

# Obscene Economics

## The World Bank Keeps Fooling the Third World

**Abdullahi Osman El-Tom** explores the cynical politics of development pursued by the World Bank

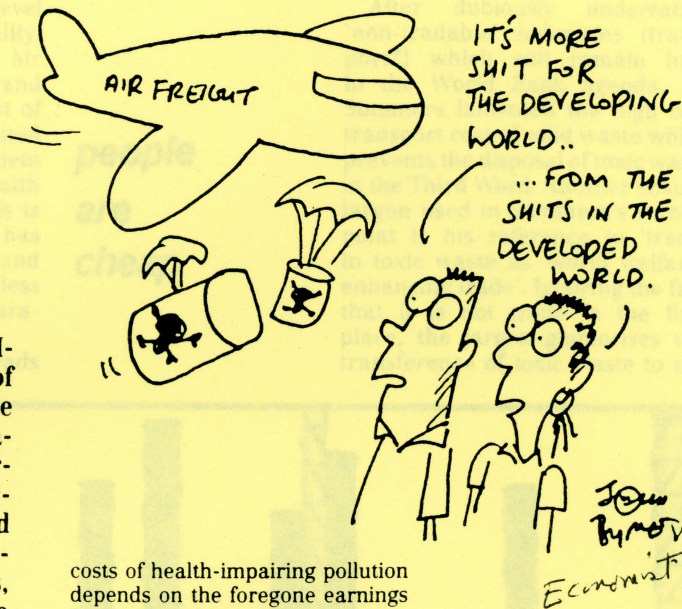
**T**HE COLLAPSE OF COMMUNISM led to a wave of optimism regarding the role of multilateral organisations, including the WB (International Bank for Reconstruction and Development) and the IMF (International Monetary Fund). Among others, development organisations are thought to have been freed from paranoia about the communist threat.

This factor was presumed to have justified the neglect of the fundamentals of development in the WB/IMF dealings, and the subsequent cosy relationships with several heads of states known for a total lack of regard for their own people - Marcos of the Philippines, Siad Barre of Somalia and Mobutu of Zaire. The same factor has also led to the penalisation of other countries, eg Egypt, Tanzania, Jamaica, Peru, Nicaragua and Vietnam.

The new hope that commitment to development, and in particular to the poor of the Third World, would then prevail in WB/IMF policies is no more than wishful thinking. This is at least what emerges from a WB internal memo which leaked out in December 1992. The document was authored by none other than Lawrence Summers, the WB's chief economist. The memo contained lines that caused some fuss in the World Bank. In his memo, 'their', or rather 'our' chief economist, says to his juniors:

Just between me and you, shouldn't the World Bank be encouraging more migration of dirty industries to the LCDs? I can think of three reasons:

(1)The measurement of the



costs of health-impairing pollution depends on the foregone earnings from increased morbidity and mortality. From this point of view a given amount of health impairing pollution should be done in the country with the lowest cost, which will be the country with the lowest wages. I think the economic logic [perhaps the WB's] behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that.

(2)The costs of pollution are likely to be non-linear as the initial increments of pollution probably have very low cost. I've always thought that under-populated countries in Africa are vastly under-polluted; their air quality is probably vastly inefficiently low [sic] compared to Los Angeles or Mexico City. Only the lamentable facts that so much pollution is generated by non-tradable industries (transport, electrical generation) and that the unit transport costs of solid waste are so high prevent world-welfare-enhancing [better read, Western-welfare-enhancing] trade in air pollution and waste.

(3)The demand for a clean environment for aesthetic reasons is likely to have very high inelasticity. The concern over an agent that causes a one-in-a-million change in the odds of prostate cancer is obviously going to be much higher in a country where people survive to get prostate cancer than in a country where under-5 mortality is 200 per thousand. Also much of the concern over industrial atmos-

pheric discharge is about visibility-impairing particulate. These discharges may have very little direct health impact. Clearly trade in goods that embody aesthetic pollution concerns could be welfare-enhancing. While production is mobile the consumption of pretty air is a non-tradable.

