

Global Opinions

Why Trump's pick for World Bank president is a threat to the institution itself

By Eswar Prasad
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On Wednesday, the Trump administration [nominated](#) David Malpass, now the undersecretary for international affairs at the Treasury Department, for the position of World Bank president. This follows a long-standing tradition dictating that the United States picks the head of the World Bank.

But this nomination is different. As with a number of other Trump administration nominees in various agencies, Malpass is known for [his antagonism toward the institution](#) and its core objectives, not to mention [his open hostility to multilateralism](#). Other countries, including U.S. allies, should not stand passively by while President Trump brings his slash-and-burn approach to an important multilateral institution that, for all its warts, can be a powerful force for economic and social development around the world.

Malpass is an old hand in the world of finance but [hardly an economic sage](#). In 2007, just before the U.S. housing market started unraveling, [he confidently predicted it would do just fine](#). He was [chief economist at Bear Stearns](#), an investment bank that was one of the earliest casualties of the financial crisis.

There are some arguments in favor of his nomination. He [appears to have been instrumental](#) in pushing through U.S. funding that helped boost the bank's capital. Moreover, [his critique of the World Bank's loan portfolio](#), which is heavily weighted toward middle-income emerging market economies such as [China and India](#), rather than low-income developing countries, is on the mark. China hardly needs low-cost financing, but the World Bank [sees its lending](#) as key to a good relationship with the world's second-largest economic power.

Even if they can do without the money, countries such as China and India benefit from the World Bank's expertise in designing social programs to protect the poor, improving health and sanitation, developing infrastructure and mitigating climate change. De-linking the provision of such technical expertise and guidance from direct financing, and [using private capital markets](#) to leverage up seed funding provided by the bank, could make its limited resources go further.

The World Bank would benefit from such reforms, but this needs to be undertaken by someone who believes in the institution and its objectives, rather than someone who wants to tear down global institutions unless they directly serve the short-term interests of the Trump administration.

As the ax-bearer for the Trump agenda, Malpass could divert the institution from its advocacy of policies aimed at [combating climate change](#), [mitigating inequality](#) and [promoting women's rights](#). His appointment would put at risk the [global public goods](#) provided by or at least catalyzed by the World Bank.

If Malpass does get the job, and does so mainly on the merits of his loyalty to Trump and their mutual distaste for global institutions, it bodes ill for the legitimacy of the bank.

So far, there is [limited resistance](#) on the horizon as the Trump administration tries to bulldoze its way to having its nominee accepted as the next World Bank president. Even though Malpass is unlikely to receive resounding endorsements from U.S allies, no country seems eager to take on the Trump administration openly at this stage.

Still, as the selection process proceeds, it is likely that other countries will start looking into more palatable candidates. But it will take a concerted and coordinated effort by other countries to resist U.S. efforts to exercise its traditional prerogative of choosing the person to run the World Bank.

The most effective implicit threat wielded by the Trump administration, if it does not get its way with choosing the next World Bank president, would be U.S. disengagement from the institution. This would not exactly be a death blow, but it would certainly damage the institution's effectiveness and long-term viability.

In short, the World Bank board, which will ultimately choose the next president, has no good choices. The best realistic course of action would be to allow the United States to choose the next president but insist on a candidate who is more acceptable to a broad swath of the institution's membership. This could keep the United States engaged but also limit any damage from a Malpass presidency.

There is certainly no shortage of qualified candidates. [Ngozi Okonjo-Iweala](#), a former World Bank senior official and Nigerian finance minister, is a U.S. citizen who is widely respected by the international development community. There are others, including qualified women such as former PepsiCo chief executive [Indra Nooyi](#), who could fit the bill as well.

The World Bank is a cherished multilateral institution that needs to change but still has the potential to do much good for the world. It would stand a better chance with a more qualified leader than David Malpass.

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