



The Economic Club of New York

115th Year
673rd Meeting

David Malpass
President, World Bank Group

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Moderator: Barbara Van Allen
President and CEO
The Economic Club of New York

Introduction

President Barbara Van Allen

Good afternoon and welcome to the 673rd meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. Before we begin today, I'd like to take a moment of silence to reflect on the life and legacy of Queen Elizabeth II who was laid to rest today.

It's an honor to be here with all of you in our milestone year, our 115th anniversary. And I hope many of you will join us for our anniversary gala dinner in November. Stay tuned for more details on that. As many of you know, we're the nation's leading nonpartisan forum for discussions on economic, social, and political issues. We've had more than 1,000 prominent guest speakers appear before the Club over the last century and have established a strong tradition of excellence. A special welcome to members of the ECNY 2022 Class of Fellows – a diverse, select group of rising next-gen business thought leaders, as well as students from CUNY Graduate Center and the NYU Stern School of Business, who are joining us virtually.

Today, I am honored to welcome back our special guest, the President of the World Bank Group, David Malpass. David previously served as Under Secretary of the Treasury for International Affairs for the United States. He represented the U.S. in

international settings, including the G-7 and G-20 Deputy Finance Ministerial, World Bank-IMF Spring and Annual Meetings, meetings of the Financial Stability Board, the Organization for Economic Cooperation and Development and the Overseas Private Investment Corp. By the way, I could have used abbreviations for all those, but I wanted to spell them all out so everybody's on the same page.

In 2018, David advocated for capital increases for the International Bank for Reconstruction and Development and International Finance Corporation as part of a reform agenda featuring sustainable lending practices, more efficient use of capital, and a focus on raising living standards in poor countries. He was also instrumental in advancing the Debt Transparency Initiative, adopted by the Bank Group and the IMF, to increase public disclosure of debt and thereby reduce the frequency and severity of debt crises.

Before joining the U.S. Treasury, David was an international economist and founder of a macroeconomics research firm based in New York City. He served as chief economist at Bear Stearns and conducted financial analyses of countries around the world.

Previously, David served as the U.S. Deputy Assistant Secretary of the Treasury for Developing Nations and Deputy Assistant Secretary of State for Latin American Economic Affairs. He focused on an array of foreign policy and development issues, including U.S. involvement in multilateral institutions; the Bank Group's 1988 capital

increase, which supported the creation of the Bank's environmental division; the Enterprise for the America's Initiative; and Brady bonds to address the Latin American debt crisis. He also served as Senior Analyst for Taxes and Trade on the U.S. Senate Budget Committee, and as Staff Director of the Joint Economic Committee of the U.S. Congress. So quite an extensive and impressive resume – a perfect match for your job today.

The format today is going to be a conversation and I have the honors of moderating at David's request. As a reminder, this conversation is on the record. We do have quite a bit of media following the event today. And David, I'd like to come on over and begin our conversation.

Conversation with David Malpass

DAVID MALPASS: Fabulous. Thank you very much, Barbara. It's good to be here. It's good to be at The Economic Club of New York. It's very, very fun to join, my wife was able to join today, and thank you very much for the invitation and the organization.

PRESIDENT BARBARA VAN ALLEN: Well, thank you, and we're delighted to have Adele with us as well. She's right there. Good.

So I want to start with the big picture facing developing countries. And I know you just released a study, a research study that really looked at the slowing global growth and the risk of rising, the risking risk of a recession. How bad are things? I mean when you think back over the course of your career and you look at this, what's your thought? And then how long do you think it's going to be challenging?

DAVID MALPASS: Yes, thanks. And it's very good to see everybody here today. My concern, and I think the risk is that there's a sharp slowdown underway. That, everyone seems to recognize and be concerned about. I think the risk is that it will persist. And that gets into how do you come out of a slow growth phase for the world and what are the consequences of it. So, for developing countries, it's a daunting environment. There's inflation. Interest rates are going up. The capital is actually flowing out of the emerging markets. The debt burdens are heavy now. They were heavy before COVID and then they rose during COVID. So for many of the developing countries, this is a crisis that's getting deeper and that's really the big concern. And then we need to think about what do we do about that.

