

Yunus and World Bank presidency

SADIQ AHMED

THE proposal by the honourable Prime Minister (PM) of Bangladesh to nominate Professor Muhammad Yunus to the presidency of the World Bank has met with some scepticism at home owing to the past unhappy developments. Instead of questioning the PM's motivation, as citizens we ought to welcome the idea. As a development practitioner who worked for 28 plus years at the World Bank, I think this is an excellent and innovative proposal. Let me explain why.

It will be helpful to provide a little bit of history about the selection process for the World Bank presidency. This will set the context for the proper basis for selecting a president other than from USA.

The World Bank, established in 1944 through the Bretton Woods Meetings, has by convention been led by a US citizen. All the 10 presidents so far have not only been US citizens nominated by the US government, but also they were men. Some presidents have done very well in providing leadership to the institution and achieving good development outcomes. The most prominent among them was Robert McNamara.

Performance of some others was lacklustre and even destructive, notably Paul Wolfowitz who pushed this key development institution to its lowest ebb. For the first time in the history of the institution the staff revolted. I am delighted to acknowledge that I was a part of that revolt. Thankfully, the World Bank's Board of Executive Directors recognised the damage and moved to arrest the downward slide by forcing Wolfowitz to resign.

The experience of uneven performance by previous World Bank presidents illustrates the need for a change in the selection process. This was indeed recognised during the replacement of Wolfowitz. The board announced a selection process on merit but the outcome still was the selection of the US nominee.

This result is almost guaranteed by the selection process where votes by the executive directors are weighted by country share holdings. The US has the largest percent of votes, presently



Muhammad Yunus

15.8 percent, followed by Japan (9.4 percent), Germany (4.9 percent), France (4.4 percent) and UK (4.4 percent). Together this Group of 5 (G5) holds a whopping 39 percent of the voting rights. Along with the convention that a European will lead the IMF, the sister organisation of the Bretton Woods institutions, internal agreements between the US and European member countries along with support from Japan, Australia and Canada almost always guarantee that the US nominee irrespective of merit will get selected.

Without a change in the voting system the idea of a competitive selection is futile, especially if the US is really keen to get its candidate selected. What then could be the rationale for proposing other names including that of Professor Yunus?

I will answer this question in two steps. First, let us look at the candidacy of Professor Yunus.

The World Bank's primary objective is to help member countries reduce poverty. His track record of contribution to poverty reduction and economic development is unquestionable as indicated by the seal of approval from the Nobel Committee.

It is difficult to think of a second person who would likely get nominated for the World Bank presidency and who has done more for poverty reduction with ideas, organisation and personal leadership than Professor Yunus.

The person leading the World Bank must be visionary. Professor Yunus has an impeccable track record of innovative ideas and forward thinking. The idea of borrowing without a collateral based on physical asset and instead using human capital as collateral is a revolutionary idea for a developing country that was conceived and institutionalised by Professor Yunus more than 30 years ago.

Targeting women instead of men for entrepreneurship was a similarly innovative idea. In most developing countries, female participation in labour force is woefully low and entrepreneurship dismal. The idea of harnessing these under-utilised resources by providing credit paid off handsomely as the record shows.

A related idea that worked very well was the need to reduce risk of failure and non-performance through group lending, technical assistance and social mobilisation. The latest work

on social business is yet another example of the visionary Professor Yunus.

The candidate aspiring to be the next World Bank's president must have demonstrated leadership qualities for building institutions and leading teams. Most competition will pale in significance to Professor Yunus when measured by this criterion. The development of the Grameen Bank and the Grameen Foundation from scratch into first rate global institutions of service for the poor speaks hugely about the talents of this institution builder that is hard to match by a competitor.

Similarly, Professor Yunus's track record on team building and team leadership has few parallels. He has inspired multi-talented individuals to come and work for the Grameen Bank even with fairly low level of personal compensation. The managers and staff of Grameen Bank are not there just to do a job and earn a living; they are there because they all believe in the cause and the mission. Imagine the effectiveness of a World Bank staff and management team that is inspired by the institution's mission rather than by only compensation and promotions!

Finally, the World Bank leader must be able to mobilise external support for the cause of the institution. The work of Professor Yunus has been hailed globally. He has inspired both world leaders as well business leaders to mobilise around his ideas and leadership in providing substantial amount of financial as well as personal support. It is no wonder that even though coming from a poor country like Bangladesh he has been welcomed by the top leaders of the world and he can count people like Bill and Hillary Clinton as amongst his best friends. This ability to reach out to external constituencies will serve the needs of the World Bank much better than that of any other potential candidate I can think of.

Ok, I have made a strong case for Professor Yunus I hope. But so what? The selection process in place will never allow this candidacy to materialise. Short of a brand new selection process that is truly a competitive process -- which is most unlikely at this time -- the only way that could ensure this outcome is if the US were to endorse his candidacy based on merit.

This is not a pipe dream. If Bill and Hillary Clinton were to endorse the candidacy of Professor Yunus they could convince the Obama administration to endorse him. President Obama himself is a renaissance man and would probably welcome this innovative idea.

There is speculation that Hilary Clinton might herself be a candidate. If so, then that will be a great nomination and I am sure even Professor Yunus would support her candidacy. She will not only be a great leader for the World Bank but also the first woman president to lead the organisation and as such would be a welcome development.

