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Transcript of interview with

JAMES D. WOLFensohn

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Interview by: William Becker
JAMES D. WOLFENSOHN

Session 1

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Washington, D.C.

[Begin Tape 1, Side A]

BECKER: Good morning. This is William Becker with the World Bank's Oral History Program and the George Washington University, and I'm here this morning, June 5, 2006, to interview Mr. James D. [David] Wolfensohn, former president of the World Bank.

Mr. Wolfensohn, it's a pleasure to see you, and I consider this a privilege, the opportunity to talk to you about your career.

WOLFENSOHN: Thank you very much.

BECKER: I'd like to begin with some fairly obvious questions about your background. When and where were you born?

WOLFENSOHN: I was born in Australia in 1933, and educated in Australia.

BECKER: Mm-hmm. And who were your parents?

WOLFENSOHN: My parents were two English-born immigrants to Australia from the mid-'30s: Hyman Wolfensohn, known as “Bill,” and Dora Wolfensohn, his wife. And I had one sister, Betty, ten years my senior, who is still surviving.

BECKER: Very good. Does she still live in Australia?

WOLFENSOHN: She's still living in Australia.

BECKER: In Sydney?

WOLFENSOHN: In Sydney, yes.

BECKER: Okay. We've already talked a little bit about music, but when did your interest in music begin?

WOLFENSOHN: I, like most kids, took piano lessons at an early age, but my family was
rather poor, actually, and I had to give up piano lessons from the teacher that I was taking at a reasonably early age of nine or ten years old. And so my piano career stopped. My mother was a fine pianist, but studying with your mother didn't work out for me, and so my piano lapsed at a very early age.

BECKER: Okay. Now, you said you were educated in Australia.

WOLFENSOHN: Yes.

BECKER: You went to University of . . . ?

WOLFENSOHN: I went to the public school system in Australia, the primary school, high school, and went to university very young, at the age of 15. I was really more or less forced by my parents, who thought I was a brilliant child, since I was on a quick trajectory to go to university. But at my high school, my grades went from being in the top few in a class of 127 to be, in the end, 123rd out of 127 by the time I got to university. So I got the minimum possible pass to enter university, and got there ill-prepared, scraped in, too young, neither prepared educationally or emotionally, and proceeded to fail my first year at the university in, I think, almost every subject. [Laughter] So it was not a brilliant start, but I picked myself up with the help of a professor friend of my father, Julius Stone, and finished an arts degree, and then a law degree. And I gradually recovered my balance and did reasonably well.

BECKER: What was your major, if the— if the Australian system had [inaudible] . . . ?

WOLFENSOHN: Not quite a major, although I would always exaggerate it to my wife when I was courting her that it was music and philosophy. But, really, there were three subjects that I was working on: music, philosophy, and history. And let me say my knowledge of any of those was not tremendously deep. But I did sort of a couple of years work in each of those subjects and then did a combined degree of liberal arts and law. But in my law degree I had the Australian experience of working in a law firm in what's known as articles, an article law clerk. So for three years of my law studies, I was working during the day and attending courses at the end of the day in the evening.

BECKER: Mm-hmm. So it's more of an apprentice kind . . .

WOLFENSOHN: It was like an apprentice system with lectures, early morning and late afternoon, or early evening. And it was a great system if you were able to attend the classes, which I rarely did [laughter], but somehow managed to get a pretty decent law degree with no failures, which was remarkable.

BECKER: Now, an American—in the American legal education, there's a possibility, I guess, in the last year-and-a-half to specialize in a particular area of law. Is that the case in . . . ?

WOLFENSOHN: It was a different system in Australia, but because I was in the most
distinguished law firm then in Australia, called Allen, Allen & Hemsley, and working for several
of the leading lawyers in the country, I took a great interest in litigation, and so I became
essentially a clerk in litigation, and assisting my two master solicitors, as they were called,
who—distinguished corporate lawyers and preparers of litigation. And so it was a mixture of
corporate law and litigation.

BECKER: I see. Did you get to litigate, ah . . . ?

WOLFENSOHN: Yes. And, in fact, that was the reason that I reached my next step in my
career, which was go to the Harvard Business School.

BECKER: Right. [Inaudible]

WOLFENSOHN: Because the case that I was working on for one year was a triple damages
suit in an American case, RCA-Zenith antitrust action, which was a $300 million suit, which in
those days was huge. And they were taking extraterritorial evidence in Australia as part of the
suit, and I spent a year working for my senior partner, Mr. Reichenbach—R-E-I-C-H-E-N-B-A-
C-H.

BECKER: Thank you.

WOLFENSOHN: And I spent a year preparing so that he could try the case with Bob Zeller—
Z-E-L-L-E-R--from Cahill, Gordon, Reindel & Ohl, a New York law firm. And the night before
the case came up, my boss had a heart attack.

BECKER: Oh.

WOLFENSOHN: And it was then impossible to bring anyone else into the case because it was
learning four thousand pages of evidence. And so this poor senior lawyer from New York found
himself working with a very junior lawyer from Australia, almost, but not yet, qualified. And it
was that that took me to the United States.

BECKER: I see.

WOLFENSOHN: And let me tell you why, because it was amusing. In the first day of the trial,
I knew everything; was, I thought, brilliant, and so did Mr. Zeller. The second day came by, and
in the middle of the proceedings, he said to me, "What is the current ratio of RCA"—oh, no—"of
AWA, an Australian company?" And I, of course, didn't have the slightest idea what a current
ratio was. I barely knew what a balance sheet was. And after a lot of fumbling, he turned
around to me and said, "Why the hell don't you go to the Harvard Business School?" and
snatched the papers from me. And that night, never having heard of the Harvard Business
School, I wrote to the Harvard Business School from Canberra, and four months later I was at
the Harvard Business School.
BECKER: Wonderful.

WOLFENSOHN: So that's how it happened.

BECKER: Okay. That was one of my questions. I did want to ask you a couple of other questions about your university experience. The first is the—while at university, you became a member of the air squadron.

WOLFENSOHN: Yes.

BECKER: How did that come about? I mean, was that compulsory service?

WOLFENSOHN: No. You know, there was no compulsory service, but I was a student leader in the student movement, was active in sport, as you probably know, fencing.

BECKER: Yes. That was my next question.

WOLFENSOHN: But like other kids, I—I wanted to join one of the units, and it was a choice between the Army and the Air Force, and the Air Force was literally in its second year only, and was a very selective group, and I managed to get in, but was then told that if I wanted to fly, I had to stay in the Air Force for two to three years. So I became a member of the squadron, but as an equipment and accounting officer. [Laughter] And I had a lot of fun doing that.

BECKER: Nifty uniform?

WOLFENSOHN: It was a great uniform. The girls liked it. I liked it. My father liked it. Everybody liked it. And ultimately it helped me get to the United States.

BECKER: Okay. Now, how did that—how did that work out? One of my questions is, you know, in any way was your military service influential on your later career?

WOLFENSOHN: Well, it was because I had no money to get to Harvard, having got admitted. And so I called the Minister for Air, who I didn't then know, but who subsequently became a great friend, Fred Osborne—O-S-B-O-R-N-E. And I went to see him, and on the introduction of my lawyer friend, Tony Larkins—L-A-R-K-I-N-S. And he said—I stood in front of his desk, and he said, "What do you want?" And I said, "I got admitted to Harvard Business School, and I would like to get a free passage on an Air Force plane, if you have one going to America." And he was somewhat shocked and said, "Do you want to join the permanent Air Force?" I said, "No, but," I said, "if there's a war, you're going to need Harvard Business School graduates," [laughter] which seemed a bit preposterous. But he joined in the joke, and so they gave me a free passage with the New Zealand Air Force chief to London on his plane, which took us eight days in a Hastings piston engine aircraft.
BECKER: Oh.

WOLFENSOHN: But it got me to London for nothing.

And then, when I was in the States, they assigned me to write a report on the American Air Force Reserve, which during my two or three years in the States gave me the right to travel around to American Air Force bases. And American Air Force officers, loving Australians, they also entered into this lunatic idea, [laughter] and anytime I wanted to go somewhere, which I only did two or three times, I would go with military air transport. And I must say, the Americans repaid their debts in the Second World War for me.

[Laughter]

BECKER: Well, that's wonderful. I had not heard—I didn’t—I had not heard about that.

Now, you mentioned that you were athletic and that you were interested in fencing.

WOLFENSOHN: Yes.

BECKER: When did you start to fence?

WOLFENSOHN: Totally by accident. My life seems to have been a series of accidents. But I used to be a good tennis player, and I gave it up when I had been asked by Harry Hoffman [phonetic] to join a squad with Lou Hoad [phonetic] and Ken Rosewall [phonetic] and leave school. And my father said over his dead body. So to spite him, I stopped playing tennis.

But I had this nostalgia for tennis, so in my second year at university, I used to go down and watch the guys I used to beat playing tennis. And when I'm standing there one day, the captain of the fencing team, who used to practice at the tennis pavilion, came over to me and said, "Jim, could you come and represent the university in fencing the next day in the competitions in Melbourne?" Never having fenced before, I thought that was a strange request. But he said, "No, seriously. One of our team members got sick. We have to have eight members; otherwise, we can't compete. And so we need an eighth member, and all we need is a body. [Laughter] But you'll have to stand up and fence." I said, "You're crazy, Rupert." And he said, "No." He said, "We'll teach you on the train."

[Laughter]

And so, again, to cut a long story short, I got on the train, went to Melbourne, they taught me what to wear, how to salute, and we had a series of signals which meant that if they did a certain signal, I'd put my arm out and run at the other guy. [Laughter] And, of course, it became very apparent to all the opposition rather quickly that I didn't know anything. And so I drank a lot of beer and had a fantastic time and didn't do very well, as you might imagine. But it whet my
appetite for fencing, and five years later I was national champion and [inaudible].

[Laughter]

BECKER: That's great.

WOLFENSOHN: But it was not a—I have to admit that fencing was not a profoundly popular sport in Australia so to make the Australian Olympic fencing team was not, I think, the pinnacle of athletic success compared to the swimmers and the runners. But it was a discipline and I put heart and soul into it. And we—we fielded a team at a reasonable level, given the—given where we started from and so we did okay.

BECKER: Did you fence after you left Australia?

WOLFENSOHN: Just once or twice. With ex-Olympians who were at Harvard. We entered the World Championships and the National University Championships, and—and basically tried to win on the basis of—of psychology rather than skill. And I fenced a bit for a year or two. I did go into the World Championships, captaining the Australian team.

BECKER: A good friend of mine is a—a serious fencer, and when he was at Yale, he did a lot of it. And he maintains it was one of the greatest disciplines for him. I mean, he's a—he became an academic, and quite a distinguished academic, and—and he still harks back to fencing as having taught him about as much about life and discipline as . . .

WOLFENSOHN: It is. That is exactly correct. That's what I found, which is why I emphasize that if you do the training, and if you really think about this—well, it's an intellectual sport.

BECKER: Yes, yes.

WOLFENSOHN: But it's also a physical sport. And—and you can practice even if you're not exercising, and we did a lot of mental exercises about—about fencing. In fact, we even put ourselves in a self-hypnotic trance to go through moves.

BECKER: Yeah.

WOLFENSOHN: And—and we did a lot—we were at the sort of cutting edge of what is now modern psychology for just about every sport. But we were at it early . .

BECKER: Yeah.

WOLFENSOHN: . . and it's very much a psychological game as well as a physical game.

BECKER: Right, right.
WOLFENSOHN: It's a great sport.

BECKER: There's a lot of psychology in tennis as well.

WOLFENSOHN: There is, yes.

BECKER: So that . . .

WOLFENSOHN: I play both games, but I would have to say that fencing is—is more immediate in terms of its psychology and more focused and, in my opinion, has a more short-term impact on the results. I think tennis, the psychology is a bit longer range . . .

BECKER: Yes. Right.

WOLFENSOHN: . . . and the way you play a match.

BECKER: Right, right. And because you have a lot of time to stand around, your psychology can—I used to play tennis a lot, too.

WOLFENSOHN: Well, then you know that in all these sports, psychology means a lot.

BECKER: Yes, absolutely. Yes. Well, I was going to ask—you've answered the question of whether life lessons from fencing—and the only reason I ask that is because my friend has often said that he's gotten these life . . .

WOLFENSOHN: I really don't have any doubt that it has an impact on the way you pace things, on—certainly on negotiations it has a lot, because in fencing it's never the first intention that you demonstrate, in terms of your moves towards your opponent, that is what you're going to do. So you're thinking in terms of second, third and fourth intentions, and you're constantly adjusting those intentions about what you're going to do during the course of the bout.

BECKER: Right.

WOLFENSOHN: And I've discovered that in negotiations it's exactly the same thing.

BECKER: The same thing.

WOLFENSOHN: And so I'm quite—quite certain that any success I've had in negotiations has—has its roots in part in the sense of timing, the sense of when you disclose, when you don't disclose when you move, when you feint, when you—when you finally commit, and what you do if you're rebuffed. These are all things which are part of the language of the sport of fencing. And they are the language of negotiations, also.

BECKER: Yes. Well, good. I—I couldn't believe that there was . . .
WOLFENSOHN: And I don't have any doubt about that. I think your friend is exactly right.

BECKER: I'll tell him that there's very good authority who agrees with him on that.

WOLFENSOHN: No, I mean, I—I truly believe that.

BECKER: Yes, yes.

Now, at Harvard, what did you learn at the Harvard Business School?

WOLFENSOHN: Well, I learned about American football. [Laughter] I learned to drink—in moderation. My roommate, who was an ex-Olympic field hockey player, drank in less moderation, but he taught me a lot about—about life. And the most important thing I think I learned in the case studies at the business school was something about the world outside Australia. The beauty for me of coming to the United States to do this was that it was not only a technical education, it was a geographic education, and to a degree an entry to the world because Sydney, important as it was to me growing up in Australia, is a long way away from the rest of the world.

BECKER: Mm-hmm.

WOLFENSOHN: And so the issues, first of all, of the United States, with its greatness and its breadth, and then an opening to Europe and Asia from classmates, and from the Middle East; I really met the first Arab students that I have known. They were, significantly, from very privileged families, but at least it opened up to a Jewish boy from Australia the notion of—of interface with Arabs—at a very modest level, I might add—at Harvard. But it gave me the sense of a global community, and Harvard really was a global community.

And I owe an enormous amount to Harvard for very many reasons, the first—the first one being that I got there with $300 in my pocket, [laughter] and the fact that I was able to work with the director of financial aid, Florence Glynn—G-L-Y-N-N—and that we were able to get me through with a mixture of loans and running the laundry service and various other things.

And Harvard taught me so much, and really re-affirmed my belief that if you really wanted to do something, wherever you start from, and with whatever odds, you can do it so long as you have the will. And Harvard, if it had been not a successful experience, would have dashed that perception of life. But Harvard was the reverse. Harvard was a place that for me opened all the doors, and was—and was incredibly well for me and had no nationalist prejudice whatsoever. And, of course, the student body was fabulous . .

BECKER: Yeah.

WOLFENSOHN: . . because in those days—I guess it's still quite competitive to get in, and so
the quality of your colleagues was amazing, I found. And Boston as a place to live . .

BECKER: Yes.

WOLFENSOHN: . . was a remarkable place to live. In fact, it was there that I met my wife.

BECKER: Yes, yes. Could you talk very briefly about how that—that happened? She was a Wellesley student?

WOLFENSOHN: She was at Wellesley, and we met actually first on the Jewish High Holidays at a Hillel service at Harvard, where we just ran into each other because there were girls from Wellesley and boys and girls from Harvard and Radcliffe. But that was a transient encounter. But the one thing that I was able to afford was the rehearsals of the Boston Symphony, where for $8 you got, I think, twenty rehearsals. I think it worked out to 25 or 30 cents a—a rehearsal.

And I would meet Elaine [inaudible], as she then was, at the rehearsals. And she would go—she had a car, which she would park in Harvard Square, and she would come in and park in Harvard Square and then take the subway to Symphony Hall. And so we got in the habit of going back and occasionally having a coffee at the Wurst House or some restaurant. And coffees led to other things, and we then had a date in our first year and—and started going out together.

BECKER: Okay.

Now, I'd like to turn to your—to the development of your business career.

WOLFENSOHN: Mm-hmm.

BECKER: After graduating from Harvard with, you know, an MBA, and you had a law degree from Australia, what did you think your career plans were?

WOLFENSOHN: Well, my first thing was I thought I should stay in international business because I found, while I—the first thing I discovered at Harvard was that I had some competence, although not great, in finance. And I really liked finance for two reasons: A, I enjoyed it intrinsically because I thought it was an x-ray on every business, and that through finance you had the capacity to understand a business holistically, because every aspect of business manifests itself in some way in financial results, either in terms of the expenditures that you make and what they're for and what the results are, or when you see the results you have a chance then of putting the template on the business of—of—having known what the cause of these results, whether they're likely to continue, whether they're likely to increase, what the projections are for the next five years.

And so it—it for me was an x-ray both in terms of substance and in terms of time. It was a wonderful way to look at a business. And—and I got used to using that sort of x-ray and found it an amazingly effective tool to pose questions of a business nature. And it also, I discovered,
gave you an amazingly unexpected step up because so few people really understand finance. I've never been able to understand how senior executives in—in business say they can read a balance sheet and they know about finance, but they've never spent four months just learning the basics which would give them a sort of a key. But it is amazing to me to this day how few people really understand the nuts and bolts of finance. Anyway, that was one interest.

The second thing about finance that really attracted me was that it was global. Whereas having a degree to be a solicitor or lawyer in Australia was limited in terms of geography—and in terms of the law, maybe from the state in which I was born, up to the other states in Australia, with difficulty—this was something that was international. And I knew then that what I wanted was an international passport to earn a living wherever.

And so I spent the next year after Harvard in an institute in Switzerland called IMEDE, Institute pour l'Étude des Méthodes de Direction de l'Entreprise, which means "business school" . .

BECKER: Yeah.

WOLFENSOHN: . . and it was in Lausanne, and Harvard provided the faculty, or most of the faculty. But they also provided the research assistants, the associate professors, or whatever we were called. I think we pretended to be called "associate professors" but, in fact, we were research assistants. [Laughter] And so I went there for a year and wrote a few cases in Europe and did a bit of teaching.

As my mind plays tricks on me, my teaching becomes more important than my research. In fact, if I taught two classes, it was probably a lot. And—but I did write a couple of cases, and I also came into contact with Angelo Talliaveer [phonetic], who was an Italian professor who was working there. And he had another impact on me because he'd take me, every month when we got paid, gambling in the South of France, [laughter] and we would get in a car and go to Cannes and Nice and Monte Carlo. And he was a professional gambler and mathematician. And . . .

BECKER: What was your game?

WOLFENSOHN: He would play roulette and blackjack, and I—I would quickly lose on slot machines and roulette a quarter of whatever I had earned and then stop, and then eat the free food. And if Angelo had done very well, he would give me back whatever I'd lost.

But this whole experience of being exposed into Europe, again, had a huge impact on me because I had done the States for two years, but I had never been in Europe. And so from a Swiss base, I would then travel really quite extensively.

And I realized several things: first of all, how rich all the culture was; and, secondly, what an idiot I was in terms of knowledge, that my background in the visual arts and the arts and history was primitive, and that my education in Australia, I think, had been quite good as a school kid, but that my—my development had been arrested at the age of 15—or maybe that's not true, but
the age—when I was through the university. And I'd just become totally voracious to try and fill myself out on the things that I had little or no knowledge of, but which I could see every European kid grew up with, just as every American kid grew up with a certain history. In Australia, somehow I missed that.

I'm sure it could have been better if we'd had had a richer cultural life, but my parents were financially strapped. And although they were both very cultured people, somehow it didn't come through to me.

So the notion of travel, the notion of getting international experience, just as a matter of self-development, quite apart from a job, became very important to me. And so I went back to the States, and I spent a further year working from Rheem Manufacturing Company.

BECKER: Yes. By the way, did you learn—you speak French.

WOLFENSOHN: Yes.

BECKER: Did you learn it in Switzerland or had you learned . . . ?

WOLFENSOHN: I had learned a little bit at school. I'd had a French girlfriend in my second year at Harvard when Elaine, who is a French scholar, was away in Europe. So, of course, I felt it necessary to keep the language skills up, although perhaps the sense of loyalty was not as great as it might have been. [Laughter] And—and so I became intrigued by the French language. Of course, in Lausanne, I took the opportunity of trying to speak French as much as possible at the fencing club and with friends. And I found that I loved the language, and to this day I'm pretty fluent in French. It's been a useful language to have. But I unfortunately have primitive knowledge of some other languages. Nothing serious.

BECKER: But you were telling about—the—the company's Rheem International?

WOLFENSOHN: R-H-double E-M, was run by a person called Angus Lightfoot Walker, who had spent a lot of his time in Australia, was an Australian. And my father had befriended him, and so he gave me a job between my first and second year of the Harvard Business School.

BECKER: I see.

WOLFENSOHN: And then I spent a year with him afterwards working in Rheem International for Mario Capelli—C-A-P-E-double L-I. And I did some work for them on their expansion overseas for that year. And—and during that year I went to Nigeria, to Greece, to India to look for acquisition possibilities or expansion possibilities because Rheem made steel drums for oil and a number of other steel products which were needed in these countries. So it wasn't high-tech stuff.

BECKER: Mm-hmm.
WOLFENSOHN: It was a steel line. And with the work that I did for Rheem in those three companies, I had—those three countries, and I was working as, again, a highly inflated title of Director of Growth and Development for Rheem International, with a staff of me, [laughter] and reporting to Mario. I had a chance to look at the developing world for the first time.

So I had had the United States, I had had Europe for IMEDE, and now I was working in India, Brazil, Nigeria . .

BECKER: Nigeria.

WOLFENSOHN: . . and each of those was a story in itself as to the experiences I had in those places, which were marvelous and varied and difficult. But it exposed me to all the sort of things that I would find subsequently in international business: poverty, graft, disorganization, lack of governance, strength of family connections—all the things which were obvious but which I had the opportunity of—of experiencing.

And so it whet my appetite tremendously for international issues and, frankly, exposed me, particularly in Nigeria, to the whole issue of poverty, to which I had not really been exposed before. I hadn't seen hungry people. I hadn't seen hordes of people without organization. I hadn't seen people being herded with sticks by policemen like animals.

I was subsequently to learn that it was much better in Nigeria, which had had a British history, than in many of the other countries I was subsequently to visit. But it gave me enough of a sense of the difference between rich and poor, developed and developing, that I became—I won't say I was prescient at all, but it was a clear influence on me. It—it attuned me to the questions of development and poverty in a way that nothing else could have.

If I had been dumped in the middle of the Congo or if I had been dumped in other places, it would have been deeper and richer experience in poverty. But this was enough as a first step to make me understand the problems of development. Nigeria was in its first year after independence so I could see what—I had many, many incidents that, again, would be a subject of a book, that attuned me to the difficulties that people running their countries, when for generations they had been denied them, when they were subjects to white-faced foreigners, whether they be British or Portuguese or French or whatever, and how tough it was for the Africans to assume responsibility when they were neither educated for it nor was there anybody with any experience.

BECKER: Mm-hmm.

WOLFENSOHN: And these were sort of images that I was left with at that time, ill-formed, with no particular purpose, but interesting.

And so I then came—I spent a year doing that, and my wife and I got married, and we went back
to Australia.

BECKER: What did you do in Australia?

WOLFENSOHN: Well, I already decided that I wanted to work independently, and so I started a small company for one year called Catena—C-A-T-E-N-A—which—which means "link." It was a Greek word. And—and the link was that I joined with six or seven friends from the Harvard Business School to form an international investment club and advisory business. Anything more pretentious is hard to imagine [laughter] because the total capital—I had either a thousand or two thousand pounds, so we could say—no, I can tell you exactly. It was—it was $2,000 in those days that I could put in. And so I asked my colleagues each to put in the same amount. The colleagues were people—all people I'd met at the Harvard Business School: Alexander M. White, Jr.—"Sandy" White—from White, Weld, which was a distinguished merchant bank; Michael John Humphrey Nightingale, who was an Englishman; Sir Timothy Harford, another Englishman; Anthony Schroffel [phonetic] from Holderbank [Holderbank Financiere Glarus Ltd.] in Switzerland, a member of the Schmidheiny family; and Michael Cann [phonetic] from the Bank of East Asia in Hong Kong. All of these people were reasonably well off, with the exception of Mike Nightingale, but they all gave me a couple thousand dollars, and I had with—then $12,000 or $14,000 capital.

