework' proposed by the World Bank President James Wolfensohn, whereby the multilateral agencies, non-governmental organisations and other donors jointly commit to borrow governments on development plans. The Knowledge Bank view implies that the World Bank should strongly support governments with sound policies that commit to this process, the researchers conclude."* (Cammack, 2004: 201- 202).

In the context of those goals and policies, the World Bank has increased cooperation with non-governmental organizations gradually.[61] Non-governmental organizations started to be often included in development policies and discourses of the Bank. Thus, non-governmental organizations started to play incremental role on the World Bank's projects.[62] When those organizations were examined at sectoral level, most of the projects of non-governmental organizations have focused on the education sector and social policies; which were designed to address the negative effects of structural adjustment programs and fight against poverty.[63]

The Bank's consultants expressed their expectations that non-governmental organizations would have a crucial role in the development projects of the World Bank. One of them, Place (1988:2) stated that:

> *"The most promising approaches, I believe, are those being taken by the NGOs. The challenge is how to learn from NGOs and involve government in this exercise, to forge a model approach. We must proceed cautiously and creatively. A new and dynamic partnership among government, private sector and non-governmental organizations must be introduced."*

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[61]The World Bank's cooperation with non-governmental organizations has formed in the 1980s. Formally, the World Bank-non-governmental organizations cooperation started to be implemented after the approval of the Bank's Board of Directors. In following years, the Bank's collabrations with non-governmental organizations have increased dramatically in both regional and international levels. With the Post-Washington Consensus and and through its *market friendly state* approach, non-governmental organizations have located in development discourse of the World Bank.

[62] For example, project participation rate of non-governmental organizations was only 25% in 1990. But, it reached to 52% and 72%, in 1999 and 2005, respectively (World Bank, 2006:23).

[63] Non-governmental organizations have participated in the World Bank education projects at the rate of 95% in 2001. The rates of participation of non-governmental organizations in the Bank's projects on social policies, transportation sector and structural adjustment , economic-fiscal aid were 93%, 66% and 13%, respectively (World Bank, 2001:4-5).

The approval of the non-governmental organizations as legitimize actors in development policies originated not only from their capacity to comply with the new economic and political context, but also from the constitution of knowledge and efficiency and connections with academia and the aid industry, giving rise a type of capital appreciated by Bank. In this respect, gradually the Bank was becoming a more open organization, something which should not be seen as a move solely to co-opt its critics, even if the strategy to cooperate with non-governmental organizations would help to limit the scope of its critics (Mendes-Pereira, 2016:822).

Addition the World Bank, after 1990’s has developed actions largely including, reach out programs and empowerment of poor through the strategies of the poverty reduction. However, development projects for the poor, the participation essential for prevent discontent of them, could turn into a social explosion due to the problems of the poverty (Zabçı, 2002:174). Especially in the early 1990s, the Bank gave support NGO participation in national poverty alleviation programs in poor countries such as Gambia, Ecuador and Guatemela. The World Bank also started to collaborate more and more with NGOs at all levels of the project cycle, including project identification and design (Akyüz, 2015: 482).

It would be said that the Bank’s evolving outlook on poverty has become the central purpose redefining its role and discourse. Gilbert and Vines (2006:88) noted that the current crusade within the Bank to make poverty reduction will be the core issue in the Bank’s agenda at the beginning of the new century. However, it can be stated here that the logic behind the Bank’s developmet discourses stays same and as a matter of fact, the Bank again adopts neoliberal development discourse. But that discourse is only disguised and softened through its expressions related to poverty and humanity problems. Although the Bank attributes those problems especially to the institutional and political inadequacies, most look like rooted from social deficiencies.

Considering the statements above, it could be stated that the World Bank’s conception of poverty changed. The Bank’s current conception of poverty mainly leans on the *human development approach* (UNDP, 1996). Human development approach represents a marked difference from conventional definitions since it does not mention income or expenditure but focuses on wellbeing as revealed by nutritional status, educational attainment and health status (Kanbur and Squire, 1999; Pender, 2001:406).[64] Income might be important for realizing of those outcomes, but there is no universal or guaranteed transformation of income into the mentioned outcomes.

Furthermore, more active strategies started to be traced by the World Bank about poverty. After the adoption of the Comprehensive Development Framework Approach, the Bank started to publish Poverty Reduction Strategy Papers as a part of the Highly Indebted Poor Countries Initiative. Those papers represented the Bank's main important policy tools and discourses. In general, those reports designed to reduce poverty through macroeconomics, structural and social policies and programs encouraging growth. In other words, the strategy of the Bank here was the elimination of poverty through the evaluation of the opportunities devoted to growth, creation of the good governance framework, giving priority to the education and health sectors and protection of the environment (Craig and Porter, 2003).

The World Bank's objective has focused on the global and national poverty reduction since 1960s as can be seen from the Annex 4. For realizing that, it enhanced the measurement ways and definitions of the poverty.[65] On the other hand, the Bank realized that poverty reduction depends upon a broad arrangement of activities containing systemic changes and targeted activities. Furthermore, those arrangements cannot be only about the monetary and macroeconomic issues.[66] In that context, the

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[64]Educational attainment, health status and nutritional status of people were largely measured by Human Development Index started to be used in the World Bank reports at the early 1990s. Especially after the millennium, this index was replaced with per capita GDP considered as the most proper mesaurement implying the progresses in development achieved by the World Bank. Human development index was strongly based on the capabilities approach of Amartya Sen. He emphasized that the overall freedoms of people lead to the kinds of lives they have reason to value (See Sen, 1999:10). Some other economists influencing the World Bank's development policies, created and developed human development approaches and also other social aspects of development (See, Burki and Ul Haq, 1981; Ul Haq, 1995; Thorbecke, 2009).

[65]The Bank's main mission was stated in that saying: *"Our dream is a world free of poverty."* At the first, growth was seen the only way to save countries from poverty through the suggestions of the main development theories. After that, events during the 1980s were changed the focus of the Bank in some way. Robb (2002:2) stated that: In the 1980s, the Bank's poverty reduction objectives were often overshadowed by the focus on economic adjustment to achieve macroeconomic stability and structural change as foundations for long-term growth. Toward the end of the decade, however, the Bank and other development agencies began to act for mitigating the consequences of economic and structural adjustment for the poor."

