

# Reading the Evolution of the World Bank's Development Discourse on the Economic Theory\*

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**Abstract:** Continuous impact of the international institutions and organizations on the world economic order would not be repudiated. One of them is the World Bank (WB). Bank was established for the purpose of reconstruction of the Western Europe, which was destroyed subsequent to the Second World War, and it also has the characteristic of being an institution determining the development discourses in the world. Bank specifies its development discourse in line with the evolution of the economic theories. On the other hand, it also contributes to the evolution of the economic theory by means of the development discourses it composes. Therefore, it is possible to make mention about the existence of a two-way process between development discourse of the Bank and the evolution of economic theories. This two-way process has been illuminated in this study. It has been demonstrated that Bank has developed a discourse in parallel with the basic principles of Neoclassical theory, Keynesian theory, Harrod-Domar growth model and Neo-Marxist theory from its foundation until the mid-1960s. Since the 1970s, Bank has adopted a discourse based on neoliberal theory as a result of the Keynesian theory's responseless to the particular structural problems. The rise of the New Institutional Theory in the 1990s brought about Bank's adoption of discourse which focuses on the state-market cooperation. It would be feasible to claim that Bank has carved out a discourse which hinges on sustainable development in period from the 2000s to the present. However, it is thought that the discourse being constituted both in 1990s and in 2000s has not been parted from the core of the neoliberal theory.

**Keywords:** World Bank, development, Keynesian Theory, Neoliberal Theory, New Institutionalism.

**Öz:** Küresel ekonomik düzende uluslararası kurum ve kuruluşların önemi yadsınmaz. Bu kurum ve kuruluşlardan biri de Dünya Bankası'dır. İkinci Dünya Savaşı sonrası yıkıma uğrayan Batı Avrupa'nın yeniden inşası hedefiyle kurulan Dünya Bankası, dünyadaki kalkınma söylemlerini belirleyen bir kurum olma niteliğine sahiptir. Banka, iktisadi teorilerdeki evrime paralel olarak kalkınma söylemini belirlemektedir. Öte yandan banka oluşturduğu kalkınma söylemleriyle dünyada iktisat teorisinin evrimine de katkıda bulunmaktadır. Dolayısıyla bankanın kalkınma söylemi ve iktisadi teorilerin evrimi arasında çift yönlü bir sürecin varlığından bahsetmek mümkündür. Çalışmada bu çift yönlü süreç aydınlatılmıştır. Bankanın kuruluşundan yaklaşık 1960'lı yılların ortalarına kadar Neoklasik teori, Keynesyen teori, Harrod-Domar büyüme modelinin ve Neo-Marksist teorisinin temel prensipleri doğrultusunda bir söylem geliştirdiği ortaya konmuştur. 1970'li yıllardan itibaren Keynesyen teorisinin birtakım yapısal sorunlara yanıt verememesi sonucu, banka neoliberal teoriye dayalı bir söylem benimsemiştir. 1990'lı yıllarda Yeni Kurumsal İktisat teorisinin yükselişi, bankanın devlet-piyasa işbirliği üzerine odaklanan bir söylem benimsemesini beraberinde getirmiştir. 2000'li yıllardan günümüze uzanan süreçte ise bankanın sürdürülebilir kalkınmaya dayalı bir söylem geliştirdiğini söylemek mümkündür. Ancak gerek 1990'larda, gerekse 2000'lerde geliştirilen söylemlerin temelde neoliberal teorisinin ana çekirdeğinden ayrılmamış olduğu düşünülmektedir.

**Anahtar Kelimeler:** Dünya Bankası, kalkınma, Keynesyen Teori, Neoliberal Teori, Yeni Kurumsalcılık.

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## Introduction

World Bank (WB) is an international institution being founded at the Bretton Woods Conference for the purpose of encouraging development in the countries which were devastated throughout the Second World War. Bank has officially started its activities in 1946. Bank aimed to support post-Second World War European restoration primarily, and it today purposes to promote sustainable development and reduce poverty, by lending to middle income developing and credit-worthy low-income underdeveloped countries. There has been an ongoing change in nature and functions of Bank since its foundation. This change took place in the context of the different economic theories arising in the historical process. However, it should not be overlooked the WB has influence on the change of the economic theories. Therefore, there is bilateral interaction between the development discourse of Bank and the economic theories sprouting on the world.

Bank addressed development problematic with regard to the *growth* and *industrialization* by relying on the physical capital accumulation, from its establishment until mid-1960s. Period in question, Bank designated discourse within the framework of the Keynesian theory. In addition, it focused on policies such as the *import substitution industrialization* and *foreign aid* with respect to the various development theories. The socio-economic problems being encountered by the Third World countries have brought about the rise of the *Neo-Marxist theory* along with the Keynesian theory since the mid-1960s. In line with these theories, the WB generated discourses such as *basic needs* and *rural development* by concentrating on the development problems of the Third World countries. Towards the end of the 1970s, however, the basic needs approach started to be replaced by a completely different ideological orthodoxy that was radiate from Britain and the US. Since the 1970s, a completely different turn has been occurred.

Solution to the crisis of capitalism took place in the 1970s being sought in liberalization of the capital movements and procreation of the new political scales which would facilitate the articulation of all economic activity to the world market. This advancement has required a radical change including social, cultural and institutional spheres extending beyond the economic and political sphere. With this respect, *neoliberal theory* has been put into practice as a new model which would create changes in question. Neoliberal theory targets a transformation by leaning on the market domination. It promotes privatization, liberalization and commercialization of the public sector. On the other hand, it proposes a new legal and political framework which would enable the market to solve its own needs through the deregulation of the public sector. In this context, discourse of the bank started to stand on the concepts such as *structural adjustment*, *macroeconomic stability*, *privatization*, *deregulation*, and

*financialization*, particularly after the 1980s. This discourse has triggered off the deep socioeconomic problems especially in the Sub-Saharan Africa and Latin America. This period of time being described as *lost decade of development* in literature, and this lasted from 1980s to 1990s.

When it comes to 1990s, issue of poverty is on the agenda, since the gradual decline of Third World countries in socioeconomic context lie behind this. However, the reason why Bank has started to give its attention on issue of poverty is about its desire to assure the legitimacy and continuity of neoliberal theory. Further, the WB has effectuated new discourses by referring to the role of institutions in economies, under the influence of *New Institutional Theory*. In this context, notions such as *governance*, *state-market cooperation* have been used frequently. In period from 2000s to present, discourses and policies seem to accentuate the social aspects of the development which have been put forward under the name of *Millennium Development Goals*.

