



THE 2017 WORLD BANK REPORT: MORALISM AHEAD OF REALITY

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ABSTRACT

The World Bank has published its 2017 General Report focusing on governance and the rule of law. It is a big effort, as the list of acknowledgements covers two pages. Numerous topics in the theory of governance are touched upon from the angle of socio-economic development. It expresses the concern from the World Bank for social and political factors that impinge upon development instead of earlier economic approaches.

KEYWORDS: *Development, Governance, Rule of Law, World Bank, Moral analysis, Realism.*

INTRODUCTION

In its 2017 Report, the World Bank offers an attempt at the major theory of social and economic development, covering all states of the world. It bypasses the lessons from the neo-classical growth theory focusing on capital, labour, and technology. Instead the World Bank targets the policy-setting for effective development, drawing upon recent studies underlining governance, the integrity of law and principal agent relationships.

Governance + Rule of Law = Good Governance

The tone is definitely moralistic as the World Bank wishes to give recommendations to governments for how developing countries should structure their governance efforts to promote development, mainly policies but also institutions. The concept of governance failure stands for the employment of means which fail to accomplish the two chief development goals: freedom and equality.

The main finding in the report is that good governance hinges upon three main conditions: commitment, coordination and cooperation. A number of examples of governmental difficulties from various countries are analysed, often in an illuminating and penetrating manner.

The biggest problem that this report poses is its moralistic starting point and conclusions. It is in line with the general tendency in Social Science to suggest what should be done more than how the world actually works. For instance the development theories from Sen and Sachs, what then is governance?

Already in the definition of the word governance, the World Bank commits itself to a confusion between IS and OUGHT. Governance means either regime or actual rule on the one hand, or on the other hand responsive rule. The rule of law is added to governance but many developing countries do not implement it. Is governance the actual workings of the

political system or the way a political regime ought to function?

Many regimes in the developing world can hardly be analysed with the three C:s of World Bank governance, but may be approached better by opportunism, authority, competition.,s political and social elites compete intensively for power.

The World Bank report fails to mention some major causes of underdevelopment such as war, civil war, intrastate war and anarchy, increasing religious tension especially surrounding islam, spread of environmental refugees and so on.

I favour a more realistic approach where the self-centered interest of political elites is taken into account and the often brutal forms of social change are recognized. One may ask whether the World Bank has the Chinese model or the Indian model in mind when they suggest that good governance promotes development strongly. Phenomenal Chinese development has been much placed upon the implementation of top-down policies, whereas India adheres to a variety of incentives in a market setting. Somehow the World Bank model does not really fit either of these experiences.

The World Bank Report contains a lot valuable information, some of it taken from the huge Governance Project. In addition, the Report suggests an interesting typology for the classification of various political and social elites. The language is non-economic, which agrees with a change in direction of the World Bank towards the whole society. What, then, is governance, coordination and cooperation?

GOVERNANCE

When the World Bank underlines governance towards socio-economic policy goals then we must ask who is governed? Is it the governance of Singapore by Lee Kuanyew or the authoritarian regimes in South Korea, United Arab

Emirates or Saudi Arabia? Perhaps the World Bank has the Japanese model in mind with its mighty MITI?

It seems obvious that one can question the governance assumption. Political elites in several African, Caribbean countries practice what Max Weber called “prebendalism”, i.e. public offices are solely looked upon as revenue sources for the office holder and their followers (patronage). The best book on African states is Joseph’s *Democracy and Prebendalism in Nigeria*. By itself governance does not result in development, as it may be only a false promise.

COORDINATION

Several of the developing countries have both external and internal coordination, as they are members of trade organizations as well as constitute states. However, their federal dispensation does not operate like federalism in well ordered countries. Federalism is often a hindrance to coordination due to deep seated religious and ethnic cleavages. Fostering economic growth may actually be easier to accomplish in a unitary state. Compare China and Vietnam with Pakistan and Myanmar.

COOPERATION

Politics as social competition is a zero sum game where the victorious takes all. Since the cake to divide is small in developing countries, resort to zero sum tactics or conflict is tempting. In presidential elections, there is only one winner and why should he or she share spoils? Cooperation should target a few extremely important values like peaceful conflict resolution, respect for the vote, the integrity of the courts as well as the relative autonomy of the state, meaning no embezzlement - see Herbert Tingsten *The Problem of Democracy*. Third World politics may benefit tremendously from adversarial politics where the government faces a responsible opposition.

RULE BY LAW OR RULE OF LAW

The World Bank fails to recognize that rule of law requires much more than legality or rule by law. Many developing countries have rule by law but not rule of law regimes: e.g. China, Singapore, UAE. The distinct feature of rule of law is that it presents restraint on political elites, accepted as binding. Often Third World Countries pay respect to rule of law but do not obey the idea of balance of power and countervailing powers. In the literature called Law and Economics, it is debated whether long run balanced economic growth requires the institutions of rule of law. To accomplish rule of law, a country must have a high degree of respect for legal integrity, but governance merely with rule *by* law can achieve economic growth at least some periods.

The World Bank fails to recognize that there are only two legal systems that harbors rule of law: common law and civil law. The other legal families, e.g. Islamic Law or Socialist Law, do not support the concept of rule of law, although some countries among them have phenomenal growth.

CONCLUSION

Socio-economic development, I would emphasize stands for an increase in GDP per capita, or material wellbeing. It may be enhanced by the World Bank’s recommendations of more of governance, coordination and cooperation. Similarly, it may promote freedom. But these relationships are not semantical or logical. China has shown how a phenomenal rise in GDP per capita eliminates poverty traps on a large scale. It’s all about production resulting in income. Supply determines demand, as Say argued 200 years ago. One gets the impression that the World Bank Report is targeting upper income Third World Countries, looking at their hope of developing into well-ordered societies (Rawls, 1971). The Report is correct that the evolution of an overlapping consensus will be a key factor (Rawls, 1996).

One may predict that growth rates will go down in the future due to the global environmental crisis. It will hit poor or developing countries the hardest. In Brazil for example very valuable forest resources are being burned rather than logged, destroying their value.

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