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One urgent problem facing the new global economy is the danger that world markets are moving too fast for governmental institutions to keep up. This should worry top economic officials who, on Sept. 28, are convening for critical meetings of the International Monetary Fund and the World Bank and, in November, for a ministerial session of the World Trade Organization. It should also be a concern for all global CEOs, whose operations are dependent on an open and stable world economy.

The IMF is trying to curb financial crises such as those that have engulfed Asia and Russia. The World Bank is helping countries confront escalating poverty and establish sound banking regulations and modern corporate governance. The WTO is overseeing a new global round of trade negotiations.

These are all worthy goals, but are these institutions organized to reach them? After all, major corporations are flattening their reporting structures to accelerate decision-making, incorporating the latest information technologies, and intensifying their partnering with one another. They are enhancing customer service and hiring and retaining the best people. But are international governmental organizations doing the same? Are they simply too slow and bureaucratic to be effective in today's super-charged global marketplace?

CLEANING HOUSE. For a clue to the possibilities and the obstacles, keep your eyes on James D. Wolfensohn, president of the World Bank. A former Wall Street luminary and onetime chairman of both Carnegie Hall and the John F. Kennedy Center for the Performing Arts, he took the reins at the World Bank in 1995. At the time, it was an organization that required five levels of decisions and 12 to 15 months to get projects approved. Making a loan took precedence over evaluating its impact. Partnerships with other organizations were rare. Knowledge and experience was poorly shared.

Wolfensohn asked for the resignation of his top 150 managers, made them reapply for their jobs, and sacked or reassigned 35% of them. He dismantled a highly centralized operation and forced executives to relocate closer to their clients around the world. He linked all of his offices via satellite and posted best practices for promoting economic development on publicly accessible Web sites. He forged new partnerships between the World Bank and a variety of other organizations such as the Organization for Economic Cooperation & Development, the World Wildlife Fund, and BP Amoco PLC. He sent his lieutenants to executive programs at leading business schools.

But that still may not be enough. Even though the World Bank is miles ahead of the IMF in reforming itself, it is too early to tell whether or not Wolfensohn can succeed. ``It sometimes seems as if there are two World Banks," says Gustav Ranis, a development economist who heads Yale University's Center for International & Area Studies. ``There is the powerful vision from headquarters, and then there are the lending officers whose behavior is very slow to change." Wolfensohn also has to contend with a board of governors comprised of representatives of governments who tend to reflect the stodgy bureaucracies from which they come.

LESSONS OF THE PAST. Building the public infrastructure for global capitalism may be the most important issue facing political and business leaders today. So a lot is riding on Wolfensohn's success and the precedents he sets. Today, the international economy affects everyone's daily lives as never before. And though every major multinational corporation, from Goldman, Sachs & Co. to Toyota Motor Corp., is gambling that markets will remain open and growing, their bets are not a sure thing. After all, how stable would our national economy be without an effective Federal Reserve, Securities & Exchange Commission, Federal Deposit Insurance Corp., or Federal Trade Commission? Global institutions of similar caliber are increasingly necessary as well.

It is politically impractical to call for a new global economic architecture, but is it unrealistic to ask for a vastly improved set of institutions where effectiveness and public accountability are enhanced? The lesson from some of the great corporate turnarounds of the past decade--IBM, Motorola, Unysis, American Express--is that an organization needs to be on the brink of failure before dramatic restructuring can be successfully implemented. Facing mounting global pressures with outmoded structures, the major international economic institutions are not quite there yet. But given the pace of global change, they soon could be.

By Jeffrey E. Garten,What Global Capitalism Needs Now: Less Red Tape,
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