Roundtable with Ambassador Andrew Young and Dean Bahl, Georgia State, GA

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Dr Bahl: It's very nice to see you on this important day. I see a lot of familiar faces, so, I welcome you today. As you know President Wolfowitz is with us today and we thought we would do a round table discussion on economic development. So, let me begin by telling you a little something about our two panelists. President Wolfowitz, the tenth President of the World Bank, has had a distinguished career in government, in public service and in academia. What you do know is that he was Deputy Secretary of Defense from 2001 to 2005 and you probably know he was the United States Ambassador to Indonesia. What you may not know is that he was Dean of the School of International Studies at Johns Hopkins. You ought to feel comfortable here.

Paul Wolfowitz: Nice to be back in school.

Speaker: He has a PhD. in Political Science from the University of Chicago and he taught at Yale.

Speaker: Ambassador Young, is an honest to goodness icon and an American hero. He was a civil rights leader, as you know, a Congressman, United States Ambassador to the United Nations, Mayor of Atlanta, instrumental in bringing the Olympics to our town. He chairs Good Works International, which is a company that lives up to its name, and he of course is the name that we chose to put on our Policy School. So, two very distinguished panelists.

Andrew Young: We share one thing in common which I did not realize until a year or so ago, and that is that his mentor was George Shultz, Secretary of the Treasury and Secretary of State when I was in Congress. And it was George Shultz that, when I was on a Banking Committee, first pulled me in to international economic affairs and actually took me to my first trip to Africa.

Paul Wolfowitz: Shultz has this incredible career. He was head of an academic institution, the Chicago Business School. He was CEO of Bechtel, a big private corporation. He was Chairman three or four times, and someone asked him once how you compare management in the private sector with government or a university, and he thought about it for a minute. He said, “Well, it is this, in the private sector, you’d better be careful what you ask for because people will actually do it, so you need to be sure it is what you want.”

“But,” he said, “in the government you don’t have to worry about that. You ask people to do something and when you check back two months later nothing’s happened. In the university, you ask people to do something, and they look at you strangely and say, ‘Who the heck do you think you are giving us orders?’” Which is why a Dean’s job is challenging.

Dr. Bahl: Well, on the subject of policy schools -- I don’t have to tell you what a policy school is; you know because you’ve led one. But I have to tell you a story that once we were speaking before a group with Ambassador Young and someone got up and asked a question, “What in the world is a policy school?” So, I got my pat answer already to deliver, but Ambassador Young said, “Oh, let me do it.” Now, if you know him, you know how imaginative he can be in terms of giving an answer. And here is what he
Andrew Young: That really was a Martin Luther King story. He said “I admire the good Samaritan, but I don’t want to be a good Samaritan.” We’ve got to change the Jericho Road so that people don’t get beat up and robbed and are sick, and I think that’s the World Bank’s mission also.

Dr. Bahl: So, on the subject of changing the world, this room is full of young people and not so young people but a lot of the young people actually think they can change the world and, after finishing their degrees, they are going to go do it. So, you know what? I think we might start with something that I’ll bet you would interest a lot of people. How in the world does a guy who has a Math major from Cornell become Paul Wolfowitz, with this interest in the world?

Paul Wolfowitz: How do you want to do this? I don’t know what you want to hear but, my father was a mathematical statistician, actually quite a distinguished mathematician. Among his students, by the way, was Alan Greenspan, who told me that from all the professors that he had, he was still using during his last year in the Federal Reserve something my father taught him. And mathematicians are like intellectual snobs you know. If you can do mathematics, you should do mathematics. And there are two kinds of people -- those who can do Math and those who can’t. And so I was out to prove that I could do math. So, I majored in Math in Cornell. But I was kind of frustrated, and it didn’t take me a long time to understand exactly why. And I thought that maybe Math is too abstract, so, if I can find the cure to cancer that would be more satisfying. So, I did a second major in Chemistry, and actually in my senior year was working in the laboratory with a colleague who everyone knew was going to get the Nobel Prize for working on this solution before too long. And I thought, well, he deserves the Nobel Prize but this isn’t what excites me. And my friends, would go home and work on chemistry problems, and I’d go home and study politics and history. So when it came time to consider graduate school, I made sure I applied, secretly, for political science at Chicago, and not so secretly to MIT for Physical Chemistry.

I was accepted to PhDs in both and I told my father I had to try political science for a year -- he thought I was throwing my life away. But, I did find that it is what interested me more. But then came, I guess, the second toughest decision for me. It was many years later, and I was teaching at Yale and at least I had a respected academic position; so, and I want to keep bringing my father into this -- but he thought I was crazy. And then I got invited to come and work in Washington on nuclear arms controls, and it was a feeling that you can make a difference saving the world. And I tried it for a year and I actually liked it better than academia. I think there really is a wonderful marriage that comes in colleges and schools but after doing it -- you can make a difference and bringing knowledge to the real world and it is very satisfying. You can make more money doing some other things, but I think it’s an incredible privilege to be able to go to work everyday and get paid for trying to help the world to be a better place, and I have had a chance to do it. In the Arms Control Agency, in the Pentagon and State Department; being Ambassador to Indonesia for three years was just an incredible experience.

