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JOHN WILLIAMSON

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Interviewed by: William Becker

JOHN WILLIAMSON

Session 1

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[Begin Tape 1, Side A]

BECKER: Today is January 31, 2006, and I'm at the Institute for International Economics to interview John Williamson. Mr. Williamson, it's very nice to see you, and thank you very much on behalf of the Bank and the Bank's Archives for agreeing to—well, not be grilled, but to be interviewed here.

WILLIAMSON: It's a pleasure.

BECKER: I want to start with some fairly obvious questions. You don't exactly have to tell me the date, but when and where were you born?

WILLIAMSON: It was in June of 1937, in Hereford, England.

BECKER: Were you educated in England?

WILLIAMSON: Absolutely. My schooling was all in Hereford. I went to a private school for the first three years, and then that closed down, and for the next three years I completed primary school at a local authority school. Then for seven years of secondary school I studied at the local grammar school. Then I did three years of undergraduate work at the London School of Economics. Then I went on after that to do a Ph.D. at Princeton.

BECKER: Why did you select Princeton?

WILLIAMSON: Everybody at LSE told me that after military service I should go to the States to do graduate work, because at that time graduate programs really hadn't started in England in any serious way. And so eventually I asked a former tutor where I should go. "Well, they've got three universities in the United States. They're called Harvard, Yale, and Princeton. If you apply to Harvard and Yale you may get in, if you apply to Princeton you certainly will because I shall tell them to accept you." So being too lazy to write three application forms, I applied to Princeton. I think in retrospect this was probably the second-best place to go. I think the best would probably at that time have been MIT [Massachusetts Institute of Technology]. MIT was just coming into its prime at that time, and had I known, I think probably I'd have done even better to go to MIT.

BECKER: Some of the people I know have gone to MIT in economics.

WILLIAMSON: Right.

BECKER: What prompted your interest in economics?

WILLIAMSON: When I was at school there really wasn't anything much in the way of social sciences. There was geography and history, and I usually came top in geography and close to the top in history, but it never occurred to me that I was particularly bright. I came about thirteenth in the form normally, taking all subjects together.

I thought I would read civil engineering at college, until I was told my mathematics wasn't good enough for that. And it was at that point that a former head master, the head master at my primary school who had gone to LSE, happened to remark to my father at a meeting of the Rotary Club where they were both members that, "Why doesn't John go to LSE because he's interested in politics?" I didn't know what I wanted to study, but I knew where I wanted to study it, which was in the middle of London. I was brought up in this small English market town and I desperately wanted to go to London. And here he recommended I go somewhere right in the middle of London, which seemed very agreeable. The head master of the school I was then at said, "Well, we have one alumnus who once studied economics. I'll write and ask him for some advice." It was he who advised me to do a straight economics course, which I think was very good advice. When I got to LSE, I didn't really know much about what economics was, and I might well have ended up doing some other specialty which I think would not have been nearly as good for me as straight economics. I took to economics like a duck to water. It seemed to me an easy subject, just what I wanted to do.

BECKER: If your father was a member of the Rotary, was he a professional or a business person?

WILLIAMSON: He was a business person. He ran a small nursery. When my sister and I were at graduate school he came over and visited us. We drove across the country and visited some garden centers. In those days, there were no garden centers in England, so he went back and founded one of the first garden centers. It has gone on to become the largest firm of garden centers in the country.

BECKER: Very good. Are you interested in gardening?

WILLIAMSON: I like gardening. I don't think it would have suited me as a career, and I'm afraid I really didn't have the killer instincts that I think you need to be a businessman, but as a hobby, I find it very relaxing.

BECKER: You had a long academic career before joining the Institute here in 1981. What was the focus of your scholarly work during your academic career?

WILLIAMSON: Well, it became international finance, the international financial system. To begin with, I had three major interests: microeconomics, the theory of the firm, I published one of my first successful articles on that; macroeconomics, the theory of inflation which was the big thing at that time; and then this interest in exchange rate systems and international finance. So those were the three things in which I was mainly interested. For the first few years of my career I thought of myself as primarily a theorist, and then I went to work in the British Treasury and there I discovered that my real comparative advantage lay in figuring out which bit of economics was appropriate for which problem. So I became an applied economist, and that also was, I think, a good move. It came naturally to me.

BECKER: This was in 1968, I guess, that you went to the Treasury.

WILLIAMSON: '68, yes.

BECKER: How did that come about?

WILLIAMSON: Well, I wanted at some stage to have a period in government. In those days there was a tradition in Britain that a limited number of bright young academic economists would go into the British government, mainly the Treasury, for a period of two or three years. I was very interested in that, but I also felt that the pound was overvalued and that this was a severe constraint on British macroeconomic policy. In the 1960s one wasn't allowed to mention the word devaluation in the British Treasury, so that excluded me from the Treasury until the devaluation happened in late 1967. Shortly after that I expressed my interest to somebody who was in the Treasury, Michael Posner, and he relayed this interest to Alec Cairncross, who was then in charge of the Economics Section of the Treasury, and he interviewed me. We didn't immediately agree a contract, but several months later I accepted an invitation to join the Treasury for a period of 2 years.

BECKER: What did you do there? What were your responsibilities in this posting?

WILLIAMSON: Well, initially my main responsibility was forecasting the evolution of the Common Market. It was then six members, which didn't include Britain at that time. So I and a research assistant were responsible for forecasting this bit of the world, and those forecasts were put together with a number of Bank of England forecasts to then make the forecast for the world economy. Out of that came the export forecast, and then the export forecast went into the macroeconomic forecast for the U.K. That was my main responsibility when I first went in.

But during the first few months people looked at me and decided maybe I was worth recruiting as the economic adviser to their team, and I ended up as the economic adviser to half a dozen different things. There was the Committee on Reform of the International Monetary System, there was something on export credit, there was something on exchange control which, incidentally, had one set of meetings which were extremely interesting where we essentially gave BP [British Petroleum] permission to move into North America. That involved their borrowing a billion dollars, a billion pounds, I forget which, which in those days was real money.

BECKER: That's right. [Laughter.] So the exchange rate was such that it really was real money if it was pounds.

WILLIAMSON: Yeah, it was what, 2.40 at that time. And there was foreign aid. And also a very interesting assignment forecasting the impact of British entry into the Common Market. The first forecasts that were produced were absolutely ludicrous. They suggested really small effects, the main one of which was that entry would worsen the British balance of payments. That was the overwhelming criterion that the government was using! So I had to try and persuade them that this wasn't the right criterion and, anyway, the calculations made no sense and were out by an order of magnitude.

A second White Paper on the subject came out after the change of government, when I was still advising on this particular issue, and which accepted my criticism. Mind you, I didn't think that was terribly great either because it said even though the initial impact of joining the Common Market would be adverse on the balance of payments, nevertheless, there might be some dynamic effects which would be positive. That's not really analysis.

BECKER: Yes.

WILLIAMSON: So I wasn't terribly happy, but at least it was better than the previous one.

BECKER: Okay. Then you returned to--what university were you--

WILLIAMSON: Then I went back--well, I'd been before that at the University of York, and then I took a chair at the University of Warwick when I went back in 1970. I was there for seven years for which I had two years' leave of absence.

BECKER: And in those two years you were at IMF [International Monetary Fund]. Was that here? You came to Washington for that?

WILLIAMSON: Right, yeah.

BECKER: What were your responsibilities at IMF at that time?

WILLIAMSON: At the IMF I was the most junior person who was responsible for drafting papers that ended up in front of the Committee of Twenty which was supposed to be reforming the international monetary system. So my remit was thinking about reform of the international monetary system.

BECKER: This of course was a very pregnant time. [Richard M.] Nixon, what was it, in August '71 had more or less taken the U.S. out of the Bretton Woods--

WILLIAMSON: Yes. Well, it was 1972, just a year later, that I joined the IMF.

BECKER: Right. Right.

WILLIAMSON: The person, Fred Hirsch, whose job I took, actually went to the University of Warwick where I came from. He became professor of international relations there. In the interim, somebody else sat in the chair for a limited period of time, and then I took the job as from September 1972 and saw it through until the Committee of Twenty ended in the summer of 1974. I could have stayed on. If I were doing it again I'd probably stay on at least another year or so to have a look at how some of those country visitations were actually working in practice. I was never involved in that.

BECKER: Was the World Bank involved in any of these discussions at this time? I mean, I know historically there have been barriers of various heights between the Bank and the Fund at times. Was this a time when the barriers were rather high?

WILLIAMSON: Well, we periodically said how important it was to have good relations with other international organizations like the Bank and the GATT [General Agreement on Tariffs and Trade], as it then was, but nothing much happened as a consequence. So I met some people from the Bank, but I didn't really get involved.

BECKER: So you went back to Warwick after 1974?

WILLIAMSON: Right.

BECKER: Then you had some visiting professorships I think in the United States in the interim before you came to the Institute.

WILLIAMSON: No, I visited MIT in 1967 and again in 1980, but the period from 1977 to 1981 was mainly in Brazil. While I was in the IMF I married a Brazilian and we went off to Brazil from England and tried life there. But she decided she didn't like either England or Brazil, so we ended back in Washington.

BECKER: I see, I see. That was my next question, how is it that you came to take this position in 1981. I think you've gone a long way to explaining that. [Laughter.]

WILLIAMSON: That was the main explanation. She got a job in the World Bank, just when Fred Bergsten was planning to start the Institute. He gathered that I might be available and looking for a job in Washington. I had thought of Brookings as a possible home, but when I went to Brookings, they didn't seem very interested. It wasn't the economics program, actually--I was talking to some other part of Brookings, it turns out. I didn't even realize quite who I was talking to at the time, but anyway, I talked to a different part of Brookings. And on the other hand, while Brookings didn't seem very interested, here was Fred Bergsten going out of his way to try and court me, so, of course--

BECKER: Now, had you known Bergsten before?