PRESIDENT BARBARA VAN ALLEN: Right. And then there's the war in Ukraine. So where do you begin? How do you set your priorities? This is a really complex set of crises all happening at the same time.

DAVID MALPASS: That's right. The Bank is involved in quite a few aspects of the crisis in Ukraine. We've been a big conduit for the funding. When Russia invaded, we criticized that and the World Bank immediately was able to make more loans, sizable loans to Ukraine. We now have dispersed, since the invasion, over \$9 billion, which, you know, I emphasize the word "disperse" because a lot of times when there's a crisis people make pledges but the real question is where is the actual cash. In this case, it's coming from us, but also from the U.S. very heavily, some from Europe, some from Japan and other donors around the world through World Bank trust funds to the people of Ukraine. That's to support retirees, healthcare workers, government workers in Ukraine as they face wartime. So I wanted to mention that.

But, you know, the World Bank is involved in the food crisis that's hitting the poor countries now, the education crisis. I'll be doing, we're having a big U.N. event today that I co-host. World Bank is the biggest external funder of education in developing countries by substantial amounts. Also of climate, of health activities, and so we're engaged in trying to have country programs that make sense. That's been the priority for my work as President of the World Bank. So we want, we would like to have each of the developing countries do better in terms of their living standards. Now, the problem and the crisis, as COVID hit, and now we have the war in Ukraine and also interest rate increases, and these are all daunting challenges for the people.

PRESIDENT BARBARA VAN ALLEN: So I know at Jackson Hole, you spoke and mentioned the need for the advanced economies to do more, to really step up and to work on increasing productivity in a lot of areas. Tell us about that.

DAVID MALPASS: As we think about inflation, one of the antidotes of inflation is more production, and particularly in the energy sector. These are vital to people in developing countries because, as people should know, natural gas goes into the food chain very directly. It's a critical component of fertilizer, which is then critical to the Green Revolution, to the yields that are being achieved around the world. And so, as you think about how to change the direction for the better, the production is very important. And the reality of the world is the biggest economies are the ones that can increase their production the most. And so that's why the burden is on the advanced economies.

You know, the U.S. is the biggest economy in the world and so if you're looking for an extra billion widgets, billion any kind of product or service in the world, it's easiest for the biggest economies to do it. Also, the U.S. has the ability to channel capital, or to allow capital to flow to the businesses that can fix the supply chain. And that's true also of China, the number two economy, and Europe itself. And so we need to really see policies in these economies that allow capital to flow to productive sectors. Of course, that's true for developing countries, and so we are engaged on a daily basis with many of them. I met in the last two weeks with Nigeria, where, you know, Nigeria has the

potential to grow much faster but the policies are standing in the way of that.

PRESIDENT BARBARA VAN ALLEN: I want to come back to mis-allocation of capital, but on the subject of energy, I know you did a radio show yesterday with fellow member, John Catsimatidis, and you mentioned that Europe has a really serious challenge, which we're all reading about and we're coming to winter and the suggestion that the U.S. should do more in particular. What do you think the U.S. should be doing to help Europe as well as other parts of the world? It seems like it's all coming together, these needs at the same time.

DAVID MALPASS: They are. You know, I think self-interest works quite well. The U.S. in its interest can produce a lot more in the energy sector, but really in all sectors. More productivity, more participation in the labor force by people. These are important. And specifically, natural gas. And there's new technologies in nuclear that are coming out. We have to face the situation in the world that people around the world need more electricity. You know, in the developing world, or in the world there are as many as 800 million people who don't have electricity. Well, the starting point for that is energy to make electricity. And so, as Europe faces this challenge of reorienting supplies, this has a big impact on people in poor countries.

