

President of the World Bank since 1995, Australian-born James Wolfensohn has been instrumental in initiating broad-based programs to assist debt relief and economic development in impoverished nations.

In this interview, Wolfensohn discusses the impact of globalization on developing nations and the ways in which international financial institutions can help alleviate poverty and debt while establishing stability, growth, and economic opportunity.

Developing Nations' Growth Potential Attracts Foreign Capital

INTERVIEWER: When you were in the private sector in the early '90s, there was a lot of money going into emerging markets. What was going on there, and what was your sense of emerging markets? Did you think it was an exciting place? Was it a good thing for the capital to be flying, and why was it really happening?

JAMES WOLFENSOHN: You have to remember that I'm from Australia originally, and so in the 1950s and 1960s I saw international capital coming to Australia, largely because this was a place where they hoped that returns would be better and where you could get in early and you could grow.

In the early '90s you saw the beginning of a trend which has continued through that period. In 1990 there was about \$30 billion per year flowing to developing countries against overseas assistance of about \$60 billion. So it was running at about half the pace of development aid and assistance. By 1997 and 1998 it had reached \$300 billion—it had gone up 10 times, and overseas development assistance had dropped. So you saw this tremendously large change in the balance between commercial risk and development assistance.

The reason was very simple: You've got faster growth in developing countries; you've got many greater opportunities in terms of people and development. But what people discovered in the crisis was that you also had great risk, and as quickly as it went in, a lot of people turned around and came out. But the interesting thing is that the direct investors, the people that were there for permanent investment, continued to come even after the East Asian crisis.

I would say the reason they went in was growth—its potential for the next 25 years, its anticipated higher returns, and, of course, access to commodities which are not available in the developed world.

Developing Nations' Preference for Direct Investment

INTERVIEWER: We talked to Robert Rubin about the Clinton administration's push to encourage countries to open up their capital markets. Was there a concerted effort coming out of Washington and Wall Street to encourage countries to open up to their investments?

JAMES WOLFENSOHN: There was, but it didn't require too big an incentive for people to welcome direct investment. Most people recognize that to create jobs is really the essential element in their drive against poverty. Where I think there was more controversy was opening up short-term capital markets, and I think the decisions and the views on that have changed since that period.

Again, harking back to the '50s in Australia, the money was not allowed in for short-term purposes, and many countries in fact put a barrier to the short-term flows. It's probably conventional wisdom now that you bring openness of markets only after the market has developed to a certain level.

But in terms of direct investment, I think that most countries in the world today are looking for it, because with direct investments comes money, technology, and jobs.

The War on Poverty: Offering Opportunity and Stability

INTERVIEWER: Rubin also was talking about how the administration was trying to change the Bretton Woods institutions, update them, around the time you came here. Was that part of the rethinking of the World Bank and IMF, and what interested you personally in taking on such a big challenge?

JAMES WOLFENSOHN: I was interested in the challenge in the World Bank, because it's a challenge that relates not just to investment, but to people. This institution is concerned, as you probably know, with the questions of poverty in the world, and [it] deals with the 4.8 billion people out of a globe of six billion people that are in what we call the development

stage. I was concerned about it both as an economic matter, but much more particularly as a social matter. I was deeply concerned then, and have become more concerned since, that unless we can deal with the questions of development and the questions of poverty, there's no way that we're going to have a peaceful world [for] our children. That's been the thing that's kept me at this, and I have continued to be stimulated not only by current challenges, but by what I think is coming down the road.

INTERVIEWER: You spend a lot of time on the road. What do you get from that?

JAMES WOLFENSOHN: When I travel, I make certain that I spend at least half of my time in the field. You have to get out to meet people that are in poverty, that are looking to improve their lives. That's something that you can't read in books. You need to go out and meet them. Of course I spend time with governments and with [the] private sector and with civil society, as a necessary part and an important part of the trips. But the number one element is to go out and see projects and to meet the people you're trying to work with.

