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Washington, D.C.

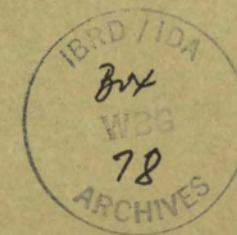
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(CAIRCROSS, Alexander K. - Articles and Speeches (1956-1966))

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HOLD FOR RELEASE

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
(WORLD BANK)

1818 H STREET, N.W., WASHINGTON 25, D.C. TELEPHONE: EXECUTIVE 3-6360

FOR RELEASE  
12:00 Noon E.S.T.  
Monday, January 9, 1956

SUBJECT: Economic Development Institute.

The Economic Development Institute, a new center for study and training in economic development, today opened in Washington, D.C. The Institute has been organized by the World Bank with financial assistance from the Rockefeller and Ford Foundations. Its object is to meet the need of the less developed countries for a general improvement of economic management in government, by increasing the number of administrators skilled in dealing with problems of economic policy and with the planning and administration of development programs.

There are fourteen participants in the first six-months' course which is beginning today and all of them are senior officials of the country, or territory of the member country, which nominated them. They come from Belgium (African territories), Ceylon, Colombia, Egypt, Haiti, India, Japan, Mexico, Nigeria, Pakistan, Philippines, Thailand, Uganda and Yugoslavia.

In his inaugural address to the participants today, Professor A.K. Cairncross, Director of the Institute, set forth the objectives, organization and curriculum of the Institute. "The main effort," he said, "will be concentrated on making economic problems more intelligible and on sifting the variety of ways in which they have been handled so as to see which were successful and which were not. In adopting this approach, the Institute will be following the example of management training programs and staff colleges throughout the world. ... Similarly, we shall dispense almost entirely with formal lectures, relying instead on debate in seminars and smaller groups, and on the preparation of

short reports by these smaller groups on selected problems." In discussing the aims of the Institute, Professor Cairncross said: "We shall not aim at soaring generalizations or universal formulae. As far as possible, we shall start at the other end, with the problems as they present themselves, and work back towards the general considerations that may contribute to a solution of these problems. We shall try to discover what has worked and what has not and enlist your help in the quest. Our object will be to marry experience and analysis, using both as far as time and human capacity permit. We shall hope to draw on your experience as well as on our own and the experience of the staff of the Bank."

Professor Cairncross has been granted leave of absence from his position as Professor of Applied Economics and Director of the Department of Social and Economic Research of Glasgow University, to serve as the Institute's first Director. The Bank has made two of its own staff members available to serve full time with the Institute and other staff members will contribute to the work of the Institute from time to time. Professor Ragnar Nurkse of Columbia University and Mr. P.S. Narayan Prasad, Indian Executive Director of the International Monetary Fund will take charge of the seminars on commercial and financial policy. It is also planned to have visiting speakers who are well-known authorities on various subjects being studied at the Institute.

The Rockefeller Foundation and the Ford Foundation have agreed to contribute up to \$85,000 each to meet half the cost of the Institute during the first two years; the remaining cost will be met by the World Bank. Each Government represented is making a contribution of \$1,500 in respect of its nominee and is giving him leave of absence with pay from his official position in his home country.

The Institute is located at 1620 Belmont Street, N.W., Washington, D.C.

The officials attending the first course are:

Belgium (African territories): J.F.G. Goffin, Chief Inspector of Economic Affairs, Ministry of Colonies.

Ceylon: S.E.P. Jansz, Deputy Director of Economic Research of the Central Bank.

Colombia: Alvaro Ortiz Lozano, Executive Director of the National Committee on Planning, and Economic Secretary to the President of the Republic.

Egypt: Abdel Moneim Ahmed Mohamad El Banna, Director General of the Economic and Financial Research Department of the Ministry of Finance and Economy.

Haiti: Ernest Bonhomme, Under-Secretary of State for National Economy.

India: F. C. Dhaun, Deputy Secretary, Department of Economic Affairs, Ministry of Finance.

Japan: Hisashige Hirose, Deputy Chief of the Policy Section, Coordination and Policy Department of the Bank of Japan.

Mexico: Jorge Espinosa de los Reyes, Chief of the Economic Research Unit of the National Investment Commission.

Nigeria: J. O. Udoji, Permanent Secretary to the Ministry of Health, Eastern Region.

Pakistan: Mushtaq Ahmad, Financial Adviser with rank of Joint Secretary in the Ministry of Finance.

Philippines: Miss Virginia Yaptinchay, Coordinator of Investments, and Technical Assistant to the Governor of the Central Bank.

Thailand: Sunthorn Hongladarom, Secretary General, National Economic Council.

Uganda: C.R.C. Donald, Deputy Financial Secretary of Uganda.

Yugoslavia: Leon Rip, State Counselor of the Federal Planning Institute of Yugoslavia.

NOT FOR PUBLICATION before 12:00 Noon E.S.T., January 9, 1956

ECONOMIC DEVELOPMENT INSTITUTE

Extracts from the Inaugural Address  
delivered on January 9, 1956 in Washington, D.C.  
by the  
Director of the Institute  
Professor A.K. Cairncross

(Professor of Applied Economics and Director of the  
Department of Social and Economic Research,  
Glasgow University)

We are celebrating today the birth of a new Institute in circumstances so full of promise, and so unique in the history of banking, that some words of welcome to the infant are called for. No doubt an Inaugural Address is a poor substitute for a toast. But it is one way, and not a bad way, of wishing the Institute a long and fruitful life.

The Institute has no lack of well-wishers. As the offspring of the International Bank, it enjoys its support, not just in the formal sense of being organized by the Bank but in the far more important sense that it can draw freely on the experience of the Bank, as recorded in Bank documents or carried unrecorded in the minds of its staff. The Institute has also the good fortune to be a godchild of the Ford and Rockefeller Foundations, which are meeting half the cost over the first two years and have encouraged the project from the outset. Member governments have expressed a remarkable interest and have nominated officials whose services they could spare only at considerable sacrifice.

All this adds up to a faith in the Institute which, however gratifying, places a heavy responsibility on those who direct it. They must ask themselves what it is in the Institute that so appeals to the imagination of its well-wishers, what it can hope to accomplish and by what means this hope can be brought to fulfilment.

The mellow light in which the Institute appears is a reflected light: it reflects the challenge presented by economic development and the anxieties that go with the challenge. Standards of living in many countries are so appallingly low that it is a matter of practical urgency to raise them, just as it is a matter of practical urgency in wealthy countries to do away with poverty. It is also urgent to find an alternative to violent and dictatorial methods of economic advance and to convey to relatively backward peoples a sense of movement, purpose and participation. Still more challenging are the intellectual problems posed by the widely different rates at which development occurs in different countries and at different times. The governing preoccupation of an Institute of Economic Development must be with an understanding of these differences and with the practical steps by which they can be influenced.

I shall first outline to you the task which the Institute hopes to fulfil and then go on to say something about the way in which the Institute will be organized before discussing what you can hope to learn in the next six months.

The task of the Institute is a highly practical one: to enhance the potential usefulness in the service of their countries of a picked group of administrators, whose normal duties have some fairly direct bearing on economic development. Not only is this a severely practical aim: it is in line with the traditional aim of the student of political economy from the time of Adam Smith, who conceived his subject two hundred years ago as "a branch of the science of a statesman or legislator" and showed a concern with getting things done that is even now not at all fashionable with some economists.

The fact that the task of the Institute is practical does not mean that it can best be accomplished by disdaining the study of theory. It is only when theory has already reduced the chaos of observed fact to comparative orderliness



that one can usefully dwell on a recorded experience and elicit from it lessons of general application. Nevertheless, theory will occupy a position in the Institute's seminars subordinate to that of practical and constructive proposals for doing something. The main effort will be concentrated on making economic problems more intelligible and on sifting the variety of ways in which they have been handled so as to see which were successful and which were not.