[66]After 1990s, the World Bank changed the measurement techniques and enhanced definitions of poverty. Extreme poverty, absolute poverty, destitution or penury were originally defined by the United Nations in

Participatory Poverty Assessment, a method including poor people in the analysis of poverty, was introduced regarding the objective of influencing policy. Addition, *Heavily Indebted Poor Countries Initiative* was designed in 1996 to reduce the debt of poor countries to make them able to spend less money on servicing their debt and more money on social expenditures. Addition, the *Poverty Reduction Strategy Papers* in 1999 was important initiative addressing poverty from different aspects.[67] After 2000s, that case started to reflect itself on the reports and publications of the Bank. As Wolfensohn stated that poverty reduction:

> *"Clearly involves the interplay of a number of issues: macroeconomic policy, private sector development, environmental sustainability, and investments in human capital-especially girls' education and early childhood development." (World Bank, 2005:51).*

In that context, the Bank started to redefine its development discourse and policies, especially after 2000s, with combining and correlating the institutional, political and social facts accepted as preconditions for effective development. Therefore, the most important and attractive point of the policies of the Bank were embracing and expressing to the term of good governance regarded as an imperative term and policy in order to achieve poverty alleviation. The World Bank's reports from 1997 to 2002/2003 largely summarized this tendency. Those reports generally have contained the main features of good governance and institutions, laws, policies, services and strategies needed to reach good governance (Table 19).

Table 19. The Good governance agenda based on items referred to World Development Reports.

	1997	1998	1999/2000	2000/2001	2001/2002	2002/2003
Characteristics of good governance[a]	18	17	16	19	21	25
Institutions for good governance[b]	8	11	10	17	21	21
Specific laws[c]	4	14	6	9	16	9
Specific policies[d]	6	10	13	20	22	20
Specific Services[e]	7	17	12	22	11	20
Board strategies for achieving specific	2	9	9	19	9	21

1995 as *"a condition characterized by severe deprivation of basic human needs including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services."* (United Nations, 1995). In 2008, *"extreme poverty"*, widely refers to earning below the international poverty line of $1.25/day (in 2005 prices), was set by the World Bank. On the other hand the Bank's definition of global poverty took in its scope referring the people live above $1 a day but below $2 dollars.

[67] Beck (1998) defined those papers as a wide-range of integrative framework for global growth and poverty reduction.

goals[f]						
Total	45	78	66	106	100	116

Source: Grindle, 2004:528.
Examples of items listed:
[a]Good governance means: checks and balances in government, decentralization, efficient/equitable/independent judiciary, free press, sound regulatory system, etc.
[b]Institutions for: bank and finance regulation, civil service, market efficiency, managing decentralization, participation, transparent budgeting, etc.
[c]Laws for: trademark protection, enforcement of contracts, biodiversity, foreign investment, labor standards, intellectual property rights, etc.
[d]Policies about: land reform, land policy, capital markets, community development, downsizing bureucracy, fisheries, insurance, social safety nets etc.
[e]Services for: HIV/AIDS, communications, public transportation, safe water, legal aid for the poor, microcredit, targeted transfers, etc.
[f]Strategies for:asset creation for the poor, capacity building in the public sector, empowering the poor, engaging the poor, environmental protection, knowledge development, private sector development etc.

In addition, the Bank began lenghtening its agenda for any given country and often associated the governance and poverty together through emphasizing the multiple aspects of the governance (Table 20).

Table 20. Dimensions of poverty and governance.

Poverty	Governance Issues
Empowering the poor	Rules for seeking and holding public office -Fair, transparent national electoral processes -Power-sharing arrangements to ensure stability in heterogeneous societies Oversight by political principals -Parliamentary oversight with independent audit institutions -Budget that is credible signal of government policy intentions -Pro-poor policies -Sound institutions for local and national representation
Improving coverage, efficiency, and sustainability of basic services	Adequate, predictable resources for sectors, local authorities -Pro-poor budget priorities for service provision -Stable intergovernmental transfers with hard budget constrains -Hierarchical and transparent budgeting processes Demarcation of responsibilities for delivery -Assignment of responsibilities according to subsidiary principle -Capable and motivated civil servants -Merit-based recruitment and competitive pay -Hiring to fill real needs, within a hard budget constraint -Public service that earns respect Accountability downward -Publication of accounts for local-level activities -Dissemination of basic data on performance -Mechanisms for client feedback, including report cards and client surveys Flexible delivery -Involvement of civic and private (for profit) partners Development of local capacity -Incentives to deploy staff to poor and remote areas -Appropirate autonomy in deploying staff
Increasing access to markets	Legal and regulatory framework -Enforcement of antidiscrimination legistation -Incentives for deepening of credit and land markets

	Methods for reducing exclusion -Enforcement of legistation against barriers to entry -Provision of information on labor and credit markets Demarcation of responsibilities and budgeting procedures to support development and maintenance of infrastructure (e.g., rural roads) to enable physical access to markets
Providing securityfrom economic shocks from corruption, crime and violence	Rules for sound economic management -Hard for budget constraint for subnational and aggregate fiscal discipline -Efficient administration of tax and customs -Independent central bank to carry out monetary policy Safeguards against economic vulnerability -Recognition of property rights over physical assets -Access to speedy social insurance and other services through hub-and-spoke arrangements Enforcement mechanisms -Independent and adequately funded court system -Access to speedy recourse and redress -Reliable and competent policy Efficient courts with competent judiciary and legal personnel -Alternative mechanisms for dispute resolution

Source: World Bank (2001, Chapter. 7:9); Transmitted by Grindle, 2004: 529-530.

In that context, it might be concluded that the development discourse of the Bank was defined by almost completely institutional aspects called governance in the early 1990s. But after 2000s, the governance debates of the World Bank grew out and the Bank started often to give place to the term of *'good governance'*. The Good governance was broadly defined in the World Development Report 2001/2. The Report focused on the creation of the key aspects of the agenda for governance, development and reforms: Rule of law, enforcement of the transparency in public services to provide efficiency and effectiveness; reducing uncertainties and instability in the economic and political environment; providing efficient public services for basic social services such as schools and healthcare centres (Fukuda- Parr and Ponzio, 2002:3). However, as previously mentioned, this orientation of the World Bank from the governance-based development discourse to the sustainable and human-centered development discourse can be explained by its aspiration to facilitate the implementation of structural adjustment programs and the principles of the market fundamentalism through creation a regulatory framework that would make it possible.

