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Transcript of interview with

NICHOLAS H. STERN

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Interview by: William Becker

NICHOLAS H. STERN**Session 1****April 5, 2005****London, England****[Begin Tape 1, Side A]**

BECKER: Good morning--good afternoon. Today is April 5th, 2005, and I'm William Becker with the [World] Bank's Oral History Program, and I'm here to interview--

STERN: I'm Nick [Nicholas] Stern. I'm currently Head of the Government Economic Service in the UK [United Kingdom], former Chief Economist and Senior Vice President at the World Bank from July 2000 to October 2003.

BECKER: Very good. It's nice to meet you. May I begin with some of the fairly obvious questions of these interviews, and that is when and where were you born?

STERN: I was born in London, the 22nd of April 1946. So I am a real Londoner.

BECKER: Real Londoner, okay. What influenced you to study mathematics at Cambridge University?

STERN: Well, I was fascinated with mathematics itself and reasonably good at it. But I think from the early days in Cambridge I knew that I didn't want to be a mathematician by trade, and I wanted to apply those kinds of analytical skills that you get from mathematics to problems facing the world. And I've been traveling pretty extensively since my mid teens. And, for example, prior to going to university I spent a fair bit of time traveling around the United States, but also in Mexico. And during my university life I traveled through the old Soviet Union into Iran and back through Turkey. I drove with my younger brother.

BECKER: Richard?

STERN: No. Richard's my older brother.

BECKER: Oh, I'm sorry, okay.

STERN: I drove with my younger brother. I went to see Richard right after graduating in mathematics, who was working--my older brother, who was working in Ethiopia for the, for the UN [United Nations]. I worked on a kibbutz in Israel for a while. So between Mexico, Ethiopia, and Iran I saw a fair bit of developing countries in the period when I was studying mathematics. And I had been very active in politics as a teenager in the UK, UK politics.

So a combination of political activism as a student and indeed as a school boy, and the direct exposure to some of the problems of developing countries. By the time I was halfway through my mathematics career in university, Cambridge, I was pretty clear that I wanted to do economics, that I wanted to try to change the world. I think I was already aware that the world was quite an intractable place, but I did know that I wanted to try to make a difference.

BECKER: Okay. And so you selected to--you selected Oxford to do a doctorate--

STERN: Yeah. I did a fourth year. Normally British undergraduate degrees are three years, and my mathematics degree was indeed three years, but I did a fourth year, as it were, converting to economics at Cambridge, and then I did my doctorate at Oxford.

BECKER: Did you select Oxford because there were some development economists there that particularly interested you or that you knew about?

STERN: I went to Oxford largely because my supervisor, who was then in his early 30s, a chap called James Mirrlees got a chair at Oxford, and I was already working with him and he asked me to come with him, and I jumped at the chance. And about 20 years later he got the Nobel Prize for the kind of work he was doing at that time. I knew I was working with somebody good. History revealed just how good somebody I was working with turned out to be. So it was really Jim Mirrlees who took me to Oxford.

But when I did get there I started to work quite closely with a number of very distinguished people in the development area, particularly Ian Little, who with Jim Mirrlees, wrote a tremendously powerful book on cost benefit analysis and planning. It's called Project Appraisal and Planning for Developing Countries. That was a very influential book and I started working with Ian on some of the applications. So before I finished my Ph.D., and indeed it turned out to be part of my Ph.D., I went off to Kenya to look at smallholder tea plots. So it was the hills of Kenya which was my first strong exposure to analytics of development as opposed to some of the traveling I had been doing before, which was more sort of observation.

BECKER: I see. Now, what was your doctoral thesis?

STERN: It was on growth and location. It was actually quite mathematical about the theory of optimal growth as applied to investment in developing countries, and theories of location, i.e., where the economic activity should take place.

But I was already getting involved in the applied story and I did have a chapter on tea in the thesis.

BECKER: When you became an academic which--did you become an academic once you got your degree or--

STERN: I actually got my first teaching job before I got my doctorate. A few months before my doctorate--I finished the doctorate while I was already teaching at Oxford University and at St. Catherine's College at Oxford University.

BECKER: Did you teach development economics?

STERN: Yeah. I taught about mathematical economics and development.

BECKER: And then you left Oxford to take a position?

STERN: University of Warwick. That was--I started teaching at Oxford in '69 and '70, and then I got a chair in Warwick and I started there in '78. And then I moved from Warwick to the LSE [London School of Economics] in '86. LSE is probably my intellectual home and where I guess I'll eventually end up if they still want me.

BECKER: Now, while you were an academic, you began to spend time in--is it Palanpur?

STERN: Yeah. The tea in Kenya was '69, and then I went to India in 1974 to work on agricultural change and the way in which economic development and agricultural change interact and how markets in rural communities work, and in particular how rural people, agriculturalists and others, take their economic decisions. Particular focus then on wheat, because that was the heady days of the Green Revolution in India, and lots of discussion about the way in which adoption of new technologies took place, what their effects were, how they influenced and were influenced by markets. So that was a particular focus of the story.

BECKER: How did that come about?

STERN: I'd always had the British romantic attraction to India. It's in all our books in history, stories and so on. But also, if you think back to the '60s, we all saw India as a great challenge at that time. There were hundreds of millions of people, a lot of pessimism, and you had to ask yourself how India would change. And then suddenly you got the Green Revolution story, it looks as if something is happening in agriculture, it's very important to understand what that was. So India was important to the Brits for historical reasons.

But it was also the huge development challenge that many of us saw. And, of course, there's the language issue. It's easier to work in a country where at least English is used some of the time in some of the places. So it was a combination of those things. The particular precipitation was some very good Indian friends, T.N. Srinivasan from Yale, where he--he's at Yale now but he was then at the Indian Statistical Institute in Delhi and T.N. arranged the practical details. Manmohan Singh and Amartya Sen were friends from that time too. So good Indian friends who were encouraging me as well, and T.N. Srinivasan, who facilitated the actual story. I met T.N. when I was on leave at MIT [Massachusetts Institute of Technology] in 1972.

BECKER: I see. And so you spent--somewhere I read the growing season--

STERN: The growing seasons in North India are called Rabi and Kharif. Rabi is the--R-a-b-i-- is the winter season, which goes roughly speaking from October to April. And Kharif is slightly shorter, summer season. So we were there from around October to April for most of the time, which is right through the Rabi season. But then we—I've been going back to Palanpur as often as I can for much of the period after '74, at least up to the mid '90s, it was every year.

BECKER: Okay. Now, how has that experience influenced your thinking about poverty and development?

STERN: Those two experiences, I think, in Kenya in '69 and in India '74, '75 and going back to India constantly and Palanpur constantly, had a very profound influence. I saw in Kenya, for example, the way in which a public/private partnership could really work to make development happen. You had mostly women on smallholder plots embarking on a new crop, and doing it in a way which was vegetatively propagated, sort of newish techniques at that time, which they were learning. They were taking a big risk on part of their land on a crop which doesn't really start to pay off for at least five years, you had to wait for the bushes to grow. And so you needed the private entrepreneurship, willingness to invest, for the African farmers, and you needed technological innovation, with new product, tea and vegetative propagation. You needed the road to get the tea to the factories, and those roads were largely public sector roads, mostly tarmacs, because tea grows well when it's wet and high, and dirt roads don't work so well when it's wet and slopy. So you needed the roads. And you need the tea factories, and the tea--you can't make good tea in the factory--you can't make bad tea leaf into good tea in the pot, but you can certainly make good leaf into bad tea by lousy factory processing. So it was very important to have processing that was up to the quality of the surroundings and the tea that was being made, which was very high quality, and the land is good for tea. The climate's good for tea.

These were private sector factories doing most of the marketing. So you had a government organizing payment systems, credit and so on. A very intricate package actually of public and private partnerships, private being from the very small tea grower to the larger tea factory, and then you had infrastructures for the roads and you had extension services and credit, so the government was also key. So it was a very complex public/private partnership. We didn't use the language public/private partnership then. That was in the '60s.

BECKER: Yeah, right.

STERN: But it is as sophisticated a story as you get now, where we've been using this kind of language very much and it really works.

BECKER: Was the Bank or the UN involved in these programs?

STERN: The UK Commonwealth Development Corporation was involved, and I think the Bank/IFC [International Finance Corporation] was involved as well. So it was supported. This was about five or six years after independence, and when African governments were less

problematic than they became in the '70s and '80s. So this whole thing is, was, a wonderful example and very, very modern, actually, even though it was designed in the '60s really. And that created a profound impression on me, you know, what state and private sector could do when they work together, and the entrepreneurship of smallholders. Again, I saw the entrepreneurship--

BECKER: And women too.

STERN: Particularly of women in this case.

And then the entrepreneurship again of smallholders in India, you know, drilling their own wells, ten centimeter bore holes, which you sort of get together, somehow raise the capital for, and then use your own sweat to dig. And you get the entrepreneurship around somebody managing to buy a pumping set which you move around. You don't leave that outside, of course, but a diesel pumping set that you put on top of the hole. Prior to that they'd been investing a lot in Persian wheels, different kind of chain-bucket system with chains, the chain and bucket is driven around by ox.

So these people were investing, particularly in irrigation, in their own land, and they were giving these new varieties a try. And these were very, very poor people, as they have been in Kenya, and making really entrepreneurial investments changed their lives. I became convinced right from the start in my 20s working on development that entrepreneurship was everywhere. And a lot of the story of development was about facilitating entrepreneurship by poor people, and there were lots you could do to help it along and lots you could do to stultify it.