In adopting this approach, the Institute will be following the example of management training programs and staff colleges throughout the world. They do not, as a rule, offer advanced courses in the theory of administration or generalship. They make the more modest assumption that a man who already knows something of management and strategy can become a better manager or a better strategist by comparing notes with his colleagues, by learning more about the work of the specialists whom he will have to control, and above all by enjoying a short respite from the pressure of day-to-day duties and looking out with a detached mind towards more distant intellectual horizons.

Similarly, we shall follow the example of staff colleges and advanced management training programs in dispensing almost entirely with formal lectures, relying instead on debate in seminars and smaller groups, and on the preparation of short reports by these smaller groups on selected problems. This does not mean that we shall let the discussion move at random from one topic to another or that we shall refrain from working to a pre-arranged sequence of ideas in each seminar. Nor does it mean that we shall confine the discussion to individual cases, as if they were of interest for their own sake. On the contrary, we take the view that cases are of interest and value chiefly as vivid illustrations of a general principle, and that the unique elements that are always present in each case, while they may titillate the imagination and allow

the principle to be swallowed almost unnoticed, are of no intrinsic significance.

Thus the subordinate place occupied by Theory (with a capital T) is not inconsistent with an emphasis on Principle (with a capital P). But there is a further reason why we can make only a limited use of theory. The fact is that there is no universally accepted theory of economic development, no received doctrine or set of fundamental propositions that would simplify our task. There is not even agreement as to the variables on which attention should be concentrated and in terms of which a satisfactory theory should be framed. On the contrary, it was precisely because there was no theory, because economic development was found to be almost unoccupied territory, that economists of every persuasion are/ <sup>swarming</sup> in on it like forty-niners into California.

When they have all had their say, a large element of unpredictability will always remain. For economic development is simply history seen from one angle and is of the same stuff as the human beings who go to make it. Men are unwise and curiously planned, so curiously that human conduct can never be reduced to the level of precise uniformity in similar circumstances that governs the behaviour of the external world. This being so, it is open to question whether the search for a theory of economic development will meet with any better fate than the search for a philosophy of history.

We shall not aim at soaring generalizations or universal formulae. As far as possible, we shall start at the other end, with the problems as they present themselves, and work back towards the general considerations that may contribute to a solution of these problems. We shall try to discover what has worked and what has not and enlist your help in the quest. Our object will be to marry experience and analysis, using both as far as time and human capacity permit. We shall hope to draw on your experience as well as on our own and the experience of the staff of the Bank.

Let me turn now to the organization of the Institute and the curriculum of work. We have tried to make the atmosphere that of a club rather than a college and we shall do our best to make you feel that this is, for the time being, your home. While we have managed to find room for everybody this time, we shall not be able to do so in future. When there are 25 of you, we shall have to arrange for about half the number to live elsewhere.

You may have asked yourselves why it should have been decided to locate the Institute in Washington rather than in some other part of the United States or abroad, for example, in the neighborhood or even on the campus of one of the universities that take a professional interest in the problem which we will be discussing. There is one very simple answer to this question. There is probably no other town in the world in which there live more citizens whose daily concern is with economic development in all its aspects. Apart from the staff of the International Bank, there is a host of people attached to other agencies such as the International Monetary Fund, the Federal Reserve Board, the Department of State or one of the numerous embassies, upon whom we can draw to lead a discussion or to provide expert knowledge and guidance. There is also readily available a mass of material on economic development in the documents that are so assiduously turned out by the staff of the Bank and this material should provide us with interesting illustrations and case studies. There are innumerable libraries to supplement our small reference library here. Apart from all this, there are the facilities of a large city in which many of you already have friends and in which you will certainly meet many distinguished figures in politics, academic life, administration and business from whom you may learn something of value. You will find on all hands an anxiety to help you and to make your stay in this country a pleasant and fruitful one.

We intend to occupy a good part of your time over the next six months in seminars and meetings of smaller groups; but we have no wish to over-organize your work and will leave you with plenty of time for reading and individual study.

Seminars will be confined to a period of about two hours every morning except on Mondays and Fridays, when meetings will <sup>also</sup> take place in the afternoon. In all, we have scheduled 120 seminar meetings divided between 14 short courses, at each of which a member of the Institute staff will take the chair. We shall start with a general review of what appear to be the strategic factors in development so that you may form some picture of the way in which an entire economy responds to the forces of change. We shall discuss how economies have gained momentum in the past, what it is that undergoes development, who gains by development and who wants it, and how the pace of development can be measured. We shall look at the experience of some countries where the changes have been particularly dramatic and try to assess the post-war experience of the under-developed countries alongside that of the more developed. We shall try to pinpoint the magnitudes that are central to the whole process and show how a change in one sets off changes in the others.

We shall also try, at this early stage in the course, to dispose of as many as possible of the more difficult theoretical and conceptual problems that must be tackled before you can gain a fuller understanding of the more positive policies which will be the subject of later discussions.

The second part of the course, overlapping to some extent with the first but occupying a longer time, will deal less with the movement of the whole economy than with the effects on the economy of particular policies. For example, it will cover the ways in which monetary policy, commercial policy, trade policy, price policy and investment policy can be brought into play so as to ensure that

growth can take place harmoniously and without the violent changes of course that so easily result from inflation, balance of payments deficits, over-ambitious investment programs, etc.

The third group of seminar meetings, some of which will start fairly soon while others will be deferred until the end, will deal with individual sectors such as agriculture, manufacturing and power and transport and with the technique of preparing a program of economic development in which measures to promote growth in each of these sectors can be adequately coordinated. This last group of meetings, which will cover about half the total course, will deal with more specific projects than the other two and will deal with them more positively, making frequent reference to experience with similar projects over the past 10 years.

The responsibility for conducting the discussion in each of these seminars will rest with the chairman and he will normally issue a short outline, with some of the main issues to be discussed, in advance of each meeting. He will not, however, in all cases prepare this outline or himself lead the discussion. From time to time the subject will be introduced by an expert from the staff of the Bank or another agency in Washington, or by a recognized authority specially invited from elsewhere. Each of you will be expected to undertake this task on at least one occasion.

After the seminar meetings in the mornings, we shall have shorter meetings of smaller groups which may thrash out more fully problems raised during the full seminar or due to come up at the next seminar meeting or may plan and prepare short reports over a period of several months. These reports will be on subjects of special interest and the groups preparing them will have the assistance of a member of the staff as advisor but not as chairman or draftsman.

The reports, once prepared, will be debated in full seminar and if they appear to be of sufficient interest may be published.

I have referred to guest speakers who would come to seminar meetings. From time to time - perhaps about once a week - we should also wish to invite speakers from outside the Bank, generally to evening meetings attended not only by the participants but by some members of the Bank's staff as well.

What can we hope to learn from a course of this kind? In my judgment, four things: some perception of the interdependence of the various elements of the economic system; an improved quantitative perspective; an understanding of administrative snags; and a sense of the order in which problems should be tackled.

The first of these represents the peculiar contribution of economics; anyone setting out to promote economic development without some familiarity with economics is like an explorer going into the jungle without a map. Economists have spent a lot of time making maps and reading maps; and even if some of the maps are rather fancy, or get some of the landmarks wrong, few people who have been trained to use economists' maps ever give up doing so. They show how the various bits of an economy are linked together, often in unsuspected ways, and how, if you start off immediately in one direction, you may follow a path that takes you far from your destination. A government starts to run a budget deficit and is surprised when people complain that the cost of living is rising. The banking system extends credit freely and is baffled by a deterioration in the balance of payments. The price of potatoes is cut in half and within a few months there are queues for potatoes at any price. These are simple enough examples. But it is quite astounding how often the readily predictable consequences of an act of government remain unforeseen because some elementary economic principle has not been grasped or, if grasped, has not been taken

seriously.