The thing you learn very quickly is that the best people you meet on these trips are indeed poor people—in slums and villages, in difficulties—[who are] trying to get out. And the thing you learn from them is that they don't want charity. They just want an opportunity like you and I would have wanted. They want peace; they want a chance to bring up their kids; they want to live in safety. The women don't want to be beaten. They're really looking to take advantage of any possible way that you can give them an opportunity. And that is a very, very exciting realization: to recognize that slum dwellers and rural dwellers are the same as all the rest of us, and that in fact the real strength of the developing world is the strength of the people.

What we're trying to do is to develop programs which are not Washington-centric or made up in London or Europe that would apply maybe in our conditions, but [programs that] really get close to their needs. The way you find that out is by meeting them. They will tell you what they need. They'll tell you also how they can get out of it, how they can have an opportunity, [and] what they need for their kids. It's really a privilege to be able to do that because it both teaches you a lot [and] makes you pretty humble, but it also gives you a sense of optimism.

INTERVIEWER: If they're the same as all of us, why are they poor and we're not?

JAMES WOLFENSOHN: That's both an easy and a difficult question. It's not easy when you're born in a country which has been subject perhaps to colonial rule, where, in the case of Africa, you had tens of millions of people in slavery; where the country is decimated by rulers [set] against the rights of the people; where you've had inequity, which prevails, for example, in Latin America; where you have, in the case of China, a feudal system that ran for millennia. If you go country by country, you'll see that the framework in the countries, the history of the countries, is very different. It's not as easy as it has been in the United States, which was founded on principles of equity and free speech and opportunity and a legal and judicial system which protects rights.

We take for granted a lot of the framework that allows us to benefit and to grow. One of the principal things we're doing is to assist countries that wish to have a democratic framework create an environment in which those people that have very little can have an opportunity to advance themselves. And that, curiously, is not [just about] money. That is trying to strengthen governors. It's trying to get legal and judicial systems that work. It's trying to get a financial system that is equitable and that works. It's trying to combat corruption so that those with power don't take everything. It's giving education and health. It's dealing with questions of infrastructure. It's addressing issues of environment and culture. These are all things that really give us the opportunity. So when you ask why are those people not as rich as we are, why don't they have the opportunity, the first level is that they don't have the framework and the environment in which they can have equal opportunity.

We're very blessed to have that equal opportunity. It took us a long time to get it—[it] took us civil wars, took us many things in this country—and in Europe it took centuries, and in Asia millennia to deal with it. Our role is not just the simplistic way one thinks of giving charity or giving aid. Equally important is to create an environment in which people can flourish.

What Developing Nations Are Facing: Tanzania as Case Study

INTERVIEWER: Tanzania is an interesting country, because there's a lot of World Bank money that flew in, but the country's still poor for countries like that. Can you talk about your visit

there? Do you think that global capitalism and trade, in some form, are really the best ways for their people to have a better life?

JAMES WOLFENSOHN: I think that so-called capitalism and trade is a very important element in giving people opportunity. For example, in the case of Africa at the moment, if you develop productive capacity, either in agriculture or in industry, and the local markets are limited, if you don't provide available markets in terms of trade access you're not helping them very much by creating productivity capacity which they can't use and sell. So trade is very important. Investment is important because it brings not just money; it brings the technology that is needed, and it brings marketing capacity and jobs.

Those two things are very important, but also [important is] the creation of conditions that can retain local capital. Local capital needs to have the same conviction about investing in the countries and [reasons not] not fly out as you have at the moment in Africa and in a country like Russia, [where] too much of the capital is expatriated. That is true of African-earned profits, even today. But having said that, the crucial thing that needs to be underlined again is that in order for there to be real development getting to the people, it is not just multinational investment or trade. You need to have the social fabric. You need to have commitment to some more equitable development. You need to have the opportunity for people to benefit and not be beaten up, either physically or in terms of corruption or in terms of lacking opportunities. You don't just need the corporate sector. You do need a certain measure of government involvement to create an environment in which this can work.