I then, much later, became Chief Economist of the EBRD [European Bank for Reconstruction and Development] in London and saw the way in which entrepreneurship could flower even in the sort of places of Eastern Europe and the former Soviet Union where it had been suppressed.

And then I lived and worked in China in the late 1980s and saw how the Chinese people were already responding in an entrepreneurial way. So that entrepreneurial spirit of ordinary people from India, from Africa, rural Africa, and rural India, to China and the former Soviet Union struck me right through my career, but the seeds were sown really for me--

BECKER: In Kenya.

STERN: --in Kenya and India.

BECKER: And the same--I was going to ask--the same or similar conclusions from your experience in India?

STERN: Oh, absolutely. I mean the Indian entrepreneurship from the guys switching over to high-yielding varieties of wheat and investing in their own land was really very striking. Now, it didn't always work terribly well. There was a fair amount of shambles involved, people didn't do

the full work, so they didn't follow the full advice, but they were making big investments for them. And they saw an opportunity, they looked around them, they were aware, and they're ready to take the risks.

BECKER: Did you begin to use these insights in your academic writing in, say, the later '70s and into the '80s?

STERN: Well, I wrote the book on the Kenyan story, which did go beyond the narrow cost-benefit remit--it was a small book, not with wide publication, but it was a book that did go beyond the narrow cost/benefit, and I started to try to ask, well, how do these things happen? What's involved in making them happen? Similarly in--I wrote a book with Christopher Bliss. We worked together on the Palanpur story, which came out in the early '80s about the whole Palanpur experience. So we tried to draw some of those lessons of the way in which people took decisions.

I think as time went by I came to lay greater stress on the entrepreneurial institutional story than I did at the time. But I think we did that we recognized it pretty clearly at the time. But probably writing the book again, I would give a less technical slant to it and a stronger institutional behavioral slant.

BECKER: You've mentioned the EBRD and I wanted to ask you, you made the transition in 1994 from academic life to the public sphere when you became the Chief Economist and Special Counsel to the President of the EBRD. That's correct?

STERN: Yes.

BECKER: How did that appointment come about?

STERN: There's a funny story. Depends how far back you want to go, but John Flemming was the first Chief Economist of the EBRD and a good friend. In academic life you know most of the people and the potential appointees in these kind of jobs. John decided in 1992, after he had been there quite a short time that he would take up the headship at Wadham College in Oxford, which he did do. He was living in Oxford, it was a natural thing for him to do. And he let me know that he was doing that and he said I was one of the names he was going to recommend to Jacques Attali, who was the then President, the first President of EBRD. I knew they were looking around for other people. In particular I knew they were thinking of Michael Bruno, and Michael was a friend for more than 20 years. I knew that Attali was talking to Bruno as well, and eventually Attali decided to offer it to Bruno. And that was fine.

But Bruno then, Michael Bruno, went on talking to Attali about the job, and before he took up the job he became more and more worried about what kind of job he had accepted. He was also being wooed by the World Bank at that time, and I had also been considered at that time for the World Bank. This was '92, '93, and Michael eventually pulled out and said, "Look, you know, I can't trust the promises that are being made to me about the nature of this job." But, "I would

prefer to be here rather than in Washington," because his family was going to stay in Israel. He eventually decided to pull out of that. And not long after he was offered the job, which he accepted, of Chief Economist at the World Bank.

And I stayed very close to Michael. We were good friends whilst all this lot was going on. And Attali, after Michael told him he didn't want to come after all, so he sort of resigned before taking on the job, Attali called me and said, "Would you like the job?" All that time he was still talking to Michael, trying to persuade him to change his mind, so there was a fair bit of deviousness that went on. But I was talking to Michael all the way through this.

BECKER: So you knew what was happening.

STERN: We were good friends, and we stayed good friends right until Michael died. But for me it was a quite small risk. I mean, LSE is four subway stops from EBRD, and I got leave from LSE. So I wasn't taking a big risk. But then Attali finally appointed me in June of '93, and about a week later he was forced out of office. Happily, there was no connection between my appointment and him being forced out of office.

So I ended up--and it was a great privilege for me to spend more than four years working with Jacques de Larosiere because he was brought in. And he was an absolute dream to work for and we've stayed good friends, kind of uncle figure for me. And there was a small group of us, perhaps four, four or five people under his leadership who turned round the EBRD. So it was quite an experience for me.

I was thrown into an institution in turmoil and I was asked by Jacques de Larosiere actually before formally I took up the job, to work on a strategy for the EBRD. And this idea just took two or three months with a small group team, four or five people, and we put together--we talked a lot to the board, stakeholders, the clients, and we put together a strategy for the EBRD which was essentially implemented by the Bank and Jacques de Larosiere. It was a very simple strategy saying, you know, go further east, invest more in equity, do more private sector and focus more on financial institutions.

And I became convinced then that the strategy for these international institutions was of great importance, and that if you could keep it simple, then people would know what it was, and people knew what we had said. They knew we were saying go further east, less concentration in Central Europe, do more in the private sector, do more in finance and more equity. And they--most people in the Bank knew those things and they knew that these were the ideas. They rather liked the ideas. And it happened.

BECKER: When you developed this strategy with this team, how did you go about that? I mean did you--

STERN: Well, we talked a lot to the shareholders.

BECKER: I was going to ask you, yeah, okay.

STERN: Talked a lot to the shareholders for the Board. We talked to clients in many--you know, both governments and private sector clients. We talked to staff. You know, staff at that time, they were people who had been drawn into a new venture and it was still a young bank, it was only two or three years old. And they had been there long enough to think through the problems but not so long that they were jaundiced or set in their ways. So the staff there were very helpful, productive, on all this as well.

BECKER: As an academic I'm always interested in how institutions develop their ideas. I mean academics develop their ideas in a particular way, and in an institution, it always seems to me, it's a team or a group effort.

What was the magnitude of the--or what's the size of the EBRD's budget, let's say, compared to the World Bank's budget in this period of time when you were there?

STERN: The EBRD was lending at that time something around one-and-a-half, two billion euros a year. It had around 1,000 people. And it had an administrative budget of--it was around 100,000 per person, so an administrative budget of the order of, if I remember correctly, 1,000 people times about 100,000 pounds, which would be on the order of 100 million pounds a year, very roughly speaking. So 100 or a 100-and-some million pounds a year budget, and a euro portfolio of around one-and-a-half to a billion per annum, the flow. For some reason we did administrative expenses in pounds and flows in euros.

I think it's still about 1,000 people, but I think their flow is up to three billion or more now, euros.

BECKER: Did you have much administrative responsibility in the job?

STERN: I didn't have a huge staff. I had a very good team, very high-quality team of 16 or 17 people, economists, which I built up, which is a fraction of 1,000 people. It was not tiny, given that it's very much a business, private sector-oriented bank, but they are very good, and right from the beginning we were very clear that we wanted to be part of the decision making story, that we wanted to bring our analytical skills to help form a strategy and to ask the question whether the Bank's projects were really promoting the transition, because the Bank's projects were put together largely by deal makers. It's an investment bank, and they were good. But they were after a deal and constructing the deal, and it was our job to try to get a portfolio of deals and structure the individual deals in a way that made an impact on the transition, because the purpose of the EBRD was to promote the transition from a command to a market economy.

So that was fascinating to work with people who were essentially business people and to try to shape the portfolio activities and the individual activities so that they had what we called transition impact. Now, from the World Bank it would be development. So we created that really. We created the analytical structures and the atmosphere so that the bankers after a bit

started to internalize what we were saying, and they would argue that their projects were very good for the transition, and they did it in an increasingly sophisticated way, building on the kinds of approaches that we put together.

BECKER: Now, was EBRD, what part of its business was focused on the former Soviet Union and what on Central Europe?

STERN: It had 26 countries' operations then, I think, but they were essentially, as you said, the Central European story, and then the former Soviet Union. I think it was roughly 50/50 if I remember.

BECKER: Now your experience--

STERN: This in terms of number of countries.

BECKER: Countries, right.

STERN: Of course population was dominated by Russia.

BECKER: How did your experience at the European bank, how did that influence your thinking about development and poverty?

STERN: It really focused me on something which I hadn't articulated before and that was the investment climate. We developed at that time through, for example, the transition reports, which we did a transition report each year on the progress of the transition. So we actually had measures for how far the transition was going in terms of private sector initiative, in terms of the quality of corporate governance, in terms of economic policy, and so on.

I think we were probably the first in the field in measuring the investment climate and the process of transitioning, because that was our mandate. It became an industry later on with governance and investment climate surveys and so on, but we were trying to sort of feel our way there.

So I became convinced of the importance of the investment climate and the possibility of articulating it in an analytical way at the EBRD. So I brought some of those insights, I hope, to the World Bank, where as you may know, I was very strong on investment climate—

BECKER: Right, that's my next set of questions--

STERN: --in the World Bank. But I was six years there so I learned a lot about international institutions, I learned a lot about working with boards, I worked very closely with the board right from the moment I started on the strategy story, because that was very much a board orientation.

BECKER: And you obviously learned a lot about how investment bankers operate, too.

STERN: I did. I did. And there is a much stronger emphasis on the finance side of the story in the EBRD than there is at the World Bank. So I was very lucky to have that opportunity.

BECKER: Now, why did you decide in--

STERN: I learned about leadership from Jacques de Larosiere.

BECKER: And leadership, okay. What is his background, by the way? I'm sorry to say--

STERN: Jacques de Larosiere was head of the French Treasury, a classic ENARC (graduate of ENA) [Ecole nationale d'administration]. And then he went to be the head of the IMF, and you know, lived, for example, through the 1982 crisis as head of the IMF. Then he went to the Bank of France, was Governor of the Bank of France. And then from there he went to be head of EBRD, an incredible portfolio of public appointments.