A second, and no less important, aim of the course is to develop skill in marshalling of statistics relevant to policy decisions. selection and/ By this I do not mean ability to submit a mass of statistics to elaborate mathematical manipulation. This is a specialized technique that we are not qualified to teach and that takes much longer than six months to learn. The statistical drills that we shall wish you to follow are the kind that help you to look at a table and pick out at once the information that is significant for your purposes. You can learn a great deal by comparing the figures for different countries, by observing rates of change over long periods, by steeping yourself in the figures relating to some one subject and acquiring a sense of what is normal and credible and what is abnormal and in need of corroboration.

It has been emphasized to us by Professor Kuznets that one of the greatest deficiencies in underdeveloped countries is precisely this feel for figures, the critical power to set aside figures that depart too far from experience elsewhere to be reliable and to derive from stray indications a cumulative impression of the true magnitudes. This is not, I may add, a deficiency peculiar to underdeveloped countries but has been strongly impressed on my mind in every administrative post that I have held as the most common failing of otherwise competent administrators in Western countries. I am not confident that we can do much to remedy any deficiency of this kind in so short a time but we certainly intend to try.

I am more hopeful of the outcome under my third heading: a greater awareness of administrative snags. You are all, after all, experienced administrators and have spent a good part of your lives trying to foresee snags and devising ways of avoiding them. You should have no difficulty in understanding what we are talking about when we discuss administrative matters or in contributing

from your experience examples of good and bad administrative procedures. Moreover, administration lends itself to analysis case by case because, while it is difficult to lay down perfectly general rules to cover every possible situation, it is relatively easy to detect in a good case study elements that keep cropping up in other contexts. It is not true in administration, as Lord Keynes once alleged that it was true in applied economics, that there are only a score or so of questions that really matter. It is also not true that one can become a good administrator as one can become a good economist by study and reflection alone; probably the best way to become a good administrator is to work under one. But it is true that one can make a great deal of progress by listening to first-class administrators discussing in detail a score or so of representative cases calling for an administrative decision. I believe it to be true also that it is extremely rewarding to investigate mistakes and muddles, and not look all the time at examples of administrative good sense, because the mistakes tend to repeat themselves, and the muddles are only straightened out once they are recognized as muddles. Most snags are seen in retrospect when things begin to go wrong, not when everything goes so smoothly that the feat of organization involved passes unnoticed. We shall try, therefore, to include some cases that are far from being models of good administration rather than constantly put before you projects, if indeed there are any, against which no word of criticism could be levelled.

It is a good administrative rule to attend to first things first. But it is also a difficult problem - and one generally settled by politicians rather than administrators - to decide what should be done first in a country eager to develop its economy. We hope - and this is our fourth objective - that we may be able to help you to a clearer view of priorities. We cannot tell you



whether you should rate schools above power stations or factories above roads. But we can perhaps bring out what room for manoeuvre there is between alternative lines of policy and what neglect or postponement of action in any particular area of policy may cost. You will be able to study the historical sequence of events in countries which have already passed through the early stages of economic development, and judge what made the biggest contribution to that development. You may acquire a surer grasp of what really drives an economy forward and what magnitudes are relevant to a sensible allocation of resources.

I should like to conclude by saying something about the way in which this Institute impinges upon the work of the Bank and about the basis on which you will be cooperating with the Bank.

In organizing the Institute, the Bank has been mindful of its responsibilities which take an equal place with its power as a great financial institution to provide the means through which some of the more important projects of development have been financed. The International Bank is not merely a bank, but an agency set up to promote the common interests of its members. It has used various methods of assisting more rapid economic development throughout the world, including loans, survey missions, the provision of economic and financial advisors, and so on. The Economic Development Institute represents one more effort towards the same end.

As an international agency, the Bank has no axe to grind, no private or national interests to promote. It can view economic development objectively and in setting up the Institute has left us with full academic freedom to pursue our inquiries wherever they lead us and to draw the conclusions that appear to us to emerge from the facts. While we are not attached to a university we are free

to conduct the Institute with all the intellectual freedom that the members of a university throughout history have sought.

Nor is the Institute a mere appurtenance of the Bank. You, as participants, and we, as the staff, are engaged in a cooperative venture that we hope will be of mutual advantage to us both. As I wrote to you last August, we look on the course as one "in which we all contribute what we can out of our training, reading and experience. Some of us may have given more thought to matters of general principle while others have a more intimate and first-hand acquaintance with the concrete problems of one or more underdeveloped countries. But everybody participating in the course, whether from the staff of the Bank or from the staff of a member government, has a great deal to learn about the whole process of development, how it varies from one country to another, and what measures have been found to work successfully. We want you, therefore, to work in association with us and under our guidance, not to treat the course as a one-sided affair in which we lay down a set of clearly established truths that have been revealed to us but are as yet unknown to you. The International Bank attaches great importance to this process of mutual education and hopes that it will be of benefit to the Bank as well as to you and to your country."

JAN. 9, 1956

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
(WORLD BANK)

1818 H STREET, N.W., WASHINGTON 25, D. C. TELEPHONE: EXECUTIVE 3-6360

SUBJECT: Economic Development Institute.

Attached is a full text of the inaugural address delivered by Professor A. K. Cairncross on the occasion of the opening of the Economic Development Institute on January 9th in Washington, D. C.

The Economic Development Institute is a new center for study and training in economic development. It has been organized by the World Bank with financial assistance from the Rockefeller and Ford Foundations. The object of the Institute is to meet the need of the less developed countries for a general improvement of economic management in government, by increasing the number of administrators skilled in dealing with problems of economic policy and with the planning and administration of development programs.

There are 14 participants in the first six-months' course. All of them are senior officials of the country, or territory of the member country, which nominated them. They come from Belgium (African territories), Ceylon, Colombia, Egypt, Haiti, India, Japan, Mexico, Nigeria, Pakistan, Philippines, Thailand, Uganda and Yugoslavia.

The first Director of the Institute is Professor Cairncross, who has been granted leave of absence for the purpose from his position as Professor of Applied Economics and Director of the Department of Social and Economic Research of Glasgow University. The Bank has made two of its own staff members available to serve full time with the Institute and other staff members will contribute to the work of the Institute from time to time. Professor Ragnar Nurkse of Columbia University and Mr. P. S. Narayan Prasad, Indian Executive Director of the International Monetary Fund will take charge of the seminars on commercial and financial policy. It is also planned to have visiting speakers who are well-known authorities on various subjects being studied at the Institute.

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Mexico: Jorge Espinosa de los Reyes, Chief of the Economic Research Unit of the National Investment Commission.

Nigeria: J. O. Udoji, Permanent Secretary to the Ministry of Health, Eastern Region.

Pakistan: Mushtaq Ahmad, Financial Adviser with rank of Joint Secretary in the Ministry of Finance.

Philippines: Miss Virginia Yantinchay, Coordinator of Investments, and Technical Assistant to the Governor of the Central Bank.

Thailand: Sunthorn Hongladarom, Secretary General, National Economic Council.

Uganda: C.R.C. Donald, Deputy Financial Secretary of Uganda.

Yugoslavia: Leon Rip, State Counselor of the Federal Planning Institute of Yugoslavia.

