

I'm With Wolfowitz: Have we forgotten what the World Bank is for?

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It's about as close to consensus as the left is ever likely to come. Everyone this side of Atilla the Hun and The Wall Street Journal agrees that Paul Wolfowitz's appointment as president of the World Bank is a catastrophe. Except me.

Under Wolfowitz, my fellow progressives lament, the World Bank will work for America. If only someone else were chosen it would work for the world's poor. Joseph Stiglitz, the Bank's renegade former chief economist, champions Ernesto Zedillo, the former president of Mexico.(1) A leading article in the Guardian suggested Colin Powell or, had he been allowed to stand, Bono.(2) But what all this hand-wringing and wishful thinking reveals is a profound misconception about the role and purpose of the body Wolfowitz will run.

The World Bank and the IMF were conceived by the US economist Harry Dexter White. Appointed by the US Treasury to lead the negotiations on post-war economic reconstruction, White spent most of 1943 banging the heads of the other allied nations together.(3) They were appalled by his proposals. He insisted that his institutions would place the burden of stabilising the world economy on the countries suffering from debt and trade deficits rather than on the creditors. He insisted that "the more money you put in, the more votes you have".(4) He decided, before the meeting at Bretton Woods in 1944, that "the US should have enough votes to block any decision".(5)

Both the undemocratic voting arrangement and the US veto remain to this day. The result is that the body which works mostly in poor countries is entirely controlled by rich ones. White demanded that national debts be redeemable for gold, that gold be convertible into dollars, and that all exchange rates be fixed against the dollar. The result was to lay the ground for what was to become the dollar's global hegemony. White also decided that both the Fund and the Bank would be sited in Washington.

No one was in any doubt at the time that these two bodies were designed as instruments of US economic policy. But somehow all this has been airbrushed from history. Even the admirable Joe Stiglitz believes that the World Bank was the brainchild of the British economist John Maynard Keynes (Keynes was, in fact, its most prominent opponent).(6) When the development writer Noreena Hertz claimed in the Guardian last month that "the Bush administration is a very long way from the Bank's espoused goals and mandate", she couldn't have been more wrong. (7)

From the perspective of the world's poor, there has never been a good president of the World Bank. In seeking contrasts with Wolfowitz, it has become fashionable to look back to the reign of that other Pentagon hawk, Robert McNamara. He is supposed to have become,

in the words of an Observer leader, “one of the most admired and effective of World Bank presidents”.(8) Admired in Washington perhaps. Robert McNamara was the man who concentrated almost all the Bank’s lending on vast prestige projects – dams, highways, ports – while freezing out less glamorous causes such as health and education and sanitation. Most of the major projects he backed have, in economic or social terms or both, failed catastrophically.(9)

It was he who argued that the Bank should not fund land reform because it “would affect the power base of the traditional elite groups”.(10) Instead, as Catherine Caufield shows in her book *Masters of Illusion*, it should “open new land by cutting down forests, draining wetlands, and building roads to previously isolated areas.”(11) He bankrolled Mobutu and Suharto, deforested Nepal,(12) trashed the Amazon (13) and promoted genocide in Indonesia (14). The countries in which he worked were left with unpayable debts, wrecked environments, grinding poverty and unshakeable pro-US dictators.

Except for the language in which US demands are articulated, little has changed at the Bank. In the meeting on Thursday at which Wolfowitz’s nomination was confirmed, its executive directors also decided to approve the construction of the Nam Theun 2 hydroelectric dam in Laos. This will flood 6000 people out of their homes, damage the livelihoods of a further 120,000, destroy a critical ecosystem and produce electricity not for the people of Laos but for their richer neighbours in Thailand.(15) But it will also generate enormous construction contracts for western companies. The decision to build it was made not on Wolfowitz’s watch but on that of the current president, James Wolfensohn. In practical terms, there will be little difference between the two wolves. The problem with the Bank is not the management, but the board, which is dominated by the US, the UK and the other rich nations.

The nationality of the Bank’s president, which has been causing so much fuss, is of only symbolic importance. Yes, it seems grossly unfair that all its presidents are Americans, while all IMF presidents are Europeans. But it doesn’t matter where the technocrat implementing the US Treasury’s decisions comes from. What matters is that he’s a technocrat implementing the US Treasury’s decisions.

Wolfowitz’s appointment is a good thing for three reasons. It highlights the profoundly unfair and undemocratic nature of decision-making at the Bank. His presidency will stand as a constant reminder that this institution, which calls on the nations it bullies to exercise “good governance and democratisation” is run like a mediaeval monarchy.

It also demolishes the hopeless reformism of men like George Soros and Joseph Stiglitz who, blithely ignoring the fact that the US can veto any attempt to challenge its veto, keep waving their wands in the expectation that a body designed to project US power can magically be transformed into a body which works for the poor.(16) Had Stiglitz’s attempt to tinker with the World Bank’s presidency succeeded, it would simply have lent credibility to an illegitimate institution, thus enhancing its powers. With Wolfowitz in charge, its credibility plummets.

Best of all is the outside chance that the neocons might just be stupid enough to use the new wolf to blow the Bank down. The former British minister Clare Short laments that “it’s as though they are trying to wreck our international systems.”(17) Well, what a tragedy that would be. I would sob all the way to the party.

Martin Jacques argued convincingly in the Guardian last week that the US neocons are “reordering the world system to take account of their newly defined power and interests.”(18) Wolfowitz’s appointment is, he suggested, one of the “means of breaking the old order”. But what this surely illustrates is the unacknowledged paradox in neocon thinking. They want to drag down the old, multilateral order and replace it with a new, American one. What they consistently fail to understand is that the “multilateral” system is in fact a projection of US unilateralism, cleverly packaged to grant the other nations just enough slack to prevent them from fighting it. Like their opponents, the neocons have failed to understand how well Roosevelt and Truman stitched up the international order in America’s interests. They are seeking to replace a hegemonic system which is enduring and effective with one which is untested and (because the other nations must fight it) unstable. Anyone who believes in global justice should wish them luck.

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