BECKER: Now, speaking of public appointments, you decide to leave the Bank in 1999.

STERN: I thought I'd go back to academic life. So I took it when they made me an offer of a very nice chair at the LSE, called a school chair, like a university chair in the United States. And I also did some part-time consultancy, so actually a combination of things. I took the chair only half time, but I intended to become a proper academic again. But within a few months the offer at the World Bank came along. That's when Joe [Joseph E.] Stiglitz left.

BECKER: How did that come about? Did you know [James D.] Wolfensohn?

STERN: I knew Wolfensohn a bit.

BECKER: A bit.

STERN: Because as Chief Economist of the EBRD, one of my duties was to look after relationships between the regional banks and the World Bank, and we used to meet as development banks, every six months, so I was charged with some of the organization for that, so I got to know Wolfensohn during that time. But I knew him only slightly. We liked each other, but we didn't know each other particularly well, but I did know him.

I knew Joe Stiglitz very well. I met Joe in 1969 in Kenya, and we were close friends from '69, and still are. And when Joe decided to go, I was one of the names that obviously was being trawled, and I had been considered to be Chief Economist at the World Bank on a number of occasions before that.

BECKER: Right.

STERN: And there was one occasion in particular when it seemed quite likely I would be offered the job. This was when eventually Larry [Lawrence H.] Summers was offered the job. And if Michael Bruno hadn't gone to the World Bank and instead gone to EBRD, then I might have gone to World Bank.

BECKER: Might have gone either way, yeah.

STERN: So there were occasions in the past obviously, two quite serious occasions, where my name had been considered, so it wasn't a surprise to be considered, I mean, twice being considered before. And Joe Stiglitz and Amartya Sen were key characters along with Jeff [Jeffrey] Goldstein, who was on the committee.

BECKER: Goldstein?

STERN: Jeff Goldstein. Jeff Goldstein left the Bank about a year ago.

BECKER: Right, right.

STERN: And he's an investment banker.

BECKER: Okay. There's another Goldstein at the International Economic--

STERN: Is it Morris Goldstein?

BECKER: There is a Goldstein at--I thought it was Jeff, but anyway.

STERN: No. This Jeff Goldstein is an investment banker. He came in as Managing Director of the World Bank with Jim Wolfensohn.

So there's this little committee of three, two of whom I knew extremely well, Amartya Sen and Joe Stiglitz, and Jeff Goldstein I didn't know. So they asked me to come and talk to them, which I did do, and I was offered a job. So Joe was chair of that group and he--but it was the three of them together who recommended to Jim that he appoint me.

BECKER: We scheduled Stiglitz more than once to do these interviews, and he's a very difficult man to pin down.

STERN: I know. I'm sure you'll get there.

BECKER: I hope. The advantage, from my point of view, during these--I bone up on these by reading a lot of material about the people and a lot of what they've written. So I've read of what you've written, I've read a lot of what Stiglitz has written. Now I want to talk to Stiglitz a bit, but he goes missing all the time.

STERN: We were together in China two weeks ago. We gave a talk on China and the world economy together, double header. He's a very good friend.

BECKER: May I ask just one thing about Stiglitz and all of this? One of the jobs that prepares me is that I read all the newspapers, and there was a lot of speculation that Stiglitz was forced out. I mean did you get that sense, that he and Wolfensohn had some kind of a--not a falling out but Wolfensohn lost confidence in Stiglitz?

STERN: I think it was more complicated than that. Joe is very much his own person, and doesn't live with constraints, doesn't take the easy way, that's part of the charm, but also part of the problem. And Joe would say what he thought. And he'd say what he thought at that time and it—he'd articulated that. So, for example—I mean, he would comment on China's exchange rate in public, and, you know, that's the kind of thing you have to be very careful about as Chief Economist of the World Bank. He was increasingly unhappy with the severity of IMF programs, and he felt that they slashed back far more than was appropriate to the circumstances, and he felt that strongly in, say, Ethiopia. He felt that strongly about the East Asia crisis.

So partly he would just say what he thought about big matters of economic policy, the Chinese exchange rate. It causes--you can actually start messing up markets from that position. And partly he was unhappy and articulated it with the way in which the IMF was going. So there were those factors.

But I think Jim Wolfensohn--and you should talk to him about it directly--I think Jim also welcomed Joe's frankness and openness in the sense the Chief Economist can go a bit further than the President at the Bank, and they worked very closely together, I think, on the Comprehensive Development Framework.

So it was quite a complicated relationship, with Jim appreciating Joe's distinction and frankness, and whilst at the same time sometimes being brought into hot water through it.

BECKER: Right.

STERN: I think particular problems for Jim in Joe's time, especially towards the end, were relationships with the IMF and the US Treasury. And Joe did fall out very strongly with the IMF, and he did fall out with Larry Summers.

BECKER: Right.

STERN: And I think both those things were actually quite serious relationship problems for Jim. So, as I say, it's not quite as simple as loss of confidence. There were strands in these things, and I think Jim saw the positives and the difficulties, and it's difficult to know exactly the elements in who decided what, when.

Joe doesn't stay places forever. Joe--

BECKER: No, he moves around.

STERN: Joe moves around. You know, Joe himself may have felt this is time to--

BECKER: I guess he's at Columbia now, and--when we first started talking to him, I think we were talking to him at--he went back to Stanford, and--

STERN: Again, Joe had been in that job I think about four years, which is quite a long time for Joe.

BECKER: Kind of long for him, yes.

STERN: So I think it--I would be very careful about being too simple.

And there was one final factor which affected me directly about Joe, was the World Development Report 2000.

BECKER: I have quite a few questions about that.

STERN: So that was allegedly a bone of contention, particularly with Larry Summers, I think exaggeratedly, actually.

BECKER: Again, I've looked over the press, and it does seem to be that the treatment is a bit hot, and--

STERN: Larry said--and I believe him--that he had never read it, that he's never read the draft which he was reported to be infuriated by. There was a draft in January of 2000, which actually as it happens I commented on at the meetings of the American Economic Association in January of 2005 as an academic. I had gone back to LSE, I'd left EBRD, so I was a natural person to ask to comment, because I had been working for international institutions, I was now back at the LSE. And it became more and more contentious, and then Ravi Kanbur quit.

BECKER: Quit, right. And that became a very big--

STERN: And that became a big issue. So when I arrived--he quite just before--I think he quit--

BECKER: Three weeks before you arrived--

STERN: He quit after I had been appointed, just before I--

BECKER: You arrived on July 1st --

STERN: Yeah, but I was coming three or four days a week from March, so as soon as I was appointed –not three or four days a week, three or four days a month. After, I think, March, April, May, June, I was there three or four days a month, just starting to get going, so I did start to get involved, and Ravi's position, you know, was uncomfortable. He looked very unhappy. I mean, he looked physically down, and eventually he quit.

Now, Amartya Sen and I, Mike [Michael] Walton tried very hard to get him to change his mind. We even had a session in Trinity College, Cambridge, where Amartya Sen was the Master, to try to get Ravi to change his mind, and, well, we didn't succeed.

So my first task, even before I was formally appointed, was to--

BECKER: Was to deal with the--

STERN: Try to rescue it, yes. I think it was quite a good report, as it turned out.

BECKER: Actually, I felt so too, but--I have a lot to ask you about the report. Let me just back up for one second or two here.

STERN: But much of that was before I joined.

BECKER: Yes, right.

STERN: In those four months when I was appointed and was coming three or four days a month.

BECKER: Right, right. And the work had already been done.

STERN: It was like three or four days.

BECKER: Days, right, a month.

When Jim Wolfensohn offered you the job, did he lay out goals for you as the Chief Economist?

STERN: No.

BECKER: Obviously you knew what the job entailed.

STERN: I knew quite a lot about the job because when you work in development you know a lot about the Bank, and of course I'd been interacting with the Bank for six years as Chief Economist at the EBRD, so I knew quite a lot about the Bank, and I was very close to Joe, and had been very close to Michael Bruno and Stan [Stanley] Fischer, a good friend of Larry Summers actually right through. I didn't know Anne Krueger so well. I knew her, of course, but

each of the previous Chief Economists had been a good friend, not just a friend, each of them, Stan, Larry, Michael and Joe, so I used to talk to them quite a bit anyway.

BECKER: Now, coming into an institution where you really know a lot about the institution and you know the people who had the job before. What kind of an agenda did you set for yourself?

STERN: I wanted to get growth very clearly, growth and trade very clearly back on the agenda. And I wanted to--it seemed to me extraordinary that they had slipped away from the center of the agenda, but I think they probably had. That was, for example, embodied in the WDR [World Development Report] of 2000 on poverty, and one of the things that I did which didn't change the content but I think it was important symbolically and in terms of a sense of direction, if you remember, was to reverse the order of sections of that report. And the report had been written as empowerment, opportunity, security as the key topics, in that order, and I just reversed the order and made it opportunity, empowerment and security. Some people thought that this was somehow devaluing the report or taking away its main thrust. I didn't think so because the concepts were all there and all strong.

But it made quite a difference to the way in which Larry Summers, for example--it made quite a difference to the way in which people saw, including Larry--I don't want to make it especially about Larry. It was more than Larry. It made a difference in the way in which some people saw the story, and putting opportunity first fitted with the kind of entrepreneurial experience that I had right back to '69 in Kenya, so I was going back more than 20 years in terms of my own experience. So I think that made quite a big difference to the report in the acceptability and the understanding of the report without losing the empowerment story, which I think is hugely important.