WILLIAMSON: Yes.

BECKER: You had?

WILLIAMSON: Yes.

BECKER: How had you met him?

WILLIAMSON: We first met at a conference of the Burgenstock Group. I had just written a review of the Burgenstock papers, the volume sitting on the shelf there, in which I said, "Oh dear, this guy Fred Bergsten, I'm going to hold him up as the example of how not to do it. [Laughter.] It really doesn't matter to my future if I criticize him, but, you know, to make it interesting, I'll personalize it a little bit." So I did it that way and when I then heard that Fred was going to be at this conference, I was a little filled with trepidation. But in fact he said, "It's okay. You took me seriously and discussed the issues that I'd raised. That's fine with me." So I was really quite impressed that he had taken that attitude because always before when I'd criticized anybody I'd found that they got so defensive about it, and to have somebody who was capable of shrugging it off in that way I thought was really rather commendable. So I came with a predisposition to accept a job at the Institute.

BECKER: Had you sought an academic post or had you decided?

WILLIAMSON: In the U.S.?

BECKER: In the U.S., yes.

WILLIAMSON: No. I wasn't particularly thrilled by the departments in Washington. I mean, maybe I just hadn't gone into it deeply enough, but I didn't feel that any of them were comparable to some of the universities that I'd been at in the past. So I really—I mean, conceivably I might have thought about it if push had come to shove, but when I had this opportunity, it seemed natural just to take it.

[Interruption]

BECKER: Do you think in any way that your experience in the IMF in particular but also in the Treasury gave you a special or different perspective on institutions like that, very large, bureaucratic institutions? Universities are large and bureaucratic, but did you see these experiences at IMF and Treasury as influencing you later on, including your thinking?

WILLIAMSON: Each are really very different organizations.

BECKER: Yes.

WILLIAMSON: I mean, the IMF is a lot more hierarchical than the World Bank at which, you know, a hundred flowers do bloom, and some people toe the line and others don’t and nobody particularly worries. They think you're a bit odd if you don't toe the party line, but there is no question of sanctions. You have to go pretty extreme lengths—well, Bill [William R.] Easterly lost his job in the end.

BECKER: Right. [Laughter.]

WILLIAMSON: It was to the extreme.

BECKER: But he tried hard from what I understand. [Laughter.]

BECKER: The work that you did as an academic had been, as you said, self-described, tended to be a little more theoretical. Obviously, this Institute is much more applied.

WILLIAMSON: After I came out of the Treasury I was much more interested in real-world problems and much more applied.

BECKER: More applied.

WILLIAMSON: I think that by the time I came to the Institute, my overwhelming interest was in policy analysis. Also I tended to gravitate over the years more towards development. I did do a little bit of teaching of development in the early years, but I'd never taken a course in development and so I didn't initially regard myself as particularly expert in that, whereas that became one of my great interests later on.

BECKER: And that was stimulated here, this interest in development?

WILLIAMSON: Well, partly by living in Brazil, I suppose.

BECKER: I see.

WILLIAMSON: It's pretty difficult to be uninterested in development if one is living in a developing country.

BECKER: Developing country. Yes. Right. I guess you would have to try very hard to ignore it, especially if you're an economist or, for that matter, an historian, I guess.
I want to talk just a little bit about the “Washington consensus” paper, and then get back to that later on, about its influence on the Bank and the larger debate about it, but in the interest of chronology--because you must have been working on it in 1989, I guess it was published in 1990.

WILLIAMSON: That’s right. You’re right.

BECKER: Could you talk a little bit about the circumstances that surround the writing of the paper?

WILLIAMSON: Sure. I think the initial stimulus came when I was testifying to a congressional committee about the [Nicholas] Brady plan for debt relief, and this would have been sometime in the first half of 1989. The congressmen were sort of incredulous at the idea that there was any policy reform happening in Latin America and I thought, "My goodness, that's a misunderstanding." So I suggested to Fred that we have a conference at which we--to deliberately pose the question to what extent there had been a change in attitudes in Latin America. And then the idea arose that one needed a background paper, one needed to have some people writing about the same set of issues. So I made a list of ten policy reforms that I thought were generally agreed in Washington were widely needed in Latin America and asked the authors of the ten country papers if they would comment on the extent to which each of these were accepted by the authorities and by the public in the respective countries, and that's how it all started. There was no idea at that stage of making propaganda for policy reform in Latin America.

BECKER: Okay. Who picked up on it, if I may ask, and began to make an issue of it?

WILLIAMSON: I'm not sure that I really know. I mean, certainly very quickly the phrase caught on, and initially there was a lot of criticism from Latin America calling it the "Washington consensus" because this suggested that there were some people sitting in Washington deciding what Latin America needed to do. And the critics thought that these reforms were being imposed, which wasn't my perception of how things were in fact happening, and certainly not how they <u>should</u> have happened.

So one had both the critics who were very happy I'd given it this name because they could then use it to suggest reforms were imposed from outside. I suppose there were also many people in the international institutions who felt that my list resonated.

BECKER: I want to talk a little bit about that a little later in this. Now, after writing this paper, you continued to work here, and I've noticed in some of your papers and so on you were writing about exchange rates and currency boards, and of course the transition from command to market economies in the former Soviet Union. In this period from, say, 1989, 1990, until the time you took a position at the Bank, were you in contact with people at the Bank? Were people at the Bank coming to conferences here at the Institute? Were you going to the Bank?

WILLIAMSON: Yeah, certainly I went along to a number of conferences at the Bank, yes, and I suppose people from the Bank came up here as well. Clearly I knew quite a number of people at the Bank, yeah. I was also, of course, on the Brookings committee which supervised the book on the Bank's history, which would have been in that period.

BECKER: So you knew people at the Bank, and of course they knew who you were. How is it that you came to be appointed chief economist for South Asia?

WILLIAMSON: That's a good question. The South Asia chief economist position fell vacant at the same time as the Latin America position. I had originally expressed some interest in the Latin America position because I thought I knew Latin America. I speak Portuguese though not speak Spanish, I am afraid. But nevertheless, I felt I knew something about Latin America, and so I made some tentative inquiries. The Vice President for Latin America was very clear that he wanted a native of the region and somebody who spoke fluent Spanish and not somebody like me. But Joe [D. Joseph] Wood heard that I was looking, that I might potentially be available for that type of job and so he expressed an interest. Apparently they discussed it in the South Asia region, and I'm told there was one other internal candidate but they decided they wanted to risk somebody like me instead.

BECKER: Obviously, you knew something about South Asia. Had you spent time studying India?

WILLIAMSON: No, I must admit that I felt I knew less about South Asia than almost any other region of the world when I took the job.

BECKER: I see.

WILLIAMSON: The Maghreb was even more of a black spot to my mind, but I mean, to me, one of the great rewards of working on South Asia was getting to know the region.

BECKER: You traveled there, I guess, in your new post.

WILLIAMSON: Of course, yes.

BECKER: I know what the responsibilities are of the chief economist of the Bank, having interviewed one and tried to get [Joseph] Stiglitz to sit down, but we could never get him to sit down. [Laughter.]

WILLIAMSON: Well, mind you, the chief economist of the Bank is a very different job to the regional chief economist.

BECKER: That's what I was going to ask. What are the differences, really, between the two kinds of jobs?

WILLIAMSON: Within regional chief economists there are those who also had the PREM [Poverty Reduction and Economic Management] responsibility and those who don't, which is now an important distinction. I didn't have the PREM, there was a separate director of PREM in our region, so I didn't direct the research in the department. It was sent to me for comment, but I wasn't in any sense responsible for approving it.

BECKER: I see.

WILLIAMSON: So I visited the region and participated in the conferences, tried to make the Bank a bit of a presence in the regional discussions, but I think the main impact of that was in forming the South Asia network of economists, the regional branch of GDN [Global Development Network], as it now is.

Then there were a lot of in-Bank responsibilities as well, some of them regional, some commenting on Bank-wide papers, but again, these were all advisory positions rather than executive.

BECKER: That was my next question. How much of a staff did you have to supervise?

WILLIAMSON: Very little.

BECKER: Very little?

WILLIAMSON: There was a deputy chief economist and there was a research assistant, and that was basically it.

BECKER: So, when you took the job, what goals did you set for yourself in taking this position?

WILLIAMSON: I don't know that I set conscious goals. Clearly what I was interested in was the economic performance of the South Asia Region. I think I already had the idea that maybe this would be the next part of the world to take off after East Asia, and clearly one wanted to help establish that, but I certainly didn't set any quantitative goals.

BECKER: Let me back up just for a second. You said that you began to make inquiries about taking a job at the World Bank. What prompted that, and is that encouraged here at the Institute?

WILLIAMSON: I'd always wanted to go back into government at some stage, I thought in the British government, but circumstances didn't work out, and so here in Washington really the choice was between the IMF and the World Bank. I could probably have got a job in the IMF again, but I wasn't terribly sympathetic to the way the IMF was going at that time, when the drive for including capital account convertibility among the IMF's objectives was gathering strength. I wasn't sympathetic to that, so that left the World Bank.

BECKER: Just as an institutional question, there is no problem from the point of view of the Institute in people taking government positions. I guess you're not the only one who's been associated with the Institute-- Bergsten himself, I guess, has been in and out.

WILLIAMSON: Yes. I think the Institute in principle thinks it's a good thing to get some practical experience, and come back and reflect on it and participate in the policy debate.