Specifically, Europe had become very dependent on Russia. Not only for natural gas,

which gets a lot of attention, but for oil and coal. And, you know, the U.S. government's concern about that goes way back. In the Reagan administration, which I served in, there were sanctions against European dependence on Russian oil. That was when the first pipelines were coming from Europe, early big pipelines, and Europe was going down this path of non-diversified supply chains.

So as we think about globalization for the world, we have to recognize it's a super-positive force. You can get efficiency gains by looking to markets working together, but you don't want to be overly dependent on certain narrow supply chains. And so that can bring us to thinking about how does the world orient itself to be less dependent, specifically now, on Russian energy. But that means everybody producing more of their own. You know, Europe has giant resources within Europe that it could be tapping, but instead it's buying from the rest of the world, which leaves others short of energy, which is an increasing problem.

I mean the reality that we have to face, and we're going to have a big, I'm part of a multilateral group that is trying to focus attention on the energy and food problem, and the very real problem is if you don't have fertilizer, I mean if you don't have natural gas going into the fertilizer chain, you're not going to have crop yields into next year and that means shortages.

PRESIDENT BARBARA VAN ALLEN: Right, right. So the advanced economies central banks and their approaches to this, and I know you've spoken about the impacts on inequality around the world, what's your thought? I know your feeling is they should maybe be using some of the other tools in the toolkit and not just the interest rate increases. Do you want to share some of your thinking there?

DAVID MALPASS: Sure. And as we talk about inequality, I should be specific in that what we would like to see is shared prosperity and so that means people in lower incomes going up to have a better life. And so I use that term as a shorthand for the idea, how do you get capital to flow to people that need it and to optimize global growth? If you think about that equation, one of the problems right now is the advanced economies have such giant fiscal deficits and national debts that have to roll over, that they're using up a big percentage of the world's capital just for government workers and for government services. And that, we know, is not the most efficient way to go forward. There needs to be capital flowing to the private sectors.

So as the central banks look at this, what they've done since 2009, you know, in the face of the global financial crisis, they were activists. And that may be the best, that may have been the best outcome to stabilize that crisis. But then in the ensuing years, the policy continued of central banks buying bonds. That's happening in Europe, in Japan, in the U.S. And that means they're allocating credit, the credit of the world to bond

issuers. And in my view, that's not the most efficient way of allocating capital.

We need to think in terms of how do you get capital to flow to small businesses, to new businesses, to women-owned businesses. And a lot of that is going to be lost if what you're doing is channeling the world's limited savings or the world's giant – I should say it positively – the world's giant pool of savings is right now being aggressively channeled to bonds. And that leaves out a bunch of the world's most productive people and innovation.

PRESIDENT BARBARA VAN ALLEN: So basically the money is going where the risks are lowest and not going where the risks are higher. So that's where the World Bank comes in, right?

DAVID MALPASS: Well, the World Bank can do that somewhat directly. We issue a huge amount of bonds, sustainable development bonds, and work with governments to try to improve their private sectors and their ability to absorb capital. But, you know, that's small compared to global capital markets. I mean to put it into perspective, so World Bank may be able to reach commitments of nearly \$100 billion a year, but that's up against, think of the, well, the U.S. has a \$30 trillion national debt, and the central banks of the world are buying as much as \$20 trillion or even more that they own on their books. And so that means picking winners, in this case, bond issuers which I think

is problematic from the standpoint of growth. I'm talking about this crisis in development is partly because there's nothing in the trends that give us confidence that you can readjust or get out of the slowdown that's going on.

The Federal Reserve projects what it's going to do, or, you know, shows forecasts of its policy into the future, which right now they're drawing down their bond holdings very gradually. But they are explicitly planning to restart the growth of their bond portfolios into the future. Where does that leave capital for the rest of the world? I'd make the even bigger point about fiscal policies of the advanced economies. They're chewing up so much of the world's capital that it doesn't leave much left for development.

PRESIDENT BARBARA VAN ALLEN: So how do you address this kind of debtor/creditor imbalance? And where does China come in to all of this?