But if Hilary is not a candidate and if Professor Yunus is willing to lead the institution, then one could hope that she would give this idea of endorsing Professor Yunus some serious attention and effort. With her strong support a real change in selecting the next president of the World Bank on merit will be possible.

Sadiq Ahmed is the vice chairman of Policy Research Institute of Bangladesh. He can be reached at sahmed1952@live.com.

The World Bank's primary objective is to help member countries reduce poverty. His track record of contribution to poverty reduction and economic development is unquestionable as indicated by the seal of approval from the Nobel Committee. It is difficult to think of a second person who would likely get nominated for the World Bank presidency and who has done more for poverty reduction with ideas, organisation and personal leadership than Professor Yunus

China's Apple authoritarianism

CHRYSIA FREELAND

ARE we outsourcing repression to China? That is the fear driving stepped-up scrutiny of labour conditions at Foxconn, the consumer electronics maker that assembles products for a number of Western technology companies, most prominently Apple.

As one blogger put it before watching the latest high-profile investigation, aired this week on the ABC news programme Nightline: "I had been worried that after I watched the report, I'd feel angst-ridden and guilty about using my iPad, iPhone, or MacBook Pro." An independent assessor working with the Fair Labour Association, a non-profit group that Apple has hired to audit conditions at the plants, said the California company was facing its "Nike moment," a reference to the 1990s, when the sporting goods maker was accused of using Asian sweatshops to manufacture its iconic sneakers.

The conditions at Foxconn are indeed grim: 12-hour shifts doing boring, repetitive work; dorms that pack seven workers into each room; commands issued by a disembodied fembot. And the ABC cameras and FLA auditors surely didn't see the worst of it: Foxconn first came to international attention in the spring of 2010, when 18 workers killed themselves, or tried to.

But the Nightline report included an implicit justification -- the 3,000 workers lined up at Foxconn's gates before dawn in hope of a job. Work at Foxconn may be hard and boring, but for many Chinese people, it is

better than the alternative.

This is the historic price and promise of industrialisation: It is no fun, but it is better than subsistence living back on the farm. And, modernization theorists like Seymour Martin Lipset have argued, as people get richer thanks to dismal jobs like those at Foxconn, they are able to demand more rights.

That is a powerful argument, and it has been true not only in the Western developed world, which industrialized first, but also in 20th century stars like Japan and South Korea. But Daron Acemoglu, an economist at the Massachusetts Institute of Technology, warns that we should not assume that the happy connection between prosperity and democracy will automatically hold true for China. That is because China is industrialising in the age of Apple -- in an era of globalisation and the technology revolution.

The result, Acemoglu argues, is that China is able to deliver strong economic growth without transforming its domestic political and social institutions. To illustrate the point, in an essay written for a forthcoming book, Acemoglu contrasts China's "catch-up" economic development with the way the process unfolded in Germany and Russia at the end of the 19th century and Japan and South Korea in the second half of the 20th.

In these places, catch-up growth "involved developing industries, building a domestic market and undergoing a process of structural, social and institutional changes," Acemoglu writes. In order to grow their economies, those countries



had to reform their politics and their society.

But globalization and the technology revolution mean that China's authoritarian rulers have been able to deliver strong economic growth without surrendering political and social control: "Instead of having to develop an entire industry, an emerging market economy can house just some of the tasks such as assembly and operation. This not only enabled China to grow very rapidly by relying on world technology and leveraging its cheap and abundant labour force, but has also mollified demands for

structural, social and institutional changes that previous societies undergoing catch-up growth had experienced," he writes.

Acemoglu sees a powerful, and worrying, paradox at work. It is the triumph of the open society in the West, with its focus on individual rights, independence and iconoclasm that created the technology revolution. But the impact of those discoveries on the world's mightiest dictatorship may be to prolong its reign. The connection between the free-thinking of Cupertino and the Communism of Shenzhen may not be an accident or a temporary

phase -- the first may be strengthening the second.

Acemoglu's vision of how the simultaneous economic transformations of the West and of the emerging markets -- a double act I have described as the Twin Gilded Ages -- are interacting is a powerful alternative to the two more common narratives about Communist China's remarkable economic rise. One story is that the eventual shift to democracy, as we saw in previous catch-up countries, is inevitable. The other is that China shows that state capitalism is actually a more effective form of governance in this

volatile age than chaotic democracy.

Acemoglu offers a third possibility: Chinese authoritarianism is working so well because of the success of other nations' democracies. This is the paradox at the heart of Acemoglu's analysis that relationship may retard the growth of democracy in China.

This debate isn't just for political scientists or Sinophiles. One of the biggest questions in the world today is what impact a rising China will have on the rest of us. One of the big books of the season is foreign policy thinker Robert Kagan's *The World America Made*. It has mostly been glossed as an assertion that the United States is not in decline.

That is part of Kagan's argument. But he also warns that if the United States commits "pre-emptive superpower suicide," global politics and economics could change profoundly. "China may have benefited from our economic order," Kagan told me. "But its capacity or desire to sustain that order is very much in question."

Kagan makes a point of limiting his focus to foreign policy and explicitly excluding economics. But from his very different vantage point, he arrives at a version of Acemoglu's paradox -- China owes its rise to Western democratic capitalism, but that very success may put it at odds with the social order that created it. Call it Apple authoritarianism -- what happens when the ideas from the freest valley in the world end up underwriting the planet's most powerful dictatorship.

Christia Freeland is the editor of Thomson Reuters Digital.