In all these contexts, development discourse and policies placed on the *Keynesian theory* and *Harrod-Domar Model*, roughly the first two decades after its foundation. This period in question will be investigated initially. Then, the rise of the *Neo-Marxist Theory* will be evaluated with respect to the social and economic status of the Third World countries. Later, the *Neoliberal Theory*, being performed afterwards the Keynesian theory's failure about bringing a remedy to the structural crisis of the world economy which broke out in the mid-1970s, and its efficacies on Bank's development discourse will be scrutinized. Then, effectiveness of the *New Institutional Theory*, being come into the prominence in the mid-1990s, on the development discourse of Bank will be evaluated. Finally, discourse and policies of Bank, which seems to underlining the social aspects of the development, have been studied from the 2000s to the present.

### **Keynesian Economic Theory and the Rise of Development Economics: Growth-Oriented Discourse & Depoliticization of Development**

Towards the end of Second World War relevant steps started to be taken, on the purpose of the creation of the new international order planning to be established after the war. Accordingly, international division of labor has been planned. When the war is over, Europe's material and institutional capacity to regulate the world have almost completely disappeared (Kissinger, 2016, p. 101). On the other hand, the benefit of the United States (US) yielded from the war was its stability in terms of both politically and economically.

Meanwhile, the US has confronted with important questions. How and by means of what would it rule its supremacy of power globally? Managing the international system in a way which protects its interests was a different case for American government. However, many aspects of the post-war international order were unclear. The US had to construct a structure in which it would be in a very crucial position concerning the foundation and administration of the international system. Various international institutions have been carried into effect in accordance with these requirements. The international economic system and division of labor were reinforced by international monetary system, being founded in the Bretton Woods Conference which leans upon the rule of dollar, and herewith hegemony of the US within the capitalist system was almost riveted (Norrlof, 2014; Costigan et al. 2017).

When world took action towards carving out the international systems and institutions which specifies the post-war period under the leadership of the US, it was generally accepted that the market economy should serve national purposes, such as *full employment* and *social security* (Ruggie, 1982). Since restructuring of the post-war world in these contexts was vital, concept of development has thus begun to germinate through *Keynesian Theory*. In this period, development has been handled merely on economic respect. A definition has been created also by making use of the thesis of *Neoclassical Economic Theory* in which growth is based on the enhancement of production factors, in other words, on growth of capital and skilled labor. Social, political, cultural, and institutional aspects were not included. The economic development level of countries was gauged in the context of macroeconomic parameters such as *Gross National Product* and *Gross National Income per capita*. While ranking countries with regard to their level of development in the annual reports of the WB, it has taken Gross National Product as the basic criterion. Therefore, WB has identified its development discourse in this period within the notion of *economic growth*. The term of development was reduced to production of commodities, thence to quantitative criteria.

In the immediate post-war period theories such as *big push* (Rosenstein-Rodan, 1943), *balanced growth* (Nurkse, 1953), *the linear stages of development* (Rostow, 1960) have assigned the roadmap of development. Theories lean upon the Harrod-Domar model that inspired the many of these earlier works in development economics. Harrod-Domar model comes up with the idea that the market alone would not be able to sustain the warranted growth rate, and government planning and ownership were essential to move the resources required for large levels of growth.

*Big push theory* stresses the significance of economies of scale actualizing in basic industries and infrastructure so as to support services and facilities. Invest in industry

was crucial for any economy to perform self-sustaining growth. Rostow (1960)'s linear stages of development claims that all economies went through an analogous process of development given particular prerequisites were met. These prerequisites necessitate the mobilization of capital by means of increased savings and investment including foreign aid and foreign direct investment. The theory of Rostow has used frequently the *Harrod Domar growth model* to unravel the required investment level for development. It frequently emphasizes that growth in income level should be higher than the rate of population growth, and that ratio of investments to national income should have a value at the minimum threshold, given current capital-output ratio. According to the *Nurkse's balanced growth theory*, a reason of underdevelopment was inadequate capital accumulation and growth owing to the *vicious circle of poverty*. The supply of capital is related with the readiness and potential to save and the demand for capital is related with the inducement to invest. Basing on the studies of Nurkse and others, many of the early policies in developing countries were purposed to increasing savings rates, promoting techniques to reduce the capital-to-output ratio, or contriving mechanisms to inspect the population growth rate.

Essence of all these development theories and models is that economic development is identical with growth, and the engine of economic growth is investment. Determinant of investments are savings. If any country has a saving-investment gap, this can only be overcome through *foreign aid* and *state intervention*. WB's assignation of a development discourse based upon discourses such as investment, state intervention, and especially getting foreign aid from industrialized countries at that time are sort of evidences. So much so that *Marshall Plan* has been putted forward within the framework of these thoughts (Eichengreen & Uzan, 1992). Beyond economic theory, the centrality of the state in development in that term was also identified by the rules of admissible blueprints being characterized by the political economy of the world order.

Another issue which needs to be addressed is the rise of the development economics as a separate discipline. The reason for emergence of development economics associates with the political concerns fed by rapidly blowing Cold War wind. Thus, discipline has taken place directly as a result of some political concerns (Berger, 2001; Engerman, 2004 & 2017). The priorities of development were being determined by Cold War politics. Basic principles of all aforementioned theories related with the Western desires to contain Soviet expansionism during the Cold War. Marshall Plan, and WB's active role on this plan, and orientation of its development policies towards the development of Western Europe, being adhered to the *modernization paradigm*, especially in the 1950s, prove this disposition (Berger, 1995).

*Modernization paradigm* can be defined as the politicized and ideologized form of industrialization thesis. Substantially in this view, the way to development included a process of industrialization by which developing countries modernize themselves. It alluded that development was a process of convergence towards modern western industrialized society and that traditional institutions were one of the reasons of underdevelopment. Besides growing of the investment, modernization requires the adoption of the western legal institutions. It further entails the espousal of appropriate property, commercial, human rights, administrative laws, and a competent and independent judiciary. It encourages the transferring of laws and legal institutions from the developed West.

Throughout the 1950s and 1960s, development thought and plans were ruled by the modernization theory, which contemplates development as a gradual, evolutionary process including different phases and transformation of all societies from traditional into modern. As societies modernize, they were assumed to be formed complex economies, institutions, bureaucracies, and divisions of labor that authorizes them to satisfy their production and consumption requirements. Modernization theory promotes integration into the world capitalist system, economic growth, and Western liberalism as a way of reaching development. Being affected by evolutionary theory, modernization theory supposes that social change comes about as societies move linearly from traditional to modern.

As addressed above, Rostow (1960, pp. 4-11)'s stage theory characterizes societies as passing through different stages (the primitive stage, the pre-take off, take-off, drive to maturity, and the stage of high mass consumption) to development. The modernization sight has greatly affected how the Bank's relationship with developing countries is theorized and put forward. Rostow's ideas, Rosenstein-Rodan's big push model are sort of models.