BECKER: You mentioned that the jobs between the Bank's chief economist and the chief economists in the regions are, in fact, very different.

WILLIAMSON: Yes.

BECKER: The chief economist has a very large staff and has responsibilities for reports and things. But does the chief economist make use of the regional economists, or did the chief economist at the time make use of you?

WILLIAMSON: That was not one of Joe's [Joseph Stiglitz] strengths. I understand that many chief economists have worked in a collegial way with their regional chief economist colleagues but, no, Joe wasn't terribly into that--

BECKER: Because [Nicholas] Stern did talk about doing--

WILLIAMSON: I do think Nick Stern would have been different in that respect.

BECKER: But did you--were you involved beyond your region in some of the development reports or other reports that the Bank was producing?

WILLIAMSON: Yeah. We always were invited to the meetings. I can only think of one of those where I am pretty sure I had a significant impact. That was the one on capital account liberalization. The initial draft was very gung-ho and enthused, "It's a great thing, the capital pouring into developing countries," because this was late '96, early '97, before the East Asia crisis. And I said, "Hang on, hang on." So I think the tone that it came out with was--

BECKER: Somewhat restrained?

WILLIAMSON: Somewhat more restrained than it otherwise would have been, yes.

BECKER: In one of--it's either a paper or, I guess, it was a paper of yours that I read, and I can't recall exactly where it is, but you alluded to the fact that there was a great deal of skepticism about this financial liberalization in Washington. Since you bring it up--lest I use the word "consensus," was there a feeling among economists at the Bank or at the Fund or here or at Brookings or some of the staffs on Capitol Hill that this might be problematic?

WILLIAMSON: Two points. First, I think you used the phrase financial liberalization, whereas--

BECKER: I meant capital.

WILLIAMSON: Capital. What I was talking about was specifically capital account liberalization. I think the point is not that there weren't a lot of enthusiasts, but that it was by no means unanimous. There were also strong reservations about whether this was what should be pushed at this time.

The U.S. Treasury was the most enthusiastic and then the IMF. The World Bank was much more eclectic. And the staffs on Capitol Hill, I would guess, also had much more in the way of mixed views. But certainly I didn't think this was a consensus subject. It wasn't something that I--

BECKER: Right, which is one of the things you don't talk about, really, in . . .

WILLIAMSON: No. I didn't talk about that in the original article, no.

BECKER: In terms of the—I mean, looking at it historically, if you look at some of the other booms and busts, it seems to me that that's one of the variables that you need to look at. Was that your position, that you had looked at previous crises, for instance, in Mexico or even over there?

WILLIAMSON: Yes. I mean, I first came across this issue way back when we were living in Brazil in the late '70s and there were one or two people who were very skeptical and thought it would end in a bust, like it had done historically. The general feeling then was one of euphoria: this was a great new world we were living in. My position was pretty much intermediate. I thought that it need not end in a bust, but there was a danger of that happening. And I did pose the question at a conference in early 1981, as to whether it was conceivable that it was going to go on, capital flowing in at the same rate. And it was very, very funny. All the portfolio people from Yale, there was a whole string of them there, and they all jumped on me and said, "No, no, no. Life is great; new world; all the rules have changed."

So I suppose I was a little bit skeptical from early on, at the least I thought one ought to be cautious about it. My position was never that one should simply withdraw from the international capital market--I just didn't think that was feasible, but I was relatively cautious.

BECKER: Before you came to the Bank, there was quite a bit of controversy over the former Soviet Union and the Eastern bloc. I've read some of your papers having to do with commentary on Jeffrey Sachs. Did that experience influence your view of capital account liberalization, because that must have been very much on everyone's mind in the early 1990s.

WILLIAMSON: I suppose, yes. They went for it more gung-ho than I thought was advisable at the time. I'm not sure that it had a big impact on the way I thought, but it was certainly a context in which I expressed the thoughts that I was having.

BECKER: Is your criticism of this that there is insufficient market infrastructure to handle these flows?

WILLIAMSON: No. No. I think it is that until a country has really got to the stage where it's unquestioned in the international capital markets, then one is going to have capital outflows at just the wrong times, when a crisis hits. A very big influence on me was going to Chile for the World Bank. It was actually the first time I went on a World Bank mission. I would guess it was early '91. It was soon after the democratic government took office. Maybe it was early '92 or something like that. Ricardo Ferench-Davis said to me, "Look, we're having a wonderful time. Capital is coming in at the moment, but if the price of copper goes through the floor, the capital will flow out again."

BECKER: Right. Right.

WILLIAMSON: I thought, "You know, you're terribly right." You see, we don't have that problem in Britain. If we hit a bad patch, we can always borrow. I mean, we may have to pay a bit more on the interest rate, but you can always borrow more. So that just seemed to me it made a very different situation.

BECKER: But that's exactly what had happened, I guess, in '82 in Mexico.

WILLIAMSON: Yes.

BECKER: I forget exactly what precipitated the crisis, but there was--

WILLIAMSON: Well, they'd run out of money. [Laughter.]

BECKER: That will do it. Yeah. That's a perfect example of--the money had been flowing in and then it went out. So the whole issue of the banking system was not well developed and that there wasn't much of a regulatory system in place--you didn't see that as being as important as these sort of shocks to these different--

WILLIAMSON: The main reason that I was so skeptical was the fear that just when they needed the money most it would disappear.

BECKER: The most it would go out. In your time dealing with--in the time that you were in the South Asia post, there were a number of reports published. The ones that I've read or looked at were the ones having to do with India and Bangladesh. Of the work that was done while you were chief economist, what do you think was the most important and/or most influential?

WILLIAMSON: Published by the South Asia Region?

BECKER: Right. Right.

WILLIAMSON: There were indeed the annual country reports. I'm not sure if any of them had a lasting impact. It's sad, in a sense, because I think they had a lot of good sense, but I'm not sure they made an enormous impact. There were specialist reports on trade (one on Bangladeshi trade, and one on trade within the South Asia Region), there were the financial sector and energy, social sector reports, etc. Honestly, I'm not sure. It's pretty worrying that when one tries to say what really had a great impact, it's not clear to me that any of them were real path breakers.

BECKER: As someone who's spent a lot of time there and studying, what is your take, as it were, on India and India's rapid development, and especially the whole issue of poverty in India?

WILLIAMSON: Well, India is still a poor country.

BECKER: Right.

WILLIAMSON: I don't think there are actually as many poor people by the statistical measures that are in normal use. I think the Bank takes too pessimistic a view on this, but nevertheless, it's still a poor part of the world and when people say there are some awful slums, sure, there are some awful slums, but then that's what you have with poverty.

I think the question one has to ask is whether it would be possible to make bigger inroads, the old sort of question as to a tradeoff between growth and distribution. Maybe one could have a little bit more distribution, but in an area as poor as South Asia, I think it's right to give priority to growth.

BECKER: You took this post, what is it, about five years after the Indian government reversed course.

WILLIAMSON: Yes.

BECKER: What was your sense of how that was working in the years that you were--I guess India was the biggest, obviously, the biggest country in the South Asia area.

WILLIAMSON: Oh, by far. Seventy-five percent of the region on any reckoning, population, area, any dimension.

BECKER: Bangladesh, Sri Lanka.

WILLIAMSON: Yes.

BECKER: What was your sense as someone who had written about privatization, for instance, what was your sense of how India was doing in the years that you were officially responsible having the position on this kind of thing?

WILLIAMSON: Clearly, India didn't pursue privatization particularly vigorously.

BECKER: Right. Right.

WILLIAMSON: It's really quite interesting how the Indian economy has done well despite the fact that it's not obeyed a lot of the rules on those sorts of things. I mean, I think it would have done better if it had done most of the things more vigorously, and that includes privatization. That's the most important. The electricity supply, the direction of public expenditures, are really pretty appalling with ten percent of GDP roughly going on subsidies that don't make any sense in terms of either income distribution or externalities. You simply can't give a rationale to them, they're there because it would be politically awkward to reduce them. If they'd ever had the courage to do that, I think India would have done better and not worse. But nevertheless, they clearly did make some big moves towards liberalization in the early '90s, although I don't think that was the start. It's been argued that the acceleration of Indian growth mainly came in the '80s before this big policy change rather than as a consequence of it, and I think there is some truth in that. I think it's been pushed a bit far by [Dani] Rodrik and [Arvind] Subramanian but certainly the big acceleration of growth was earlier than '91. My impression was that it's worked out pretty well.

When I first went to India, I met with the Confederation of Indian Industry. We had a meeting with them and they were complaining about the slowdown in growth and that slow growth was only going to be five percent. I thought, "Not bad. People are complaining that India is only growing at five percent. That's not bad."

BECKER: This was the time I think of sanctions, wasn't it? Weren't there sanctions?

WILLIAMSON: Then sanctions came two years later.

BECKER: Two years later.

WILLIAMSON: 1998. Yes, they weren't a big issue for India, but they were really critical for Pakistan.

BECKER: Pakistan, right.

WILLIAMSON: Pakistan came quite close to being pushed off the edge into a real crisis. If you really thought that they were going to change their policies, that this was the way to make them change their policies, maybe it was worth it, but if you didn't think that, it was terribly sad.

BECKER: Of course, Bangladesh, I guess is the period of time of severe flooding.