However, it is possible to emphasize that the Bank's discourse focused on the good governance and comprehensive development was unconvincing. Because, it shows a continued reluctance to determinate the important role of the state in development process, abolishing interventipon as insignificiant and reducing the terms of the good governance and comprehensive development to totally technical questions of policy-making. On the other hand, the World Bank was still abstracting from the world's inequality fact inherent in capital accumulation while it is determining new discourses (Kiely, 1998:697).

3.2.3.2. Towards the Adoption of the Inclusive Growth Strategy

Roughly after the mid 2000s, the World Bank started gradually to shift away from the conventional principles of the Post-Washington Consensus. The Bank's report Economic Growth in the 1990s *Learning from a Decade of Reform in 2005* and the report of Commission on Growth and Development (CGD)[68], a committee consist of prominent economists and leaders of successful economies and sponsored by the Bank, *The Growth Report: Strategies for Sustained Growth and Inclusive Development in 2008*, and the World Development Reports of 2008 and 2009 of the Bank are kinds of proofs of this shift.

According to the Bank based on its experiences, there was an economic collapse in the transition economies of the former Soviet bloc despite of International Financial Institutions guidance. Addition, Sub-Saharan African countries have failed to take-off although significiant policy reforms and aid debt forgiveness were applied in the region. Consequently, there were recurring financial and balance of payments crises in the reforming countries and the Bank also expressed that most poor countries have failed to match their growth and development performance in the pre-reform period (Saad-Filho, 2010: 10-11). Those cases started to be emphasized and there has been too much emphasis on institutions and government behaviour in development process (CDG, 2008:54). On the other hand, those developments recalled that institutional reforms should not be overambitious but they should be politically practical and advisable on grounds (World Bank, 2009:7). Furthermore, economic policy requires contextuality; it must offer a framework that should help policymakers create a development strategy of their own (CGD, 2008:2-5).

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[68] CDG refers to an independent group which consists of policy makers, business leaders, and scholars, supported by the World Bank, the Hewlett Foundation, the Governments of Australia, Netherlands, Sweden and the United Kingdom (CDG, 2008:13).

Addition, distributive concerns have come to the stage again and the Bank largely oriented itself to scrutinize the existing work on governance and institutional arrangements with binding them political and social aspects which can deliver sustained growth. In that context, the World Bank has begun to support the Inclusive Growth Theory in the late 2000s, which emphasizes the importance and accepts of growth for poverty reduction that wide range of policy combinations can deliver (Saad-Filho, 2010:13).

Table 21. Characteristics of the Washington-Post Washington Consensuses and Inclusive Growth.

Washington Consensus	Post-Washington Consensus	Inclusive Growth
Secure property rights	Anti-corruption	Competitive environment
Deregulation	Corporate Governance	Government commitment to growth
Fiscal discipline	Independent central bank and IT	“Good policies”
Tax reform	Financial codes and standards	Public sector investment
Privatization	Flexible labour markets	Labour market deregulation
Reorientation of public expenditures	WTO arrangements	Employment and productivity growth
Financial liberalization	“Prudent” capital account opening	International integration
Trade liberalization	Non-intermediate exchange rate regimes	Exchange rate management
Openness to FDI	Social safety nets	“Prudent” capital account opening
Unified and competitive exchange rates	Targeted poverty reduction	Social safety nets

Source: Saad-Filho, 2010:14.

Addition, the Bank started to define the pro-poor policy, growth and poverty reduction discourses. While all of them were accepted by-products of growth, the correction of macroeconomic imbalances and improvements in macroeconomic policies and governance after the mid 2000s, pro-poor policy, growth and poverty reduction started to be evaluated apartly. In that context, the World Bank and CGD reports addressed specific policies and discourses focusing on the poverty and pro-poor growth:

> *"Policymakers who seek to accelerate growth in the incomes of poor people would be well advised to implement policies that enable their countries to achieve a faster rate of overall growth. A successful pro-poor growth strategy would thus need to have, at its core, measures for sustained and rapid economic growth and development. These ingredients; good policies, stability and public goods were essential in facilitating private initiatives and investments among the non-poor and especially the poor."* (Besley and Cord, 2007:19).

The inclusive growth theory and its main principles and policies were essentially identical to the Post Washington Consensus, plus a government-private-sector-led push for growth and development. The World Bank has conceded nothing of substance either on the content of its preferred policies or on the primacy of growth (rather than distribution) to improve the poor; but only lip service was paid to the signifiance of equity (Saad-Filho, 2010:14).

It is possible to state that although the World Bank has started to emphasize more on the concepts such as inclusive growth, poverty, poverty reduction, sustainable development beside its institutional and governance discourses, it contunies recycling, expanding and updating its neoliberal agenda in sensitive areas. All discourses of the Bank were anchored on the pillars of dominant program refreshed by the main principles of the new institutional economics and its theories; such as insulation of economic policy, governance, institutional reforms, poverty relief policies, increasing collaboration between the government and non-governmental organizations.

However, the Bank's policies are still determined through the principles of a minimalist state, free market and open competition, by means of the privatization of enterprises, deregulation of state, trade liberalisations, reduction in government expenditures. As a matter of fact, those policies of the Bank underlines economic values above social justice objectives and environmental concerns. There are some evidences from developing countries about this case. For instance, Amann and Baer (2002) putted forward the positive correlation between the neoliberal agenda and a number of people in poverty. There is also growing body of research underlining that the wrecking consumption patterns of non-poor groups (particularly high income groups) and the production and distribution systems operated by neoliberalism and its assisted globalization are making contribution marginally to environmental degradation (Tamazian et al. 2009 and Saboori et al. 2013; Transmitted by Kumi et al. 2014: 545).

Another point needed to touch on is the World Bank's orientation to the environmental issues and binding them economic, political institutional, social aspects of the development directly or indirectly. In other words, the Bank incorporated environment into its dominant political agenda. In the early 1990s, the World Bank had become politically defenseless to criticism of the socioeconomic liability of its infrastructure and energy projects; in that context while trying to escape from being defensive, the World Bank started to mention about the concepts such as the 'environmental policies and environmental administration' and to look for making itself an international leader also in this area. This tendency of the World Bank has begun generally with the World Development Report 1992, through the slogan of the *sustainable development* which is compatible with the claims of the neoliberal agenda. In its other World Development Reports (1993, 1994, 1999, 2001, 2003, 2004, 2007, 2010), the World Bank has expressed the importance of the environment in order to realize the economic development, but generally reports ignored the *environmental injustice*, which marked contemporary societies especially in poor and developing countries, characterized by the concentration of power in appropriation of socio-environmental resources and in the impositions of a greater amount of environmental damage on lower income and subordinate ethnic groups (Menders-Pereira, 2016:821).

