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ORAL HISTORY PROGRAM

Transcript of interview with

NANCY BIRDSALL

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Interview by: Marie T. Zenni

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ZENNI: Good afternoon. I'm Marie Zenni, senior interviewer for the Bank's oral history program.

BIRDSALL: I'm Nancy Birdsall.

ZENNI: Today is Wednesday, October 4th, 2006, and I'm here at the Center for Global Development Offices in Washington, D.C., to interview Ms. Nancy Birdsall. Ms. Birdsall joined the World Bank in August '79 where she remained through July '93. She left her post of Director, Policy Research Department, at the Bank to take on the number two position of Executive Vice President at the Inter-American Development Bank where she remained until sometime in '98. She then joined the Carnegie Endowment of International Peace as senior associate and director, economic reform project. She currently is the founding president of the Center for Global Development, a position she holds since October 2001. Welcome, Ms. Birdsall.

BIRDSALL: Thank you very much.

ZENNI: Okay. I would like to begin by discussing your background in general, including your educational background, pre-Bank work experience, and how you became interested in economic development.

BIRDSALL: Well, I did my undergraduate degree at Newton College of the Sacred Heart, which is outside of Boston, and I went directly to SAIS, School of Advanced International Studies, here in Washington, where I specialized in, I don't remember exactly, but it was probably international economics, vaguely, and Africa as the region. Then I worked as a research assistant on Africa, and then I got involved in Brazil because I got married and went to Brazil with my spouse. I worked in Brazil for a while. And then I went back to working on a program at the Smithsonian Institution that was provided through USAID [U.S. Agency for International Development] which was to support research in developing countries on population issues. And there, I was the person that coordinated the work on Africa. So from the beginning of leaving SAIS, I was interested in development, and I had already been actually on several trips to Africa and to Brazil.

Now, when I was working at the Smithsonian, I got very interested in economics because we gave grants then to scholars from developing countries to work on population and migration issues and they'd be in all the social sciences, and my sense was that the ones that made the most sense, frankly, were the economists. So I decided after a few years that I wanted to do a Ph.D. in economics. I mean there was a sense in which I felt that I needed the training and the tools and that it would be very interesting in enabling me to do better work myself. I could see that I had some limits to what I could do compared to the scholars and the peer reviewers and so on. So I went and did a Ph.D. at Yale in economics; then I came to work at the Bank directly after that.

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And so, I was already then in my thirties. I was lucky because I was too old to enter the YP [Young Professionals] Program. I didn't want to enter the YP Program; I wanted to go into the Research Department. It's very interesting, because I had an offer from the Bank then to go to the--the first offer came to go into the education project and I rejected it. It seemed as though it was mostly about building schools. And most of the division chiefs with whom I interviewed--the Bank does this elaborate thing, you know; you come down for two days--were architects; they just didn't seem to me that it was where the Bank should be, frankly, on education, and I didn't see how it would be very interesting for me, so I turned down that job. Then I was asked to come and interview actually for the India Department and, I think at the same time, for the Development Economics Department.

And when I accepted the job in the Development Economics Department (this is a nice little bit of history), Ann Hamilton, who was one of the earliest women directors and of a very important country, obviously, called me up and said, "You're making a big mistake; you should come to the mainstream where the real work is, not go to research." But I wanted to go to research, and I'm very glad that I did. Also, I, frankly, was coming to Washington because of family reasons--again, the women's issue. By then I was divorced, and my daughter's father was living in Washington, so it worked for me fabulously. So that's the story of how I came to the Bank and how I got interested in the Bank as well as in development.

ZENNI: Okay. And you joined in August of '79 as an economist in the Development Economics Department, towards the end of the [Robert S.] McNamara era when the Bank was fast becoming the preeminent player in development-related research.

BIRDSALL: Absolutely. It was a very exciting time. And what I remember so well is the sense of sustained, permanent excellence when I arrived in the summer of '79, which, of course, was misleading because I think people didn't foresee and understand how important it was to have Hollis Chenery as the chief economist or vice president. It was important, first of all, because of his own integrity and his very pluralistic view of what research was about. He didn't have strong priors; he believed in, you know, letting people exploit their different approaches. And because he was so close to Robert McNamara, and that protected this really peculiar environment in many respects, which was not too theoretical and academic and not too operational, it was in the right, middle place, in my view. So I was there until the first reorganization that I remember. I think it's, you know, no longer much remembered historically. It was the reorganization of the research and policy work at the Bank in 1982.

ZENNI: So how would you describe your own particular experience in the Development Economics Department, and what were your main responsibilities?

BIRDSALL: Yes. It was excellent. I had an excellent division chief, Timothy King. I was in the division that worked on population and human resources. I began collaborating then informally with Dick [Richard] Sabot, who became, really, a lifetime collaborator--he died about a year ago--but was fantastic on education issues. And I continued working on population. I did a background paper that really had stood the test of time and was published subsequently by another group for the 1980 WDR [*World Development Report*], which was the first big poverty

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one, "*Poverty and Human Development*." I did this paper on population and poverty in developing countries. So it was terrific. I had really, you know, great opportunities. I did an article with Jere Behrman that was in the *American Economic Review*. So I got exposure to Operations. I went to the Philippines to do the evaluation component of an education project. So it was just terrific.

ZENNI: And how did this initial period influence your future thinking on development economics?

BIRDSALL: I would say that that plus the next job, which was in the then called "Country Policy Department," which was created in 1982, those two jobs really were--in a way, I'm doing that job now. It's kind of you have a research foundation for developing creative, practical policy ideas. That was very much the spirit of those departments. So it influenced me in the sense that it convinced me that ideas matter, that they can contribute to better policy, and that, in that sense, the work of the Bank, which is a little bit over on the side, not the mainstream lending operations, but that work of the Bank can be tremendously valuable.

Now, the second thing I'd say is in the '80s, so we know I moved in '82, and then I did the *WDR*, but by the mid-'80s, it was very problematic in the Bank, almost frustrating and annoying, to be working on sectoral issues, family behavior, the link to policy, education, health, even health financing, which is getting a little less, you know, about program behavior and a little bit more macro, very frustrating because this was the era where structural adjustment and country adjustment loans really hit the Bank, first. And second, it was the era in which the whole point of view led, I think, in some ways effectively but rather narrowly sometimes, by Anne Krueger on, you know, the issue is about opening markets and trade policy, and the problem with the debt crisis and the problem with poor growth in Latin America is mostly and almost singularly about their bad policies. And in retrospect, of course, there's been, you know, mountains of literature on what the shortcomings were of too narrow a view. And, you know, I'm not saying that Anne or anyone else had too narrow a view, but it was interpreted in Operations quite narrowly, and it overwhelmed the work on sectoral issues where the Bank was neither: it's not projects and it's not macro.

So, you know, in the '80s, I came to see the Bank as trapped by the combination of ideology, staffing, demands between--on the one hand you have these projects which were kind of going along almost like the train doesn't stop, in education, in water, in agriculture, that were not addressing fundamental issues of financing and organization at the sectoral level, and then you have these policy conditionality-driven adjustment loans which weren't working in many cases. Sometimes they did, but for the most part I think my own subsequent work has convinced me that the conditionality was often not enforced, that a lot of lending, especially in the poorest countries, which was just building up debt and so on. So, you know, there were some serious mistakes. And if you were in the Bank then in sectoral economics, you were neither a project person--you weren't for building schools or, you know, training doctors--and you weren't in the heart of the big discussion about macro--well, not even macro, but country-wide economic policy, exchange rate, trade policy and so on. So that was the '80s.

ZENNI: Did you want to talk a little about the Bank's response to the debt crisis in the '80s, and what impact, if any, did this have on your work?

BIRDSALL: Yes. In part, because when I did the *WDR* in 1983-'84 it was still a single document combining the international analysis--what is now the *Global Economic Prospects* document and a separate *WDR* was then one document. And, in fact, there was a big fight that I had because I was head of the *WDR*, which meant that I was responsible in principle for Part 1, which was this other part that wasn't about population. And so some of the work that was going on then about commodity pricing and debt I just thought was not good, it wasn't realistic, it wasn't--and I do remember that I talked to Anne Krueger about it because she was the chief economist. And in the end, because there was so much controversy about it--this was after the oil crisis, too, so, you know, I think the projections were prices going up indefinitely; I forget the details. But anyway, I just felt uncomfortable with it. And the debt work, you know, I felt uncomfortable with also, that it was too oriented to the problems all being in the country and not addressing the international architectures for dealing with the issues. So what we did finally is we brought in Martin Wolf, interestingly enough, and he wrote that section, sort of in two weeks. You know, he just took it all and he wrote it and it was good. So that was a great relief to me because then I could get back to the part that I felt worked, that I had more to say on, in population. So that was in the early '80s.

