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Imperial Nature

The World Bank and Struggles for Social Justice in the Age of Globalization

MICHAEL GOLDMAN

Yale University Press New Haven and London

Published with assistance from the foundation established in memory of Amasa Stone Mather, of the Class of 1907, Yale College.

Chapter 4 is a revised version of "The Birth of a Discipline: Producing Authoritative Green Knowledge, World Bank-Style," from *Ethnography* 2:2 (2001): 191–217. Published by permission of Sage Publications.

Chapter 5 is a revised version of "Constructing an Environmental State: Eco-Governmentality and Other Transnational Practices of a 'Green' World Bank, " from *Social Problems* 48:4 (2001): 499–523, © Copyright 2001 by the Society for the Study of Social Problems, with permission.

Set in Minion type by Integrated Publishing Solutions.
Printed in the United States of America.

ISBN: 0-300-10408-1 (cloth)

A catalogue record for this book is available from the Library of Congress and the British Library.

The paper in this book meets the guidelines for permanence and durability of the Committee on Production Guidelines for Book Longevity of the Council on Library Resources.

10 9 8 7 6 5 4 3 2 1

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Preface

The World Bank is a fickle place to experience and comprehend. Mental maps mislead, directional signs baffle, and paths through it confuse and confound. Many of the Bank's best intentions seem to backfire in the most disastrous ways, and yet the debates on these disasters tend to reduce the problem to a simple assignment of blame. Every decade of the World Bank's existence has been marked by both major improvements in the techniques of development and new types of colossal failures. In the process of improving development—that is, helping the world's poor improve their livelihoods—so much gets generated in the way of development experts and expertise, research institutes, and worldwide professional networks. The world today is saturated with new knowledge-producing sites on the theme of development inside governments, universities, and business communities. For government officials in Africa, Asia, and Latin America, development has become one of the most time-consuming, and yet potentially lucrative, business opportunities on the horizon. Development has invaded the language, thoughts, and images of people in both the North and the South. Consequently, one can hardly imagine the world today except through the lens of World Bank-style development. As the chief arbiter of development, the World Bank has become so much a part of our everyday lives, with its practices and effects so highly dispersed across the world, that it is difficult to know precisely where the World Bank starts and where it ends (Kumar 2003). Such features make writing a book about this world-renowned institution no easy task.

Although I am not sure when my first encounter with the World Bank took place, I certainly became aware of the institution while living in the Thar desert in western India, along one of the world's largest irrigation canals, built on World Bank plans and capital. Described by the World Bank as an exemplary "sustainable development" project, it was designed to bring Himalayan mountain water and then affluence to the harsh Indian desert. What startled me most as my research took shape was the enormous gap between World Bank depictions of the Thar desert experience and my own observations. Did the blazing desert heat obscure the obvious? Official reports wrote glowingly about this project with the eye of a fascinated child in awe of the grandeur of the accomplishment—a thousand-kilometer-long canal irrigating two million hectares of sandy desert and turning them into lush farm fields. Along the main canal arteries, wealthy landowners produced high yields of export-quality crops. But just down the waterway, the majority of small landowners suffered from an absence of water, sand-choked canals, failed crops, high indebtedness, and government negligence.

To take just one example, the canals I saw were marked by constant shortages of cement, a crucial ingredient for lining the canals to keep them from leaking precious water. Without cement, large swathes of the fields alongside the canal became waterlogged and salinated, making it impossible for many farmers to grow crops. Small farmers went bankrupt and had to leave their land. Was this sustainable development? Walking down the many arteries of the canal, farmers would point out which canals were unlined, and who was getting water and who was not. Yet, seemingly oblivious to the views of tens of thousands of desert dwellers, Bank and government documents repeatedly reported that the canal system was properly lined and that water was being allotted equitably. While having tea with a local official in the engineer's home, I would be told one story, but when we walked to a canal I would observe the opposite. This occurred again and again.