Ensuing the reasoning of the modernization, the Bank encouraged private initiative and investment to rise which necessitated sufficient accompaniment of public overhead capital in the form of railways, roads, power plants, ports, etc. Production expansion was proposed, once infrastructure and a satisfying atmosphere for private investment are being appropriate. The Bank's function, then, was to give development assistance to satisfy these entailments. This field of vision is mirrored in the Bank's 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 new enterprises. It is also the first step

in the gradual industrialization and diversification of the 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, pp. 1-14).

Developing countries were stimulated to create a path of sustainable growth which promoted by Western countries. It was also strategic; economic growth financed by state assistance which would integrate the developing countries to the Western bloc, and the WB could afford assistance. But it soon resulted in disappointment. Since the modernization paradigm considers development as a matter of economics and social engineering, and has completely purges development from its socioeconomic and sociocultural contextes. It also neglects that the path of the development would differ from country to country. It is impossible to talk about a linear development process which is identical for almost every country. As Cohn frankly states, regarding the inadequacies of the modernization paradigm in addressing the concept of development and the associated future affairs:

Modernization paradigm says to Asians, Africans, or Latinos: What you are today, we were in the past. What we are today, you can be in the future. But until then, we'll be something else, of course. Because we will not count where we are. The development model based on the modernization paradigm putted forward by economists and political scientists in the 1950s borrows this structure as it attempts to identify or quantify the different dimensions of Third World societies with respect to European history. It assumes linearity in European history. This is both a prerequisite for modernization and an indicator of change" (Cohn, 198, p. 212).

### Rise of the Neo-Marxist Dependency Theories

Since the mid-1960s, inefficacy of the modernization paradigm and failure of development models launched out in post-war period, especially on Third World countries, started to come to the fore (Foster-Carter, 1973). It became evidently clear that the growth-oriented models, with their center of attention on savings, investment, and planning were not generated the expected impacts. Substantial parts of the population in developing countries were not experienced recovery in their life standards. It has been comprehended that the modernization paradigm is being far from reality, since the route and character of economic development of Western Europe and North America could not be reflected everywhere. Economic

gap between center and periphery has gradually deepened. It was understood that the development was not evenly distributed throughout the capitalist world, and it was observed that the development was being limited especially to Western Europe, Japan and North America. In terms of development, the situation in Latin American countries (excluding Brazil and Mexico), Cape Africa (excluding South Africa), and Southeast Asia (excluding South Korea and Hong-Kong) was not so bright. The former colonies were held in an obedient status and exploited by the developed countries. On the other hand, the negative impacts of the international economic division of labor in the past decades on developing and undeveloped countries have begun to come into prominence. In world's unequal production geography, a distribution problem has arisen in terms of basic country groups, since composition and quality of Gross National Income has not been taken into account.

Dependency theories emerged as a consequence of revulsions to modernization theories, which attach excessive importance to internal dynamics in the development process of any country. With regard to this approach underdevelopment is evaluated as a result of the existing economic order with an industrialized center and a periphery based upon agriculture. Dependency theory brought forward that, instead of bolstering social and economic development in Third World countries, policies and discourses of the institutions- primarily the WB's- pave the way for enhancement of dependency and international weaknesses. Almost all of these criticisms were hung on Marxism and Neo-Marxism. At the focus of the theories were Latin America and other third world countries laid down.

Embarking on a Neo-Marxist approach, Paul Baran (1957) indicated -in his work named *Political Economy of Growth*- that capitalist system prevents the development of the undeveloped countries. From the perspective of Andre Gunder Frank (1967), underdevelopment has been described as an outcome of worldwide spread of capitalism. Samir Amin (1971) also held forth that the integration of peripheral countries with the core countries realize in line with the needs and interests of the core countries. He alleges that undeveloped countries do not even have a condition to plan their own development for this reason.

Succinctly, all those theorists affiliate the cause of underdevelopment with the capitalist expansion. International capitalist economy is embodied as a hierarchically constructed system of domination. Development in the core drags along peripheral countries to the underdevelopment. External forces are principally in charge of the failures that specify the economies of the developing world (Frank, 1967; Amin, 1971). Anytime, the reflection of the world, from the line-of-sight Frank, consists of:



A whole chain of metropolises and satellites, which runs from the world metropolises down to the hacienda or rural merchants who are satellites of the local commercial metropolitan center but have peasants as satellites (Frank, 1967, pp. 146-147).

Influenced by the aforementioned theories, WB started to conduct research on *inequality, poverty* and *basic needs* in the late 1960s, and developed some policy recommendations. The approach was adopted in the WB's Rural Development Sector Paper of 1975, which set down rural development as a policy model for the reduction of poverty, and promoted investment in programs in order to provide integrated rural development which would rise productivity and income in rural economies by means of the strategic distribution of credit for individuals and convenient infrastructural advancement (World Bank, 1975).

Robert McNamara became the president of the WB during this period (1968-1981). He has carried out sensational studies on poverty reduction and rural development<sup>1</sup> (Clark, 1981). McNamara drew attention to the gap between the rich and the poor countries which is rapidly deepening and the number of the poor is increasing day by day. In a speech he gave at the WB, he remarks that adherence to the presumptions of modernization theory unsatisfied for Third World economies:

The development and modernization paradigm has not been successful in closing the gap between developed and developing countries in terms of per capita income, despite all the efforts made for the past twenty-five years. This is undeniable. However, the conclusion to be drawn from this is not that development efforts have failed, but that the goal of closing this gap is unrealistic. Obviously, this was an unattainable goal, and it still is today. Even if developing countries manage to double their growth rates of per capita incomes while the growth rates in industrialized countries remain the same, it would still take nearly a hundred years to bridge the gap in absolute incomes. Only seven of the developing countries with the highest growth rate can close this gap in a hundred years, and only nine in a thousand years (Cited in Wallerstein et al. 1984, p. 151).

Especially in this period, pioneering study of Chenery et al. (1974) on *redistribution of growth and income* was very pathfinder on this issue. The poverty phenomenon is

1 McNamara was president of the WB from 1968 to 1981. While in 1968 the bank opened a loan only \$172.5 million (18.1 percent of total loans) for agriculture and rural development, this amount increased to \$3.8 billion (31 percent of total loans) by fiscal year 1981. The composition of loans has shifted dramatically from investments related to irrigation and infrastructure to poverty-focused development projects benefiting the rural poor. Large scale food projects in rural areas have been financed in Brazil and Colombia (Ayres, 1983, pp. 5-6).

discussed in detail in the study. The poor are generally characterized as rural origin people, who engaged in agriculture and similar rural businesses, self-employed, do not have adequate capital on the basis of land ownership or means of production. Chenery et al. (1974), formed by a group taken its roots primarily in the research division of the WB. Concern had begun to be concentrated on the issue of poverty that had been already marked up by *Development in a Divided World*, and the approach promoted was indicated in the name of the book. The goal was to achieve redistribution with economic growth by giving attention interventions on determined sections of poor people, and in such an aspect as to give support their productive power.