I have done some work in development before that actually. My first government job was with the Budget Bureau. But it was during the three years in Indonesia that gave me real first hand experience of a developing country. I guess I should add one other thing also to this room full of students. When I was at SAIS, I had breakfasts every Wednesday morning at 07:30. Students know that this time doesn’t exist on the student calendar. I would have an open breakfast and anyone could come and see me. Once in a while I got to read the newspaper, but usually there was at least one person you could find. And one morning a student came in and said he was just wondering what he needed to do to become an Ambassador, because he was very impressed with the fact of becoming an Ambassador.
Bear in mind he was maybe 25 and to be an ambassador at the age of 45 is an incredible job. And I said, you are coming here and you are asking me, how you are going to manage your life to get to where you want to be 20 years from now? I said in my view that's just the wrong way to think about it. You could do a lot of things making yourself miserable thinking that it is going to get you to where you want to be. And I said the best advise I can give you and the best advise I can give students is, do something you like doing. If you like doing it you will do well at it. If you do well at it, you will be asked to do some other things that you can't even imagine. And you'll keep finding opportunities. But if you say, I want to know how to go to Washington and be a tax lawyer even though I hate tax law because maybe some day I may actually work in high policy positions”-- that's not the right way. Do things you enjoy, and I think you are probably going to policy school because you do get satisfaction at doing things that can make a difference, but make sure you like it.

Andrew Young: I have to say that I never knew what I was going to do next. I was a preacher in South Georgia and I ended up working with Martin Luther King, and then, the night before he went to Memphis, he said “we’ve got to find a way to take the incredible energy of the Civil Rights Movement and put it into politics, so that you ought not have to get beat up and go to jail every time you want to change something. You ought to have people in public policy in public office that are sensitive and will respond as to their constituents.” So, I ended up doing that. It happened when Jimmy Carter got this crazy notion of being president and I was not supporting him.

But, somebody attacked him in New York saying he was a Georgia redneck racist and I wrote a letter to the editor giving my experience with Jimmy Carter as governor and it ended up on the front page of the Village Voice, of all places, and I became an endorser of Jimmy Carter. And he asked me to go to the UN. But he was also a student -- a student asked him about Tazania, Namibia and Zimbabwe in 1975, and nobody hardly was using those terms, and he was embarrassed and said, “You know I don’t know because I don’t know where those countries are.” And he came and asked me “what do we do about that?” He found out that it was Africa and I said, “Well Mr. President the same thing we did in Georgia. Two things you understand -- poverty and race -- and you know that democracy is one of the answers to both.”

So, he started talking about democracy and “one person, one vote” in Africa and I think that was what led him to the presidency and led me to be Ambassador to the UN, which was something what was farthest from my dreams.

Paul Wolfowitz: When did you first think that you might want to be mayor?

Andrew Young: I didn’t, it was only when I left the UN and -- I left the UN really because the -- actually the Palestinians wrote a resolution accepting Israel, accepting all of the UN resolutions on Israel’s right to exist. They were ready to consider foreshewing violence and it was the month that Jimmy Carter’s Cabinet was being reshuffled. So, I was really meeting with the Palestinians trying to put them on hold, because... Well their resolution was not far from President Bush’s Roadmap, and I said, “We’re just not ready for it yet” but in New York it blew up and got very political and I ended up coming home before I intended to.

We were at the temple last night, at the Synagogue, and Stewart Eizenstat had invited Dr. Wolfowitz to speak to a lecture there. Stuart Eizenstat was actually on the phone with Moshe Dayan and the Israelis had agreed to a resolution asking President Carter not to accept my resignation and it was only waiting for Begin’s approval and Begin had a heart attack, and I figured that the tension in New York was so great that if I didn’t get out of there in a hurry, it would be a disaster. So, I came back to Atlanta and was through with politics. Some lady told me, a lady by the name of Suzy Labbort said, “son look,” and these
are the exact words, “when you came here you were nothing. We made you somebody and we need you now.”

And I said, “No ma’am”, I said, “Martin Luther King made me somebody.” She said, “But we made him.” And she said, “If you let us down now, if you can’t help us now, we have wasted our time on you.” And I ended up running from there and it was best decision I’ve ever made. But I think what we’re agreeing on is that you don’t really plan your life, you live your life, you enjoy it and you do it well and I would say as a Minister, God’s plan for your life is far better than anything you can plan.

**Dr. Bahl:** Let’s talk a little bit about – let’s start talking a little bit about economic development. You come to the World Bank and you find an organization that has to be committed to reducing the gap between the rich and the poor and to eliminate poverty and improving quality of life. So, where do you find the institution, when you come to the Bank, now with respect to poverty? What’s the Bank stands on that?