I went off to Australia to change the world, and Catena Australia Ltd. And the idea was to get some clients and get some fees, and then come up with good deals which I could get my friends through their leverage to syndicate because I then had White, Weld and the Bank of East Asia, and—and Tim—whatever Tim was working.

Oh, and there was one other man. Eric John Strathallan, the Lord Strathallan, now the Earl of Perth, was the other Englishman [not English, but Scottish — ed] who was in this.

And—and so with this rather titled and—and well-positioned group of young men, each of whom went on to do interesting things, although Mike Nightingale died early, it was—it was a pretty interesting small group, and we came together.

And I then got my first contract in Australia from the Department of Trade to write a book on export marketing, about which I knew absolutely nothing, but which I convinced them I knew more than others in Australia. And so that paid me some modest fee. I rather think it was—I can't remember now, but it was some thousands of dollars, which was our first income.

And I kept this thing going. We took very small offices, had two offices and a little conference room and a secretary and the name on the door, in a first-floor walk-up. And—but I had my own business, and it was an international business. And I think probably everybody thought I was crazy. And I would put out a monthly newsletter to clients overseas, or people we wanted to have as clients. And all this went on okay, and we made an investment in a company called Air Products Limited.

BECKER: The Air Products or . . . ?
WOLFENSOHN: No, an Australian company called Air Products, run by a Dutchman whose name I will conveniently forget, because for six months he would come in and show me the plans of this air compressor that we were making, and I would give him an extra $1,000 or an extra $500.

And after about six months, I decided that I probably should see this air compressor, and I had done everything that the Harvard Business School taught me to do in terms of projections and everything. And then after six months—his name was [blank]. After six months, he said to me—he said to me, "Jim, there is no air compressor." And I said, "What are you talking about?" And he said, "Well, I brought you a model, but there is no air compressor." And I said, "Well, what have you been doing?" He says, "I've been taking your money." [Laughter] And I said, "Well, I'll sue you." He said, "No, you won't because it will ruin your reputation." [Laughter] And he was right, because I would have looked such a turkey that—so he taught me a fantastic lesson, but I'd spent three-quarters of the money [laughter] on a non-existent air compressor. And so I was so embarrassed that I took a job that was offered to me by Ord Minnett, who hadn't heard of how stupid I was, and it was then the leading brokerage firm in Australia, and I switched and went into that so that I could make enough money to pay back my friends.

BECKER: [Inaudible] What was that company?

WOLFENSOHN: Ord, O-R-D, and M-I-N-N-E-T-T.

BECKER: Okay.

WOLFENSOHN: And I became a—partner in this brokerage firm . .

BECKER: Mm-hmm.

WOLFENSOHN: . . for which, again, I was supposed to have $100,000 . . [ Interruption]

[End Tape 1, Side A (Side B not used)]
[Begin Tape 2, Side A]

BECKER: Okay.

WOLFENSOHN: At any rate, to cut that story short, having lost the money and gone to Ord Minnett, it sent me going on an—on an investment banking career.

BECKER: Mm-hmm. You stayed with this company for how long? Because you had then . .

WOLFENSOHN: For less than a year, because Ord Minnett became a partner with Schroders [J. Henry Schroder Wagg & Co. Ltd.] in London, and a family called the Darling family in
Australia, under John Darling, which was a family that is sort of equivalent in standing to one of the Rockefeller-type families in the United States. But this was a distinguished family that had gone back, and they linked with Ord Minnett to form the first merchant bank in Australia called Darling & Company.

And I elected to move from Ord Minnett, which had an interest in Darling, from being a partner in Ord Minnett to become a managing director of Darling & Company. And that was a profoundly important move because that gave me the opportunity of moving from the brokerage underwriting business in Australia to a business that was set up at the very—in the very earliest years of the growing investment in Australia, as an investment bank that would then establish links with American investment banks and British investment banks, and which would go on to then service the major U.S. companies, because when U.S. companies were coming to Australia, they were not looking for brokerage houses, they were looking for investment banks under the title of "investment bank." And we were at that stage the number one investment bank. I'm not sure there was a number two or number three.

[Laughter]

There was one other, Ian Potter & Company, but—but we then had—for six years I did that in Australia, and the great beauty of that was that the chief executives of major international companies, and, of course, their finance directors, would come to Australia—very often in the Australian summer because that was a good time to come out.

BECKER: Yes.

WOLFENSOHN: But they would come out and they would be relaxed. They would be looking around. They'd come so far that in those days they didn't come just for ten minutes. They would come and they'd spend a week. And—and during that week, I would have a chance to entertain and get to know the most important people in international finance and corporate life from around the world, in a wholly disproportionate way than I could have done had I been a young investment banker in New York or in London because I was all they had to see and I'd actually been to New York and London. And although I was young, I had an effective and very intelligent American wife who had specialized in French literature and was doing a Ph.D. at Columbia University in French literature and music. And—and so we became hot [laughter] in Australia for foreigners, particularly international business people.

And so I made a tremendous number of friends, at levels way beyond my—I became—I had already met David Rockefeller in New York, but David used to come out and—and we established a lifelong friendship, which persists to this day. The opportunity for me to have gotten to know David and—and worked with him in New York would have been unlikely. I got to know him, but to have continuous contact with him would have been impossible. The same was true with the heads of Exxon, and W.R. Grace, and mining companies and—and so on. But Australia became a sort of test tube for all of these places because they were—all these companies because they all wanted international expansion and the country that came up with

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
checkmarks as being suitable for just about everybody was Australia because of its stable political system no graft, speak English, with a small market, but it was also close to Asia.

And so it was a unique, absolutely unique experience for me, and I also did mergers and acquisitions in Australia, and I did it for six years. And it was professionally—I didn't realize it at the time, but it was professionally a wonderful thing for me because I was building a business; secondly, I was keeping in touch internationally. I was doing lots of trips to follow up on things, to New York and London, and then being received at the highest levels, way beyond my pay grade because I was the young kid from Australia who had been nice to them and had them round for dinner. And I had become used to just expecting to see the chief executive of Exxon when I went visiting, and there were contacts . . .

[Laughter]

BECKER: And they were happy to see you.

WOLFENSOHN: And they were happy to see me because it reminded them of the day on the harbor . .

BECKER: Yes.

WOLFENSOHN: . . or whatever it was we had done together. So it— it was all sort of unreal. But I think about it, it gave me a leverage point that no contemporary could possibly have had. And so that six years in Australia was great, except that it did grate on Elaine.

BECKER: Mm-hmm.

WOLFENSOHN: She was longing to go back, and we'd had two kids. She was longing to go back to America.

And then I had a business falling-out with one of the senior partners in my firm, John Bernovsky [phonetic], where I was trying to take over a company of which he was chairman for a foreign company, and had done it. It was obviously a difficult situation, so—and I was acting for a client, and I had cleared it with the chairman of the company, John Dunlop [phonetic], who was the head of one of the most distinguished companies in Australia. I had done everything right. And this led to potential litigation, which we solved at the steps of the courthouse.

But it—it made me realize that although I was accepted in Australia, and although my professional career and everything was going very, very well, there was still underneath it a vulnerability for being a nice Jewish boy from really nowhere against the Establishment. I managed this time to win by toughing it out and essentially going to the courthouse steps and threatening this one John Bernovsky.

But I found that John Darling wasn't there when I needed him, that the club system was
immediately siding not with me but with this guy who was part of the Establishment. And I'm happy to say we won the case, which was—which was transparently trumped up, was perceived to be so, and the judge, who advised us to settle, subsequently became the chief justice and a great friend of mine, Sir Lawrence Street. And we often talked about it, but at the time Lawrence realized that this was the Establishment against this youngster, and that justice was not being done. But, with a great lawyer, we won hands down, 100 percent costs against Bernovsky.

And I thought, you know, I've just had a knock-out punch and it has been great, but it made me realize that I was vulnerable and that I would never be part of the Establishment. And I thought, "Screw this. I'd prefer to be somewhere where I can be part of the Establishment." Australia was pretty narrow then.

BECKER: Mm-hmm. Darling Harbour suggests a lot of . . .

WOLFENSOHN: Yes, you know, the Darling family and, you know, this was all the Establishment against the young kid. And I had done everything, and I had gone just so far. I was subsequently to discover, by the way, that it was in England when I was denied the chairmanship of Schroders because I wasn't a lord. That's another story. But—but this issue of being able to make it on your own, freed of that overlay, was also another influence on my life, and so the combination of Elaine wanting to leave and that incident made me decide that I wanted to go overseas again, and so we moved.

BECKER: Now, you went to Schroders in London?

WOLFENSOHN: I went—I was offered two jobs. Siegmund Warburg offered me a partnership in Warburgs [S. G. Warburg & Co.], which I wanted to do because I said to Gordon Richardson, who was then chairman of Schroders and subsequently to be Governor of the Bank of England and, I'm happy to say, my lifelong friend, still alive now, although his wife, Peggy [Margaret], recently died. I went over to London to tell Gordon that I was going to leave the Schroder Group, of which Darling's was a part . . .

BECKER: A part, right.

WOLFENSOHN: . . and go join Warburgs, which was the hot ticket in London in those days. And Siegmund was very anxious that I join. Siegmund knew the story. He himself had been a Jewish immigrant, although from a very, very distinguished German banking family. And Siegmund, although he—he—Judaism was never a great thing for him, he was conscious ethnically of who he was and where he came from. He loved the fact that I was an observant—reasonably observant—Jewish kid from Australia, and—and he liked me very much.

And so I had this choice of going between Warburgs and Schroders. And I went away for the weekend with Gordon Richardson, and we went for a—we had a terrible fight the night I got there, and Peggy separated us both by giving us each a hot water bottle and telling us not to be stupid children and go to bed. [Laughter]
And the next day we went for a five-hour walk, and I came back and had agreed to go to Schroders as a director at Schroders, which in those days, I must tell you, was an unbelievable leap. It may not seem so now, but to move from a directorship in Australia—an Australia investment bank to become a director of J. Henry Schroder Wagg in London, a London merchant bank. I was the first Australian ever to do anything like that. And it was just—it showed tremendous courage on the part of Gordon Richardson and prescience, in a way, that he would take someone from a subsidiary and put them on the main board. And I found it irresistible because it had continuity.

Siegmund found it so unattractive that for 18 months he didn't speak to me, and he didn't return my phone calls or letters. I was just on the out. And finally we made up. But—but I went with Schroders.

BECKER: Mm-hmm.

WOLFENSOHN: And there was another reason. Sigmund could only give me an associate directorship, with the promise that in one year—but that was a rule of Warburgs . .

BECKER: Yeah.

WOLFENSOHN: . . and he couldn't change the rule. But I, again, would have been at some risk, so I—I took the one that was a certainty.

BECKER: Mm-hmm.

WOLFENSOHN: And so I stayed with Schroders there for another eight years.

BECKER: Mm-hmm.

Now, what were your responsibilities? Who were you clients?

WOLFENSOHN: It was, again, internationally, because going in and getting domestic clients as a partner in Schroder Wagg in London was something that was clearly not on. I didn't come from the school system, I was not part of the network, and I was going to be rejected like a foreign object. And so Gordon asked me to, again, help develop the Schroder Wagg international business. And that was much more in liking—Schroders had a subsidiary in New York since before the war called J. Henry Schroder Banking Corporation, at 57 Broadway, headed by a man called John Howell, H-O-W-E-double L, under a fellow called Jerry Beale who was chairman—B-E-A-L-E. And this was a very white-shoe, Latin American-oriented foreign exchange trading bank with $600 million in—in assets, and lending very complicated deals to Latin America, mainly, and—and very little penetration of corporate America, and no relationship between the two businesses in New York and in London.
And so he asked me to work with the senior director, Leslie Murphy—make that Sir Leslie Murphy, who—and together we went to the United States to call on American companies. Leslie had the seniority and knowledge. I had the better knowledge of America. Leslie hardly knew America. But we would—we would—he was someone who came from the lower British classes and then worked his way up, and somehow magically had become a director of Schroders just because of brilliance. And—but he wasn't a good fit either at Schroders, so the two of us were sent off by Gordon to build the international business, and we would more or less every six weeks go to the United States and call on Ford Motor Company and on a whole range of American companies to tell them what was going on in the euro market. And that was our pitch.

The pitch was that there was a developing euro dollar market about which people didn't know very much, and we would come from one of the great accepting houses in London. And so we were received somewhat skeptically by treasurers in American corporations, and we would do our act on what was the latest gimmick in the euro market. And I helped develop the euro commercial paper market, and—and we were developing new products, which to us at the time seemed to be quite remarkable but which today are mundane, but they didn't exist then.

And—and—for a couple of years, we would do this, and in the second year that we were doing it, the computer had really taken over. So we discovered the Internet would allow Ford to have better information than we had because we would have left New York to fly to Dearborn, and by the time we got there, of course, had already read the morning news and we hadn't. And so the edge that we had was technologically replaced, but we still had—we still did business.

BECKER: Mm-hmm.

WOLFENSOHN: And that led, because of that entry point, to after two years—and I can give you the chronology—after two years, Gordon took another huge step by offering me the presidency of Schroder Banking Corporation in New York...

BECKER: In New York.

WOLFENSOHN: ...which was really crazy. He had faith in me, but I had never done commercial banking.

BECKER: Mm-hmm.

WOLFENSOHN: I didn't know what a foreign exchange transaction was. I was coming into a completely alien environment, and he just appointed me president [laughter] and moved Jack Howell to be chairman. And I had these corporate vice presidents who had built their lives in this business and any one of whom would have been a better president than I was. But Gordon took the decision that if I was president of Schroders New York, I would bring about a closer link between Schroders New York and London, which was not existing.

BECKER: Mm-hmm.
WOLFENSOHN: And I have to say that that was smart because I would’ve—and I did—and none of these other guys would’ve.

And so it gave me an incredible opportunity to run a 600-person organization with then modest footings. I mean, $600 million was in those days probably $6 billion today but still tiny in the pantheon of American banking.

BECKER: Sort of a mid-range firm.

WOLFENSOHN: It was a mid-range firm, with specialization. It had an—an investment management affiliate that it had also worked with, so it had investment management, it had investment banking—some investment banking. Because of Glass-Steagall, it couldn’t underwrite.

BECKER: Right.

WOLFENSOHN: . . in those days. But we could participate and sub-participate to Schroder Waggon . . .

BECKER: Now, what year was this that you took the job in New York?

WOLFENSOHN: This would have been the late ’60s.

BECKER: Late ’60s. In the ’60s, I guess that was the euro market developing.

WOLFENSOHN: Yes, it was the beginning of the euro market, and so that after my two years in London, and my two years in London allowed me to develop my relationships with all the players in the euro market. I had started already when I was at Darling & Company because Australian companies were tapping the euro market and the big one that I worked with was Lend Lease Corporation, which was a real estate development company under a man called G. J. Dusseldorf—Dick Dusseldorf—who was a Dutchman who was very internationally minded, and that gave me a chance to explore all the various forms of international financing. He was perhaps the most internationally minded businessman in Australia . . [Interruption]

BECKER: Now, when did you leave Schroders?

WOLFENSOHN: I will give you the exact . . . [1976—ed.]

BECKER: I can get . . .

WOLFENSOHN: But it was after I returned to London, approximately two years. What happened was Gordon Richardson—after about five or six years—and I’ll get the exact timings on this—after four or five or six years—and I no longer remember—as president of Schroders.
New York, which ultimately turned out to be quite a successful experience, I was also at the same time chairman of Schroders International, and—which was to expand the group internationally. And so I had a link with London, and I had a presidency of Schroders New York, and all that was working well.

And I went away to the Galapagos Islands with this same Dick Dusseldorf I mentioned before. He had a sailing boat, so we sailed from Panama to the Galapagos, and we're sitting in the Galapagos with contact with the outside world through a radio telephone for half an hour a day. And somehow I got a call from London to say that Gordon Richardson had just agreed to become Governor of the Bank of England, and that he was leaving Schroders, and that the board of Schroders wanted to talk to me about going back to become chief executive in London. And all this on a radio phone where I was hearing every sixth word, so I didn't fully understand it.

But, anyway, a few days later I went to London, and when I got to London there was, of course, great joy for Gordon's new appointment. But then Gordon was not going to take any part in any subsequent thing because he was already mentally Governor of the Bank of England.

BECKER: Mm-hmm.

WOLFENSOHN: But the Schroder family very much wanted me to become group chief executive, and ultimately wanted me to become chairman of the group. I was very close to Bruno Schroder who—who had followed me at Harvard, and whom I'd befriended. And the international directors of Schroders had thought I was a pretty hot ticket and I'd done a pretty good job.

I must have been, I'm sure, impossible in terms of my self-image because I also thought I was a pretty hot ticket. [Laughter] And this was my—that it was only appropriate that at the age of 41 or 42 that I should be chairman of the oldest—one of the oldest merchant banks of London. Anyway, I was working . . .

BECKER: And also not part of the Establishment.

WOLFENSOHN: I was not part of the Establishment, and that's where it really hit me. The chairman of the firm then was Michael Deery [phonetic], who was very much part of the Establishment, and working for me at that stage also was David Ogilvy, later the Earl of Airlie, and the Ogilvy family and the Deery family and the London-based familial mafia. I was too stupid to realize, and—well, I realized some of it, but I didn't realize the extent of it—was not about to see me become chairman of the firm. They were quite happy that I should be executive deputy chairman and group chief executive, which I was. I had a big corner office. I had high tea served every morning on a silver tray, and all the waiters loved me because I was from their side of the tracks.

BECKER: Yes.
WOLFENSOHN: So I got fantastic service, and I had a great chauffeur, Stan Putley [phonetic], who was also on my side. I had all the staff on my side.

BECKER: Excuse me. What about this fellow Murphy?

WOLFENSOHN: Leslie Murphy on my side, of course, and John Bailey, who is another one from the wrong side of the tracks. I had my believers, all of whom were running me to succeed Michael Deery. And I thought that this was certain because the family was behind me.

And Sir Oliver Franks had been chairman of the selection committee. He had been the great British ambassador to the United States, and subsequently Lord Franks, the most distinguished man I probably knew at that time. And Oliver told me that I had a fair wind to become chairman, and I took that to be a guarantee I would become chairman, so long as I did everything right. And, of course, I made sure that I did everything right.

And so I—for an 18-month period, or whatever it was, until Michael was about to retire—two years maybe—I thought I was doing everything to perfection, as I thought I did everything to perfection in those days. [Laughter] Subsequently, I learned some of blemishes, but I did a good job, and I actually earned the right to be chairman, except that Michael and his British colleagues in the holding company board were quite convinced that this should not go to a young Australian. And I don't think anti-Semitism was a part of it, but I don't think it helped being Jewish. And I would not assert that anti-Semitism was part of it. But—but the truth of the matter was I was not an Establishment figure, and that was the difference.

BECKER: Mm-hmm.

WOLFENSOHN: And they basically said to me that they wanted someone of greater stature to be chairman. The Earl of Airlie was the most likely choice. He was already working with the Royal Family. His wife, Ginnie [Virginia], interestingly, the granddaughter of Otto Kahn . .

BECKER: Oh.

WOLFENSOHN: . . the great Jewish banker. But Ginnie was a lady-in-waiting to the Queen, had been her friend, is still with the Queen after 60 years.

And—and so that was the logical choice, and I could still stay on as deputy chairman and chief executive, but I was denied the robes of office, and I was tempestuous enough in those days to think, "Screw this," and so I said I'd leave.

And part of the reason was, to be frank, was that we enjoyed living in the States more. The kids were not all that happy in England. They had their identity with their schools, the public—their schools here. Elaine wanted them to go to American universities. Elaine was much more sensitive to the class differences than I was.
BECKER: Mm-hmm.

WOLFENSOHN: But there were very subtle ways. And—and we were both basically more attuned to America.

And London in the '60s had been terrific, but London in the '70s, when we went back, was less terrific, but New York was terrific. And so there were a whole mix of things, but the principal thing was that I was denied the job I wanted. And so I told them I'd resign. It was sad for my supporters on the board, and I had many, and they were ready to go to the mat for me, including the Schroder family. But I knew that going into a London merchant bank, a London merchant banking group as the chief executive without unanimous support was going to be very, very hard. If I had made the decision 20 years later, I probably would have taken on the fight and said, "Screw it." [Inaudible]

BECKER: Mm-hmm.

WOLFENSOHN: But I felt much less secure then, and so I said no. And I decided to quit and to come to the States, with no job. And I quickly had three job offers: one from David Rockefeller, my friend, to go in as executive vice president of Chase, one of several, with Bill Butcher and a few others, but with the real chance of doing something in Chase.

I tried to get a job at Morgan Stanley, and Frank Petito, the then-chairman, would have taken me at Morgan Stanley. But that was a place that was really not very keen on having Jewish partners.

BECKER: Mm-hmm.

WOLFENSOHN: And so . . . [Interruption] And so that didn't seem to be very promising.

But the third place was Salomon Brothers and Billy Salomon and John Goodfriend had somehow heard about me, and they wanted to develop an—an investment banking arm. They were the major trading house at the time, tremendously powerful, but really at stage one of any form of investment banking business. And they assumed that I knew something about investment banking, that I was smart, that I was not part of the Establishment and might feel at home at Salomon Brothers, which was then big enough in a way to be in the American Establishment . .

BECKER: Mm-hmm. Right.

WOLFENSOHN: . . because of its size, although not because of history, although it had history. And they made me an offer to join Salomon, and there couldn't have been any environment more different than Schroders, which to me was a huge attraction.

BECKER: Mm-hmm.

WOLFENSOHN: You know, 8 o'clock breakfast in a smoke-filled room, the ten senior
partners smoking cigars . .

BECKER: Mm-hmm. Yeah, yeah.

WOLFENSOHN: . . beating each other up, swearing, with guys that had gotten off the Staten Island Ferry that had made it to be a managing partner, and John Goodfriend ruling the room, and—and people really screaming and yelling and attacking each other, until you went out and then you put on your good suit and you—to the clients you were all brothers in arms . .

BECKER: Yes.

WOLFENSOHN: . . and it was perfection in terms of—it was just an amazing, amazing educational experience. I really thought for the first time I understood what business was.

BECKER: Mm-hmm.

WOLFENSOHN: And so I went to Salomons, and—and the story picks up from there, which is really the makings of me as an investment banker.

BECKER: At Salomon.

WOLFENSOHN: Yes.

BECKER: Yeah. Now, you stayed there for how many years?

WOLFENSOHN: Six years.

BECKER: And then you started your own . . .

WOLFENSOHN: Five years.

BECKER: Five years, and then you started your own firm.

WOLFENSOHN: Yes, but I had told them when I went to become a partner, I told Billy and John that I would either stay for five years or forever. Why anybody would have accepted that sort of pretentiousness I don't know, but they did. And—and I said because I wasn't sure—I had this hankering then to spend 20 or 30 percent of my time on non-business along with business activities. I already knew then that I wanted to have a balanced life, and throughout this time I had managed to get on the boards of a lot of cultural and charitable institutions. And if you look at the résumé, there's a sort of idiotic list of things that I got involved with.

BECKER: That's next—next time.

WOLFENSOHN: No, but in a way, it was half accidental, half—half designed, because I had
never thought of it at the time, but I knew that these non-business things were of huge importance to anybody who was trying to become a member of the community, and that community service was really part of life in the United States.

I have to tell you that in England, community service was much less important, and was hugely dependent on your family and your access to get appointments to any of these things.

**BECKER:** Mm-hmm.

**WOLFENSOHN:** I mean, during all my time in England, I was never asked on the Covent Garden Board, for example, although the day I left they invited me to join the Covent Garden Board. And I had fiddled around on the edges in terms of music, but . . . [ Interruption.]

**WOLFENSOHN:** The ability to integrate into British society through cultural and social activities is really quite difficult. And you had to scratch your way in. That was of no interest to me—it was not that it was of no interest. It was of some interest. But I didn't enjoy that process, and so I didn't try. I did very little in England.

But here, people were voracious about wanting you. They wanted someone with—with your background and experience, and so I got invited to do lots of things, which we can discuss next time. But there was sufficient number of them that I knew that in my life I wanted to have a balance between business and non-business activities. And I got interested then in the issues of culture, the arts, but also poverty and development through the Rockefeller Foundation.

**BECKER:** Okay.

**WOLFENSOHN:** And that is a link that was hugely important later in terms of my work in the World Bank.

**BECKER:** Right. Right.

**WOLFENSOHN:** Because it was one thing to do the investment banking business. It was another thing to go to Brazil or to go to Mexico or something and trudge through the farmlands to look at how you got high-yielding crops and how you could convince farmers to use what was obviously better plantings to get better yields, when historically they were very sensitive about changing anything because they didn't trust anybody.

