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Ideology Factories

By Michel Husson

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Among the institutions that influence and fashion the "reforms" conducted throughout the world, the World Bank has contributed to forging a universally applicable doxology. Serious doubts have just been cast upon it by an appraisal entrusted to a group of recognized economists [1]. After a bit of airbrushing, the evaluators go on to serious matters: "A large part of the research is undistinguished" or "technically flawed," and the Bank is wrong to base its positions on "such (non) evidence." Many of the Bank's researchers "appear to think that the attribution of causality can be solved by technical means." Very few studies are conducted with developing country researchers who do not belong to the Bank. And the results are predictable.

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issues

The first example of these tendencies: pensions. The whole free-market neoliberal argument in favor of pension funds rests on a theorem that goes as follows: "Since the financial rate of return is generally expected to be higher than the rate of economic growth, NDC [non-financial defined contribution scheme] requires a higher level of contributions to achieve the same payout as an FDC [financial defined contribution] scheme." Conclusion: "NDC scheme is second best in economic terms." But that kind of reasoning is based, according to the evaluator who cites it, on a "gross error" that "a first year graduate student" would not commit: The higher pensions that pension funds could procure at start-up would be paid for subsequently by "the reduction in pensions of those who come later."

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Second example: the work of David Dollar. This World Bank economist is notably the co-author of a famous article establishing that growth is good for the poor. The commentary on his work is severe: "Much of this line of research appears to have such deep flaws that, at present, the results cannot be regarded as remotely reliable." If those results were put forward, it's because they go in the direction of the Bank's own positions, while other works - for example, those of Branko Milanovic, another World Bank researcher - were "ignored." And by necessity, since they showed that "it is growth that generally leads to trade-not vice versa," and that that opening has "a particularly negative impact on the poor and the middle-income groups in poor countries."

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It's these filtering mechanisms that Robin Broad, an economist who was not part of the panel, dissects [2]. She distinguishes six primary mechanisms: "hiring," "promotion," "selective enforcement of rules," "discouraging dissonant discourse," "manipulation of data," and "external projection." The researchers she interviewed confessed that it was not unusual for them to be asked to produce an evaluation "to prove that X programme works." This approach chucks out the foundations of a true economics research center sociology that should study [these centers instead] as production apparatus and evaluate the strike power that these battalions of researchers paid to illustrate the benefits of neoliberalism represent.

These well-tailored criticisms don't prevent the targeted institutions from imperturbably carrying on their "work." The first OECD report devoted to India deplores the rigor of its labor legislation and suggests "the level of employment protection needs to be reformed in order to increase employment." To countries in the euro zone, the OECD recommends easing "employment protection legislation" and boosting "salary flexibility." And it's no surprise that the IMF congratulates the European Union for its "reforms" of labor markets: DSK [Dominique Strauss Kahn - the new IMF managing director - tn] will have to work hard to give a "leftist" appearance to his upcoming interventions.

The long litany of reports sponsored by the French government does not escape these "more-or-less" and "whatever" approaches; thus, the Attali commission's idea, according to which a liberalization of big retailing would allow the creation "of several hundreds of thousands of jobs," reflects bar-room chatter rather than any economic analysis. In fact, within the hearts of these veritable factories, it's the dominant ideology that manufactures itself and in consequence it is quite useful to lay bare its method of production.

Michel Husson is an economist, an administrator of the INSEE, a researcher at IRES (Institut de recherches économiques et sociales), a member of the Copernicus Foundation and author of, among other works, "Les casseurs de l'Etat social" [The Destroyers of the Social State], published by La Découverte.

The documents cited here are:

[1] Evaluation of Bank Research A. Deaton, K. Rogoff et alii Final Report of the Evaluation Panel Executive Summary

[2] Knowledge Bank-rupted: Evaluation says key World Bank research "not remotely reliable" Bretton Woods@project, 2007

Research, Knowledge, and "Paradigm-Maintenance": World Bank's Development Economics Vice-Presidency Robin Broad, Global Policy Forum, 2006

All available at <http://hussonet.free.fr/mondiali.htm>

Translation: Truthout French language editor Leslie Thatcher.

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