And anyway, I think that was kind of emblematic maybe of what happened subsequently. So, I mean, I don't think it's a black and white picture at all; I think that maybe the greatest contribution of the Bank and the [International Monetary] Fund in many countries was the dialogue about the need for fiscal discipline and, you know, reducing the size of the State and avoiding rent seeking and all that. That's all very good. I think that--but there were problems in the lending for that; there wasn't enough emphasis--there was too much emphasis on moving money around that dialogue.

ZENNI: What are your views on the impact of sector economic analysis in guiding project selection and design as well as in ensuring consistency between sectoral policies and macro-economic objectives?

BIRDSALL: I think it's gotten better. Now, when Larry [Lawrence H.] Summers came, it did get better for a couple of reasons. First, the end of the great blossoming of SAL [structural adjustment loans] was coming and the Bank was returning a little to the questions of poverty, but in a new spirit in which there was more attention to governance and financing and organization, including in health, in education, including in the soft social programs. I think there still was a sense in many parts of the Bank that this was an easy way to spend money and it would be good, without understanding that you could waste more money in the education systems than you could even in roads. But in any event, I think it was better. Sector-wide analysis on financial issues on energy, on health, on education, became more vital and became better used in the Bank.

And around then, there started, you know, having those more centralized, bigger departments that specialized--the Bank was going through reorganizing so I can't remember exactly, but somewhere in there, you know, you got a health expert and the Infrastructure Department became a little bit richer in terms of good people who did research and policy. That was

happening in the late '80s and '90s. And Larry Summers did bring back this kind of sectoral and micro analysis to the research side of the Bank, particularly on financial issues, on health issues, you know, those two especially, I would say. More of the expertise that existed in the Bank all along in the '80s was tapped and related more effectively, I think, to the larger economy-wide discussions. And this is partly influenced, I would guess, by maybe the reorganization in '87.

ZENNI: Yes. And, we'll get to that. Did you want to talk a bit more about the '84 *World Development Report*, specifically the substantive aspects of your input as its staff director at that time?

BIRDSALL: Well, I'm very proud of it. I think it was a little bit ahead of its time in that-- although Ernie [Ernest] Stern, who was then the Senior Vice President for Operations (I forget what the title was, but he was really the COO [chief operating officer])--I remember a meeting (I don't know if Ernie would) in which he--we went to him with the outline, and Anne Krueger came with me and a couple of the members of my team. And we had in the outline, first, the determinants of fertility and then the consequences, something like that, and he wanted it the other way around. He wanted more doomsday, more this is--you know, McNamara was very big on population growth, rapid population growth, as a key problem, and the literature by the early '80s was becoming a little more, "It's a problem, but it interacts with other things; it's not necessarily the problem." There's a big fight that's going on for 20 years about is development the best contraceptive or do you need to have contraceptives, family-planning and so on. So we were finding a position here, and so I remember this discussion. And Ernie wanted it to be--and I sort of pushed back a little, and I was able to leave it the way I thought I should, which was good. That was one issue. We still said, of course, it's a problem, especially if it's very rapid, but, you know, it's not a simple problem.

And then the other issue where I'm proud of that *WDR* is we had a chapter called, "Family Planning as a Service," so we put the fertility family planning issue in the context of people's welfare and services rather than primarily as a mechanism to drive down rates of population growth. That was part of the argument, really: why are you treating it that way instead of the key tool for driving down population growth? And, you know, it's still an argument, but I would say since the Cairo conference, which was one of the big population meetings in '94, maybe, really there was a turnaround and it's much greater recognition that if you want to improve people's lives, you don't sort of un-improve them in order to improve them later. You've got to provide interventions that improve their environment, and that family planning is one of those interventions, but if you try to do it in the absence of natural accompanying interventions that reduce infant mortality, give women access to health care, you are just not going to get anywhere; you're going to get a backlash in the worst cases. So anyway, so that's what I'd say about the *WDR*.

The other thing about that *WDR* for me was that I don't think there was one person on the team that made less money than I did. And this was because I was still new in the Bank and rather junior, but my opportunities in the Bank--I had two big opportunities in the Bank, otherwise I would not have become a director, at least not in the time that I did. The first was engineered by Anne Krueger, who came from outside the Bank, and she asked colleagues outside the Bank in academia, "Who inside the Bank could run this *WDR*?" And she told me that when she proposed

me to whomever, the powers to be, there were deep objections because I was only an L-level at the time. But she apparently worked it out.

And then some years later--well, then I think Ernie Stern, because of that experience with the *WDR* and I had known him on the [Lester B.] Pearson Commission, he, I think, was quite interested in ensuring that I went to a good job after the *WDR*. You know, I give him credit. He probably would deny it because he wouldn't want to be seen to be--I don't think it was a favor; I think he just wanted to make sure that I went somewhere where the work of the *WDR* wouldn't die. So I think he played some role in my becoming a division chief, okay; otherwise, I would have been many years, maybe, before becoming a division chief because after all, remember, I was in Research and Policy, I wasn't where you really grew.

And then Larry Summers came along--again, someone from outside the Bank--and when he asked me to head the Policy Research Department, it was the same story. He said to me, "I don't, I'm not sure I can make this appointment because you're not on the list to be whatever, whenever; you're on the list for later."

So, you know, it's maybe a good story about women in the Bank. But I had a little bit of luck at the right moment with people. And oddly enough, because I was in Research and Policy, that there were people coming from outside the Bank who were less immersed in the culture of wage, seniority, you know, there's a line, there's a process, they were left vulnerable, maybe, to that sort of culture that a big bureaucracy, even a very strong meritocracy, develops. So I had my chances.

ZENNI: That is really a very nice story about women in the Bank. What are your views on the *WDR* process in terms of presentation and intellectual contribution to the international policy dialogue in general?

BIRDSALL: I think very good. Now, not every year it's a big hit, but some years really are. The *WDRs* are widely read, widely discussed, and widely used in undergraduate studies all over the world. I think the *WDR* has become better over the years in terms of making sure that there's access in disability, the emphasis on consultation, for all its problems, also ensures that more people read it, they might not read it in its final, beautiful form, but there's more triggering of healthy debate around the world. I think, you know, the Bank makes a major contribution, both with the *WDR* and the *Policy Research Reports*, which is one of the things that I started in the Policy Research Department. The first one we did was on East Asia; I think the second one might have been the one on pensions, which started a very important debate that continues and there's some push back on some of the ideas in that report. The third one maybe was--there's one in there that got started while I was still there on AIDS and was just finished maybe two years ago. So that, plus the journal articles on the research side, you know, I think it's a huge contribution that's greatly undervalued in the Bank itself, not--and, you know, in academia, the Bank has--it's always going to be the case that the Bank's comparative advantage in research is not the same as in academia, nor should it be. If anything, I think it's leaning too much toward too many Bank research economists writing articles for academia. It's like, okay, but that's not where the Bank's comparative advantage is.

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ZENNI: We'll talk a little more about that later. Which of the *WDRs*, in your view, stirred the most debate?

BIRDSALL: Right. It's an interesting question. There was one that was done by a British economist named—a good guy. Well, the Poverty one, of course, by Ravi Kanbur and Nora Lustig, stirred all the debate about the process, but not so much about the message in the end. That was 2000/2001. I don't think that as a rule they've created debate as much as just discussion and understanding. But in the late '80s, Robert—I cannot remember his name--and then the Vinod Thomas one on development friendly markets, I guess it was, didn't stir too much debate. Maybe sometimes they didn't, so I can't answer that.

ZENNI: That's okay. That's good enough. We are going back to your assignment in the Country Policy Department. How do you look back on this assignment in terms of impact on your views as to ways to strengthen Bank efforts in dispensing country specific policy advice? That was prior to your promotion to Chief, Policy and Research Division.

BIRDSALL: Right. I mean, I was only in that department for about a year and a half at the most, and then I moved over to start the *WDR*.