**BECKER:** Yup.

**WOLFENSOHN:** And so you would—and so the Green Revolution, which was significantly influenced by Rockefeller work, was one of the things that I saw happening. And so the influence of my work in Rockefeller, the time I was spending on multiple sclerosis and on various other things that I was involved in made me realize that life was only interesting if you could have this mix of business and non-business activities.

*James D. Wolfensohn*

*June 5 and 14, September 25, and December 3, 2006—Final Edited*
And so, behind my thinking when I said to Billy and John, "Let's give it five years," was this thought in the back of my mind that really what I wanted to do was to have a business that would allow me as a right, not as an accident, to devote both time and money to that set of causes. And subsequently I played this out because I gave in my own firm above the order of 20 percent of what we made to charity as a—as a matter of commitment.

And so this was all falling in my life then, and it became possible because I subsequently had the resources to do it . . .

BECKER: Right.

WOLFENSOHN: . . . and so—so you couldn't do it without resources. But I—I was already thinking about this integrated life, how you could integrate in the community, how you could do good things, how you could keep your perspective on the whole of society and not just be engaged in the race to make a fortune, which many of my colleagues did, and then subsequently came back and gave some money away. I didn't want to do that. And I—I cannot tell you how enriched I have been by the possibilities in the United States to live that sort of life.

And so the rest of the story, where I pick up next time, is really built around that theme, and it's—it's a real theme. This is not manufactured.

BECKER: Mm-hmm.

WOLFENSOHN: It was because of the influences in this country and the opportunities here that are not available elsewhere—you couldn't do this in England, or in Europe. You couldn't do it.

BECKER: Or Australia, even.

WOLFENSOHN: In those days, not even Australia, and—and today, possibly. But there's a uniqueness about this country which I have come to both admire and—and love, and I think be part of, which because of the breadth the country gives you or the capability, in a curious way also fit me, trained me for the job in the World Bank, because many of the things that I introduced in the World Bank were a direct consequence of experiences and knowledge that I had picked up, not from investment banking, but from this other life that I had with the Rockefeller Foundation and with many of the other things and health and education and women's issues, all of which became central themes in the World Bank.

BECKER: Right. I think this is a very good place to stop for this time. Thank you very much.

[End of Tape 2, Side A]
[End of session]
JAMES D. WOLFENSOHN  
Session 2  

June 14, 2006  

New York, New York  

[Begin Tape 1, Side A]  

BECKER: Well, Mr. Wolfensohn, it's a pleasure to see you again.  

WOLFENSOHN: Thank you.  

BECKER: Today is Wednesday, June 14, 2006, and I'm in New York to continue the interview we started on earlier this month with James Wolfensohn. I'm Bill Becker with the World Bank's Oral History Program, and also with the George Washington University. Again, Mr. Wolfensohn, it's very nice to see you.  

WOLFENSOHN: Thank you for coming.  

BECKER: When we finished our last meeting, you began—you began to explore why you wanted more balance in your life, if you recall, and you said that you decided to give 30 percent of your time to other—other pursuits. And obviously you became very active in arts organizations and—and so on. But you also became interested in development issues and population control, if I'm correct.  

WOLFENSOHN: That's correct.  

BECKER: And what initially prompted your interest in those latter two subjects?  

WOLFENSOHN: Well, first of all, having grown up in Australia, I felt an affinity to Asia, and indeed before I came to study in the United States, if I had been able to find an appropriate Asian home to go study at and someone would pay for it, I would have gone there. I couldn't find such a place, so I went to the Harvard Business School, which you might say is an antithesis of that earlier choice. [Laughter] But I—was always concerned from a very early age about the developments in Asia. If you grow up in Australia, you have a greater sense of proximity to that part of the world. And that, first of all, I think sparked my interest.  

The second thing which emerged from that was quite obviously the issue of population, because with the burgeoning growth in population in Asia, you—in the 1950s, I think the world's population was three billion. By the year 2000 it was six billion, and a huge amount of that growth came in Asia, notably in China and in India. And these two countries, to me, seemed to
be giant-like in terms of the number of people, and seemed to me also to present huge issues of both poverty and the prospect of development.

And, obviously, as an impecunious law student, there wasn't a hell of a lot I could do about it in those days, but it set a—set something going in my mind so that when I had finished Harvard and went to—to work at IMEDE in Switzerland, I was again interested in IMEDE to see what European companies were doing. And—and I had a job which I went to at a U.S. manufacturing company, and I elected to go to Nigeria, to other parts of the developing world, as a matter, I thought, of these are the places where there'll be real markets for American products.

Again, it was all rather broad-based. It was not—primitive, almost, but the direction seemed to me to be very clear.

BECKER: Mm-hmm.

Now, were there—later on were there individuals who influenced you? I mean, you mentioned David Rockefeller the last time we [inaudible]...

WOLFENSOHN: Yes. Well, David was, and thank God still is, a close friend, and—but there was a gentleman in—in Rheem International called Mario Capelli, who was the head of Rheem International, who was an Italian who understood better than many the potentials in the developing world. He also understood that he didn't have very many people that were prepared to go and look at these things. [Laughter] So I got an opportunity to do that.

I might add also that in my subsequent affiliation with the Rockefeller Foundation and then the Population Council, both of which were, in the first case, as the name implies, but the second was a creation of John [D.] Rockefeller III, both of these institutions played to my interests. And in the case of the Rockefeller Foundation, as you probably know, they did a tremendous amount of work in terms of developing countries, from China to India to the Green Revolution. And the Population Council, as its name implies, was obviously interested in the explosion of population.

So these two things really—again, almost by chance, the Rockefeller family happened to be at the core of these two institutions, and because of David, I had an access to the Rockefeller family. And, again, I wouldn't have had the wit to seek out an appointment on those two boards, but for some reason or other, they sought me out. In fact, David's brother, John, approached me about the Population Council, and I was approached by the Rockefeller Foundation at a time when there were no Rockefellers on the board. [Laughter]

So—but it—it nonetheless gave me a real opportunity to—to broaden my visions, and I was just lucky, I suppose.

BECKER: Mm-hmm.

Now, is this around the time that you left Schroders, or is it ..
WOLFENSOHN: Well, it was all pretty well coincident with the— the Schroder thing. I don't exactly remember the dates, but I do know that I started in the Population Council, and I think I started in the Rockefeller Foundation during my period at Schroders.

BECKER: Mm-hmm. Okay.

Now, were there other people who were influential in your growing interest in these subject?

WOLFENSOHN: Bob [Robert S.] McNamara was certainly one such person whom I admired but did not know very well. Bob, as you know, became president of the World Bank . .

BECKER: Right.

WOLFENSOHN: . . after a distinguished and rather turbulent career prior to that—that position.

There was another man who had a big approach, which was Maurice Strong. Maurice was certainly one of the first citizens of the world I've met. He is Canadian-born.

BECKER: Mm-hmm.

WOLFENSOHN: But Maurice was interested in all the right issues, so far as I was concerned, and deeply involved in them. And Maurice was kind enough to include me in the odd meeting that he would have in Geneva with select leaders of the development community, including Barbara [M.] Ward [Baroness Jackson of Lodsworth] and—and other thought leaders from around the world. And we'd go away for a weekend there.

BECKER: Mm-hmm.

WOLFENSOHN: In fact, Bob McNamara came to one of those weekends, as I recall, as did Barbara. And I was very much a neophyte. Let me be very clear. I had nothing to contribute, but a hell of a lot to learn. And they were kind enough to put up with me and ignore my ignorance. But it gave me a chance to have a window on those things.

I remember also that at the first environment conference that I went to. I went to—I think it was in Brazil, where I went down and had lunch with Maurice because he was secretary general of that first environment conference. And that gave me a window on the environmental movement and I sort of felt identified with it. It—it seems ridiculous now to say that because you went to that conference you felt a sense of ownership, but in those days—it seems crazy, speaking about it in the year 2006—in those days, being an environmentalist was something quite novel.

BECKER: Mm-hmm.
WOLFENSOHN: Most people didn't appreciate the challenges. It was certainly not in vogue as it is today. And it was Maurice who—who in so many ways really opened these doors for me. He opened doors to the UN for me also. He was later deputy secretary general of the UN, and Maurice had a habit of engaging himself with multilateral institutions, and was a guide to me throughout this period. I met Maurice when he was head of Power Corporation.

BECKER: I was going to ask when you . . .

WOLFENSOHN: And that was in the early '60s, when I was working with Darling & Company in Australia. And Maurice came out and we bought a huge cattle property together in the Northern Territories, three million acres, as I remember, for $1 million.

BECKER: What's it worth today, if I may ask?

WOLFENSOHN: I don't know what it's worth. I think we sold it subsequently for $2 million and thought we had done very well. But I wish we'd kept it. I wish I'd kept it. [Laughter]

BECKER: Another name that I picked up in reading about you, or perhaps you mentioned in a speech, is Lee Kuan Yew in Singapore.

WOLFENSOHN: Yes.

BECKER: I lived in Singapore for a while and became very interested in him and, of course, in Singapore. When did you first meet him? And was he influential in your thinking?

WOLFENSOHN: Well, he was. I mean, I cannot count him as a friend in the way that I could count Maurice, but he—he was kind enough 25 years ago to think of me as an adviser to the Singapore Monetary Authority, or the Monetary Authority of Singapore, it was called, which was then accumulating funds at a fairly rapid rate.

BECKER: Right.

WOLFENSOHN: And I had started my own firm, and he called on me to be an adviser. And I had to go down there for quarterly meetings, and I would subsequently try and go semi-annually because I really couldn't afford the time from my own business to do it.

BECKER: Mm-hmm.

WOLFENSOHN: But every time I met Lee Kuan Yew, I felt myself being stretched. The reason that I—that I quit [laughter] in the end from advising him, and sent my colleague Brian Powers, who subsequently had a very large career and ran Jardine Matheson [Holdings Ltd.] in Hong Kong.

BECKER: Mm-hmm.
WOLFENSOHN: I had sent Brian, and Lee Kuan Yew was not ready to accept Brian, he wanted me. But the reason that I—I quit in the end was that I felt that I was adding nothing, because I would go to the meetings and we would go to his office in the palace and stand on the balcony and then go in, and Lee Kuan Yew was so self-confident about everything, and I might say with justification, so well informed, that my visits really amounted to listening to him speak. It didn't matter what my ideas were. In most cases, they didn't want to hear them. And I found it a fantastic experience, and so I left him, I thought, in a way that he would have forgotten me by now. But he did give me a mention in his book, and he frequently sends me messages to say hello. So I feel very proud that, A, he remembers me at all but, secondly, that I had an association with someone who has, in my judgment, amazing judgment.

BECKER: Yeah.

WOLFENSOHN: . . . on—amazing wisdom, I think I would put it—on Asia and on global issues.

BECKER: Mm-hmm.

WOLFENSOHN: He's a remarkable man even today.

BECKER: Yeah. He must be close to 90, if not . . .

WOLFENSOHN: Well, he's certainly in his 80s. He's now the minister mentor.

BECKER: Oh, is that what they call him?

WOLFENSOHN: Yes.

BECKER: He was senior minister when I was there.

WOLFENSOHN: Senior minister, and now he's the minister mentor.

BECKER: I think his son is the prime minister.

WOLFENSOHN: His son is prime minister, yes, also a remarkable fellow.

BECKER: Yeah. Mm-hmm.

Well, my wife worked in the archives. I taught at the university there. And she became enormously interested in Singapore history.

WOLFENSOHN: Mm-hmm. Mm-hmm.
BECKER: And, of course, we—I was very interested—I was interested in development and, of course, in his ideas.

Now, when you first got to know Robert McNamara, he was no longer president of the Bank.

WOLFENSOHN: No.

BECKER: This was after his term as . . .

WOLFENSOHN: Well, that’s not quite true.

BECKER: Oh.

WOLFENSOHN: I got to know Bob McNamara before, but very, very sketchily. And it was Bob McNamara, at the conclusion of his period at the Bank, that invited me down to tell me that I was on his list for nomination as president of the World Bank. And I think I may have mentioned earlier that I went into his office to meet him.

BECKER: Yes.

WOLFENSOHN: And he showed me where one would sit and where the parking was and where you drove in, and I became absolutely convinced, 20 years before I got the job, that the job was going to be mine.

BECKER: Mm-hmm.

WOLFENSOHN: And—and as I think I may have commented earlier, President Reagan decided on Tom [Alden Winship] Clausen . .

BECKER: Right.

WOLFENSOHN: . . which was a good decision on his part. And Tom took the job, and I went off to start my own business.

BECKER: Right, right.

Now—but obviously this piqued your interest in—in the Bank, and so did you follow what was going on at the Bank?

WOLFENSOHN: No, I didn’t.

BECKER: You didn’t.

WOLFENSOHN: Not at all. Well, to say "not at all" is—is probably not correct. But my
knowledge of it was from the newspapers and in no sense precise. And I put out of my mind after that any possibility of being president of the World Bank. I had three weeks of imagining I would be president of the World Bank, and then—and then the moment of truth came.

And a couple of times after that, when the presidency was changing, my name would be raised, largely because I’d been there this once. And so newspaper reporters would go back to the files, and with no reason and no authority would say, "Mr. Wolfensohn is being considered," [laughter] when I wasn’t, until it came to the time just before I did get the appointment when it was in the press that I was competing with Larry [Lawrence H.] Summers for the job. And I subsequently learned that, in fact, it was Larry that had managed to put this leak in with a view of killing my candidacy. [Laughter] I had no idea about it because Lew [Lewis T.] Preston was then president of the World Bank . .

BECKER: Right.

WOLFENSOHN: . . and I had no idea that Lew was leaving. It was only subsequently that I learned that Lew was sick and was retiring, but that was known to the U.S. Treasury. It was not known to anybody else.

BECKER: Mm-hmm.

WOLFENSOHN: And so I made some inquiries, and discovered that it was likely that Lew would leave, and that Larry was trying to get the job. And I was approached and asked whether I would be interested in the job, and I said, "Yes, but I can't let my clients know that I'm interested." And it was basically Donna [E.] Shalala, who was then in the Cabinet, who told me about this, and Donna really took on the job of trying to see whether or not I could get this job.

BECKER: Mm-hmm.

WOLFENSOHN: And to cut a long story short, it came down to a few people, and I had said to them—I think I may have said this before, that I—I couldn't wait around any longer. And President Clinton then called everybody together, and as I think I told you, he asked the group of his advisers who is it that would feel most upset if they didn't get this job, and everybody said me. And Bill Clinton said he thought the same thing, [laughter] and that I probably was worth the job, and so I got it, much to the distress of Larry.

BECKER: Now, did you know the president before this? I mean, obviously you got to know him when he was president.

WOLFENSOHN: Yes, I had gotten to know him only when he was president, in my role as head of the Kennedy Center, and I had only seen him when he'd come to concerts. And he and Mrs. Clinton came to concerts but—or to events, the Kennedy Center Honors, and things like that.

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
BECKER: Right.

WOLFENSOHN: So to say I knew him would be excessive. But they were very gracious to me because of that, and we got invited quite often to the White House to events.

BECKER: Mm-hmm.

WOLFENSOHN: I suppose there was a list which was headed "Arts and Humanities" or something, and the head of the Kennedy Center was on it, so we got invited almost monthly to the White House.

BECKER: Those events are not the kind of place where you really can develop a close, personal relationship.

WOLFENSOHN: Oh, absolutely not. But I must say that there was a tremendous warmth—I mean, as you probably know, President Clinton and Hillary [Rodham Clinton] both exude the capacity to make you feel wanted, and they certainly made Elaine and me feel wanted.

[Inaudible]

BECKER: One of my sons-in-law worked for [Andrew M.] Cuomo, who was the head of HUD [Department of Housing and Urban Development], and met the president a few times in conjunction with these and things, and he said that he's one of these people that clearly filled up a room. And even for a staff person, albeit a fairly high level staff person, he made you feel quite at ease.

WOLFENSOHN: He's amazing. He has an amazing—has an amazing gift.

BECKER: Although he would ask questions about HUD that had everyone there scrambling.

WOLFENSOHN: He's a very clever man.

BECKER: Yes.

Now, you mentioned Lewis Preston, and, again, in—in New York banking circles you must have known him. Did you ever have occasion to talk to him about the Bank or to Clausen?

WOLFENSOHN: No, I—well, only after I was appointed . . .

BECKER: Right.

WOLFENSOHN: . . . and then all too briefly. He wasn't great in health, and he saw me, but it was a fairly—I'm sad to say it was a fairly unfruitful meeting, although it was hugely pleasant and—and I think Lew was a great man. But I think in the last months of his presidency, he had obviously been weakened by his condition. And I saw him not in the best shape. It was all very,
very sad, and Patsy [Gladys], his wife, initially, I think, was really quite antagonistic, not just to my appointment, but to any appointment and had the feeling that Lew was being pushed out, which nothing could be further from the truth. And it took quite some time for me to re-establish relations with Patsy, because she was quite bitter about the whole thing. I can say with great honesty that it had absolutely nothing to do with me.

**BECKER:** Mm-hmm.

**WOLFENSOHN:** It had to do with the decision by Lew that he wanted to retire and his request of the president that he find a successor.

**BECKER:** Yeah.

**WOLFENSOHN:** But I'm not sure that Patsy would have liked to see it happen like that.

**BECKER:** Yes. Well, he died within months.

**WOLFENSOHN:** Within months.

**BECKER:** Yes, of having left, so . . .

Now, did you know any other top officials of the Bank—although, let me back up, if I may. Although this meeting with Preston was, as you say, unfruitful, was there any advice he gave you?

**WOLFENSOHN:** No, not really.

**BECKER:** Mm-hmm.

**WOLFENSOHN:** Not really.

**BECKER:** Mm-hmm.

Now, did you know other people in the Bank, I mean, top-level people before you . .

**WOLFENSOHN:** No, I don't think I knew anybody.

**BECKER:** Mm-hmm. Okay.

Now, your presidency—your appointment as president was announced in March, I guess, of '95 . .

**WOLFENSOHN:** Mm-hmm.
BECKER: ... and you take over, I think, at the end of June, or beginning of...

WOLFENSOHN: Yes, I think it was the 1st of June.

BECKER: Mm-hmm. The 1st of June. So it gives you about two-and-a-half months to...

WOLFENSOHN: Mm-hmm. To wind up my business. Mm-hmm.

BECKER: To wind up your business, but also to begin to get briefed on the...

WOLFENSOHN: Yes.

BECKER: ... on the Bank. How did you prepare yourself for this?

WOLFENSOHN: Well, I asked through Lew to get some of the vice presidents to prepare papers for me and to brief me, and, if I recall correctly, I would go in to the Bank and was given a room that I could conduct interviews with people and try and get a sense of—of what it was they’re about, and what it was that the general business was about. I had not really looked at the Bank as an institution for many years and with Lew’s help, I got various of the vice presidents, and they—they essentially gave me briefings.

I recall, not in great detail, but I recall certainly having the feeling that this was not the most popular appointment amongst the vice presidents. And—and I soon learned that the preferred president would be someone who didn’t interfere in the business and certainly didn’t ask detailed questions about the business, and most assuredly did not run the business, [laughter] because this was a business for professionals, not for some transient outside amateur. And the only person, I think, of all the presidents whom they thought had run the business was Bob McNamara. I think it’s fair to say that in most other cases they tamed the president, either to do what he had wanted to do, which was be less seriously involved, or perhaps, if he had wanted to be seriously involved, they tamed him to make him less involved.

And so I tried to keep my powder dry, but it was not easy for me to do that, and when I got to the Bank, I declared very quickly that I was going to run the Bank, and that if anybody didn’t like it, I had absolutely no problem in giving them my full respect, and I would help them get a job elsewhere, but that I had no intention of being a lame duck president.

BECKER: Did anyone take you up on this, at least initially?

WOLFENSOHN: I don't think so. There may have been—I can't recall anybody who left instantly. There were certainly some changes in the first two years afterwards because I—I personally had a view that the institution lacked many things, and I was really not shy in—in saying this.

I'm not sure that I would do it exactly the same way a second time because, A, I am now, I think,
a lot less arrogant than I was then; and, secondly, I understand the complexity of the business a lot more. But I was totally right in the general perception that there was a club-like atmosphere, that this was a series of institutions within an institution, that the Regional vice presidents ran their Regions and could care less what the president thought, and had no interchange with the other Regional vice presidents other than at a weekly lunch which all the vice presidents would have, which so far as I can understand was more social than anything else.

BECKER: Mm-hmm.

WOLFENSOHN: But there was no—there was no sort of sense that this was a business. This was a—I won't say it was a way of life. This was a calling that was important, and—and you couldn't question the integrity of the Regional vice presidents. They were interested in having their Regions grow, but they wanted to do it their own way. And they were dukes. I mean, they were the princes of the international community, and when they traveled to these places, they wanted to be treated like princes, and were treated like princes. And they treated the people in the Bank as though they were princes. And I wouldn't have minded that except that my own judgment was that the performance level was nowhere near what it should have been.

BECKER: Mm-hmm.

As part of the preparation in this period before or immediately after you took over . .

WOLFENSOHN: . . Mm-hmm.

BECKER: . . did you talk to people outside the Bank?

WOLFENSOHN: I'm sure I did, yes. I talked to investment bankers, obviously.

BECKER: Mm-hmm.

WOLFENSOHN: But I was not very well connected with the political scene, and I knew Jay Rockefeller, I talked to Jay about it, and I'm sure there were one or two other people. I can no longer recall who they were.

BECKER: Yes.

WOLFENSOHN: I remember talking to some of the NGO [non-governmental organization] types about what the Bank was doing in—outside its traditional lending programs. I did about as much talking as I could, but I—I must tell you, I was also—I can remember now I was also quite apprehensive at being caught, you know—I was pretty sure that everything I would do would be reported back. And I thought that it would be better to get it straight from the horse's mouth than to start . .

BECKER: Mm-hmm. Than through the . .

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
WOLFENSOHN: ... going to find out what people thought of the Bank. So I only spoke, I think, to a very small number of people.

BECKER: Mm-hmm.

WOLFENSOHN: And, in any event, there wasn't that much time.

BECKER: Yeah. One of the things I'm interested in is the—this is a period of time where re-engineering large organizations and reinventing large organizations was very, you know, popular. Al Gore [Albert A. Gore, Jr.] was doing that in the public sector.

WOLFENSOHN: [Inaudible]

BECKER: But, well, there was this—this article in—in Fortune magazine from around this period, just around when you took over, that said something like 75 percent of the 200 largest corporations in the United States were in the midst of some form of re-engineering or re-invention.

WOLFENSOHN: Mm-hmm. Mm-hmm. Mm-hmm.

BECKER: Were you influenced by any of that or any of your outside contacts?

WOLFENSOHN: I really—you probably can't trust my recollections, but what I would recall is that I wasn't.

BECKER: Mm-hmm.

WOLFENSOHN: I think I regarded the World Bank as something just totally different from anything else. In fact, it was totally different inasmuch as, you know, the appointments very often followed national lines. The selection of staff, the hierarchy of the staff, the number of Asians, the number of women, the number of African-Americans all had a certain implied balance. And so you couldn't think of this as a sort of place where you could come in tomorrow morning and just say, "I'm going to fire the following ten people," without looking at whether they were African or women or Asian or whatever.

And so there was a certain in-built rigidity in the Bank, and, secondly, the salary system and the benefit system was so geared to continuity that if you robbed somebody of their position, you could be changing their—their entitlements in terms of pensions to an absolutely humongous degree.

BECKER: So it's an end-loaded system.

WOLFENSOHN: It's an end-loaded system and—and difficult to transfer other than to the
BECKER: Mm-hmm.

WOLFENSOHN: So it was quite tough, and remains tough, to bring about these changes.

BECKER: Mm-hmm. It's very much a civil service .

WOLFENSOHN: It is a civil service .

BECKER: . as opposed to a .

WOLFENSOHN: But it was more than a single civil service; it was a multilateral civil service.

BECKER: With representatives from some of the most bureaucratic .

WOLFENSOHN: Places in the world, exactly. You simply couldn't even conceive of the notion that because of poor performance you'd be out.

BECKER: Yes. Now, you say when you get to the Bank, you're determined to—your determined run it. What goals had you set for yourself?

WOLFENSOHN: Well, I hadn't set many.

BECKER: Mm-hmm.

WOLFENSOHN: I had set only the—the first goal was to get to understand what the function and the purpose and the capacities of the Bank were. And it was then that I ran into a lack of definition inside the institution by people inside the institution from what it was they were trying to do and how they measured themselves. There was a lot of pseudo-measurement going on, which I thought was pseudo-measurement because it not only was measurement, but it really wasn't. And you didn't get—although there were various groups inside the Bank that measured some of these things—and I put a lot of effort into upgrading those, and—and making sure that they had teeth. In those days, the beginnings of those systems were there, but by no means were they seriously developed.