However, the World Bank's policies about environment guarentees efficiency and competition require deregularising of market forces. The Bank tries to create the situation for environmental governance and continues to think that natural sources will be efficiently utilized given that the market operates liberally without any intervention from the government.

Addition, 2008 crisis has played major role in arranging policy responses to the World Bank. Under that circumtances, it is possible to state that the World Bank's representation of institutionalized voice, beside its new role and incremental shift were towards wider participation in the governance of the international economic and financial system. In the light of this advance, it can be said that the evolution of the international political economy under the influence of major powers notably the United States and the rise of significant emerging market economies recognized by the G20 as a tectonic shift in the global economy were altering both power balances and levels of economic integration in the international system (Cammack, 2012:2).

As a matter of fact, 2008 crisis composed the conditions for the international organisations led by the World Bank, IMF, OECD etc. to increase the eastward and southward shift of the centre of gravity of the global economy and gave rise to a new hegemonic discourse of global developmental liberalism which constituted by the World Bank and IMF broadly; and also other related international organisations. With another saying, the crisis brought about the required conditions for the new authority of the G20 and the emerging economies. In the Spring of 2008, even before the crisis, recession in the US and appearance of the emerging economies forecasted by IMF:

> *"All eyes now turn to the world's leading emerging economies. They have come of economic age in the past half-decade diversifying their exports, strengthening their domestic economies, and improving their policy frameworks. It is conceivable that their strong momentum, together with some timely policy adjustments, can sustain both their domestic demand and the global economy*."(IMF, 2008: vii).

In the light of this expression, it is proper to say that the World Bank's agenda continued to advance and adapt to the new international situation opened by the 2008 crisis damaged the USA, Japan and the Eurozone. That crisis accelerated the World Bank and its portfolio reached maximum level since the foundation the Bank. On the other hand, the content of conditionalities dictated to several countries demonstrated the force of neoliberal political agenda with its hardest point, sustained by the maintenance of the domination of the U.S. and its principal European allies over the Bretton Woods institutions (Mendes-Pereira, 2016:834; Wade, 2013:5-39).

Therefore, it can be understood that the crisis brought about the new world economic order, the new authority and power of the emerging states; such as Brazil, China, India, Indonesia, Mexico, South Africa and South Korea. World economic order was desired to be established by the World Bank and IMF with close support of the Financial

Stability Board, OECD, International Labour Organization (ILO), United Nations Conference on Trade and Development (UNCTAD) and other international and regional organizations (Cammack, 2012:8). In the context of these advances, the World Bank started to define its development discourse within the framework of the IMF, OECD and UNDP through the setting of structural reforms. For instance, by November 2010, the Seoul Action Plan was implemented with guidance of the OECD, IMF, World Bank, ILO and other international organizations as indicated by Annex 5. Therefore, the Bank has looked for collaboration with those organizations in order to create stable monetary and exchange rate policies, trade and development policies (with a renewed commitment to free trade and investment); fiscal policies (with advanced economies enjoined to formulate and implement clear, credible, ambitious and growth-friendly medium term fiscal consolidation plans'), financial reforms, and significiant structural reforms (Cammack, 2012:8).

In that context, World Bank defined New Africa Strategy through its collaboration other international organizations in 2011:

> *"Pillar 1 focuses on competitiveness and employment, covering all traded goods and service sectors (for example, light manufacturing, agribusiness, mining information and communication technology and tourism) as well as key domestic sectors that support competitiveness (for example, agriculture, transportation, utilities, education, and skills development, construction, and retail). A priority will be to focus reforms and public investments on area of highest growth potential, a healthy and skilled workforce, women's empowerment, and regional integration programs. Strategically targeted interventions will be complemented by deeper and broader interventions targeted at each of the three main investment climate constraints: infrastructure, business environment, and skills."* (World Bank, 2011:1).

Addition, World Bank started to give place the larger projects in order to construct a global and stable market economy. In order to establish the world market, the most crucial role considered belongs to the emerging economies especially in Asia that reflects broader strategic political context surrounding the lasting foundation of liberal market economies. In that context, the World Bank collaborated with the Asian Development Bank focused on the countries such as China, India, Indonesia. Addition, The Bank also suggested development policies for Armenia, Azerbaijan, Cambodia, Georgia, Kazakhstan, Malaysia, Thailand and Vietnam. the Bank suggested them to have strong institutions and good governance in order to provide incentives to the vast majority of citizens to invent, to be enterpreneurs and innovate; that were defined as the critical elements to achieve overall policy framework based on competition and rewards innovation (Asian Development Bank, 2011: 57-58, 86-88).

Before mentioned, the Bank started to give importance to the social aspects of development since 1990s and added poverty reduction and poverty problems into its development discourse. But, actually the Bank's logic was quite different before. For instance, in its pivotal 1990 World Development Report, the Bank advocated the *productive use of the poor's most abundant asset-labor*, and called for *policies that harness market incentives, social and political institutions, infrastructure and technology*. Although the Bank started to emphasize more the social aspects of development and poverty problems after 2000s, in fact, its former logics related to neoliberal policies continued as covered The Bank's 2000/2001 World Development Report. The main aims of *Attacking Poverty* were:

-Enhancing the capabilities of poor people and creating opportunities for them through complementary actions to stimulate overall growth, *make markets work for them* and build their assets.

-Empowering poor people by giving them a voice and chance to participate in the decisions that affect them.

-Providing security for poor people and reducing their vulnerability to the adverse shocks by preventing the occurrences of shocks, or reducing the severity of their impacts and helping the poor to cope with the shocks (World Bank, 2001:19-20).

Addition to the reports, the same logic was seen in the strategies applied by the Bank; such as Comprehensive Development Framework, the Poverty Reduction Strategy Papers, and the Heavily Indebted Poor Countries initiative. The core idea was not only attacking poverty as presented, but it was attacking the poor by changing the structures of incentives, propeling poor people into labour markets inherently unstable and exploitative and presenting the outcomes as empowering of the poor (Cammack, 2002).