**Paul Wolfowitz:** It is striking to me, having done some work on development economics in the US government forty years ago, that development was a very narrowly conceived deal. People thought that basically macroeconomics is what it was all about. There’s a huge difference today, when people, I think, appreciate that development is a much more complex process. Let’s just sort of jump over forty years and go to last April when I was approved as President of World Bank, I said that Africa had to be the first priority of the Bank.

I believe that because I was very conscious of the fact that a number of countries had started out in the same condition as many African countries, and some of those countries have made enormous strides in reducing poverty, particularly countries in East Asia. Before going to Indonesia as Ambassador, I spent four years as the Assistant Secretary of East for East Asia, so I was very familiar. I made my first visit to China 1983. It’s amazing what that country has done in twenty-five years. And during that same period, Africa, which shouldn’t have been going backwards, was still struggling. I knew all the hard world statistics about HIV AIDS. I remember reading six years ago that by the year 2005 there would be as many AIDS orphans in Africa as there are children East of the Mississippi River in the United States, which I thought was a horrific prediction. When I got to the Bank -- by now 2005, I asked if that was true and they told me, yes, it’s true.

So, I was very aware that immediate action was needed, and I was very aware that the Bank is a very big part of helping. In fact, it’s the single biggest source of assistance to Africa, and for a lot of African countries, development assistance is a big part of the budget and even bigger part of their investment budget. But, after only a short time at the Bank, what has been a really pleasant surprise is the fact that Africa, I think, is changing. And the first sign of this I got was meeting with a group of African Governors during Spring Meetings last year in April, meeting with the representatives of the forty-five Sub-Saharan African countries that are members of World Bank. One after another, seven or eight or nine of them talked about the efforts that were being made in different countries to combat corruption and about the improvements that have been made in governance in their countries.

The Finance Minister of Nigeria, who had previously worked for the World Bank, a very impressive woman named Ngozi Okonjo-Iweala, who was Finance Minister until about six months ago, talked about the remarkable efforts being made there, including with the Inspector General of Police and Jails. Some of them also talked about the fact that for developing countries, rich countries have responsibility to help in returning a lot of the assets that have been moved from African countries to Bank accounts in Europe and United States. This wasn’t the only subject they talked about, but the focus was remarkable and activity was remarkable, and over the course of the last year-and-a-half, what has impressed me is that in some fifteen or so African countries we are seeing what looks to me like a potential turnaround over a period of ten years.
That’s not easy to achieve. It’s interesting, I came back from my first trip to Africa in June of last year to a town hall in the Africa region, and made some comments about my trip and then asked for questions. The first guy who spoke up looked like he was the oldest in the room. I realized I should have skipped over him for somebody younger, but the basic message of his question was, “well you’re optimistic, but we have heard all that before. I’ve worked in Africa 30 years and we have heard all this before and this never works.” And I said, “well, I don’t think you have heard it all before. I don’t think you’ve had an awareness of the issue of governance before; I don’t think you have seen in Africa before where President stepped down peacefully when his term ends or he is defeated in an election.” I think there really is an increasing demand by Africans for good government, and that demand is increasing as we meet. And I think the development community has its own responsibility because too often bad leaders can stay in power, Mobuto is a classic example, because they have access to an unlimited supply of funds from donors, including the World Bank as well as bilateral donors.

I now feel that there is really a chance for Africa to turn the corner and that it’s going to have to start with the best performers, doing what the so-called Tigers did in East Asia, showing the way for other countries. If you remember what China looked like -- and I do -- in 1983, when I first visited. There were a lot of skeptics that the Chinese could turn the corner. They talked about market mechanisms and the influence of politics that easily could march things backwards and forwards. These skeptics were confident they knew what they were talking about. So, when I see the situation today, and people say, “well there is enormous corruption in Nigeria,” yeah that’s true. And I think of this classic metaphor about a glass half full or half empty. And, of course, the more important question is whether it is filling or draining. For too long, most of Africa has been draining. But when you start to see things building up slowly, even a place like Nigeria, you start to get a little optimistic and feel that the most important thing for us to do to make sure that we’re helping people on the right terms, and not enabling people to continue bad behavior.

Andrew Young: In Atlanta -- in the eight years I was Mayor -- we attracted billions of dollars of private investment and I always said to every investor, and said it publicly, “you don’t have pay anybody under the table here in Atlanta. We will give you honest, efficient service, and if you have any difficulty, call me personally.” And I gave everybody my direct line. We still had to put nine people in jail in eight years. People sometimes insist on trying to cut corners and do things in a shady way, and that could be true of almost any city in America. So, I don’t want us to hold Africa to the standard of perfection when we’re still struggling for it.

Paul Wolfowitz: Tell them your line about how to make money then?