And so I—I came in the Bank—and I can truly say this—in the first six months with a great sense of modesty. I mean, I'd had some exposure to the Bank, but I wanted to put it aside.

BECKER: Mm-hmm.

WOLFENSOHN: I wanted to come in with a completely free view. And I—I spent long, long days in those early months to see everybody. Even my critics, I think, would tell you that I worked pretty damn hard, and do work pretty hard. But in those early months, I really worked
hard. But I also insisted on going into the field, and I remember that within ten days I was in Mali.

BECKER: Right.

WOLFENSOHN: And—and so I wanted to signal to the team that this was not a Washington institution. It was Washington-headquartered, but the institution was in more than a hundred countries, and that—that for me had equal prominence and equal importance. And I think my first trip, going within ten days...

BECKER: Yes.

WOLFENSOHN: . . . to Mali really shocked most of the people in the Bank. I think they—and then, when I went to Mali, I went out in the field. I didn't just go to see the governor general, the president, or whatever he was. And not only that, but Elaine was with me, and—and, you know, we did wear khaki shorts and sneakers and we did take off our suits and we did go through the mud. And we did reach out, when we had spare time, to the artistic community and go look at what the artisans were doing, and—I have no real knowledge of the extent to which my predecessors had done that, but...

BECKER: Well, McNamara [inaudible], but you—I have the numbers, actually, but of—I mean, I think within the first six months you did 24 trips; within the first 16 months, you were in 44 different countries.

WOLFENSOHN: I believe that's true.

BECKER: And I—not that you were in a contest with McNamara, but you clearly...

WOLFENSOHN: I think I beat Bob.

BECKER: You—you beat him, clearly, by that—by that, you know, by that time. I'm intrigued by this, as—as are a lot of other people. And—does this come from your banking background? I mean, your career in banking is oriented toward clients. I mean, is this—am I reading too much into this, or . . .?

WOLFENSOHN: I think that I decided very early that you couldn't learn about poverty, and you couldn't learn about your clients unless you went to see them.

BECKER: Mm-hmm.

WOLFENSOHN: And if I was talking about rural poor in Mali, it would be a damn good idea if you'd spent some time in a—in a poor village and then you had a sense of what that was about. And because I had only seen in my professional career the inside of luxury hotels or—or travelers' hotels in most of these places, with maybe an occasional side trip . . .
BECKER: Side trip.

WOLFENSOHN: ... where I did things with the Rockefeller Foundation or the Population Council, really, the most of my experience had been the businessman's tour of the world. And it was pretty clear to me that although I, in quotes, “knew” Thailand, or I “knew” Korea, or I “knew” India, I really didn't.

BECKER: Mm-hmm.

WOLFENSOHN: In India, I would know the Taj Hotel, and I would know everything about the new hotel in Delhi, or whatever it would be, and—and I was really concerned to protect my comfortable life. So, what I’d never done was to take off my suit and go out and see something. And I started a practice on these trips, which I adhered to for nearly ten years, which is before I went to see the president or the prime minister, I would always try and arrange to be there for two or three days beforehand, going out into the field to get a sense of what the country was really like. And I had the huge good fortune that the briefing notes that I would get from the Bank were superb. The Bank is full of extraordinarily talented people.

BECKER: That's for sure.

WOLFENSOHN: Extraordinarily devoted people. And if you'd give them the time of day to listen to what they had to say, and you would ask them in advance the questions that you wanted to have responded to, in most cases—not all, but in most case—you would get an absolutely first-class document, first, and then if you would take the time, which I tried to do on all these trips, to be able to get to the people after a drink or two when they got over their apprehension about meeting the president—which, by the way, I found to be a severe barrier in some of these countries because of whatever expectation they had of the President. When you got over it, you—you had the best team that you could have anywhere in the world.

I mean, I am hugely, hugely impressed by the quality of people in the World Bank. But I think from time to time the institution doesn't serve them well, and the institution is a lot less good than the sum of the individuals.

BECKER: Mm-hmm.

WOLFENSOHN: My effort when I was there was to try and make the institution the individuals, and to stay as much out of the imposition of a framework as I possibly could.

BECKER: When you got to the Bank, the take, on reading press accounts at the time, was that morale was very low at the Bank.

WOLFENSOHN: Yes. It was.
BECKER: First of all, what did you think the reason for that was? And what did you decide to do about it?

WOLFENSOHN: Well, I think—I think in the last months of—maybe the last year of Lew's—of Lew's presidency, I think he wasn't well. So the dynamism that he may have brought in his first year was not there. I only intuit this. I don't know it. But I think that—I think in a way the—it would not be silly to assume that if the man is not well, that the—that the pace at which he could operate was less. So that's one thing.

The second thing was that I think the institution, in my opinion at the time, had gotten soft in terms of objectives and in terms of accountability. I don't think you can have high morale in any organization unless it knows what it is supposed to be doing and unless it's prepared to stand up and be measured against those objectives.

And I think that the World Bank in those days was not being properly measured. It was certainly not being held accountable. It was getting very soft. And in that environment, I think, you saw all sorts of things happening in terms of favoritism, in terms of appointments, in terms of personal power. Alignments were created with individual power brokers. There were nationalistic groups. There was the Indian group; there was the Pakistani group; there were various other national groups. And—and so you had this place which somehow had lost the dream of being a world free of poverty and being an instrument of bringing this about, and certainly had lost the sense of accountability. And I think when you have an organization that is drifting, whether it's the World Bank or anything else, it will only drift one way, and that will be downstream. And I think what—I knew that what I was not going to do was to preside over an institution that was going backwards. I mean, I didn't want to do that.

So that—that meant that in those early months, maybe even in the early years, I had a lot of problems. I still remember with tremendous joy the farewell party that we got in the Bank after ten years, and it was the most heart-wrenching day of my life because of the outpouring, the genuine outpouring of affection and regard for Elaine and me. That was not the case in the first two years. [Laughter] And so we came a long way. And at the beginning, the feelings were real, and they didn't like me. But at the end, they were also real.

BECKER: Early on you give a speech to the staff . .

WOLFENSOHN: Mm-hmm.

BECKER: . . which lays out what the mission is, and clearly it's heartfelt. But it strikes me also that it's—it's connected to this perception that morale is—is low.

WOLFENSOHN: It was.

BECKER: The one thing I wanted to ask also in connection with this is, you know, the Bank was taking quite a beating at the time you came to the Bank. You know, 50 Years Is Enough,
about it.

But it's not that—I'm not trying to paint myself as a heroic figure in this. I'm just trying to say simply that what I tried to do, and why it took me two or three years, was that it was bloody tough to change the culture. I mean, really tough. And there were a lot of complainers about it, some of whom certainly were uncovered in the book by that journalist, [Mallaby, Sebastian. The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations. Council on Foreign Relations Books (Penguin Press), 2004] who would go around and find them, and they were reflecting this anger at these management practices which were not nice, inappropriate, awful, and . . .

BECKER: Although standard in the private sector.

WOLFENSOHN: Totally standard in the private sector.

BECKER: Yeah. I'm going to ask you later on a couple things about that book because—I just want to ask you some things about the book towards the end.

WOLFENSOHN: [Inaudible] advance of it, but I never read it.

BECKER: Well, actually—well—I have my problems with it.

WOLFENSOHN: I spent two or three hours reading it one night when I got it in draft form, and I was so teed off at it that I never looked at it again.

[Laughter]

BECKER: Actually, I think you come off looking . . .

WOLFENSOHN: Looking terrible.

BECKER: No, no, no. I think you come off actually looking better. You know—I've read it several times because I need to—to know what his take is on it. My complaint as an historian is that his description of motivation is too simple. Frankly, I . . .

WOLFENSOHN: That's what his—that was his perception of my . . .

BECKER: Yes, exactly.

WOLFENSOHN: It was what he said I really thought.

BECKER: Right, right.

WOLFENSOHN: And it wasn't true.
BECKER: And that's why these interviews are—the Bank is so interested in these interviews because that's the big thing out there, and people know that and . . .

WOLFENSOHN: Well, there will be another book out next year.

BECKER: Oh, is there? Who's doing that?

WOLFENSOHN: Me.

BECKER: Oh, wonderful. I'm going to ask you about that because I have David Rockefeller's splendid memoirs, and I was hoping that you were doing your memoirs.

WOLFENSOHN: I am.

BECKER: Oh good, good.

The other thing about this—I won't go off too much on this, but I—it's—since I teach students how to write complicated things, it—it focuses on individuals, and then has that individual drive everything that you do. Maybe that is [inaudible] by someone, or you talk to someone, but to say that a particular person, for instance—maybe it's true that Jim [James W.] Adams in Uganda was really very important in your—your thinking, but to talk about the whole CDF [Comprehensive Development Framework] as a function of his idea strikes me as being overly—you know, clearly overly simplistic.

WOLFENSOHN: Is that what he said?

BECKER: More or less.

WOLFENSOHN: Well, that's bullshit.

BECKER: Well, I'm sorry. I didn't want to upset you, but I . . .

WOLFENSOHN: It doesn't upset me at all. It's just plain wrong.

BECKER: Yeah. I mean, it just struck me as a historian, the world doesn't work that way.

WOLFENSOHN: It's just totally wrong.

BECKER: And the other is that a complex organization like you were in charge of just doesn't work that way. It's—it's just not the way . . .

WOLFENSOHN: I can truthfully say that I invented the CDF, sitting in my place in Jackson Hole.

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
BECKER: Yes. Yes.

WOLFENSOHN: I still have the yellow pieces of paper on which I did it.

BECKER: Now, that he mentions, but he also talks about where you got a lot of these ideas. And it just struck me that just can't be the case.

WOLFENSOHN: Well, I can tell you, I don't doubt that some people had some ideas. The thing that I'm totally certain of is that no one had put any of those ideas together in a systematic way.

BECKER: Exactly. That's my point.

WOLFENSOHN: But it is simply un—if—if what is claimed in the book is that Jim Adams did it, it is simply untrue.

BECKER: Yeah, okay. Well, it's just as well you didn't read the whole thing.

WOLFENSOHN: No, but, I mean, that's really outrageous.

BECKER: Yeah. But it's that kind of thing—the one thing I do think that he did a good job on is—I'm going to get back to this in a second.

WOLFENSOHN: Mm-hmm.

BECKER: I think he did a good job in describing, one, the difficulties, the institutional and the structural difficulties that any president of the Bank has. I mean, this is an unusual organization.

WOLFENSOHN: Mm-hmm. Mm-hmm.

BECKER: And I think he—he does a good job of—of describing the very difficult constraints that any president faced, including yourself—which brings me back to the questions that I had prepared.

The Board. Anyone with the kind of experience you've had with the private sector internationally, and certainly in the United States, must have found it very difficult to deal with the resident Board. I've interviewed a lot of corporate executives who complain about their boards that only meet four times a year. How often did the Board meet? Once a week?

WOLFENSOHN: Twice a week.

BECKER: Twice a week. [Inaudible] Now, when you took the job, did you think much about this? Or is this something that Preston raised?
WOLFENSOHN: I had no idea that it did meet twice a week. I had no idea that it was resident. I had no idea that it—it had cost the institution north of $60 million a year. I had no idea that there were these armies of advisers. And I learned pretty quickly, though. I mean, you couldn't be there two days without knowing it.

BECKER: Mm-hmm.

WOLFENSOHN: And I met the directors quickly, because I felt I should, but little did I know what was in store for me at the Board room. And there was a real battle early on.

BECKER: Over what?

WOLFENSOHN: Oh, over my presence at the Board. There were those on the Board who thought I should be present at every meeting, and certainly that I should not travel nearly as much if it meant not going to Board meetings; and that if I was in Washington, my first obligation was not to do business, it was to come to the Board for—for every meeting. And I said, "To hell with that."

And so there was a little confrontation very early on as to how many meetings I'd go to. I think I went to roughly two-thirds of the meetings at the beginning of my—and I thought that was terrific, but for many on the Board that was blatant disregard for the Board.

And so I didn't have the greatest relationship with Board members. And—I was always respectful of them. I never cut them off. I had—I let them talk as much as they wanted. But they took a huge amount of my time, and they take a huge amount of staff time. Many people on the staff will tell you they take more than 20 percent of the time of the staff. Some of that questioning is probably worthwhile, but 20 to 30 percent of the staff time to be engaged in with the resident Board is preposterous.

BECKER: Mm-hmm. Mm-hmm. Is there anywhere else in the world—I mean, I know in corporation . . .

WOLFENSOHN: The other regional banks all have resident boards, too. I think it's a very bad habit.

BECKER: Yeah, yeah.

WOLFENSOHN: Particularly with communications as they are today. I mean, I think you can have a videoconference Board between meetings. There's absolutely no reason why you couldn't have the executive director for country X in his office in country X coming to meetings ten times a year, but for the rest of the time being in his country, and if something really urgent happens that affects his area, he is immediately called up on a videoconference with a large screen, and he can participate. But to have him sitting on your shoulders the whole time is pretty tough.
BECKER: Mm-hmm.

WOLFENSOHN: I managed somehow as president to—to keep a reasonable balance of the Board, even a distance of the Board. And I tried to reach out to them. We gave—twice a year I'd give dinners at my house for the Board, and Elaine and I made every effort to get to know them and their wives and the new members that came to the Board and so on. And the entire time I was at the Bank, I got one return invitation.

BECKER: Really?

WOLFENSOHN: One, in ten years.

BECKER: So they almost created an adversarial . . .

WOLFENSOHN: I don't know whether it was adversarial. In some cases, they saw you as the—the minister, or their boss. In other cases, they just saw you as someone they could beat up. I never quite knew what they were going to do. And in the end, I didn't care.

BECKER: Mm-hmm.

Now you built up . . .

WOLFENSOHN: The interesting thing that I should tell you is that at the semi-annual meetings of the Bank and the annual meetings of the Bank, the only people that treated them much worse than I did were their ministers. Very frequently, they would come to the meetings, and they would leave outside the meetings, even with me, their resident director. It was very clear that when the team came in from out of town with the minister, the deputy secretary, the assistant deputy secretary, the specialist on international institutions, the governor of the central bank. The last man on the totem pole was the ED [executive director] of the Bank, and sometimes he'd be in a meeting and sometimes he wouldn't.

BECKER: Mm-hmm.

WOLFENSOHN: He certainly didn't have a pass to come in to the meetings, and I felt very sorry for them because they would—between meetings, they would, of course, throw their weight around in a very visible way, some of them very nicely. I don't say all of them, but there are too many of them that did it in a less than attractive way, in my opinion.

I think that there is room for a Board. I think that the Board can be very constructive, and I had some very constructive interchanges with the Board. I couldn't generalize and say that the Board was terrible. It wasn't. In some cases it was extremely helpful. But I just think that meeting twice a week and every day in a committee meeting is just too much of a burden to put on the institution. Just too much, particularly as the people come for two years . . .
BECKER: Yes.

WOLFENSOHN: ... so you're teaching them for 18 months, and—and it takes a lot of time.

BECKER: Yes. One way you...

WOLFENSOHN: Can you excuse me just for one minute?

BECKER: Of course.

WOLFENSOHN: I just want to get a glass of water. [Interruption]

BECKER: Okay. We're back. Let me just—just follow up with one other question about the Board. I'm interested in how you managed it. I think you've answered the question substantially. One question: Did you ever feel that the—the way to deal with the Board was to, you know, go back, as you say, to their bosses, obviously people you knew—finance ministers, heads of . . .?

WOLFENSOHN: I never did that.

BECKER: You never did that.

WOLFENSOHN: I felt like it.

[Laughter]

BECKER: So. Okay.

WOLFENSOHN: Well, that's to say I never did it.

BECKER: Uh-huh.

WOLFENSOHN: I did it once, without success.

[Laughter.]

WOLFENSOHN: And it was late in my presidency.

BECKER: Yeah.

WOLFENSOHN: But to be absolutely honest, I did tell one of the ministers that his representative was awful.

[Laughter]
BECKER: Since I've been studying the Bank for a long time, it strikes me that some of the people who get these jobs are really quite good, and then move on to . .

WOLFENSOHN: Yes.

BECKER: . . senior posts in their own, you know, in their own—you know, in their own governments. But at other times, it strikes me that also these are sort of political payoffs and . .

WOLFENSOHN: Well, it is both. It's exactly that. In some cases, it's to get the person out of the country.

BECKER: Yes.

WOLFENSOHN: In some cases, it's to prepare them for a very important role in the country.

BECKER: Yeah.

WOLFENSOHN: But when they do that, the person never stays more than two years. So your best people you have for two years.

BECKER: Yeah.

WOLFENSOHN: The worst people will stay for three or four.

BECKER: Mm-hmm.

WOLFENSOHN: And that was the [inaudible].

BECKER: Now, there's a—there's a president of the Board?

WOLFENSOHN: Mm-hmm.

BECKER: Does that person have a formal role in dealing with the president and/or did that person deal with you?

WOLFENSOHN: I was both chairman and president.

BECKER: I mean chairman, but there's a president of . . .

WOLFENSOHN: Chairman and president. No, there is a senior director.

BECKER: Senior director, excuse me.
WOLFENSOHN: And—and he has a formal role in dealing with you, and—and he organizes the Board. And it is actually the senior director [inaudible]...

BECKER: Mm-hmm.

WOLFENSOHN: ... and sometimes there's a deputy, and usually one is from the developed and one from the developing world. And the last time it was changing, it became very hotly debate—very hotly debated—as to who would be the senior director. It took months, and a—and a lot of people are not talking to each other still.

[Laughter]

BECKER: Oh, I see. Well, that's too bad.

WOLFENSOHN: I, by the way, had nothing to do with it. I just was an amused bystander.

[Laughter]

BECKER: Okay. I want to go back to your early months in the Bank and your travel.

WOLFENSOHN: Mm-hmm. Mm-hmm.

BECKER: You talked a little bit about this, and I wanted to ask you more formally. What surprised you on this first trip to—to Africa? You went to Mali...

WOLFENSOHN: Mm-hmm.

BECKER: ... the Ivory Coast...

WOLFENSOHN: Yes.

BECKER: And what was the third country?

WOLFENSOHN: I don't remember now.

BECKER: Okay. I should know that, but I...

WOLFENSOHN: It's in the trip reports, but I don't remember. It was certainly Mali and the Ivory Coast. I wouldn't be surprised if there was one other Anglophone country in there.

BECKER: Okay. Yeah.

WOLFENSOHN: Because Mali and Cote d'Ivoire are both francophone, and I'm pretty sure I went to . . .

BECKER: Maybe South Africa or . . .

WOLFENSOHN: I don't . . .

BECKER: I mean, you traveled a lot, so . . .

WOLFENSOHN: But—but I think the thing that—it's hard for me not to—I think—I think the first thing that I became aware of was how—how important the Bank could be to these countries. First of all, to be received by the presidents of the countries was not because of my personal appointment. It was because of the history of the relationship between the Bank and those countries. And so I inherited a tremendous set of relationships, and the depth of those relationships, really, I thought, were amazing.

The second thing that I thought was amazing was that I—I was impressed by the quality of our representatives in most cases. Not in all cases, but in most cases.

The third thing that got to me was how few of the locals of those countries were in the offices. There was a sort of rule then that you didn't trust the locals to run the country offices, and I—I—that hit me in the face. Even if there were some good people from Mali, you didn't want to have them in Mali. You put them somewhere else. And I couldn't understand that, either.

And the fourth thing was how few women there were in senior positions. That really hit me. So that you'd have a secretary that's driving you around, and she's have a Ph.D. from MIT or something. And that offended me tremendously. Those are some of the impressions that I had.

And then the personal impressions I had was, first of all, the extent of poverty, and how the only way that you could get through this was by looking through poverty at the people. I—I—you could outwardly be appalled by the conditions, but almost intuitively I immediately went to the people. And I think it was a mark of my presidency, largely because Elaine and I had this intuitive sense that the business was not about the poverty and the filth; the business was the people. And if you would get to the people, and you could really deal with them and talk to them as equals, or in some cases more than equals because there are some remarkable people. If you could listen to them, first of all, you would understand the problems better; secondly, you'd understand the solutions better; and, thirdly, you couldn't do it without them. I don't think we listened enough the World Bank, not nearly enough, and I think—it's not written about, but I think one of the things that I did most was to get people listening and not lecturing.

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
And I think, very objectively, you will find, if you look at my trips, I spent half to two-thirds of my time in the field. I was not just in the palace seeing the president, or addressing the parliament, or seeing the other aid agencies. I loved getting out in the field, and that's where you learn. You don't learn talking to the minister. You learn getting out—and—and it became very clear in those early years that many of my predecessors had done too little of that—Bob McNamara, by the way, being an exception because Bob did this.

BECKER: Right.

WOLFENSOHN: And it was also the great joy of the job. It—it was the thing of the job. And it allowed me to develop a tremendous understanding of the people in these countries and the women and the youth, the disadvantaged, the handicapped. But if you didn't see the people, it wouldn't come home to you. But you couldn't go into a village and see some handicapped person being hidden behind a door, or you couldn't go into an Arab village in the mountains or somewhere or other and see the women being herded by a local policeman with a bamboo rod, looking at you through the slits in their veils. I mean, you don't read about that. You don't—it comes home to you when you see it, and when you try and talk to the people.

And so I think whatever else I may have got wrong, I did create a human presidency.

BECKER: Mm-hmm.

WOLFENSOHN: And Elaine, my wife, was just wonderful in this.

BECKER: I wanted to ask, I don't recall if the letter they sent to you mentioned that Mrs. Wolfensohn is on the list of people we'd like to talk to at some point. And I . . .

WOLFENSOHN: You must talk to her.

BECKER: There's a contact person.

WOLFENSOHN: You must talk to her.

BECKER: And—and I'm scheduled to be the person, so I look forward to that.

WOLFENSOHN: I can truthfully say that Elaine and I did this in partnership. I could not have done what I did without Elaine. And, in a way, it was the best part of our 45-year marriage because it was a true partnership.

BECKER: Yeah. Yeah.

WOLFENSOHN: And it allowed us to do double the work because she would take on responsibilities on education issues, on health issues, on women's issues.
BECKER: Gender issues, yeah.

WOLFENSOHN: And, of course, I'm sure she was treated with suspicion when we started, but it lasted less long for her than it did for me [laughter] because she had done, you know, two graduate degrees and an undergraduate degree in education and—and these issues, so she knew a hell of a lot. And even today, she just got back last night from Jordan, where the queen and a bunch of Arab women had her over there for a meeting, which, for a nice Jewish girl from New York, was evidence of what they think of her.

BECKER: Mm-hmm.

WOLFENSOHN: And so she managed to transcend her background, if you like, and was an unbelievable help to me in those areas. And—and I think you may hear a lot of criticism of me, but you won't hear any of Elaine in the Bank.

BECKER: Right.

What was the reaction—I mean, in countries—I mean, obviously in Africa there's—a whole range of governments . .

WOLFENSOHN: Mm-hmm. Mm-hmm.

BECKER: . . there are a lot of governments that are troubled, and there are some very good governments.

WOLFENSOHN: Mm-hmm. Mm-hmm.

BECKER: But what was the reaction of governments, especially the troubled governments or the difficult governments or the failing governments, when the president of the World Bank comes and spends the first two or three days, you know, in the field? Did that make relations between you and them more difficult?

WOLFENSOHN: Well, they—many of them, I know, because I got to know them subsequently, were very troubled by this. They just couldn't believe it, and particularly when I'd go to places they'd never been to. That they found extremely difficult. And—I mean, really difficult. [Laughter] And I remember going to Haiti and seeing the former president, and I had been out in the country, and then I went into the slums. And he, in fact, found it necessary to come into the slums with me. It was the first time he had been there in ten years.

BECKER: Yeah.

WOLFENSOHN: And he said he could only go there because I had such a strong military escort, which was nonsense, of course, and then he put on a big show.
But I had many, many examples of—the presidents talking to me or responding to me on issues which they clearly personally had no experience with whatsoever. But they would get briefed because my every move was tracked, and so they would—often in the field, the people would say to me, "You know, we've never seen the president." And the president would open the meeting saying, "I'm delighted that you went to A, B, C."

[Laughter]

So I think, on balance, it was a huge plus. In some marginal cases, it got them worried, but the one thing that they could not deny was that by doing it, you really got to see the issues. You can't see the issues from the capital. It's impossible. And it's the random events that give you the key.

BECKER: Mm-hmm.

WOLFENSOHN: It's not any programmed events. It's the random events. It's going off the beaten path into an alleyway and getting behind the painted exteriors they put up for you.