In mid-2011, the World Bank launched consultation dealing with social protection and poverty reduction policies, which was prepared more strategically and systematically than older ones. The consultation revised on the subject with social protection and poverty stance and defined the Bank's new 3P focus; Protection, Prevention and Promotion (Figure 2):

> *"Both social protection and labor policies promote opportunity, productivity and growth, notably through building human capital, assets and access to jobs, and by freeing families to make more productive investments because of their greater sense of security.*
>
> *People across the world are striving to improve their livelihoods while addressing risks which range from systemic shocks such as economic crises or natural disasters, to more idiosyncratic shocks such as unemployment, disability and illness. For them, it is essential to have institutions that enhance both their resilience and their opportunities key among which social protection and labor institutions."* (World Bank, 2011:1)

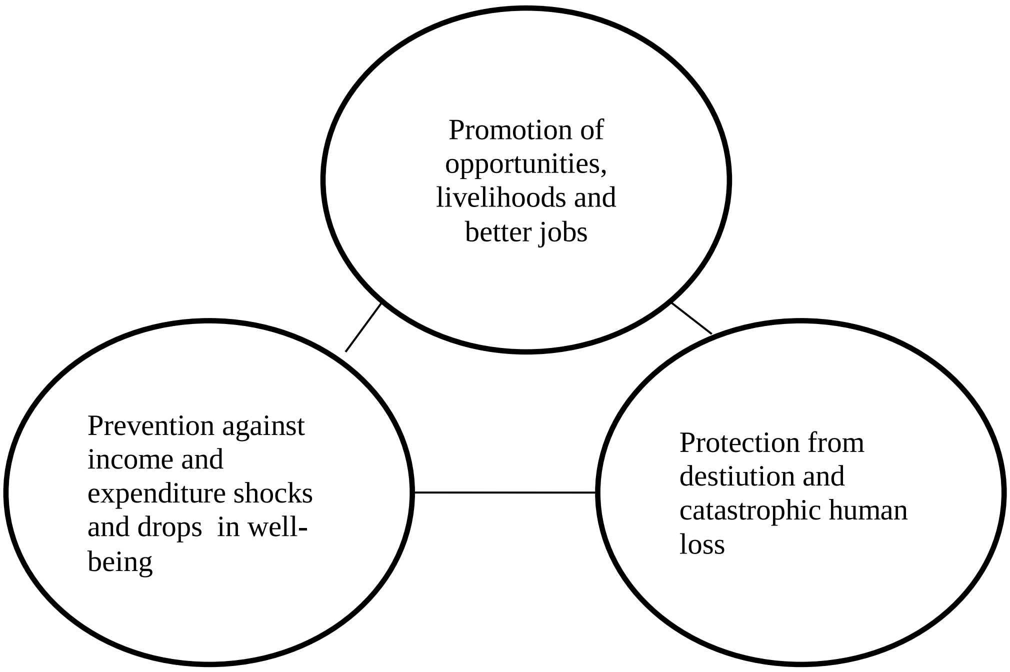

Figure 2. The World Bank's '3P' framework: Functions of institutions for resilience and opportunity (Source: World Bank, 2011:1).

However, the World Bank's policies and discourses was still based on the neoliberalism, sustained market-led development and the globalization of the market forces. The strategy to reach aims of those policies is only refreshed and transmitted through greater globalization seen as a complementary tool for the contunied expansion of markets at global scale. Enhancing the productivity of poor and linking to the labour market is the greatest objective of the World Bank's discourse of social aspects of development and poverty reduction. The only thing changed is the representation style of neoliberal policies and their simulation as if they give substantial importance to the social issues.

Addition, the Bank's discourse centered on the U.S. and Western Europe and mainly based on the extension of global markets through the principles of the new institutional school of economics. Global governance in order to legitimize the neoliberalism was crucial; therefore, that discourse was introduced by the Bank from different concepts such as sustainable growth, inclusive growth, development and poverty reduction. But, those concepts only strengthened the global governance discourse and legitimized neoliberal agenda of the World Bank. That case was apparent in the 2011 report of the World Economic Forum:

> *"There is growing divergence of opinion between countries on how to promote sustainable, inclusive growth and development. To meet these challenges, improved global governance is essential. But this is another 21st century paradox: the conditions that make improved global governance so crucial divergent interests, conflicting incentives and differing norms and values are also the ones that make its realization so difficult, complex and messy."* (World Economic Forum, 2011:6).

Addition, the relationship between the International Development Agency and International Bank for Reconstruction and Development strengthened especially after the global financial crisis 2008 caused by increased competition between attractive sources of funding *i.e.* the public banks of emerging economies like China and Brazil and recently created Bank of the BRICS as denoted by Annex 6.

The World Bank's policies and discourses after 2011 reflected more sophisticated and auxiliary agenda of its neoliberal policies. This fact can be seen in the Bank's loans directly aiming institutional reforms, social and environmental policies and increased number of projects indicating the importance of greater poverty relief, environmental adjustment and the reconfiguration of basic services through the underpinnings and tenets of neoliberalism. That tendency of the World Bank reverberated in the World Bank World Development Reports. For instance, the report of 2012; *Gender Equality and Development*, was largely criticized due to its ahistorical and apolitical representation of gender and gender equality. Addition, informality and insecurity normalized in this report; thereby, it was expunging neoliberal-led capitalist relations of exploitation and domination, which defines the social context for many women living in the Global South and interests of corporations in transforming the formerly excluded segments of the South women into consumers and enterpreneurs (Roberts and Soederberg, 2012: 949). On the other hand, World Development Report 2013, *Jobs*, defines the importance of neoliberal agenda and its main principle liberalization in order to make job creation. The report emphasizes that liberalization of sectors such as electricity, finance, telecommunications and trade has direct impact on production and transaction costs making downstream sectors more competitive (World Bank, 2013: 308). World Development Report 2014, *Risk and Opportunity, Managing Risk for Development*, emphasizes the substantiality of the financial liberalization for growth and development, but beside that the necessity for the strong institutions as insurance against sudden stops and volatility (World Bank, 2014).