DAVID MALPASS: Yes, and that's good...that's very smooth. (Laughter) As you think about bond issuers, some of them have been developing countries. Emerging markets themselves issued quite a few bonds. But that money also goes to their governments. It's very hard to get it to the private sectors.

So enter China, starting some ten or even fifteen years ago, they began to ramp up their lending into the developing world. And so, you know, the world can welcome more money flowing into new companies, into the developing world in particular but it matters

how that's done. And in a lot of cases, the contracts that were entered into were non-transparent. They explicitly put non-disclosure clauses in their contracts and are still doing that today. And so that means the contract can't be viewed by global investors to know what was achieved, or by the people of the developing country, so their governments are entering into contracts that have a non-disclosure clause. Oftentimes, they have collateral which means that it's very hard to unlock or escrow accounts which takes the money away from the people of the country and into some bank account somewhere else. And so these are big challenges.

We're working with China to try to have more transparency and also with private sector investors. You know, this extends to the financial centers. London and New York have allowed there to be large bond markets, Euro bond markets, that are also channeling the money into governments and it's hard to attach that to productivity in these developing countries. So it's really part of the overall equation. If you have a global system that's set up channeling capital to bond issuers and bond owners, my sense, my feeling, and I think the data shows that that's not going to be an optimization of world growth.

PRESIDENT BARBARA VAN ALLEN: And so going back to China just for a minute – I'm not going to spend too much time there – but do you feel like you're having some success in your negotiations on these issues like non-transparency and revisiting some

of those terms that are behind the veil?

DAVID MALPASS: Yes, I was going to work away from the word, negotiation. You know, there's been a process within the G-20, which China is a member of, to try to work with them. China is a major shareholder in the World Bank, the third largest shareholder after the U.S. and Japan. And so we work with them through their representation in the World Bank. Also directly with their finance ministries, with their various lending agencies like China Exim Bank, which is a major lender.

And so we're making some progress but the urgency of the world is, you know, there's a huge growth in population in the poorer countries, many of whom, and I mentioned education earlier. You know, the setbacks in education are gigantic. The governments need to put more money into education and have better systems that create literacy for people. And so we're stumbling because so much of the resources goes to creditors. I mean a big dollars and cents challenge that more than what the World – all of the money that the World Bank puts into developing countries – more than that goes straight to creditors. And so it's hard to get ahead in that kind of environment.

We're working specifically, you know, in Zambia now, so there's been news stories about Zambia. Why Zambia? Zambia, in January of 2021, announced that it was going to stop paying its creditors and try to get a debt restructuring going. Well, they're still

working on that. So they had a new government that was going to do, that is doing structural reforms to make it stronger than the previous government. And so it's something that the World Bank wants to support but the progress has been very slow.

Finally, now there's a Creditors Committee that's formed. China is one of the co-chairs and an important player in that but the private sector still needs to be brought in and recognize that the path to getting more investment into Zambia, there has to be a major restructuring that reduces the debt burden. Otherwise, new investors won't come in.

PRESIDENT BARBARA VAN ALLEN: And Zambia is not alone, right?

DAVID MALPASS: Not alone. They're right now, the one step that the G-20 process is trying to make progress on.

PRESIDENT BARBARA VAN ALLEN: I want to switch to climate change. And I know you were raised, born and raised in Petoskey, Michigan. And we, our family, for 100 years has been going to Cheboygan, Michigan, Mullett Lake. We got to Petoskey to shop.

DAVID MALPASS: And Petoskey would play Cheboygan in various sports and Cheboygan too often won.

PRESIDENT BARBARA VAN ALLEN: That's how it goes...(Laughter). But anyway, I was there earlier this month and we were having 85-degree days. The lake is quite large and it's quite warm. It's wonderful. It's also scary that in the icebox of the nation, we have 80-some degrees in September, when in August typically we'd be in wool blankets. So in terms of the role of the World Bank in addressing this. Tell us about kind of how, what's your approach to climate change? I know you've tried to approach it through your development projects. Can you tell us a little bit about that?

