

# Inside story on fighting the financial war on terror

Mon, Mar 05, 2007

Business books: If only John B Taylor had been in charge of the postwar reconstruction of Iraq, writes Chris Johns

The skill that he put into the establishment of a new Iraqi currency alone stands testament to an organisational ability that could surely have been put to even better use.

Infinitely more planning went into the financial war on terror than into the war proper. Taylor himself remarks, almost wistfully, that "not planning for the postwar situation, at least on a contingency basis, would have been irresponsible". Well said, but he is only referring to his remit - the financial situation.

Two things will probably put a lot of Europeans off reading this book: its rather cheesy title and the fact that Taylor is a former member of US president George Bush's inner circle. But anybody with even a passing interest in how the global financial system works should be riveted. Even those of us who like to imagine that we are financially literate, if not sophisticated, will be surprised and occasionally astonished by what he has to say.

Having presided over the financial war on terror, as well as several very different global financial crises, Taylor is revealed as possessing abundant intelligence and energy.

Moreover, he has that knack - so important in any enterprise, large or small - of assembling teams and getting them to get the job done. His managerial mantra is to tell people what the objectives are, not how to achieve them. His job is to pick the right people, something he is obviously very good at.

Managers of any business would learn a lot from Taylor's methods. Central bankers the world over certainly have: most of them use a rule of thumb to set interest rates that was devised by Taylor years ago.

In the immediate aftermath of the September 11th, 2001 attacks, we learn about how al-Qaeda funds were frozen, both in the US and overseas. Cutting off terrorist sources of finance has clearly been an important exercise. Taylor tries to convince us that this effort has been successful. We have no reason to doubt him, but we are left with a lingering suspicion that much still needs to be done. The Taliban in Afghanistan are clearly getting their money from somewhere. Recent reports of al-Qaeda's re-establishment of training facilities and a command and control centre somewhere along the Pakistan border suggest some money is still getting through.

Getting international co-operation was key and we are reminded of the goodwill that the global community felt towards the US in the immediate aftermath of 9/11. But this, in many ways, soon faded.

Taylor takes the occasional swipe at the UN, but his wrath is reserved for those organisations he can do something to change - the International Monetary Fund (IMF) and the World Bank. This is where the book is as much about global financial reform as it is about the war on terror.

Reform of the two global financial institutions takes up a lot of Taylor's time, and integral to all of this is dealing with the Third World debt crisis. It will come as a surprise to many that this most orthodox of economists was one of the prime movers - along with his mate Bono - behind the drive



to forgive 100 per cent of developing countries' debts. Bono, apparently, has "staff" in Washington. Taylor gives Bono a copy of one of his economics books; Bono responds with a copy of some Seamus Heaney poems.

The IMF has never been high up on Taylor's Christmas card list. In 1998 he advocated its abolition. He reminds us that the original battle over the structure of the fund took place in 1944 between John Maynard Keynes and Harry Dexter White, a senior US treasury official who later turned out to be a Soviet spy. That White won the battle might explain a lot.

Taylor has to deal with an Argentinian debt crisis and financial turmoil in Turkey. He is also a key actor in the behind-the-scenes efforts to get China to revalue its currency. If anyone has any doubt about where the renminbi is going, they should read this book. The action is centred around G7 meetings, a process that these days elicits little more than a yawn from markets - which, I suspect, is a big mistake. We learn that the Japanese are keen to intervene, while the US and the European Central Bank would rather not bother. However, they all want the Chinese currency to rise.

Inevitably, Taylor has a polite dig at the French, particularly those who stood in the way of 100 per cent debt relief. He draws lessons from the extreme negotiating tactics adopted by the French during the 1919 war reparations talks at Versailles, the outcome of which was the second World War.

He is also definitely not a member of the Gordon Brown fan club, accusing the next UK prime minister of churlishness, denying Taylor a promised breakfast after a row on a Downing Street balcony.

Taylor's last report to Bush on Iraq evokes an almost poignant reply: "The president commented that things had worked out pretty well in the finance area". Indeed.

- Chris Johns is head of research and equity portfolio management at Bank of Ireland Asset Management

- Global Financial Warriors By John B Taylor, Norton, 320 pages, €26.00

© 2007 The Irish Times