Various approaches and policies have started to be adopted against the phenomenon of poverty. In this context the WB's report in 1978 started as follows:

The past quarter of our century has seen great progress in developing countries. But there is still much work to be done. Many countries have not yet achieved the transition to a modern economy and society, and their development is hampered by many domestic and international factors. Moreover, some 800 million people still live in absolute poverty. These people live on the margins of existence, deprived of shelter, education and health services. Most of these people have had no improvement in their standard of living, and their living conditions have worsened in countries with slow economic growth (Cited in Wallerstein et al, 1984, p. 151).

### Emergence of the Neoliberal Theory

The 1970s covers a period in which the most striking advancements taken place. Since international system witnessed a number of important events in this period. The Bretton Woods system collapsed in 1971, which determined the rules of the international monetary system since the end of Second World War. This implies the termination of the international fixed exchange system which turned US dollar into an international reserve currency. The US was defeated in Vietnam War and obliged to leave the country in 1972. Moreover, the first oil crisis broke out as a result of Arab-Israeli war in the Middle East in the 1973, and the price of oil increased excessively, which caused inflation and worldwide recession (Akins, 1973). Keynesian theory has been unable to remedy all those problems. *Stagflation*, in other words, the simultaneous occurrence of inflation and stagnation in economies has dealt a great blow to the basic assumptions of Keynesian theory.

Thus, neoliberalism began to emerge from the pattern of constraints marked by Keynesian theory, as part of the new set of constraints. Neoliberalism can be qualified as the new social order in which capital being concentrated in the hands of high-income

capitalist class, through the domination of free market in national and international domain, increase of competition and flexibility of labor markets (Dumenil & Levy, 2011, p. 8). Following the rise of the neoliberal theory in economies and implementation of the monetarist policies, a period has commenced in which capital being internationalized in all its aspects. In addition, neoliberal theory has rapidly seized economic policy instruments. First application laboratory of policies is Chile (Ostry et al. 2016, p. 38). A shock policy was put into effect in Chile in 1975, and employment and wages were significantly reduced. On the other hand, services such as education and health started to be privatized. Health, insurance, housing and unemployment benefits began to be cut. The applications in Chile were followed by the US and Britain. In 1979 Thatcher government in Britain, and in 1980 Reagan government in the US took steps to spread neoliberal theory to the world under the rhetoric that *there is no alternative to neoliberalism* (Cerny, 2008, pp. 16-23). The elections of both Reagan and Thatcher can be grasped as the rising hegemony of neoliberal thought in the world. Swiftly this became a vigorous power in thinking about development. As a matter of course, the WB (along with the International Monetary Fund-IMF) was being at the heart of the new vogue. Conspicuous reports of the Bank, such as *Accelerated Development in Sub-Saharan Africa* (World Bank, 1981), attempted to establish the status for a different reading of the reasons for Southern underdevelopment and for future development models. It was asserted that Southern countries broadly had themselves to charge for their development weaknesses. Furthermore, they need a radical reorganization of their economic systems in order to disposition themselves for being worldwide competitive. Progressively, a fundamentally identical set of policy reforms was offered to the great numbers of various countries. The basic policy principles were greater fiscal discipline, tax reform, liberalization of the financial sector, exchange rate reforms planned to expand non-traditional exports, trade liberalization, encouragement of foreign direct investment, privatization of public services, greater deregulation of production and services.

By means of the new policy device of the *Structural Adjustment Loans*, the WB and the IMF started to persist that an elaborated range of such reforms had to be put into practice as a stipulation for new loans. For many countries that had severely over-enlarged borrowing throughout the burst of oil-driven investment in the 1970s, and were now striving to compensate heavily augmented import and debt-servicing costs in the early 1980s, loans from the Bank and the IMF seemed to be crucial no matter how burdensome their stipulations sighted to be.

Radical transformations in economic theory have taken place. These transformations have moved WB away from being a development institution and

brought it closer to being a financial institution which functions to facilitate the adoption of the neoliberal theory in the world.

### World Bank's Transformation into an International Financial Institution: Structural Adjustment and Washington Consensus Discourses

Neoliberal policies have been imposed on world by WB and its twin IMF. WB has gradually moved away from its function of being a development institution and has become a key organization of lending. Quantitative expansion of the financial world market has been incentivized by the Bank on financial and institutional basis, and has been imposed on countries which in need of the support of world's advanced capitalist states.

Debt crises broke out in undeveloped and developing countries (Mexico and Latin America) in early 1980s<sup>2</sup> which have beaten path significant transformations in economic and financial policies of these countries (Easterly, 2005, p. 2). Debt crises also provided the Bank an opportunity to redefining its role on the execution of international financial relations (Cypher, 1989). Discourses such as the *shock therapy, structural adjustment programs, deregulation, financialization, and reduction of social expenditures*, are being bounded up with the transformation of economic theory which began to supersede the term of development. WB went completely beyond its scope and main purpose, supervised the process of integrating countries to world capitalism. The Bank designated its policies in the context of *Monetarist, Orthodox Neoliberal Theories* which became increasingly dominant in world economic literature at that time, and has also undertaken the function of being the engine of legal acts of US hegemony along with the IMF (Wade, 2002).

The development discourse of the WB has taken form in accordance with the list of ten-point measures denominated as the *Washington Consensus*, which frequently implies the neoliberal model being effective in the mid-1980s<sup>3</sup> (Williamson, 2000,

- 2 At the heart of debt crises dramatic increase in US interest rate known as the Volcker Shock lies, which was realized by the head of Central Bank of US. Rise in interest rates in US caused a wave of bankruptcies. In developing countries with heavy debt burdens, such an increase meant higher interest payments on foreign debt. These large payments were met by borrowing more, so after a certain time a full debt spiral was formed (Klein, 2015, p. 221).
- 3 The connection of the neoliberal model of development with the name "Washington Consensus" has been challenged by the inventor of the name, John Williamson. John Williamson (2000, p. 251) claims that his purpose was to characterize the "lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989". It contained then policies whose use would be susceptible to the special cases of the country related. However, the term Washington Consensus afterwards became interrelated with an utmost mode of market liberalism.

pp. 251-264). Basic principles of the Washington Consensus being manifested within the intent of opening domestic markets to international markets, and accelerating international financial flows by virtue of liberalization of financial markets.