Speaker: We used to say, and still say, that you can make more money honestly in a growing economy, than you can steal in a dying economy. So, in a growing economy when everybody is doing well you’re a lot better off. The other thing is that people don’t voluntarily bring their money to places where they don’t trust people and don’t trust the government. So, building a reputation for trust was the key to our success. And actually in those eight years we attracted $70 billion worth of private investment to this metropolitan area and we attracted 1100 companies from all over the world and that led to a million new jobs in the metropolitan area. And I think our airport, and honesty, and integrity were all we had to offer. I still say, and it maybe not true now, but our airport as a private sector, public-private partnership generates about $20 billion a year for this region and most of that money stays in this region, whereas that’s about all Nigeria’s oil generates. So, that good government and public-private partnership can generate wealth as rapidly as raw materials and natural resources and it’s renewable wealth.

Paul Wolfowitz: It doesn’t just go to Swiss Bank accounts.
Dr. Bahl: Yes.

Dr. Bahl: You say you are optimistic about Africa and you said examples of turnaround exist. How about doing some storytelling about a couple of countries, give us some examples.

Paul Wolfowitz: Well, I think we both have been stunned by Rwanda. I won't say too much because you can do it much better than I, but this is a country where in 1994, 950,000 people were murdered by hand. I mean just one at a time and the scars are incredibly deep. Since then they have achieved peace and growth on the order 7% 8%, 9% a year. People say, “well it was such a poor country before so these percentage gains are easy to do.” I’m sorry, I don’t think it is easy to grow at that rate from nothing, and the progress Rwanda has made has attracted back some remarkable Rwandans who I think are motivated by patriotism.

As I mentioned last night, a woman who was a business women here in the United States went back to create a rose farm and I’ve quoted her reason for coming back over and over again. She said, “I came back to grow beautiful roses on the ashes of genocide.” Rwanda is a special case, but let me give you a couple which are more mainstream.

What I really am excited about is what I see happening in Tanzania and Ghana, and it brings home the fact that the greatest blessing a country can have is internal peace and stability. I went from Nigeria, which has this so-called blessing of oil, to Burkina Faso which has no oil at all but has 64 different ethnic groups with roughly equal populations of Christians and Muslims, who are -- all of them -- seriously working on a sense of nationalism. 64 different languages, two major religions, yet they feel a sense of nationalism, and they will tell you about Arab invaders in the 18th century and French invaders in the 19th century and how they fought against them, maybe that’s where it comes from.

We have by the way in the Gallery at the World Bank a series of 32 or 35 fantastic photographs of the kings and the supreme chiefs of tribes of Burkina. You get the sense of this -- like what they are saying is really “unity in diversity.” They have obvious enormous pride in their individual group, but they are also somehow able to come together as a country, that’s a blessing. InTanzania for example, the other country that’s been ruled more or less by the same party for nearly 40 plus years. For a long time, that ruling party was just taking the country down progressively. Largely because of a counter-productive belief in what the state could do and an attempt to centralize everything and control prices, which basically made establishment of an enterprise almost impossible.

And somewhere along this same group of people came to realize that what they were doing was a mistake. It’s almost like what happened in China, and I think it probably was influenced by seeing what happened to China. The result has been that over the last fifteen years a progressive, steady opening up and reforming of the Tanzanian economy has occurred. They are one of those countries that have been growing about 4.5% a year for ten years.

But, they can do a lot better than that and they are aiming at it. And it’s a country that really can reach the 7-8% growth rate. I think the exciting thing is to feel that this could happen, and the sense of responsibility we feel that an institution like the World Bank has an important role to play there.

Andrew Young: I went to India with Coretta King in 1969 after Martin was killed, and Mrs. Gandhi had driven 1,100 miles. She had made something like fourteen speeches in four different languages, and she came in and she and Coretta King went in the kitchen and cooked dinner, because there was no help, and I settled around trying to listen in. She said, "I tell my boys and girls to go to England, go to America, make as much money as you can, learn as much as you can, but come back to mother India." And that was 1969. I think if you look at India now, you see that, that is happening and it has happened.
Now, I see the same thing happening in Nigeria. Nigeria is an incredibly complex place. There are as many different tribal groups as there are in India, and yet there are 200 Nigerian doctors in this country who are now organizing and, with their own money, they plan to build 20 hospitals, 20 world-class hospitals in Nigeria over the next five years. The Governor of the State where they are starting, Calabar, is a Wharton graduate and might even end up as the Vice President or President in this next election. I was in college 55 years ago and the three smartest folks in my class were Nigerians, and so there’s never been any shortage of brain power.

In Nigeria, there are all kinds of political complexities but as people began to go back home, and I think we are beginning to see that, and that’s why ending corruption is important. If people go back home and feel like they are going to be treated fairly, they go back. But if they think that they are going have to pay somebody off to get a job, they are going to stay here and get a job. So, I think that all of this is coming together and I’m such an extreme optimist. The vision that I have from the Olympics is Iraq, Iran, and Israel marching into the stadium together. You all are too young to remember the first time we had something with China was a Table Tennis match, and it was “Ping Pong diplomacy” they called it, and that was what opened the door with China.

So, when Iraq wins a soccer match in the Asian games, I light up, because I remember when playing Ping Pong with China was something really special, because China was considered the Yellow Peril. That’s one of the advantages of being old, don’t worry about it. You’ll get there.