WILLIAMSON: They had very severe floods one year, yes. Although it was quite remarkable that the number of lives lost, if I remember, was only in double digits, whereas the previous time they'd had comparable flooding something like 10,000 people had died. It was really quite remarkable how well they handled the floods. This was one of the ways in which the Bank's impression of Bangladesh had gotten too cynical. It was true that the governance of Bangladesh left a great deal to be desired, there was a lot of corruption in government and so on. But nevertheless, Bangladesh functioned reasonably well; it is now growing at between five and six percent a year, and that's not bad. If you compare where Bangladesh is now with where people thought it would be when it first became independent in 1971, it's done remarkably well.

BECKER: With the flooding, my understanding was that there were warning systems.

WILLIAMSON: They had warning systems, they had places for people to go. They had emergency stockpiles of food which they distributed and things like that, yes.

BECKER: Had the Bank been involved in any of that?

WILLIAMSON: Not that I'm aware of, no.

BECKER: Too bad.

WILLIAMSON: I know. And of course the other big thing that came up which nobody seemed to take particularly seriously was the arsenic poisoning in the water. They were very proud of the fact that ninety-something percent of the people had an improved source of water, and then it turned out that a significant proportion of these were giving them arsenic poisoning which is very slow, but--

BECKER: Deadly.

WILLIAMSON: --it's deadly. And so they began a program to try and discover which wells were good and which were bad because sometimes one could have even in the same village one well that would be drawing on contaminated water and one that would be uncontaminated. And so a minimal program involved testing the wells and finding out which were good and then getting people to use those and not the others.

BECKER: Not the other one.

WILLIAMSON: Simple notions like that, but there seemed to be no urgency about it. I remember going around one time, and it seemed to me that given the gravity of the issue this ought to command a greater sense of urgency.

BECKER: Why did you decide to leave, by the way, in 1999?

WILLIAMSON: I signed on originally for three years. I could probably have stayed until I reached 65, but in fact I left at the normal retirement age, actually shortly thereafter. After doing the three years that I originally signed up for I decided the Bank was interesting for a period, but I didn't think I'd made that big a contribution, frankly.

BECKER: Can I ask what did you take away from this in terms of your thinking about development and poverty reduction? Are there things that you think you learned from that experience that influenced your later work?

WILLIAMSON: Yes, I mean, there must have been, but I'm not sure that I can put my finger on it and say that these big insights I had and I hadn't had before. It was the period of the famous [James D.] Wolfensohn course at Harvard and then the Village Immersion Program. Well, I thought, there's no point in the Bank wasting all that money sending me to Harvard but I did the Village Immersion Program. I don't think it really changed me. I mean, I knew there was a lot of poverty already. Some people were very amazed to find poverty and it had a big impact on them when they stared poverty in the face. I'd seen poverty before, I knew what it looked like, and so some of the details were very interesting and revealing but I don't know that there were any revelations. I clearly learned a lot about South Asia and about things like electricity being a big problem which I was totally unaware of before. But in terms of thinking about development, I don't know if I can put my finger on any big issue.

BECKER: Now, the time that you were at the Bank coincided with the Southeast Asian financial crisis.

WILLIAMSON: Right.

BECKER: Why do you think South Asia was not as affected as Southeast Asia?

WILLIAMSON: It didn't have the foreign money to run away, the answer was as simple as that. There was a little bit in India, but not enormous relative to the size of the economy. They still had exchange controls to prevent the domestic money flowing out, and there wasn't enough foreign money. In terms of the things some people have pointed to, like corruption, Bangladesh was as bad as anywhere and Bangladesh had no crisis. That was because there was no money to flow out.

BECKER: No money to--okay. This leads me to ask what did you think of the Bank's response to the crisis? Obviously, the Fund took the lead in this, but the Bank also became involved.

WILLIAMSON: Yes. Rather reluctantly, I mean, the Bank got pulled in to help fill the financing gap. I thought that if it was going to lend a lot of money to South Korea, then it ought to expect to make some money out of it. That was absolutely right, so I approved of that bit of the response. I thought actually the Bank had a fair bit of expertise in the financial sector that wasn't really used in the early period of the crisis. The Fund took a very unilateral attitude. I don't know to what extent it was a function of Joe Stiglitz's hostile relationship with the IMF, but it is a fact that the Bank wasn't actively involved in the missions in the early stages in any influential sort of way.

BECKER: I lived in Singapore at the time and so could watch close-hand. On a clear day we could see Indonesia, the outer islands, from our flat.

WILLIAMSON: But not that fall because that was just when the fires--

BECKER: Fires, that's right, but there were one or two clear days. We were there for the spring and the weather had cleared.

But there was a lot of criticism of the Fund, and especially in Indonesia with—Jeffrey Sachs visited the university that I was at and he was quite critical of the Fund and of what the Fund had done, especially in the banking sector in Indonesia. His view was that the Fund had in fact created a banking crisis by closing some of the big banks. But my question is, as someone inside the Bank, you must have certainly been paying very close attention to what was going on.

WILLIAMSON: Right.

BECKER: Were there working groups and all? Were you involved in any way?

WILLIAMSON: No.

BECKER: No? They didn't call on you to--

WILLIAMSON: No. No. I would have been only too pleased to get involved, but there was absolutely no call from within the Bank. Joe did, I think, try the idea of forming a joint working group between the Bank and the Fund where one could discuss the policies and not simply criticize in public, but Stan [Stanley] Fischer wouldn't buy that and so nothing happened and we weren't involved at all. So occasionally I'd meet with Stan socially and express some views, but that was the extent of it.

BECKER: That was it?

WILLIAMSON: Yeah.

BECKER: Going back even a little further, do you think the Bank bore any responsibility for the crisis?

WILLIAMSON: Well, I really do think that the crisis was a consequence of capital account convertibility, and I don't think the Bank can be held responsible for that. In the case of Indonesia, it's just conceivable that the crisis could have been preempted if there had been an early decision to defend the exchange rate, because it's when the exchange rate collapsed that all the Indonesian companies that had borrowed dollars became insolvent, and when they saw the danger of collapse they all rushed to cover themselves and it's that which then precipitated the collapse. So in my view there should have been an early move saying, "Here's thirty billion dollars we'd like you to have on the condition you continue with your present sensible policies." The trouble is, the corruption made it difficult to endorse their policies that way. But I still think their macropolicies were good.

BECKER: Yes.

WILLIAMSON: They didn't have the problems of Thailand. They weren't running big current account deficits and their exports were continuing to expand and so on. So it's just conceivable to me that one could have preempted the crisis that way.

But I wouldn't blame the Bank, which was not in a position to command that sort of money. I don't think that it exerted any sort of pressure on the countries to liberalize their capital accounts. Certainly it didn't on India. When they were subjected to pressure by the Indian business community the government set up the [S.S.] Tarapore Committee, which reported in 1997. It suggested liberalizing the capital account "gradually" over three years, under the following three conditions: that the fiscal deficit be fixed, that the banking system be fixed, and that trade liberalization be completed. It was inconceivable that those things would be done in three years!

BECKER: Which report was this?

WILLIAMSON: Tarapore.

BECKER: Tarapore.

WILLIAMSON: That was by the Indian government.

BECKER: Right.

WILLIAMSON: He was the former deputy governor of the reserve bank who was actually rather good, but he presided over this report that then became irrelevant because of the East Asia crisis.

BECKER: I guess in comparative terms, the year following that, the growth rates in South Asia were probably as good as anywhere because Southeast Asia had fallen off, growth rates had fall off.

WILLIAMSON: Yes, apart from China.

BECKER: China, of course. Yes.

WILLIAMSON: Yes.

BECKER: Yes. So South Asia looked very good, comparatively speaking, although I guess growth rates had fallen off some just in general just because--

WILLIAMSON: Because they did fall off a little bit, India in particular, in the late '90s. Well, also Pakistan went through a very difficult period then. Bangladesh did okay. Sri Lanka, I think, was still doing okay.

BECKER: I suspect I know the answer to this, but were you involved in any way in discussions or working groups because of the fear contagion especially, I guess Brazil the people were worried about in the summer of 1998 and Russia I guess also in that same--Russia I guess--

WILLIAMSON: Russia did default.

BECKER: Default on its debt, yeah.

WILLIAMSON: Yes.

BECKER: Were you involved at all in any of the discussions in the Bank about any of that?

WILLIAMSON: There was a group that met every month that was supposed to keep a track on the possibility of crises emerging, and I don't think we actually did a terribly good job. We never said that there was a danger of an East Asian crisis, for example.

BECKER: I guess the IMF a few months before Thailand went belly up had given this glowing report of--

WILLIAMSON: No, no.

BECKER: No, before the Southeast Asian crisis.

WILLIAMSON: The IMF actually warned Thailand in the previous November-December that it was on thin ice.

BECKER: Okay. I guess it was the previous spring there had been some--

WILLIAMSON: But Korea was the embarrassing one because the IMF did issue a glowing report on Korea three weeks before they went belly up. [Laughter.]

BECKER: Well, predictions are--historians are more modest about making predictions, I think, than certainly public officials

WILLIAMSON: Yes. Well, public officials, you can understand it. Half the time they're--I remember my colleague at East Asia, he was asked about Thailand in a joint press conference we gave in April of '97, and he said, "Absolutely no question, wonderful situation."

BECKER: That's what I was thinking when I--

WILLIAMSON: I said to him afterwards, “You know, you can't really . . .” And he said, “You can't really say any thing else in that situation.”

BECKER: If they did say something it would have, maybe, precipitated the crisis a year--well, certainly unnerve the markets if the IMF started warning.

WILLIAMSON: Well, of course the trouble is that then you would be blamed for creating a crisis.

BECKER: Yes.

WILLIAMSON: I think you warn privately, but for that reason I've never believed you can give public predictions. The idea of crisis forecasting has always seemed to me pretty much a contradiction in terms.