As a matter of fact, *Millenium Development Goals*, which includes the targets for 2015 and following years; were largely defined through the support of the World Bank and other multilateral organisations which they have determined the World Bank's development discourse and policies especially after the 2000s. As previously mentioned, the tendency of the Bank about emphasizing and giving importance to the social aspects of development such as poverty eradication, environmental sustainability, provision of the gender equality etc. is a kind of evident case of covered neoliberalism. However, it is possible to state that the *Millenium Development Goals* emerged at a time when the previously dominant model for world development, neoliberal capitalism, was being largely interrogated. Thus world leaders and World Bank and other multilateral institutions were under pressure to create a vision of how the world would be different and better in the new millennium and after that. The Goals act as a global advocacy what the international economic system is not to do, however, the rhetoric around the *Millenium Development Goals*, especially on poverty reduction commitments masks threatening realities. First, the Goals related to poverty are not seperated from neoliberalism's principles; second the Goals would seem to represent a superficial fix rather than seeking to address the structural causes of poverty. Addition, these goals do not challenge or modulate commitments in the areas of trade and investment in which powerful states and their industries benefit at the expense of achieving the *Millenium Development Goals* (Salomon, 2009:47). The Goals, created with the intent rather than policies, the poverty reduction objectives and other social aspects of development, is baffled by the neoliberal policy base. Those goals represent only the re-negotiate version of neoliberal development thinking through the framing of the poverty reduction strategies and other social aspects of development.

Consequently, it can be stated that roughly the last 20 years the agenda and the development discourse of the World Bank until today has met with incremental change, which has gradually become more politicized, intrusive and encompassing. The Post-Washington Consensus era of the World Bank has brought about the expression of the development discourse from only the institutional and governance perspective roughly in the first few years of Bank. But, then, the discourse was shaped by considering social, political and environmental aspects, beside the institutional aspect within the basis of the new institutional school of economics. After that, the Bank's discourses were on this axis defined by the terms such as governance, institutional reforms, poverty reduction, social participation of the poor and non-governmental organizations, sustainable development, social development etc. However, the Bank's sustainable development approach emphasizing all aspects of development *i.e.* the institutional, social, political, environmental seem to be used as a concept allowing the expansion of neoliberal policies to sweep through governments, especially those highly indebted to the World Bank. Addition, the main aim of the new institutional school of economics and in that context the Bank's institution discourse on development are not to promote development but rather to articulate the ruling elites of the third world countries into the global system. The development discourse of the World Bank defined by the new institutional school of economics and its main principles represents the recycling and modulating its neoliberal agenda, expanding and updating it in sensitive areas.[69] But all those advances functioned as auxiliary mechanisms of its neoliberal agenda throughout 20 years and the Bank exploited the synergy among money, political prescriptions and economic knowledge to enhance its impact and institutionalize its agenda at the international level through its situpulated singular conditions and inculcations of ideas

[69] In other saying, these policies and discourses of the World Bank were created in order to maintain the unjust policies of neoliberalism, to prevent the broad masses from turning to radical groups and integrate them into the system.

as a lender, formulator and connector of development policies (Mendes-Pereira, 2016: 835).

CONCLUSION

In the Bretton Woods institutional architecture, the World Bank was designed as a principal organ dealing with the development issues. Since its establishment meaning more than half century, the World Bank has experienced interesting and sharp discourse shifts. Therefore, the Bank's development discourse has undergone transformation several times as follows; restructuring of Europe through the Marshall Plan, determining the development framework of the countries in the decolonization process, imposing of the industrialization models based on the modernization theory and import substitution industrialization strategies; without taking into consideration the risk of the international debt crisis opening of the periphery markets to the effects of the global capital market environment through the structural adjustment policies and taking on the advocacy of the good governance and fighting against poverty.

In its first years, the Bank aimed the recovery and reconstruction of the countries which largely devastated by the Second World War. It focused on especially the development of the Western Europe countries through the Marshall Plan.

World Bank and its development discourses were also influenced by Keynesian economic theories few decades just after its establishment. Then, the development economics started to rise and gradually impact the Bank's policies after the 1950's. The interaction between the Keynesian economics and the main theories of the economic development enhanced thanks to the similar approaches of these economic branches. After the Second World War, the desire of the stimulation of the international trade and capital movements, in order to realize that the idea about the importance of the less-developed and developing countries towards the interests of the US as a hegemonic power of the international economic system and also other powerful states in the Cold War years has been influential on the emerging of the development economics as a separate discipline.

With the recognition of the development problems of the Third World Countries towards the end of the 1960s, Bank started to define its development discourse largely on the axis of the poverty alleviation. On the other hand, neoliberal and neoclassical economic theories largely started to show its effect on World Bank's policies since application of the interventionist policies encountered significant difficulties due to failure of the Keynesian economic theories, the Vietnam War and global petrol crises. . Throughout the 1980s, Bank broadly focused on the structural adjustment loans and policies. In that context, it aimed the intragration of the developing and less-developed countries to the global economic system. As for the implementation of the Washington Consensus and its main principles, Bank determined its development discourse through the pure neoliberalism and pure neoclassical economic theories.

However, after the mid 1990s, the pure neoliberal and neoclassical development models were considered unsastainable to solve golbal development problems. Addition, the economic crises World faced during the 90s in different regions such as East Asia, Mexico, Russia, Argentina etc. made more difficult the application of those ecomomic models. Then, the importance of state and institutions in development process were realized under the effect of the new institutional school of economics. In that context, roughly after the mid 1990s, the World Bank gave significant importance and large place to institutions, institutional reforms, and also the term of governance in its development discourse.

Finally starting from the 2000s until today, the development discourse of the World Bank was largely defined on the axis of the *Millenium Development Goals* of the United Nations. The terms such as the sustainable development, human development, environmental sustainability, participation, transparency, democratization, globalization started to use oftenly by Bank. The development discourse of the Bank can be described as the combination of the institutional, social, environmental and political aspects of development under the cover of the neoliberalism.

Evolution of the Bank's development discourse, alongside the progress and the change in international development thinking and economic theories, is also affected by the social, political, and economic affairs. For instance, with *1992 Rio Conference* environmental issues came into the development agenda and sustainable development approach emerged. In that context, World Bank advocated that development largely depends on the environmental sustainability in its *1992 World Development Report*. Moreover, through relying on the rapid development especially of the East Asian countries Bank boasted its free market approaches. However, after the 1997 financial crisis, adverse results arising from the exclusion of the state from the development process of the countries started to debate.