The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods, moral reasons, social concerns, lack of adequate markets, etc) could be turned around and used more or less effectively against every Bank proposal for liberalisation (*Economist* 1992:66).

**O**verlooking the messy language aptly described by the World Bank as 'crass' (sic), the memorandum affords us a stunning insight into World Bank's commitment to the poor in the Third World. A senior World Bank employee defended his chief economist by saying: "the document is no more than a memo and the man was only thinking."

What is shocking and thus hard to take is that Mr Summers is not only thinking, he is also encouraging others in the Bank to think along a specific line. What is even more incriminating is that the document sets in motion an attempt to provide a scientific justification for polluting the Third World. In effect, Summers's call is no more than an effort to formalise a policy which many Third World observers think is already in place. How justified is this view? Judged in economic terms, does it really make sense?

Summers's first point is that the costs of sickness and death due to pollution can be quantified by simple computation of foregone earnings. The implication of this great discovery is that human worth can be measured by how much one earns or loses. Accordingly millions and millions of poor people in the Third World, babies and children who are non-earners and housewives who do not produce, in the World Bank's sense of the term, are condemned to utter worthlessness. Their worth approaches zero, or is equal to it.

The other side of the argument is that the First World, wealthy people and high earners - like

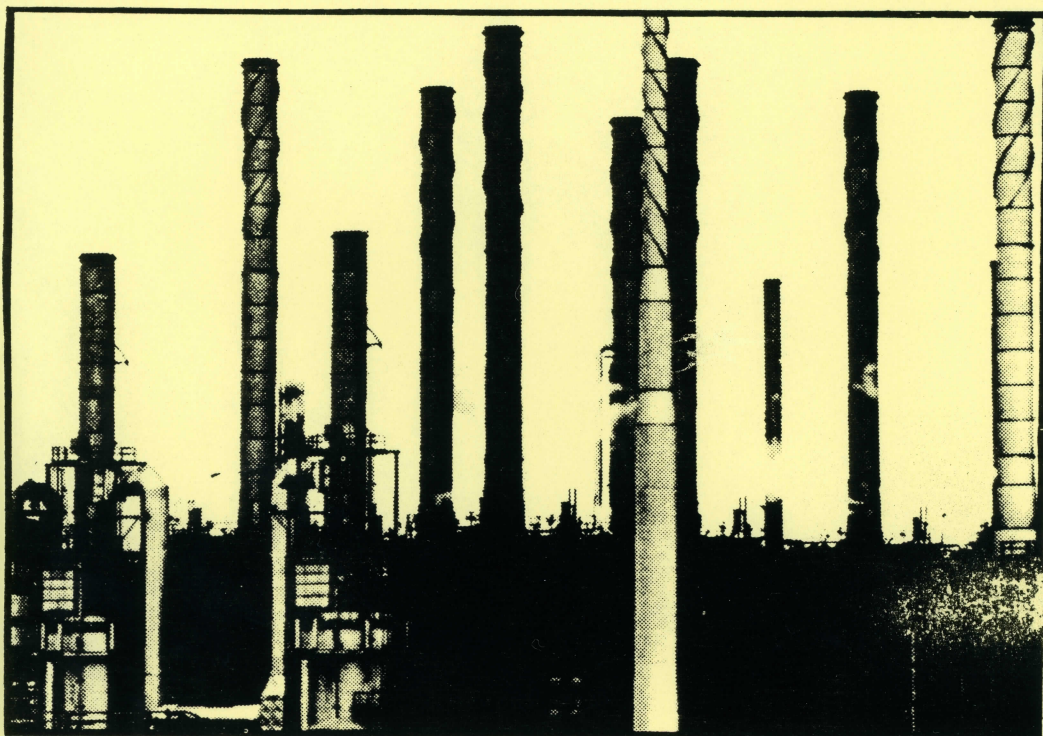
**their  
worth  
not much  
more  
than  
zero**

top of the scale, and thus enjoy health and lives which it would make no sense to damage. The conclusion is obvious: move health and life-impairing industries – which Summers treats as a necessary evil – to locations where human beings are worthless. In short, to the Third World. This is obscene economics.

