This news item appeared on page H1 of the May 10, 1987 issue of:

WASHINGTON POST

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Shuffling at World Bank

Now that World Bank President Barber Conable has put his long-awaited reorganization on the table, it's time to ask whether he's met the high expectations at the time of his appointment nearly a year ago. The hope, then, was that he would galvanize the bank into action, taking the lead in handling the Third World debt problem.

So far, the answer must be "no." There was a vaccuum in leadership, once filled by the International Monetary Fund under Jacques de Larosiere. Conable had the opportunity to seize the reins, to make the bank the one honest broker coordinating differing objectives among the Third World debtors, the banks and major creditor countries.

And he may still do so, if he can persuade bank Treasurer Eugene Rotberg or some equally creative person to take charge of the Third World debt problem in the reshaped bank—and assign him the necessary power and authority. As of this writing, Conable doesn't have Rotberg aboard.

Without a special focus on the debt problem, the bank reorganization looks to be little more than a reshuffle of the same old names into different little boxes on a diagram of the bank's structure, a bureaucratic redefinition of jobs that could add up to something or nothing. Unfortunately, history shows that writing new job descriptions—a unique Washington art form—conveys no assurance of success.

There now will be four senior World Bank vice presidents instead of two, the main utility of which is to pare back the enormous power that had been held by Ernest Stern—and to take him completely out of the operations end of the bank. Conable claims that having four top vice presidents, along with Sir William Ryrie at the bank's International Finance Corp., gives him "a bankwide policy committee."

But precisely the same "top-level" sort of select committee has existed before.

There are a few optimists around. One is John Sewell of the Overseas Development Council, a local think tank, who said he is encouraged: "I think the reorganization is a very major step and should be taken as encouragement by all those who feel the bank should be playing a major role in the debt crisis."

Sewell praises Conable for establishing a new policy department under one of the new "Big Four" vice presidents, Canadian David Hopper, who is supposed to bring high-quality new people into top economic and strategic planning posts. "They promise someone of Nobel Prize caliber," Sewell said. He also lauds the steps Conable took to create a new Department of the Environment, long overdue.

Conable's instincts are all good: it is significant that he has moved to remedy the bank's willingness all these years to ignore the impact of its activities on the environment. It is important that he will pay more attention to the problems of women. He even journeyed to Nairobi and took part in the Safe Motherhood Conference. The bank thus joined other groups in an effort to reduce the intolerable number of women who die as a result of pregnancy or childbirth.

So there shouldn't be any complaint about Conable's underlying commitment. But is he really taking charge of the debt problem? Sewell suggests there is some breathing room, less urgency about debt. Mexico is "being taken care of," Sewell argues, and there is some daylight for the other major Latin borrowers—at least for now. The "real" debt problem, in this view, is in Africa, and that's of a different scope and dimension.

Others aren't that sanguine. "The way I characterize the debt problem," said C. Fred Bergsten of the Institute for International Economics, "is that we've got a three-ring circus without a ringmaster. There are the less developed nations, the richer ones operating through the World Bank and the commercial banks, and each side is saying, 'I'll move, but you go first.'

"There's a lot of action in each ring. But because nobody is cracking a whip, there is no cohesive action."

At the beginning of the active stage of the debt crisis in 1982, the IMF's de Larosiere—with the assistance of Federal Reserve Chairman Paul A. Volcker—took charge. But as the austerity that the IMF imposed took over, the Third World's ability to grow ceased, and the IMF lost credibility.

A new "manager" was needed, and the bank was shoved onto center stage by Treasury Secretary James A. Baker III in his now-famous speech in Seoul, in October 1985. The Baker debt plan was a step in the right direction. But private lenders have made clear that they will no longer take the lead in funneling new capital to the major debtor nations.

As economist Stephen Quick of the Joint Economic Committee pointed out earlier this year, part of the solution might be found in boosting Third World exports. But with the huge existing U.S. trade deficit, that is not a practical answer at the moment.

Thus, as Sen. Bill Bradley (D-N.J.) told the Society of American Business Editors and Writers here last week, "the key to the problem is lower interest rates" on the stock of existing Third World debt.

Just pumping in new money—adding to the debt repayment burden—won't do the job. Said Bradley: "Debtor nations began to ask themselves, 'You mean I'm going to reduce the standard of living even more in order to get enough new money that would allow me to pay last year's interest bill?' "

The United States and other governments will have to take positive legislative and other steps that will allow the banks to go forward with debt relief—rather than trying to cure a situation of debt overload just with more loans.

In exchange for interest rate relief, the banks and the lending countries would have to demand—and get—economic policies from the borrowers to promote growth. That's the ringmaster role that Conable and the World Bank can and should be playing. But he hasn't yet readied the bank to do it.

"Sooner or later we are going to have to face up to the problem," says Bradley. "The only question is, do we want to get the credit that a partnership for growth and democracy would give us, or do we want to respond in crisis and do so defensively, and get no political credit, and no furthering of the partnership between Latin America and the United States?"

That's a question not only for Conable, but for Baker and the Reagan administration. The United States is the overwhelmingly important shareholder in the bank. It exercised a key supporting role when the IMF had to play fireman. It can and should play an equally critical catalytic role by pushing Conable to perform, and by giving him the expanded resources that will be necessary to carry the job forward.