ECONOMIC DEVELOPMENT INSTITUTE

Inaugural Address delivered on  
January 9, 1956 in Washington, D. C.

by the  
Director of the Institute  
Professor A.K. Cairncross

(Professor of Applied Economics and Director of the  
Department of Social and Economic Research,  
Glasgow University)

There is an ancient custom in my country which requires newly appointed Professors to preach themselves into their Chair in an inaugural lecture. Such a lecture, which I have so far conscientiously avoided in my own University, is usually delivered before a gathering of colleagues and undergraduates and a few stray members of the general public who, as like as not, have come along to keep warm. The object of the lecture, apart from any insight that it affords into the larger problems of a complex subject, is presumably to allow the lecturer, through the profundity of his learning or the fire of his rhetoric, to demonstrate the wisdom of his electors and the good fortune of his future students.

Such objects, even if it were within my power to indulge them, would be out of place today. We are not celebrating some event in the life of a member of the staff or the succession of one Professor by another, but the birth of a new Institute in circumstances so full of promise, and so unique in the history of banking, that some words of welcome to the infant are called for. No doubt an Inaugural Address is a poor substitute for a toast. But it is one way, and not a bad way, of wishing the Institute a long and fruitful life.

The Institute has no lack of well-wishers. As the offspring of the International Bank, it enjoys its support, not just in the formal sense of being organized by the Bank but in the far more important sense that it can draw freely on the experience of the Bank, as recorded in Bank documents or carried unrecorded in the minds of its staff. The Institute has also the good fortune to be a god-child of the Ford and Rockefeller Foundations, which are meeting half the cost over the first two years and have encouraged the project from the outset. Member governments have expressed a remarkable interest and have nominated officials whose services they could spare only at considerable sacrifice. Many private persons have solicited admission to our first course and have had to be reminded that they need to be nominated by their government and that their government has to be a member of the Bank -- a condition that rules out a surprising number of our correspondents. Economists, approached to join the staff, have uniformly combined an unfortunate incapacity to come at once with an obviously genuine anxiety to be invited again later.

All this adds up to a faith in the Institute which, however gratifying, places a heavy responsibility on those who direct it. They must ask themselves what it is in the Institute that so appeals to the imagination of its well-wishers, what it can hope to accomplish and by what means this hope can be brought to fulfilment.

The mellow light in which the Institute appears is a reflected light. It reflects the challenge presented by economic development and the anxieties that go with the challenge; it reflects also the hopes that arise automatically in anything sponsored by the International Bank, with its long record of success in promoting well-founded plans of economic development. Everyone believes that there are right ways and wrong ways of trying to speed up development, and it is reasonable to look to the Bank for guidance in discovering and making known the right ways. Everyone, for a variety of reasons, finds in the problems of development a challenge. Standards of living in many countries are so appallingly low that it is a matter of practical urgency to raise them, just as it is a matter of practical urgency in wealthy countries to do away with poverty. It is also urgent to find an alternative to violent and dictatorial methods of economic advance and to convey to relatively backward peoples a sense of movement, purpose and participation. Still more challenging are the intellectual problems posed by the widely different rates at which development occurs in different countries and at different times. The governing preoccupation of an Institute of Economic Development must be with an understanding of those differences and with the practical steps by which they can be influenced.

There may appear to be some incongruity between the high purposes which the Institute professes and the scale on which it will operate. It is by no means obvious what can be hoped for from a seminar in Washington for about 15 senior officials -- or even one for the 25 whom we are now selecting for the second course. Are there mysteries that they can learn in a brief six months that will avail to make their countries flourish and that can be learned in no other way? He would be a bold man who would return a loud affirmative to that question. He would have to shout down relays of sceptics, some doubtful of the answers that can be given, some of the power of economists to give the right answers, some of their power to make those answers understood in so short a time, and some of the likelihood of getting governments or their peoples to act wisely, even with an array of Solomons to advise them.

I am not much good at loud affirmatives and despair of being able to shout any one down even if I approved of the practice. Let me offer you, however, at least some slight hope that you may not be entirely wasting your time and the time of your government in coming here. I shall first outline to you the task which the Institute hopes to fulfil and then go on to say something about the way in which the Institute will be organized before discussing what you can hope to learn in the next six months.

The task of the Institute is a highly practical one: to enhance the potential usefulness in the service of their countries of a picked group of administrators, whose normal duties have some fairly direct bearing on economic development. Not only is this a severely practical aim: it is in line with the traditional aim of the student of political economy from the time of Adam Smith, who conceived of his subject two hundred years ago as "a branch of the science of a statesman or legislator" and showed a concern with getting things done that is even now not at all fashionable with some economists. The twin planks of his platform -- to provide a plentiful subsistence for the people and a sufficient revenue for the state -- might also be found remarkably up-to-date by modern "statesmen or legislators." The approach of the Institute to economic development is thus not particularly novel, although it is to be hoped that a great deal more is known nowadays about economic development than was known in the 18th Century.

The fact that the task of the Institute is practical does not mean that it can best be accomplished by disdaining the study of theory. In education for high responsibilities, a straight line is rarely the shortest distance between two points. It may be necessary to withdraw a little from the facts in order to gain a better view of them, to reflect on imaginary situations before comprehending what really happens, and to trust the force of logic when the evidence of everyday experience is in doubt. It is only when theory has already reduced the chaos of observed fact to comparative orderliness that one can usefully dwell on a recorded experience and elicit from it lessons of general application.

Nevertheless, theory will occupy a position in the Institute's seminars subordinate to that of practical and constructive proposals for doing something. It will be assumed that everyone has already some knowledge of elementary economics, some familiarity with the concepts and jargon of the economist, and some practice in tackling the type of economic problem that will be under discussion. Some effort will go to extending that knowledge and familiarity, but the main effort will be concentrated on making economic problems more intelligible and on sifting the variety of ways in which they have been handled so as to see which were successful and which were not.

In adopting this approach, the Institute will be following the example of management training programs and staff colleges throughout the world. They do not, as a rule, offer advanced courses in the theory of administration or generalship; and they are rarely under the illusion that whatever courses they do offer will turn incompetent managers or officers into Lord Nuffields or General Eisenhowers. They make the more modest assumption that a man who already knows something of management and strategy can become a better manager or a better strategist by comparing notes with his colleagues, by learning more about the work of the specialists whom he will have to control, and above all by enjoying a short respite from the pressure of day-to-day duties and looking out with a detached mind towards more distant intellectual horizons.

Similarly, we shall follow the example of staff colleges and advanced management training programs in dispensing almost entirely with formal lectures, relying instead on debate in seminars and smaller groups, and on the preparation of short reports by these smaller groups on selected problems. This does not mean that we shall let the discussion move at random from one topic to another or that we shall refrain from working to a pre-arranged sequence of ideas in each seminar. Nor does it mean that we shall confine the discussion to individual cases, as if they were of interest for their own sake. On the contrary, we take the view that cases are of interest and value chiefly as vivid illustrations of a general principle, and that the unique elements that are always present in each case, while they may titillate the imagination and allow the principle to be swallowed almost unnoticed, are of no intrinsic significance.

Thus the subordinate place occupied by Theory (with a capital T) is not inconsistent with an emphasis on Principle (with a capital P). Just as doctors had to have some working rules when medical science was still relatively primitive, and management consultants operate with success without much theory to guide them, so administrators can gain by following "the simple little rules and few" that emerge as maxims or working principles long before they become absorbed in the general body of theory.

But there is a further reason why we can make only a limited use of theory. The fact is that there is no universally accepted theory of economic development, no received doctrine or set of fundamental propositions that would simplify our task. There is not even agreement as to the variables on which attention should be concentrated and in terms of which a satisfactory theory should be framed. On the contrary, it was precisely because there was no theory, because economic development was found to be almost unoccupied territory, that economists of every persuasion began to swarm in on it like forty-niners into California.