Nowhere is this more true than in the legal and judicial system. We accept that every one of us has the right to protest a contract, to protest that we own something, that we have the right to property, that we have the right to certain human protections. If you don't have that, corporate investing and trade doesn't help the distribution of resources to bring about the stability for poor people. So you need both. I believe that investment and trade is critical, but it's not enough.

INTERVIEWER: How does this apply to Tanzania?

JAMES WOLFENSOHN: Tanzania is a country where Benjamin Mkapa came in on a platform to fight corruption. In his judgment, and apparently in the judgment of the voters, [it was] the number one issue. Corruption, not just in big numbers, affects poor people perhaps more than anybody. The few cents or the few dollars that are required to get you services or to get you approval is more important to them than the \$100,000 or whatever it is that's paid in a bribe for a contract. It's also been demonstrated that corruption is the thing that holds poor people back the most. They say that themselves in their own studies. So when Mkapa came in, it was with a view to strengthen government, to fight corruption, and to try to bring about equitable development, which he did, as I'm sure he told you in terms of education and health care.

INTERVIEWER: When you go to a country like that and visit him, what do you talk about?

JAMES WOLFENSOHN: The first thing you talk about in Africa today is AIDS. AIDS is the number one issue, [and] if we don't solve that question, having a legal and judicial system with no living judges and having an education system without teachers doesn't help you very much. We have 25 million cases of AIDS in Africa today and 10 million orphans. So the first item on the agenda for me in Africa is always AIDS. There are other communicable diseases, such as malaria and many other health issues, but number one is AIDS. So we talked about that.

Number two is government, strengthening the fabric of government. You can have a terrific set-up, but if you don't have people to administer it who are adequately paid and competent, you can't do a lot in a country.

Now, Mkapa is a great believer in a private enterprise system and in engaging the private sector, but he has to create an atmosphere in which that private sector can flourish. So when you meet with him and with other African leaders, you talk about the structure that I mentioned before—the structure that can allow the private sector to flourish and grow. But beyond that private sector also needs to be people who are literate, people who are healthy, people today who are trained in technology, schools that are fitted with technology. They need power; they need water; they need facilities to export goods. They need police forces to protect the people. They need, in the case of Africa, which is the other number one item, not

to be at war, because one-third of the people in Africa are currently affected by conflict. So this is the level of issues that we're talking about with people like Mkapa.

Minimizing the Risk of Conflict

INTERVIEWER: We've talked briefly about the Asian crisis, but there are huge risks of turbulence in the global system that hit developing countries particularly hard. How do we deal with those risks?

JAMES WOLFENSOHN: The first thing is that you can deal with the risks if you can deal with the question of poverty. Too many of the conflicts which are caused today are caused by the problems that emerge from people who are in poverty. Switching from Africa for the moment, [looking] a little bit north, let's take Gaza [and the] West Bank. If you have Palestinians who have no hope, who don't have a job, who've used up all their resources, the notion of getting rid of violence is a dream.

In African countries it is exactly the same. As you look at the flow of Muslim fundamentalism, or fundamentalism in various areas and various religions, they all play on the people who have very little.

The first thing that you need to deal with is the issue of equity and poverty. We have three billion people, half the world's population today, living on less than two dollars a day. One billion, 200 million people live [on] less than one dollar a day. So the first thing you need to do about conflict is to prevent it, and the best way of preventing it is by dealing with the question of poverty. I don't have any doubt about that. And it's not just an issue for poor people or for poor countries. In today's world, it's as much an issue for the United States or for developed countries as it is for developing countries. Violence [and] terrorism of all types is now a global issue.

So I strongly say that dealing with the question of poverty is crucial. In dealing with the question of poverty, the issues of education [and] health loom very, very large because you've got to get that in order to enfranchise people. Again, it's not much different than it is in our country, where you have to have an educated and a healthy person before you can get very

far. I would start with the issues of poverty and personal opportunity. As I said before, it needs to be within a framework that allows for equitable growth and the protection of rights.