BECKER: But you were involved at least within the Bank of some of the discussions about what to do in Brazil to head off problems in Brazil in the summer of 1998?

WILLIAMSON: Apart from this working group, I don't recall anything else. In fact, I went to Latin America in the summer of 1997 and talked in Argentina , Chile and Bolivia. Brazil I went to but certainly I wasn’t involved in any discussions.

BECKER: That was family.

WILLIAMSON: That was family. Right.

BECKER: I wanted to turn, maybe not so briefly--you arrived in the Bank the year after James Wolfensohn became President of the Bank. First off, in what ways, if any, did his presidency affect the Bank's work in South Asia?

WILLIAMSON: Well, he was already there so I can't make a before and after comparison. Clearly the big impact was in changing the Vice President, replacing Joe Wood with Mieko Nishimizu. [Interruption.] I'm not sure that that was a terribly astute move. Joe had his act together and it really didn't seem to me to make any sense replacing him at that stage. He didn't want to move on, hadn't planned to.

There was also the fact that the Bank changed its attitude to corruption and became much less willing to live with corruption. I think that probably that would have been much more relevant in Pakistan than in India because as far as I'm aware, there wasn't a big impact of corruption directly on the Indian projects. I mean, there was lots of low-level corruption in India, but at the high level, India is, I think, a reasonably uncorrupt country still, whereas in Pakistan there are terrible stories about what happened with the electric power industry, the independent power producers. There were stories of them going back on the contracts and agreeing to higher tariffs in return for under the counter payments. I didn't feel I had a good grasp on exactly how much fire was there, but I'm pretty sure there was some.

BECKER: Overall, aside from South Asia, I see Sebastian Mallaby's book up on your shelf.

WILLIAMSON: [Inaudible.] [Laughter.]

BECKER: From your perspective, and I hasten to add that you can always excise things before these interviews are given to the Bank's Archives, you get the final edit of them beforehand.

WILLIAMSON: I see.

BECKER: So if you want to take something out, you can take something out, or people at times remember things they meant to say and you can add them at that time for the record.

WILLIAMSON: If I think of any good answers to some of your questions I'll add them.

BECKER: All of your answers have been fine, it's just that sometimes something slips your mind that you really wanted to say.

Overall, as someone who is obviously very interested in development and also interested in questions of poverty reduction and all, what do you think Wolfensohn's achievements have been?

WILLIAMSON: I think Wolfensohn had some really great qualities, but unfortunately they weren't all great. Sebastian is absolutely right on that. He had some outsized good qualities and some outsized deficiencies as well. And he made those evident in the same speech. I am thinking of those harangues he used to give to the senior staff, which were really odd. At times I would cringe with embarrassment, and at other times think, "God, that was really great." [Laughter.]

So, I mean, some of Sebastian's stories about the way that he interacted with local people, I thought he clearly was capable of giving a lot, of giving some new leadership: to the Bank.

But I thought his big mistake was in terms of personnel. I think the replacement of Joe Wood was one example; he just seemed to come in with the idea that he wanted to get rid of everybody who'd been there before, and that's not the right attitude. I mean, when you come into an organization of course there are some people who aren't performing well and you want to replace them in due course, but to replace everybody makes just no sense at all.

BECKER: I guess most of the directors left within the first few years, almost all of them.

WILLIAMSON: Yeah.

BECKER: Yeah.

WILLIAMSON: Yeah. Well, there was only one who didn't and Wolfensohn told Bob [Robert] Picciotto he was looking for his resignation and Bob said, "It's not for you to sack me. I'm appointed by the Board and not by you," and he stayed on 'til the end.

BECKER: We've interviewed him.

WILLIAMSON: He's told you the story?

BECKER: Yes, oh yes.

WILLIAMSON: Yes.

BECKER: I don't remember if we left it in the interview or cut all this out, but I can't recall now if he left it in or not. But he's a very careful man, as you know, but I had a very interesting interview.

WILLIAMSON: I thought at the end of the day he probably ended up with a weaker staff, whereas he could easily have ended up with a stronger staff if he'd used some discretion in who he replaced and who he didn't.

BECKER: The people who observe the Bank often make the point that it's in some crisis, this would probably be after you left, that with changes in international capital markets and all, that the Bank's historic role had been somewhat diminished and that the challenge for the President in Wolfensohn's years was to try to move the Bank to a very different--to deal with a very different environment. One, do you agree that the role of the Bank needs to be changed? And two, if you think that's the case, do you think Wolfensohn did the right thing in trying to change the role of the Bank?

WILLIAMSON: There's no doubt that the bulk of the member countries were capable of borrowingon the international capital market on terms that weren't that much worse than they could get through the Bank. Given the extra three-quarter percent of costs that the Bank adds on, or whatever it is, many of the countries could do without the Bank. The countries that couldn't were basically the IDA [International Development Association]-dependent countries, so that's most of Africa and a few others, a few of the Asian countries, one or two in Latin America. For them the Bank is still really essential.

If you're going to have a Bank, then you should ask the question does it make sense to maintain this role in most countries where it's clearly not essential anymore, and I think my answer always was that it did make sense to maintain its presence there. Even if it wasn't essential, it was still useful rather than the reverse. It made life somewhat better for the countries and it enabled the Bank to make a certain amount of money which it could then mainly spend on the poorer countries--a little bit on international public goods, but mainly on the poorer countries. And it's good that the Brazils and the Mexicos should be contributing, even though they don't have an aid budget, it's good that they should be doing something for the Bangladeshis and the African countries. This is the way in which they were doing something.

That says that the change in the Bank's role is actually not going to be that profound, that the Bank should still go on--it should still maintain a presence in these countries where its presence is not essential.

BECKER: Do you see the Bank's value added being its knowledge of development and all of the skills that are there?

WILLIAMSON: Yeah, that's a big part of it, yeah, yeah. I don't think that's the only part. I think that the Bank is able to borrow on somewhat better terms than the countries could borrow themselves and so there is a bit of added value there. And then there's an extra channel of influence, but, yes, the big thing is the knowledge Bank.

BECKER: Do you see the Bank as—you know, its function in the future in crises rather than—I mean, do you see a function for it as a--I don't know if you want to call it a bank of last resort? But is that something Wolfensohn pushed, and would you agree with it?

WILLIAMSON: It's something that I think evolved out of the force of circumstances during Wolfensohn's presidency because of the crises that occurred, rather than a part of Wolfensohn's conscious design. But I actually don't think we're likely to see a repetition of the crises of the '90s. I mean, it's possible there will be one or two--there will be individual countries that will run into crises, but I don't think we're going to see any big widespread crises for the next few years at any rate.

BECKER: Ones that look like the ones from the '80s and the '90s.

WILLIAMSON: Right.

BECKER: Of course, the United States could precipitate its own.

WILLIAMSON: That's absolutely right. [Laughter.]

BECKER: I didn't want to end on that, but I mean, we're just about up to the time for today. So, thank you very much. Tomorrow I just want to talk a little bit about the consulting you did with the Bank after you left on OED [Operations Evaluation Department] and QAG [Quality Assurance Group] and things like that. Then I do have some questions about the Washington consensus and what all that's meant and what you think it's meant for the Bank itself.

WILLIAMSON: Yeah.

BECKER: Okay?

WILLIAMSON: Okay.

BECKER: Very good. Thank you very much.

WILLIAMSON: Okay.

[End of session]

JOHN WILLIAMSON

Session 2

February 1, 2006

Washington, D.C.

[Begin Tape 1, Side A]

MR. BECKER: I listened to the other tapes, parts of them, last night, and they seemed fine, so that's good.

Good morning. It's good to see you again. This morning it is Wednesday, February 1, 2006. I'm Bill Becker with the World Bank oral history program, and I'm here again with John Williamson who is at the Institute for International Economics in Washington, D.C.

Yesterday we ended up with you leaving the Bank in 1999. I wanted to begin this morning by talking a little bit about the consultancies that you've done with the Bank since having left. If you could talk just a little bit about the nature of these consultancies, how long they lasted, how they were arranged and which of those did you find the most important-slash-interesting?

WILLIAMSON: Yes. Well, I'm not sure that I can remember all of the things that I've done with the Bank because some of them were fairly minor, peer reviewing and things like that. But the major thing that I remember was leading the team that wrote the first Pakistan Development Review. That was certainly interesting. There was an assignment with OED.[1]

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[1] Supplemental information provided by John Williamson:
I did not feel that my account of my consultancies for the Bank since leaving its employment did justice to that work. When I consulted my records, I found to my surprise that I had been involved at least 15 times:

1. I attended the Bank's Summer Research Workshop in July 2000.
2. I attended, and wrote a paper for, an OED Workshop on evaluation of the CDF in Oct. 2000.
3. I participated in an OED IDA evaluation Workshop in Nov. 2000.
4. I attended a Presidential Retreat in Pretoria on economic policy in South Africa, in Nov. 2000.
5. I headed a team that wrote the first Pakistan Development Review in Jan/Feb. 2002.
6. I was a member of a QAG panel on the Economic Policy Sector Board.
7. I spoke on development strategy at the EDs' Colloquium at Airlie House in April 2003.
8. I gave a lecture in the Practitioners in Development series in Jan. 2004.
9. I discussed Raghuran Rajan's presentation of his book *Saving Capitalism from the Capitalists* at a lunch meeting in Jan. 2004
10. I chaired a panel that reviewed the CPIA ratings in Feb. 2004.
11. Peer reviewer of Nepal Development Review (June 2004).
12. I attended a conference on "Conditionality Revisited" in Paris in June 2004.
13. I participated in a conference on Finance in Jan. 2005.
14. I spoke at a launch meeting of the 1990s Project in April 2005.
15. I spoke at the launch meeting for the volume *Conditionality Revisited* in June 2005.

