

I'm with Wolfowitz

Liberal handwringing over the World Bank simply reflects a failure to recognise the role it exists to fulfil

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, a former president of Mexico. A Guardian leading article suggested Colin Powell or, had he been allowed to stand, Bono. But what all this hand-wringing 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 postwar economic reconstruction, White spent most of 1943 banging the heads of the other allied nations together. 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". He decided, before the meeting at Bretton Woods in 1944, that "the US should have enough votes to block any decision".

Both the undemocratic voting arrangement and the US veto remain to this day. The result is that a body that works mostly in poor countries is controlled by rich ones. White demanded that national debts be redeemable for gold, that gold be convertible into dollars, and that 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 the IMF and the bank would be sited in Washington.

At the time, no one doubted that these bodies were designed as instruments of US economic policy, but all this has been airbrushed from history. Even the admirable Stiglitz believes the bank was the brainchild of the British economist John Maynard Keynes (he was, in fact, its most prominent opponent). When Noreena Hertz wrote on these [The Guardian's editorial] pages 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.

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". Admired in Washington, perhaps. McNamara was the man who concentrated almost all the bank's lending on vast prestige schemes (highways, ports, dams) while freezing out less glamorous causes such as health, education and sanitation. Most of the major projects he backed have, in economic or social terms or both, failed catastrophically.

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". 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". He bankrolled Mobutu and Suharto, deforested Nepal, trashed the Amazon and promoted genocide in Indonesia. The countries he worked in were left with unpayable debts, wrecked environments, grinding poverty and pro-US dictators.

Except for the language in which US demands are articulated, little has changed. In the meeting last Thursday at which Wolfowitz's nomination was confirmed, the bank's executive directors decided to approve the construction of the Nam Theun 2 dam in Laos. This will flood 6,000 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. It will also generate enormous construction contracts for western companies. The decision was made not on Wolfowitz's watch but on that of the current president, James Wolfensohn. There will be little practical difference between the two wolves. The problem is not the bank's management but its 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 medieval monarchy.

It also demolishes the hopeless reformism of men such as Stiglitz and George Soros 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 be magically transformed into a body that works for the poor. Had Stiglitz's attempt to tinker with the presidency succeeded, it would simply have lent credibility to an illegitimate institution, enhancing its powers. With Wolfowitz in charge, its credibility plummets.

Best of all is the chance that the neocons might just be stupid enough to use the new wolf to blow the bank down. Clare Short laments that "it's as though they are trying to wreck our international systems". What a tragedy that would be. I'd sob all the way to the party.

Martin Jacques argued convincingly on these pages last week that the US neocons are "reordering the world system to take account of their newly defined power and interests". Wolfowitz's appointment is, he suggested, one of the "means of breaking the old order".

But this surely illustrates the unacknowledged paradox in neocon thinking. They want to drag down the old, multilateral order and replace it with a new, US one. What they fail to understand is that the "multilateral" system is in fact a projection of US unilateralism, cleverly packaged to grant other nations just enough slack to prevent them from fighting it. Like their opponents, the neocons fail to understand how well Roosevelt and Truman stitched up the international order. They are seeking to replace a hegemonic system that is enduring and effective with one that is untested and (because other nations must fight it) unstable. Anyone who believes in global justice should wish them luck.