Tensions Between Extreme Activist Groups and IFIs

INTERVIEWER: Were you at Seattle?

JAMES WOLFENSOHN: Yes, I was.

INTERVIEWER: A lot of people were saying that ... the World Bank and other big institutions are actually part of the big problem. If you think back to Seattle, did that catch you by surprise? When you saw what was going on, where did you think that they were coming from, and how did you react to it?

JAMES WOLFENSOHN: I spoke to the head of the World Trade Organization, who's a friend of mine, and I said to him, "You know, if only you were as aware as we are at the World Bank of these issues, you wouldn't have this trouble. You notice there are no signs about the World Bank. It's all about the WTO."

A few months later I discovered in Washington that it was not just his problem—it was my problem as well. So the answer is yes, it took me, in that form, completely by surprise. I thought it was just an issue of them going into the green room and making decisions on trade. I've since discovered that it is a much more fundamental concern about some form of globalization which people can't fully understand—some form of lack of confidence in any form of international government, some lack of belief that there is any adequate consultation, and a move on the part of many to try and say: "The whole system's lousy. The [World] Bank's never done a good thing in its life. The [International] Monetary Fund is the cause of all the problems along with the World Bank." You get down to a very low base in terms of the opinion of some about our institutions.

So I was taken by surprise. But I've since learned not to be surprised. I've recently been in Quebec, where 400 people were arrested and 140 people were taken to the hospital [during protests of] a meeting of 35 leaders of Latin American countries and a few of us who are from the international scene. The sole purpose was to deal with the issue of poverty, trying to have

trade [happen] on an equitable basis. If you had asked any of the leaders what they were doing, they would have said to you, "I'm elected by my people in order to give them a better life, and who the hell are these people in the street?" In a curious way, I feel also that my 10,000 colleagues here at the Bank and I are spending our lives dealing with the question of poverty, and someone comes along and tries to beat you up because they don't think you're doing enough.

We have a very clear idea here. Anybody in civil society, whether it be a trade union or non-governmental organization or, more broadly, from a faith-based organization, we're extremely anxious to talk to them. We have literally dozens of meetings with members of civil society, and we will continue to have them because it's useful to both understand what they're saying and to work with them in many countries. We have extensive networks of not just talking, but of doing projects with civil society all around the world. But what you can't do is discuss [the issues] with someone who has a black balaclava on their head, who has a Molotov cocktail or a stick or an iron bar [that] they want to hit you with. It is really rather sad that the projection of this violence is now impacting not just [our ability] to have a dialogue, although we're continuing it, but [it's also provoking] a very strong reaction on the part of elected leaders to say: "Listen, why talk to these people? We're the elected leaders." I fear for the movements in many of the countries, because it's giving an opportunity for the leaders to say: "There's been an election and I was elected. If I wasn't satisfactory to the people, I wouldn't be elected. Who are these people out there who are telling me I'm doing a bad job?" And that's what you heard in Canada.

We're at a very, very tricky stage in terms of this whole linkage. Yes, there is concern about globalization, whatever that means, but the more professional organizations, those that are in for the longer term from civil society, we have very, very easy dialogue with. We don't agree on many things, but it is highly constructive, very civilized, and very useful. It is the more extreme groups which I think are making it difficult for all of us. It's not constructive, and, in a way, it's not always wholly representative.

Adjusting to Inevitable Globalization

INTERVIEWER: You said "globalization, whatever that is." You've had a whole career dealing with global issues and finance. [You're] now in the public sector, and you also travel a lot. You

see a lot more of the world than most of us. Give us a sense of what this confusion over globalization is.

JAMES WOLFENSOHN: I think I know what globalization is, but when you see someone outside a barricade attacking you vehemently because of something called globalization, you have to wonder what it is they're getting at.