The events that made the biggest impression on me were the three I mentioned in the interview, namely the Pakistan Development Review, the Practitioners in Development lecture, and the panel reviewing the CPIA ratings, plus the

BECKER: I see.

WILLIAMSON: That was a conference, organized by Catherine Gwin.
Then there was a QAG assignment in which we reviewed the Economic Policy Sector Board.
The other one that really sticks in my memory is a committee that was set up two years ago now, I guess, to review the CPIA [Country Policy and Institutional Assessment]. I was chairman of that. We made recommendations of which I think most were accepted, except when we quite consciously stepped outside our terms of reference to say that we didn't think it was a good idea to have such a high weight for governance in distributing IDA money. CPIA was used, and the other part then repeated the governance indicators in the CPIA, so that in effect IDA disbursement was being determined something like two-thirds by governance indicators which after all aren't that firm. They've improved enormously, the Bank has done a lot of work on them, but you can still take different views on what's really important in governance. So we thought it was wrong to give such a big weight to governance in disbursing IDA money, and we said so. And I believe the IDA deputies did not act on that.

But the other things about cutting down the number of CPIA criteria and so on they did accept and I thought that was quite rewarding.

BECKER: The [Ernesto] Zedillo report [UN High-Level Panel on Financing for Development] was done for the U.N., I guess.

WILLIAMSON: Right. Absolutely, yes. The Zedillo report was in the year 2001.

BECKER: I think it's 2001. Yes.

WILLIAMSON: And at the time I really enjoyed that. In the end I was disappointed because Ernesto Zedillo's way of reaching agreement I thought didn't really face up to the intellectual issues. He deputed someone else to write a shortened version of the report and then that was the report. Mine was described as a technical annex or something ridiculous, and I thought that weakened the whole thing.

And then he didn't accept any of the invitations, which he got lots of invitations and it could have been quite a big thing, but he didn't accept any of them, and also it got crowded out by another news item the same day.

BECKER: September 11th?

Retreat in South Africa. I did not mention this during the interview, presumably because it was stored in my memory under the heading of South Africa, but the Retreat was organized by the Bank.

WILLIAMSON: No, no, no. It wasn't quite as big as that. It was--I've forgotten what it was now, but it was something that seemed big at the time and made all the headlines. And so in the end I don't think that our report had as much resonance as I'd hoped it would have.

BECKER: Were World Bank people involved in that?

WILLIAMSON: Yes. What we drew quite heavily on the World Bank in two ways. One way was through Enrique Rueda-Sabater, who was extremely helpful in providing comments and analysis as we went along and made a big input.

And the other was Nick Stern. It was after talking to him that we came up with the figure of an extra $50 billion being what would be needed to achieve the MDGs [Millennium Development Goals]. Ernesto's first reaction was very much that of a politician, he said this still doesn't get us to 0.7 percent of GDP! Well, too bad, you know? [Laughter.]

In the end he accepted that. I mean, he still has the instincts of an economist.

BECKER: That's right.

WILLIAMSON: This extra $50 billion was a figure that was basically Nick Stern's figure. Vijaya Ramachandran was assisting me, and we went down and talked to Nick Stern when we realized that we had to come up with a figure as to what would be needed to achieve the MDGs if all developing countries were doing their part. I never regarded it as more than a plausible order of magnitude. But this was the figure, the nice round figure, that seemed to be the right order of magnitude, so that's what we put in the report.

And it really made an impact. In some ways too much of an impact because, of course, the danger of mentioning a figure is that then people say we have to provide this, otherwise the failure to reach the multilateral development goals is going to be all the fault of the developed countries, and clearly that's not true. There's a lot of other things that have to happen for that fifty billion dollars to be sensibly used. But we tried to phrase it to say if the countries themselves did the appropriate things, then one would need an extra fifty billion dollars of aid to ensure reaching the goals.

BECKER: Are you currently engaged in anything for the World Bank in 2006?

WILLIAMSON: No. I don't think I have anything on my agenda right now. No, and it's a nice thought, actually. [Laughter.]

BECKER: I want to go back to talk a bit about the Washington consensus. I threatened you with this yesterday, so you're ready for this.

WILLIAMSON: Sure.

BECKER: My comment to myself here is as with George Kennan and his coining of the term containment, you found that your formulation took on a life of its own and that various readers read into your term their own interpretations of what they thought you meant. As frustrating as this must have been to you as it was to Kennan, what would you say the positive results of the debate have been over the Washington consensus?

WILLIAMSON: I like the analogy to George Kennan, I must say. I hadn't heard that one before.

BECKER: It's an interesting--

WILLIAMSON: No, no, the word containment, you're absolutely right, it took on a life of its own just like this phrase "the Washington consensus" did.

BECKER: I read a transcript of an interview or a speech in which you thought that you had intellectual property rights on this phrase. [Laughter.] You obviously don't.

WILLIAMSON: Yeah, right.

BECKER: And Kennan in--one of the biographers says that he lamented that this thing took on a life of its own and it was nothing like what he thought it should be and he became quite disenchanted in fact with the way it was used. And he went back to academia, and that was one of the reasons.

But in any case, my question really has to do with what's the positive outcome of this debate?

WILLIAMSON: Incidentally, that just reminded me of another thing that I did do for the World Bank which was quite important and I think quite worthwhile.

BECKER: Okay.

WILLIAMSON: That was that I was included in the Practitioners of Development lecture series, two years ago.

BECKER: Yes.

WILLIAMSON: And I gave a lecture about what had come out of the Washington consensus and whether it made sense as a development strategy. I went through the 10 points and argued that each of them stood up on its own terms. One would have phrased some of them differently in the light of subsequent history and extended them or whatever a little bit, but broadly speaking I thought they made sense. The mistake was to try and make them into the whole of development strategy and to suggest that if a country did these things that it was fulfilling its duties, as it were, and it could expect to grow, and I don't think that was the appropriate attitude.

I think at times there were people in the Bank who tended to assume that life was that simple, and that's regrettable, but these things happen. It's no good imagining that everyone is going to be equally eclectic or whatever, and by and large I think it did point development strategy in the right direction. I still think that Joe Stiglitz in particular has really distorted reality by suggesting that everything was just fine before neoliberalism came along. It seemed to me there were some really major changes for the better recognized in the Washington consensus. Other countries jumped on the bandwagon because it had been put in this fairly stark form.

So I guess that's what I would say is the positive result, that it helped, first of all, the righting of the imbalance between markets and government which clearly in the early postwar years there was too much of a turn towards thinking governments solved everything.

Secondly, in recognizing that macroeconomic discipline is important and you really can't use Keynesian tricks to escape long-run realities. That doesn't imply there isn't a role for Keynesianism, but it needs to be seen in the proper context.

And then thirdly, in recognizing globalization is a positive force and something that helps countries develop and not something to be resisted.

I think those were the basic messages and I think maybe it helped to put them in this form. And so I guess it was worthwhile despite the distortions. [Laughter.]

BECKER: Did that bother you a great deal?

WILLIAMSON: Oh, yes. Yes.

BECKER: Did it?

WILLIAMSON: Very, very much. I don't like being labeled. I mean, I've always regarded myself as slightly left of center, and to suddenly be cast as a neoliberal reactionary--

BECKER: Or a fundamentalist, I guess.

WILLIAMSON: --or market fundamentalist. People usually didn't call me that, but they did call me a neoliberal because I am basically a liberal.

BECKER: Yes.

WILLIAMSON: "Neoliberal" is a word that, when I first came across it, was associated with the policies of Margaret Thatcher and Ronald Reagan and Milton Friedman and Friedrich Hayek and so on. Some of those seemed to me to be part of the mainstream and some of them not, and the ones that were not were right-wing doctrines that are dressed up as positive economics. I don't want anything to do with supply-side economics and monetarism and so on.

BECKER: Okay. In trying to look at it historically, it seems to me that it was a summing up of one stage of development thinking at a particular time, wherever we were at the end of the ‘80s and beginning of the ‘90s. I recall [Shahid Javed] Burki and [Guillermo E.] Perry, I guess the book on--what was it, Institutions Matter [Beyond the Washington Consensus: Institutions Matter]? Oh, you just so happen to have?

WILLIAMSON: Right. I was planning to look something up in there.

BECKER: It seemed to me that what they were saying was it was more of a change of emphasis rather than--

WILLIAMSON: I thought they got the message exactly right, that those things are important, but they weren't the only things that were important. One also needs to worry about institutions, which is one of the big additions. It probably was the biggest addition to development economics in the 1990s: recognizing that institutions matter. So I thought that piece was spot on. That's what I would regard as one of the really good--

BECKER: Outcomes.

WILLIAMSON: --flagship reports of the Latin America region.

BECKER: I think Douglass North got the Nobel Prize for talking about institutions.

WILLIAMSON: Absolutely. And we'd all heard of Douglass North in 1989, but we hadn't really internalized his message. I think that came in the 1990s.

BECKER: I've known him for a long time, so I had internalized his message earlier.

WILLIAMSON: Thank you, but I only met him for the first time just over a year ago, actually.

BECKER: When I was a student I had to read all of the early works, which he had done one of the better economic histories about the United States, so it was sort of standard reading.

One other thing I wanted to ask about this, do you think that moving beyond the Washington consensus, I mean the debate that followed, that it changed or enhanced the emphasis on poverty reduction rather than just simply growth as an answer to development?