DAVID MALPASS: Sure. So we did a climate change action plan a year ago which focuses on, and what I've tried to do and we're trying to do is help the world recognize that development and climate issues go together for the countries. For many of the developing countries, their big issue is how to adapt to the changes going on in their climates. And this gets into droughts, this gets into floods, and the need for more resilience within their infrastructure. A lot of times their infrastructure is washed away. We just saw in Puerto Rico another round where the electricity system goes out when there's flooding.

PRESIDENT BARBARA VAN ALLEN: And I think there's a super typhoon coming into Japan and the islands maybe right now.

DAVID MALPASS: Yes, so we are publishing now individual country reports on things

that countries can do in terms of projects. So I'm trying to get the world away from the idea of stating ambition and pledges and work toward identifying projects that are meaningful. In many cases, this means some of the most carbon-intensive industries need to change. They're also often the most polluting industries. And we see in many of the countries that are heavy users of coal, for example, it's also an air pollution that is causing health issues for people. And you're getting this giant subtraction from people's health in India, in Turkey, in other carbon-intensive cities. And so there can be the integration of climate and development into projects that make sense for the people of the developing countries. So that's our big focus.

The World Bank is a major funder of these kinds of projects. In the last fiscal year, we did \$31 billion of funding for climate-related projects, which is really over, if you think of all the international financial institutions, the IMF and all of the other banks like the World Bank, the World Bank is more than half of the total. And so we're continuing to grow that part of the business. And that involves what I've, what we are trying to do is prioritize, identify within countries what's the most effective projects that can be done that improve the outcomes.

PRESIDENT BARBARA VAN ALLEN: Excellent. Well, it's nice to be taking concrete steps and chunking it out. So I want to switch now to the learning crisis. And I know you've mentioned already that you're going to do another event later today. And I found

it to be amazing, the role the World Bank has played in this realm. Can you tell us a little bit more about it. I'm struck by the fact that the rate of learning poverty, that is, the share of children who can't read and understand a basic text by age 10 could now be as high as 70% in low and middle-income countries. It just kind of takes your breath away. So tell us about what's going to happen this afternoon and what priorities do you have to help kids move forward?

DAVID MALPASS: So I'll co-chair the event at the U.N. with UNICEF and with the Bill and Melinda Gates Foundation. So the World Bank is engaged, and it shouldn't be a surprise to people. If we think about the origins of the World Bank, yes, it was infrastructure projects in the beginning, starting in the 1940s and 1950s. We've been celebrating, or helping European countries celebrate the 75th anniversary of Original Loan – in Luxemburg for steel and in France for rebuilding some of the steel industries. But as you come forward over the decades, education is clearly one of the most important investments that countries can make. So the Bank has maintained that. It's the biggest external funder of education in the developing world.

And what we'll be presenting this afternoon is the importance of foundational learning. So as you think about literacy and numeracy, ability to do simple math and then advance, that becomes a critical path for the country's growth. So we are advocating specific steps. One of them is to recognize that with COVID, the school closures were

devastating because not only did you lose a year's learning when you were closed, but the data is showing that the kids lost another year. So you're talking a two-year setback for kids from each year or each month of school closures. So reopening and we're putting an emphasis on preschools that in some parts of the world they're still closed, and so that's a high priority. And then teaching kids from the new base that they have. So if a child was going into fifth grade but they're now at a third-grade level and you put them in fifth grade and say you're expected to know X, they'll get lost. And so we have a very specific seminar this afternoon and data-supported programs to encourage countries and teachers to teach to the level of the students that are in their class because there's been such a dislocation.

And more funding from, you know, for many of the countries, the funding comes from their own government maybe with support from the World Bank or other external donors, but it's disseminated through the governments of the countries and so for them to figure out a system that actually works. Girls' education is a particular problem. You know, in fragile countries, the chance of a girl going back to school is well below what it was before COVID. And so we're trying hard to have that because that's her chance to get ahead and also, in many cases, her family's chance to get out of poverty.