Globalization in the sense of the world becoming smaller has been going on, since Adam and Eve. It's surely been going on in a very visible way for millennia. In fact, 1,000 years ago, the influences were coming from the East to Europe, whether it was in mathematics or in trade or in science. Now we've seen a reversal of that and we find ourselves in a situation where a lot of ideas, a lot of investments, a lot of trade is all coming at an accelerating pace, and, with the new communications revolution, at a rapidly accelerating pace. The notion of the world as a village is becoming a reality.

I find the Internet in Central Africa and in remote places in India. I can give you 100 examples of how the world appears to be coming closer together. For me it means trade, investment, migration, health, environment, crime, and drugs. It means all those things, plus communications. And there is no way that someone with a banner can hold that back. That's like standing in front of the water when the tide is coming in—you're not going to stop it with a banner. It's going to come in, it's going to go out, going to come in. And so it is with globalization.

The real question is, how is it going to impact the various participants in this global scene? What you have in most of these demonstrations, interestingly, are two types of people. There are those who live in developed countries who fear that globalization will reduce the standard there and put them out of their jobs—the sort of thing that was raised in Quebec. And from the developing countries themselves, you have an equal fear on the part of manufacturers and producers that if they're exposed to global competition, they're going to be out of their jobs. In the [final] analysis, typically the people in developed countries have a better chance of staying with that than some of the people in the developing countries.

The task that we have is to say this phenomenon is occurring. There is no doubt that countries do better if they enter the world than [if they] try and put a wall around them. That's been demonstrated by study after study of economists and sociologists.

So the question is, "How do you bring about a more equitable engagement into a phenomenon which is going to happen, and ensure that we can all get the benefit?" And for those who do not have the benefit, give them a transition phase in which they can either be retrained or helped to get some other form of livelihood so that they can benefit from something which is not going to be reversed.

For me the argument about globalization is a non-argument. The argument is about how you adjust to this phenomenon which is with us and which has been going centuries and millennia. The thing that is exciting people today is that [globalization is] going very quickly and we all know about it because we have a communications revolution which, frankly, allows most people to know what's going on.

Now, three billion people haven't made a phone call, but that same three billion people have had access to information, to knowledge, to television. So I think that people are getting into areas that they're deeply concerned about [and] they don't feel in control of.

Keeping Pace with Globalization

INTERVIEWER: [With] globalization, things have changed so fast. Have the rules of the game kept pace with the rapid change? Who writes the rules?

JAMES WOLFENSOHN: I don't think the rules have kept up on capital markets, I don't think the rules have kept up in terms of transparency in the international scene, and I don't think the rules have kept up on trade. It is really the developing countries that are at the biggest disadvantage, because you'll see from the United States and Australia and Canada large teams of highly skilled people going to negotiate the trade agreements, and 30 of the countries that we deal with don't even have a representative in Geneva. So when you talk about the inequity of these discussions, which many have, it should be a lot of those countries that are demonstrating [rather than] northern NGOs or northern activists. There is a

significant need for change, but to the extent that there is change, there is also a need for capacity building among the developing countries.

I'll give you one statistic on this, which is really crucial [and] that you should understand, because the changes aren't for today alone. Today there are problems, but in the next 25 years the planet is going to add two billion people. We're going to move from six billion today to eight billion 25 years from now. We now have 4.8 billion of the six billion in developing countries. In the next 25 years, all but 50 or 60 million of those people in the two billion will be added to the developing countries. So in 25 years, you'll have 6.7 billion to 6.8 billion people out of eight billion people in the developing world. Now whatever the balance of power is today in terms of economics, in terms of political influence, in terms of history, you're going to have to say that the world [of] our children is going to be very different. You'll have a completely different balance. You'll have an older society in the developed world, you'll have a Europe that is smaller, you'll have a United States which is maybe 50 million [people] bigger, largely because of immigration, a changed demographic, a changed background mix, probably much more Latin. Europe [will be] affected by necessary inflows of people to take jobs that need to be filled and for which there isn't the age group to fill them, and you'll find pressure in terms of migration from Africa, from Latin America, from the Middle East, [and] from South Asia, which you won't be able to stop.