BECKER: Mm-hmm. The Potemkin villages.

WOLFENSOHN: Well, I got very good at identifying Potemkin villages.

BECKER: Within the Bank itself, what was the reaction within the Bank to this? I mean, obviously the three men who had preceded you as president had not done very much of this, so there was a whole generation of Bank staff and managers who were unfamiliar with the fact that the president—it reminds me of the cartoon from the 1930s of Eleanor Roosevelt. It's a New Yorker cartoon, and it's these miners down, you know, down deep in the mine digging coal. And one looks up and says, "Oh, it's Mrs. Roosevelt coming." So it's unfamiliar, you know, for people to see people like that going to places like you went. How was that received generally in the Bank?

WOLFENSOHN: Well, I would say generally very well, but there were those who thought it was Hollywood, I'm sure, that this was grandstanding, that there were 30 photographers following you, you must be doing it for PR reasons. But I believe that, again, the fact that Elaine and I would establish human contact with these people very quickly and soon dissuaded people that this was just show and—but you can't do that stuff for show for very long. And poor people can pick phonies better than rich people. And when poor people open themselves, for me that's the best litmus test. And I think critics, when they saw that, when they saw—frankly, it was automatic for me to pick up kids and hug them. If you were doing that and you're a phony, kids cry.

They do cry. [Laughter] And their parents get teed off at you. But because of Elaine, and because of my own sensitivities, the best part of this job—the best part of this job—was getting
to know the people that you were trying to serve. And it was unbelievably enriching. You just have no idea. It’s the thing I miss the most to this day. It’s not the cars, it’s not the travel, it’s not meeting the presidents. I’m—I’m saying with absolute honesty to you, it’s—it’s getting out into the situations where you sit with the—with the elder of the village, or you sit in a classroom, or you meet with a group of wives of truck drivers that are trying to stop their husbands getting AIDS, or meet with AIDS victims, or—you come into touch with humanity in a way that is unique to that job. You—you can’t do it at a distance.

BECKER: Mm-hmm.

Do you get a sense of what’s on the minds of these people, and what . . .

WOLFENSOHN: You get—you get a sense of understanding that what you’re dealing with when you’re dealing with issues of poverty and development. If you don’t understand the pain, you don’t understand the hopes, if you don’t see the relationship between these parents and the kids, whom they try to dress well, whom they’re living for to try to make sure that they get an education, and that they can do better than they did. These are all human traits that you have for your kids and I have for my kids.

And it is not something that is just for rich people. If you see the structures of these societies, if you see that you’ve got rich people in those societies who are no bloody good either in relation to poor people, who care less about the problems of their people, who are corrupt, who are—you don’t just see good things. You see bad things. But unless you’re in it, I don’t think you understand the development business. And the insights that you get into the development business you get through meeting the people whom you’re trying to deal with. You don’t get it from the development minister.

BECKER: Yeah.

Do you think this gave you leverage in the Bank? I mean, your knowledge and this experience?

WOLFENSOHN: Well, I think it did because then people couldn’t take you on . .

BECKER: Yeah.

WOLFENSOHN: . . because in many cases you had seen more than they had.

BECKER: Right. Mm-hmm. I’m not suggesting it was done cynically, but I’m saying that the effect of it is to give you some leverage . . .

WOLFENSOHN: Of course, if you—if you know the field as well or better than the people who are trying to hoodwink you, you are in very good shape. And so, with growing experience over ten years, when you got proposals to do things, you could just pick holes in it.

James D. Wolfensohn

June 5 and 14, September 25, and December 3, 2006—Final Edited
BECKER: Yeah.

WOLFENSOHN: Or you could confirm it. You could say, "Gee, that's right." Or you could say, "This is a piece of nonsense." And so it was pretty hard for people to swing one by you in relation to an issue that you had addressed in the field. And—but I wasn't smart enough to have this as a strategy. Intuitively, I felt I should get to know the issues. So that it was intuition that got me into that.

But if you'd ask me to stipulate a strategy for anybody going into this job, I would say do what I did and take the time to invest in understanding the issues by being out in the field. You cannot understand the problems of education in a village 600 miles away from the capital unless you've been to the village 600 miles away from the capital. You see the poverty, and you see that there are no teachers, and you see whatever it is that you learn. Or you go to the clinic and see that the clinic, the maternity clinic, doesn't have a single bed, it has some stones that people can lie on, or a stone slab, and where it's not a doctor, it's a visiting midwife who can come in, and there isn't a single piece of equipment in the hospital, or whatever it's called. And you find whatever medicaments they have in a box, but it's not cold, or whatever.

I mean, unless you see these things, you can't imagine that it's like that, unless it's part of your frame of reference. And the only way you can get the frame of reference is by getting out in the field. And so I think that the strength I got in terms of winning over the people in the Bank was—I think many of the people would tell you that it changed when people realized that I do the jobs as well as they do. It's not surprising. You have that in industry, too.

BECKER: Yes. Right.

WOLFENSOHN: But an outside political appointment to come in and be president of the Bank was not expected to get to know the job as well as the permanent people that were in the Bank. They just never expected that.

BECKER: Mm-hmm.

WOLFENSOHN: This was a political appointment and you should stay out of it. But we didn't [inaudible]. And so the vice presidents were pretty—pretty shaken, and we made a lot of changes. A lot of people left.

BECKER: In this period. I've run beyond the time you said, and I . . .

WOLFENSOHN: Yes, and I've got to go. I've got to make a speech tonight.

BECKER: I don't want your—your staff to become angry with me.

WOLFENSOHN: I'm interested to talk about it. I'm just—I mean, I hope this is of some interest to you.
[End of Tape 1, Side A]
[End of Session 2]
BECKER: This is Bill Becker, and today is the 25th of September 2006. I'm in New York City to conduct a third interview with James Wolfensohn, former president of the World Bank.

Mr. Wolfensohn, it's very nice to see you again.

WOLFENSOHN: Nice to have you. Nice to be back.

BECKER: It's such a lovely, lovely day here in New York.

WOLFENSOHN: Mm-hmm.

BECKER: I'd like to begin to take up where we left off. I'm working sort of chronologically through your years at the Bank...

WOLFENSOHN: Right.

BECKER: ...and at the last—the last interview we talked about the transition, and then we talked a good bit about the value you saw—saw in your travels abroad with Mrs. Wolfensohn. And, in addition, we talked a little bit about some of your early ideas, your early take on management at the Bank and the kinds of problems. And I'd like to follow up with some of that, but stick reasonably close to chronology.

And, if we do that, the first thing that—that strikes me is that very early on the Bank got involved in reconstruction in Bosnia in the summer of 1995. And the question is: How did that come about?

WOLFENSOHN: Well, Bosnia fell into the category of countries that were yet to be countries, in terms of the full recognition and delineation of a country, of an area where it had been affected by conflict where there was ethnic stress continuing, notwithstanding the fact that when we came in there was no immediate fighting. There was certainly still the evidence of damage. And in terms of the objective of the institution, which is to deal on behalf of people who are in poverty, or who have been badly affected by conflict, Bosnia became an obvious location for us to work.
We were also under some pressure by the international community to intervene because it was important that hope be given to the Bosnians, and someone independent was required to both raise funds and to ensure that they were appropriately administered. And this is one of those occasions in which the reputation of the World Bank was very important because it was—was and is, of course—a multilateral institution, not identified with any of the great powers particularly, and independent.

And so we were able to respond to a very general request to come in and try and both assess the damage, and then try to put together the funding that was needed to get started on the Bosnian reconstruction. So it was a perfectly straightforward thing for us to do. It had nothing to do with my special interests or contribution. It was exactly the sort of thing that the Bank was set up to do. And I remind you that the Bank had originally been set up as the International Bank for Reconstruction and Development.

**BECKER:** Nevertheless, was there resistance in the Bank to this?

**WOLFENSOHN:** Not that I can recall.

**BECKER:** Okay.

**WOLFENSOHN:** No. I think there was great enthusiasm to deal with that.

**BECKER:** Mm-hmm. Mm-hmm. And then it went on later to other places, I guess: Kosovo . .

**WOLFENSOHN:** Oh, the whole region, as I’m sure you know . .

**BECKER:** Yeah. Right.

**WOLFENSOHN:** . . was subject to disturbance, and we had to weave our way through the entire region to not interfere with the politics, but to try and be there to deal with the human fallout of the political actions that were taken.

**BECKER:** Mm-hmm. Mm-hmm. Okay.

Now, soon after, you began talking about the—the debt of the—of the highly-indebted poor countries, HIPC.

**WOLFENSOHN:** Mm-hmm.

**BECKER:** Did you see a pattern here? What prompted that? I mean, you’re—this is something that you became very highly identified with.

**WOLFENSOHN:** Well, I think I even invented the term . .
BECKER: Term.

WOLFENSOHN: "HIPC," if I'm not mistaken. Though whether I did or not, the issue was one that I think I may have commented to you in an earlier discussion, in my first visit to Mali.

BECKER: Right.

WOLFENSOHN: when a member of the Muslim clergy took me to task by showing me that if you put money in one pocket and take it out of the other pocket.

BECKER: Right.

WOLFENSOHN: there's nothing left in the middle. And it became very clear to me that one of the—when you looked at the net flow of funds from the Bank every year, although the gross might have been $15, $16, $20 billion, the net was $1, $2, $3 billion.

BECKER: Right.

WOLFENSOHN: And it wasn't administered in any sort of equitable way. Many of the countries that were most in need got nothing in terms of incremental funding. And so it became very clear to me that debt relief was essential.

I knew from my corporate experience that there was a methodology of dealing with bankrupt companies and bankrupt individuals to give them a chance to start again. But we didn't have that in terms of countries, and so the whole basis for the HIPC was completely rational in that it was designed to say, "Let's try and find a way to forgive the debt of the highly indebted poor countries and get them started again, but not to get them started on rushing back into debt that they will assume profligate—in a profligate way, or in a corrupt way, but in a way that would give them a real chance to start again."

BECKER: Mm-hmm.

Again, was there resistance to this?

WOLFENSOHN: Yes, tremendous resistance.

BECKER: Yeah. Yeah.

WOLFENSOHN: because the folklore was that if you borrow, you must repay, and that it was an essential and integral part of the international system, that you not give in on the sovereign's need to repay. And it was not seen by many of my colleagues, including my friends at the International Monetary Fund, to be either wise or appropriate to bring the experience of individuals and corporations into the realm of sovereign credit. But I found that to be a very thin
argument because sovereigns were ranked as good sovereigns down to sovereigns that had no—no creditworthiness, just as people were ranked as very rich or no creditworthiness. But in the case of people, in the case of corporations, there was a legal mechanism in which you could address this question.

[Cell-phone tone]

BECKER: I'm turning it off...

[Tape continues]

WOLFENSOHN: So I thought that it was overdue that we address the question of sovereign debt, but there were many critics of this initiative.

BECKER: Mm-hmm. Mm-hmm.

WOLFENSOHN: And a lot of the critics were also on the side of the people who had provided money. There was a fear that the World Bank, if it were to do this, wouldn't have any capital.

BECKER: Mm-hmm.

WOLFENSOHN: There was a fear on the part of major donor countries that if they didn't insist on the repayment, then they'd have to write down these obligations, and it would affect their standing in the international community. And to this day, the Japanese still fight it because their view is that it really shouldn't happen.

BECKER: Yeah.

WOLFENSOHN: So there's a lot of—there are many views on this, the Japanese being the most rigid, but there were many in the international community, and quite a few in the International Monetary Fund, who thought this was heresy to do this.

BECKER: Yeah.

Looking at it historically, one—I teach a course on the history of the international economy, and I spend a lot of time talking about the 1920s when a relatively low level of debt...

WOLFENSOHN: Mm-hmm.

BECKER: ... was owed by the former Allies to the United States. The U.S. just wouldn't go along with it.

WOLFENSOHN: Mm-hmm.
BECKER: The British were willing to do it if the Americans were willing to do it.

WOLFENSOHN: Mm-hmm.

BECKER: And it certainly would have eased up the Germans' problems with reparations, and I make the case that history might have been very, very different if Germany hadn't continued to be burdened by that.

WOLFENSOHN: Yes, yes.

BECKER: So, I mean, there are . . .

WOLFENSOHN: I thought there were many reasons . .

BECKER: Yeah.

WOLFENSOHN: . . but the most obvious one, though, was the one I gave you . .

BECKER: Yeah, yeah.

WOLFENSOHN: . . which is the system doesn't work . .

BECKER: Yeah.

WOLFENSOHN: . . if countries get into debt, can't get out. It's debt that may have been inherited from a different government at a different time. And—and you had to have a writing mechanism, and the writing mechanism is HIPC.

BECKER: Mm-hmm. Mm-hmm.

WOLFENSOHN: And it's happened since; you know, $30 or $40 billion worth of debt has been written off. It's been done under appropriate conditions: that people have to have sensible programs and to be in a condition that they're not going to waste the money, and that any new borrowings are done for the right reasons, for education and health and social purposes, and not for building monuments to the leader.

BECKER: Yeah.

WOLFENSOHN: And so the debate was certainly very acrimonious at times, but in the end, I think people came to recognize that it was inevitable. And it also made people understand that lending money to poor countries that immediately recycled to pay back their debts had no impact on the poor.

BECKER: Right.
WOLFENSOHN: And I kept pushing that argument. It wasn't—it wasn't an insight of genius, but it was difficult to get people to change their perceptions.

BECKER: Yeah.

What about the so-called Paris Club? Did that figure into this in any way? Was that used as a mechanism then to . . . ?

WOLFENSOHN: Well, the Paris Club was a mechanism that—that was used, but the Paris Club was dead against it, too.

BECKER: Oh, okay.

WOLFENSOHN: So—because there'd been no methodology of doing it, but then the Paris Club did come together and was able to negotiate certain forgivenesses. And so Paris Club became in the end a very important element in the debt forgiveness scheme.

BECKER: Mm-hmm. Okay.

[Pause]

BECKER: All right. Let me—let me just move on to some management issues . . .

WOLFENSOHN: Please.

BECKER: . . that very early on in the . .

WOLFENSOHN: Let me just say, before you move on . .

BECKER: Yes. Sure. Please.

WOLFENSOHN: . . the issue of HIPC . .

BECKER: Yes.

WOLFENSOHN: . . and debt relief was one of the most important things that came out in my period in the Bank, because the notion of regularizing the debts of impoverished countries was quite revolutionary, and so I just—I don't want to discuss it any more, but I do want to say that of all the things that I achieved in the—in the period in which I was president, one of the most important has to be the HIPC initiative.

BECKER: Mm-hmm. Okay. That's fine. And it continues, of course, so that—I mean, the . .
WOLFENSOHN: Oh, yes, it continues now, of course.

BECKER: Yeah, yeah. Okay.

Let me just ask you a—a quick question about the Bank's—the Bank's finances itself. The—how did you tackle the fact that private capital flows had begun to replace in some way, at least to some countries, the—the capital that at one time the Bank would have provided? And obviously this sort of plays under the radar, at least as far as I can see, and it strikes me that this is a very important—very important issue that you—that you dealt with.

WOLFENSOHN: Well, I think the first thing is that you can't change reality, and you shouldn't try. If—if there are private capital flows going to countries that can substitute for public capital flows, you should be very pleased. And if you look at the statistics—and I don't have them at my fingertips, but I think it's something like—it was something like $15 or $20 billion in private capital flows over a period of 20 years [inaudible] over $400 billion of private capital flows. And during that same time period, development assistance moved from maybe $20 to $30 million to $60 to $70 million—it doubled—while the other went up maybe 20 to 30 times.

BECKER: Mm-hmm.

WOLFENSOHN: And we ought to get you the exact statistics, and they're available, and you can easily get them.

BECKER: I can—yeah, yeah.

WOLFENSOHN: But there is no doubt that that issue of the change—[ Interruption ] thank you very much—was one of the most profound things that happened during my period as president.

Now, what that meant was several things. First of all, capital flows went to a dozen countries. The huge capital flows went to the richest, the best countries. But we were dealing with 140 countries, so you—it didn't—it didn't deal with the poor credits. That's the first thing.

The second thing is that where it went to India, China, and other countries, they were huge and they still needed more money. So the challenge that came to us was not that private capital flows replaced all the needs, because the needs were so great that all it did was to accelerate the potential growth in these countries. And you've seen since then that China and India, in fact, are growing at 8 or 10 percent now, helped by some of the money that was put in earlier by the Bank, even when capital flows were increasing to these countries. So it wasn't the sort of thing where you had an instant substitution. What you had was an—an enrichment of the resources that were going to some of the better countries in terms of their economic performance, and so they were helped additionally by some money that was going into infrastructure and private—and public sector investments, while at the same time there was private sector investment going on in—in a parallel way.
But it didn't help the—the Malis of this world because they weren't getting any private sector investing unless they happened to be in a place which had natural resources. And where they had natural resources, one of the things you had to then worry about was not just the capital flow going in, but into whose pocket was it going and on what basis.

BECKER: Right. Chad I guess would be a good example on that.

WOLFENSOHN: Yes, Chad is a very good example. And we went through all that, by the way, in the Chad-Cameroon pipeline situation.

BECKER: Right, right. Okay.

Well, the—I guess the one question I had was the one that you answered, which was the question of mid-level borrowers, obviously, but that was—it—it struck me in reading about this that the—that a lot of the Bank's opponents often talked about these capital flows, I thought, in a . . .

WOLFENSOHN: There were a group of people who said, well, since you've got these capital flows, you no longer need the Bank.

BECKER: Mm-hmm.

WOLFENSOHN: There's all this money going. Instead of $20 billion, it's $200 billion or $300 billion. And, therefore, you don't need an institution that's putting up $15 to $20 billion a year. And the truth of the matter is that—that the poor countries remain poor. We modulated, or attempted to modulate, the lending to the countries that were being better serviced from the private sector, but the demands of those countries did not abate. And I think that by continuing to lend to China and to India, where there was still huge poverty, and to put money into infrastructure and education and health, we laid the basis for what is now the dramatic growth of those countries.

BECKER: Mm-hmm. Mm-hmm.

WOLFENSOHN: And if you pull out too early, that doesn't happen.

BECKER: Right, right. And they're also paying back, I guess, the Chinese in particular.

WOLFENSOHN: They're all paying back. They're all paying back.

BECKER: Yeah.

WOLFENSOHN: So it's coming back very quickly.

Now, early on, moving slowly but moving through your presidency, in—late in—in 2006 you began talking about what you—you called . . .

WOLFENSOHN: 2006?

BECKER: I'm sorry.

WOLFENSOHN: '96.

BECKER: '96. Yeah.

WOLFENSOHN: Mm-hmm.

BECKER: Sorry about that. Historians are supposed to get dates right, if nothing else.

You started talking about what became known as the Strategic Compact . .

WOLFENSOHN: Mm-hmm.

BECKER: . . and what surprises me, I've studied lots of large organizations where people come in and try, you know—what is it? Gerstner has this book, "Dancing with Elephants"—to dance with an elephant and get it to move. [Who Says Elephants Can't Dance?: Leading a Great Enterprise through Dramatic Change by Louis V. Gerstner. New York: HarperCollins, 2002.] Most people who do this take several years. I mean, Gerstner took several years before he figured out what the story was with IBM. And, frankly, I'm impressed that within, you know, a year or so you had decided what needed to—needed to be done.

WOLFENSOHN: Mm-hmm.

BECKER: First off, how did that come about? How did you conclude what needed to be—what needed to be done? And then what exactly did you focus on in the Strategic Compact initiative?

WOLFENSOHN: I took a lot of time in the first six to twelve months in observing and listening. I traveled immensely.

BECKER: Right.

WOLFENSOHN: I listened to everybody. I got a lot of advice and a lot of insights. The most important thing, however, that I got was on-the-ground experience because my trips were not just to meet presidents or the political leaders. If you look at my record of travel, you'll see that typically on a country visit I'd spend the first half of the visit in the field before I'd ever go near a politician. And I'd get out and I'd talk to the people. And, you know, I'd put on some khaki trousers and a—and a shirt and just get out there. And my wife, Elaine, would help me by doing
the same thing, but she would talk to the educators and to the health people.

And during the course of the many countries we visited in that first 12 to 18 months, it became very clear to me that the issue of eradication of poverty was not a simple thing and that the solution was—had to be an integrated solution. It—it couldn't be a series of skirmishes. It needed to have a strategy, and that strategy needed to be beyond two years, three years, four years. It needed to be something that you could lay out for a country, and that this was a difficult thing to do because of changing governments, but that you couldn't have countries chopping and changing, either, all the time. And so you needed to get something which had a sense of longevity to it, an ability, of course, to reassess on the basis of your experience, but something which got away from the idea of a series of projects that were put up to the Board of the Bank, limited by time and limited by resources.

And it struck me that if we just kept on doing that, if you had $2 to invest in a country, then you'd come up with a $2 project, and if you had $100 million, you'd come up with a $100 million project. And if that project happened to be in, let's say, roads, the chances of you three years later when you came to take another look at that country and you had another $100 million, the chances were that you would not get a recommendation on roads because the pressure would be on for health or education or power plants or something.

And so I thought that since that was the way things operated, the best thing to do would be to start with the strategy, not start with the amount of money you had or the number of projects you could do for that amount of money, but to try and get an overall view of what you were doing, what the government was doing first and foremost, what the providers of funds, the private sector was doing, civil society was doing, and try and encompass it all in a strategic vision. And that's what the Strategic Compact was about.

BECKER: Mm-hmm.

WOLFENSOHN: Again, it wasn't a genius idea if—if you stood back to think about it. It was hard to imagine how you could ever do anything else. But the reason that it had not come about was that the community of providers of funds is so fragmented, the personnel change, the governments change, the availability of funding changes, fashions change, and there's no real accountability other than for a project. I thought, "What's the point of having three good projects and three bad projects? What is really of interest is not the score you get on the projects. It is how you're trying to advance that country in terms of its comprehensive view going forward."

So the Strategic Compact led to the invention, too, of the Comprehensive Development Framework . .

BECKER: Right. Yeah.

WOLFENSOHN: . . or whatever name it happens to have been given at the time. But it was all part of that rather clear insight, and it struck me that when I thought about it, it was just very
obvious. One of the things that comes about—I mean that I've been following up on here is that you also—this was the initiative where we asked for—asked the Board for $250 million, was it?

WOLFENSOHN: Right.

BECKER: And a good bit—well, not a good bit of that, but part of that was also to—to send people at the Bank to Harvard or to—to Stanford, I guess it was.

WOLFENSOHN: Yes.

BECKER: Why did you do that? I mean, the Bank is full of very smart people.

WOLFENSOHN: Well, let me jump back a bit. The objective that I just described to you . .

BECKER: Yeah.

WOLFENSOHN: . . was where I wanted to take the Bank. That, if you like, in the end was the Comprehensive Development Framework, the CDF.

BECKER: Framework, right.

WOLFENSOHN: But in order to get there, we needed to reorganize the Bank. And so the Strategic Compact was a deal that I sought to do with the Board to give myself the funding to deal with the reconstruction of my team and the facilities and the computer programs and everything . .

BECKER: Right.

WOLFENSOHN: . . that I thought that was necessary to take us down the path to allow us to have this comprehensive approach to development.

It wasn’t—what I'm trying to say is that the Strategic Compact was not done in a vacuum. It was done for a purpose. The purpose was to make the institution more effective, to—to train our people better, to give them a sense of what their job was about, to make sure that the executives actually went out and saw what poverty was, that they could go live in the field for a week, that they could get trained technically to really, if you like, shake the place up to make it a modern, effective, customer-driven institution. You could only do that if you had money.

And so I had to go to the Board and say it's going to cost me some money, which I did. I think I cut myself too fine, and subsequently I had real problems keeping my bargain with the Board. And I don't think I should have had to do it, actually, but I did it because it was the only way I could get some money out of the Board.

[Laughter]
BECKER: Now, this is a time—I looked back at what had been talked about before you got there, I mean when Preston...

WOLFENSOHN: Mm-hmm.

BECKER: . . . was still president. And the Board was pushing for downsizing . . .

WOLFENSOHN: Mm-hmm. Mm-hmm. Mm-hmm.

BECKER: . . . which, of course, in the corporate sector is a very popular, you know, very popular idea, which strikes me as being a very difficult thing to do in the kind of culture that one has at the [inaudible] Bank.

WOLFENSOHN: It was very difficult.

BECKER: So what I'm getting at is: Was this your answer to the—to the, you know, you talked about reality. The reality was that you could talk a lot about downsizing, or one could—you weren't, but others could. But the reality was you couldn't downsize an institution, or at least very easily.