Paul Wolfowitz: Tell us about your Rwanda experience.

Andrew Young: Rwanda is just -- I put an ad in the paper where we were looking for somebody. I flunked French in high school, and I needed a French-speaking secretary. The young lady who showed up was from Rwanda, and she was very quiet, very shy. But I found out that almost 97 members of her family were killed in a genocide. I didn’t find this out until the anniversary of the genocide, when her best friend who has just completed her PhD at Cornell, completed her PhD and then committed suicide. And you wonder, how can this happen? And then she finally opened up and began to talk about the horrors of her country.

And when she got married, Carl Masters, my partner, went back and he just praised the country. I didn’t want anything to do with Rwanda. So, he said, “you’ve got to go.” So Carl and I, next time we went to South Africa, came back through Rwanda. And we were just literally blown away at the progress that they’d made. First of all, nobody will use the terms ‘Hutu and Tutsi’. They said, “We’re Rwandans. That kind of ethnic division got us into the trouble in the first place.” The other thing is we found young people with talent and with money just doing phenomenal things. And I came back talking about it, nobody believed me. So, the next time we went back, we took a camera crew. And we have to come over here and show you the movie we made, probably right after Christmas. Because you have to see it to believe it that in 10 years this country could come together. I mean, there is a guy building a Disney World project in the middle of Kigali. I mean he’s a, well I’d say, he is a kid because he is just 40. But with his all the money, he just says “My children wanted a place to go to movies and they needed something to do,” and he said, “One of the reasons that we started killing was there was nothing to do in this country.”

He wanted -- they’ve ran out of bread. So, he went to Belgium, formed a joint venture with a Belgian baker, and now he is producing 50,000 loaves of bread a day. And this is the kind of incredible capitalism that they have plugged into, and the country has just taken off. And then the young woman who sat next to me on the plane coming in -- I said “How long have you lived in Kigali?” She said, “Oh, I’ve been there for the last five years,” and I said, “You live alone?” She said “Yes.” I said “Don’t you feel a little uncomfortable?” She says, “I don’t have any trouble.” She said, “I jog anytime of the day and night by myself and feel no danger in Kigali.” And I think that you can’t do that in Atlanta. So things are changing very rapidly in places where you least expect.
Paul Wolfowitz: Yes, I saw this on my first trip, to Burkina Faso, in a small village – an arid part of the country. It’s called Ramatoulaye, which actually is from the Arabic, a Muslim village. And I was introduced to the person who had been leading us around, and who has been elected secretary of the village, because she is one of the few who can read and write and she is a woman. At the end of that, I asked her, “is it difficult for a woman to be elected secretary in a Muslim village?” and she said, very confidently without missing a beat, “there is no way we’re going to develop as a country without women having opportunity out in the middle of Burkina.” And I heard a similar thing from a village woman in Pakistan, which I guess is the second largest Muslim population in the world after Indonesia. We got on the subject of the role of women in development, and she said, “Development is like a cart with two wheels, the man and the woman, and if one of the wheels isn’t turning, the cart won’t go anywhere.”

It is so true, and I think it is an important part of life. People are much more aware of it now in developing business than they would have been 40 years ago. But, give me just another minute to mention the most amazing single day I’ve spent as President of the World Bank. There was recently a program in Andhra Pradesh in India, a state of some roughly 80 million people, bigger than most countries. And they have started something called Social Groups which – it first sounded to me like, forgive me for saying this, just a microcredit program -- I mean microcredit was involved, and they got some small loans from this program and now they own a little bit of land and some livestock and kids were able to go to school because they weren’t moving every month.

I thought this was great, but as we moved along through the day, it turned out by the way that most of the participants in the program were women, most of them were from what was euphemistically called a “scheduled camp,” which is a way to say untouchables. And it turned out by the time I got to Hyderabad, the capital, and I met with some 200 leaders of this movement that have 8 million families involved in and around the State of Andhra Pradesh. And these were women who people assured me would have been uncomfortable even talking to an official like me even in a private conversation a few years ago. And they had a chance to talk, with a microphone -- they would grab for it, speak passionately and really very articulately. It was very clear this was about more than just microcredit; that, with a whole sense of empowering people and giving them the feeling that, they might be in the untouchable caste, but they have a voice and they could make a difference.

I’d like to see more of that kind of success story but it is -- this was not a small scale -- I mean 8 million people in the State of Andhra Pradesh is quite remarkable. And I think by the way one last comment, Nigeria is another complicated country with these different States. I think just as I believe China was inspired by the example of Singapore and Hong Kong and even Taiwan, we are seeing that within India the more successful states are being examples for the others. And I think maybe that can start to happen in Nigeria as well. You can’t change a big place all at once. But when people see that something works, they want to emulate it.