The problem was that by putting empowerment first, people thought you were abandoning the growth story, whereas if you bring empowerment to the growth story it's much easier to bring people with you. So in terms of exposition and persuasion it's much easier to do it that way around. So that was kind of parentheses in my answer to the question about what my agenda was, because in a sense I was already manifesting it even before I had come on board with the way in which we re-jigged the WDR.

So I wanted to get growth and trade very strongly on the agenda, and I think many people felt, probably with some justification, although not total, that in the enthusiasm and emphasis for poverty reduction, which I share totally as an objective, the growth story has been marginalized which obviously is a mistake, and I think people exaggerated to the extent to which that happened, but I think there was an extent to which it happened and I wanted to turn that around.

So growth and trade. And within that story I wanted to make the institutional environment for entrepreneurial activity a key part of the growth story, which is still relatively new to economists. It was very institutional, behavioral, and some of them thought it woolly. So I wanted to show that you can be actually as rigorous and clear in this area as you were in other areas.

BECKER: There was around the same time that you came in I think--wasn't there a change at the International Finance Corporation? Is that when Peter--

STERN: Peter Woicke, he was already there.

BECKER: He was already there, okay.

STERN: But he was newish, he was newish, but he was already there.

BECKER: Did you work with him because--

STERN: Yes, yes.

BECKER: There was some kind of a bank-wide group, was there, or to work on private sector or--

STERN: Well, the--I mean the IFC was--obviously invests in the private sector and the Bank invests in the public sector. But this notion of the public sector creating the environment for private sector investment clearly bridges those areas. So I did actually change perspectives in a way that Peter was very supportive to, and so we got on well from that point of view.

There were other things that came more strongly onto the agenda and that's the empowerment story. I was always sympathetic to it, but I became more enthusiastic about it as time went by. My book on development has just been published by MIT Press, so it's coming out in about two weeks time. I've already got a hard copy. It's called Growth and Empowerment. And I wrote, started writing that in 2002. I was awarded a prize by Munich University, which is a quite prestigious thing when you go and give three lectures, and then they turn those lectures into a book published by MIT Press--not they do--you do. So it took quite a long time to turn those lectures into the book, but it's just been published. I finished it actually and finally delivered it to the press just over a year ago, so it was finally done after I left, but basically the work was done before I left.

I collaborated with two guys who were in my unit, Jean-Jacques Dethier and F. Halsey Rogers.

BECKER: Let me ask another question about the position itself. This is a very large administrative position, isn't it? I mean, how many people are in the Chief Economist's Office?

STERN: 250, 300, something like that.

BECKER: Was that an issue for you? I mean, you managed a staff of 17 you said and--

STERN: Yes. I was on the Executive Committee of the EBRD, running the whole thing. So I was used to taking decisions affecting in the whole Bank.

BECKER: What I was getting at is that--

STERN: Plus a Governor of the LSE. I ran LSE's biggest research center. I've been managing groups pretty much my whole life really.

BECKER: Again, as an academic and someone who's done some administration, and concluded I would rather study it than do it, the question is how much time--obviously the job is important intellectually, but what I'm trying to get to, more or less for the record, is how much time did you have to spend on administrative matters as part of the routine working of the office?

STERN: Quite a lot. I don't know if I can really give you a time budget, but my guess is that it may have been a third of my time. But what I really saw as my main task was to bring the economic analysis to the center of Bank decision making so that people would look to what the research group could provide, and see us as part of the whole strategy in the decision making process of the Bank. That's what I had been used to at EBRD, and I saw that as something special that intellectually-oriented social scientists could offer to the World Bank.

Because, you know, I could have stayed if I wanted to just write books I'd have stayed at LSE, and what we're trying to do is to shape policy and action in a very important development institution. Now partly you do that by writing your books in a way, and your articles, within the institution that focused on what the institution was doing, you give ideas. But partly you do that by getting directly involved in the formulation of strategy and in the decision making on country strategies and projects and programs, and that's what I saw as a big priority and which probably Joe had not seen as a big priority.

BECKER: That was one of the reasons I asked this, if you draw some kind of a contrast, I guess, going back to Anne Krueger. She became very much involved, as I understand it--I never interviewed her--both within the Bank and outside of the Bank in promoting the ideas that she was trying to develop within the Bank. And my sense of people who looked at this is that Stiglitz did not, although Stiglitz was a high-powered intellectual, that he wasn't making his cases totally within the Bank and perhaps outside the Bank.

STERN: Joe had a pretty high profile outside.

BECKER: Yes.

STERN: He traveled a lot, and he was always giving talks on the road, interviews on the road. I think Joe didn't devote so much time to making things happen within the Bank, and I had had six years of experience doing that at the EBRD, so it just came rather naturally to me as an obvious, the crucial part of my remit or what I should define as my own remit.

BECKER: Okay, good.

STERN: I wrote a job description for Jim a few months after getting there. I'm not sure how much he focused on it, but it essentially described what I was doing.

BECKER: And he approved, so--

STERN: Yeah, he was fine.

BECKER: You got to the Bank in the midst of a series of crises, with Kanbur quitting, and I want to just mention very briefly this row that developed over your appointment with the Staff Association.

STERN: Yeah. It was quite a row.

BECKER: What happened there, and more importantly, what was your reaction to it? It must have been, obviously, quite a surprise.

STERN: Well, I knew all about the issue because my ability to be a consultant to the Bank was very heavily circumscribed by the consanguinity rules that they had. Long ago, in the '70s, I did some consultancy at the Bank and that could only be sanctioned by some special internal mechanism, which would scrutinize and clear, show that there was no connection.

But later, in the '80s, people became still more sensitive and there wasn't even any mechanism for scrutinizing and clearing.

BECKER: It wasn't done.

STERN: So I knew all about the story, that I was selected by a committee of people for whom I had great respect, the best, Stiglitz and Sen, the best academics in development in the business. And Jeff Goldstein was there, you know, from the administration side, so the process that selected me was entirely comprehensible, but I had been considered very seriously in the past also, so I assumed that it was possible. I was not an expert on the constitution of the Bank, and it was indeed possible, because Jim got—as I had found out later--Jim got the advice from his general counsel that this is a rule that he can override in the best interest of the Bank.

And he was advised by a committee of experts that he had set up that I was the best candidate, and he therefore decided to overrule it. I know that the three people on the committee individually, each of them, thought it would be absurd to exclude me on what looked like an arbitrary happenstance, the happenstance being my brother happened to be there. They had that view as individuals that the formal position was very clear, that Jim was allowed to override the rule, and told the Board that that's what he was doing.

So the whole thing was very transparent, transparent in the process of selection, which I knew something about because of the interview. And it was transparent, as I learned--though I wasn't

there--in terms of the advice that Jim got and what he told the board. So I felt perfectly comfortable with the selection process.

BECKER: Now, the row--oh, I'm sorry.

STERN: Then of course the Staff Association, who had difficulties of a number of kinds with Jim with various reforms that were taking place including in pensions and so on, they chose to make that an issue of principle with Jim. And it was very difficult for my brother Richard and myself. We are very close, I mean, and brothers should be. So there was never a problem between us because we knew and trusted each other and we knew that we had been brought up with high ethical standards which we believed we'd acquired and practiced in our own lives. So we didn't actually have any problems with the decision or how it came about. We had no reason to be embarrassed in any way.

So we decided--we talked a lot about it, obviously, on the phone and in person. Our view was that there was only one thing we could do, which was just ride it through, because we had no conception of having done anything that was--Richard had done nothing, and all I had done was be interviewed. So what could we possibly have done to have been reprehensible in any way. Quite the opposite. So we decided that there was nothing we could do, that we'd just ride it out, which is what we did do. It wasn't pleasant.

BECKER: Yeah. I would imagine it wasn't pleasant. One question that I have--

STERN: And Jim, to his credit, toughed it out. I was very grateful to him for doing that. But he didn't know--he knew he had a bit of a problem. He didn't know, I'm sure, about the extent the problem turned out to be.

But it went away. It wasn't terribly long. And by the time I got there, this appointment was March I think or February, February the appointment was announced. By the time I got there in July I didn't feel anything personally.

BECKER: That was really what I was also getting at, is did--was there any legacy of this or lingering--

STERN: Really not.

BECKER: --that complicated your job. That's basically what I was getting at.

STERN: Not at all. By the time I had arrived, I in large measure had saved the WDR. People knew about me. Most people knew about me anyway. I mean, I was somebody of some substance. And I had great support in my own department.

BECKER: That was one of the other questions I--

STERN: Actually, by the time I got there in July, it wasn't an issue, at least not for me personally, so I felt very comfortable. It was just two difficult months of barrages of criticism of Jim, there was never any criticism of me.

BECKER: Right. I've read through all of this and it focused--the newsletters that I read of the Bank's newsletter always seemed to be focused on the issue and I never found anything that questioned your qualifications or anything, just the issue of roles.

STERN: And nobody rang me up and said, you know, "You bastard. You shouldn't be here." Nobody, nobody.

And my first week I went and joined the Staff Association. It was quite funny actually. It was in the first week and I just wandered in on my own, with no assistance, I just went in. And I said I had just arrived at the Bank and I want to join the Staff Association. And I asked to speak to the Chair, I hadn't made an appointment--I just wandered in--and actually she was quite a nice lady. What was her name?

BECKER: George.

STERN: Morallina George. By that time, of course, I was well aware of what her name was. So I said, "If I could just say hello to Morallina George." So they said, "Well, what's your name?" So I said, "It's Nick Stern." "Just one moment." And scurried off, and Morallina said, "Welcome to the Staff Association and thank you for joining," and I got my--here's my gym bag. See that blue bag?

BECKER: That's your Staff Association bag.

