

Follow the Money

An insider calls the Bush team's international economic policies a major, unheralded success.

Reviewed by Jeffrey E. Garten
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GLOBAL FINANCIAL WARRIORS

The Untold Story of International Finance

In the Post-9/11 World

By John B. Taylor

Norton. 324 pp. \$26.95

If most people were asked about President Bush's foreign policy priorities, they would probably point to Iraq, al-Qaeda, Afghanistan, Iran and North Korea -- crises characterized by the actual or potential use of military force. But in *Global Financial Warriors*, an account of the administration's international financial efforts from Sept. 11, 2001, to April 2005, John B. Taylor, then the Treasury Department's undersecretary for international affairs, gives us an intriguing and highly personalized view of some other dimensions of international policy that get far less attention these days than they deserve.

Taylor's litany of the Treasury Department's activities during his tenure includes the freezing of terrorists' assets and the halting of their money transfers around the globe; an economic reconstruction program for post-Taliban Afghanistan; the establishment of a stable dinar in Iraq after the toppling of Saddam Hussein, together with debt forgiveness for the new government in Baghdad; reforms in the policies of the International Monetary Fund and the World Bank; and pressure on Chinese officials to allow their currency to be less controlled by Beijing and more responsive to free-market forces.

A distinguished economist from Stanford University, Taylor writes in layman's terms and enlivens his account with many vignettes. We see him presenting choices to the president in the White House Situation Room, negotiating with Chinese officials in classy restaurants in Dubai, crisscrossing the globe in the belly of military transports and meeting Iraqi officials in dangerous places outside the U.S.-controlled Green Zone. This is a picture of a highly dedicated public servant working around the clock, employing not only his substantial intellect but also his invaluable experience in previous administrations.

It is also a book mostly about Taylor himself. He is an unabashed admirer of Bush, repeatedly praising the president's guidance, and he lauds his own staff at Treasury, but he says almost nothing about his two controversial bosses, former Treasury secretaries

Paul H. O'Neill and John W. Snow. The author often goes overboard on self-congratulation, boasting about his stream of "victories" (as if economic negotiations were a zero-sum game) and referring time and again to the praise he received from other administration officials.

Taylor's biggest flaw, however, is that he often exaggerates the impact of what the Bush team achieved. True, by all accounts, the task of constricting terrorist financing has been a critical part of the war on terror. And no one should underestimate the administration's herculean efforts to bring economic order to Afghanistan and Iraq after the two U.S. invasions. But Taylor goes too far when he claims that highly technical U.S.-proposed changes in the way the IMF would handle future debt renegotiations for developing nations were a major reason why so many emerging markets have prospered in the last few years. In so doing, he gives short shrift to powerful trends in the world economy that the U.S. executive branch had little to do with, such as low interest rates and policy improvements in those emerging markets.

The author also proclaims that his four years on the job were marked by unprecedented international financial cooperation. This will come as news to those who know something about how the 1944 Bretton Woods system of international financial institutions was constructed or how the dollar was devalued and stabilized in the 1980s. Taylor's boast also directly contradicts Bush's demonstrated lack of enthusiasm for multilateralism in general. But perhaps Taylor himself is defining multilateralism in a narrow, even paradoxical way. In telling the story of how Iraq's debt was forgiven, for example, he explains that Washington had agreed to adhere to a previously hammered-out set of international debt-restructuring rules. But the administration, he writes, had determined that if it didn't like the direction in which these consensual policies were headed, it planned simply to strike out on its own unilateral course.

His occasional hyperventilating aside, however, Taylor has written a valuable insider's account of financial diplomacy in the Bush administration. Coming so soon after the events themselves, it is a worthy first draft of some important recent history.

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