**T**he second point raised by Mr Summers means that the cost of pollution increments increases with the increase in the level of pollution in a given locality. It is to be understood that Mr Summers found it redundant, and thus did not add, that the cost of each increment in equally polluted localities also increases in tandem with the increase in the wealth of respective populations. This is due to the fact that Summers has already established that health and lives of poor populations are less costly than that of their comparatively wealthier counterparts.

The argument eventually leads

*people  
are  
cheap*



to the same conclusion arrived at in the previous paragraph. In order to justify this point, Mr Summers resorted to absurd use of language, like referring to LDCs as 'UNDER-POLLUTED'. It is as though what is natural and/or normal - and hence desirable - for the air is to be polluted. The abnormality obtains when the air is underpolluted or overpolluted!

Mr Summers's obsession with earnings, tradability and marginalisation of human worth led him into a yet more meaningless sentence which I am still struggling to make sense of. He describes the air quality under a lower level of pollution as vastly inefficiently low compared to the heavily polluted air of Los Angeles and Mexico

*trade  
their  
health  
and  
lives*

that the reverse is true, as that in a cleaner air people get a better deal in relation to their morbidity and mortality. But hang on again; the air efficiency for Mr Summers depends on how much earnings one, or rather a few, get out of it or forego. Of course the costs of the casualties have to be considered, and in the Third World, people are bound to be hopelessly cheap, according to the World Bank think tank.

After dubiously underrating 'non-tradable' industries (transport?) which still remain high in the World Bank agenda, Mr Summers lamented the high unit transport cost of solid waste which prevents the disposal of toxic waste in the Third World. Another absurd jargon used in Summers's second point is his reference to 'trade' in toxic waste as 'world welfare-enhancing trade'. Ignoring the fact that it is not trade in the first place, the jargon glamorises the transference of toxic waste to the

He further moves into a pathetic attempt to down play the damage of pollution, declaring that most of it is visibility, rather than health impairing.

First, the seemingly lower resistance to health impairing industries among poorer communities, can be attributed to power rather than to demand differentials. Yet crusades of the poor against pollution, often violent, have become a common feature of Third World struggle. Those who are in doubt are referred to the recent history of Brazil, the Philippines and many other countries.

While visibility-impairing particles may accompany health damaging pollution, it is the latter which attracts more concern among both the rich and the poor. After all, mist, fog and rain all come with visibility impairing agents that attract no complaints. On the other hand, many toxic agents like radiation have little impact on visibility, and yet resistance to it is always forthcoming.

Summers suggests that the people of the Third World are less concerned about pollution because they do not survive to contract prostate cancer, presumably because of low life expectancy. This is a conclusion based on a fraudulent reading of demographic statistics, as high infant mortality does not mean people do not survive to old age.

**W**hile high infant mortality suppresses life expectancy, those who survive their early years have a chance to survive to an age which is only marginally shorter than people in the First World.

Rather than thinking about high mortality and taking it as his duty to curb it, Summers takes it as natural and thus proceeds from it. This is not surprising, because if he had done otherwise he would have come to an embarrassing conclusion: namely, that the high mortality is a result of a specific development structure in which the World Bank is a major player.

Summers further reminds the people of the Third World that they cannot trade their clean air but can count on the mobility of pollution producing industries. In other sense, they can trade their health and lives instead! Trade for the sake of trade seems to be the theme of the article. This is the same ethos which justifies trade in kidneys, blood, brain tissues and other body parts, often from impoverished live victims in the Third World.

Summers's words are indeed a sharp reminder that the World Bank is and will remain a bank committed only to its Western shareholders. All else are incidental and the less the Bank does, the better for the people of the Third World.

Third World, and thus disguises its essence. The jargon is also inspiring as it is revealing to where Summers's heart lies. The world for Mr Summers seems to be the west, because this kind of 'trade' can't be regarded in anyway as 'welfare-enhancing' for those at the receiving end, including the victims. Mr Summers's source of inspiration for using this term cannot be that far away. After all, his institution is referred to as 'the World Bank', despite the fact the neither its control, nor its performance, justifies the name.

**I**n his third point, Summers proposes that the richer the people are, the more concerned they will be about aesthetic and