And, in fact, in that period--that's another interesting story if you're interested in women's fate in the Bank. The reorganization in early '82 came when I was actually on leave, teaching in France. I had a three-month leave, and I was teaching in France. And so I was getting calls in France about what department--you know, you had to choose and there was all that flurry of tension and unhappiness and fighting over who's going where. In any event, I was an admirer of Lyn Squire, and he was starting a new division in this new department. So he asked me to go there, and I said that I didn't want to travel. I was pregnant and I didn't want to travel for a year after the baby was born. It was only 1982, so--and he went and talked to the country director-to-be, who was Bevan [*Waide*]--God, I've blocked out his name--who didn't like it very much, but I guess in the end I think they agreed that okay.

So I had a great time in that job, actually. I worked on a series of studies of willingness to pay and expenditure issues in the social services. And I started some research, household survey research on willingness to pay for water in Mali. And I brought in a person--because I couldn't travel--named Manny [Emmanuel Y.] Jimenez, who did quite a lot of good work. We did some together; then he subsequently wrote a nice book on this while I went on maternity leave and had the baby. And now he's, you know, a senior whatever [Sector Director, East Asia, Human Development Sector Department] in the Policy Research Department with Allen Winters. And, in fact, he's doing the 2007 *WDR* now on youth. Emmanuel Jimenez. He's from the Philippines. So that was a great year, and I'm really very grateful to Lyn for coping with my difficult demands because the department was expected to provide people for operational support. So that created a little bit of a complication and a burden.

Then, I think when I finished with the *WDR*, I still wasn't a senior economist. That's when I finally got promoted. I did the *WDR* without being a senior economist. I was still, I guess--is it possible I was still L-level?

ZENNI: Well, according to your CV that I worked from, it was in '82 that you were promoted to senior economist. And then '82 to '84 you were staff director for the *WDR*. So perhaps you started these background papers prior to your promotion?

BIRDSALL: Maybe--yeah, whatever. It doesn't matter. But I remember there was some little kerfuffle about whether I was going to get promoted. Maybe I got promoted as part of going to do the *WDR*. But the decision was not with Lyn but with this department director, whose name I've wiped out. And he did not like it at all. So it had to be negotiated because that department was not under Anne Krueger, so I was being seconded from them to the *WDR* wing of the Bank. Okay, it's two different places. So I remember there--and I was sort of like, "I don't think it's reasonable to go and write the *WDR* without a promotion," so that's probably what happened. And that's also why, when I became a division chief, I had only been an M-level, probably, for two years max. So you see these odd things going on--but maybe everybody's career in the Bank is a little bit like, you know, odd things go on. But it was a great--I had just, you know, nothing but good jobs in the World Bank. Really! I mean, the first, second, the *WDR*, and then I was division chief with a terrific job. I learned a lot. I did operational work. I said when I went there that I wanted to do a project because I wanted to--you know, the division was supposed to support . .

ZENNI: Are we talking about PHN [Population, Health and Nutrition]?

BIRDSALL: Um-hum. So John North was the department director, and he thought it was kind of--he was okay with it--so I chose a small project in a small country, The Gambia, and I was, you know, the project leader for a health project in The Gambia. So I went on two, three, four missions. The last one when I was pregnant again because now we're in '86, I guess. Sam was born in '86, so the last mission was probably in January of '86. So I was in that job in '85 until [the '87 Reorganization]. So I did this project and that really gave me terrific exposure. I worked with some very good people, you know, in the Africa department. I was in this strange division, the policy and health--what was it called?

ZENNI: You were Chief, Policy and Research Division in the Population, Health and Nutrition Department (PHN).

BIRDSALL: Now, the Population, Health and Nutrition Department was one of the few centralized departments, so by doing that project I had some exposure to the Africa country people. And, of course, I worked with the other division inside that department that did projects. It's not interesting, really. But anyway, so I liked that job, too, because I did the Africa population study and I did a study on health financing that was quite controversial, actually, financing of health in developing countries where we recommended user charges for certain--with a heavy focus on roles of the private sector and user charges, which came out of work I'd done in Lyn Squire's division. And this was very controversial in Geneva with the WHO [World Health Organization] and the doctors. And that's what started what I think became a useful debate between sort of WHO and the Bank about financing in health programs.

ZENNI: How integrated were PHN issues in the Bank's development agenda at that time? We're talking around '85, '86.

BIRDSALL: Not really. It was, like, this stuff's going on and--not really. I mean, not in the buzz. The projects were still being prepared and the loans were being made, but if you look at the, sort of, what the big issues were Bank-wide, it was about structural adjustment. So it was a little bit, sort of, two Banks or three Banks, you know.

ZENNI: Going back to research at the Bank, what is your assessment of the ways in which research findings are communicated and disseminated? Does the Bank do enough to share its research findings with developing countries? And how would you characterize the impact of technology on research?

BIRDSALL: I think the Bank is doing better, but, I mean, the fundamental problem is that the Bank should outsource much more of its research to people in developing countries. But, you know, it's just too centralized and too navel-gazing. You look at very good Bank studies, and three-quarters of the citations will be to other Bank economists. So I think when I was head of that department, I wish I had done much more to find ways to see more of the work outsourced. The problem is that you really can't just do it with the money; you have to have fewer staff inside the Bank. You know, if you have a big department and there's a fixed amount of resources for research, then there's not much you can do in a short run. I think the Bank's spending on research and related policy issues should be doubled, and the second half should be much more outsourced, much more collaboration with . . .

And even institution-building, there should be something like the Center for Global Development, and there should be four of them in Africa and, you know, ten in Asia. They don't have a sufficient number of independent, policy-oriented think tanks that are independent of government, are not completely tethered to outside financing from bilateral donors to do what the donors want. I mean, there's nothing like Brookings [Institution]. So, this is where I believe the Bank, on the research side, has . . .

ZENNI: How does that tie in with building research capacity in member countries?

BIRDSALL: That's the point.

ZENNI: Also building capacity within governments for their own research.

BIRDSALL: I don't know. Not really. I mean, it depends. Maybe yes, there should be agricultural research that's publicly financed in Africa, but for work on social and economic issues? I mean, does the U.S. or Canadian government have major research institutions in social sciences? Not really. I mean, it's done; they fund publicly university and think-tank research, which is really independent. It's not completely independent if you're relying somewhat on funding, but it's much more independent than if it's done inside governments, just as World Bank research would be more independent if more of it were done outside. And then we would not be, or the institutional development in the--and the discussion about adjustment policy would be more vibrant in Malawi if there were a think tank in Southern Africa, or more than there is now that could participate.

ZENNI: What is your assessment of the process by which research projects are selected and prioritized in the Bank? What determines the selection of potential topics for economic research?

BIRDSALL: I mean, I don't know now, but during my time, when I was head of that department, I met regularly with the chief economists for each region about what their issues and priorities were. It's a combination of what the demand is from the regions, and it's sort of gradually changing issues as seen from the outside world that the research staff are aware of. I think it's quite reasonable. And there's still, I assume, a research committee that funds some research by some competitive process, at least internally. So I think the topics chosen and the general sense of priorities on issues is quite good.

ZENNI: And the basic goals for the Bank's research program, how did you see these basic goals? Do you think they need to be revisited periodically?

BIRDSALL: The goal is to do work that would provide the foundation for better policy in the developing countries and thus input to the Bank on how to be most helpful in the dialogue with developing countries. That goal, I think, is pretty straightforward. I mean, there are also other related goals: commodity price forecasting, you know, and then the internationally-- understanding the overall architecture. Yeah, I think it's good to revisit it frequently, but it's pretty straightforward in my view. It's quite obvious. It's about policy relevant research that is useful in building and creating knowledge that is useful for developing country decision-makers.

ZENNI: Now, we come to the '87 reorganization. Between '87 and 1990, you served as Chief, Population Human Resource Operations Division, working on Brazil. Please discuss the circumstances leading to your move out of the Research complex at a time when Bank lending for human resources and the environment was accelerating, and whether this move was a result of the '87 reorganization and its impact.

BIRDSALL: Oh, totally, the result of the '87 reorganization. I was on the staff committee that . .

ZENNI: For the reorganization?

BIRDSALL: Yeah, yeah. In fact, when--who was the president? [Barber B.] Conable--he called up the five people. It was Russ . .

ZENNI: [Russell J.] Cheetham.

BIRDSALL: . . whom I didn't know. So, before all that came together, I got this call from Barber Conable. And when would that have been? In '86?

ZENNI: He came in July of '86.

BIRDSALL: Right. So he started it in the fall of '86. So this pregnancy, remember?