So when you talk about a need for rules and a need for change to the environment, it is very necessary today but critically urgent in terms of preparing for the next 25 years. This is not something we can leave for 25 years. It is a crisis today to ensure that we have new rules, new policies, [and] new understandings in order for us to get in place the conditions that are going to allow for peace 25 years from now. If you pretend that two billion more people are not coming onto the planet and you don't prepare now for food, water, trade, investment, [and] equity, you have no chance of peace in 25 years. For me, that's when you ask the question, "Why am I here? Why am I, at my advanced years, beating myself up in this?" It's for that reason [I am here], to try and make a difference in terms of that equation. I think there's a need for new rules [and] new regulations, but most particularly for a new philosophy, a new culture on the part of those of us [who] live, [who] are privileged to live in the developed world.

Supplementing Aid and Trade with a Global Education

INTERVIEWER: We talked to William Crist, who runs the California pension fund CalPERS, and he's deeply concerned about this. He says from his standpoint, he'd like to invest in developing countries, but for his shareholders they are effectively uninvestable. He cannot put money there. There is this huge expansion, [but] aid is not keeping up with the expansion. Where is the money coming from?

JAMES WOLFENSOHN: In an international conference, all our leaders promised years ago to put 0.7 percent of their GDPs into foreign assistance. The level currently provided is 0.25 [percent]. If they were to agree to the levels that they had before, and if they were to pay up over the next 10 years, it's basically \$100 billion a year—the difference between the \$50 billion that's now been transferred and the \$150 billion that has been promised. I don't expect that we could get the extra \$100 billion tomorrow, but we should at least start by increasing \$10 billion a year at a time when our economies can afford it. So one thing is money, and that can be very, very important. And it should be grant money. What we do in the Bank, as you know, is lend, and that has its place. Credit has its place, but [only] if the countries perform well, if they don't have corruption, if they can show that they use the money effectively.

The second thing is trade—you have to open your markets to trade. If you don't do that, you're cutting off these markets, giving them no chance.

The third thing I suggest is that there needs to be a form of education [for] our voters, our people, to understand that concern about international development issues is not charity, it's self-interest. That really requires an education, because most people don't have a clue about what's going on in South Asia or in Africa or in most parts of Latin America, and [they] don't think it has anything to do with them. But for every part of the world, instability, migration, crime, health becomes our issue, and it is just too late to wait for the crisis. It's too late to wait until you have a whole lot of terrorism here because of disenfranchised people overseas. It's too late until you have strains of AIDS that have developed to resist any form of retroviral drug enter our society. It's too late to see our environment despoiled when weather patterns change. It's too late to use up all your water because you can't replace it and so, for me, more important even than money and more important even than trade, because [solutions to these

issues] would follow an education of the people to a global point of view. Most of our politicians do not give that view. Most of us are not concerned about it. But I can tell you as a father and someone who is spending his last years in this job, I can just see it so clearly. I wish I'd understood it better before.

A Global Commitment to Ensure Survival

INTERVIEWER: As somebody who doesn't have your years of experience—30 or 40 [years] now in the private sector—how do you get them to think global?

JAMES WOLFENSOHN: As to the question of how my own perspective changed, I was lucky enough to grow up at a time when the euro market was developing, when my chosen field was international business and international finance. So I had an understanding of the importance of global markets as early as 40 years ago, when I had my first trip to Nigeria, because I was [intuitively] interested in the questions of development. I spent a lot of time on that in my life. But the change that came across me in the [World] Bank was that you get overwhelmed by the scale of this thing. It is not an issue which you can think of as something that's morally or socially right. [It's not simply] that if someone's less well off than you are, you give charity. The things that really impacted me were the numbers, the inevitability of the numbers, the limitations of our planet, the interdependence of our planet in terms of people.