The human intellect, like nature, abhors a vacuum, and if it cannot devise a rational explanation of events that trouble it, will turn to myth and magic for comfort. Economic development does trouble the world as never before and people are all too willing to listen to the medicine men who claim to have the spells and rituals to command it. So long as economists fail to provide intelligible explanations of growth and development, the medicine men will hold the field. Why do the people, in the words of Holy Writ, imagine a vain thing? Because they are offered hope where the economist must often show scepticism; and because they are offered quick returns where the economist is bound to underline the continuity and gradualness of things. It is the business of economists to seek out and bring into the light the true sources of the wealth and economic prosperity of nations; but their task is not an easy one.

When they have had their say, a large element of unpredictability -- perhaps even of magic -- will always remain. For economic development is simply history seen from one angle and is of the same stuff as the human beings who go to make it. Men are unwise and curiously planned, so curiously that human conduct can never be reduced to the level of precise uniformity in similar circumstances that governs the behaviour of the external world. This being so, it is open to question whether the search for a theory of economic development will meet with any better fate than the search for a philosophy of history. One can try to encompass too much experience in a single generalization or try too early, and in too great ignorance of the range of human experience, to make all-embracing generalizations that soon prove not only false but unhelpful. It is only too apparent, when every country in the world is in one sense or another underdeveloped and countries differ as much as Japan and Jordan, China and Ruanda-Urundi, that any propositions applicable to all of them must either be highly abstract or highly tentative.

Economists in my country have long been taught to be distrustful of long chains of reasoning, to use abstraction sparingly, and to keep a watchful eye on what actually happens. This seems to me sound training and one that we should do well to stick to. We shall not aim at soaring generalizations or universal formulae. As far as possible, we shall start at the other end, with the problems as they present themselves, and work back towards the general considerations that may contribute to a solution of these problems. We shall try to discover what has worked and what has not and enlist your help in the quest. Our object will be to marry experience and analysis, using both as far as time and human capacity permit. We shall hope to draw on your experience as well as on our own and the experience of the staff of the Bank. But experience being rarely hewn to the dimensions of a good structure of analysis, you cannot get a clear view of such a structure by illustration and case-histories alone; there will be times when we shall have to start with analysis and theory in order to show how things fit together.



Let me turn now to the organization of the Institute and the curriculum of work. You have already seen and, I hope, admired the physical facilities that we enjoy. With the exception of Miss Yaptinchay, you will all be housed together, each with a room of your own. There are a number of public rooms where you can relax, a seminar room, a library, and offices for the staff. We have tried to make the atmosphere that of a club rather than a college and we shall do our best to make you feel that this is, for the time being, your home. While we have managed to find room for everybody this time, we shall not be able to do so in future. When there are 25 of you, we shall have to arrange for about half the number to live elsewhere.

You may have asked yourselves why it should have been decided to locate the Institute in Washington rather than in some other part of the United States or abroad, for example, in the neighborhood or even on the campus of one of the universities that take a professional interest in the problem which we will be discussing. There is one very simple answer to this question. There is probably no other town in the world in which there live more citizens whose daily concern is with economic development in all its aspects. Apart from the staff of the International Bank, there is a host of people attached to other agencies such as the International Monetary Fund, the Federal Reserve Board, the Department of State or one of the numerous embassies, upon whom we can draw to lead a discussion or to provide expert knowledge and guidance. There is also readily available a mass of material on economic development in the documents that are so assiduously turned out by the staff of the Bank and this material should provide us with interesting illustrations and case studies. There are innumerable libraries to supplement our small reference library here. Apart from all this, there are the facilities of a large city in which many of you already have friends and in which you will certainly meet many distinguished figures in politics, academic life, administration and business from whom you may learn something of value. You will find on all hands an anxiety to help you and to make your stay in this country a pleasant and fruitful one.

We intend to occupy a good part of your time over the next six months in seminars and meetings of smaller groups; but we have no wish to over-organize your work and will leave you with plenty of time for reading and individual study. We expect also that in the last month you will be relatively free from set duties and will be able to concentrate more fully on some problem which you wish to make your principal object of study and on which you may be asked to prepare a brief report.

Seminars will be confined to a period of about two hours every morning except on Mondays and Fridays, when meetings will also take place in the afternoon. In all, we have scheduled 120 seminar meetings divided between 14 short courses, at each of which a member of the staff will take the chair. We shall start with a general review of what appear to be the strategic factors in development so that you may form some picture of the way in which an entire economy responds to the forces of change. We shall discuss how economies have gained momentum in the past, what it is that undergoes development, who gains by development and who wants it, and how the pace of development can be measured. We shall look at the experience of some countries where the changes have been particularly dramatic and try to assess the post-war experience of the under-developed countries alongside that of the more developed. We shall try also to pinpoint the magnitudes that are central to the whole process and show how a change in one sets off changes in the others.

It will be one of our objects in this general review to discover what preconceptions you bring to the course, what you already know or would like to know about economic development and what guidance we should offer you for the rest of the course or in the detailed assignments that you will be given. We shall also try, at this early stage in the course, to dispose of as many as possible of the more difficult theoretical and conceptual problems that must be tackled before you can gain a fuller understanding of the more positive policies which will be the subject of later discussions.

The second part of the course, overlapping to some extent with the first but occupying a longer time, will deal less with the movement of the whole economy than with the effects on the economy of particular policies. For example, it will cover the ways in which monetary policy, commercial policy, trade policy, price policy and investment policy can be brought into play so as to ensure that growth can take place harmoniously and without the violent changes of course that so easily result from inflation, balance of payments deficits, overambitious investment programs, etc.

The third group of seminar meetings, some of which will start fairly soon while others will be deferred until the end, will deal with individual sectors such as agriculture, manufacturing and power and transport and with the technique of preparing a program of economic development in which measures to promote growth in each of these sectors can be adequately coordinated. This last group of meetings, which will cover about half the total course, will deal with more specific projects than the other two and will deal with them more positively, making frequent reference to experience with similar projects over the past 10 years.

The responsibility for conducting the discussion in each of these seminars will rest with the chairman and he will normally issue a short outline, with some of the main issues to be discussed, in advance of each meeting. He will not, however, in all cases prepare this outline or himself lead the discussion. From time to time the subject will be introduced by an expert from the staff of the Bank or another agency in Washington, or by a recognized authority specially invited from elsewhere. Each of you will be expected to undertake this task on at least one occasion. Apart from any guest speakers who are asked to take part in the seminar meetings, there will also be present, on occasion, members of the staff of the Bank who will take part in the discussion on the same footing as yourselves.

After the seminar meetings in the mornings, we shall have shorter meetings of smaller groups which may thrash out more fully problems raised during the full seminar or due to come up at the next seminar meeting or may plan and prepare short reports over a period of several months. These reports will be on subjects of special interest and the groups preparing them will have the assistance of a member of the staff as advisor but not as chairman or draftsman. The reports, once prepared, will be debated in full seminar and if they appear to be of sufficient interest may be published.

It will not, however, be the general intention of the staff of the Institute to prepare any material for publication before the completion of the first course at the earliest. We may eventually be able to prepare and publish a case book which would be of help, not only in the Institute but in courses conducted in a more academic atmosphere. We have felt the lack of such a case

book and have been unable, in consequence, to make use of the case method with the freedom that we should have liked. We recognize the difficulty of presenting economic cases in short compass without travesty; but it is possible that we may be able, as we go along, to find material suitable for incorporation in a case book. We hope also that the work of the seminars and smaller meetings will be of value to our colleagues in the Bank and to others by permitting thorough and informed discussion of expedients used in different countries, often with varying success for reasons not altogether obvious. An example of what I have in mind is the establishment of development banks in many countries since the war. There does not appear to be any adequate survey of the experience of those banks and we believe that we might be in a peculiarly favorable position to study their record and show which features of their operations have been advantageous or the reverse.