ZENNI: The second one.

BIRDSALL: Baby Sam is six months old.

ZENNI: Okay.

BIRDSALL: So Barber Conable calls me up and he said, you know, “I would like you to be on the team that supports the outside consultant with Russ Cheetham. There will be four to five people. Congratulations.” Maybe it was more than five or six people, maybe it was 15 people. There were a lot of people running around.

So I said, “Mr. President, I’m honored and I’d be delighted, but can I have a day to think this over. You know, I have a six-month-old. I’ve just come back.” You know, I mean.

So I hung up the phone, and these people said to me, “Are you out of your mind? You’re just supposed to say yes.”

So then I called back and said, “Well, okay.” Then I went and talked to Russ Cheetham, who’s a very--he’s a very tough cookie. He’s retired since, I think. He is a very tough cookie, and he was not then particularly attuned to the women’s issue or to family issues. So I went to Russ Cheetham and said, “Well, yes, I, you know, I had to say, ‘Yes,’ but I want you to know that I really--I am not going to be able to work on weekends. I can try to come in, you know, but I can’t. I have two”--I had three children and the one was six months old. So he never really gave me the time of day. That was an unhappy period in my--you know, maybe--who knows, but I felt that Russ after that just . . .

ZENNI: So what happened?

BIRDSALL: So I did it. I was on the group and I did my work and I made my contribution. And I did go in on some Saturdays and Sundays, I suspect, but it was not--that whole reorganization process, I felt, and I think it actually came out quite well in many respects, at least structurally. The ideas were very good. So I respected him and I was happy with the work we did, but I just remember it was really the only time in the Bank when I was, like, not on solid ground, you know. And I think that really was the women and family thing. On the other hand--and I was probably one of the only women in that select group, so it was an honor to be asked. So it was weird, but it was only three or four months, I think, and then they did the reorganization.

So then I decided--then everything was changing and that opened up a lot of opportunities. And I had several offers, and I took the offer to work on Brazil basically because of these kids, you know, rather than work on Asia or even North Africa, which was another possibility with Kemal Dervis. Kemal became director there. But I just felt as though you go to Latin America and you come back, you know, you don’t go for a long time so you don’t have jet lag.

ZENNI: Same time zone.

BIRDSALL: Same time zone. And it was a small division and it was great, you know. I enjoyed it very much. And I think by having a division--and I was division chief, Population and Human Resources Operations--and I think the creation of human resources, the creation of a division,

that meant every department had a person wearing that hat, sitting at the sort of what you might think of as the cabinet table in the department. It completely elevated the visibility and that's why those sectors saw an increase in lending. That's it. Before that, there was a separate department which wasn't integrated into the country work, a separate department for population, health and nutrition. Now, it was mainstreamed.

ZENNI: So the reorganization did it.

BIRDSALL: Yeah. Absolutely! Absolutely!

ZENNI: How did your previous experience in Research prepare you to tackle the new challenges in Operations?

BIRDSALL: Oh, very well. Very well because I understood the issues, you know. And Brazil wasn't really able to borrow that much, frankly, from the Bank, it wasn't doing adjustments. Don't forget it is '87, '88, the debt crisis is still alive and well in Brazil. They were having terrible inflation, lots of macroeconomic problems. And so borrowing was--frankly, it had to be pretty limited.

And we did some very good sector work and a few loans. There were some big debates over several loans that I brought up through Shahid Husain, the vice president. But it was a very good experience. You know, I think I was much better attuned to what was valuable to do and helpful to Brazil from the Bank because of the research and policy work experience.

ZENNI: And specifically what did you emphasize?

BIRDSALL: We did--I remember, for example, a sector study that I brought in John Briscoe to do. He is now the country director in Brazil, actually. And I brought him into the Bank and he did a major study on chronic disease problems in Brazil. It was the first real work on chronic diseases, including AIDS. It was very controversial, not in Brazil, because John--we did it by engaging Brazilians to do chapters on different disease issues and different financing. So that was very outsourced and owned by the Brazilians. And that has had a major impact since. It developed the starting point for--Brazil had the first major AIDS project, which was managed by Maureen Lewis, whom I brought into that division just before I left. We did a major study on expenditure, social expenditures, where are they going, which was the first really important work, I think, showing who is benefiting from social spending, that's what it was. That most social spending in Brazil, if you count pensions, was going to the better off people. And we had one study that traced the money for education also, you know, how much in the budget actually reaches schools, and that was featured in VAIJA magazine, you know, because we showed that for every cruzeiro, like five cents reaches the school, the rest is creamed off.

So it was a difficult period for the Bank in Brazil. There was poor leadership in the social sectors; you know, the appointments in education and health for much of that period were the last worst guy that had to be satisfied from the coalition party. So I learned a lot about how politics works and how harmful it can be, especially in social programs. I started to see that it's much harder to spend money well on social programs than on really almost anything else, so it's

bad country strategy to say, “This country has a macroeconomic problem; let’s put all our money in education and health.” No, it doesn’t work that way.

So, you know, I think my earlier experience gave me grounding and confidence about those ideas. I did a book with Dick Sabot, who had left the Bank by then, the guy who was in the Research Department, on education in Brazil and opportunities foregone. So I had a good time.

ZENNI: How would you characterize the relationship between Research and Operations staff, and how strong are the mechanisms in place dealing with gaps between researchers and those concerned with policy application?

BIRDSALL: You know, I think it’s very much a matter of people and personal interaction. And so it’s a little bit--you know, Operations people don’t have time and don’t read, right? So because they don’t have time and because some of what research staff would like them to read is not well packaged; it is too long and too technical. So it is hard to make the link, but I think it’s made best across the lead economists in each region with the economics research. I mean, I’m just trying to think: when I was in the Brazil Department I was in Operations; how much did I call on research? I don’t remember. But, you know, I had come from research, and I was doing some research.

I think it’s like something that always has to be attended to and thought about; it will never be conquered. There’s no simple answer. It takes leadership on both sides to sustain a good interaction. And the Bank, you know, goes from the matrix system back to a country-based system because of not just interaction between Research and Operations, but between the technical people in Operations and the country people in Operations. So it’s almost like a dynamic thing that the organization goes one way to fix one problem and then after a few years (five, ten years), it has go back to the other set of boxes to sort of shake it all up, and then it gradually gets worse and then it goes back to the first set of boxes. That’s why it has to be reorganized from time to time.

ZENNI: Okay. And do staff rotations help as a mechanism?

BIRDSALL: I have observed that it helps in the sense that I see, especially in Jim [James D.] Wolfensohn’s period, a lot of people from the research community in the Bank going to the field, and I think that’s helped enormously.

ZENNI: Okay. In your view, how well does the Bank maximize its benefits from the institutional role of economists in terms of their upward mobility, especially sector economists?

BIRDSALL: I don’t know if it’s different from when I was there. Not ideal, in the sense that the economists in Operations may get into a rut: this is the paradigm, this is the way we do it, this is the recipe, this is what will work. It’s hard to go outside the paradigm. And if there are major issues that ought to be more rigorously debated like the South and the conditionality in Africa and the debt, the Bank is very slow to come around; it has to be dragged around. And the change will come from a combination of outside and inside the Research Department, so the economists, who are many more who work in Operations, it’s hard for them, I think, to avoid getting into

their country issues and their country problems and seeing the big picture. So it is the job of those, in my view, who are a little bit outside Operations to be doing more to keep the Bank's thinking fresh and bring new issues, but they're still inside the Bank, so that's why it would be better to have at least some of that Bank research money in developing countries as well. So it's better than most other institutions that are just as big, better than the IMF, better than the regional banks, so it's first in its class, but it's far from ideal.

ZENNI: How difficult is it to balance research based on operational demands with exploratory/speculative research in serving the Bank's corporate strategies?

BIRDSALL: Not difficult. You just need the director of the department that has the 85 or 90 economists to say, you know, one-third of your time on operational work and two-thirds, or whatever, and then make sure that that happens and recruit people that want to do it that way because they care about Operations, they care about their work. They don't want to just drift off and do irrelevant work. So I don't think it's difficult.

But that's not where the issue is. The issue is more on the use of what they do in Operations where the incentives are to make the loan, move the money, don't make trouble, don't ask complicated questions.

ZENNI: Going back to the '87 reorganization, what impact do you think the '87 reorganization had on the Bank's overall performance in handling the many challenges facing it around that period? As I recall, you said the impact of the reorganization was good for the Bank.