PRESIDENT BARBARA VAN ALLEN: Wow, you've got a full plate.

DAVID MALPASS: We do. We do. But it's a big organization and we have a really

strong team built out and so I've been very happy with that aspect of the World Bank Group. You know, people are energetic. So, here the COVID shutdown occurred and we were able to dramatically increase the number of loans, the number of grants. The World Bank makes, much of our money flows to outright grants or 40-year, zero percent interest rate kind of loans.

And we're grateful, of course, to all the donors. We were able to complete in December of last year, a major refunding of IDA, the International Development Association, which is the part of the World Bank that works with the 75 lowest-income countries. And so it was a record replenishment, \$93 billion that was mobilized with help from donors and the United States being the largest donor, but other major donors putting it in and seeing value of this iterative process.

Every three years, the World Bank goes back to donors and says, do you like what we did in the poorest countries? And can you put in more? And there's a process to do that, that seems, to me, to be working well. As you think of the world's needs, maybe that can be much bigger, even more money needed. But as you think of what step we need, it's countries themselves taking the proactive steps to improve their policies and make it possible to put in more money from the private sector, for example.

PRESIDENT BARBARA VAN ALLEN: Does it feel like there's traction there?

DAVID MALPASS: Not as much as I'd like to see. You know, it's very hard, as we see in countries around the world, politics is difficult, getting talented people into business positions in poorer countries, in fragile countries. You've seen how many of them are under pressure from the world environment. You know, it's not a very favorable environment for countries to try to make progress. Now, having said that, I really want, and we try to be specific with countries on things that they can do that will make it better. I mentioned Nigeria earlier, but we could go through all of the countries. They have steps that could be done that would improve their outlook rather quickly. And I'd say the same with advanced economies too.

PRESIDENT BARBARA VAN ALLEN: Well, that's hopeful. We do want to have some bright moments here. I want to go back to the bigger picture as we start to wrap up. We have these overlapping crises and it seems that they're impacting security in the world. There's more tension. There are more hot spots. The World Bank, does it play a role? Do you think there are things that, I guess I understood there was a major package, maybe \$170 billion, that you've got devoted to trying to take some of the pressure off?

DAVID MALPASS: Yes, that number is a 15-month number starting in April of this year, of 2022. So that runs through our fiscal year which runs through June of 2023. So that is the, \$170 billion is the mobilization and financing that the World Bank, we are aiming at, and I think we'll be able to do it, to achieve for commitments to developing countries. So

that number is not just fragile states.

PRESIDENT BARBARA VAN ALLEN: It's a crisis response package.

DAVID MALPASS: It's crisis response that addresses food, fertilizer, and then it's broken into specific loans and grants that go through our board. So a few weeks ago we did one for East Africa. They're really challenged by the drought. I just met on Friday with the President of Somalia. So if you think about the countries of East Africa, there's drought but there's also been conflict. And so that makes it very hard for them to really get on their feet and move forward. The World Bank doesn't directly get involved in the conflict situation. That often falls to the U.N. and other outside parties.

But what we can do is try to provide support, for example, through social safety nets. One of the things that can help reduce tension in countries is if people have some money so they're not as desperate, and specifically women can have some money. You know, they're the best spenders of money. And so one thing going on that is hopeful now is the digitalization of the world makes it possible to get money to poor people better than before.

It used to be could you really hand out dollar bills to the poor? That didn't work, for one because the men with guns would take the money. And now there are cards and

techniques for cash-based or social safety nets that then empower women to have food for the family. And that, we have built up that and expanded it during the COVID crisis and that's relevant.

So in Somalia, enough people have mobile phones. They're doing transactions. And they can do transactions in single U.S. cents, or the transaction costs have come down now to the point where the poor can actually participate in a cash-based economy through their cell phones. You might say, well, cell phones in the U.S. are, however much we spend on our fancy phones, but the basic cell phones now are actually available to the poor because the technology has gotten so advanced. And that allows these digital transactions which enable new businesses, small businesses, and very importantly, small-sized transactions.