**Table 1.**

*Principles of the Washington Consensus*

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Financial discipline

Reduction of public spendings

Tax reform, including reduction of marginal tax rates and enhancement of tax base

Unified and competitive exchange rates

Protection of property rights

Abandonment of interventionism, reduction of market controls (deregulation)

Liberalization of foreign trade

Privatization

Removement of barriers to foreign direct investment

Financial liberalization

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**Source:** Williamson, 2000

Once principles of the Washington Consensus are examined carefully, it is not difficult to observe three pillars of it rise above the notions of *deregulation*, *free trade* and *reduction of public expenditures*. US political model, imposed on the economies of the countries by means of the consensus, which has become the standard of international economic support in almost every country of the world. Any structure hinders the logic of market being destroyed. In another saying, the Washington Consensus rejects any major interventionist role of states. WB has given its policy recommendations in line with this consensus while lending, and developing countries have applied these recommendations with the effect of their economic turndown. This is a proof about the Bank's adoption of a new discourse which accentuates the clauses of continuous consensus for market-based solutions. Structural adjustment has been sold as a process to the developing countries which have to carry out to save their economies from the crisis. The Bank's structural adjustment programs are sighted as dramatic models of ferocious economic administration of Third World economies by the Bretton Woods institutions and the developed core. Neoliberal adaptation strategies and market-oriented political reforms have led to the expansion of global capitalism to hitherto inaccessible parts of world, including the Soviet Block, China, India, most of Asia, Sub-Saharan Africa and Latin America (Naim, 2000, pp. 102-103).

Institutional regulations on account of the market domination have been implemented in all domains through the agency of the Washington Consensus. Regulations began to be expressed one after another throughout 1990s by means of the WB's reports. The first report was about health services prepared in 1993 under the title of *Investing in Health*. Report recommends a market-structured service delivery instead of public presentation of health services. Report offers series of recommendations, from making services available by the market to service pricing, and the re-determination of personnel policies (World Bank, 1993). The report of 1994, under the title of *Infrastructure for Development* promotes the implementation of the Chilean Model which directly relied on private insurance, without wasting time on possible future actuarial and financial problems regarding old age insurances and pension funds (World Bank, 1994). *Workers in an Integrating World*, published in 1995, thereto advocates that the main reason for the rigidity of labor markets is strongly centralized union structures. Report highlights the flexibility of the labor markets, the implementation of the new working styles as the solution to the unemployment problem for the developing parts of the world (World Bank, 1995). In the report published in 1996 with the title *From Plan to Market*, it is emphasized that there is requirement respecting the abandonment of the direct central planning and Keynesian macroeconomic policies. The exigence for institutional restructuring of the state towards market is underlined (World Bank, 1996). Moreover, planning is characterized as a policy of socialism, and lack of planning being identified as a specialty of capitalism. Based on the reform process especially in Eastern European countries, it is claimed that all institutional structures should be reformed, by attaching on the determination that main institutional elements of the welfare state also belong to the socialist system. In connection with this, in the report entitled *State in a Changing World* published in 1997, relationship between market and state is analyzed in the context of the institutional restructuring strategy, as the roles of the states being changed through globalization process. It is pointed out that instead of taking a role which restricts dynamism of the market; states should turn towards a flexible structure compatible with the factuality of the global market economy (World Bank, 1997).

All these reports were leaned upon the espousal of policies that would broaden the sphere of influence of the global market and the global lounge of capitalism and added up to a comprehensive program to put into practice a sort of policies brewed with the branches of knowledge and class logic of capitalism as if they were motivated by humanitarianism. The IMF also has played a key role here, in that it uses conditionalities in a selective and strategic way to strengthen the institutions of capitalism globally (Cammack, 2002, pp. 36-53). However, towards the end of the 1990s, discourse reposed on the Washington Consensus was started to be questioned again.

## Implicit Neoliberalism: Governance and State-Market Cooperation Discourses

Disgrace of the basic principles of Washington Consensus has brought some inquiries. Essentialness of revising the neoliberal theory has emerged due to the successive financial crises (1994 Mexico, 1997 East Asia, 1998 Russia, 1999 Brazil, 2000 Argentina, 2001 Turkey). Unbridled capital movements and, deregulation of financial system caused this consensus to be opened to serious objections (Cypher, 1998; Stiglitz & Schoenfelder, 2003). It has become increasingly difficult to argue that integration within the world economy on the basis of financial liberalization would increase economic development opportunities in developing countries. The lack of success of the structural adjustment policies and the neoliberal agenda largely in attaining permanent levels of poverty reduction and social development has ended up with extensive critique and dissidence both at the domestic and at the global level. Such policy recommendations have served to the minority capital-owning factors to the exclusion of the larger part of the society. Experience with the omnipresent market-based structural adjustment programs has demonstrated that such development policies have an inherent disposition to show up and, actually, aggravate inequalities.

Those advancements summarize how *Post-Washington Consensus* has arisen. The Post-Washington Consensus period did not symbolize an exact break from the Washington Consensus. The whole logic of the free market stayed highly unbroken with macroeconomic policies. Institutional governance reforms have been added alongside the standard macro and microeconomic prescriptions of the Washington Consensus. Structural adjustment programs have been cultivated to target poverty reduction through *Poverty Reduction Strategy Papers*. Poverty Reduction Strategy Papers function as the basis for successor loans to structural adjustment facilities, which are being more than sector-wide programs put an important stress on the role of civil society in development policy.

Obsession with rapid structural adjustment has been replaced by an understanding of development which takes into account social equilibrium a little more, by emphasizing the fighting against poverty and human development at least on paper (Summer, 2006, pp. 1412-1413). The idea that such high-quality development can no longer be attributed to neoliberal policies alone, but to policies accompanying appropriate economic and political institutions as well. The Post-Washington Consensus, by putting institutions at the center, have found its expression on the Bank's governance agenda at the macro level, in the view which advances in areas such as rule of the law, transparency and bureaucratic capacity which would directly affect development positively. This covered a wide spectrum from judiciary to education,

from financial regulations to corporate law, labor markets, budget reforms and the social insurance system. In short, the consensus has not left the neoliberal theory, but it merely represented the embodiment of a somewhat more social, more regulating marketism that broadened the theory, and encased its sharpness.