WOLFENSOHN: Well, I think you could downsize some parts of the institution. It was overpopulated by very mediocre people.

BECKER: I think you called it the "soft marshmallow middle." I found that [inaudible] . . .

WOLFENSOHN: Yes, yes. [Inaudible] It had a marshmallow middle. That's exactly right. But cutting out some people and just reducing the costs—which were also, by the way, part of my program because otherwise I wasn't going to get back to the levels that I had earlier thought of if I—if I couldn't do it. But in order to tighten the place up, I needed to train people. I needed to get the systems right. I needed to invest in the new Bank in order to get rid of the old Bank. And so I was not against downsizing, but to downsize without creating a new Bank was pointless. All I would do would be to get rid of a few people, if I could get rid of them, which is very, very difficult in the case of the Bank.

BECKER: Yes.

WOLFENSOHN: And I thought I could lift the standards, make it a tougher place to be, and the best people would stay and the less good people would probably wander off.

BECKER: Mm-hmm.

Now, one of your other initiatives as part of this was decentralization. I'm interested in—in—how did you come to the conclusion that that was a good thing, you know, good thing to do?
WOLFENSOHN: Again, by going out into the field.

BECKER: Yeah, Mm-hmm.

WOLFENSOHN: The notion that every decision had to be taken in Washington just struck me to be preposterous. The real strength in the organization are the people in the field who are very well skilled in making decisions. And I felt that the closer you could get the decisions to the field and the greater responsibility you could give to the Regions, the better off you'd be.

BECKER: Mm-hmm. How did—how did . . . ?

WOLFENSOHN: And I didn't copy the major multinationals, but if you look at the major multinationals, they all operate on that basis.

BECKER: Right, right. How was that received? I mean, the Bank strikes me as being a very Washington-oriented organization.

WOLFENSOHN: It wasn't received very well because the tradition has been that you sit in Washington and that when you're successful, you come back and you enjoy your place in Washington. I tried to convince them that the best place to be was out in the field, and that you could be recognized in the field. And I did a few things and I took some vice presidents who, you know, typically had been seen to be that's the—that's the mantle you want, and I persuaded a few vice presidents that they should give up the vice presidency and go out into the field. And that was heretical, but I wanted people to understand that if you were a vice president, you could still have a stint to go back for three years to a country.

BECKER: Mm-hmm.

Also, in the field, if, in fact, it's really decentralized, they had more authority . .

WOLFENSOHN: Much more . .

BECKER: . . than they might have had.

WOLFENSOHN: Excuse me. Much more authority.

BECKER: That's okay. I'm always—I know how much you travel, and whenever I travel, I'm so jet-lagged, I don't know . .

WOLFENSOHN: I didn't sleep at all last night.

BECKER: Oh, I'm sorry to hear that. We've been traveling a lot, and we've had some nights
like that, too.

**WOLFENSOHN:** I was up at 5:30 coming up here, and I didn't get to bed until 1:00.

**BECKER:** Oh.

**WOLFENSOHN:** And I didn't sleep because I was worried that I wouldn't wake up in time.

**BECKER:** Yes, yes, that . .

**WOLFENSOHN:** It's a normal—it's not an abnormal story.

**BECKER:** Yeah. Yeah. It happens to me usually on Sunday evenings as you get ready for the—you know, even if you've had a busy weekend.

**WOLFENSOHN:** Yes. Yes.

**BECKER:** So—so I've been there. I'm quite sympathetic.

Now, another thing you tried to do in this, which had been an issue in the Bank, is the—how long it took to prepare a loan, how long it—it took and to actually disburse the funds. So you put emphasis on simplifying the whole process and simplifying the product. Again, is that from the private sector? Did you get that sense? Or is it something that you look at the Bank and you see the Bank's [inaudible] . . ?

**WOLFENSOHN:** It was just perfectly obvious to a child that we were taking much too long to get loans prepared. We were taking much too long to get them approved, by which time, for most people, the game was over. A big celebration took place when the approval was given by the Board, and so the game became identify a project and get it through the Board.

Well, that's not what the business is about. The business is about implementing. And so what I tried to do was to maintain the quality of the presentations at the Board, but to try to speed them up. And we did have some successes, no question.

**BECKER:** Yeah.

**WOLFENSOHN:** And then the further question is to make sure that people who implement feel supported, and that they are—they're measured, and that they then come back and you had to find out whether they do well or badly.

None of this that I'm telling you is really counterintuitive. It's absolutely straightforward. It's just that the institution had gotten into bad habits. I rush to say that by no means all the habits were bad and by no means were the people bad. I still maintain that the Bank has the best people in the development field and the best experience, and if you can organize it right, a profoundly
effective organization. I just think it got tired, and got caught up in a bureaucracy that made it less effective than it could have been, and my task was to try and make it a bit more effective by simplifying the approach.

BECKER: Mm-hmm.

Is it in this period that you begin to tackle the problem of personnel and—and [inaudible] . . . ?

WOLFENSOHN: Yes, absolutely. Absolutely.

BECKER: Could you talk a little bit about what the problems were there?

WOLFENSOHN: Well, the problem was, in my opinion, that the—that the dukes, as I call them, of this realm each had their own dukedom or fiefdom, and in the past they'd all been used to waiting out any president who came in. And I think a number of my predecessors had not been prepared to dig down and confront these elegant people who were not about to change, and who over a period of years had worked out their own equilibrium each with the other. And you had a pecking order, and you had who was strong and who wasn't. And the budget sessions were very short, and the dukes got their money, and then they would trade amongst themselves. And the poor old president would sit up there, really, without much authority.

My desire was to come in as chief executive, not as a titular president. But in order to be a chief executive at that place, you had to get out and see what the hell was going on. And—and I probably was not very popular because I used to get out, as is evident, and ask lots of questions. And after that 12 to 18 months, I think I knew as much about the place as—probably more about the totality of the place than anybody.

BECKER: Right. Right.

WOLFENSOHN: I didn't know by any means more about particular issues than some of the senior people, but I did know enough to know that the place was stultifying, in my opinion and that the movement out for people was so long and the hierarchy was so fixed and the personality of each division was set by the duke. And I knew I had to change that, and I launched a significant campaign to try and bring about change. And I don't remember what the numbers were, but it was something like 24, I think, offices of vice presidents.

BECKER: Vice presidents, yes.

WOLFENSOHN: And, I think, after three years there were only two of them left, or three of them. I did not set out to go fire anybody.

BECKER: Yeah.

WOLFENSOHN: I truly didn't. I set out to change the institution. But for most of the people,
it was very difficult for them to change.

BECKER: Yeah.

Now, in selecting new people, one of the things about the Bank is that it's—it's—it's very much a political institution.

WOLFENSOHN: Mm-hmm. Very much so.

BECKER: How did you, one, manage, or how did you bump your head up against that issue that...?

WOLFENSOHN: Well, you bump your head up because you had to get appointments approved by the Board. The Americans were very strong. The Americans were by far the dominant group in the Bank, and I was an American appointment.

After I'd been there some years, in the top management team there was one American. And I had Chinese and I had Europeans and I had Africans, and I had something that more reflected our constituency. And I can tell you, that wasn't easy, either.

And I also made a big effort to enfranchise women, who had been non-enfranchised. I tried to bring in some people in to the Bank who were physically handicapped. People who had been physically handicapped were hiding it in the Bank if they had some disability.

Again, this is not searing insight. It just seemed to me to be absolutely obvious. But I can tell you it had not taken place. So I launched forth from this very straightforward plan and took every opportunity to broaden the management base, and to not go to the next in line. If the next in line happened to be the appropriate person, I would appoint him. But every time we made an appointment, I looked for the best person for that job, and sometimes it was one level, sometimes two levels down.

BECKER: Mm-hmm.

Now, while we're...

WOLFENSOHN: Excuse me just one second.

BECKER: Sure, sure.

[Pause]

BECKER: Okay. Let me turn to, since we—you mentioned the CDF, the Comprehensive Development Framework, what I guess was started as the New Development Framework first. The last time you mentioned that you wrote out the ideas on a yellow pad in Wyoming, I guess.
WOLFENSOHN: Mm-hmm. Yes, I did.

BECKER: It was in January of 1999?

WOLFENSOHN: Whatever it was.

BECKER: There's some—obviously, this is of a piece with your early strategy. This is a fleshing out, I guess, after that strategy was in place for a couple of years.

WOLFENSOHN: Mm-hmm.

BECKER: But the—but the notion that the Bank had to reach out and work with other organizations, how did you go about doing that? The Bank, frankly, its history has not been marked by it having a great set of relations with the IMF, or with the UN, for that matter. Your predecessors—some of your predecessors tried to develop decent relations, or at least have contacts, with NGOs. But how did you see, in the context of the Bank, how you were going to do that?

WOLFENSOHN: Well, there were two dimensions of the Comprehensive Development Framework. One was the interrelationship of the substantive areas. It started with governance, corruption, finance. It went on to infrastructure, it went on to education and health, it went on to environment. And the first thing was that my judgment was that you couldn't look at any of these things alone because they all interrelated with each other.

For example, you could have a terrific highway project, but if the highway management team was corrupt and there were no checks and balances, putting $100 million into highways and then have $90 million of it stolen was not a great thing.

BECKER: Mm-hmm. Yeah.

WOLFENSOHN: And—and that led to a consideration of governance and legal and judicial systems and the financial systems to control. So if you were going to look at a highway program, you couldn't do it without thinking about the framework within which it operated. If you were going to have a highway program and you were going to do it yourself, you needed an education program to develop highway engineers. If you wanted to put people on the road to build it and there was no health care, doing it efficiently wouldn't work either. And if you did it in such a way that it screwed up the environment and it tore down all the trees and things, that wasn't very good either.

So what I—what I realized was that every one of these individual initiatives had many aspects, and you could just pick out one without thinking of it in a comprehensive way. That related to the substance.
Now, as to how you did it, I found, again, a further fabric, which was that you didn't do everything yourself, that there was the government, there was the private sector, there was civil society, there were the aid institutions, official and unofficial. And so you had another framework that you needed to deal with, because if you had 15 different groups trying to do the same thing, it was certainly going to be wasteful; and, secondly, it might be competitive. And it made absolutely no sense in a limited resource environment either to waste money or people when you didn't need to.

But the community was not used to working together. It was used to competing. It was used to doing it in secret. It was used to setting up its own programs. The Japanese were used to settling their aid budget without talking to the French or the Germans or the Chinese or to anybody. Everybody was doing the same thing. USAID [United States Agency for International Development] was doing the same thing. USAID would consider its programs and might get some indication from the field, if they were lucky, from their local representative of what other people were doing. But if the local representative wanted to do the deal, or wanted to put up ten schools, it was very unlikely to tell you that the Germans were putting up ten schools, too. Or he might just mention it in a footnote or something. And so the whole idea was to try to get people to look at the interrelationship of subject matter, and also look at the need to maximize resources, human and financial. And, again, I—I would say that's not a brilliant insight. It sounds very obvious, but it was bloody hard to get through because most people were used to operating in their own little environment in their own little project. And what we needed to do was to enlarge the vision.

BECKER: How—how did you go about getting people to work together?

WOLFENSOHN: Well, you can't order it.

BECKER: Yeah.

WOLFENSOHN: You have to lead it. You have to make people understand that their future and the success of their project is much more likely to be achieved if—if they work with others. And it's much more likely to be enduring if they work with others.

[Pause]

BECKER: We were talking about how one gets all of these disparate groups to work together.

WOLFENSOHN: With difficulty.

BECKER: Yes, with great difficulty. It also occurred to me while you were out of the room that you were basically saying that a lot of this is a no-brainer. But I remember that the—the whole idea behind innovation is not necessarily that something is new, but something is seen—something very obvious is seen in a different way.
WOLFENSOHN: I think that's right.

BECKER: And that, in fact, is one overlooked aspect of, you know, of entrepreneurship and, you know, and innovation.

Now, within the Bank itself, you appointed—I don't know if it was at this point—Jean-Francois Rischard to be the—was it Vice President for Europe?

WOLFENSOHN: It could be. Yeah, he was Vice President for Europe, that's right.

BECKER: Right. And I've interviewed him, and he, I thought, made the interesting point that one aspect of his job was to talk to all the development people in Europe who never talked to each other. So, I mean, was that—I'm looking for, you know, aside from trying to work with the NGOs, which you did, and the UN and all, how you implemented this, or operationalized this—this need to, in fact, deal with, you know, other development groups.

WOLFENSOHN: Well, the—the truth of the matter was that, as I said earlier, the official institutions were not talking to civil society, were not talking to the private sector, but as I said earlier, also, the official institutions were not talking to each other.

BECKER: Yes.

WOLFENSOHN: And civil society was not talking to each other, and so there was a colossal waste of effort. And so we needed to proselytize, we needed to try and bring people together, we needed—and bring the European development ministers together for more than just formal sessions. We needed to try and get civil society together. And so what we were doing was acting as a catalyst, and Jean-Francois Rischard was—was doing just this.

BECKER: Mm-hmm.

WOLFENSOHN: I think even to this day Jean-Francois is still lecturing and talking about that. He wrote his own book. [High Noon: Twenty Global Problems and Twenty Years to Solve Them by J. F. Rischard. New York: Basic Books, 2002.]

BECKER: Book, right.

WOLFENSOHN: And I have to say that more than one of those ideas came out of his assignment from me.

[Laughter]

BECKER: Yes. Well, he's quite gracious and mentions that in his interview with the Bank. So, I . . .

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
WOLFENSOHN: Did he?

BECKER: Yeah. I did that interview, and I've read his book, so I think it's quite—so he's—he's not—he's not trying to hide where he got a lot of these ideas.

WOLFENSOHN: No, no, I'm not suggesting he is. In the early stages, he—he was learning it, and I think he became one of the strongest advocates.

BECKER: Yes.

WOLFENSOHN: . . for this whole approach.

BECKER: Right.

WOLFENSOHN: And remains it, I think.

BECKER: Well, I mean, that's one of the points of his book.

WOLFENSOHN: Right.

BECKER: . . that—that you have these problems, and that you need to—to bring together all of the people who are interested in and know something about these problems. I think he has 29 problems.

WOLFENSOHN: That's right.

BECKER: . . to solve in a certain number of—10 years, 20 years? Whatever—whatever it is.

While we're talking about the—the Bank's relations with other institutions, what about the relationship with the IMF? Again, it's been a rocky relationship over the—the history of the two institutions, and there were efforts other presidents had tried. And the—the IMF has its own, you know, issues in terms of its vision and mission because the world has changed so much. But how did you see the IMF working into what you were trying to—to do with the CDF? And, also, how interested were they in cooperating with you and working with you?

WOLFENSOHN: Well, the first thing was that with the first head of the IMF with whom I had to deal, who was my French colleague.

BECKER: Camdessus.

WOLFENSOHN: . . Michel Camdessus. And I think that Michel initially, while not hostile, was extraordinarily apprehensive about me and about the ideas. You've got to remember, I think he'd been there at least a decade by the time I got there.
BECKER: Yes, right.

WOLFENSOHN: He was the dominant figure in the international official institutions. At meetings of the G-7 or other international meetings, or even the annual meeting, it was the Fund that the finance ministers went to see. The Bank got very short shrift. Very rarely did ministers come to the Development Committee meeting, and if they did, they would come, read a statement, and leave. And so the—there is no question that the hierarchy—excuse me.

[Interruption. Ringing telephone.]

WOLFENSOHN: The IMF was clearly the number one level in the hierarchy, and the Bank was somewhere way down. Development was way down. But you were measuring it by finance ministers, not by development ministers. The people that counted at the IMF meetings were the finance ministers. Development ministers were very much second level.

So it was difficult at the beginning until I convinced, I think, Michel that his future and the future of all of us was linked, and I think he showed tremendous flexibility in taking on the issue of development as strongly as he did and agreeing, essentially, to engage with me in a way that I had put to him when I got there, which was that we ought to have lunch together every couple of weeks and work as a team. He had no reason to do that if he didn’t want to, but he did. And so we started the practice of meeting regularly for lunch. And when he left, I continued it with Horst Kohler. But by then the principles had been established, and then Horst and I worked together. And then when Horst left, I worked with his successor, Rodrigo [de Rato y Figaredo]. So it was a progression, but at the beginning the World Bank was a long way behind in terms—in terms of its position.

BECKER: Now, what about the NGOs? Which of the NGOs did—well, not to be too crude—did you work the hardest on? And . .

WOLFENSOHN: Well, I saw them all as a group, and they were not very kind to us.

BECKER: Yeah, that’s right.

WOLFENSOHN: And at the annual meetings they were hanging us in effigy. And I never had as tough a job as I think they did in Madrid, but I had some pretty rough times with them. And it was an education process. I don’t think any of them were particularly malleable so far as we were concerned, but over time we gradually built good relations with some of the specialist organizations in medicine and in specialist areas where we could be helpful, some women’s organizations, some in education. And gradually we got the churches around—very gradually because they were the strongest force in the—in the civil society movement. The environmental movement I don’t think ever really came around, although they gave me credit for improving it all significantly. And some of them are as vitriolic to the Bank today as they were when I started. But I have to say that one of the most touching moments in my ten years was the farewell that I got from the NGOs after ten years, where a couple hundred people turned up, and it was a
love fest.

So I was—I don't think you should ever have a non-critical group of civil society. I don't think it would be in either the Bank's interest or in the interest of civil society if the objective was to love each other uncritically. But I think what I achieved in ten years was mutual respect from a vast majority of civil society. And I think that's about as far as you can go. And I was more touched by that farewell by civil society than almost any other event when I left.

BECKER: Mm-hmm.

In talking about civil society, perhaps it's not exactly the right place to talk about this, but as far as I can tell, you're the first president of the Bank to set up serious discussions with churches and religious leaders. Now, I know you're going to tell me again that this is a no-brainer, but . . .

WOLFENSOHN: No, actually that is—I would say that was one of the most—the boldest things I did. I did it for what you might call a no-brain reason, which was that more than 50 percent of the services were provided by religious institutions. But you just weren't allowed to talk to them. And so I started the initiative with the Archbishop of Canterbury [Dr. George Leonard Carey] and with the Aga Khan, and that proved to be one of the most fruitful initiatives that I got started. And we had a series of meetings with religious leaders of all types—Islam, Christianity, Jews, and sects, many of whom I didn't even know existed.

But, you know, less than half the world is Christian, and—excuse me.

BECKER: Sure.

[Interruption. Telephone rings.]

WOLFENSOHN: The [World] Faith and Development Dialogue turned out to be really useful but very unique, and we ought to talk separately about that next time.

BECKER: Okay. Let me . . .

WOLFENSOHN: It is a very important initiative, and we should talk about it.

BECKER: Okay. I'll read up some more about it. I've read some.

WOLFENSOHN: It's called the WFDD, the World Faith Development Dialogue.

BECKER: Right.

WOLFENSOHN: But that was a brand-new initiative. Again, it seemed obvious to me.

BECKER: Is—is that something that came about, again, from spending time in the field?
BECKER: Today is Sunday, December 3rd, and I'm in Washington, D.C. to do the fourth of our interviews—the Bank's interviews—with James Wolfensohn. This is Bill Becker with the Bank's Oral History Program out of George Washington University.

Mr. Wolfensohn, it's nice to see you again.

WOLFENSOHN: Good morning. [Inaudible]

BECKER: I'd like to start more or less where we left off the last time, which was I—I wanted to ask you about the Asian financial crisis that started in 1997.

WOLFENSOHN: Right.

BECKER: Were you and/or the Bank surprised by the crisis?

WOLFENSOHN: Well, I think—I think the extent of crises generally is not something that most people would say they anticipate in advance. My experience is that crises jump up on you, and that if you were in full knowledge of the facts beforehand, the chances are you'd try and do something about it, and that you would have the momentum to convince your colleagues that it should be averted.

Financial crises don't seem to come with a long lead time, at least that anybody recognizes. There is always a hope that the crisis is not going to be upon you, and that something is going to happen.

For example, today there is a sense of buoyancy in financial markets where everything seems to go up, where there is a huge U.S. dollar deficit, and where, based on any normal historical lessons, you'd have to say something is unusual, something's wrong. On the other hand, we're all sitting there worrying about the changes in the international market, where 70 percent of the reserves are now held outside the U.S., where the dollar is weakening at a substantial pace, and we're all sitting there just counting every day a dollar decline of 1 percent or 1.5 percent and—and saying we've reached new levels. And I have a—a feeling today that sometime in the next, 6, 12, 18 months, there's going to be a resolution of this that we all probably should have anticipated before it happened.
WOLFENSOHN: Yes.

BECKER: I mean, you—you just observed that.

WOLFENSOHN: Yes. Yes. All of a sudden you realize that all the people that are delivering good things come from religious organizations. It just seemed to me sort of stupid that you didn't talk to them.

BECKER: Yeah, yeah. And that had just not been done in the—had not been done in the Bank.

WOLFENSOHN: Not in an organized way.

[End Tape 1, Side A]
[End of session 3]
BECKER: Mm-hmm. Mm-hmm.

WOLFENSOHN: That's the way it was in the Asian financial crisis, and I think we were all watching things happen until it got very, very serious, and the invulnerability [sic] of Korea and of the Central Asian powers—or the Asian powers—became apparent. So the way in which I particularly knew about it, I think it was—well, first of all, I was getting information through my colleagues, but then when Larry Summers called me up and said he needed $6 billion or some such amount for Korea, and that he needed it by tomorrow morning, and that if we didn't come up with the money, he was going to put in the newspaper that we had been responsible for the entire collapse, I think—it sounds as though it was in jest, but it was not really in jest. That's the way crises come upon you.

So the answer to your question is that the Bank was obviously clearly informed, but the methodology of dealing with crises was not within the purview of the Bank. It was a Treasury-IMF function. And what was depressing and distressing for me was that the Bank was not in the middle of any of these discussions. They were being conducted by the Fund and the United States Treasury. And we were then getting calls on the periphery saying, well, we've got an extra few billion that we want from you.

It was a very unattractive situation, but you should understand that it is not the function of the Bank to deal with financial crises. We are an important player, but the financial crisis element is something that was done by—by the G-7 treasuries and by the—by the Fund.

BECKER: Mm-hmm.

What is your assessment of the Fund's handling of the crisis?

WOLFENSOHN: Well, I think the Fund did as well as it could possibly do. I'm very—I'm very high on the way the Fund operates, and whether it was Michel [Camdessus] or—or, after him, Horst Kohler and now the current Managing Director [Rodrigo de Rato y Figaredo]. I think that the Fund has been blessed by people of great competence. And it's a technical body. It has a lot of influence. It has, of course, also resources. And that's its function.

It is not the function of the Bank to intervene in financial crises. But because we had money, and there was always a sense on the part of the Treasury and the Fund that we were a—not a subsidiary but an influenceable partner with the same shareholders and with lots—a lot of money, that we could be called on at these moments. And, quite obviously, it was very relevant to us whether our clients were going to go bankrupt or not, so we had to come in. But I want to repeat, it was not our function.

BECKER: Right.

WOLFENSOHN: The function is a function of the Fund and, in particular in the past, the
Treasury but moving more now to be a composite of the Treasury and the G-6.

BECKER: Did—you don't share the criticisms of people like Jeff [Jeffrey D.] Sachs and Joseph [E.] Stiglitz, who were critical of the Fund approach to the—to the crisis? Their arguments were—Sachs in particular, I guess, claimed that the Fund had just taken a template from Latin America and applied it in, let's say, Indonesia. So you don't share those criticisms?

WOLFENSOHN: Look, I think it's very easy for both Jeff and Joe to quarterback after the game. I was there watching the game, and the number one thing that was needed was to stabilize the situation. It was not to come up with long-term plans. It was not to come up with elegant solutions. It was to stop the run. And when you stop the run, you stop it in the best way you can. And I'm not a sufficiently good economist to know whether there were better ways to do it, as suggested by Jeff Sachs and Joe Stiglitz. All I can say is that I think when you look backwards, that the crisis was stopped, that substantial funding was put up, that people got paid back, and the situation was stabilized. On the record, I think you have to say that things worked out okay—in fact, better than you could have expected at the time.

BECKER: Right. Right.

WOLFENSOHN: Whether it could have been done better, I'll leave it to the experts to discuss.

BECKER: Okay.

What impact ultimately did the crisis have, if any, on the—on the Bank?

WOLFENSOHN: Well, it had a significant impact on the Bank because it was destabilizing. And when you have events of that character which are so destabilizing, you have a reappraisal of—of how you do your lending, how you—what is the strength, or otherwise, of the financial management of these countries. And, quite obviously, these were pretty earth-shattering moves.

BECKER: Mm-hmm.