BIRDSALL: From my somewhat narrow point of view that the Bank was neglecting especially the big issues on the sectoral side--you know, how do you organize health systems, how do you finance education systems, what's the role of the private sector in water and sanitation--on those big sectoral issues, I think it made an improvement.

ZENNI: This was also a time of mounting criticism of the Bank's environmental agenda, a time of changing approaches to structural adjustment lending and moving to program lending, the collapse of the Soviet Union in '89 and the emergence of transition states, et cetera. In your view, was the Bank well positioned as a result of the '87 reorganization to handle all of these emerging issues?

BIRDSALL: I think it was incredible. I don't know if it was the '87 reorganization itself or just that we have to say it is the Bank and the IMF. Some people would say it was a big fight and it was too slow, but what's amazing, looking back, is how flexible these institutions have been, how they set up, you know, expanded work in the former Soviet Union. It's amazing; incorporated that work in many respects into the overall mission. It was very different. Many of the issues were different; you know, they weren't the standard issues for transitional economies. I think it's a sign that these institutions, for all that we can criticize them, are quite impressive. I don't know whether it would have mattered if it was organized this way or that way; who knows.

ZENNI: Okay. Going back to social development issues during that period again (and you've spoken a little to that), specifically what impact did the '87 reorganization with the establishment

of the Environment Department have on mainstreaming social development issues in the Bank, and how did this impact the role of non-economic social scientists in terms of incorporating social science concepts and methodology into theoretical and empirical models already in use by economists?

BIRDSALL: Yeah. Well, I'm not so positive on that. I think it was, is, and has been a rough road. And I don't know how much it has mattered. I mean, if we talk about environmental, non-economists staff, I think the first five years they were useless because they were way out . .

ZENNI: Five years from . .

BIRDSALL: When the Environment Department was established, starting in '87. So they created this Environment Department, and I guess they created environment divisions.

ZENNI: In each region.

BIRDSALL: Yeah. I think they were sometimes in the Technical Department. I went to one of those eventually as the division chief.

Now, I mean, when I was not in that group, my view was these people are just making--they're just not being very strategic about--it was, like, a fight. You know, they were against—it seemed as though they—at least in Latin America. Now, I'm in the Latin America region, okay? So there's big controversies: there's the roads in the Amazon, the dams, and the resettlement issues, and there was big pressure to make everything more rule-based and, you know, huge emphasis on very complicated environmental impacts. It wasn't working. It took a long time because it was too much of, sort of fights. And it became, at least in the Latin America region, sort of the greens against the economists. It may have been different in other regions, I don't know.

So, in fact, I was told by Shahid Husain that I needed to go run that Environment Division in Latin America. So I don't know, I had only been two years in the Brazil Division. I mean, I was moving around in the Bank well under the average of three years or five years in a job. So I went in '87, maybe in the spring of '87 . . .

ZENNI: Yeah. Until 1990, you served as Chief, Population and Human Resources Operations in Brazil.

BIRDSALL: So it was three years.

ZENNI: Yeah. And in '90 you served briefly, until sometime in '91, as chief of the Environment Division in the Latin America Region.

BIRDSALL: Right. Okay. So he asked me to go there because he said, “You have to go there and make this work, you know, bring some economics to it and have a healthier dialogue between the operations people,” who are mostly economists and lending officers, “and these environment people who are mostly wanting to stop everything.” Okay? So he decided to put an economist in the Environment Division.

ZENNI: Hence, your assignment in 1990?

MS. BIRDSALL: 1990, right. Now, but there was also, and then they had this new GEF money, so . . .

MS. ZENNI: Global Environmental Facility.

BIRDSALL: Right. So that was a big issue in terms of work, you know, mounting some operations. So I had the opportunity, and it was good because I could bring in more people; I think I got more resources in the division. I forget . . .

ZENNI: That's when you were briefly a chief of the environment division in the Latin America region?

BIRDSALL: Right, right. I was really briefly, because the first thing that happened is I said to Shahid, "I don't know anything about these issues. Can I have three months' leave to learn about them?" It is a very flexible institution. Not three months leave, but three months, you know, on the payroll, and I will go sit in--by that time they had started putting together the team for the '92 *WDR* on environment. So I went and sat with them and read. And I actually published a couple of articles with David Wheeler. So I learned about the literature and the issues so that I could bring to the operational work some understanding of what was going on, you know, just as I had been able to do on health and education and population, right? So that was very nice. That meant, though, that the first three months--I think it was kind of over the summer--I was going at the *WDR*.

And then I was there for a while, and then Larry Summers asked me to take a job that I rejected (actually, that's probably not in the record), as it was a next level-up job, like that was in the days--I don't know what they're called now--I was a division chief, so that was called level 26. And then there was this job level 27, which is like--Greg [Gregory K.] Ingram had the job for a while—it's in the chief economist's office to manage the Research Committee and a bunch of other stuff. It's kind of a "duh" job so I had said no. And I think that probably impressed Larry. I said, "I have just been here in this environment job for a while, you know. It's kind of interesting and it doesn't make sense for me to change now." And then a few months later, he asked me to be director, so I said yes.

ZENNI: Before we get to that, I just have a couple more questions.

BIRDSALL: I haven't thought about any of this for years. I'm not answering your questions, but anyway . . .

ZENNI: You are. That's quite good. You spoke about how within the Bank the economists and those working on environmental and social issues were trying to work things out..

BIRDSALL: It wasn't so much the economists; it was the people doing projects, you know, some are economists and some are specialists. They want to do their operations. They are can-do

people; they are committed to making their projects work; they have relations with the minister of public works or agriculture; and they did not like a bunch of other people saying, “You’ve got to slow down; you can’t build this road; you have to have fifty-five studies before you can, you know, go for appraisal.” They didn’t like it.

And sometimes the demands were unreasonable, you know. There was a whole, big thing of every country has to do a country environmental assessments. The IDA [International Development Association] Governors decided that the IDA countries would have to do a country environmental assessment of programs, C-E-A-P, and so all these little countries had to do this. So then, because the IDA countries had to do it, it sort of became that all the countries had to do it. That’s another issue. That’s the way the creditor countries, the rich countries, could do whatever they wanted with IDA. They could say you have to do everything under the sun, right, with IDA, because they made all the contributions. And then it would sort of infiltrate.

ZENNI: It was donor-driven?

BIRDSALL: Very. So the Brazilians didn’t like it; the Venezuelans didn’t like it; the Ecuadorians didn’t like it; the Mexicans didn’t like it. But then the Bank said you have to. The Bank’s central environment people are working with divisions like the one I had on how are we going to set this up and what are going to be the rules, and so there were a lot of endless meetings. And I was on the side of, “It has to come from the countries, you know; it has to be reasonable. Let’s not make rules that just irritate everybody. It has to be sort of--it will not work for the Bank to go in and say, ‘You have A, B, C.’” So, you know, there were a million meetings and fights over language, but it kind of captures the way the issue was being worked out. Gradually, it got worked out. I don’t even remember, I wouldn’t know, even then, whether it was a fight that you could say one side won or lost. It’s just that it was a struggle.

And I think that, to the extent there is much greater understanding of the concept of sustainable development, it’s not mostly because the Bank said, “A, B, C,” it’s because there was a huge international movement pushed by international NGOs [non-governmental organizations]. And inside many of the countries, pressure was building for their own governments to be more accountable. So the Bank was, in a way, catching up, which is good. I mean, on the positive side, it’s a sign that the institution is flexible, it responds to changing times. But on the negative side, you can’t say it’s the leader. You can’t, because it doesn’t work that way. It has to be led almost by the countries, because in the end the Bank wants to do projects and lend money, so the wish list and the views of the borrowers will always prevail whether they’re good borrowers with honest, competent governments or not so good borrowers. That’s the struggle right now. What do we do with these less competent, sometimes not so honest at all levels, borrowers?

ZENNI: Governance issues . . .

BIRDSALL: Right. It’s all the same. It’s all the same struggle lived out in different arenas.

ZENNI: Is this still the case today, in your view, the Bank just wanting to lend?

BIRDSALL: I would guess mostly it still wants to lend. I mean, it's not necessarily a bad thing. It's because the Bank is full of people who want to make the countries they work on richer, happier, more stable, and they like to do things. They're sort of enlightened in a good way, but caught in a system which reinforces. It's hard to have constraints that tie people down. They're really good staff; they're really committed; they're really enlightened. It's a complete myth that people do these projects to get promoted. It's a complete myth that you get promoted in the Bank because you do more loans. No, that's not the issue. The issue is that people working on Mali or working on Cambodia want to get something done because they believe it will make things better.