Andrew Young: I always remember something they tried to teach me in high school -- you guys probably remember what it is -- the amount of energy that it takes to move one gram, one degree, that somebody’s law. I used to apply this to the church, because everybody would talk about how hard it is to change the church or to change a company. But you have to figure out that the larger and more complex the institution, the more creativity and the more energy it takes to move it just a little bit. But when you move something like a country like Nigeria on one issue, you have really moved 150 million people. Brazil is another country where a private company went in and put a shipping apparatus in that the farmers they didn’t have-- they put in grain elevators, they put transportation, food processors and they paid the Brazilian farmer the World market price the day they picked up the food.

Well, that increased production by almost 30 percent, because in any developing country 25, 30 percent is spoilage between the time you harvest and the time you get to market. So, an American company moving in I think it cost them about $0.5 billion. Brazil’s president, Cardozo -- we liked him and he is an
academic who is an economist who was a good President -- but he brought in a private American company and they formed a public-private partnership in agriculture and I think that’s the reason for Brazil’s take off. And when you see a big country like that move, and that’s what I’m looking for in Nigeria, or Tanzania. I’m looking for a major American investor, to go in and set up transportation and distribution networks because it takes that to move things forward.

**Dr. Bahl:** I think for a while a lot of people thought globalization was going to be an answer in moving the world economy in a way that everyone would benefit. What we see now is that the gap in terms of per capita GDP -- the standard measure -- and we take China and India out of it, the gap between the developed countries and the developing countries is greater.

**Andrew Young:** But, that’s why you can’t take them out of it, because that’s where most of the money went. If as much money had gone into Mexico, Brazil, Argentina, Nigeria -- I mean China has sucked up a whole lot of money.

**Dr Bahl:** So, what’s the answer to the Congo? Is it Foreign Direct Investment? Is that where we believe we’ll get the answer, or is it lending to develop infrastructure, or is it just leadership within the country? What happens next to cause African countries to build their economies, and what do we do to help them?

**Speaker:** All of the above.

**Paul Wolfowitz:** It is all of those things and I can say that there are many different ways to present those statistics. But to me, I guess I don’t accept the picture of globalization you describe. I think to the contrary, the countries that have been successful and are able to get access to global markets, like China, while there is a still a long way to go, hundreds of millions of people have escaped poverty because of that. And the question is why in other places, like Africa, are people being left behind. I don’t think Africa’s condition is caused by globalization as much as it is by an unfair and unequal trade situation. Collectively United State, and Europe, and Japan spent $260 billion in a year on subsidies and preferences for their own goods.

Roughly half of that is direct government subsidy, and half is increased prices for domestic agriculture. Some of these farmers are really just major agri-business people. The average subsidy to a top farmer in the United States costs US taxpayers $250,000, and that depresses the prices for cotton for poor farmers in Burkina Faso or in Mali. It needs to change and it’s not changing and the Doha Round is not succeeding, and it has got to. But none of that is any good unless countries take responsibility for themselves.

We need their leadership, we need their policy, and we need an environment where I think foreign investment support and local domestic investment is even more important. We do a survey every year of the business climate, I think we are now doing 170 countries around the world, and survey things like how much it costs to open a business, what the tax rates are, how many hours a year you have to spend just filling out tax payments. And it’s not surprising, unfortunately, that a lot of the countries that are struggling are countries where the bureaucracy is suffocating, where the fees to open a business are impossible.

Though it has improved, I think in Burkina, when I visited, the cost to open a business is one-and-a-half times per capita income. Per capita income is around $300 so that’s not even $500 and for a foreign investor coming in, they are not going to be stopped by a $500 fee to register. But for some woman who wants to open a small sewing business in Ouagadougou, for example, the capital in Burkina, $500 is prohibited. So, either she won’t open the business or she does open the business it’s going to be in what is called the informal sector, which means it’s not legal and the labor laws don’t apply. Whatever opportunities there are to export her goods are severely constricted.
So, I do think that for the countries like Tanzania and Ghana, that are doing relatively well today, I think one of the biggest things they could do for themselves is to make it easier for their own people to start businesses. And for the ones that have small businesses, to grow them medium size. There is a lot the government can do to help that including getting out of the way.

Speaker: Add something to that?

Andrew Young: No, except that when I became mayor it took seven months to get a business license here, and we set up a one-stop shop and we actually got the process down to seven minutes because everything that it took you seven months to do, you could put into a form that you can fill out at your leisure and put it into a computer and we’d issue the license in less than half-an-hour.

But, we set as the objective, we had 30-minute parking meters in front of City Hall, and we said that you ought to be able to come and put your quarter in, and go in and be able to get your business license before your meter runs out. And I set that as a goal, and we said, “either you do it, or you get fired, and we find somebody who can do it,” and we created a competition within the bureaucracy so that the more efficient bureaucrats got bonuses, the less efficient bureaucrats didn’t, and pretty soon, we had people hustling.

Paul Wolfowitz: You know, that’s leadership and I don’t think the government development textbooks have chapters on leadership. But when you look around and see where success has happened, good leadership -- and not just the top person, but leadership within the country -- is naturally crucial. I think institutions like the World Bank can help. When we find that good leadership, they need help, they need money, they need roads, they need schools, they need hospitals, and we need to be a lot faster in providing that. And I see some agreement in the audience.