STERN: Yeah, I got that and in my first week--so it was fine. By the time I got there, I really, really didn't feel any problem.

BECKER: My only--my interest really in this is not to rehash the story, but in everything I've read about it, no one ever said what effect it really had on you in the Bank. [Unclear] aside from the unpleasantness of being publicly part of a kind of a major campaign [unclear].

STERN: It was unpleasant before I got there. I can't say that I enjoyed it, quite obviously, because I didn't like it.

BECKER: Right.

STERN: But, as I said, in reflecting on what either Richard or I could do, the answer was absolutely nothing, so that's exactly what we did.

BECKER: We've interviewed your brother. I've interviewed your brother.

STERN: Well, you can see why we're so close. He's a great bloke.

BECKER: Yeah. He really is. I enjoyed the interviews enormously. Now, he left the Bank to--he's working with--

STERN: He left the Bank in around January after I got there, after about 6 months.

BECKER: One question I wanted to ask before moving on to developing strategies within the Bank. There had been an awful lot of criticism of the--more of the IMF I guess than the Bank--about the kind of data that was collected before the Asian financial crisis. I know that Stiglitz was interested in that. Was that still an issue when you took up the post?

STERN: Not that one. For me data have always been a big issue, and the quality of information, and I collected primary data myself. As an historian you'll appreciate the implications of that. And I was very keen on primary data, and people knowing their data—and one thing I did, and you might want to talk to Shaida Baidee, who's head of the data side in the vice presidency I was running. She's very good. And I felt very much that one of the things the Bank could and should do was to invest more in data because comparative data is something where the Bank has a very strong comparative advantage, and it's also very difficult, very difficult.

And I thought that this was a big investment that the Bank should be making—sorry, the Bank should be making a bigger investment on that side. And this came from long experience of collecting primary data, working as a development economist myself. But it also came with a big emphasis on a number of shareholders, particularly the United States, on results. So it was a good moment for investing in data--

BECKER: Were you able to--

STERN: One of the things I did was to really boost the data budget. My first year I went to the research budget, and we really increased the research budget very strongly, which had been squeezed, and you know, really that was one of the things that Joe didn't concentrate on and it just got squeezed. So I really increased the research in the budget in the first year. That was a very important part of that story. But after that I was really focused on the data side, to increase the data story, investment in data, and we did do that.

BECKER: When you say--so it's not only data collection in your part of the Bank but just more broadly within the Bank? Could the Bank itself do a better job of that?

STERN: It was both. In my area it was really, you know, getting the basic data sets in place. But in the Bank as a whole, it was really trying to get people to put together data sets on programs and projects, which would allow explicit learning, which would allow you to measure the results from your own activities better. You have to get baseline data, obviously, to be able to do that. And you had to push people to show what their lessons were.

So my argument was that the Bank is small relative to the development issue, that, for example, the Bank was lending about \$15 billion a year, whereas investment in developing countries was about a hundred times that, one and a half trillion. It would--similar things would be true, you know, the Bank would be lending one or two billion for education, whereas education spending in developing countries would be more than a hundred times that.

I had a kind of one percent rule that most places you look, the Bank does around one percent. On average, more in Africa, a high percentage, less in India and China, relative to that.

BECKER: Right. Well, they generate their own capital.

STERN: Yeah. But the Bank was around one percent of the story. So we had to see ourselves as an ideas bank, not simply in terms of research ideas, but in terms of ideas about what works and what doesn't work. I was very much with Jim, and we'd been hatching this for a while, on the whole idea of scaling up. So the idea that it was our job to identify and demonstrate things that worked, and then try to get those scaled up. But we couldn't do scaling up ourselves. We couldn't build all the bridges or dams or wherever it is you're talking about.

But what we could do is to show what could work and then be convincing about that, understand why it worked, so that you could take those ideas forward. So evidence is very important there, not just in the project, but getting the evidence to show there's a lesson here which other people can apply.

BECKER: What about the Bank's--did you work with the people, the Bank's self-evaluation unit?

STERN: OED [Operations Evaluation Department]?

BECKER: Yeah.

STERN: Yes, a little bit. Greg Ingram, actually, I had a good personal relationship as a researcher over many, many years. I did talk to Greg quite a lot. But my feeling was that the Operations Evaluation Department was a different kind of animal, that they were essentially looking at accountability way after the event, and they were looking at lessons learned way after the event.

And what we needed more was learning on projects as you go, because, you know, you're going to have to translate lessons into ideas quickly in a year, two, three years before you can know the full results of the project. So you've got to get used to a different kind of learning. It's difficult, occasionally a bit more iffy, but the pace, the movement was such that you couldn't wait until the project was finished and then go on to an evaluation. We were about learning and not so much about accountability. Well, it's an important issue, but OED did that more.

BECKER: Right. Well, a major criticism of OED always is that it takes too long to come up with the conclusions that it comes up with.

STERN: Greg was always sympathetic to that.

BECKER: Are we okay with time?

STERN: I think we're probably not.

BECKER: I don't want to go over what's been scheduled.

[End Tape 1, Side A]

[End of Session]

NICHOLAS H. STERN**Session 2****April 16, 2005****Washington, D.C.****[Begin Tape 1, Side A]**

BECKER: Good morning. Today is April 16th, and I'm here with Nicholas Stern in Washington to continue the conversation that we began in London about 10 days ago.

It's good to see you again. Good morning.

STERN: Good morning.

BECKER: At the end of our last interview we were discussing how even before you officially took up your duties you took a strong hand in rearranging the presentation of the 2000 World Development Report [WDR]. To begin, how did you change the emphasis in the draft of what turned out to be a controversial report?

STERN: Actually, it turned out to be less controversial than we'd anticipated. But the production process was controversial. The production process had been very consultative, so very early drafts were put on the web. There were mountains of commentaries on them. So the writing team had put themselves under enormous pressure, sort of writing in a goldfish bowl, with everybody putting in their own ideas in a very detailed way on very early drafts, and on a scale where I think it was quite difficult for them to cope with.

It was also a report that was receiving a lot of pressure from different governments. It was getting lots of comments, thousands of them from NGOs [non-governmental organizations] and interested parties, but also commentaries from governments. And there was a concern, I think, particularly with the US government that the structure that it had which was essentially starting with the ideas of empowerment and then going on to opportunity and security, that that structure would turn the audience naturally, and indeed the argument naturally away from the importance of growth in combating poverty.

And I think the US felt that that would be a very poor outcome for the World Bank in the sense that it would divert attention to what it saw as a political concept of empowerment and away from economic growth, and it felt, I think, that the Bank had already gone too far in that direction, so there was a background.

I had--when I arrived in March, from March, April, May, June, I was due to be there four or five days a month--I can't remember exactly when it was that Ravi Kanbur resigned as the—

BECKER: I think it was in June.

STERN: --director, but I was becoming involved before he resigned, and my own view was that the basic trio of empowerment, opportunity and security was actually quite a good way to look at poverty, and a way which came through in poor people's assessment of their own poverty, came through very strongly. There was a good sort of, rather extensive survey, I think it was 60,000 people in 60 countries called "Voices of the Poor," edited by Deepa Narayan. And those ideas came through quite strongly when one tried to crystallize what one was hearing.

So the basic trio of ideas I thought was good, but I shared some of the reservations of those who felt that the World Bank had left growth too much on the sidelines. There was always a little nodding in that direction, if one argued that growth was important for poverty reduction. But then it was left--after nodding, it was left peripheral. So I thought there was actually quite an easy way through this one, which would retain the integrity of the trio of ideas, but would just readjust the emphasis, and that was to switch opportunity, empowerment. So I suggested, really insisted, that we should switch opportunity, empowerment and security, and that is exactly what we did do, and it worked, I think, in terms of a good report, quite well.

Now, the pressures on Ravi were quite difficult to analyze. He felt that he'd very deliberately gone out and tried to be consultative, that he felt he had got quite a lot of positive feedback on the way he was doing it, although obviously there was I think several thousand comments. I don't remember how many there were now. You know, you get very different strands. But he felt that basically there was some support out there, that he was being hailed as someone who was taking the Bank away from--correctly taking the Bank away from -- all this growth stuff.

So he felt quite exposed, given the way he'd opened it all up to consultation, and the pressures on him started to build up. He didn't look very well. He looked thin, with bags under his eyes, and his wife was, Maggie was very closely involved, not only in the welfare of Ravi, but also in the substance and the detail of the various arguments. So I think there was some pressure building up in that direction too. Again, all of this was understandable, and nothing there was wrong or improper in any way, but the pressures are building up on him. And at some point, this was back in June, he resigned.

We thought he might, because obviously it was going through his mind. And then at some time, must have been in June, Mike [Michael] Walton, who had been involved and had done WDRs before, was a great friend of all of us, is a great friend of all of us, and Amartya Sen and myself-- I think Tony Atkinson might have been there as well--we all met up in Trinity College, Cambridge, where Amartya Sen was adviser, where Amartya Sen was master, and Amartya had been an adviser to the WDR, and we were all good personal friends as well.

So we tried to spend a day, I think it was--I can't remember exactly how long--in Trinity. We asked spouses to come along, so it was very deliberately a relaxed event, amongst friends, as well as an event of substance on the WDR.

And we talked it all through with Ravi. He had been a student of mine, as a graduate student, so we all knew each other well and liked each other, and still do, but we didn't resolve it, and Ravi decided to stay with his decision to resign.

And then a very nice Latin American lady, whose name is slipping my mind at the moment--as a matter of fact, who she was, she was the deputy. Nora, Nora--it was Nora [Lustig], but it will come back in a moment.

BECKER: Okay.