I guess what I have learned since I've been here is [that] clearly all these things are not measured just in return on investment or in how much money you make. The issues that we're dealing with are issues of peace and survival, and that ought to be something which, if you can get to young people, you can convince them about, maybe not about themselves, but my experience has been that if you talk to people in their 30s and 40s about the responsibility they have to their children—because it's their children's lives that are going to be more affected than their own—then you have a chance of getting through. But you need to repeat it, you need to have time, you need the media to be interested. You need the media to present these things instead of rapes and bashings and the latest crisis. You need thoughtful pieces that can generate an interest in the subject, which for me is not theory, it's certainty in terms of the framework. That's something that we need to address.

The Market Only Functions Properly in the Proper Environment

INTERVIEWER: [Is it the market that drives development?]

JAMES WOLFENSOHN: I think the issue of the role of markets is obviously very important, and we here believe very much that markets are the main driver of development. But I have to say that what I've learned is that you need a framework in which markets can operate if you're going to have efficient markets. I've become much more convinced that the role of government, in terms of setting the ground rules, in terms of facilitating the equity of markets, is really, really important. [The role of the government is important] in terms of education, in terms of health, in terms of the rules of the game, [and] the issues of justice, of legal systems, [of] rights. I would love to have the market decide things, but I do think that there is a role for government in setting rules. It is becoming more and more necessary to have an acceptable set of rules that is global in an environment that is full of both inequity and challenges and elements that we don't yet fully understand ourselves. If you take the Asian financial crisis, to have had a crisis in Thailand which shows up in a reduction in the stock market in Egypt and Brazil and affects the capacity of the Russians to borrow on that day, those are implications which I, having been in the financial markets and having seen financial crises before, saw come at a speed that I'd never seen happen. That means there is a real need to have not only advance stipulation of rules, but I would say, in the case of Mexico and some of these other crises, intervention which stopped the society [from] going over the edge [and] which allowed us to come back was very, very important. I paid tribute to Bob Rubin and to the team in terms of what they did in the case of Mexico. No one's lost any money on these packages, but they're a very necessary element of intervention in a marketplace. I think in a global marketplace, where we're not as settled as, for example, the New York Stock Exchange for such things, that it is important to have a balance between markets themselves and government, light intervention, [and] the establishment of a set of rules.

The Evolution of the World Bank and Its Goals

INTERVIEWER: [How has the role of the World Bank changed since Bretton Woods?]

JAMES WOLFENSOHN: When Bretton Woods institutions were started, it was to meet the needs of a post-World War II world, and we did...The notion of us lending to Japan today is a

bit far-fetched, even in today's Japan's economic environment, which is now a \$4 trillion economy. In country after country, even my own country, Australia, I remember the World Bank lent some money. But pretty soon there was a reconstruction of many of the countries, and it became apparent that the real issue was development. The numbers that I cited to you before were already apparent 50 years ago, in that you had segments of the world which were both very badly governed and very inequitable. So the world decided as we moved on, and the Bank decided, that the issue of our institution should convert to clearly a post-World War II environment, to dealing with the questions of global poverty and development. We came to that [through] a succession of conversions of the World Bank itself: the creation under President Eisenhower [of] an institution called IDA, which is the International Development Association, to make concessionary loans to countries with no interest for 30 years; the creation of the International Finance Corporation, which was a recognition of the fact that the private sector has a very big role to play in this, so that we could assist the private sector in going into developing countries; and more recently, MIGA [Multilateral Insurance Guarantee Agency], which is our insurance company, to insure risks, mainly political risks, in terms of investment. We even came in with a center for the settlement of international disputes, so we've moved from being a post-World War II entity to something that is prepared to give a full range of assistance.