The consensus frequently underlined that the state has key tasks in the development process and the provision of the market-based economic order. Regulation of the financial system has been emphasized prominently. It has been argued that state's support for education has critical importance in training qualified manpower. It was also underscored that state should help to reduce income inequality and alleviate poverty. In essence, it has been taken into account that state is crucial for the effective functioning of markets. These arguments are also reverberated in the WB's Annual Development Reports. Meanwhile, a new development concept called the *Comprehensive Development Paradigm* has been advanced by Bank within the framework of consensus. James Wolfensohn president of the WB at the time stated that all financial, structural, social dimensions of development should be evaluated in a holistic framework at both national and global levels. As Wolfensohn argues: "We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects" (Wolfensohn, 1999, p. 7). Comprehensive development paradigm regarded as one of the necessary actions for achievement of sustainable development and poverty reduction.

It is possible to assert that the art of building of Post-Washington Consensus and its discourses such as *state-market corporation* and *comprehensive development* directly related to the rise of the New Institutional Economics. New institutional economics is an interdisciplinary approach which rakes together different scientific branches such as law, economics, political science, sociology and anthropology, for the purpose of explain the impact of the social, cultural, political and economic institutions such as government, law, markets, firms, family in economies (North, 1986 & 1990; Coase, 1998; Richter, 2005). This theory has made an effort to assess those institutions are being vital and determinant in economies as the facts like individuals, firms and the state.

New institutional economics emphasizes the biggest shortcoming of dominant economic analysis is that the forces specifying institutional structure are not taken into consideration. It is noted that state should never be contemplated as an external actor in development process, since state is one of the most essential elements of these forces. In this context, it has been accentuated by new institutional economists that state should become more effectual by using market and market type tools. On the other hand, it was stated that a quality of state bureaucracy depends on the relationship of



state with its own employees. It has been argued the conditions of competition must be set correctly, and that public institutions must compete both among themselves and with private sector organizations. The existence of a well-functioning market system attaches to its effective cooperation with political parties, parliament, city councils, companies, unions, cooperatives, religious institutions, which are the institutions assigning and shaping both state and economic structure. New institutional economics have emerged in the early 1990s also impressed by the development policies and discourses of WB (See, World Bank, 1997, 2002). The fact that Bank has started to emphasize its discourses such as *governance* and *state-market cooperation* since the second half of 1990s, attests its affection by the new institutional economics:

Taxes, investment rules, and economic policies must be ever more responsive to the parameters of a globalized world economy. Technological change has opened new opportunities for unbundling services and allowed a larger role for markets. These changes have meant new and different roles for government-no longer seen as sole provider but as facilitator and regulator (World Bank, 1997, p. 2).

### Consolidation of the Neoliberal Theory: Sustainable Development Discourses

As reported in the previous section, consecutive crises had taken place in various developing countries, which caused rising of socio-economic inequalities in the Third World. Crises in question brought along issues such as distribution injustice and poverty. In this context, sustainable development has become the new development paradigm of the recent years which has arisen as a new approach to the development. Sustainable development is identified as providing the needs of today, without making concessions from the ability of future generations to meet their own needs (Mitlin, 1992; Robert et al. 2005). The term of development has been taken into account not only as an increase in material welfare, but also as a concept associated with the increase in welfare with respect to human rights, nutrition, housing, education, health.

Following the publication of WB's report, *Attacking Poverty*<sup>4</sup>, social policies have widely discussed (World Bank, 2000/2001). However, in a system where poverty is

4 Number of recommendations and techniques for poverty alleviation were developed in the report. Sociocultural and socioeconomic factors were disabled with the meticulousness of a technician, and it was decided who was poor. However, it should be underlined that poverty is related to the class positions inherent in capital accumulation. An analysis of poverty, which was carried out only with some quantitative data, inevitably led to the exclusion of the socio-cultural dimension of poverty and the production of atomistic knowledge. It laid the groundwork for the search for the cause of poverty in poverty.

deepening, reports presented by WB have served no purpose other than revealing the current problem. Discourses on attacking poverty are being far from expose the truth. For there is a deep paradoxical situation regarding discourse and practice. In addition, oddly enough, consequences of poverty were examined and investigated rather than its causes, and no significant solution proposal was offered<sup>5</sup>.

Absolute poverty is an increasingly serious problem in some countries. Although the indicators regarding income distribution and poverty differ with regard to institutions which set forth numerical data, it was being specified by them that inequality of income distribution has achieved to worrying dimensions in neoliberal period both among the country groups and the countries (Şenses, 2004, p. 17). When socioeconomic dimensions of poverty are investigated, it can be discerned that poverty problem gradually deepens and even leads to social polarization<sup>6</sup>. Although noticeable alleviations were attained in other regions of the World, Sub-Saharan Africa and Southern Asia countries still suffers from the poverty and almost half and one-third of their populations, respectively, have to live with less than 1.25 USD per day (Table 2).

- 5 It is possible to argue that a comprehensive anti-poverty program has not been put forward in almost any country where neoliberal policies are implemented under the leadership of the WB. On the other hand, externally implemented programs are limited to safety nets for those who are harmed by neoliberal policies. In addition, it can be said that in the last few decades, when neoliberal policies gained momentum, poverty and more generally the problem of distribution have augmented. The WB's approaches to combating poverty stem from the fact that poverty is regarded as an obstacle to the deepening of neoliberal reforms. During the preparation of the WB's World Development Report in 2000 with the title of *Attacking Poverty*, among the discussions that resulted in the resignation of the head of the commission that prepared the report, the matter of how much importance should be given to income distribution in terms of fighting against poverty was an important issue. In order to get detailed information see Wade, 2001.
- 6 According to the UNCTAD 2002 report, absolute poverty has increased even more in undeveloped countries since 1960s. For example, while the population with a daily income of less than \$ 1 in the 49 undeveloped countries between 1965 and 1969 constituted 48 percent of total world population, this figure increased to 50 percent between the years 1995-1999. In reality, the number of absolutely poor, which was 138 million in the second half of the 1960s, rose to 307 million in the second half of the 1990s. There is a similar picture for the population with a daily income of less than 2 dollars. Today, more than 1,5 billion people in the world are trying to survive with a daily income of less than 2 dollars (See Doğaner Gönül, 2013, p. 4).