In prosperous neighborhoods of the city of Jaipur, project engineers and government officials were building palatial homes with an abundance of cement, much of it retrieved from canal supply warehouses at night. Did this incongruity persist because World Bank officials slept at night? The crime was not the theft per se but the fact that the supposed beneficiaries of this development project were forced to abandon their allotted land. Once animal herders, weavers, traders, and farmers of rain-fed agriculture who lived off communally managed village lands, these desert dwellers were transformed into a class of landless farmworkers—sharecroppers, indentured servants, and part-time laborers. They fell into debt, were displaced from their lands, and became laborers on the land of the wealthy. The employers, for their part, did not rise to the top through some natural selection process or entrepreneurial spirit. They were well-connected property owners from the city and large farm owners from the Punjab, or government officials and engineers who ran the development project.

One did not need to be Sherlock Holmes to piece together the evidence; it was the talk of the town. The *chai wallas* (tea sellers) and *patwaris* (village revenue collectors) knew the story inside and out; it was as present in daily life as was the blowing sand. Yet World Bank reports repeatedly proclaimed the project a resounding success for the poor and for the environment. Whereas I am regularly told that the project of development uplifts the poor and restores the environment, too often I see it impoverishing the majority and enriching the few.

Many commentators on development—scholars as well as Bank officials—argue that projects often fail because of corruption, a social disease endemic to the third world. These inevitable aberrations, which the project of development works to eliminate, occur during the transition from tradition to modernity. To observers, development is a post–World War II technical achievement that transfers capital, expertise, and technologies from the North, that is, the advanced capitalist countries of the Northern Hemisphere, to the "undeveloped" South. The dictionary defines "corruption" as a debasement, perversion, or decay; it is a dishonest act, and its meaning implies that corruption represents a deviation from an otherwise dominant norm of ethical practices in society. Corruption, so defined, is the exception to the rule.

But what if governments and development agencies prosper financially and politically from a project, what if their professional staffs are all "on the take" in the sense that their salaries depend on the idea of development and its premises? What if a region's capitalist class invariably becomes enriched and empowered through development projects? What if this thing called "corruption" is not the exception but the rule and as such defines the political economy of development? Then it should be logical that the prevailing paradigm of development needs reexamining. As became increasingly evident to me, this process occurred *through* such development schemes, not in spite of them.

From these early experiences with the World Bank, I learned that development cannot be measured by such simple data as increases in yields or gross domestic product. Instead, development should be understood as a complex set of practices woven into the fabric of everyday life, both in poor districts and wealthy ones, in the global South as well as the global North. After all, most of the capital lent to Southern governments in the name of development funnels through Northern banks to purchase goods from Northern firms, ranging from tractors to turbines to the expertise of professional consultants. The surplus to pay back the loans and their accrued interest is produced through the back-breaking work of people like the Indian farm laborers I studied. Part of that farm surplus goes straight into the coffers of Northern firms as repayment for farm inputs, dams, and electricity projects. The role of the World Bank is pivotal for Northern wealth accumulation. The Bank raises most of its capital from Northern corporate investors in search of high returns, and its loans purchase goods and services mainly from Northern firms.

Whatever the original intentions of the Bretton Woods agreement may have been, over the past few decades, the primary effect of World Bank lending and policies is that much more capital flows *out* of borrowing countries and to the World Bank, IMF, and Northern-based banks than in. One alarming statistic that has hardly changed since the Bank's inception more than sixty years ago is that much of the capital lent by the Bank passes through the hands of Southern governments and travels directly to firms in the North, the main actors who do development, and who supply the capital goods and services for large projects. That is, the most important beneficiaries of development live in the North and not in the South.

Hence, World Bank-style development is not only, or even principally, about the perceived "lacks" or "poverties" of the people of the South. Crippling debt, rising income inequalities, and exclusion from such basic goods as fertile land, health care, and clean water are as much the result of development as they are attributable to the fundamental inequalities built into the global political economy.