WOLFENSOHN: So all of us, I think, in the Bank and the Fund and the international community were looking at the—at the quality of leadership and the balance in these countries. But if you look now in the—in the case of hindsight, if you take a country like Korea, where the people were melting down their gold bracelets to put it into a billion dollar fund, you have to say that it also showed you something about the character of the people in these countries and whether they were going to make it or not make it. And you couldn't but have been impressed by the response of Korea. It was pretty uptight in terms of their willingness to talk to you, but it was not uptight in terms of their desire to both get help and contribute. And I think what then happened in Korea is a—is a reflection of the—of the character of the Korean people.

Just as an example, it was not—it was not easy working in Korea. First of all, they were offended by the fact that they had this problem and embarrassed by the fact that they had this

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
problem. But you then saw coming through the strength of the Korean people in terms of being self-critical. I say self-critical because they didn't want to discuss it with anybody on the outside, but they certainly dealt with these things themselves. And they stabilized the situation. The same was true in Thailand. The same was true throughout the region.

So I think the strength of Southeast Asia became apparent at that moment, and also their desire not to be wholly dependent on the international institutions, and certainly not to get constant advice from international bodies like the Fund or the Bank, nor even the Treasury.

BECKER: Now, what about Indonesia, where the Bank had had such a large role . . .

WOLFENSOHN: Yeah. Mm-hmm. Right.

BECKER: . . . and Indonesia had done so well in the 30 years before or 20 years before this crisis? Did the Bank rethink how it dealt with Indonesia?

WOLFENSOHN: Look, Indonesia is—is and was a difficult place. The Suharto regime had been a very closed regime in terms of its management of the country, and it was really built around a single man with the people that he chose to have around him with the—and I don't now recall the timing, but with the change in control in Indonesia and the sort of mini-revolution that occurred, there was an adjustment that all of us had to make to the leadership in Indonesia. And I think the broadening of the control of Indonesia has been a very positive thing. It's a much more open society now. It's still not fully open, but a much more open society and a much more democratic society.

But the Indonesian situation was one which was sad because they had very substantial flows of funds, not at the level they do now because of oil, but it is—it is a country that is very difficult to run, thousands of islands with a lot of poverty, and with a strong military and, until recently, a very strong man running it. So Indonesia is, I think, a separate case. It is an island state. We should never forget that it is islands, that have 200 million people there, that it is a Muslim state, and—and ethnically not coherent.

So—I mean, Indonesia was a very good example of how tough it is to deal in these places, and it also makes you a little humble because it makes you realize that not everything is the United States or Australia.

BECKER: Right. Right.

WOLFENSOHN: And one of the big lessons that I learned over the ten years is that, you know, it's a big world, and people run themselves differently. And I think one of the huge mistakes that I made, and that all of us make, is to think that the template of democratic government as we know it is the way you should run every country in the world. And that's just not the case.

BECKER: Mm-hmm. Yeah.
WOLFENSOHN: And we're seeing it, I guess, now in the Middle East.

BECKER: Yeah. Yes, alas.

I lived in Singapore in the midst of all of this . .

WOLFENSOHN: Yes.

BECKER: . . and so on a clear day from our flat . .

WOLFENSOHN: [Inaudible]

BECKER: . . we could—we could see some of the outer islands. And, of course, the Singaporeans were exquisitely concerned, attentive to what's—what was going on.

WOLFENSOHN: They sure were.

BECKER: Because they were always afraid, you know, the millions and millions of people who could easily come across. But I always looked at Indonesia, though, as one of the more interesting cases of where the Bank, admittedly working with an authoritarian government, nevertheless the Bank did extremely well.

WOLFENSOHN: We had a great experience in Indonesia.

BECKER: It is one of the great success stories in that—clearly, even in that part of the world.

What about Malaysia? Did you have many dealings with Mahathir [bin Mohamad] . . .

WOLFENSOHN: I did. I didn't get on very well with Mahathir, to be honest. Mahathir—Mahathir was—a very self-confident man, to put it at its—at its most modest.

BECKER: Right. Most diplomatic way.

WOLFENSOHN: Yeah. I mean, my people got on better with him than I did. Personally, he and I never got on. I got on reasonably well with the finance minister and the finance people—in fact, got on quite well with them. But Malaysia got through it okay. But I don't have a lot of comments on it because Mahathir and I, frankly, personally didn't hit it off very well.

BECKER: Yeah, yeah. He . . .

WOLFENSOHN: He was a man that you couldn't really influence, in my experience.

BECKER: His—his view about hot money and all . .
WOLFENSOHN: Yeah.

BECKER: ..what—what's your take on—on that?

WOLFENSOHN: I know—well, I think he was right that hot money was a hell of a problem, but he had idiosyncratic views, I think it's fair to say, about how you run a country, and how you run its foreign exchange activities. And he wasn't about to be influenced. I think I'm probably less capable of giving comments on Malaysia than on some other countries.

BECKER: Okay.

WOLFENSOHN: I frankly don't fully recall it, but in—part of the reason is that I got so fed up with Mahathir is that I just didn't take the interest that perhaps I should have. My people did, and we got through it all right, and Mahathir got through it all right. But to this day, we are still pretty cool when we greet each other.

BECKER: Mm-hmm. What is he doing now that he . . . ?

WOLFENSOHN: He's retired and he's become a critic. He's a critic of everybody. It's not just me. It's his government.

BECKER: Oh, a critic of his own government.

WOLFENSOHN: Yes, he's a great critic. I never liked him very much.

BECKER: Malaysia is an interesting place.

WOLFENSOHN: A fantastic place.

BECKER: Again . . .

WOLFENSOHN: A fantastic place.

BECKER: It's—it's quite remarkable what's been done.

WOLFENSOHN: It's a fantastic place . .

BECKER: Yeah.

WOLFENSOHN: . . and they've got some very, very good people.

BECKER: Yeah. Yeah. No, I'm—I was very impressed. We traveled a good bit in Malaysia while we were there.
WOLFENSOHN: I'm a huge fan of Malaysia. My problem was that Mahathir was somebody who I think thought he knew everything, and he had very idiosyncratic views about everything.

BECKER: Right, right, as opposed to Lee in . . .

WOLFENSOHN: Well, I got on fantastically with the Singaporeans.

BECKER: Yeah.

WOLFENSOHN: I always have, because you can have a discussion with the Singaporeans. They were very strong-minded.

BECKER: Right.

WOLFENSOHN: I don't want to suggest for a moment that they didn't have very clear views, and not arrogant views about . . .

BECKER: Mm-hmm.

WOLFENSOHN: But I had advised Lee Kuan Yew before I went to the Bank, and so I knew the Singaporeans pretty well—I mean very well, from the early days of the establishment of SIMBA [phonetic] and the days of Yong Pung How, who subsequently became chief justice. But Pung How and I were very good friends, and I was there in the very early days when they were trying to set up a monetary authority. And so I always had tremendous relationships in Singapore. But I found them very rational.

BECKER: Mm-hmm.

WOLFENSOHN: Or at least they conveyed a sense of openness and rationality. They were very tough-minded, as I need hardly tell you. If you lived there, you know.

BECKER: Yes, absolutely.

WOLFENSOHN: And whether they were ever influenced by what I said, I don't know. But at least they went through the process of discussions. But they're a very self-confident bunch and they did fantastically well, and they managed their economy in an amazing way . .

BECKER: Right.

WOLFENSOHN: . . and a very transparent way.

BECKER: Yeah.
WOLFENSOHN: And I think one of the great leaders, by the way, of this last century was Lee. He's still around.

BECKER: Yes, I know. He's the senior mentor minister, I think is his . . .

WOLFENSOHN: The title keeps changing.

BECKER: Yeah.

WOLFENSOHN: Minister mentor, I think.

BECKER: Minister mentor, that's right. His son is, I guess, the prime minister now.

WOLFENSOHN: He's also extremely good.

BECKER: Yeah. My take on—it was it was an interesting love-hate relationship with the West, I mean, given the fact that he, I guess, has a Ph.D. from Cambridge.

WOLFENSOHN: Cambridge, yes, and his wife, too.

BECKER: And, uh . . .

WOLFENSOHN: I had dinner with him the other night.

BECKER: Oh, really? Oh. They—they're great admirers of the West, but they also . . .

WOLFENSOHN: They're amazing people.

BECKER: . . . have some real questions about the applicability . . .

WOLFENSOHN: They do. They do. But they—they are smart [inaudible].

BECKER: Yeah, they are.

WOLFENSOHN: But they're also a very important bridge with China because they understand China very well.

BECKER: Yes, yes.

WOLFENSOHN: And—they're amazing people.

BECKER: The joke when we were there was that—I was at the university, and, of course, the gossip—you know, it's a closed place, and so the gossip and the—is really very important. But the gossip was that the prime minister at the time was very annoyed at the quality of the
Mandarin spoken by his—by his cabinet, and that people from the university were brought into the cabinet to give them lessons every afternoon because they realized that China—this is in the late '90s—was going to be very important in the future, and that these ethnic Chinese had better do a better job in speaking, you know, speaking Mandarin. And I—it all rang very true to me.

WOLFENSOHN: It doesn't surprise me. It doesn't surprise me.

BECKER: It struck me as the kind of thing that they, you know, that they would do.

WOLFENSOHN: He's one of the most amazing people I met in my privileged ten years.

BECKER: Yeah, yeah.

WOLFENSOHN: I knew him before, but comparing him, from a tiny little country—it’s two million people or something—from a tiny little country, to have a global recognition that he had was really quite something.

BECKER: Yeah. I—my sense was that he also had a very good take on the politics of the area.

WOLFENSOHN: Fantastic.

BECKER: He understood... ...

WOLFENSOHN: The best. The best.

BECKER: He really understood what was going on.

WOLFENSOHN: The best.

BECKER: Actually, I thought he understood American politics pretty well.

WOLFENSOHN: He was fantastic—he is a fantastic man.

BECKER: Yeah, yeah.

Let me turn to another subject that we had touched on the last time and it changed a little bit. In 1998, you and the Archbishop of Canterbury...

WOLFENSOHN: Mm-hmm.

BECKER: ...began this World Faith Development Dialogue, and I guess there were nine leaders of different faiths at the time.

WOLFENSOHN: That’s right. Mm-hmm.
BECKER: Could you talk a little bit about how that came about, and why you became as interested in that as you did?

WOLFENSOHN: Well, I—I took a view, rightly or wrongly, that the people that were closest to poor people were religious leaders, and that they had been a—there’s been this understanding that you don’t mix business and politics and religion. And that was a sort of given you’d keep religion out of all this.

But I was interested in the proposition that if the best delivery mechanism to get to poor people were their religious leaders at the community level, that you would be ignoring the most established communications and delivery mechanism that exists; and that if 50 percent of the distribution of food and aid in Africa came through religious organizations, which is the sort of rough figure that I recall, that to cut yourself off from a dialogue because of fear about religion was something that I thought made no sense at all, or at least required re-examination to find out why that presumption was there.

So I took the step of trying to pull together a group that would discuss this issue—how is it that the faiths could be part of their mission, which was to bring comfort and—and hope and faith to their followers, but that that also included, if it was bringing comfort and hope, it had to have an economic base.

And so I thought it was worth discussing this issue, and so I sought to—to bring together the faith leaders with economic leaders to see if there was some ground on which we could meet, recognizing that amongst the faith leaders, they themselves were not talking to each other either because, in a sense, they were competitively marketing their faith to the flock.

And so I approached the Archbishop of Canterbury and the Catholic Church. I can't recall now the sequence, but I also at an early stage met Pope John Paul on this subject and got to know many cardinals, and which for a nice Jewish boy from Australia was great fun.

[Laughter]

And—and I reached out to muftis and I reached out to the Aga Khan, who was a friend of mine, and so I was—I was able to bring together a group which was essentially the Aga Khan, myself, and the Archbishop of Canterbury, backed by [Roger Marie Elie] Cardinal Etchegaray in the Vatican. And we had, if I recall correctly, three meetings. I think the first—and you ought to check this—the first I think was in Canterbury [actually, Lambeth Palace in London — ed.]. The second I think was in Rome. And then we had one in the States, too. I can't remember now the sequence. But I think we had three meetings, and they became increasing in terms of breadth and in terms of people that were there. And we had Eastern religions, monks in orange clothes . . .

BECKER: Mm-hmm. Buddhists.
WOLFENSOHN: Buddhists. The there were—not just Buddhists; we had activists also. It was really an extraordinary group. And—and I have to say that it was one of the more fulfilling things that I did. We even had the Jewish religion. We had everybody. And we came together with prayers every morning and really an amazing—it was an amazing location at which we could have a dialogue between the faiths on neutral ground. And to my surprise and delight, the people that came along were more than happy, after usually some hours of reticence in the meetings, to open up.

I discovered a certain competitive element amongst the faiths, which I had anticipated, but there's also a common humanity, and a common caring for—for humanity. And I got a tremendous amount out of it in terms of—of restoring actually my faith in—in religious leaders. And the person that was at the epicenter of this was a woman called Katherine Marshall, who, if you want to get the full story, you should speak to at the Bank. Katherine was in it from the beginning.

BECKER: She's still at the Bank?

WOLFENSOHN: She's still at the—if she's not, she's doing part-time work.

BECKER: Uh-huh.

WOLFENSOHN: But Katherine has all the—all the background information. She has everything. And she is the person to talk to about this, and she can give you a very accurate picture. As a matter of fact, for the book that I'm in the process of writing, I'm about to ask Katherine to write something for me on that whole area, and pay her some money for doing it. And I'd be more than happy, when I've done that, to give you a copy of it.

BECKER: I'd like to have that.

WOLFENSOHN: Because that would give you then a complete thing, which could then be put in the record.

BECKER: Right, right.

WOLFENSOHN: And which would cover the whole sequence over the years that we did it.

BECKER: Okay. Okay.

WOLFENSOHN: But the principal elements of it were that for the first time we brought together religious leaders, you know, from—I think it was 15 or 18 different strands of religious belief, to meet with people from the development field. It seemed to be quite way out when I started it. I mean, quite way out. I found it totally logical that if 50 percent of your delivery mechanism was with the religions, the notion that you would cut yourself off from them because
of some sort of blind assumption . .

**BECKER:** Right.

**WOLFENSOHN:** . . that you couldn't ever mix religion and—and development was nonsense.

**BECKER:** Right.

Who were the development people who you involved in this?

**WOLFENSOHN:** Well, it was mainly Katherine and—and odd people from the Bank. And I kept inviting the—the regional banks, but there was a—there was a reticence on their part. Michel Camdessus was supportive because he had, as you know, a strong role in the Catholic Church. And the other person that was extremely supportive was the guy that ran the Inter-American Development Bank—oh, God.

**BECKER:** Sorry, I can't help you on that one.

**WOLFENSOHN:** No, no. I mean from Latin America, a great friend who's now retired, but you'll get his name [Enrique V. Iglesias – ed.].

**BECKER:** Okay.

**WOLFENSOHN:** He ran the bank for 15 years. But he also is of the Catholic faith, and was very close to Michel, and was very importantly involved in Catholic Charities. But he is a terrific guy and just the best. And so these two men were very, very supportive.

And I did get some support at different times from the other leaders, but it was pretty new ground, I have to say. But looking back on it, I'm very proud of it because—I don't think Paul Wolfowitz is carrying it forward, and most of the history is now in boxes, and we have a few dollars that are left to carry it forward, but I think Katherine is having difficulty.

**BECKER:** I was going to ask you, what's the practical . . .

**WOLFENSOHN:** At the moment, Katherine is there. There's been a change of leadership in the Church of England.

**BECKER:** Mm-hmm.

**WOLFENSOHN:** The new head of the Church of England [Dr. Rowan Williams] is not anxious to—to tread on the toes of George Carey, who is the former head of the Anglican Church. George is now in the House of Lords.

**BECKER:** Right.
WOLFENSOHN: And I think there's some ambivalence between the two of them, and I think on the basis of turf at this moment, my impression is that as a consequence of a—of a turf battle, which is wholly unnecessary, the leadership of the Anglican Church is no longer there. Etchegaray is no longer running the segment of the Vatican which is concerned with it. Etchegaray was a—just a marvelous man. I hoped he would become Pope. Really a stupendous fellow. And . . .

BECKER: Is he Italian, or . . .?

WOLFENSOHN: Yes, yes—no, he's French, actually.

BECKER: French? Oh. Oh.

WOLFENSOHN: A good friend of, actually, Michel Camdessus.

BECKER: I see.

WOLFENSOHN: But he's of a certain age now.

BECKER: Yes.

WOLFENSOHN: He's well over 80. I ran into him the other day when I was in the Vatican seeing the new Pope, and—and just a wonderful, wonderful man.

BECKER: Is the new Pope interested in this in any way?

WOLFENSOHN: I don't know. I don't know. But Paul Wolfowitz I don't think is interested in it . . .

BECKER: Yeah.

WOLFENSOHN: . . so the—I think I was regarded as a sort of—to be quite frank, I think some of my critics would say that I was a bit mad in all of the initiatives that I took [laughter] and that I was all over the place. In fact, I didn't think so; otherwise, I wouldn't have done it. But it was all part of a design, so far as I was concerned, to broaden the scope of—of how one deals with this . . .

BECKER: Right.

WOLFENSOHN: . . monumentally large problem . . .

BECKER: Yeah.
WOLFENSOHN: . . . and that it didn't fit neatly into boxes and that you had to grasp every initiative that you could to get leverage. And the place that you would get greatest leverage, in my opinion, was through the faiths because they had the distribution network, and they had the influence. I mean, it gets proved time and time again. It's now proved in the Middle East crisis.

BECKER: Right.

WOLFENSOHN: It's proved—you know, if you have the mullahs on your side, you have Islam on your side. If you don't, you don't . .

BECKER: Yeah.

WOLFENSOHN: . . . because they break it down into groups of 500 people, or whatever it is that the communities are. And so to not use that group still strikes me as crazy. On the other hand, they are competitive amongst themselves.

BECKER: Right. Well, the Catholic Church is very active in . .

WOLFENSOHN: Wonderful.

BECKER: . . . in Africa.

WOLFENSOHN: Fantastic, fantastic.

BECKER: Latin America, too.

WOLFENSOHN: They—they are, and so is the Sant'Egidio, which is a group in Rome. I've become very, very friendly with, Father Vadassa [phonetic] and—I mean, I love these people. They became really, really good friends of mine. In fact, they just—they gave me some award recently. And just marvelous people. I love them.

BECKER: In preparing for this—you know, Google is so wonderful. I just Googled this . .

WOLFENSOHN: Mm-hmm.

BECKER: . . . and they had a 12- or 14-page transcript of a dialogue that was held, I guess, in '03 or '04. And you—you didn't appear there. I don't know if—I guess Katherine Marshall was in charge of it, or whatever it was.

WOLFENSOHN: Mm-hmm. Mm-hmm.

BECKER: And what I found interesting was a number of the people were talking about the differences between the—the Eastern view—or, actually, religious views in general; religious people tend to be more spiritual and more community oriented. And one of—one of the
speakers, I think was a Muslim, was saying—and, you know, the—the market tends to be more material and individualistic, and so much of development and the thinking about development is, you know, obviously it comes from the Anglo-American tradition of economics, and that that's not going to ultimately get anywhere until it begins to take account of just what you were talking about, the spiritual and the community as well as the, you know, and the market and the individual.

WOLFENSOHN: Well, my own—my own approach to this was that they're inseparable..

BECKER: Yeah.

WOLFENSOHN: ...and that you couldn't separate the issue of giving someone something to eat from the—from their daily lives in which in many cases faith was an extremely important component.

BECKER: Right. Right.

WOLFENSOHN: Sometimes the faith-based organizations attracted their followers by material support, or if they were faith-based followers, it was a part of the deal that they would do it, which in the Catholic Church is a very important element. But I have a hugely high regard for places like Sant'Egidio. I mean, they—they're remarkable people. It's not just them. I mean, the same is true in the Protestant faith...

BECKER: Right.

WOLFENSOHN: ...and for many of the other faiths, too. But—but the—it just so happens by a strange quirk that I really got to understand the activities of the—of the Catholic Church and had a great empathy for them and for what they were trying to do. And—and I got a sense of how well organized they are.

BECKER: They are very well organized.

WOLFENSOHN: How the lay leaders really care, and how it is—it is—but it's not just them. I mean, the same is true of the Protestant faith, and it's true of many of the Muslim things, too.

But—but the religious—the religious organizations, I think, are vastly underestimated by the international community. You know, they're there on the fringes, but, in fact, they're at the frontline.

BECKER: Yeah.

WOLFENSOHN: They're the ones that interface more than anybody.

BECKER: Yeah.
WOLFENSOHN: And—and when you come and look at the Middle East today, or if you come and look at the activities in the Far East, and in—certainly areas of conflict, it's always the religious organizations that are there on the front line.

BECKER: Yeah.

WOLFENSOHN: Always.

BECKER: Yeah. I mean, that's true in the history of the United States. It's—it's only when the religious organizations in the—the 1930s, United Jewish Charities and the Catholic Church and the Protestant groups and the Salvation Army, just couldn't handle the monumental crisis in the United States in the '30s . .

WOLFENSOHN: That's right.

BECKER: . . that the Federal Government began getting into it. But before that, it was, you know, with all of these other, you know, charities.

WOLFENSOHN: No question. Even today.

BECKER: Yeah. I'm not great fan of the evangelical movement and[?] Protestant Christianity, but I must say I was very impressed after Katrina that they, you know, they really geared up.

WOLFENSOHN: Absolutely.

BECKER: And they took lots of people in, and it's very hard to be critical of people who . .

WOLFENSOHN: They did a fantastic job.

BECKER: . . you know, you might not agree with them on a lot of things, but who . .

WOLFENSOHN: They did a fantastic job.

BECKER: . . if it weren't for them, things would have been much worse than, in fact, they are.

WOLFENSOHN: They did a fantastic job.

BECKER: Let me just follow up with one other question on this. You became associated with . .

WOLFENSOHN: Archbishop [Vincenzo] Paglia is the name of the man I've been trying to think of.

BECKER: Okay. Could you spell that?
WOLFENSOHN: P-A-G-L-I-A.

BECKER: Okay. Okay.

WOLFENSOHN: He's now an archbishop—and Monsignor Paglia—and he is just a—he is just a perfectly remarkable man who's become a great friend of mine.

BECKER: Oh, wonderful.

WOLFENSOHN: I love him. I mean, I just think he's fantastic, and . . .

BECKER: And he's based in Rome?

WOLFENSOHN: He's based in Rome, and he is the sort of spiritual head of Sant'Egidio, but he's now the bishop of Turin or someplace close—not Turin, but someplace close to Rome [Bishop of Terni-Narni-Amelia—ed.]. But he is a saint in my book. He really is an amazing man.

BECKER: The—the question I wanted to get—to is, you became associated with the notion of culture . .

WOLFENSOHN: Mm-hmm.

BECKER: . . and the importance of culture. Did it come out of this? Or did that come from somewhere else?

WOLFENSOHN: The culture—you see, again, I think if you were to ask my critics in the Bank, of whom there were a lot—the number is diminishing, I'm happy to say, in light of subsequent events. [Laughter] But at the time when I was looked at without comparison, I think that the critics would have said, “He's all over the place on a lot of these initiatives. We can't follow him.”

In fact, I don't believe that to be the case. I had a central core, which I never varied from, on the issue of the fundamental needs of poor people in terms of food and sustenance and the creation of communities. And I always had that as the central core. There were material things that needed to be done, and I—I never wavered from that, and that included health, education, justice systems, private sector investment. The—the basic strands of development I never wavered—wavered, for education, health care.

But I thought that that was not enough, and it was in that context that I would broaden my interests or the interests of the institution, to take in the question of faith and the question of culture. I didn't think that you could have effective . . [ Interruption] I didn't think that you could have effective, holistic development if you were to leave out the differentiating qualities of faith.

James D. Wolfensohn
June 5 and 14, September 25, and December 3, 2006—Final Edited
and culture. And therefore—and those two elements had not been underlined in the activities of the Bank. I was unprepared to think of the Bank as something that just did a project here and a project there. There are those who say that is the job of the Bank, that you shouldn't have anything to do with these other things, you're a technical organization, you've got a certain amount of money, you have to do projects.

Well, I think we did projects, and we actually did quite a lot of projects, and were quite well organized on projects. We did a lot of investing, and IFC is today making $2, $3 billion a year.

BECKER: Right.

WOLFENSOHN: And to be quite honest with you, that's not something that was done yesterday. That's the result of work which I did five, seven years ago, although no one gives you credit for it. But—but the truth of the matter is that the big earnings today are not the result of what they did yesterday. They're the result of work which we did, something which annoys me, but, you know, we get good critics three years later.

