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PITA: You're listening to 5 on 45 from the Brookings Podcast Network, analysis and commentary from Brookings experts on today's news regarding the Trump administration.

PRASAD: I'm Eswar Prasad, senior fellow in the global economy and development program at the Brookings Institution. The Trump administration has nominated David Malpass who is now the undersecretary for international affairs of the U.S. Treasury for the position of World Bank president. That has been a longstanding tradition among the advanced economies including Europe, Japan, and the U.S. which still command a majority of the voting shares at institutions like the World Bank and the IMF that the U.S. traditionally gets to pick the head of the World Bank. This time ought to be different, other countries, including longstanding allies, ought to take a more active role in determining who gets to be the next president of the World Bank rather than leaving it to the Trump administration. The World Bank after all has the ability to be a powerful force for economic and social development around the world. So, the entire world has a stake in how it is done. The nomination of David Malpass follows standard Trump administration practice. Given Malpass's antagonism towards the institution and some of its core objectives not to mention his hostility to multilateralism it seemed almost four ordained that someone like Malpas would be nominated. If in fact he worked to get the job largely on the merits of his loyalty to Trump it may not bode well for the legitimacy of the institution. Who is David Malpass? He's actually an old head in the world of finance and is probably best known for having been the chief economist of Bear Stearns, an investment bank that was of course one of the earliest casualties of the financial crisis. He's not had a great record in terms of predicting economic problems even in the U.S. economy. In 2007 just before the U.S. housing market started unraveling, he had written an article predicting it would do just fine. There are some good reasons why Malpass actually might make a good World Bank president. He was in fact instrumental in pushing through all funding from the Trump
administration. Quite recently that helped boost the banks’ capital. He's also been quite critical about the World Bank issuing a number of low-cost loans to countries such as China that don't really need low-cost financing. This is a reasonable critique and certainly the World Bank may have put some of its lending to words. Countries such as China largely to maintain good relationships with the dynamic emerging market economies now even if they don't really meet the money countries like China and India which benefit a lot from World Bank lending could in fact use the World Bank's expertise especially in designing social programs to protect the poor improving health and sanitation developing infrastructure and mitigating climate change. Dealing with the provision of such technical expertise and guidance from actual financing and perhaps even using private capital markets to leverage up the funding provided the bank would certainly make the World Bank's resources go further especially in terms of helping lower income developing economies. There is no doubt that the World Bank would benefit from such reforms. But the question is whether these need to be undertaken by someone who doesn't quite believe in the institution and its objectives. Perhaps the World Bank would be better served by having at its helm someone who is not at cross purposes with global institutions and who might largely be seen as serving the short-term interests of the Trump administration? Equally importantly it is likely or at least possible that bias could divert the institution away from some of its priorities such as combating climate change mitigating inequality and promoting women's rights. After all these are hardly priorities of the Trump administration. All of these global public goods that are provided by the World Bank could be put at risk by a Malpass presidency, interestingly, although, the nomination is still quite fresh. There has been rather limited resistance from any other World Bank members to this nomination by the Trump administration even if my may not receive strong endorsements from traditional U.S. allies. It doesn't look like any country is really eager to take on the Trump administration frontally at this stage. Still one would hope that other countries will take their
job seriously and especially that the World Bank will take its job seriously in not accepting Malpass as a fairly accomplished candidate who would essentially get the job largely on the basis of his nomination by the U.S. administration without any competing candidates. The Trump administration of course does wield an important implicit threat that if it does not get its way with the appointing the next World Bank president this administration could disengage from the institution. This would certainly hurt the institution's effectiveness and long term viability but still the World Bank executive board which ultimately gets to choose the next president needs to do its due diligence not just in terms of vetting the mail past candidacy but perhaps in terms of offering an alternative slate of candidates or at least an alternative candidate who could stand up to a mile pass and make sure that the process is at least somewhat merit based. After all there is no shortage of candidates even within the U.S. including some very notable women in the development community who could make even better heads of the World Bank than David Malpass would so let us hope that this nomination does not signal an easy victory for the Trump administration. But just the beginning of a process by which the World Bank ultimately gets a new precedent be it a man or a woman. Who can not only lead the institution into the coming years with a renewed sense of purpose. But it also undertaking the right sort of reforms that are necessary to make the World Bank a much more agile and effective institution while staying true to its core priorities.

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