WILLIAMSON: What it is really aiming for is respecification of the objectives. Yes, I personally think that should have been implicit all along. But I quite deliberately didn't include that in the Washington consensus because I didn't think it commanded a consensus in Washington in 1989. The main reason for being concerned about development is because one doesn't like people living their lives like animals.

BECKER: Yes.

WILLIAMSON: But the emphasis in Washington in 1989, as I read it, was very much on growth, and that was true of the World Bank as well--it was less true of the World Bank, but it was also true of the World Bank. But certainly in the U.S. government and the IMF the emphasis was growth, growth, growth. This year's flagship report for the Latin America region has a really interesting take on this issue. It argues essentially that you really oughtn't be debating growth versus redistribution in the abstract. Which is the priority depends very much on the circumstances, and if you have a situation like Latin America where in many of the countries the average level of living is well above the minimum but there are very large distributional inequalities, then you get a lot of milage out of redistribution. And if you're in somewhere like South Asia or for that matter Bolivia or Haiti, then there's really no scope for redistribution because there are very few rich people and redistributing what little there is doesn't get you very far, so the emphasis has to be much more on growth.

BECKER: I saw in some of your papers that the emphasis on equity as a concept that needs to be--that people who are interested in poverty reduction as well as growth need to pay more attention to.

WILLIAMSON: Yes.

BECKER: That obviously wasn't in the intellectual convergence of the 1980s-1990s either.

WILLIAMSON: Right.

BECKER: I'm not sure it is at the moment.

WILLIAMSON: I think there's much more awareness of it now. I think that certainly people who are concerned with development became much more conscious of the importance of equity type considerations, and distribution, in the '90s.

Now, I don't think if one was saying what commands a consensus in Washington in the year 2005-2006, now the Bush administration is an important part of Washington.

BECKER: Right.

WILLIAMSON: It doesn't seem to care particularly much for these concepts, so it would still be difficult if one was really looking for a consensus.

BECKER: What about in Latin America? Do you think that--it seems to me that it's a hard sell among some of the elites in Latin America as well.

WILLIAMSON: In Latin America I think people are relatively willing to subscribe to it in rhetorical terms, but in terms of actually taking the measures to implement it, I think clearly there's a reluctance to do very much. The particular way in which this always hits me is that I never get any interest in Latin America in the idea that they ought to be aiming to tax foreign income. This isn't the easiest thing to do, we all know. But clearly it would be desirable in several dimensions: it would further equity, it would help their fiscal situation, and so on.

BECKER: They don't want to drive it away, obviously. They don't want to drive the capital--

WILLIAMSON: They all have their foreign bank accounts in which they get tax-free income, and so that's the trouble. So now you get an Evo Morales [Juan Evo Morales Aima], who would indeed I think share my objectives in things like this, but he pursues stupid policies in other directions instead of things like this which really would make some sense. And you can't get anybody except the Evo Moraleses of this world interested in this kind of idea.

BECKER: Even in Brazil with Lula [Luis Inacio Lula da Silva]? His government isn't--

WILLIAMSON: It's made no effort that I'm aware of in this direction.

BECKER: I would have thought he--I mean given, again, his rhetoric in the past at least.

WILLIAMSON: Brazil doesn't have nearly as big a problem of expatriate capital as some of the other countries.

BECKER: Mexico, I guess, still does.

WILLIAMSON: Mexico and Argentina and Venezuela, of course, is a net creditor to the rest of the world.

BECKER: No, obviously.

WILLIAMSON: But Chavez [Hugo Rafael Chavez Frias] wants to cut a big figure on the world stage, including by giving away his money to poor people in Manhattan.

BECKER: And Boston. [Laughter.] I wanted to ask you, there was something that occurred to me after our conversation yesterday. I wanted to go back to the Southeast Asian financial crisis again. What was your thinking about the kinds of capital controls that Malaysia imposed in the midst of that crisis? And also, I guess, Chile had been imposing them even before.

WILLIAMSON: Well, they're very different.

BECKER: Yes.

WILLIAMSON: Chile had a tax on capital inflows. Actually it was--technically it was a requirement that you deposit--

BECKER: A fee.

WILLIAMSON: --a certain amount to the Central Bank interest free for a year, but you could get out of that by paying an equivalent tax if you wanted to. One of the interesting arguments (which again has aroused no interest despite my best efforts) is that a tax would actually be a better way of doing it than the way the Chileans did it, or a compulsory deposit. But that's very different to the Malaysian controls which in the short-run were a prohibition on capital outflows. Then they changed that to a fee. But it was a capital outflow control and it was an administrative prohibition rather than a price signal.

I thought the Malaysian controls probably made some sense. The day they were imposed they looked as though they'd come too late, but then the day afterwards they arrested Anwar [bin] Ibrahim and presumably they were really an attempt to prevent a big capital outflow coming in the wake of that, and in that they appear to have succeeded.

I don't think there's terribly persuasive evidence that Malaysia recovered faster than its neighbors as a result of imposing these kinds of controls, but I didn't get upset about them in the way that I'm aware that some people did.

BECKER: Yes.

WILLIAMSON: There were some very strong reactions at the time.

BECKER: *The Wall Street Journal*, I think, saw them as the beginning of the end.

WILLIAMSON: Yeah.

BECKER: But they always do.

WILLIAMSON: Probably. [Laughter.] Well, I remember I was in the Bank at the time and I happened to be at a meeting at the Institute the day after where there were a lot of Wall Street types. The reaction was absolutely unanimous there that this was a terrible thing and condemned Malaysia to a decade of not being able to attract capital and stagnation and what-not. I thought it was ridiculous.

BECKER: Well, it has continued to attract a lot of foreign direct investment which has made, I think, quite a difference in Malaysia.

WILLIAMSON: Yeah.

BECKER: In a 2004 interview--actually Google makes my life so much easier. I've read many of your speeches. [Laughter.] They're all there.

WILLIAMSON: I can't remember those things, like I have such lapses of memory in what I did for the World Bank.

BECKER: We all do. I had someone quote back something I wrote once and I said, “I didn't write that.” [Laughter.] I couldn't believe I had said that, and sure enough this student had the paper.

In any case, in a 2004 interview you described the Bank as an underperforming institution. I hope you remember having said that because I'm going to ask you what did you mean by that.

WILLIAMSON: I don't recall it, no, but I'm not sure that I would want to renounce it at this stage. So I ought to be able to--

BECKER: I can tell you some other things you said about it.

WILLIAMSON: Okay.

BECKER: The people that read this are going to wonder. I'll change this around. I'll just remind you of what you said so you can comment about what you said. That's the disadvantage of writing a lot, too, because you--and being interviewed often.

WILLIAMSON: Yeah.

BECKER: Your point was that you thought that the Bank did a good job with NGOs, involving them in Bank policy.

WILLIAMSON: I think that was one of the great things that Wolfensohn did.

BECKER: Right.

WILLIAMSON: Although I think the international NGOs acquired too much influence, that too much note was taken of them rather than the local NGOs. We particularly felt this in South Asia where there were some very strong local NGOs and these weren't the ones that the Bank was mainly talking to, it was the international NGOs based in Washington who tend to have a very different outlook on the world.

BECKER: Right. Then your criticism was that you didn't think the Bank did a very good job dealing with parliaments in different parts of the world, with governments.

WILLIAMSON: No, I mean, usually it has relations with governments, and then it sort of neglects parliaments. At times it almost regards--

BECKER: Through the directors of course, yes, with governments.

WILLIAMSON: Yeah, right.

BECKER: Yeah.

WILLIAMSON: And also, you know, it lends to governments.

BECKER: Right.

WILLIAMSON: It only lends with a sovereign guarantee.

BECKER: Right.

WILLIAMSON: All this is written in its Articles, and so that's how it has to operate, one understands that. This comment about parliaments was specifically in terms of the PRSPs [Poverty Reduction Strategy Papers].

BECKER: I don't recall, actually.

WILLIAMSON: The impression I got was that in preparing Poverty Reduction Strategy Papers the Bank did a good job in terms of consulting local NGOs. But then it very often more or less neglected the parliament, which is also an important sounding board for public opinion in any reasonably democratic country. My understanding is that the Bank has not given an enormous importance to parliaments in its consultations.

BECKER: I think the Bank's answer would be that according to the charter, it can't get involved in politics. I suspect that's what their answer would be, although it's a good point. We know they get involved with politics.

WILLIAMSON: One clearly wants the Bank not to be partisan, but I think you can talk to political parties and get involved in discussions with them. And parliaments, after all, are made up of individuals who just happen to be members of parties. It doesn't have to be a relationship to a party.

BECKER: Okay. The other point you made was that you thought the Bank was too heavily involved in many places in micromanaging.

WILLIAMSON: I think--

BECKER: Did you see that in South Asia?

WILLIAMSON: It varied enormously. It certainly wasn't true in India, the Indians wouldn't have allowed the Bank to get involved in micromanagement. But it happened in some of the smaller countries, yes.

BECKER: I would imagine in China, too, when the Bank first got involved there.

WILLIAMSON: It seems to me that you really ought to try to draw a distinction between the countries that have got their act together where you basically give the money to the government and say that you will continue to allow it to borrow a substantial amount as long as it continues reasonable policies in terms of transparency, in terms of preventing corruption, in terms of macromanagement, and one or two other fairly basic things. And then you will give it free range as to how it spends the money and it goes through the government.

Now, you can do that in a country that's reasonably well governed, but you clearly can't responsibly do that everywhere. And in some countries I think there's a lot to be said for going to the other extreme, to the Easterly extreme, and distributing money as income to individuals rather than giving it to the government.