ZENNI: Okay. In your albeit brief assignment . .

BIRDSALL: And then I really have to stop.

ZENNI: Did you want to stop now?

BIRDSALL: I thought I was supposed to stop at 4:00, but . . .

[End of session 1]

Session 2
January 3, 2007
Washington, D.C.

ZENNI: Good afternoon. I'm Marie Zenni, senior interviewer for the Bank's Oral History Program.

BIRDSALL: I'm Nancy Birdsall.

ZENNI: Today is Wednesday, January 3rd, 2007. And I'm here again at the offices of the Center for Global Development in Washington, D.C., for the second and final interview session with Ms. Nancy Birdsall. Welcome again, Ms. Birdsall.

BIRDSALL: Thank you.

ZENNI: Okay. We'll begin today's session by asking you about your promotion to director of the Policy Research Department in '91 where you were responsible for the Bank's economic research and policy analysis, a position you held until your departure in July of '93. Please discuss how this promotion came about and what did you set out to accomplish.

BIRDSALL: It came about because Larry Summers was the chief economist, and he asked me if I would be interested in that position. And I said, "Great. That's a great job."

ZENNI: Okay. What were the emerging priorities for policy research and analysis at the time you took over, and which research themes in particular did you emphasize?

BIRDSALL: When I went to the Department, it already had started a major study of privatization issues, which was a follow-on to earlier work on better management of state-owned enterprises. So this was the early '90s; it was right at the time, you know, a year or two after the fall of the Berlin Wall; the Bank was becoming much more heavily involved in transitional economies, so this was a hot topic. And John Nellis, at that time in the department, and Mary Shirley were working on the issue. And I remember that Larry Summers was quite keen on a point of view that said, "Privatization matters. There really isn't a substitute for ownership by the private sector. You can't expect to have, you know, just management changes still with governments fundamentally owning and running companies and see the gains and efficiency and competitiveness and so on." So that's very interesting because this was before the big controversy about what happened in Russia. So that was a big priority as a policy paper just as I arrived.

And the other thing that was going on when I arrived was a second or third review of the structural adjustment lending. And basically, I didn't intervene very much as the director, nor should I have, on the privatization study. You know, I tried to make sure that it got done, but I didn't feel I had much expertise in the area. But on the structural adjustment study work, I actually proposed that instead of doing what would have been the third--or even fourth then--conventional review of adjustment lending going to the Board [of Executive Directors], that we instead do a focus on Africa and adjustment lending in Africa instead of going through the same

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motions again. And that turned out to be very interesting, and we put a lot of emphasis on the social effects of adjustment programs.

And so it was also very *au courant* at the time, you know. I think we were a little ahead of, or picking up on, the then new discussion and worries, and intensifying worries, about whether these adjustment programs were working and particularly whether they were working for the poor in the poorest countries. So those were some emerging priorities.

Then what I did, actually, is I set up a new series that we called, *The Policy Research Reports*. And the first one was the "East Asian Miracle," and I had a senior position to fill, a senior advisor position, which was supposed to be mostly focusing on the roles of the private sector which had been pushed by the United States' Executive Director in the [George H.W.] Bush Administration, Pat [E. Patrick] Coady, his name was/is. And essentially, we did something not really that kosher, in retrospect, which was I brought on John Page, and he was the key person responsible for doing this report on East Asia, "The Miracle in East Asia." And I got involved on the input side in human capital and income distribution issues, which I subsequently got more involved in as a research person over the next ten years, even at the IADB and after.

So then the second study I thought ought to be about the pension reform issue and--or maybe the second one was--no, the second one was pension reform, and I brought Estelle James that I had worked with on education issues and sort of induced her to do it. And she subsequently has, you know, made a career, sort of a third stage of her career, as a scholar on pension issues. And this issue is coming up again and again. And that was the report that basically endorsed the kinds of approach--not exactly what Chile has done--but endorsed the idea of mandatory contributions for a fully-funded program, individual accounts, not all by itself, not to the exclusion of a minimum pension that would have to be covered from general revenues, et cetera, et cetera. But, you know, it put that on the table. And that has also been controversial.

So this was a period, the early '90s of, you know, really a lot of excitement about a new round of market fundamentalism. And you see that in the privatization, in the work on pension issues, not at all in the work on East Asia, so, you know, it depended, but that was in the air. It was after the fall of the Berlin Wall, you know: the market economy is what works and where openness and so on, so it was a very exciting era. And there was a lot of emphasis in the department on the transitional economies of the former Soviet Union; we had a division that worked on that. And I brought a lot of emphasis and was heavily supported by Larry Summers on this, to do more sectoral and micro issues in health, education, and environment.

We started an Environment Division eventually in the Research Department, and that was very different from when Stan [Stanley] Fischer was the chief economist and pretty much in the, you know, adjustment period and the workout of the high commercial debt, all the emphasis was on more countrywide, not exactly macroeconomic only, but very much countrywide issues. But with Larry and my interest in social issues, you know, we got health, education, environment, financial sector, banking, much more--it was sort of--there was a lot of talent in the Bank on those issues. And I brought and supported more on banking and financial sector issues; a lot of the people that subsequently have made very large contributions, that's when they came. So it was an interesting period to be in that department.

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And, you know, there's the question later about chief economists. I think that it is not well recognized the important contribution Larry made in energizing a lot of talented sectoral economists who were not country economists, they weren't involved. They'd been working on poverty, living standards, these more micro nuts and bolts, business regulatory issues without getting any--it wasn't on the big agenda in the '80s; it really wasn't. It was all about debt issues and sort of beating back inflation, which was all important, of course, but in a way had underexploited areas where the Bank should have been making a big contribution, at least on the research side.

Okay. So I think that's enough on . . .

ZENNI: Okay. How do you view the link between growth and poverty alleviation? And you've already spoken to that. Are policies designated to stimulate growth alone sufficient in reducing poverty?

BIRDSALL: No. You know, I think growth is necessary but not sufficient for reducing poverty. I'm keen on growth, very keen on growth, but I think where the Bank has not done as well as it ideally would as an institution is on finding ways to actually help countries politically struggle to do pro-poor growth. The rhetoric is right, the policies on paper that look pro-poor, the Bank has always been clear about. What's been missing is a kind of--or what's been the problem is the political naïveté about a policy on paper that is pro-poor does not necessarily translate into actual policy that is pro-poor. Programs will be hijacked by those who are already capturing a lot of privileges. They'll be hijacked, or they won't get implemented. If you look at some of the structural adjustment programs and the different conditionalities, often it's the ones that would really have made a difference, you know--make the tax system more progressive, reduce payroll taxes--that were the last on the list for attention and for implementation. I mean, the fact is, politically, pro-poor is hard; the poor are not politically important. So there was a kind of naïveté, I think, about that, in an enlightened way. It's like the best of intentions on everybody's part. But that's my very crude overall policy.

The second thing I would say about looking back--and it's easy to be a Monday morning quarterback--is for certain regions, for middle-income countries, the Bank continues to be willfully naive about the relevance of the distribution of income. It's just not sensible politically to think that if the poor gain ten percent income in, say, five years, let's say five percent a year which would be the poor benefiting from growth, income circling up five percent a year for the poor, and even if they were only going up five percent a year for the very rich, in an unequal country, to go from 1,000 dollars per capita to 1,050 dollars per capita when the big guys with the privileges, the insiders, are going from 50,000 or 100,000 per capita to 105,000. They're getting 5,000 more in absolute terms, I'm getting 50 dollars more in absolute terms, it's . . .

Yeah, growth is good for the poor, but, look at the problems that it can create politically. And so in my view, you know, maybe a more radical definition of pro-poor growth is needed, which is really the poor benefit in reach in percentage terms far more than the rich. I don't know, just a thought. Because if you define pro-poor growth as equal, proportionate growth, you are going to see the distribution income get more and more and more dispersed. And we see now in China

that--well, the Chinese leadership is smart enough to be talking about it, but the Bank, you know, we didn't talk about it for 35 years in Africa or Latin America where the distributions of income are very unequal, so, that's my--so it's not about growth versus poverty for me, it's about pro-poor growth, but also distribution.