You know, think about it, in the past there wasn't any way that a woman could do a 50-cent transaction and save the money because, you know, the systems weren't working. They were facing hyperinflation. So Somalia, I don't mean to...it's just fresh in my mind...they get a lot of remittances from abroad. Kids, Somalis that are working abroad and that are successful, putting money in and it can be done now electronically and that really facilitates addressing of conflict.

PRESIDENT BARBARA VAN ALLEN: I wasn't going to go there but since you

mentioned digital and you're talking here about the means of exchange, what about bitcoin? Do you have a feeling about that?

DAVID MALPASS: Well, we should talk about currencies in general. You know, as we see the dollar strengthening and other currencies weakening, that causes people to pull their money out of the weakening currencies. I've been a long advocate of what I call strong and stable currencies. So that way we can both, my currency and your currency can both be strong and stable and that is the best way to get investment and growth done around the world. Now, not everyone is following that principle so you see some governments drawing on their central banks and saying why don't you fund us and we'll spend the money. And that's going on. That's monetization of fiscal deficits and currency weakness which causes high inflation and often is devastating for the poor or the lower income within those economies.

Now, as you mentioned bitcoin, you know, it's been hard for me sometimes to see the value, the transaction capability or the savings capability of that. It's pretty abstract. So as we look at it, I think for the world still, the vast majority of the transactions are occurring in U.S. dollars. And so the efficiency of the U.S. dollar becomes one of the key variables in global prospects.

That brings me back, I don't mean to be very U.S.-centric, but it is the biggest economy

and so we have to recognize that as a responsibility as well. To do the best that we can as an economy to produce more and to provide a dollar that holds its value over long periods of time because that helps everybody in the world invest more.

PRESIDENT BARBARA VAN ALLEN: Well, we could have a whole conversation about the weaponization of the dollar. I don't want to go there with the situation in Russia. But I want to just close out, though, in terms of your expectations – short-term, long-term. I know in your research study you had several scenarios. One was a base case, one was a deep downturn, and then one was a global recession. So maybe you could share your outlook with us. And if you could go to percentages, we'd like that even better.

DAVID MALPASS: You know, I won't do that. So we have big research departments at the World Bank and so that's a report that's just come out that was trying to grapple with the short-term focus of what's going on right now in terms of high frequency indicators. And then the concern is that the trends, if the trends are continuing, it looks like there may be a world recession underway. That would be, and that's defined in the report, as 1% real growth because that's the population growth of the world. So if you fall below 1%, which we're not at yet, but are moving in that direction, then that means subtraction in per capita income for people around the world.

But as far as the scenarios then, I want to emphasize the key variables. So one of the

key variables is what are governments doing to support more production? So that means more efficiency and more productivity of their workers, bigger private sectors, and allowing capital to flow to smaller businesses rather than being only dedicated to governments and to big corporations. So that's a variable.

You know, one, just to narrow it way down, the output of natural gas becomes a critical variable because of its relationship with fertilizer and with electricity. So, you know, we've got this giant energy crisis for the world that countries are moving backward toward burning coal, toward buying in mining, more coal. And so from the standpoint of the desire to have less carbon intensity in the world, it's going in the wrong direction. So that becomes an important variable.

And then I really think that communication becomes very important of how do the advanced economies, the major governments communicate what they're doing in order to encourage production? And that may be adjustments in the fiscal policies, the monetary policies, importantly the regulatory policies. The central banks of the world now are major regulators of financial services. You mentioned I represented the U.S. on the Financial Stability Board, which meets in Switzerland to think about financial regulation around the world. And the trend has been toward discouraging risk taking, toward safety and soundness and that means don't invest in risky things. That means invest in government bonds.

And the challenge, I mean that's not consistent with how do you get more productivity and growth in the world, which we all, I think we should all be recognizing we need that in order to reduce conflict, to improve educational outcomes, health outcomes. All of that requires just more growth in countries around the world.

