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Patrick Sharma. "The United States, the World Bank, and the Challenges of International Development in the 1970s." *Diplomatic History* 37:3 (June 2013): 572-604. DOI: 10.1093/dh/dht024. http://dx.doi.org/10.1093/dh/dht024

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Reviewed by **Victor Nemchenok**, Independent Scholar

In his article on the World Bank and international development, Patrick Sharma provides an overview of the complex, often contentious relationships among the World Bank, successive presidential administrations, and the U.S. Congress during the 1970s. Sharma employs archival materials from the World Bank, the National Archives, and several presidential libraries, as well as smaller archival collections, contemporary newspaper accounts, and other published material to illustrate how the bank maneuvered to maintain its independence despite U.S. attempts to harness its activities to Washington's policy agenda.

Robert McNamara, the president of the World Bank from 1969 until 1981, attempted throughout his tenure to increase the bank's lending activities while safeguarding its institutional autonomy. Both of these objectives met with resistance within the United States, according to Sharma. McNamara contended with executive branch officials who frequently perceived bank lending as undermining U.S. foreign policy goals. In 1971, the Nixon administration opposed World Bank lending to Guyana and Bolivia, for example, which were in the midst of expropriation disputes. That year, President Richard Nixon also demanded the termination of bank aid to India amid that country's war with Pakistan, a U.S. ally. Nixon's initial support for multilateral foreign assistance quickly proved hollow, and by the mid-1970s his administration's relations with the World Bank had frayed.

Congress also began to apply pressure on the bank. In part, the new scrutiny resulted from turf battles between the executive and legislative branches. "Discontent over the Nixon administration's continuation of the Vietnam War, as well as concerns that foreign assistance was ineffective in promoting economic growth … led to a significant deterioration in American support for foreign aid," argues Sharma, which clearly manifested itself in Congress (583). Legislators like Henry Gonzalez, the Democratic congressman from Texas, tried to bring "'the same degree of detailed examination'" to bear on U.S. multilateral assistance as Congress possessed in matters of bilateral aid (579). In some instances, Congress failed to fulfill the President's funding requests. In others, it placed restrictions on how the World Bank could use U.S. funds, seeking to direct bank activities away from expropriating nations, for example, or those accused of human rights abuses (579-80, 595).

In addition to suffering from intragoverment politics, the bank was subject to more direct congressional hostility. Following the 1973-1974 oil price shocks, the Senate's Permanent Subcommittee on Investigations joined with U.S. Treasury Secretary William Simon, the bank's most vocal critic, to chastise the bank for its response to the oil crisis, which senators felt unduly benefitted OPEC (585). Legislators also railed against what they perceived to be excessively high salaries at the bank, threatening to withhold appropriations to the bank without access to information on employee compensation (593). "By the late seventies," notes Sharma, "many bank staff had come to believe that Congress was 'determined to dominate or destroy' the organization" (594).

The World Bank managed such points of tension in its relationship with the United States through 'constrained independence' and 'voluntary dependence.' Under the former, the bank pursued its own interests in a way that ultimately coincided with those of the United States. The bank saw no reason, for example, to stop lending to Chile immediately after Salvador Allende gained the Chilean presidency, despite the Nixon administration's desire to undermine him. Bank managers eventually decided not to issue a new loan to Chile following Allende's nationalization campaign, but this decision was due more to uncertain prospects of repayment than to Washington's political pressure. Indeed, fearful of damage to the bank's AAA credit rating as a result of a possible Chilean default on its debt, McNamara was willing to negotiate with Allende on debt rescheduling and the resumption of bank lending – in spite of U.S. objections – until Allende's overthrow obviated the need for such a settlement (590-91). Although "observers have concluded that [the] United States successfully pressured the bank to cut off lending to Allende," Sharma suggests that the bank's actions more clearly reflected a desire to prevent a Chilean default and, in so doing, to preserve its own institutional interests (592).

In the case of 'voluntary dependence,' McNamara purposefully acceded to certain U.S. demands in order to preserve the bank's future independence. At the insistence of Congress, for example, he vetoed a 1978 cost-of-living adjustment for bank staff to stave off a decrease in U.S. funding (593-94). In 1979, McNamara again faced congressional pressure, this time in the form of an amendment to an appropriations bill that conditioned U.S. funding on the bank's refusal to lend to the Socialist Republic of Vietnam and other communist governments. This condition contravened the charter of the World Bank Group's International Development Association (IDA), which forbade it from accepting tied contributions. Unwilling to "'face a serious tradeoff between independence and growth,'" McNamara reached a private deal not to issue any World Bank loans to Vietnam in exchange for the removal of the amendment (599-600).

Sharma argues that both 'constrained independence' and 'voluntary dependence' allowed McNamara to maintain 'significant independence' from the United States during the decade, while simultaneously "advance[ing] basic U.S. interests" in a liberal-capitalist international system that promoted market-based economies in the developing world (589). In light of this conclusion, it seems all the more ironic that McNamara's World Bank would receive so much criticism for its response to the oil crisis, for its willingness to support state-sponsored development efforts, and for its insufficiently strong rejection of Third Worldism.

Much of Sharma's story focuses on Robert McNamara as the locus of myriad partially-diverging and partially-overlapping personal and institutional animosities, most of them overwhelmingly 'political' in nature. Although the article briefly mentions intellectual and ideological factors, such as McNamara's desire to battle "absolute poverty" (572) or William Simon's antipathy toward the Third World's aspirations for a New International Economic Order [NIEO] (586), there is not enough space to cover these issues in depth. It would be interesting to explore how different the "challenges of international development" identified by Sharma would look if approached through a different set of actors, such as McNamara's longtime advisor, Mahbub ul Haq, the Pakistani economist who spearheaded the World Bank's "basic human needs" work and who was McNamara's primary intermediary with proponents of the NIEO in the Group of 77.

Indeed, because the article reads like a series of short vignettes centered on McNamara, it is difficult to find in it a completely satisfying explanatory framework. If McNamara "demonstrated a relative openness to state-led development approaches throughout his presidency," why did the "World Bank … drif[t] steadily rightward during the seventies" (602)? One might wonder whether the bank really "left the seventies less dependent on American funds than ever before" – and whether the United States actually "lost" power within the bank – if the organization had to contend with the seemingly continuous barrage of challenges that the article so effectively identifies (596).

Sharma deftly outlines some of the complexities of the politics of foreign aid during the 1970s and how they challenged the bank's international development operations. Although his analysis does not lend itself easily to overarching generalizations, it opens up many new directions for future enquiry into the politics, practice, and intellectual bases of international development in the last quarter of the twentieth century.

Victor Nemchenok received his Ph.D. from the University of Virginia in 2013. He is currently completing a project on the history of international development and global civil society networks during the 1970s. He has written several articles that have previously appeared in *Cold War History*, *Diplomacy & Statecraft*, *The Middle East Journal*, and *Development Dialogue*.