At the same time, Bank is the main institution shaping the international development thinking and policies. By means of its World Development Reports publishing since 1978, Bank show its development experience with the help of its research departments which expanding the understanding of development and development theories. Development agendas of the many countries of the world, tend to benefit and influence from them. But beside that current issues of the development economics, theories and their assessments can be found in the reports published by the World Bank.

Concisely, towards the economic, social and political advances, and also with the political priorities and interests of its major supporter U.S., the Bank became the main advocate of different development discourses. World Bank adopted the more interventionist discourse starting from its establishment until the mid 1960s. Then starting from the mid 1960s and at early 1970s, Bank adopted the discourses largely based on the social justice and development of the Third World Countries. Roughly in 1980s Bank advocated the radical neoliberal, and starting from the mid 1990s to today, it became a major advocate of the neoliberal discourse including more justice and social features so-called.

Briefly, it is possible to state that the World Bank defined its development discourse by the evolution of the dominant and current theories of the development and also the economic theories. But at the same time, the Bank is the main creator of that evolution. For over the 70 years, this situation has continued. Therefore, that mutual interaction between the evolution of the World Bank's development discourse and also the evolution of the development and economic theories seems to go on in future.

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ANNEXES

Annex 1. Debt- related capital flows to Latin America between 1978 and 1993.

Flows and transfers[a]	Prelude, 1978-1981	Beginning through Baker, 1982- 1985	Baker through Brady, 1986-1989	Post-Brady 1990-1993
	Billions of U.S. dollars (Annual averages of 1978-1993)			
Net Flows				
World Bank	1.0	1.8	1.7	0.7
IMF	(0.1)	3.1	(0.4)	(1.0)
Official (excluding World Bank, IMF)	2.6	0.4	3.1	3.7
Private (publicly guarenteed)	15.6	11.8	1.4	1.0
Private (non guarenteed)	7.4	(0.5)	(2.4)	7.2
Net Transfers				
World Bank	0.4	0.8	(0.3)	(2.1)
IMF	(0.2)	2.6	(1.6)	(2.2)
Official (excluding World Bank, IMF)	1.6	(0.8)	1.6	0.7
Private (publicly guarenteed)	6.4	(6.0)	(15.3)	(7.9)
Private (nonguarenteed)	3.1	(7.7)	(6.1)	5.0

Source: World Bank, *World Debt Tables*, 1991b, 1992b, 1993b and 1994b transmitted by Kapur et al., 1997: 629.

[a]Net flows on debt are disbursements minus amortization. Net transfers are net flows minus interest payments.

Annex 2. World Bank Adjustment Lending, 1980-1993, by Country Categories.

Loan and borrower	1980-1982	1983-1986	1987-1990	1991-1993
	Annual Averages, millions of 1990 U.S. dollars			
Adjustment Lending	1,412	3,553	5,597	4,744
Adjustment Lending/ Total loans (percent)	7	18	26	23
SAL / Total AL (percent)	87	40	45	51
SECAL/Total AL (percent)	13	60	55	49
Borrowers				
Africa	320	916	1,305	1,049
Percentage of Total AL	23	26	23	22
Number of loans	3	10	18	14
East Asia	301	389	687	147
Percentage of total AL	21	11	12	3
Number of loans	1	1	3	1
Europe and Central Asia	440	572	498	924
Percentage of Total AL	31	16	9	19
Number of loans	1	2	2	4
Latin America and Carribean	95	1,257	2,284	1,527
Percentage of Total AL	7	35	41	32
Number of loans	2	5	9	10
MENA	0	229	437	474
Percentage of Total AL	0	6	8	10
Number of loans	2	1	3	4
South Asia	256	189	386	621
Percentage of Total AL	18	5	7	13
Number of loans	2	1	3	4
HIC'S[a]	165	2,020	3,015	1,743
Percentage of Total AL	12	57	54	37
Number of loans	1	7	11	13

Source: World Bank Financial Database and Kapur et al., 1997: 520.

[a]Highly indebted countries were Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cote d' Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippiness, Uruguay, Venezuela, and Yugoslavia (until April 1993). It does not include 1993 loan to Slovenia for $ 80 million.

Annex 3. Augmentation of pure-neoliberalism: The ‘Augmented’ Washington Consensus

Washington Consensus (the original ten)	**Augmented Washington Consensus (original Washington Consensus plus..)**
1.Fiscal Discipline	11.Central bank independence and inflation targeting
2.Redirection of public expenditure towards basic education, primary health care, infrastructure	12.Reform of both public sector and private sector governance
3.Tax reform	13.Flexible labour markets
4.Interest rate liberalization	14.WTO agreements and harmonisation of national standards with international standards in business and finance, but with exceptions (most notably environment and labour)
5.Competitive exchange rate	15.Strentghening national financial systems to facilitate eventual capital account liberalization
6.Trade liberalization	16.Sustainable development
7.Liberalisation of FDI flows	17.Protecting the vulnerable through safety nets
8.Privatisation	18.Poverty Reduction Strategy Papers (PRSP)
9.Deregulation	19.Country ownership of policy agenda
10.Secure property rights	20.Democratic participation

Source: Williamson, 2000; Rodrik, 2002:10 and 2006:978.

Annex 4. Chronology of the World Bank poverty-related programs.

Year	Important figures	Solution of Poverty
1960s	International Development Association, 1960	Promotion and maintenance of the economic growth
1970-1990	Robert McNamara, President, 1968-1981	From 1970's to the early 1980's: macroeconomic stability, private sector development, environmental sustainability, investments in human capital, especially education and health expenditures. From the early 1980's: Application of the principles of structural adjustment and market fundamentalism
1990s-2000	Participatory Poverty Assessments (PPA), 1994 James D. Wolfensohn, President, 1995-2005. Heavily Indebted Poor Countries Initiative (HIPC), 1996. Voices of the Poor 1999; built on previous PPAs Enhanced Heavily Indebted Poor Countries Initiative (EHIPC), September 1999. Poverty Reduction Strategy Papers (PRSPs), Novermber 1999.	Human development, environmental sustainability, investments in human capital. Economic growth started to be seen as an instrument to realize them.

Annex 5. The structural reforms advocated in the 2010 under Seoul Action Plan.