STERN: She had been everybody's deputy, and she stepped up, well and strongly into the new situation. And we basically, just by flipping that order, handled the whole thing in a way that worked, because you got opportunity, empowerment, security, opportunity, a much broader concept than growth, but encapsulates the growth story.

And I--you know, with the team pulling together very well. Nobody else left. It was just Ravi who resigned. And Mike Walton stayed involved. He wasn't full time or anything, but he put a lot of time into the advisory role. Amartya Sen stayed close, and I stayed very close, and I took more time on it, I think, than a Chief Economist would normally.

BECKER: Now, I think I know the answer to this, but did you see this report as a blueprint for your approach to development, or were there elements that were left out, and if so, what?

STERN: It was a set of ideas, which was not a blueprint, my own approach, but close in spirit, close enough I felt very comfortable with it. So that when I started to make my own ideas more concrete over the following year or so, I felt there was a natural flow and consistency, and it wasn't a hard wrench away from something that had been set in the opposite direction. It was something that flowed quite naturally.

BECKER: Now, did you have--I'm just not sure how much influence the Chief Economist has in setting the topics for the WDR, because the next one was on Building Institutions for Markets. Was that your idea basically?

STERN: No. The Chief Economist does have almost complete control over the ideas, but there's a production lag. So Building Institutions for Markets was Joe Stiglitz's launch. So when I came that team was already working.

BECKER: I see.

STERN: And already existed. So unless I was going to cancel something, which was well under way, and so it would be very disruptive and make it very difficult in the time available to produce a report, so you basically have to go along with that. So the reports that people do have--you start as a Chief Economist if you've got a three- or four-year cycle with one or one-and-a-half reports that you've inherited. So I inherited Attacking Poverty and Building Institutions for Markets.

But I also--in this case it was somewhat unusual--inherited something more. I inherited the sustainable development [Sustainable Development in a Dynamic World] one as well, because that was--that subject was very heavily constrained by the approach of the August/September 2002 meeting. World Summit on Sustainable Development was in South Africa in August/September 2002. So it was a very powerful case for making sustainable development the keynote topic for that WDR, and let us get it out a little earlier so that it could influence that meeting.

So in a sense I started with the poverty one, where I was very closely involved. I inherited two, I inherited two, one of which was already under way and one which had a very powerful reason for being in existence, which I accepted. And so I got--the intellectual direction of those two was with me. So I had to get very closely involved in subjects which I was quite enthusiastic about, but would not have been my natural choice, and—

BECKER: Even the institutions? I mean your interest and your approach has looked at the institutional—

STERN: It is, but I would have probably set it more broadly than just institutions for market. But I think it worked out fine, and I was very comfortable, and I was quite closely involved.

The ones I did choose in a completely unconstrained way for myself were Making Services Work for Poor People and A Better Investment Climate for Everyone.

BECKER: Right.

STERN: So I ended up, even though I was there for three-and-a-half years, I ended up actually doing five WDRs, the first one, which was the poverty one, which I was very intensely involved with, although I came at a late stage. The other, the next two I sort of inherited but took all the way, nearly all the way through. The first one was Building Institutions for Markets, was already in the cooker, but in the early days. And then these last two. One of them was published just as I left, and then the other one, you know, was inherited by Francois Bourguignon, just the same way I had inherited things.

BECKER: Right, right. Is the--the one on institutions in particular, was that controversial within the Bank? Stiglitz was controversial in the Bank, I would think, especially with his rather public criticism of the so-called Washington Consensus.

STERN: Yeah.

BECKER: So I mean did you have to deal with that kind of resistance?

STERN: No. Building Institutions for Markets was not particularly controversial. In fact it was--to the extent that it had any controversy, which was not huge, it was actually rather un-Stiglitzian, because the Building Institutions for Markets, some people chastised the Bank for being too market oriented and not focused enough on poverty by having something with that title.

BECKER: I see.

STERN: So in a sense had Joe's career at the Bank lasted right through the publication of that, he would have possibly come in for criticism from those who thought he was their champion. But it would have been wrong in my view, and that criticism is not particularly heavy, and--so it was not a wildly uncontroversial thing, and it had the misfortune to be published on September the 11th, 2001.

BECKER: I didn't know that.

STERN: And it was quite extraordinary actually. The leader in *The Washington Post* (might have been the *Financial Times*) the next day, the first leader--and you can check this, but my memory is that the first leader on September 12th was on, of course, the terrible events with the aircraft crashes, and the second leader was on the World Development Report. I just found that a sort of strange juxtaposition.

BECKER: That was probably the early editions. The later editions probably moved it back a little bit in the paper, but—

STERN: But it was a leader. You know, obviously, I don't know if there was any particular news coverage, but it was leader, that is, the comment page.

BECKER: Right. Oh, I see, okay.

STERN: I didn't mean the front page. We call it in the UK the leader. The leader is the--if you look at the FT, the leader is usually on the page which is not the--you've got the back page, but behind the back page, then you go in one, and it's on the left-hand side in the FT. That's what we call the leader. It's that commentary—

BECKER: Right. It's the editorial page usually.

STERN: Editorial page. So it was the second item on the editorial page.

BECKER: I see, I see.

STERN: The first item of course—

BECKER: Was what happened.

STERN: Being the crashes. It meant that its profile was much more limited than perhaps it might otherwise have been.

BECKER: Right. In this third report, that again, was in train as you arrived, the one on sustainable development.

STERN: It hadn't actually started, but the notion that that was the right subject was fairly firmly there.

BECKER: In working on that, did you have to work with NGOs? It seemed to me that that's an issue that the NGOs were quite interested in.

STERN: Yeah, there was a lot of consultation. It hadn't begun, so I chose Zmarak Shalizi as the editor of that, whereas I had not chosen Roumeen Islam, the previous editor, because that team was already in existence, already working before I got there. But I was there, of course before the beginning of the sustainable development. And it actually was very consultative. They did talk a lot to different NGOs, but I think it was--which meant it was heavier work because you had to do more interacting relative to writing, and you couldn't reduce the writing, so you just did more. So it was very heavy work. But I think it--I don't recall it being hugely difficult.

BECKER: Okay. In the years that you were at the Bank, there was, as there continues to be, a great deal of criticism and enmity towards the Bank. Were you surprised by that?

STERN: Not really, because, you know, I had been close to the Bank, as most people in development economics are, so there was nothing there that was at all surprising. I was struck by the intensity of Prague, at the Annual Meetings in Prague, where there was quite a bit of destruction. But even so, you know, we continued and got on with the job, and--I don't think I missed any appointments or anything, and it wasn't that disruptive. So it was striking rather than surprising. But it probably, in retrospect, peaked in Prague. I've forgotten when the Annual Meetings in Prague were. I think it was the September of 2000.

BECKER: That's right.

STERN: September 2000, and in retrospect, it probably peaked there, because the Annual Meetings were always the target. You had September the 11th, 2001, which resulted in the moving and postponement and the whittling down of the Annual Meetings, which took place in the end in Canada, in November, on a very small scale. So I think in retrospect, Prague was the peak, and nothing much happened, because there wasn't much of a target the following year, and September the 11th had happened. And by the time you wound through to the next year, which

was September 2002 back in Washington, I remember it being very modest. There were a few things, but not much.

BECKER: Well, it became clear there were other evils in the world, in quotes.

STERN: So in retrospect I think Prague was the peak of that.

BECKER: I wanted to turn to your own thinking about development and the imprint that you put on the Bank's thinking about development, with your emphasis on the investment climate and empowering the poor.

STERN: Empowering and investing in poor people.

BECKER: Right, okay.

STERN: I tried to--I mean you could include investing in poor people within empowerment, but I thought--which I didn't always use the language--but I thought it helped actually to be explicit.

BECKER: Okay. These ideas had started to develop before you became to the Bank?

STERN: Oh, yes.

BECKER: You said that, yeah.

STERN: Yeah. The investment climate story developed very much in the European Bank for Reconstruction and Development, where they were quite explicitly central in the Bank's charter, or articles of association, or whatever it was called, which was all about Article I, I seem to remember—I can't rehearse the exact language after all these years, but it was the purpose of the European Bank for Reconstruction and Development was to foster the development of the market economy, entrepreneurship and so on.

So you quite explicitly have to ask yourself a fairly fundamental question about what a market economy meant, because you were trying to help foster the transition from a command economy to a market economy. Where was it you were trying to go? What was involved in building it? So at EBRD those questions are absolutely dead center, unavoidable, and that's where we started to build up ideas of what the investment climate meant, and the series of transition reports, which I started at the EBRD, so I could take on those questions in an explicit contextual, quantitative way.

And I had been involved, of course, in development way, way before involvement in--

BECKER: Right.

STERN: --the transition story. And it was pretty clear to me from the beginning that these ideas were fundamental in development more generally and not just the transition story.

BECKER: Now, how current were those, or common were those ideas among development economists and practitioners?

STERN: They were present, but I think it's fair to say they were not prominent. And the World Bank, again, because they were involved in the whole transition story, were using those ideas, but not prominently. I think it's fair to say it was because I had been thinking about it for a long time before I came, those six years as Chief Economist of the EBRD.

BECKER: Right.

STERN: Then I really sort of launched them and made them more structured and central.

BECKER: Now, how does the Chief Economist get his or his office's views of development or these ideas diffused within the Bank, within the community of development specialists, and among practitioners in developing countries?

STERN: Speeches that get circulated and published is one way. Talking to your own troops, because they spread out, is another way. Talking to the Board is another way. Giving seminars at academic institutions. I used to try not to give seminars in the United States, on the grounds that it's the Chief Economist of the World Bank. The United States used to get too much attention anyway. You've got all your friends, particularly in the East Coast universities, so I tried to resist the temptation to speak to them and tried to give my talks, as far as I could, in developing countries.

