

We Need a New World Order at the World Bank

Jayati Ghosh

Already the air is thick with rumours, speculation and calculation. No sooner did Robert Zoellick announce that he would step down as president of the World Bank at the end of June than the jockeying for his position began. US treasury secretary Timothy Geithner quickly announced that the US government would put forward a candidate in the coming weeks. This haste is to establish the US's claim to this post, through the so-called "gentlemen's agreement" of the global elite whereby Europe could put one of its own in the IMF and the US controlled the leadership of the World Bank.

The arrangement was already called into question last year, when Dominique Strauss-Kahn was forced to leave the IMF. Despite tentative moves to have someone from the emerging world head the fund, France quickly put forward its own candidate. Christine Lagarde then received the backing not just of other European countries, but also of several developing countries, through skilful diplomacy (including dividing the opposition) combined with global fears about the impact of the European financial crisis.

Now, once again, the same game has started. Since mid-2010 there has been speculation that Hillary Clinton is eyeing the job, with Larry Summers breathing down her neck. When it comes to the crunch, the US will probably do its best to ensure that it remains in control at the World Bank for as long as possible, and chooses who runs the institution. It is increasingly hard to justify this. In the early decades of the Bretton Woods institutions, when G7 ran the world, it could be taken for granted, but not as other economies grow in size, international reach and significance.

In the case of the international financial institutions, it has been argued that since developing and emerging markets are more likely to approach them for funds (indeed, the World Bank can only lend to developing countries) it is better to avoid conflicts of interest that may arise if the head of the institutions also comes from that country or region. That particular argument made by developed countries was blown apart last year, when Europeans insisted on having Lagarde at the IMF precisely because Europe was in such a huge economic mess that the services of the IMF would be required. Suddenly conflict of interest was no longer a problem; instead it even became a virtue, that of close knowledge and first-hand experience of the issue.

This will make it harder to provide any logical or minimally ethical reason for pushing to have an American at the head of the World Bank. But then logic or ethics have never determined how these things happen. An open letter to the World Bank's board of governors by a group of international NGOs has made the plea that its members "push for the selection of the best candidate through an open, merit-based, transparent process, and to ensure that developing countries play a central role in the selection process". The letter notes that since the bank only operates in developing countries, and has most impact in low-income countries, any candidate who is not supported by these countries will seriously lack legitimacy. And of course it makes most sense if the candidate is from a developing country, since that person is more

likely to understand at first hand at least some of the difficulties that policy-makers in such countries face.

Of course, having a person with a different nationality is nowhere near enough. But since it is so clear that the World Bank needs serious and substantial reform, this is one place to start. But does this even matter? It could seem that the world economy is very different today, when European leaders go cap-in-hand to China requesting money for bailouts which they are unwilling to provide themselves. But the sad truth is that institutions such as the World Bank and the IMF remain very powerful despite this, not just in providing resources to poor countries, but also in setting the development agenda and determining policies.

Increasingly, this happens not because of open or direct conditionalities imposed on countries that borrow from the World Bank (though that still happens too), but because it has sought to centralise control over research and policy analysis and put its own imprint on what is considered "good" economic strategy. The fact it has most often got things wrong has rarely been a problem, since it has never been constrained by either accountability or shame.

So the World Bank, despite some hesitant and inconsistent occasional moves to the contrary, remains fervently in favour of large private capital. It continues to push countries down development trajectories that have seriously negative medium- and long-term implications. It continues to oppose or undermine genuinely progressive alternatives that are slowly being built in different parts of the developing world. And it seeks to justify this with paid research that is sometimes only slightly better than the "paid news" that afflicts a lot of private media.

These are Augean stables to clean up, and it may be too much to expect any one new incumbent to be able to tackle this. But one thing is for sure: with a nominee from the US administration at the helm, such a clean-up is unlikely even to start.

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