Structural reforms: We will implement a range of structural reforms to boost and sustain global demand, foster job creation, contribute to global rebalancing, and increase our growth potential, and where needed undertake:
-Product market reforms to simplify regulation and reduce regulatory barriers in order to promote competition and enhance productivity in key sectors. -Labor market and human resource development reforms, including better targeted benefits schemes to increase participation; education and training to increase employment in quality jobs, boost productivity and thereby enhance potential growth. -Tax reform to enhance productivity by removing distortions and improving the incentives to work, invest and innovate. -Green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development. -Reforms to reduce reliance on external demand and focus more on domestic sources of growth in surplus countries while promoting higher national savings and enhancing export competitiveness in deficit countries. -Reforms to strengthen social safety nets such as public health care and pension plans, corporate governance and financial market development to help reduce precautionary savings in emerging surplus countries. -Investment in infrastructure to address bottlenecks and enhance growth potential.

Source: Cammack, 2012:9.

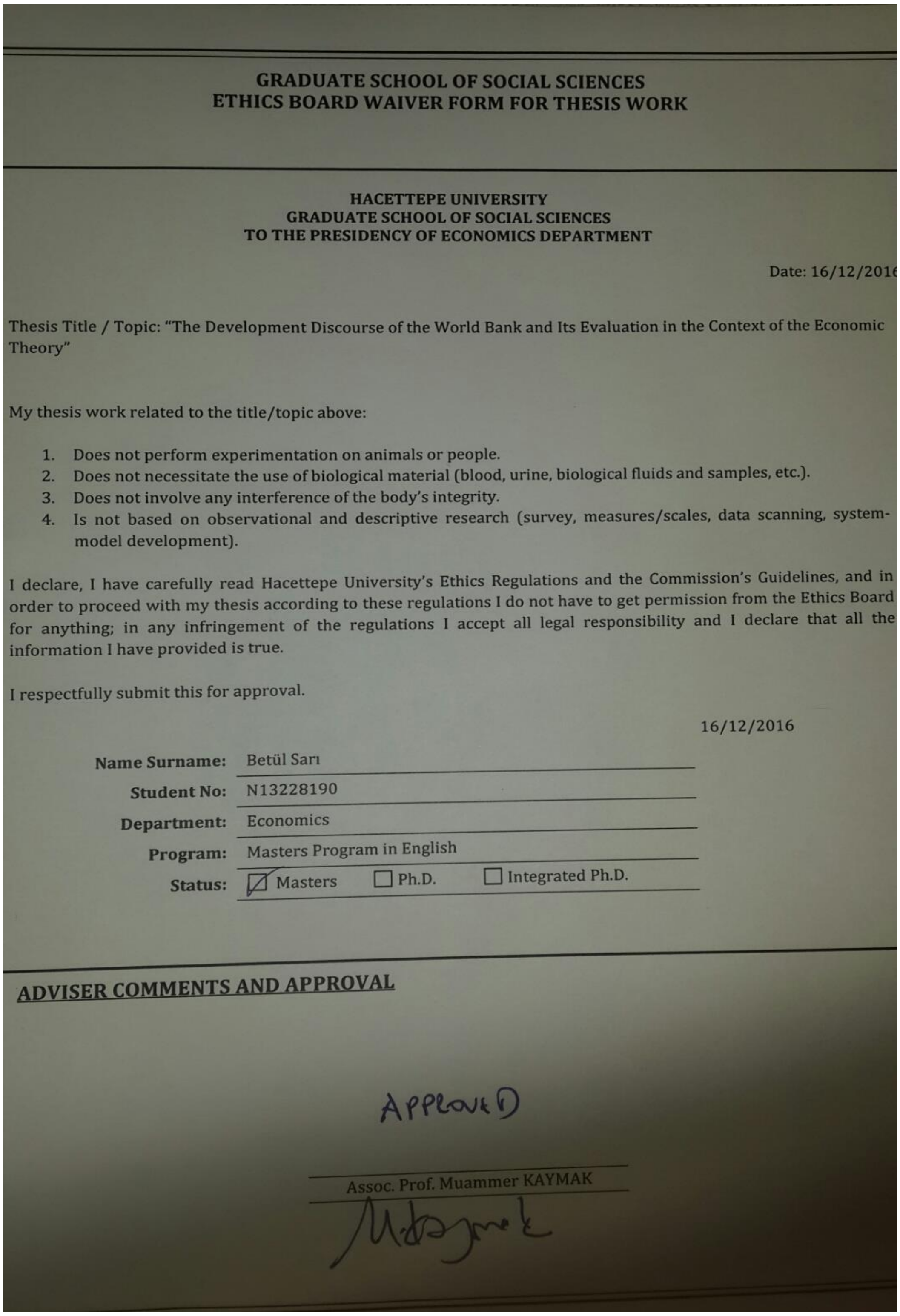
Annex 6. Rate of regional distribution of World Bank Loans- Fiscal Years of 1997-2014.

Years	Latin America and the Carribean	Africa	Middle East and North Africa	East Asia and Pacific	Southern Asia	Europe and Central Asia
	% of total loans					
1997	23.8	9.1	4.8	25.4	10.5	26.4
1998	21.1	10	3.4	33.7	13.5	18.3
1999	26.8	7.1	5.4	33.7	8.8	18.2
2000	26.6	14.1	6	19.5	13.8	20
2001	30.7	19.5	3	12.4	18.8	15.6
2002	22.4	19.4	2.8	9.1	18	28.3
2003	31.4	20.2	5.7	12.5	15.8	14.4
2004	26.5	20.5	5.4	12.9	17	17.7
2005	23.1	17.4	5.8	12.9	22.4	18.4
2006	25	20.2	7.2	14.4	16.1	17.1
2007	18.4	23.5	3.7	16.4	22.8	15.2
2008	18.9	23	6	18	17.2	16.9
2009	30	17	4	17	12	20
2010	24	20	6	13	19	18
2011	22	16	5	19	24	14
2012	19	21	4	19	18	19
2013	16	26	7	20	14	17
2014	12	26	7	15	26	14

Source: Mendes-Pereira, 2016: 832.

APPENDIXES

APPENDIX 1- ETHIC BOARD VAIWER FORM



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ADVISER COMMENTS AND APPROVAL

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APPENDIX-2 ORIGINALITY REPORT

HACETTEPE UNIVERSITY
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