**Table 2.**

*Ratio of the Poor Living with less than \$ 1.25 per day to the population over regions*

Regions	Years					
	1950	1960	1970	1980	1990	2000
	% of population					
East Asia	86.6	77.5	71.1	67.2	31.3	6.0
Southern Asia	44.3	37.2	32.1	34.4	18.5	7.8
Sub-Saharan Africa	59.3	53.2	52.2	49.9	55.3	54.8
Middle East-Northern Africa	26.3	24.0	13.4	4.3	5.2	7.8
Latin America	22.0	16.0	9.4	3.6	5.3	5.2
Eastern Europe	17.8	9.2	3.3	1.7	-	-
Developing Countries	63.2	52.8	46.4	43.5	25.4	13.1

**Source:** Nafziger, 2005: 175.

Regions	Years					
	1996	1999	2002	2005	2008	2010
	% of population					
East Asia and Pacific	35.9	34.4	27.61	17.11	14.34	12.48
Southern Asia	48.6	45.1	44.28	39.43	35.97	31.03
Sub-Saharan Africa	58.1	58.01	55.69	52.31	49.15	48.47
Middle East-Northern Africa	4.8	5.01	4.17	3.45	2.7	2.41
Latin America and Caribbean	11.09	10.86	11.86	8.66	6.47	5.53
Europe and Central Asia	3.96	3.82	2.26	1.33	0.47	0.66

**Source:** Doğaner Gönül, 2013: 32.

In addition, income differences between rich and poor are quite high, especially in South Asia and some countries in West and Central Africa (Fosu, 2010). There are great inequalities in education in South and East Africa. Dani Rodrik has demonstrated strikingly that the gap has widened a considerable extend between developed countries and developing countries:

In the first lesson, I ask my economic development students at Harvard the following question: Would you prefer to be rich in a poor country or be poor in a rich country? The correct answer is to be poor in a rich country. According to my calculations, the average poor person in a rich country earns three times more than the average rich person in a

poor country. Income differences between countries are much greater than differences within countries. Your country of birth seriously determines your possibilities on the line. When the Industrial Revolution began, the difference between the richest and the poorest was 2 to 1. Today, the same ratio is 1 to 20 (Rodrik, 2011, pp. 135-136).

Millennium Development Goals set for the solution of those abovesaid problems for the period between 2000 and 2015, which include totally eight goals. United Nations member states are being independent and voluntary in implementation of them. The goals include eradication of extreme poverty and hunger, provision of universal primary education, promotion of gender equality and empowerment of women, reduction of child mortality, improvement of maternal health, combating with HIV / AIDS, malaria and other diseases, enabling of environmental sustainability, enhancement of global cooperation for development. Strategies aimed within the scope of the Millennium Development Goals were felt particularly in development reports of the Bank (See World Bank, 2003, 2004, 2006, 2007, 2008, 2010, 2012 and 2013). Goals, redefine the basic role for the state at first sight, however as Kerry Rittich (2006) successfully comes up with the idea that these social policies have been made conditional on economic growth by the international financial institutions and multilateral aid organizations.

WB has never compromised its ideological commitment to neoliberal discourse. For example, Bank's 2013 Global Financial Development Report did not take into consideration the 2008 Global Economic Crisis, as a major financial market failure and problem of capitalist mode of production. Report argued that crisis can be rated as the problem of state failure and imperfect human nature (Global Financial Development Report, 2013). However, report presented the creation of a strong state mechanism which guarantees a better market discipline as a solution to the problems being ignited by the crisis. Neoliberalism is widely deemed invulnerable and undamaged by the world's major international policy makers.

On the other hand, it is possible to observe that the neoliberal context has not been abandoned in the world development reports of the Bank being published in the last five years. World Development Report 2015, *Mind, Society and Behavior*, puts forward that a more realistic account of decision-making and behaviour would make development policy more effective, by stressing that every policy relies on explicit or implicit presumptions about how people make choices (World Bank, 2015). Therefore, it is possible to claim that this report makes reference to the idealized human type of neoclassical and neoliberal theory: *homoeconomicus*. Report also suggests that in the absence of the legal institutions which provide innovation and entrepreneurship to perfuse, other initiatives which encourage development are destined to being unsuccessful. Sustainable development proceeds from innovative business ventures. World Development Report 2016, *Digital*

*Dividends*, puts into words about the extension of the digital technologies around the world speedily. Furthermore, report underlines that to get most of the digital revolution; it is requisite to strengthen regulations which guarantee competition among businesses, by adjusting workers skills to the requests of the new economy (World Bank, 2016). Thus, it is possible to assert that report highlights the basic policies of neoliberalism which ensures competition and flexible labor market. World Development Report 2017, *Governance and Law* is salient also. As stated in the previous titles, governance is a concept created by the new institutional economics, which hinges on state and market cooperation. The report emphasized these and focused on how the state would provide the mechanisms to generate the free-market order and the role that the concept of governance would play on this (World Bank, 2017). On the other hand, the ideology lies behind the World Development Report 2018; *Learning to Realize Education's Promise* is neoliberal theory again (World Bank, 2018). The bank draws the narrow framework for education in the report. In addition, the report mainly blamed the education system and teachers regarding the deterioration in education in the underdeveloped regions of the world. Incredibly, the report neglects the resource opportunities and financing of education in those regions. The ideological recommendations of neoliberal theory are being deftly masked in the report (Klees et al. 2019, 14). The World Development Report 2019 *The Changing Nature of Work* is quite remarkable in this context. Report reiterates that the complementary human-capital-based social protection regime and, investment in it must be restructured along neoliberal framework to increase productivity in world economies (World Bank, 2019). WB's 2020 World Development Report, *Trading for Development in the Age of Global Value Chains* strategically suggests the implementation of a number of activities being targeted at forming commercial policies for the expansion of neoliberal globalization under the discourse of global value chains. (Bair et al. 2021). In the report, it is indicated that if free trade policies are being implemented in the countries, the firms in the countries would not only get rid of the dependence on limited domestic inputs, but also from the tight domestic demand (World Bank, 2020). Based on all this information, it is not difficult to remark that the WB still continues to develop discourse in with the direction of the free market principles of the neoliberal theory.

In substance, there has been a change in development discourse and policies onwards the foundation of WB, which has a history for more than three quarters of a century (Table 3). Development discourse and policies of Bank have evolved due to the change in economic theories; therefore, it also contributed to the evolution and reproduction processes of available economic theories. However, it is frank that the Bank has developed a discourse in accordance with the basic principles of neoliberal theory in the last few decades, and has also reshaped the neoliberal theory.

**Table 3.**

*Evolution of World Bank's Development Discourse and Strategy in Historical Process in the Context of Different Economic Theories and Models*

Date Range	Objectives	Theories and Models	Discourses	Policies and Strategies
1950s.	Gross National Product Growth	Neoclassical Theory, Keynesian Theory and the Harrod-Domar Growth Model	Foreign aid, planning, saving, growth, investment, modernism, great push, balanced growth, import substitution industrialization, Fordist industrialization.	Policies towards import substitution industrialization, physical capital and infrastructure investment.
1960s.	Gross National Product Growth, increasing employment and growth, especially in Third World countries and rural areas.	Keynesian Theory and Neo-Marxist Theory.	Rural expansion and social projects, meeting basic needs in all countries, comprehensive employment strategies.	Policies created within the framework of basic needs approach, strategies for redistribution of growth and income.
1970s and 1980s.	Macroeconomic stability, balance of payments, structural adjustment.	Neoliberal Theory.	Globalization, deregulation, financialization, privatization, free trade, post-Fordist industrialization, minimal state, market-oriented approaches, structural adjustment.	Endogenous growth strategy, structural adjustment policies.

