

Ambitions that led to an avalanche of failure

By Jagdish Bhagwati

Sebastian Mallaby's fascinating book on the World Bank is both timely and an excellent read. It appears just as the Bretton Woods institutions celebrate their 60th anniversary next week, and the author - a distinguished English journalist formerly with the *Economist* and now a columnist for the *Washington Post* - has a talent for brilliant writing and penetrating analysis.

He brings to the book (which, I must add for the sake of transparency, was finished at the Council on Foreign Relations) an ability to tell his tale engagingly and with copious amounts of the kind of "inside" gossip that enlivens the pages of his newspaper.

Mallaby weaves his account of the Bank's recent upheavals around James Wolfensohn, its president, a man he characterises as having enormous talent and gargantuan ambition. He is wrong on the talent but right on the ambition.

The reader is confronted with an almost mythical figure, "a fantastic force of nature", which reflects the public image that Mr Wolfensohn has invented for himself.

He fenced for Australia in the Olympics (but Australia is known for cricket and tennis). He has played the cello at Carnegie Hall with his friends Yo-Yo Ma and other world-class performers (but musicians, who are as critical of one another as economists, are indulgent when it comes to their patrons).

Mallaby calls Mr Wolfensohn "the most ambitious man I know". Perhaps Mallaby is only betraying his own origins: it is vulgar in England to wear one's ambition on one's lapel. More probably, it is part of the hype that Mallaby embraces to add drama to his narrative. What is certain is that, by zeroing in on Mr Wolfensohn's huge ambition, Mallaby has put his finger on the fatal flaw that has buried his tenure under an avalanche of failures.

He documents beautifully how Mr Wolfensohn gained the Bank job, which he had eyed for many years, by much skilful networking. While he had little familiarity with developmental problems and humility was in order, he came into the job instead with the arrogant pretension that here at long last was the man of vision and humanity the Bank had been waiting for.

This meant that he was obsessed by the compulsion to be novel. Thus he plunged into the Comprehensive Development Framework, intended to help countries manage their development strategies. But if all this means is that

spending on anything must be put into a framework, that is precisely what countries such as India have been doing since the 1950s. Besides, the bank and the International Monetary Fund were already producing policy framework papers that laid out a country's total development strategy: Mallaby is at his best when he describes Mr Wolfensohn's anger at suddenly discovering this blow to his maniacal quest for novelty.

Mr Wolfensohn's deepest error with the CDF was his argument that everything mattered. That, however, makes no sense. If everything matters, nothing does. Priorities must be set. In practice, the approach also legitimated Mr Wolfensohn's throwing money around, like Eva Peron, on peripherals such as culture projects. He also flirted with religious leaders, offending secular principles that he ill understood. The CDF possibly served, in the end, to advance Mr Wolfensohn's ambition for a second term, by enabling him to extend his patronage to all and sundry.

Mr Wolfensohn's vast ambition led also to his biggest self-inflicted failure. Mallaby documents brilliantly how he brought the international non-governmental organisations into the bank, thoughtlessly currying their favour and their enthusiasm for him, only to have them bite the hand that he had extended. The account of how pressure groups such as the Rainforest Action Network have thrown a monkey wrench into projects that would have helped poor nations is among the most remarkable in the book.

Ironically, Mr Wolfensohn has been at his best when he has followed rather than led. Debt relief had been sought passionately by many of us since the 1980s. He conceded its necessity and backed it. Corruption had also long been condemned as a curse but the bank had resisted getting involved in "local politics". Mr Wolfensohn changed the bank's course.

There is little reason to doubt, however, that the time for these initiatives had come. A more focused, less ego-driven president would surely have led the bank into these areas. He would also have avoided the mistakes that Mr Wolfensohn made in so many others. Whoever succeeds Mr Wolfensohn needs to read this masterly book.