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Will the World Bank be able to redeem itself?

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In recent years, as the World Bank's financing role has been eclipsed by the rise of private capital and a surge in money from China, its leaders have been desperately seeking a new mission.

And interminable reorganizations, politicized appointments and the changing priorities of successive presidents have contributed to the perception that the institution is less than functional. But can that change?

The World Bank has tried to reinvent itself as a supplier of global public goods and a "knowledge bank" that provides data, analysis and research to its developing-country clients. And few would deny the Bank's achievements when it comes to gathering indicators of economic activity, measuring poverty, identifying deficiencies in the provision of health and education, and, in earlier years, designing and evaluating development projects.

But many, such as the Nobel laureate economist Angus Deaton, have criticized the World Bank's overall performance. One problem is development outcomes also depend on poor countries' external economic environment, which is shaped by the policies of the major economies.

And when it comes to promoting sound policies, the World Bank has fallen far short in recent decades, exemplified by three major intellectual sins of omission.

The first relates to the World Bank's role in the Latin American debt crisis of the early 1980s. As its official history shows, the Bank restricted research on the implications of excessive borrowing during the crisis. Moreover, it did little to make the case for debt write-downs, despite the reckless increase in lending by big banks.

Instead, through its structural-adjustment lending, the World Bank, along with the International Monetary Fund, effectively became a debt collector for creditors.

The result was a lost decade for Latin America, but not for the bankers. The resulting moral hazard would encourage another bout of exuberant lending, which led to further financial crises in developing countries in the subsequent decade.

The World Bank was also silent when its developing-country clients' access to life-saving medications was being restricted. In the late 1980s, the leading industrialized countries the United States, Europe and Japan began to push for stronger patent regimes that would boost their own pharmaceutical companies' profits.

In 1995, developing countries were forced to sign the onerous Trade-Related Aspects of Intellectual Property Rights agreement at the World Trade Organization. Moreover, under Section 301 of the U.S. Trade Act of 1974, sanctions were imposed on several developing countries, from Chile to India, accused of failing to strengthen patent protections sufficiently.

Even when the AIDS crisis was ravaging Sub-Saharan Africa in the early 2000s, global patent rules were not just maintained, but actually tightened further, until pressure from civil society finally forced the expansion of access to affordable treatment.

The World Bank, however, said little.

This brings us to the World Bank's third failure, the consequences of which are unfolding today. During much of the 1980s and 1990s, the Bank oversaw structural adjustment programs in developing countries that focused on deregulation, privatization, and economic liberalization, especially trade opening, all of which helped to enable globalization.

While there were undoubtedly problems with many aspects of such a one-size-fit-all package of policies the Washington Consensus, as it was known the trade liberalization component helped accelerate lower-middle-income and middle-income countries' economic convergence with developed countries.

But, today, the United States is rejecting trade openness, imposing unilateral tariffs and other barriers, and renegotiating trade deals on worse terms. And the World Bank's silence is deafening. Its senior leadership has said nothing about the serious threat posed by the actions of the U.S. or of other major players. While the Bank's annual report, released in September, talks of a commitment to "researching today's most pressing topics," trade is not among them.

This isn't just an oversight; during all of these episodes, the Bank knew its responsibility was to act as an advocate for its poor clients. Instead, it decided every time to kowtow to its most powerful shareholders and their vested interests (like Big Pharma and the financial industry), arguably in exchange for extra resources for its soft-loan window (the International Development Association) and, less frequently, capital increases for the International Bank for Reconstruction and Development and International Finance Corporation.

For example, this April after the U.S. had launched its trade war with aluminum and steel tariffs the Development Committee of the World Bank Board of Governors endorsed a package that included a $7.5 billion paid-in capital increase for the IBRD. This needed the support of U.S. President Donald Trump's administration, leading to silence from the Bank until June, when it warned of the negative impact of trade protectionism on global growth.

One might wonder whether such a Faustian bargain could be worthwhile if it means the World Bank has more resources to promote development in poor countries.

But while money certainly matters, the evidence suggests that development outcomes are determined more by factors like state capacity and national policies, and crucially, a supportive global environment.

Rising trade protectionism, tighter immigration policies and a lack of action on climate change by the world's biggest economic players mainly the U.S. thus pose serious threats to development, which a little extra money for the Bank cannot offset.

The ends do not justify the means: money may not matter that much, while ideas matter immensely in the broader fight against poverty (as this year's Nobel Economics laureate, Paul Romer, has shown).

The World Bank cannot erase its troubling history of silence. But it may be able to redeem itself. Its new chief economist is an expert on trade. The Bank's leadership should empower her to lead the charge in making the intellectual case for open markets for goods, services, and people.

The World Bank is well aware that its mission "to reduce poverty, and improve living standards by promoting sustainable growth and investment in people" cannot be achieved without an open global system.

If it chooses not to uphold a core tenet of its mission, and instead continues to try ingratiating itself with its largest shareholders, it will not only fail its clients throughout the developing world; it will also lose whatever is left of its raison d'etre.

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