ZENNI: Linking the poor to the benefits?

BIRDSALL: Yeah. Making bloody sure that not only are policies sensible on paper in being pro-poor, but they actually work to be pro-poor. In countries where democracy is weak, all the institutional arrangements aren't there and there's no real--in many countries, by definition, if they're very poor, developing or underdeveloped countries, they don't have a middle class to play that role. The Bank needed, in a way, to be pro-poor, to be playing the role that the middle class played in--yeoman farmers, you know, in 19th century America or something; the bourgeoisie in Europe. So it's just never quite happened in a politically sensitive way. The Bank has been technically good but politically naive on this issue of pro-poor growth and distribution.

ZENNI: Moving on to World Bank Group Chief Economists and Presidents. What is your assessment of the various chief economists you served under during your tenure in terms of intellectual leadership and management style?

BIRDSALL: Well, let's see, I was first with Hollis Chenery: A plus. I didn't know him very well, but when I joined the Bank, he was the Chief Economist. It was a very pluralistic, open environment. And the fact that he had a close relationship with the President meant research was protected. Great!

Then came Anne Krueger. I think she made an important intellectual contribution by pushing, you know, early on for more market-oriented--you know, she was sort of like Friedrich Hayek modified, bringing Hayek to the Bank. A heavy emphasis on government tendency to be rent seeking, which was an important article of hers, and a lot of, you know, a lot of style and views on trade liberalization because she'd worked on those issues: all of that to the good. Management style, it's interesting. I mean, on the one hand, she was the Chief Economist I reported to when I did the *World Development Report*, and she was fabulous. She gave comments, she wasn't overbearing at all, she had good ideas, she was concerned, she was responsive and she basically trusted me. But I think there were a lot of people for one reason or another that she didn't trust. She didn't trust them intellectually and analytically. And she had a very strong view herself, so that created, you know, problems in that she didn't exploit the resources of everybody. People get discouraged and, you know . . .

Then, Stan Fischer, you know, is great, a wonderful person. In my view, he--you know, the only thing if you had to search for, well, "What could Stan have done better?"--I was on the Research Committee when he was [Chief Economist], and he was excellent, you know, very incisive, very efficient, very smart, everything. Very--in a good sense, you know, a good convener and good in bringing people along. If I had to search for something, I would say that he was a little bit of a victim of the times, which was structural adjustment, trade liberalization, opening up markets, and the debt problem in Latin America. And he's a macro guy, so he was much more at home at the IMF than at the Bank, although he was a key player at the Bank in the '80s. But that goes

back to my point when Larry Summers came, that era was ending. The glory days of the Bank doing SALs was ending, and there was growing recognition that you could get the macro right, and countries would still have development problems, big development problems. So that was when--so, in the period of Stan Fischer as chief economist, if you worked on education or health, Stan didn't really know what you were doing, you know. I mean, he was not surprisingly very busy with what were seen as the big macro issues.

And after Stan, Larry Summers I thought was great. I think he's much maligned as a manager. I think he was a really good manager, very inspiring, catalyzed a lot of good work. It's almost difficult in retrospect to understand, you know, why he's had some of the problems he's had since. He was very effective at Treasury; I knew him there, too. So, you know, he's seen as not easy to work with and all that. I just, I don't get it; it's a very strange. I think that's more about the Harvard faculty than about Larry, but anyway.

So the thing that's very interesting for me personally is (I think I might have said this before) as a woman in the Bank, I got two big breaks in terms of career: one was that Anne Krueger asked me to run the *WDR*. She asked a friend of hers who had taught with her at the University of Minnesota, Paul Schultz, whom he would suggest--I learned this afterwards. And I had done my dissertation with Paul at Yale, and Paul mentioned me. And so she--you know, nobody else was mentioning me because I had only been in the Bank a few years and I was in the first level of professional economists, so I wasn't on lists source--you know, I was in the Research Department doing my thing. So she gave me the big break and I think she probably had to--I know, she told me that I don't know if I'll be able to do this because I was too junior. And then Larry, actually, some years later, asked if I would run this Policy Research Department. And it was the same thing, he said, "They're saying you're not eligible because you haven't done grr-grr-grr," but then he--they let him do it. So it is the two people coming from outside the Bank, interesting. I mean, it's not that inside I didn't have other colleagues and support, and there was never any real problem, but they gave me my breaks; they didn't honor the hierarchy in the same way. And I don't think it's a coincidence that they are great economists, you know. They just--they don't care about bureaucracy and hierarchy and lists, they're just trying to get on with it. So that's sort of interesting. It could be a coincidence.

Presidents . .

ZENNI: Yes.

BIRDSALL: Well, McNamara was there when I went to the Bank, but really only for a year. He left in '80?

ZENNI: In April of '81. McNamara served as President from 1968 to '81.

BIRDSALL: Yeah. Right. Almost two years when I was there. And, of course, I didn't really know him. And so, you know, he was this major force in the Bank; people just felt his presence, probably less in the Research Department than elsewhere, but, you know, I can't really comment, frankly. I never--I got to know him later because he was interested in the *WDR* and he came and briefed us. And he is a lovely guy, very smart and all that, so.

Nancy Birdsall
October 4, 2006, and January 3, 2007- Final Edited

ZENNI: Now we come to the latest book that you have recently coauthored with some of your colleagues here at the Center for Global Development, titled *Rescuing the World Bank*. The first part of the book is a report titled, "The Hardest Job in the World, Five Crucial Tasks for the New President of the World Bank," which was made available to [Paul D.] Wolfowitz upon taking over as the Bank's 10th President in June of '05. Please discuss why do you think the World Bank president's job is the hardest in the world, and how does it compare, for instance, with that of the U.N. Secretary General's with its added political dimension.

BIRDSALL: Well, you know, I think the first thing to say is we chose a title that would make it interesting for Paul Wolfowitz or whoever was to be appointed. They would want to read the book. It's an attention grabber.

ZENNI: Attention grabber.

BIRDSALL: And, in fact, Paul at the time of the Annual Meetings in the fall of '05 referred to this "hardest job in the world" expression in--he was talking to the Bretton Woods Committee luncheon, you know, big luncheon--saying (what did he say?), "I don't know if it's the hardest job in the world, but I think it's the best job in the world." Something like that, okay? So it worked. But I wouldn't presume to compare it to other hard, very hard jobs like that of the U.N.'s Secretary General. It's apples and oranges.

ZENNI: Yes. Okay. Nothing more to say on that?

BIRDSALL: Nothing more to say on that.

ZENNI: How do you see the wider implications of the Bank's research program in tackling future challenges, particularly in the context of the Bank's involvement in global partnerships and global programs that are becoming an important and growing line of Bank business?

BIRDSALL: Well. There's a very good report which was commissioned by the Bank's Chief Economist, I guess, just finished in 2006. It is an independent, external report evaluating Bank research 1998–2005. I assume Francois Bourguignon commissioned it. It included, you know, Angus Deaton, who chaired a panel of four or five outside economists. And I haven't read the report, you know, thoroughly or thought about it too much, but basically I had played a small role because the panel then asked three or four economists on six or seven specific issues to look at research and comment and rank, score, you know, research on its relevance and its contribution to policy and so on. And basically I looked at health, education, poverty alleviation, food and nutrition, the so-called "soft" in quotation marks, areas. And, you know, I think the Bank research is fantastic in these areas. It does find that space between strictly academic and policy without evidence. You know, it is policy-relevant research for the most part. It's very difficult; a lot of the incentives that people face are to do research that gets into journals.

I think the Bank has always room to do better. But my main concern about Bank research--I have two concerns. One is that too much of it is done in-house and it's too self-referential. You read Bank research staff works and almost always three-quarters or 90 percent of the citations are to

other Bank research, so that sometimes is because the Bank is doing more, but there's not enough--it's too self-referential. Okay.

The second criticism is that it is an in-house; there's not enough financing outsourcing of research in countries. And one of the essays in the book, *Rescuing the World Bank*, is by Devesh Kapur. And he takes the view that a lot more research should be outsourced and that there's a connection between so much being done in-house, and the lack of sufficient, local, politically—this goes back to my points about poverty and growth--politically astute, not that it's supposed to be research on political science issues, but that the analyses of policies and programs and of a country's opportunities and problems has to be very grounded in local constraints and local opportunities.