I have referred to guest speakers who would come to seminar meetings. From time to time -- perhaps about once a week -- we should also wish to invite speakers from outside the Bank, generally to evening meetings attended not only by the participants but by some members of the Bank's staff as well.

What can you hope to learn from a course of this kind? In my judgment, four things: some perception of the interdependence of the various elements of the economic system; an improved quantitative perspective; an understanding of administrative snags; and a sense of the order in which problems should be tackled.

The first of these represents the peculiar contribution of economics; anyone setting out to promote economic development without some familiarity with economics is like an explorer going into the jungle without a map. It is not enough to know where the next few yards will lead; it is necessary also to know, in at least a general way, what lies beyond. With a map you can take your bearings, you can recognize landmarks, you can measure progress from day to day. Without a map, you are lost, to use a Russian proverb, in three pine trees. Economists have spent a lot of time making maps and reading maps; and even if some of the maps are rather fancy, or get some of the landmarks wrong, few people who have been trained to use economists' maps ever give up doing so. They show how the various bits of an economy are linked together, often in unsuspected ways, and how, if you start off immediately in one direction, you may follow a path that takes you far from your destination. A government starts to run a budget deficit and is surprised when people complain that the cost of living is rising. The banking system extends credit freely and is baffled by a deterioration in the balance of payments. The price of potatoes is cut in half and within a few months there are queues for potatoes at any price. These are simple enough examples. But it is quite astounding how often the readily predictable consequences of an act of government remain unforeseen because some elementary economic principle has not been grasped or, if grasped, has not been taken seriously. Economics -- as Professor Marget once remarked to me à propos of the economics that administrators need to know -- economics is simple but not easy.

Some of you have already had plenty of practice in economic map reading and may feel that you are in no need of further lessons. But maps can be drawn to different scales and in different ways, and this is true also of the maps that economists draw. It is one of the engaging features of economics -- as it is also of geography -- that a journey through familiar territory can still be

instructive. There are some subjects, such as mathematical physics or the chemistry of higher polymers in which it is difficult to carry the discussion far without becoming rapidly unintelligible to the layman. In economics, the gulf between layman and professional expert is rarely so wide, particularly where some issue of policy is involved. The economist nearly always feels under a compulsion to state the gist of his argument and bring out its practical bearing in terms that carry conviction to intelligent administrators. He must at least try to carry with him his professional colleagues, and they, poor things, feel under a handicap in trying to understand him almost as great as the layman because of the increasing fragmentation of their subject into loosely connected disciplines. The wide difference in economic training that separates some of you from your fellows should not prevent even the most learned among you from gaining some new insight into the functioning of economic forces.

A second, and no less important, aim of the course is to develop skill in the selection and marshalling of statistics relevant to policy decisions. By this I do not mean ability to submit a mass of statistics to elaborate mathematical manipulation. This is a specialized technique that we are not qualified to teach and that takes much longer than six months to learn. It is moreover a technique of limited value when the main problem of an administrator is to know what figures to trust, what meaning to attach to them if they are trustworthy, and where to go for the figures he needs, much more than to submit the crude data to refined tests of significance or to build them into equations that attach equal value to good figures and bad. The statistical drills that we shall wish you to follow are of the kind that help you to pick out from a table the information that is significant for your purposes. You can learn a great deal by comparing the figures for different countries, by observing rates of change over long periods, by steeping yourself in the figures relating to some one subject and acquiring a sense of what is normal and credible and what is abnormal and in need of corroboration.

It has been emphasized to us by Professor Kuznets that one of the greatest deficiencies in underdeveloped countries is precisely this feel for figures, the critical power to set aside figures that depart too far from experience elsewhere to be reliable and to derive from stray indications a cumulative impression of the true magnitudes. This is not, I may add, a deficiency peculiar to underdeveloped countries but has been strongly impressed on my mind in every administrative post that I have held as the most common failing of otherwise competent administrators in Western countries. I am not confident that we can do much to remedy any deficiency of this kind in so short a time but we certainly intend to try.

I am more hopeful of the outcome under my third heading: a greater awareness of administrative snags. You are all, after all, experienced administrators and have spent a good part of your lives trying to foresee snags and devising ways of avoiding them. You should have no difficulty in understanding what we are talking about when we discuss administrative matters or in contributing from your own experience examples of good and bad administrative procedures. Moreover, administration lends itself to analysis case by case because, while it is difficult to lay down perfectly general rules to cover every possible situation, it is relatively easy to detect in a good case study elements that keep cropping up in other contexts. It is not true in administration, as Lord Keynes once

alleged that it was true in applied economics, that there are only a score or so of questions that really matter. It is also not true that one can become a good administrator as one can become a good economist by study and reflection alone; probably the best way to become a good administrator is to work under one. But it is true that one can make a great deal of progress by listening to first-class administrators discussing in detail a score or so of representative cases calling for an administrative decision. I believe it to be true also that it is extremely rewarding to investigate mistakes and muddles, and not look all the time at examples of administrative good sense, because the mistakes tend to repeat themselves, and the muddles are only straightened out once they are recognized as muddles. Most snags are seen in retrospect when things begin to go wrong, not when everything goes so smoothly that the feat of organization involved passes unnoticed. We shall try, therefore, to include some cases that are far from being models of good administration rather than constantly put before you projects, if indeed there are any, against which no word of criticism could be levelled.

Let me add one word more on administration. There is a tendency to identify administration with the execution of higher policy and to give to the word overtones of pomp and circumstance that find little echo in the comparatively humdrum duties of the average administrator. I was reminded forcibly of this when an expert just back from a mission to an underdeveloped country told me that the greatest need of that country was that government departments should be shown how to deal with incoming mail. In his view it was almost a matter of chance whether one of the thousands of letters arriving every day reached the person for whom it was intended. We shall not, in any of our seminars, single out the sorting of mail for your special attention -- though I hope that you will have no cause to raise the matter yourselves because of inadequacy in our arrangements here. We shall certainly have occasion, however, to emphasize the importance in economic administration of attention to detail and to really thorough preparation of schemes involving heavy expenditures.

It is a good administrative rule to attend to first things first. But it is also a difficult problem -- and one generally settled by politicians rather than administrators -- to decide what should be done first in a country eager to develop its economy. We hope -- and this is our fourth objective -- that we may be able to help you to a clearer view of priorities. We cannot tell you whether you should rate schools above power stations or factories above roads. But we can perhaps bring out what room for manoeuvre there is between alternative lines of policy and what neglect or postponement of action in any particular area of policy may cost. You will be able to study the historical sequence of events in countries which have already passed through the early stages of economic development, and judge what made the biggest contribution to that development. You may acquire a surer grasp of what really drives an economy forward and what magnitudes are relevant to a sensible allocation of resources.

I should like to conclude by saying something about the way in which this Institute impinges upon the work of the Bank and about the basis on which you will be cooperating with the Bank.

In organizing the Institute, the Bank has been mindful of its responsibilities for world-wide economic development, -- responsibilities which take an equal place with its power as a great lending institution, furnishing the means through

which some of the more important projects of development have been financed. The International Bank is not merely a bank, but a development agency, set up to promote the common interests of its members. It is unique in that it combines financial assistance with technical assistance, using a whole variety of methods of helping its members to accelerate their development. These methods have included general survey missions, special resident missions, the provision of economic and financial advisers, and so on. The Economic Development Institute represents one more effort towards the same end.

As an international agency, the Bank has no axe to grind, no private or national interests to promote. It can view economic development objectively and in setting up the Institute has left us with full academic freedom to pursue our inquiries wherever they lead us and to draw the conclusions that appear to us to emerge from the facts. While we are not attached to a university, we are free to conduct the Institute with all the intellectual freedom that the members of a university throughout history have sought.