PRESIDENT BARBARA VAN ALLEN: It kind of feels like we're having unprecedented collaboration. While we have these terrible crises on top of each other, it seems as if a lot of the world, at least in the Western, has come together. Does that give you hope? Or maybe not so much...

DAVID MALPASS: I think countries work in their own national interest and that's probably appropriate. And so there clearly is a synchronization of the interest rates going up in countries around the world. They're hiking at the same time. So that actually poses a challenge for the whole world. You've got a synchronized increase in the cost of funds and so I think that's a big challenge.

You know, some parts of what's going on around the world pull people together. The opposition to the war in Ukraine, I think, is unifying to an extent. But as you're seeing in Europe, it also creates different political viewpoints. And so those are big challenges for the world to face. I would like to get everybody unified on the idea that we need more growth and we need to do it by policies that are explicitly favoring growth and

production. Because markets work very quickly, you know, the public knows, and this is the rational expectations idea that is in a lot of economics, that people somehow figured out, and we know that from stock markets and so on, they quickly absorb the information that's available. So right now they seem to be signaling a giant worry about the production going forward. Well, that's correctable through good communication and good policies.

PRESIDENT BARBARA VAN ALLEN: Do you think we'll get there?

DAVID MALPASS: You know, I'm expressing right now and I'm here today, we have a crisis in development right now, and my worry is that the current trends, which is toward much slower growth and maybe a recession are looking as if they'll be persistent. That they may extend into future years, and that's a reason to worry about it.

PRESIDENT BARBARA VAN ALLEN: Well, I think it's a good time to wrap up. But I think it's at least comforting that we have you in the role and obviously the World Bank is playing a very active part in trying to address some of these very multi-faceted challenges. So thank you for that, David. It was really insightful.

I want to just take a moment to mention that we have a big schedule coming up. We have Phil Gramm, the American economist, Former U.S. Senator, is going to do a

virtual for us on September 28th around his new book. We have Nancy Sims, the President and CEO of the Toigo Foundation on October 3rd. David Banks, the Chancellor of the New York City Department of Education on October 6th. I'm sure we'll talk about some of the same issues. Loretta Mester, the President and CEO of the Federal Reserve Bank of Cleveland on October 11th. Ruth Browne, this should be in your programs, the CEO of the Ronald McDonald House on October 13th. Charlie Cook will be coming on October 18th and he will be actually interviewed by Bob Rubin again, as they did the last election. Lee Zeldin, candidate for governor, U.S. Congressman, on October 26th, in our New York series. We're also hoping to announce a date for Governor Hochul to join us. Steve Squeri, the Chair and CEO of American Express, October 27th, also in-person. On November 14th, we're having that anniversary dinner that we mentioned earlier. We're going to have John Williams and other former Club chairs on a panel, among other things. In November, we go to Arvind Krishna of IBM. We'll be doing a Signature Luncheon on November 17th. John Williams, our Chair and Head of the New York Fed, is going to speak on November 28th. We have Mike Wirth of Chevron. He's going to talk about the energy situation that we've been touching on, December 1st. And then we're going to wrap up with a year-end dinner with Joe Manchin, Senator Manchin, on December 8th. We actually have another very special guest who is confirmed. We don't have the date, but I'm sure many of you are going to want to be there. We're going to have to keep that under wraps for now. But we're going to be announcing it as soon as we have the date.

DAVID MALPASS: That's a tease.

PRESIDENT BARBARA VAN ALLEN: Yes, it is a tease. It's Ukraine-related, Ukraine and Russia. And then, please just keep track on our website. It's there. We keep it up to date.

And then I always want to remember to take a moment to really thank our members of the Centennial Society that are with us today who really provide the financial backbone for the Club and as a result we have a fund that helps ensure the Club continues into perpetuity, way past everyone here in the room. And again, thank you for attending. For those that are virtual, we're going to say goodbye and see you soon. For those in the room, please enjoy your lunch. And David again, that was just fantastic. Thank you.