1990s.	Structural adjustment, good governance and establishment of institutions within the framework of state-market cooperation.	New Institutional Economics.	State-market collaboration based on synthesis between good governance, institutions, state capitalism, competitive world market, liberalization of all markets, and protectionist welfare sector.	Institutional governance strategy within the framework of state-market cooperation.
From 2000s to present.	Sustainable Development.	Neoliberal Theory and New Institutional Economics.	Millennium Development Goals.	Policies towards the achievement of the social dimensions of development, eradication of extreme poverty and hunger, prevention of epidemics, provision of gender equality, minimization of environmental problems, governance policies, policies to improve education and health services.

**Source:** Author’s compilation from: Alacevich, 2011; Cameron, 2004; Clark, 1981; Kiely, 1998; Sari Aksakal, 2019; Wade, 2002

It is thought that it is impracticable to deal with the issue solely from the standpoint of the economics. For example, the fact the Bank has not compromised on neoliberal theory in the last few decades, which can be attributed to the US’s dominance in international capitalist system<sup>7</sup>. US have manipulated international institutions and governance processes compatibly with its own interests as being

7 Cammack (2004) puts forth that WB define and practice a relatively autonomous role, supporting and continuing a construction for global capitalism by evaluating the demonstration as proposing that WB mirrors a project for the institutionalization and administration of global capitalism, and that this has emerged out of an acknowledgement that global capitalist system creates paradoxes in fact that cannot be forwarded at the national level singly, even by the most vigorous states.

the most powerful actor of the system. In this context, it is possible to talk about the presence of the *institutional utilitarianism*. Institutions need transformation in terms of both their discourses and politics over time, since necessity to rebuild the international order being felt by the US occasionally. Here, the US benefits from institutions in carrying into effect the transformations that would allow it to maintain its dominance. Today, one of the institutions under the guidance of the US is WB (Wade, 2002; Annisette, 2004; Ünay, 2010). Neoliberal theory continues to operate as a model which ensures the continuity of the US hegemony in international capitalist system. Therefore, on this respect, it is not accidental that the Bank's adoption a discourse which focuses on neoliberal theory.

## Conclusion

WB is an international organization which being established following the Second World War for the purpose of enable international capitalist system and international division of labor to be restructuring under the leadership of the US, and also to provide the reconstruction and development of Western European countries. Since the foundation of the Bank, there has been an ongoing change on its discourses and policies. In particular, the Bank being influential on the evolution of economic theories prevalent in world, and has set its development discourses around the evolution of economic theories.

The Bank handled the phenomenon of development as a purely technical problem in the 1950s, and within this framework development was reduced only to economic dimension. Determinants of development in real world have been ignored, and a very small aspect of reality has been considered by excluding the social, cultural, political, ideological and institutional dimensions of the concept. From its foundation until mid-1960s, Bank concentrated its development discourses on elements such as industrialization, infrastructure and investments. Moreover, development is widely bounded up with the notion of foreign aid in that term. Various countries have adopted models in accordance with the key principles of the Neoclassical and Keynesian economic theories, which were dominant theories of the period. It has been presumed that the single economy perceptive comes in view as being applicable to time and space, and each country would develop in a linear fashion in accordance with the modernization paradigm. Modernization theory characterized development widely in economic terms, by means of the macroeconomic indicators like GDP, GNP, inflation and, balance of payments simply.

However, in reality, this was not the case. The course of economic development in Western Europe and North America, and the impossibility of replicating its character



elsewhere, soon became clear with the growing socioeconomic problems of the Third World countries. Thus, Neo-Marxist theories have come in sight by focusing on the underdevelopment of the Third World countries. These theories have led the WB to embrace some policies, especially on underdevelopment. Vogue of the Neo-Marxist theories arose from its powerful criticism of Western imperialism, which contributed implicitly driving back the Bank toward poverty-oriented lending for basic needs.

In addition, towards the 1970s, unemployment and inflation rates have increased dramatically in particularly developing regions of the world, and policies implemented so far have not been able to found a remedy to those problems. Thus, the neoliberal theory began to come forward in the mid-1970s. Popular discourses of neoliberalism such as financialization, structural adjustment, free trade, and macroeconomic stability were rapidly adopted by the Bank. Here the mentality of the market won through both at international and national levels.

WB has focused on macroeconomic problems in the 1980s, and moved towards becoming a financial institution rather than being a development institution. Bank has set its discourse on concepts such as macroeconomic balance and structural adjustment by putting aside the development. It has become a fervent advocate of neoliberal policies. Bank based its development discourse in this period on monetarist, orthodox neoliberal theory which dominated world economic literature in the period. Later, the policy bundle that Bank urged upon during this period would be referred to as the Washington Consensus which promotes the expansion of market structures at all costs.

Successive financial crises in peripheral countries in the 1990s accelerated transition to the principles of Post Washington Consensus and embracement of these principles. Basic principles of Post-Washington Consensus are based on the theory of New Institutional Economics, which began to be increasingly evident at that time, by stressing the role of institutions in economies. Theory enabled the Bank to develop a discourse which underlines the state-market cooperation. Again, in this period, with the occurrence of the theories addressing social aspects of development, a more human-faced and moderate-looking discourses was applied by the Bank, but only in sight. Neoliberal theory has never been compromised, which constitutes core of policies being practiced.

In the period from 2000s to present, Bank has embraced a discourse which hinges on the phenomenon of sustainable development. In this sense, some objectives basing on sustainable development have been determined under the name of Millennium Development Goals. These goals have revealed certain problems of development in the world, which attach importance to the social dimensions of

development and address development from the holistic perspective. However, how successful it is in bringing a solution to the development problems of the world is open to discussion. Since, WB is an institution which ensures the continuity of the international capitalist system led by the US. Bank always produces discourses and policies for this purpose. Concordantly, it seems it would not break away from discourses leaned upon neoliberal theory. In addition, it would be inevitable for world to reshape neoliberal theory in future. Therefore, it can be remarked that approaches emphasizing the social dimensions of development ostensibly, would not benefit especially in underdeveloped and developing countries of the world, at least in the short term.

As being one of the prominent development institutions of the world, giving financial and technical support, publishing researches and world development reports, and managing global ventures, the WB undertakes a crucial role in affecting the paths of development policies of its member countries, forming the activities of other international institutions, and putting perfect application within the mainstream development. As Payer (1982: 15) remarks, "Some call it (WB) the best, some call it the worst; but no one escapes its influence".

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