And sometimes short term political openings, which come because external circumstances change or the leaderships change, you've got to make a contribution, and particularly as countries are doing better, you know. They've got their macro; they've got inflation beaten back; the central bank is independent, you know. It's not the '70s or '80s in Brazil and Mexico; they have a lot of smart people who know what they're doing. If the Bank wants to make a contribution, it has to work with people there and has to know issues at the local level. Now, when you do so much in-house research, there's a natural tendency to be kind of, want to be prescriptive, to generalize across, you know, lessons on privatization, lessons on--so there's a natural tension. And both are needed, but the Bank doesn't do much twinning with research institutions in developing countries.

So that's my, you know, too much in-house, not enough outsourcing, and as a result, not enough emphasis on country-specific stuff. So I don't know whether I answered the question . . .

ZENNI: You did wonderfully well.

BIRDSALL: I think the other thing, though, is about the Bank itself. It's these country issues that I've emphasized which are on one side, and on the other side are global issues, the big, global public good issues. Pandemics, climate change, illicit, you know, drug trafficking, illicit behavior that is facilitated by the integration of economies, criminal, you know, international criminal networks, et cetera, et cetera. This is the other area where the Bank should be doing much more.

Now, I don't blame--it's not really going to happen on the research side until the Bank has a mandate that is more clear to deal with these global issues, and it doesn't. It has sort of a mandate, everybody talks about it, but it doesn't have an instrument. The instrument it has isn't the money, it's for loans to countries or grants. It doesn't really have any major instrument to deal with global problems that are not country-specific, like climate change or global warming. So it's amazing how much has been done on the research side on some of these areas like, you know, SARS. I assume there's somebody working on epidemics, but until the Bank gets a mandate on global public goods, that's going to be a big gap on the research side. Once it has a mandate, if it ever does--and I hope it does--then the research will follow in a bigger way.

ZENNI: In view of the time constraints, we'll have to condense these questions, and so I'm going to just select a few. Turning now to reflections, how do you see the evolving roles of both the IBRD and IDA and their continued relevance on the global stage, especially in light of recent debt forgiveness by the industrialized countries?

BIRDSALL: Well, I think the Bank leadership has to define, really, a new vision that IBRD countries--there are still some (Paraguay, Ecuador)--there are still a few that need to borrow from the Bank, maybe, but most of the middle income and even the poor emerging markets like India and China, they don't need to borrow from the Bank, the Bank is no longer relevant on the financing side. So it's still operating as though it is in IBRD countries. And there's been a lot of to and fro in discussion about what's the role of the Bank in middle-income countries. And my own view is there needs to be huge rethinking of the Bank's role with much quicker, cheaper loans when there are loans, much more treatment--the Bank has to think of itself more as a credit union, a club--it has members--and, you know, stop treating countries like children.

ZENNI: Conditionality . . .

BIRDSALL: Doesn't work. We know the evidence is it doesn't work very well. If a country wants to get something done, sometimes it helps to have, for some minister to pretend that the Bank is demanding, but mostly it wasn't enforced anyway, it's just--it showed up the Bank not as too strong--which is the criticism of NGOs: the Bank was pushing countries around--but as too weak. You know, as long as its product is making a loan, which is not very relevant anymore in many middle-income IBRD borrowers, it's not in charge; it's silly to pretend it is. So it needs to go into new products, more catalyzing private--more risk management, being responsive to what those countries do want, which is more likely to be insurance-type products, risk management. I don't know, you know, or getting into technical assistance and charging for it and treating that in the club as a different sort of product with some payment, you know, arrangements that cover some of the cost or all the cost. I don't know. So there's not yet a vision there about it, but many people are aware of this problem and then they say, "Oh, the Bank loaned just as much last year," but, look, this is the twenty-first century, not the twentieth century. So it shouldn't be that the Bank is waiting for a huge crisis, a global depression, so that Brazil and Mexico and Turkey and China and India that have--it's like a combined trillion dollars in reserves--want to borrow. That's not right. That's not what the Bank was, that's not what the Bretton Woods founders had in mind. Okay. So that's IBRD: new products, new ways of thinking, a new vision.

IDA countries, I also worry, because the poorest countries have a lot of donors. They have all the bilateral donors, they have a lot of UN agencies doing, you know, UNICEF, world food programs, WHO [World Health Organization], FAO [Food and Agriculture Organization], United Nations Development Program. They have big NGO's, they have the Gates Foundation, they have the Rockefeller Foundation, on and on and on. They are becoming beholden to the donors, not to their own citizens. Now, what is the point of the Bank being another one? It's a little bit bigger, a little bit smarter. The Bank has to define its role in a new world for the poorest countries in which it is one among--maybe it's *primus inter pares*, but it should get out of the way when it can. It should think--maybe it should be the residual lender or grantee. I mean, it's just a different world than 20 or 30 years ago. It really is. The Europeans are talking about doubling aid to Africa; that means, in many countries that are the poorest in the world--not only

Africa, Cambodia, some other places--all new investment is financed from outside. So the Bank is still operating, like, in its own little bubble, it's not--or the leadership is operating a little bit--it's not coordinating--you know, these are impossible problems dealing with all these other donors and with the UN. And the Bank tries, I admit, but there needs to be a whole big new vision about that in the IDA countries, and much more pushing countries to set priorities.

I think the comprehensive development plan [comprehensive development framework, CDF] notion that Wolfensohn brought, for all its good intentions, had this bad side effect that Bank staff, if they were getting any message was, "We have to do everything everywhere. We need to fill in all the cells. If other places are filling in cells, that's okay, but, you know, we have to do . . ." And once you have staff who are working in, you know, Zambia on agriculture, on health, on education, on AIDS, on financial sector, on judicial reform, on public civil service reform, on infrastructure, and all the other donors are doing that, too, it's not leadership anymore. That's my . . .

ZENNI: Looking back, what have you learned from your experience at the Bank, and what has it meant to you personally serving as unique an institution as the World Bank?

BIRDSALL: Well, I learned about 99 percent of everything I know about development.--well, at the Bank and the IDB. I mean everything I know that you can't read in a book, which is about 99 percent of what I know. I think also that the Bank is an absolutely critical institution. In a global era, we have a global economy and we don't have a global polity. So we need to have the UN and the World Bank. We need these institutions that are able to bring nations together at the global level to deal with constantly shifting issues. And as globalization becomes more and more deep, then we have global problems, and we don't have the hegemon anymore that the U.S. was for leadership, nor would it work, really, because now there's a greater expectation of democracy-like arrangements for decision-making, so a place like the Bank is a very precious institution. And certainly I think I was extremely fortunate to have in some ways stumbled into a career in development economics at the World Bank and then at the IDB. They're very rich, exciting places with fabulous colleagues. So personally: A plus.

ZENNI: Of your many contributions to the Bank's mission, which do you consider most important/significant?

MS. BIRDSALL: Oh, I don't know. It's impossible. It's like almost addressing this question is naive. I mean, the Bank has so many . .

ZENNI: I am referring specifically to your own contribution to the Bank's mission, you, Nancy Birdsall. What do you think was the most important/significant contribution that you have made to the Institution?

BIRDSALL: Right. I go back to my first which is, I'm a small player in long years. But I guess, I think I would say it's been interesting and important that I was lucky, you know, to get these appointments as a woman, and that that provided--I was one of maybe a dozen women that were early on able to get ahead, and so that, I think, energized a lot more women to enter the field and to work hard in the Bank.

And the second thing I'd say is, maybe by being successful in the soft areas, in other words, working as an economist on the non-glamorous issues, but very important, but they weren't seen as important. I mean, I started in population and education. They were sort of marginal to the Bank as an infrastructure bank and then to the Bank as a structural adjustment bank. But by working in those areas and then managing to become head of the Research Department and then a vice president at another multi-lateral bank, the Inter-American Development Bank, I think it sort of reinforced that the margin--what was happening anyway--that people were beginning to see that you could be successful in these areas and that they mattered. So it was sort of a nice cycle. I'd say I was a small player; there were many other forces pushing the development community in those directions. But, you know, I'm proud that I was lucky enough and soft-hearted enough that those were the issues I wanted to work on, even though they weren't the hot issues when I went to the Bank. They were really at the margin.

ZENNI: Is there anything else that you wish to talk about that I might have perhaps overlooked?

BIRDSALL: No. You ask great questions.

ZENNI: Well, many thanks for a most productive interview and for your invaluable contribution to the Bank's Oral History program.

BIRDSALL: You're welcome.

ZENNI: Thank you very much.

[End of interview]