But the point of the matter is that when you came to culture, it struck me that this initiative on culture and the recognition of culture as an essential element in the development process, as well as the nurturing of the spirit of people, was extremely important. It wasn't the only thing. You couldn't live on culture alone.

BECKER: Right.

WOLFENSOHN: But that if you just talked economics, without putting it within a cultural context, it became a sort of an— an antiseptic activity.

So that's why I came into the cultural area and tried to get people in the Bank, whether it was changing the daily luncheon menus so that you—once a month it was Malaysian month or Indonesian month or such-and-such a month, or you recognized Arab holidays, or you had a festival of culture, or you—these were all things that changed the tone of the institution and made people understand, I think, that we were dealing in a diverse world with different values, with different backgrounds, and that there wasn't one-size-fit-all. And you had to recognize that while Mali was the second poorest country in the world, it had a very distinguished cultural tradition as I may have mentioned before. It was the center of African life going from Mali, Timbuktu, right through on the Silk Road. And what you wanted to do is not lose that.

And so for me, the cultural initiative was more than just a gloss, and it wasn't just because I was—it was certainly not because I was elitist and came from Kennedy Center or Carnegie. It was because I felt that the one thing people could hold on to was their cultural tradition. That's the background of it.

BECKER: It also strikes me that so much of the opposition to the Bank, a lot of it gets started because the Bank has done something that offends some local tradition or some local culture.
So . . .

**WOLFENSOHN:** Yes. Well, very often that was the case, of course. I mean, even today—well, in my business life, I make it an absolute point, even in business, when you're trying to get a deal done, unless you establish a contact on the base of the local environment and culture, you've got no chance.

**BECKER:** Yeah. And I gather that in some places—I have friends who do business in Latin America where it's—you know, Americans, Australians, the Brits tend to get right down to business and all; whereas, in Latin America that's considered very bad form.

**WOLFENSOHN:** It is bad form, but in every culture there's a different thing.

**BECKER:** Yeah, yeah.

**WOLFENSOHN:** I mean—well, it's quite obvious.

**BECKER:** Yeah.

**WOLFENSOHN:** But it became—I was—I was totally strengthened in this view when I did ten years at the World Bank. Wherever Elaine and I went we would spend if—we would spend half the time before we ever got down to business visiting, listening, talking, not only going to slums and villages and whatever you went to, but trying to penetrate what was the sub-structure of the—of the culture . .

**BECKER:** Yeah.

**WOLFENSOHN:** . . and get down to the education system and—well, it's obvious. I don't need to . .

**BECKER:** Okay. I think that's—that's good. It certainly answers the question.

Let me turn to something else that I know that you've spent a lot of time on, and that is the whole question of HIV and AIDS.

**WOLFENSOHN:** Mm-hmm. Mm-hmm.

**BECKER:** I looked, and the Bank, I think, started—its first funding to deal with AIDS came in 1986, but that in your time, I think the Bank was probably the largest single . .

**WOLFENSOHN:** We became the largest . .

**BECKER:** You became the largest.
**WOLFENSOHN:** Yeah. I think the Bank recognized it early, but in a very small way.

And I give full credit to my predecessors for recognizing the issue. But my own judgment was that we were hugely underinvested in AIDS, and that we were hugely behind—well, that's not fair. We were not hugely behind, but the world was behind what it should be doing to combat this scourge, and that it couldn't be left to WHO [World Health Organization] alone, that this was a—not just a health problem, this was a monumental development problem; and that we had not calibrated it right . .

**BECKER:** Yeah.

**WOLFENSOHN:** . . that we had not recognized the impact of this thing. It was—it was like nothing we'd seen before. And so what I tried to do was to upgrade the importance of the fight against AIDS, and I think I had some success in getting our people to take a lead, and I had some remarkable people inside the Bank who recognized that this strand of combating AIDS was not just another disease, that this was something that was likely to affect the success, or lack of it, particularly in Africa, where 50 percent or more—two-thirds of the incidence, as you know, of AIDS remains, and where it was overwhelming any amount of development assistance that could be provided.

If you wipe out a third of your population, or if every afternoon someone's going to a funeral—I once had a woman tell me that she could go three times a week to a funeral just of her friends and their families.

**BECKER:** Yeah. Yeah.

**WOLFENSOHN:** And so she was only going to—you know, she was forced only to go to one every two weeks or something by the exigencies of her job.

**BECKER:** Right.

**WOLFENSOHN:** But in normal circumstances, people were dying like flies, as I'm sure you know.

**BECKER:** Right. Well—and creating all the orphans and . . .

**WOLFENSOHN:** Well, you know, it was 10 million orphans when I was there. It's probably moving—they were projecting it would go to 20 million.

**BECKER:** Yeah, yeah. Which certainly would undermine development.

**WOLFENSOHN:** It's not just a—it's not just an incidental development. It is at the core of development.

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*James D. Wolfensohn  
June 5 and 14, September 25, and December 3, 2006—Final Edited*
BECKER: Yeah.

Do you—how did the Bank deal with—well, did—did the Bank form partnerships with other groups or with governments?

WOLFENSOHN: We reached out to everybody that was ready to talk about AIDS.

The one thing I didn't want to do was to become the World Health Organization, and I didn't want to take on the sole responsibility for AIDS. What I wanted to do was to recognize that AIDS was more than just a health problem. It was at the core of the development issue for many of these countries. And, you know, if you were losing half your cabinet to AIDS, or you—or you could not rely on the male breadwinner—by the way, parenthetically, in—in Africa you could never rely on the male breadwinner.

BECKER: Yeah. Right. That's right.

WOLFENSOHN: But worse than that, if the women were wiped out because of AIDS, then you really had a problem because you lost the nurturing of the kids, you lost the education, you lost the head of household in most cases, because it was the woman in most African societies who held things together. So if you lost the woman because her husband infected her with AIDS, you were in deep trouble. And so you had all the social problems associated with a husband who was contracting AIDS and then taking it home and forcing his wife to have sex with him, and she was then getting AIDS. And the treatment issues were terrible, and the cost was terrible.

So we had to—we had to enter the issue on the basis, first, a recognition of the severity of the problem; secondly, get to the question of—of prevention; and then, thirdly, the question of treatment and, fourthly, the question of what are the—the—what are the outflows of this AIDS epidemic, which showed themselves up in the change of society, and in particular the problem of orphan children.

So it was—it was and is a monumental problem, and so it was not something the Bank could avoid. But what I didn't want to do is to have the Bank front and center.

BECKER: Mm-hmm.

WOLFENSOHN: So we worked with WHO, we worked with religious organizations, and what we were trying to do was to act in a sort of coordinating way to try and bring the medical aspects together with the issues of development. And I had a fantastic team that was doing this, really remarkable people.

BECKER: I wanted to turn next to the—well some of this gets a little more political, I guess.

WOLFENSOHN: Mm-hmm.
BECKER: Obviously, you had—or I shouldn't say "obviously;" that's not my role to say "obviously."

WOLFENSOHN: Mm-hmm.

BECKER: My role is to—your relationship with the Clinton people was pretty good.

WOLFENSOHN: Yes. Yeah.

BECKER: What impact did the Bush administration have, when it came to power, on the Bank?

WOLFENSOHN: Well—well, first and foremost, the deal with the Clinton thing, Clinton selected me, which I think we dealt with in an earlier discussion.

BECKER: Right.

WOLFENSOHN: And so I had—I always felt I had both access and full support from the Clinton administration.

When the Bush administration came in, there was a courteous initial visit, in which I met with the president, and that was it. It was an initial visit, and there was no subsequent visit. And so I lost my link at the top. I would see the president on occasion. He was always extremely courteous to me. But I was not his appointment, and it was very clear that I was not his appointment. I have to say, however, on all occasions he was very courteous, but not involved with me.

BECKER: Mm-hmm.

WOLFENSOHN: And his various secretaries of the Treasury since were always courteous, and I never had any direct confrontation with the Republican administration. What I lacked was the intimacy.

But I have to say I worked okay with the Republican administration, and they had a couple of people on the Board that were also okay. Not always easy, because they seemed to have a methodology of going back either to meetings every morning or once a week where they reported and they got their instructions.

So I found that the—the intimacy was gone. But I have to say that, despite that, I had pretty decent relationships with the administration. But it was very clear that I was not going to be reappointed from a very early stage.

Well, that's not true. I never thought about it at the early stage, but 12, 18 months before my
termination date I never even considered that it was likely that I would be extended. At the endpoint I would have liked another six months because of various things on the Middle East and the meetings of the G-7 and so on, which didn't take place because Paul [D. Wolfowitz] got appointed, and that was it. And then I went, and moved in separately to the Middle East.

BECKER: Mm-hmm.

WOLFENSOHN: But when they came—well, it was just very different. I never got asked again to dinner at the White House. I used to go once a month or sometimes every six weeks with Clinton. I have never been to a state dinner with Bush.

BECKER: Yeah. He hasn't had many of them, I think.

WOLFENSOHN: I'm going there to dinner next Tuesday night, as a matter of fact.

BECKER: Oh, really?

WOLFENSOHN: In the private quarters as a farewell to Kofi [A.] Annan.

BECKER: Ah.

 Didn't—weren't there people, though, within the administration who wanted to change the nature of the Bank, I mean, make it a grant—I mean, did—how did you weight in on that? Was that the kind of thing that you would talk to the president about, or talk to the Treasury?

WOLFENSOHN: No, they were never—they were never—okay, I may have a selective memory, and I may have forgotten. But if you were to ask me what my impression was, they would—from time to time they would come up with initiatives which, if I didn't like, I would just confront, and so far as I know, we didn't change much. What was lacking was the intimacy, was the ability to call up and either have a fight or—or agree, or go have a drink.

BECKER: Mm-hmm.


BECKER: Right. Mm-hmm.

WOLFENSOHN: I felt a lot easier there.

Where I did have—where I had developed a continuing openness was in the House and the Senate, and there with the various committees I had developed a certain intimacy with the leadership of the House and the Senate.
BECKER: Mm-hmm. Mm-hmm. Who in particular?

WOLFENSOHN: The Senator [sic] who runs the House Ways and Means Committee with the light gray hair.

But—but I would never appear publicly before the committees because I said I didn't think it was their job to monitor the Bank, that I was not responsible to the House and the Senate. But I would go along informally and meet with them in just the same way as I would have if I'd been sworn in.

BECKER: Right, right.

WOLFENSOHN: And occasionally I would give testimony, but they were always incredibly nice to me . . .

BECKER: Mm-hmm.

WOLFENSOHN: . . . and both sides of the aisle.

BECKER: Mm-hmm.

Did Jim [James Albert Smith] Leach from . . .

WOLFENSOHN: Jim Leach is [inaudible]. He was also a very good friend and did a great job, I thought, always. Jim Leach was a terrific guy.

BECKER: Right. I mean, I remember from earlier work I did on the Bank that he was always the go-to guy for the . . .

WOLFENSOHN: Jim was very good.

BECKER: And I think [Charles Timothy] Hagel also . . .

WOLFENSOHN: Chuck was very good.

BECKER: Yeah, Senator Hagel.

WOLFENSOHN: He's remained a very good friend as well.

BECKER: Yeah. Yeah. What was . . .

WOLFENSOHN: I'm sort of mixing up—Hagel was very good, very good.

BECKER: Yeah. Yeah.
WOLFENSOHN: I still keep in touch with Chuck.

BECKER: What was the impact of 9/11 on the Bank?

WOLFENSOHN: Well, it was profound on the day, and I think I've been through what happened on 9/11.

BECKER: Yes. [Inaudible] Right.

WOLFENSOHN: I think if you look at the five years since, the biggest impact has been a reassessment of—of the political framework in which one deals with the Middle East, Afghanistan, and I would say generally—and not limited to the Bank—there is a worrying distortion which has come in, in relation to Islam generally. What troubles me about 9/11 is that I think that we're still trying to assess or comes to terms with the balance between Western culture and Islam. I put Western culture knowing that it can also—it also contains some followers of Islam, but I think that one of the most worrying things that's happening today is that you have 1.2 billion followers of Islam in the world, which is one-fifth of the world, equal, roughly, I think to the Catholic Church. And—and I don't see adequate work being done to prevent a schism. There are many schisms inside Islam. But if you have a more radical Islam and you have confrontations within Islam, confrontations with Israel, which in a sense is a minor issue because it's five to six million Jews—or I think the population of Israel is around six million, a little bit more, of which 70 percent is—is Jewish. And the total of Israel and Palestine is 11 million, but that's in an area of 360 million.

BECKER: Right.

WOLFENSOHN: And you are talking about support for the Palestinians of less than $2 billion a year—less than $1 billion, actually, when $100 billion a year is being spent on Iraq. They tend to emphasize more the Israel-Palestinian thing when, in fact, it's a flyspeck on the whole thing, very important in terms of politics, but my worry is that the issue of 9/11, which focused on a reaction to Islamic extremist movements, has the possibility of leading to greater misunderstanding in terms of Islam itself, and that troubles me a lot. I think anti-Semitism, which I'm very sensitive to, was and is a problem. But I think anti-Islam is no less of a problem.

BECKER: Yeah.

WOLFENSOHN: And I think there is a growing sense of people who don't understand Islam, and the fact that it's fundamentally a peaceful, very peaceful religion that it's being identified with, first, difference and, secondly, extremism.

BECKER: Right.

WOLFENSOHN: And so if you ask me the impact of 9/11, I think we're just beginning to feel
it. And if, God forbid, there's another act . .

**BECKER:** Right. Right.

**WOLFENSOHN:** . . which could easily happen, then I think you'll find a confrontation that may not be limited to the Middle East.

**BECKER:** Yeah.

**WOLFENSOHN:** And that worries the hell out of me, frankly. I think that's the next big global confrontation.

**BECKER:** Yeah.

Within the Bank, it struck me that one of the things 9/11 suggested is that—not that it's the only thing going on, but it suggested the importance of dealing with poverty. I mean, it—it comes out—one could argue that a lot of the problems with terrorism comes out of the—the lack of development in certain parts of the, you know, of the world.

**WOLFENSOHN:** Well, I know that's been said, and I think that's partially true. But if you analyze 9/11, the people that really got it going were not poor.

**BECKER:** Yeah. They were middle class, right.

**WOLFENSOHN:** And—and, in fact, they had all the money they needed to get this thing going.

**BECKER:** Yeah.

**WOLFENSOHN:** They were playing on people who—or preparing in Afghanistan amongst people that—that didn't have any money. But you have a billion people in the world today living on under $1 a day, so you're not going to get rid of that.

**BECKER:** Yeah.

**WOLFENSOHN:** So, you know, if you could—reduced it to 100 million, you'll still have 100 million you can play with.

**BECKER:** Yeah, yeah.

**WOLFENSOHN:** And it's not just poverty but . .

**BECKER:** Yeah.
WOLFENSOHN: . . I don't personally think that poverty is an element, but unless you have the planning, and the malice, the political framework, poor people basically don't dream that up.

BECKER: Yeah.

WOLFENSOHN: Poor people are tools. And they don't have the leaders who are ready to do that unless they are a cut above the average poor person who's trying to get a meal. Poor people can be used, but they're generally used by people who are not poor, or who have some particular advantage.

What is troubling is that you in the next 45 years have another three billion people coming on the planet . .

BECKER: Right.

WOLFENSOHN: . . and, at the present time, it's hard to believe that the level of poor people is going to go down. It's going to go up, in my opinion. Now, we may have a different measurement of poor, but certainly relative poor will go up. And you still have, even though you've got a billion people under $1 a day, you still have probably today just under three billion under $2 a day. And the $2-a-day income is still not grand income.

BECKER: Yeah, yeah.

WOLFENSOHN: And I'm very worried about that issue, frankly.

BECKER: I mean, this is a perhaps terribly disingenuous question to ask you, but we're getting close to the end here anyway, so let me be very disingenuous.

WOLFENSOHN: Mm-hmm. Mm-hmm. Mm-hmm.

BECKER: Why is it so hard to fight poverty?

WOLFENSOHN: Because basically middle-class people and people that are making it don't care. If you move from $2 a day to $5 a day or $10 a day, which is $3,000, $4,000 a year of income, your aspirational level is always ahead of what you're earning. So your concerns are at a different level, but you're never satisfied. And it takes time and age and some success to get you to a point where you are less concerned about yourself than you are about other people.

Now, there are, thankfully, enough people in the world who care about others that you have some religious and other leaders who are trying to deal with that issue because the know in the end that that issue is a self-interest issue as well as an issue . .

BECKER: Morality.
WOLFENSOHN: . . . of morality. But there aren't anywhere near enough of those people, anywhere near enough, and it's not part of the culture. It's part of some people's culture, but when you—most families train their kids for their own livelihood, not for going to serve others.

I—I had the same thing. I came from a very poor family, and the question for me was—was, first of all, getting to a professional competence that I could look after myself and then I knew there was an implicit need to look after the family, to strengthen a family that had no money but then that was also getting old. So I had my family issues to deal with. I was fortunate to go through that cycle and then get into a situation where I could look outside, and—and my family were always—even my father was always looking to serve the community as well.

But I think the thing that is impressive to me about . . . I've lost my train of thought. Sorry. I was distracted.

BECKER: Well, we were talking about the question of why—how hard it is to fight . . .

WOLFENSOHN: Poverty. Yes, sorry. There are just not enough people to go around, and most people's interests are self-interests. The other thing is that poverty is global. Before you get to the question of poverty, you have to get to the question of understanding a planet of six billion people. And most people haven't begun to understand the differences there. I mean, I've been privileged because I have been to 120, 130 countries, so I have some idea in my mind of calibrating Africa, the Middle East, the South Pole, the northern—the Indians, the indigenous people. I mean, how many people have had the privilege of getting around and personally . . .

BECKER: Seeing that.

WOLFENSOHN: . . . absorbing the—the planet? I mean, a few hundred people that have had that opportunity? Maybe. Maybe a few thousand of six billion. Maybe ten thousand. It's still tiny.

BECKER: Mm-hmm.

WOLFENSOHN: And there are probably not ten thousand people that have been to 120 countries.

BECKER: Yeah.

WOLFENSOHN: I'd be amazed if it's more than a few thousand. So you can't integrate this in your thinking unless you've had a chance to look at it. So when you talk about global poverty for most people, global poverty relates to a small area of—of interest. Very few people have the chance to go beyond a community or national to an international base. And the international structure dealing with it is, I think, improving with international conferences and international coming together. But it's always behind the problem. I've never been to a meeting internationally on a global problem where we're in advance of the—of the problem itself. It's
always a crisis. Most of the meetings that I've been to, anyway.

BECKER: Yeah.

WOLFENSOHN: So I think we are confronting growth.

Also, our education system doesn't educate our young people to understand that these global issues are things that are going to impact their lives. We educate kids in relation to their local community activities, but how many schools deal with global questions? A fraction of one percent? How many schools have teachers that are able to contemplate this? So we're not training our kids for global citizenship. We're barely training them for local citizenship.

BECKER: Right. That's for sure.

A more mundane question.

WOLFENSOHN: That's a pretty mundane question.

[Laughter]

BECKER: No, no. No, I think that was a very important question, why about—why it's so hard to fight poverty.

WOLFENSOHN: It is basic.

BECKER: But this is a much more narrow, inside-Washington type question.

WOLFENSOHN: Mm-hmm.

BECKER: Were you involved in the selection of your successor?

WOLFENSOHN: Not at all.

BECKER: Not at all.

WOLFENSOHN: Not at all.

BECKER: You knew Paul Wolfowitz, obviously, before he became president.

WOLFENSOHN: Yes, I did. Mm-hmm.

BECKER: And he had been a U.S. ambassador, I guess, to Indonesia.

WOLFENSOHN: Indonesia, yeah.
BECKER: So he knew—do you want to say anything about him as . . . ?

WOLFENSOHN: No.

BECKER: Okay. That's fine. You're—you're not alone. I do lots of interviews, and quite often in corporate settings people do not want to talk about their successors. So—and we can just cross this out of the—of the interview at the end as well, you know, if you'd like.

WOLFENSOHN: I wish him luck.

BECKER: Yeah, yeah.

WOLFENSOHN: I've met him twice since he took on the job . . .

BECKER: Since—uh-huh.

WOLFENSOHN: . . and then once—I've had two luncheons with him, and I've had—he came to introduce me at a speech I gave at the Bank.

BECKER: Uh-huh. Okay.

WOLFENSOHN: I've seen him three times in 18 months. And I saw him at the Annual Meeting.

BECKER: Mm-hmm.

What do you think the future of the Bank is? To get to another large question.

WOLFENSOHN: I think a lot depends on the leadership and the direction in which that leader takes the Bank. That there is a need for the Bank I don't have any doubt. But if you change its core and you change its purpose, then the Bank becomes something different. I have no doubt that there is a need for the sort of Bank that I left, but without any value judgment on the way the Bank is becoming. I think you have to look at what is the purpose of the Bank and how it is being implemented. And if that purpose and focus has changed, then you need to recalibrate your answer on whether you think it has a future or doesn't have a future. And I think that is all up for grabs at the moment.

I have the impression, without knowing the details, that the Bank is changing. And it is becoming a different place than the place that I left. That may be better, it may be worse, but it's different. And so I'm not really close enough to know what its future is. I am absolutely convinced—in fact, I am passionate about my belief that the institution I left, while not perfect, was moving in exactly the right direction on a large canvas, and that it was becoming an integrating force in terms of global issues, that it was linking economic, social, cultural, human
issues, universal issues, in a way that I think was quite new, and hugely privileged because it was able to draw on the experiences of the UN and its various agencies, and in one single organization integrate those things under a unified leadership. It's almost impossible for Kofi to do that at the UN. It's too disparate and he's pulled in twenty different directions.

BECKER: Yeah.

WOLFENSOHN: The Bank had the scale that it could be important and integrated in its approach.

[Pause.]

WOLFENSOHN: I think the Bank is a unique organization because it's big enough to do important things, but it's small enough to integrate.

BECKER: Mm-hmm. And it's focused enough on a—on a big issue.

WOLFENSOHN: It can—it can have an influence on individual issues. If it's AIDS or if it's water or if it's orphans or if it's women's education or whatever it is, the Bank had the scale to stake out the ground, had the research capability to address it, had the money to get a few good people that could address that issue. That is a unique capability. And the role of president of the World Bank, controlling both the Bank, and IFC, and MIGA, Center for Dispute Settlement [International Centre for the Settlement of Investment Disputes], is a unique job. It's one of the half a dozen best jobs in the world because of its span and because of the fact that you have a Board of Directors, but you're in charge. I mean, it is the—for me, having done it, it's the greatest privilege that I could've had, because it allows you to do any damn thing you want. I mean really. And you have the resources to do it, and you have the standing to do it. And—and, therefore, I think it's a huge responsibility. It's not just an accolade. It's a huge responsibility.

And my concern is that the Bank should be used in a way that that responsibility is not undermined, and that it shouldn't [sic] maintain the breadth of its canvas as an integrating force, as a leader, as a speculative force in terms of new ideas. It's just a fantastic privilege to run that place. A fantastic privilege to work in that place. And I would only hope that we can continue to have this breadth of its canvas with multilateral leadership.

I think the issue of Bank leadership is not just an issue of personality. I think it's an issue of—of great importance to the world. No single organization can run the world...

BECKER: Right.

WOLFENSOHN: . . and I'm not suggesting that the Bank is bigger than it is. But the influence of the Bank is profound, if used right. And you're present at most of the important occasions when decisions about the world are taken, whether it's the G-7, or whether it's finance ministers' meetings or G-20 or the UN or whatever, or meetings of health organizations or water...
organizations. Always, the Bank is there with a seat. I don't know of any other place that . . .

BECKER: Has that range.

WOLFENSOHN: There isn't. There isn't.

BECKER: I usually end by asking: Is there something that I should have asked you that I didn't ask you?

WOLFENSOHN: I think the interview has been terrific. I think it's wonderful, and I congratulate you. I mean, it has made me think about the thing in a coherent way, and I appreciate it very much.

I think what I just said was the peroration.

BECKER: I thought so, too. That's why—but I usually ask the same question . . .

WOLFENSOHN: I think I anticipated the question, really. I wanted to get it on the record. So I think I've said what I would have said had you asked me the question, and I was anticipating the question.

BECKER: Okay. Okay.

WOLFENSOHN: So I don't think I actually have anything to add except I've enjoyed the interview, and I'm very worried now about my declining memory.

BECKER: Your memory? Oh, your memory seems pretty good to me.

WOLFENSOHN: No, it's not as good as it should be.

BECKER: Thank you, and I'll turn this off.

[End of Tape 1, Side A]
[End of interview]