So why has development become such a laudable enterprise? Why are projects such as this irrigation fiasco seen by development specialists as exemplars of environmentally sustainable development? The canal project I studied was packaged as a success story to school children in the North. Slide shows and teaching guides told the Olympian story of the World Bank "greening" the most inhospitable environment in the world, the desert. (Tellingly, as public protest in India rose and filmmakers produced documentaries dispelling these myths, the Bank pulled them from the shelves.)

Finally, why has the World Bank, the leading proponent of the "project of development," become the world's most powerful international institution? How did development become so central to North-South relations? Why has the Bank become the obvious choice to fix our so-called global problems, from rural poverty in India to the "rebuilding" of Afghanistan and Iraq? It has become easy to recommend the Bank for these awesome tasks because the Bank itself has already defined our global problems and has in place global experts with their toolkits of solutions. Where would we be without the World Bank? What alternatives do we have?

When I presented my research on this inequitable canal project to an academic audience in the United States, a veteran sociologist in the front row barked his exasperation at me:

Enough with these papers on how the poor get screwed over by the World Bank! Tell us something about how this institution works, how its so-called experts can possibly design such schemes, and how these practices have become the norm? These were big questions, and ones that I could not answer. But his challenge and questions stayed with me, and prompted me to embark on this book. I decided I had to study the Bank from within, by conducting research *inside* World Bank headquarters, the belly of the so-called beast. Since Bank staff do not spend all their time in Washington, D.C., neither did I as I gathered material. This book is the result of my long journey through the intestines of one of the world's most powerful institutions. My research took me to unexpected places—to remote research institutes, run-down government agencies, international conferences, and mountain dam sites. It also brought me back to my own professional networks of development professionals, environmentalists, anthropologists, and economists. As I learned from experience, this wily beast certainly gets around.

When I talk about my research on the World Bank, I frequently get asked, "How did you get access?" Did the Bank stonewall me as it does angry citizens demanding "the truth" about its projects? We are well aware that the people whom the Bank wants "to develop" are always the last to know about Bank projects or policies. But what about an academic professional, such as myself? Remarkably, despite the high level of security and their busy travel schedules, few Bank staffers refused my request for an interview; no one slammed the door in my face. Some even seemed eager to talk about their work and worldviews. Interviews often carried over into lunch. Some staff invited me to attend their workshops, staff trainings, and weekend retreats. One invited me to observe his project in Lao PDR (or Laos), which I did. Another senior official offered me an office and secretarial support! (Tempting, but no thanks.) I asked Bank staff members about their new mandate of environmental sustainability and about how the World Bank was retooling itself in light of vociferous social movement pressure. These questions were asked during a tense period when World Bank staffers were receiving relentless criticism from all over the world, a time when senior Bank management pushed a series of dramatic reforms within the institution. Of the many staff I interviewed, a common narrative was never far from the surface. Interviewees repeatedly portrayed themselves as honest reformers working against the grain and against inertia in a troubled and Byzantine organization. They strove to make the Bank more responsive to public demands that it become more participatory, and more alert to indigenous peoples' rights and to the pressing issue of the environment.

I also learned that World Bank staff needed people like me as much as I needed them, in large part because the Bank and its staff need to get their version of the truth out. The Bank cannot possibly carry the responsibility of its enormous tasks without seeking public support and legitimacy. It must deploy professionals around the world to help mainstream Bank-style development into government agendas, investment portfolios, civil-society activities, and the global political economy. Bank staff cannot do the job alone or by relying solely on the Bank's financial muscle. Historically, the Bank has always had access to much more capital than it can lend and has always suffered from a demand deficit for its capital and services. To survive, the Bank needs willing borrowers and willing promoters. After all, there are many reasons to *not* borrow from the World Bank: the irrigation canal fiasco with its huge debt repayments and high social and ecological costs is only one example. The fact