Nor is the Institute a mere appurtenance of the Bank. You, as participants, and we, as the staff, are engaged in a cooperative venture that we hope will be of mutual advantage to us both. As I wrote to you last August, we look on the course as one in which "we all contribute what we can out of our training, reading and experience. Some of us may have given more thought to matters of general principle while others have a more intimate and first-hand acquaintance with the concrete problems of one or more underdeveloped countries. But everybody participating in the course, whether from the staff of the Bank or from the staff of a member government, has a great deal to learn about the whole process of development, how it varies from one country to another, and what measures have been found to work successfully. We want you, therefore, to work in association with us and under our guidance, not to treat the course as a one-sided affair in which we lay down a set of clearly established truths that have been revealed to us but are as yet unknown to you. The International Bank attaches great importance to this process of mutual education and hopes that it will be of benefit to the Bank as well as to you and to your country."

The whole object of the Institute would be defeated if we sought to enter into discussion with you without an effort on your part and ours to divest ourselves of bias and be as candid as possible in our assessment of past experience of economic development. It is the intention of the Bank to make available to us and to you a great deal of information about projects which it has financed, treating you for this purpose as if you were members of the Bank's staff, bound by the same obligations of secrecy. The members of the staff who come to speak to you have instructions not to withhold essential facts but to be as frank as their discretion allows. They have also been told that if they feel it necessary to be critical of any of the operations in which the Bank has engaged, they should not feel obliged to stifle such criticism. We shall expect that you will be equally forthcoming and that you will not feel obliged to come, as a matter of principle, to the defense of the policies pursued by your government, but will take as detached and objective a view as the privileged discussions in the Institute require.

No one expects that this course can of itself have much effect. The future of your countries will not be transformed by sending one senior official, however exalted, for a short period of study in Washington. But we believe that, as the years go by, and there grows up in each country a small group of key men who have all been trained here, the Institute will become progressively more influential. It is in this first course that a pattern and standard will be set for later courses; what you do here will go to form the character and determine the future of the Institute. May you, and we, be worthy of the opportunity and the challenge!

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BANCO INTERNACIONAL DE  
RECONSTRUCCION Y FOMENTO

PARA LA PRENSA

Para Publicar a las 12 M  
el lunes, 9 de enero de 1956

ASUNTO: Instituto de Desarrollo  
Económico

El Instituto de Desarrollo Económico, nuevo centro para estudio y adiestramiento en desarrollo económico, fué inaugurado hoy en Wáshington, D. C. El Instituto ha sido organizado por el Banco Mundial con apoyo financiero de las Fundaciones Ford y Rockefeller. Su propósito es el de satisfacer la necesidad de mejorar la administración de la rama económica en los gobiernos de los países subdesarrollados, al aumentar el número de administradores bien preparados para afrontar los problemas económicos y para planear y administrar programas de fomento.

Son catorce los participantes en el primer curso semestral, que comienza hoy y todos ellos son funcionarios superiores del país o territorio de un país miembro que los postuló inicialmente para el curso. Son oriundos de Bélgica (Territorios Africanos), Ceilán, Colombia, Egipto, Filipinas, Haití, India, Japón, México, Nigeria, Pakistán, Tailandia, Uganda y Yugoslavia.

En su discurso inaugural a los participantes, el Profesor A. K. Cairncross, Director del Instituto, anunció los objetivos, organización y plan de estudios del Instituto. "El esfuerzo principal," dijo, "se concentrará en hacer que los problemas económicos sean más inteligibles y en tamizar la variedad de sistemas antes empleados en la solución de esos problemas para sacar en claro cuáles de esos sistemas tuvieron éxito y cuáles no. Al adoptar este procedimiento, el Instituto seguirá el ejemplo de los programas de adiestramiento que usan los colegios superiores en todo el mundo. ...Similarmente, seguiremos el ejemplo de los colegios superiores y de los programas avanzados de adiestramiento al dejar de lado casi completamente las conferencias formales, y basarnos, en cambio, en seminarios



de debate y en la preparación de informes breves hechos por grupos pequeños sobre problemas determinados." Al referirse a los propósitos del Instituto el Profesor Cairncross dijo: "Nuestro empeño no será buscar grandes generalizaciones o fórmulas universales. Hasta donde sea posible, comenzaremos por la otra punta, mirando los problemas tal como se presentan, y trabajaremos, de regreso, hacia las consideraciones generales que pueden contribuir a la solución de estos problemas. Trataremos de descubrir lo que haya resultado bueno y lo que haya fracasado, y ustedes han de ayudar en la investigación. Nuestro propósito será el de juntar la experiencia con el análisis, usándolos ambos hasta donde lo permitan el tiempo y la capacidad humana. Confiamos en utilizar la experiencia de ustedes tanto como la nuestra y la del personal del Banco."

El Profesor Cairncross obtuvo licencia para retirarse temporalmente de sus trabajos como Profesor de Economía Aplicada y de Director del Departamento de Investigaciones Sociales y Económicas de la Universidad de Glasgow, para venir a ocupar el cargo de Director. El Banco ha puesto a la disposición del Instituto dos de sus funcionarios que le dedicarán todo su tiempo y otros miembros del personal han de contribuir a los trabajos ocasionalmente. El Profesor Ragnar Nurkse de la Universidad de Columbia y Mr. P. S. Narayan Prasad, Director Ejecutivo indú del Fondo Monetario Internacional, tendrán a su cargo los seminarios de política comercial y financiera. El Instituto se propone invitar a profesores de autoridad reconocida para que dicten conferencias sobre temas que los alumnos estén estudiando.

Las Fundaciones Ford y Rockefeller han convenido en contribuir hasta con la suma de \$85,000 cada una para pagar la mitad del costo del Instituto durante los dos primeros años; la otra parte será costeadada por el Banco. Cada uno de los gobiernos representados contribuye con \$1500 con respecto a su funcionario y le ha concedido a éste licencia con sueldo para retirarse temporalmente de su cargo.

El Instituto está situado en 1620 Belmont Street, N. W., Wáshington, D. C.

Los funcionarios que participan en el primer curso son:

Bélgica: J. F. G. Goffin, Inspector Jefe de Asuntos Económicos,  
(Territorios Africanos) Ministerio de Colonias.

Ceilán: S. E. P. Jansz, Subdirector de Investigaciones Económicas del Banco Central.

Colombia: Alvaro Ortiz Lozano, Director Ejecutivo del Comité Nacional de Planeación y Secretario Económico de la Presidencia de la República.

Egipto: Abdel Moneim Ahmed Mohamad El Banna, Director General del Departamento de Investigaciones Económicas y Financieras del Ministerio de Finanzas y Economía.

Filipinas: Srta. Virginia Yaptinchay, Coordinador de Investigaciones y Ayudante Técnico del Gobernador del Banco Central.

Haití: Ernest Bonhomme, Subsecretario de Estado de Economía Nacional.

India: F. C. Dhaun, Subsecretario, Departamento de Asuntos Económicos, Ministerio de Finanzas.

Japón: Hisashige Hirose, Subdirector de la Sección de Política del Departamento de Coordinación y Política del Banco del Japón.

México: Jorge Espinosa de los Reyes, Jefe de la Sección de Investigaciones Económicas de la Comisión de Inversión Nacional.

Nigeria: J. O. Udoji, Secretario Permanente del Ministerio de Salud, Región Oriental.

Pakistán: Mushtaq Ahmad, Consejero Financiero con rango de Secretario Ejecutivo en el Ministerio de Finanzas.

Tailandia: Sunthorn Hongladarom, Secretario General, Consejo Nacional de Economía.

Uganda: C. R. C. Donald, Subsecretario de Finanzas.