Andrew Young: That’s the other problem I have. I’m a southerner and I know we couldn’t have made it without Tennessee Valley Authority, and without the rural electrification. I mean, the infrastructure or the New Deal made it possible; that was the framework that was all in place, so that I could do this sort of thing. I mean I was really fine-tuning a system which was already in existence. For the average developing country, there are no roads. You still can’t keep your lights on all day long. And the World Bank was getting out of infrastructure for a while, and going to the grassroots projects. I am all for that, but who is going to build the roads, and the railroads, and the power generation facilities that create the overall framework for development?

Paul Wolfowitz: But, we are getting back in. I think there was a fear that developed in the 90s, looking at some of what we call “white elephants” in the 70s and 80s -- big infrastructure projects, roads, and bridges. Bridges that go nowhere -- does that sound familiar? It’s not only in developing countries that you have this problem, but a lot of money is spent on projects that really weren’t thought through a lot. But that doesn’t mean you can do without roads and irrigation works, and we did a lesson-learned study last year to try and make sure we don’t just repeat all the old mistakes. We are back in with much bigger infrastructure lending and one of the things that I hope we can do more of is in Africa’s regional infrastructure.

We’re still pretty much organized to work with individual countries, and it becomes more of a challenge when no single country can build a railroad network, for example, in East Africa to get goods from Kigali to Nairobi. I’ve picked that example because that’s the case where we actually do have a big
investment now and a regional transportation network. And Africa in particular needs more of that. There is no question that one of the harmful colonial legacies was to chop the subcontinent up into so many different national jurisdictions that you have trouble moving around.

**Andrew Young:** You know there’s one amendment that I got passed while I was in Congress and it was an amendment around the Mass Transit Act. At every station, every time the mass transit system stopped, we put through an amendment that gave the community the right to have a public-private development corporation to plan the development within a half a mile radius of that station. That’s the reason we got the underground, that’s the reason we got the Art Santa and the IBM building there at 14th Street. Because we were able to plan that, we were able to condemn the property, and we were able to create maximum use. It also happened in Lenox Square, and we moved some poor people out, but their properties were evaluated at about $30,000–$40,000 and they couldn’t relocate for that. So, we added the air rights. We said there is going to be a twenty story building here, and that turn out be a 50 story building, and we paid people for the air rights over their $30,000 house, so that they got close to $300,000 each, and it moved them out. All of the development around Lenox Square, which is a big shopping district here, was made possible by a one line amendment that I got up late at night to put in -- I said “Can we add an amendment that you can create a Public-Private Development Cooperation that covers half mile radius of each station?”

It sounded so innocuous that it was approved on a voice vote; nobody paid any attention to it. But it was a planning tool that enabled us to plan around every mass transit station. Now what that also does is, when you have the right to condemn land for railroad or for a pipeline, or a highway. If you create a development-planning mechanism within a half a mile radius of every interchange and you control the price of land, you can make sure the increased price of land will help you pay for the construction of the railroad, or the highway. The President of Angola wants to build a road from Luanda to Kinshasa, and we said, “don’t just build a road, build a road, build the railroad, build business communities, have an airport in routes and if you lay it all out you can probably make it pay for itself.” But it’s hard to get people to understand.

The other things are when you had one country controlling the bureaucracy, and, in their case, the Portuguese, they still think Portuguese. And in the Congo it’s France and Belgium. That’s why I think American thinking and planning, and Chinese thinking and planning, can help create a competitive situation. This kid in Rwanda said he was able to build his theme park because he got the equipment from China at one third of what it would have cost him in France. So that was competition. Now, the next time the French or the Germans bid on stuff, they are going to bring the price down a little bit and they are going to be competing. So, competition and all of the countries coming in to the developing world is -- well that’s what made capitalism work here.

**Dr Bahl:** President Wolfowitz, a couple of our graduate students have asked to share their view about World Bank economic development. Could you take a couple of questions?

**Paul Wolfowitz:** I will try.

**Dr. Bahl:** So, do we have some graduate students? You could stand and give your name and your country and the degree you are working on and then you may speak your mind.

**Speaker:** My name is Nora I am from Cameroon and I am a forth year PhD student in Economics here, and here is my question. Some will say that the eagerness of the World Bank and other international institutions to move those grants, and the lack of accountability have contributed to wasteful use of resources and even corruption in many countries in Africa. Do you agree and you still -- what have you done to change that.
Paul Wolfowitz: I had to say I do agree. I think one of the challenges I run into in telling people about the World Bank is – it has been around for long time, often people tell me about their problems -- there may have been a problem 20 years ago and isn't a problem any longer. Sometimes it's a problem that it's still a problem that we're working on fixing it and sometimes it's something we still aren't doing anything about it all, and this whole area of how the -- not just the World Bank but the development community as a whole has dealt with the problem of corruption and for a very long time people didn’t want to talk about it -- not even mention the word.