BECKER: Yes. I heard that in some places—Indonesia, I guess--the assumption was that thirty percent of the money that would go in would immediately be--would go to . . .

WILLIAMSON: These stories, you know, thirty percent seems to be the sort of figure people use. I had a very interesting experience on one occasion in Pakistan when the government was trying to persuade us how uncorrupt it was, whereas its predecessor was terribly corrupt. So it took us and they showed us documents drawn up by lawyers in which there were bribes, you know, you will give us five percent of the value of this submarine contract, four billion dollars or something ridiculous. The figures were five to eight percent, they were not thirty percent. There was nothing over ten percent. And this was an outfit that was trying to show us that their predecessors were corrupt, but they weren't making accusations of anything like thirty percent. I just don't believe those figures.

BECKER: I just heard that Indonesia was a particularly difficult case. The Bank was heavily involved there, of course.

WILLIAMSON: Yes. Well, it also is a case which became much more public in the course after the '97 crisis.

BECKER: Right.

WILLIAMSON: Certainly people like me didn't realize how much corruption there was in Indonesia. We were dazzled by the macroeconomic figures and didn't ask much about the micros. I guess we should have done. So in that sense it became much more public. But I doubt if Indonesia was that much out of line.

There's the famous story, you know, of the Filipino minister, I think it was, who was showing around an African. "That road there? See that road? Ten percent. Ten percent." And a little later he's on a return visit to this African country and the chap says, "Look at that superhighway." The Filipino says, "I don't see one." He said, "One hundred percent." [Laughter]

BECKER: One hundred percent. How would you think the Bank should improve itself? We talked a little bit about that yesterday, the Bank's continuing relevance.

WILLIAMSON: Right.

BECKER: But if you were selected for a committee to make recommendations about how the Bank should improve itself, and I know the Bank during the Wolfensohn years was constantly reorganizing itself and rethinking this. But if it were up to you, what would you suggest to the Bank to improve itself?

WILLIAMSON: I'm a big fan of this idea that I was talking about just a minute ago, of distinguishing between the clients and saying once you've reached certain basic standards, then we give you the money to spend, we support your development program and don't get involved in the micro, you know, we give advice if we're asked. Well, we give advice even if we're not asked. Right?

BECKER: Right.

WILLIAMSON: It's there for you to take or leave. But the conditions are really just that you will continue to satisfy these basic criteria. And in some countries, therefore, you reduce the Bank's role and the transactions costs of taking loans. And I guess I'd like to see a tilting in the interest rate structure. Start with low interest rates where a country is qualified but has low income, but then have the interest rates gradually rising as per capita income rises so that countries graduate on the basis of self-interest. They reach a point at which they can borrow more cheaply from the capital markets than from the Bank, and they graduate themselves. You don't have a big fuss about whether a country is being forced to graduate and whatever, but it simply does it naturally. That would be the biggest change.

I do support maintaining IDA and the Bank's role in dispensing IDA money, and I think the Bank is relatively good at that. It's important for the poorer countries and that's what the real historical importance of the Bank is. But there should be an objective of going out of business one hundred years after the Bank's foundation. That would have been a good answer to the "Fifty years is enough" campaign: to say, "No, we need another fifty years."

BECKER: Right. In particular, I guess, and this is really important in dealing with Africa which, in fact, I guess, is what the new President of the Bank is very interested in.

WILLIAMSON: I think Wolfensohn already put the writing on the wall, but [Paul] Wolfowitz has certainly emphasized that.

BECKER: Right. Right. I guess at the moment the proposals that the Bush administration had made about turning the Bank totally into a grant oriented institution which, since it wasn't going to earn any money would eventually go out of business, but I think that's probably not on the table anymore.

WILLIAMSON: Well, I think it's more IDA than the Bank itself. It was to have IDA disbursing nothing but grants. In the lowest tier of countries, the countries where you know that even if they do well over the next 30 years, they will still have to have all the money recycled in order to enable them to pay the interest, it makes no sense to give anything but grants. So for the lowest tier of countries one ought to have entirely grants.

Then have traditional IDA loans for countries that are somewhat better off, and then go to the Bank terms above a certain per capita income. That should be entirely on the basis of per capita income because at the moment there are some pretty wild discrepancies. There are a few small island states which are IDA-only even though they have per capita incomes of well over one thousand dollars.

BECKER: Are still--

WILLIAMSON: They still are IDA-only. Of course, being a small island state may have its disadvantages like being at risk of going out of existence.

BECKER: Being inundated. Is Seychelles one of these places?

WILLIAMSON: I don't think it's the Seychelles--the Maldives.

BECKER: Maldives.

WILLIAMSON: The Maldives are in that position, one of those countries.

BECKER: Again using Google I found a very interesting report of a talk of yours. Now this is in 2005 in March and it's in China.

WILLIAMSON: Yes.

BECKER: There was a paper you gave there on international policy coordination. You rightly said this might not be the moment to be talking about this in view of current alignment of forces in the world.

You really didn't mention the Bank in there. I think you probably had more--you were more focused on--

WILLIAMSON: Well, it was a more macroeconomic discussion I was asked for.

BECKER: Talking about the Fund.

WILLIAMSON: I do think there should be a division of labor between the Bank and the Fund. The Fund ought to be concerned mainly with surveillance and coordinating macro policies. I don't think it's going to have a big role in bailing out emerging markets in the next decade like it's had in the last decade.

BECKER: But you were talking in there about rebalancing demand, really. And obviously after Bush's speech last night it's quite clear the United States is not going to do what it needs to do on that.

But you talked a bit about policies, though in Asia in particular about stimulating demand. Do you see the Bank having any role in that? You were talking about, in some ways, the overemphasis on export-led growth.

WILLIAMSON: Yes.

BECKER: Is that something that could be put on the Bank's agenda? And if so, how could the Bank do that?

WILLIAMSON: In terms of the sort of advice that the Bank gives, its role in the policy dialogue, sure. I would guess the Bank is pretty conscious of those things already. I don't remember discussing this with David Dollar, but he's pretty savvy.

BECKER: My only thought was that it's a hard sell because the publics there, especially in Japan, the Bank--it would be difficult to convince the Japanese to do anything. I think the Bank probably has very little leverage.

WILLIAMSON: No, no, the Bank is not involved in Japan.

BECKER: Japan is involved as--

WILLIAMSON: It financed the Shinkasen, but that was in the '60s.

BECKER: Yeah, right. [Laughter.] But I mean Japan is important--having an important role in the Bank now as a contributor rather than as a borrower.

WILLIAMSON: Sure.

BECKER: I was just taken by your idea. I thought it was a very good idea, and I just wondered, looking at it from the Bank's perspective, what can the Bank do.

WILLIAMSON: Well, certainly the big need as I see it in China is a social security system. You know you have five to ten percent at most of people employed by state enterprises who still have a social security system, and otherwise there's very little. And so I think the Bank ought to make its good offices available if they want to design such a system. Yeah, I think that's something the Bank could and probably would be only too happy to get involved in.

BECKER: As I understand it looking at China, everything that was--all kinds of social services were tied to your work place.

WILLIAMSON: Right.

BECKER: Child care and medicine and all kinds of other things, and now that the people have been cut adrift, that really is a serious problem.

Is there anything you would like to add for the record about the Bank, your experience there?

WILLIAMSON: No, I don't think--I think you've covered most of the main points, sure. Unless you want to discuss what the trends were in the South Asia region at that time.

BECKER: That you were there?

WILLIAMSON: Yeah.

BECKER: Sure.

WILLIAMSON: I mean, I thought the big initiative in India was lending to the states and that I thought was a good idea. They tried to then replicate the same thing in Pakistan where it didn't work as well, because there are only four provinces and Lahore is so enormous. If you're lending to Lahore, that's two-thirds of the country.

BECKER: Yes. Right.

WILLIAMSON: It doesn't give the same opportunity for competition between the states. But I thought the Indian government was extremely skillful in using the Bank. For a long time the Indian attitude was the Bank dealt with it and not with the states. Then it realized that it had to get the states to reform, but instead of putting all the onus of that on the central government, they used the Bank as their instrument and so the Bank would lend to states that were reforming. The big program was in Andhra Pradesh. We tried to do the same thing in Uttar Pradesh when they showed some signs of wanting to reform. I'm not sure that anything came of that in the end, but the idea was to use the Bank as a lever to try and get the states to modernize. There is a big chunk of Northeast India which has been falling badly behind: U.P., Madhya Pradesh, Orissa, West Bengal and Bihar. And then momentarily there was the hope that U.P. was coming on board, but I think in the end that that didn't really go anywhere.

BECKER: Now, this lending had to go through the central government because of the sovereign--

WILLIAMSON: And then was on-lent to the states, yes.

BECKER: I think maybe it's Burki who has made the argument that the Bank needs to do that more in other parts of the world.

WILLIAMSON: Yes. He tried to push that in Brazil.

BECKER: One of the issues of the sovereign loan, it strikes me that something could be gotten around if the central government were willing to do that.

WILLIAMSON: Right. It depends on the central government being willing to. And in Brazil there may be a problem because, after all, the Brazilian crisis of 1999 was originated in the State of Minas Gerais when they refused to pay their debts. That was before there was the fiscal law which enabled the central government to take the money.

BECKER: Just takes.

WILLIAMSON: It was before that, so it precipitated the crisis.

BECKER: Well, it just struck me that it's a very good idea, and I think they even suggested some municipalities would be able to borrow from the Bank.

WILLIAMSON: The I.D.B. [Inter-American Development Bank] does that, lends to municipalities.

BECKER: Thank you very much. I think this has been very valuable. In due course you'll receive the—

[End of interview]

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