And that way you got out not only to the economists in developing countries, but you got out to the economists in the field in the World Bank which I think is an important way of diffusing ideas.

BECKER: How important to this process is the ABCDE [Annual Bank Conference on Development Economics]?

STERN: Modestly in my view. By the time I got there I thought it was getting a bit sclerotic. I think it'd been going a dozen years or so, can't remember, ten, eleven, a dozen years before I came, and it was always in Washington. The one thing that I instituted—and we had the first of these, there's always a gestation period--is that we had one of these in Bangalore, in India, in I think March or April of 2000. So that was the first ABCDE outside Washington.

And the idea, which has been continued by Francois Bourguignon, my successor, was to have one in Washington and the next one in the field, so we had one I think in January or February this year in Senegal. So that idea of one year in Washington, one year out, has continued, and I think it does actually take--when I take it to a different continent each time, so I think that's a

way of sort of taking ideas out and lighting up a bit, because if you have the ABCDE in Africa or India or Latin America, then naturally you pick up the ideas that are particularly relevant to that continent, an easy way. So that was the main change I had in the ABCDE.

I did have one difficulty, which was tough for me in one of the ABCDEs, this one in Washington. I can't remember which year it was. Probably 2002, where we invited Alan Krueger of Princeton University to talk on--he was doing some work on who terrorists were, and whether to try to examine this idea of the relationship between terrorism and poverty. And he had quite a lot of data. He was arguing that terrorists weren't actually poor people, or necessarily operating for causes which were clearly identifiable as causes related to poverty, as opposed to causes related to some critical grievance, which wasn't immediately poverty, however you might try to argue there was an ultimate link.

And he used a lot of data on Arab and Muslim terrorists, and it caused a real furor in the--among some of the Arab and Muslim members of the board of the Bank. And he, I felt, had done, you know, a reasonable study and was opening up a question which was important. He was probably a bit incautious in some of his language, but I wouldn't put it more strongly than that, but in a way where those reading it from a particular position felt that he hadn't recognized terrorists as freedom fighters in some environments. He was looking at data, I think related to what the population recognized the terrorists as doing and how they interpreted what terrorists were doing, which again they felt risked branding populations. He was obviously going to a difficult political area.

BECKER: It's still controversial.

STERN: It's still controversial. My own feeling was that, whilst he's been a bit incautious in his language, this didn't amount to anything outrageous. It did amount to probably political insensitivity, but some members of the Board demanded that this paper be taken off the agenda.

I was in a very difficult position, because I worked for the Bank. I'm not running an academic conference. But this was an academic with great respectability, very decent man and a fine academic, who had tried to investigate a subject which seemed to me to be a legitimate subject of investigation. But we ran--and it was a period of very, very high tension, and the upshot was it was incendiary, so we ended up having to ask him to take it off the--to not present the paper.

My idea was to come back and have a discussion on this kind of thing with his paper and other papers in calmer times in a less public way. Alan, quite understandably, was very annoyed about this. I would have been in his shoes. And the upshot was that that reconvening on the issue never really took place, although I did try to make it happen, but Alan wasn't interested any more. He'd had enough of that and I could understand it.

So that was probably the most difficult event associated with ABCDE, but we dealt with it, and there was a little bit of publicity in the newspapers, but not very much.

BECKER: Just moving back a bit, I meant to ask you, in terms of diffusing one's ideas, obviously, one of the key constituents that one has to deal with is the President. Was [James D.] Wolfensohn on the same page? I mean, he had the same views, or did you have to convince him?

STERN: You do have to work very closely with the President. I did work very closely with Jim Wolfensohn, but he's a very unusual character, and he feels very much that the ideas that matter are his ideas, and he has good ideas.

BECKER: Yeah.

STERN: So it was very important to stay close to him and share things with him, which I did do, and I thought we had a very good working relationship. I regard him now as a friend, and I think it's mutual. So we did establish, I think, quite a close bond, but with Jim, you know, Jim so much comes from inside him, you have to actually try to influence the way Jim thinks in a quiet way. You can't just go in and whack down something on the table and say, "Jim, these are my ideas. What do you think?" You have to talk it through and establish a close relationship, which we did do. And I think we--I was very happy with the way that developed.

But you have to, as it were, take Jim's ideas and try to blend in some of your own thoughts and work through some of Jim's speeches. I used to collaborate quite closely with Jim on his Annual Meeting speeches. So, it was that kind of interaction developing over time. The monthly meeting called the Corporate Day, which is on a Friday once a month, which Jim instituted, where all the Vice Presidents get together, that's quite a good place to share ideas. So over time I always tried to go to that, and over time, shared my ideas with the other Vice Presidents, and on the whole they reacted very positively.

BECKER: In our interview a few weeks ago, you said that one of your goals at the Bank was to get economic analysis to be at the center of the Bank's decision-making process. How did you go about doing that?

STERN: I was quite active with the Board, so I tried to help shape what the board would expect, and we had these annual meetings with the Board which were residential--stayed overnight once a year, where it was a good place to share ideas with the Board, and I used to give presentations to the board on various reports, WDRs of course, particularly, and other things as well.

So one way of shaping what people offer to the board is to shape what the board expects. And I've worked with boards of course for six years at the EBRD, so I had experience with that. So I found working with the board fairly natural and a good way to shape what people presenting to the board actually present. There's this Corporate Day idea as well. So the vice presidents controlling what went to the board and the board with their own expectations, and I interacted there on both sides of that.

But also I traveled a lot and tried to speak to World Bank people on the ground when I traveled. I always have--whenever I traveled I tried to have meetings with the whole resident office. I'd just share ideas and impressions, so it was a combination of things.

I'd try to keep close personal relations with the regional vice presidents, they're very influential in the Bank, in some cases by traveling with them. For example, David de Ferranti I traveled a fair bit in Latin America with, but also the other regional vice presidents, I always talked to them before I went on the road, to share ideas with them.

So it was a matter of looking at the institutional structures like the Corporate Days and the board, but also the personal relationships. I did spend a fair bit of time trying to build those relationships.

BECKER: This is perhaps an unfair question. How successful do you think you were in this effort?

STERN: It is difficult for me to assess that, but I felt that by the time I left the Bank, the two-pillar approach, investing--investment climate, the growth, employment and investment--and the empowering, investing in people, were actually seen as what the Bank was doing. If you saw the documents that went to the board, virtually all of them of any strategic substance for a country would have these ideas very centrally. So I was actually quite happy with the way all this has been taken up in the Bank, and largely has stayed there.

BECKER: Is this an emphasis of your successor?

STERN: Francois, a little less so. I mean Francois has two areas he's particularly interested in where he's worked for years, and very productively worked for years. One is equality and equity, and the other is the way in which you use data to draw lessons from about the effects of projects. And both those things are very important, and those were areas where Francois is focusing, and they're very good and important, he's done great work.

But my own feeling is that probably those are not areas which of their essence are likely to improve the operational and strategic growth of the World Bank in quite the same way, because of the kind of subject they are, has nothing to do with the quality, or Francois's personality or anything, it has to do with the kind of subject they are, and I deliberately wanted to try to shape what the Bank was doing, and the strategy of the whole Bank, and the way it looked at development, because I felt that these ideas really mattered.

BECKER: In the time that you were Chief Economist, you obviously did a lot of traveling and a lot of speaking. Is there anything else that you want on the record about what you did or what was important to you as Chief Economist?

STERN: Getting trade very firmly on the Bank's agenda I felt was of crucial importance, and I felt that somehow it had slipped away from center stage. There were two things I tried to get

back strongly on the agenda, growth and trade. And at the same time I tried to develop the empowerment story and to make it something natural and concrete, and viewed less skeptically.

So growth, trade and empowerment, I think, were the three areas where I really set out to change the way in which the Bank saw them. And I did speak out strongly on trade, and you know, I've got some scars as a result. I criticized rich countries' policies on trade and protectionism quite heavily.

BECKER: Right. I want to actually ask you something about that a little later, although we don't have that much more time, so it will be soon.

STERN: About 15 minutes.

BECKER: I'll be asking you within 15 minutes that question.

But your name appears on a report that deals with gender as well. Was that something that became a really large issue for you?

STERN: It did become a large issue for me. I wouldn't claim originality for it in the same way that it was deliberately my choice to raise growth, trade and empowerment right up the agenda at the Bank. I felt that gender in the Bank was too low, but there were a lot of people there who knew more about the issue than I did, who were trying, rightly, I thought, to bring it up the agenda, and I supported that with enthusiasm.

But then I was helping other people with a good cause, it seemed to me. And I was particularly encouraged by the book Engendering Development by Elizabeth M. King and another chap who was very good. I forgot his name now [Andrew D. Mason]. But that book, PRR [Policy Research Report], called Policy Research Report on Engendering Development [Engendering Development Through Gender Equality in Rights, Resources and Voice], I thought was excellent.

BECKER: You wrote an introduction for that.

STERN: Yeah. There were real ideas in there about how bringing women much more closely into decision making, how that improved the outcomes of practically everything, whether it was credit repayment, credit use, governance, farming, practically everything really, certainly education and health, that if you brought women closer to the center stage as decision makers, that everything works much better. If you simply saw the gender issue in terms of the most effective way to do development, you'd have a very powerful argument, notwithstanding the deep and important issues of justice and equity, which of course are of fundamental importance in their own right.