The other thing is that we have become an institution which is very different. I now have 100 offices overseas [and] 2,500 people in the field. We are linked entirely by satellite and video conference capability. This morning I met with a team of people here together with, on the screen, a colleague in Vietnam.... I can get a dozen countries simultaneously. We run distance-learning facilities. We're running 800 video conferences a month at the moment. So you can come in [from] the Ivory Coast with a question that can be answered either by someone in Washington, or we can hook that person up with people in six or eight other countries. The person in the Ivory Coast can speak French, [and] the others can speak anything from Nepalese to Portuguese. The translations are done centrally so you make a global business and it's not Washington central; it is a business which has north-to-south cooperation, which is taking advantage of this mobilization [for an exchange of views]. So we've developed tremendously in terms of our institutional strength and in terms of our focus and in terms of the way we operate. We now listen, we now get as much information from the field as we give to the field, and it is truly a global business, and a very exciting one.

INTERVIEWER: I can just hear people who are going to see the outside of the building, see your office, they're going to say, "They've got a lot of money; what do they care about the world's poor?" How do you deal with that personal criticism?

JAMES WOLFENSOHN: I have the privilege to run an organization that's got 10,000 people in it [and] 140 different nationalities. They work incredibly hard; they spend in the course of a year weeks and months away from their families. They have to be in the field, people in Washington have to visit the field, and of course the 2,500 people in the field are living in the field. We have a beautiful edifice of a building outside. We have a budget that hasn't changed for six years. We're under enormous budget pressures—the people in the place are strained to a degree that I cannot describe to you. I spent 30 years in the private sector, so I have some notion of what strain is, from Wall Street to major corporations.

One thing about these people is that there are not the stock options, there are not the opportunities to make large amounts of money. There is security, there is good health and other benefits that other people have, but [that is] well deserved. What the people have here is a commitment to the question of making the world better, and so it enrages me when you have people who assume they have the moral high ground against a team of people here who are devoting their lives to addressing the very questions that these people claim to be addressing. Surely we will get it wrong in some cases, surely there is room for improvement, but name me another place that has done it better. Name me a place that has a better-qualified staff, that is more often demanded by the clients, by the people on the ground. We're not there because we're imposing ourselves. We're there working our tails off because the work is demanded and asked for by the countries that are in development, and we are anxious to work with civil society and with the private sector. But we enter it not by feeling that they have the moral high ground and we don't. I've never met a more ethical and committed group of people. It leaves me enraged when the impression that's given is that we are the target and they are the upholders of the rights of people in the world.

Lessons from Russia

INTERVIEWER: Regarding Russia in the '90s, what's the lesson?

JAMES WOLFENSOHN: The lesson is [that] the Russian situation is a good example of what I've been talking about through this interview, which is that it's very difficult to have development unless you have the structure. In the 1990s, which is just about 10 years ago, when Russia got started in its new form, it did not have strength in government, it did not have a legal and judicial system that was honest and equal, it did not have a financial system that was transparent and clear, and it was wracked by corruption. I think that if one were to look at [Russia] today with the benefit of hindsight, what one would have had to say [is] that if you're going to see development in any country and if you had hoped to get it in Russia, you had to deal with those issues going in. [The same kinds of things] happened in Hungary and Poland and a number of other Soviet Union countries that developed much faster.

What fascinates me is that in his first speech to the nation, President Putin said: "I have to deal with legal and judicial systems. I have to deal with financial systems. I have to deal with corruption. And we do have to strengthen governments." These were all the points which the president of Russia made in his first speech, and again in his second speech just a short time ago. So I think that the lesson is that you must have the commitment to put in place the structure, and that any amount of money without some of these fundamental conditions satisfied is probably not going to work. I think President Putin is an extremely good analyst. I think he has absolutely the right issues in his mind. He's articulated them. He will shortly open the World Bank Conference in St. Petersburg, which is a global conference on legal and judicial reform, just as an example, to demonstrate his commitment. I think he has one of the toughest jobs in the world, but he's a man of great strength and great confidence and I think he is the sort of leader that has a real chance.