It was until 1996 that my predecessor, James Wolfensohn talked about corruption for the first time in the World Bank. Up until then, people thought, well, it exists but it's not good for various reasons to mention. He called it a cancer on the development process and he is right about that. The Bank’s record in Indonesia where I was the ambassador is flawed, I think it’s the right way to say it, by the fact that for a long time during the Suharto era, when everybody knew there was a great deal of corruption, the Bank never said anything about it. My sense is that it's still the case that a lot of the work that the Bank did in Indonesia was productive. The country thrived, in spite of Suharto flaws, but it could have been a lot better, I think.

It's interesting to me that among the Bank offices around the world, the one that I have encountered that most strongly supports what we call the agenda of improving governance and fighting corruption is in fact the office in Jakarta. And there are two reasons for that; number one, after Suharto's regime collapsed and all its criticism came on the World Bank, our people in Indonesia realized that we had a reputation to recover. But the other thing is that the Indonesian people themselves from taxi drivers on up to the President himself have made this a major issue for the country.

One of the arguments sometimes is that if 50 cents of every dollar you give to a country is going to help the poor, maybe 50 percent is stolen, but if you cut off that dollar then nothing can help the poor. So, it’s better that 50 cents goes to the poor than nothing, and it’s a seductive argument -- I mean, I made myself, it moves me. But I think there are two things that are wrong with that. Number one, things don’t stay at 50 percent if people are stealing, they steal everything and it tends to happen that way. You may not get to 98 cents on every dollar going to where it should, but that should be your goal. Actually, your goal should be a hundred. It’s the only way to really make things work. And the second thing is there is not enough money to go around wasting.

There are countries that are making very good use of the money they get and they need more and this is where one of the challenges comes. Because people say, well you have to be fair, you can’t discriminate among countries. And I would agree you have to be fair, you can’t discriminate on political grounds. But I think you have to distinguish between countries that are using the money well and countries that aren’t. I think you have to realize that if you say how the government would behave -- it doesn’t matter. You are really setting a terrible turn for the whole place. I got a friend from Ivory Coast who feels that his country was destroyed by corruption and then it was made worse because the donor community acted impulsively, and then we try to put it back together again.

But, I think to me the important thing is that I think we’ve learned a lot of lessons, we’ve been doing a lot better now. And having said that once you say okay, it is a real problem, we need to do something about it, it's easier to say than actually do it. It's in human nature, it's in the rich countries as well as poor countries, but I think we have to keep at it.

Speaker: I’m from Cote d’Ivoire. As we all know most African countries are lagging behind in achieving the ‘Millennium Development Goals’, especially in poverty reduction levels. In my opinion this slow progress is due to the lack of civil society work in the development process. Is there any specific policy that the World Bank has put in place to help the civil society engage in the development process, and also to help to develop this trend in increased poverty that we observe in Africa?
Paul Wolfowitz: Well, first of all, not that what you say is wrong, what you say is right, but the picture isn't the same across Africa. I tried to say it a bit earlier. Some countries really have it -- a reasonable chance to find the money to meet their development needs, but they will have to improve their performance, and other countries really have no chance at all and the problems are more fundamental. And secondly I agree with you about the importance of civil society. I still think that if you want a really good book about the development process, you should read a book -- it was written about the United States almost 200 years ago by a Frenchman named Tocqueville, called “Democracy in America”, and then the US was a developing country back then, and it's interesting to me how much he emphasizes the importance of civil society.

He calls it the American tendency to form associations; that whenever there was some particular cause that people wanted to make, they put a group together that did try to achieve that. And I think I see that in Indonesia, I think one of the reasons that the country didn’t suffer as badly as it might have after the collapse of Suharto is because there were a lot of informal civil society groups that divided the strength. One of our handicaps here is that most of our work is through governments; we can do a little bit with trust funds that can go directly to civil society groups, but for the most part we support governments. But we are increasingly able to work with governments that strengthen civil society groups in various ways and to try -- I think there's a much better understanding in the World Bank now than it was ten years ago.

There are many examples of the importance of civil society. I'll give you one, and a very striking example in Ethiopia after the elections of last year the country became very badly polarized, and a number of the bilateral donors basically didn’t want to give money to Ethiopia any more at all. We were concerned that in that kind of polarized situation, our money would end up going just to the places that support the government. So, we got into what they call a dialogue, some people would call it a very tough negotiation. But the end result was the government agreed to a pretty remarkable program to distribute our money and other donors money impartially without regard to how different districts voted, and to allow civil society to participate and monitor that.

And when I was in Ethiopia in July, I met with civil society groups. They were among the most sophisticated I have met anywhere in the world. And I was really impressed, it is still much too early to tell you whether this program is working or not but I thought it was a huge step forward that the government agreed with us to bring civil society groups in to monitor the performance of government officials, and monitor that the money is going where it is supposed to go. I hope it works, needs to work but also if it doesn’t work, I think those civil society organizations will be even stronger in the future. But, we need to figure out better ways to do that kind of work.

Speaker: I am getting the sign that our time is about up.