But even if you put--you should not--but even if you put those to one side, you'd still have this very powerful case for expanding gender opportunities and involvement, simply on productivity grounds. I felt that it was a really first class book that made that case very powerfully, and in a way that we were only sort of aware of before, but after reading the book, you knew very strongly—

BECKER: Right, right.

STERN: So I was quite activist in that. I enjoyed it and felt it was important. I worked quite closely with Elaine Wolfensohn too, who was championing the gender issues at the Bank.

BECKER: The issues have been around, obviously, for a long time.

STERN: Absolutely.

BECKER: The United Nations, I guess, back in the '80s began the talk about that if not earlier.

STERN: Sure. So I hoped I was a real and active--I hoped I was a really active friend who took the agenda forward, and Elaine was always very enthusiastic about me as a gender-sensitive Chief Economist, which I took as a compliment, and I was very happy about this. But I felt I was supporting others who were leading the charge, energetically and cheerfully.

BECKER: Why did you decide to leave the Bank?

STERN: It was in large measure going home. We're a very close family. We've got three children, and they're all in London, in their 20s. And that was the overwhelming reason, by far the strongest reason. There were supporting reasons.

One of them was that Washington had become a less easy place to be after September the 11th, and with the particular outlook of the Republican administration, which set different atmospherics in the city and the relationship between the Bank and the administration, and so on. So it was less comfortable for me. That's very much the minor one.

More important than that, I mean the family issue is the overwhelming one, but more important than that one about the feelings about Washington and the atmospherics, was the opportunity in the UK. It was a unique opportunity to come in at the highest level of the British Civil Service, as head of the Government Economic Service, and be close to political decision-making in my own country, which comes along, you know, only once, possibly, in a lifetime as the right kind of opportunity that fits you, and it came along.

So it was also the opportunity that was unique. So the two big reasons were family and opportunity, and the smaller reason was the atmospherics in Washington at the time. But the pull in terms of staying was the job. I enjoyed the job enormously, and it was going well, and I was

enjoying myself, and having an effect. So had I not been a Londoner, and an opportunity come up in London, I probably would have been quite happy to stay for another couple of years.

BECKER: Now, if you had remained at the Bank, what would you have worked on?

STERN: I probably would have tried to take the entire--dug more deeply in the empowerment story, and I'd like to have taken the gender story further forward than the way in which--perhaps I would go beyond being an enthusiastic supporter, and be something of a leader. But that was of course related to the empowerment issue very closely. So I think I would have liked to have done more on that.

I would have liked to have got much more involved, still more involved in Africa, and Africa was very important to me in that work. I was building up a network of contacts in Africa, and I would have liked to have gone still further.

On the more analytical side, I think empowerment and gender, and on the regional side I think I'd like to have done much more in Africa, and thirdly, I felt that the Bank was not doing very well on rural development, and I would like to have tried to think through how to do it better. I think those three things, empowerment including gender, Africa and rural development probably were areas where I'd like to focus more attention.

BECKER: One question. I wanted to ask a little bit about obviously the Bank, aside from development advice, you know, what's the future of the Bank, and obviously sub-Saharan Africa is clearly where the Bank has a lot of interest and a lot to offer. But what about China and India?

STERN: Well, the crisis of world poverty now is Africa. And there's deep poverty in South Asia and many other parts of the world. But somehow you feel that people are starting to get to grips with it in a way that's working. We all would like to see it go faster and reach more parts, but I think the most difficult crisis of world poverty is in Africa.

On the other hand, China is now at an incredibly formative stage, not just for China, but for the world. And I have very good experiences in China, and good understandings, friendships and contacts, and I have a very longstanding interest. And I thought I was trusted in China. And I would have loved to have been part of that continuing story that China's taking its place in the world. I hope I was part of that story, it's very important to me, and I'd like to have stayed with it, so that is another, as it were, as a set of issues that is very important.

And these are definitional years for the world in relation to China. And I think that the big picture, the big picture challenge, is what kind of role China is going to take in the world. It hasn't been grappled with anywhere near explicitly enough. The Chinese are thinking it through, and they're thinking it through in an open, positive way.

BECKER: They're active in Africa for one thing.

STERN: Absolutely, absolutely, and I think we should go out and collaborate with China in defining that new role in a very constructive way, as opposed to being defensive and wondering what's going to happen to it and how do we control it? I think it's completely the wrong approach. The collaborative approach, getting together with China, the Chinese would appreciate that enormously, and they're quite good at that themselves. So, here we are, in many ways China is behaving in a more deep and mature way than those who are trying to watch and engage with China. So I think I could have been a big part of that, and I've been keeping up my relationships with China in my new job, although—

BECKER: Right.

STERN: And finally, of course, India's always been my first love, I mean from just an emotional point of view, and I've been going to India constantly since 1974, '75. It's such a colorful, engaging, and deeply cultural place with some of the severest problems for poverty and development, but some cheerfulness about the chances of getting somewhere. So I would have gone to India and China twice a year if I had stayed. They're just such important places. With my experiences, I could get things done, and I would have enjoyed it enormously.

BECKER: I just have a few more questions. I know your time constraints today. But just for the record, I would say that people interested in the question about what the major industrial countries should do about their subsidies in agriculture should read some of your statements on it.

STERN: The answer to that question is get rid of them.

BECKER: Well, right, but I thought you had some very good ideas about how to sell this to the industrial countries.

STERN: I think--I mean I have done frontal assaults, and I described them, I think, as critically antiquated, economically illiterate, violently destructive, and ethically indefensible. And I think we can substantiate each word in that phrase.

But I think that direct confrontational attack isn't always the best way to get change, although to embarrass people, I think, is part of the story. Rural development in rich countries is a perfectly legitimate and indeed laudable objective. What's wrong is going about it by subsidizing agricultural production. But you have a laudable objective, something which is perfectly okay to spend resources on if that's what the political will of the rich countries asks you to do, but it is the job of those of us who analyze to draw attention to policies which may have reasonable goals being pursued in destructive and misguided ways.

BECKER: Okay. Finally, I wanted to ask your thoughts about a couple things. Now that Wolfensohn is leaving in June, has a new assignment just announced in the newspapers, what do you think his legacy will be at the Bank?

STERN: Let me just say that--of course, looking at it generally, that that assignment itself indicates something about the legacy.

Jim Wolfensohn stuck his neck out to support the development of the Palestinian Authority, and he did it with total personal commitment, at risk to himself, physical and reputational, and I take my hat off in admiration for what he did. I visited the West Bank/Gaza myself, and saw just how tough it was, and spoke at length about it to various audiences.

And there was very strong appreciation for the role of the World Bank. Where the World Bank is often an object of easy criticism and uninformed criticism by those who see themselves on the radical side of arguments, you would not find that in Palestine. There was an appreciation of the way in which the Bank has done its best in very difficult circumstances to try to build, to begin building an administration that might work and might deliver something. It was hard and it was corrupt--it's a corrupt story we know, but it is a very important area where the Bank took on a difficult world problem courageously, and Jim personally was very much involved in that initiative.

But I think if you look at Jim's legacy, he would have shifted the direction of the Bank in some very important ways. He opened the Bank to interaction more. He put centrally the idea of the Bank being a supporter of its clients, which is actually standard investment banking that you support your clients. But somehow the perceptions and methods of behavior in the World Bank, and sometimes it's still there, is that you're going to tell people what to do. And Jim tried to change that. The language of "the country in the driver's seat" is maybe somewhat inelegant, and "country ownership" also inelegant.

But it's the idea that you're trying to help people in directions which is for them to choose. That doesn't mean you help them regardless of what they choose. You couldn't do that. But you do try to help them along, and that, I think, has changed in perception and ways of behavior, mindset, that was very important.

He, for example, mentioned the word "corruption" for the first time, and in so doing brought governance to the center of the stage where it must be. He raised the issue of debt, which was one of the great unmentionables, it was like heresy to mention debt, but he did it, and started to move.

So I think in terms of the attitudes of the Bank and how it behaved, how it tried to support its countries over particular issues, and include transparency there, but over particular issues like governance and debt and so on Jim had a very strong influence. He had a very strong influence in focusing the Bank on poverty. So I think the legacy is strong in terms of what the Bank sees itself as doing and what the Bank does.

And in terms of the political stage, I think the Bank could easily have become marginalized and irrelevant, but he stopped that, and he made the Bank a real and central force. I think the legacy is very big.

BECKER: And finally, do you know Paul Wolfowitz, and do you have any thoughts about his selection as President of the Bank?

STERN: I met him once for two or three minutes at Jim's house, and I actually met him yesterday. He came to a seminar I and one or two others were giving on the Hill. Unannounced, he came and stayed for about an hour. And we talked a bit beforehand.

He's a very thoughtful person, a good listener obviously, very interested in Africa, which is why he came to the presentation of the report of the Commission for Africa.

So I think that as someone committed to development, draws on his experience in Indonesia, a rather reflective man, as well as of course a man who's been very much in the action of government. I think there's a lot of potential there, so I would start by being optimistic.

On the method of selection, I am actually in favor for all serious jobs in international institutions to be selected by a competition, regardless of nationality, to all jobs, whether it be the head of the IMF or the World Bank, or more senior appointments in those institutions, or in the UN, or wherever.

And actually if you want to read page 380 of the report of the Commission for Africa, it says that quite explicitly, and that's--well, it was my pen that wrote it, but it's the 17 Commissioners who signed up to it, including the Prime Minister, Tony Blair, and Michel Camdessus, the former head of the IMF.

So I don't criticize this particular appointment, not to this selection individually. I would criticize the whole system which runs across too many international institutions. It should be open competition regardless of nationality.

BECKER: Well, thank you very much.

[End Tape 1, Side A]

[End of session]

[End of interview]