



Can the World Bank Adjust to a Changed World?

Arvind Subramanian assesses the prospects for Jim Yong Kim, President Obama's choice to head the bank, and the other aspirants to the job.

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Steve Weisman: President Obama has nominated Jim Yong Kim, who is the president of Dartmouth, to be the new president of the World Bank. But will that end the selection process or just bring about the beginning? This is Steve Weisman at the Peterson Institute for International Economics, with Arvind Subramanian, who has been studying this issue. Arvind, what's been the reaction to President Obama's nomination of Mr. Kim?

Arvind Subramanian: There have been two almost polar reactions to this. One saying, "It's a very inspired choice, because here's someone committed to development, has a very good track record of having done things for developing countries. He's a scholar, a MacArthur Genius Award-winner."

So, it's an inspired choice. Especially if you compare it with some of the previous choices for president, like [Barber] Conable or [Alden] Clausen or [Paul] Wolfowitz, this seems like not a bad choice.

But on the other hand, there are people who feel that this is somewhat narrow qualification for the job of World Bank president. Development is about much more than health, and we need a very new kind of World Bank, and this is somewhat of a traditional choice.

Steve Weisman: Who else is in the running?

Arvind Subramanian: The other side, the G-11 countries, have nominated two candidates. Ngozi Okonjo-Iweala, who is now a kind of super-economics czar in Nigeria, and José Antonio Ocampo, who used to be the Colombian Finance Minister, Agriculture Minister, and is now an academic at Columbia University.

Steve Weisman: The G-11 is?

Arvind Subramanian: The G11 is a group of developing and emerging market countries.

Steve Weisman: Do these two candidates have a chance?

Arvind Subramanian: The politicking that's underway is very simple. It's now formally a kind of open process, where these three candidates will be interviewed, and then presumably there will be a vote at some point to decide who is going to be the next World Bank president.

But of course most of the action happens behind the scenes, and the question is whether the United States has enough support to command a majority for their

candidate. To me, reading it, I think the good news is that there is a process on these candidates. The merits are being evaluated. People are talking about it, they're debating it, which is a very good thing. But all this could just be pro forma, because maybe the deals have been struck, the back stairs, backroom intrigue has taken place. And maybe the US nominee will be the next president.

Steve Weisman: It does appear that the United States ran the traps ahead of time with the Chinese, the Brazilians, the Europeans, maybe the Indians. Is this the kind of open, competitive process that you have always said you favored for the World Bank?

Arvind Subramanian: I don't think this is quite the open process that I would like to see. This is certainly an improvement on the past, because we have credible alternative candidates, and there is honest debate and discussion going on. I think people would say, "Well, the candidates are there, and let people vote.... "

But the problem, of course, is that we don't know how much of this is really an open, contested process and how much the deal has been done before because of the US talking to Europe, China, Brazil, India.

And that's, of course, what makes it a bit of a rigged process is that between the US and Europe, they still have a near majority of the vote, so if they agreed on this, the nominee would go through. But I still think it's a step forward, and let's see what happens.

Steve Weisman: How relevant is the World Bank? A few years ago, people said that the International Monetary Fund was increasingly irrelevant. Then a crisis occurred. It was in the center of the action. Now people are saying that the World Bank is less of a factor in the development scene. Can the World Bank be a major player?

Arvind Subramanian: I think the World Bank is one of those institutions that, in principle, should be self-liquidating, because at some stage all countries will have developed, and they won't need access to official finance. But that thing is very far away, so the World Bank will remain relevant.

But I think the key point is that the world is changing and the World Bank has to change to those new circumstances. The Bank can be relevant and can be an important player if it changes.

How does it need to change? For example, much less of this government to government lending. Much more thinking about global public goods. That's a big change that needs to happen.

Steve Weisman: Global public goods being?

Arvind Subramanian: Being, for example, there are some major global challenges, common challenges like climate change, water scarcity around the world, the fact that R&D for tropical agriculture, tropical medicines are under-supplied, because the incentives aren't there.

A lot of these things which need intervention at the global level, I think the World Bank needs to gear itself to meeting those challenges. The other big way it has to

change, of course, is that just as the IMF we see the new creditors are becoming very important, so too are [they at] the World Bank.

We want China and Brazil and India not just to be supplicants for money or remain debtors, but actually become active creditors and shape the agenda that way. And so, for example, I would like much more China to be lending to Africa via the World Bank than doing it on its own.

The world has an interest in ensuring that. When China does these things on its own, it does raise concern for all of us in terms of, are they adhering to good standards, are proper procedures being followed? I think there is a rich agenda for the World Bank to get involved in. The question is, will it?

Steve Weisman: Thank you, Arvind.

Arvind Subramanian: Thanks, Steve.