Yugoslavia: Leon Rip, Consejero Estatal del Instituto Federal de Planeamiento.

BANCO INTERNACIONAL DE  
RECONSTRUCCION Y FOMENTO

INSTITUTO DE DESARROLLO ECONOMICO

Extractos del discurso inaugural pronunciado el 9 de enero de 1956 en Washington, D. C., por el Director del Instituto Dr. A. K. Cairncross (Profesor de Economía Aplicada y Director del Departamento de Investigaciones Sociales y Económicas de la Universidad de Glasgow).

Estamos hoy celebrando el nacimiento de un nuevo Instituto, en circunstancias tan prometedoras y tan únicas en la historia de la banca internacional, que son oportunas algunas palabras de bienvenida al infante. Sin duda un discurso inaugural sustituye a un brindis con desventaja; pero es una forma, no del todo mala, de desearle al Instituto una vida larga y provechosa.

El Instituto cuenta con la buena voluntad de muchos. Como hijo del Banco Internacional, goza de su apoyo, no sólo en el sentido formal de ser organizado por el Banco, sino en el sentido mucho más importante de que puede usufructuar libremente la experiencia del Banco, tal como puede hallarse en los documentos del archivo o como se encuentra tácitamente en la mente del personal. El Instituto tiene también la buena suerte de ser ahijado de las Fundaciones Ford y Rockefeller, las cuales desde un principio han estimulado el proyecto y que sufragarán la mitad del costo durante los dos primeros años. Algunos países miembros han expresado notorio interés y han postulado para participar en los cursos del Instituto a funcionarios de cuyos servicios pueden prescindir sólo haciendo un sacrificio considerable.

Todo esto significa que hay fe en el Instituto, fe que nos gratifica, pero que a la vez echa una pesada responsabilidad sobre sus directores. Estos deben preguntarse a sí mismos qué es lo que tiene el Instituto que tanto estimula la imaginación de sus entusiastas, cuál será la posibilidad de sus realizaciones y por qué medios se puede convertir en realidad la esperanza fincada en su futuro.

La luz con la cual aparece el Instituto es una luz refleja: refleja el reto que presenta el desarrollo económico y las ansiedades que el reto produce. Es tan terriblemente bajo el nivel de vida en muchos países que es cuestión de urgencia práctica elevarlo, tanto como es cuestión de urgencia práctica, en los países ricos, acabar con la pobreza. También es urgente encontrar una alternativa para los métodos violentos y dictatoriales de avance económico y darle a los pueblos relativamente atrasados un sentido de movimiento, propósito y participación. Todavía más desafiantes son los problemas intelectuales que surgen de la intensidad tan sumamente variable con que se lleva a cabo el desarrollo en diferentes países y en diferentes épocas. La preocupación predominante de un instituto de desarrollo económico tiene que ser la de entender estas diferencias y los pasos prácticos que pueden darse para influir en ellas.

Primero trataré de esbozar ante ustedes la tarea que el Instituto espera adelantar, y luego decir algo acerca de la forma como será organizado, antes de hablar de lo que ustedes pueden esperar que van a aprender en el próximo semestre.

La tarea del Instituto es altamente pragmática: elevar la utilidad práctica de un grupo selecto de administradores al servicio de sus países, cuyas ocupaciones habituales tienen cierta influencia directa en el desarrollo económico. Esta meta no es tan sólo estrictamente práctica: está de acuerdo con la meta tradicional del estudiante de economía política desde los tiempos de Adam Smith, quien concibió la economía hace 200 años como "una rama de la ciencia del estadista o legislador" y mostró una preocupación de llevar a término las cosas que aún hoy día no muestran algunos economistas.

El hecho de que la tarea del Instituto sea práctica no quiere decir que pueda realizarse mejor desdeñando el estudio de la teoría. Es tan sólo cuando la teoría ha reducido ya el caos de un hecho observado a cierto orden relativo, cuando uno puede basarse provechosamente en una experiencia anterior y extraerle lecciones de

aplicación general. Sin embargo, la teoría ha de ocupar en los seminarios del Instituto una posición subordinada a la del propósito práctico y constructivo de hacer algo. El esfuerzo principal se concentrará en hacer que los problemas económicos sean más inteligibles y en tamizar la variedad de sistemas antes empleados en la solución de esos problemas para sacar en claro cuáles de esos sistemas tuvieron éxito y cuáles no.

Al adoptar este procedimiento, el Instituto seguirá el ejemplo de los programas de adiestramiento que usan los colegios superiores en todo el mundo. En general, no ofrecen cursos avanzados en teoría administrativa. Parten de la presunción más modesta de que una persona que ya tiene algún conocimiento acerca del manejo y de la estrategia, puede convertirse en un mejor gerente o un mejor estratega al intercambiar información con sus colegas, al saber más acerca del trabajo de los especialistas que él tendrá que controlar, y sobre todo al disfrutar de una pausa que le permita aislarse de la presión de los trabajos cotidianos y mirar con mente imparcial hacia horizontes intelectuales más distantes.

Similarmente, seguiremos el ejemplo de los colegios superiores y de los programas avanzados de adiestramiento al dejar de lado casi completamente las conferencias formales, y basarnos, en cambio, en seminarios de debate y en la preparación de informes breves hechos por grupos pequeños sobre problemas determinados. Esto no quiere decir que vayamos a dejar que la discusión se mueva libremente de un tema a otro o que nos abstendremos de trabajar de acuerdo con un orden de ideas previamente arreglado en cada seminario. Tampoco quiere decir que vayamos a limitar nuestras discusiones a casos individuales como si ellos tuvieran interés en sí mismos. Por el contrario, somos de opinión de que los casos tienen interés y valor primordialmente como ilustraciones vívidas de un principio general, y de que aquellos elementos únicos que están siempre presentes en todos los casos, aun cuando impresionen la imaginación y permitan tragarse los principios casi sin notarlo, no

tienen significación intrínseca.

Así, el lugar subordinado que ocupa la Teoría (con T mayúscula) no es inconsistente con el énfasis en los Principios (con P Mayúscula); pero hay una razón más por la cual sólo podremos hacer uso limitado de la teoría. El hecho es que no hay una teoría universalmente aceptada del desarrollo económico, ni una doctrina consagrada, ni una serie de proposiciones fundamentales que puedan simplificar nuestra tarea. Ni siquiera hay acuerdo acerca de las variables sobre las cuales deba concentrarse la atención, ni sobre los términos que pudieran servir satisfactoriamente para esbozar una teoría. Por el contrario, precisamente por la carencia de teoría, precisamente porque se ha encontrado que el desarrollo económico es prácticamente "territorio no ocupado", los economistas de todos los matices acudieron en masa a ese territorio como acudieron los cazadores de oro de hace un siglo a California.

Aun después de los estudios de los economistas, quedará siempre un interrogante porque el desarrollo económico es tan sólo la historia vista desde un ángulo y se compone de los mismos ingredientes que forman los seres humanos que lo causan. El hombre es imprudente y forma un curioso conjunto, tan caprichoso que la conducta humana no podrá nunca reducirse a una fórmula matemática uniforme en circunstancias similares, como las leyes que gobiernan la conducta del mundo exterior. Siendo esto así, falta saber si la caza de una teoría de desarrollo económico no correrá la misma suerte que la caza de una filosofía de la historia.

Nuestro empeño no será buscar grandes generalizaciones o fórmulas universales. Hasta donde sea posible, comenzaremos por la otra punta, mirando los problemas tal como se presentan, y trabajaremos, de regreso, hacia las consideraciones generales que pueden contribuir a la solución de estos problemas. Trataremos de descubrir lo que haya resultado bueno y lo que haya fracasado, y ustedes han de ayudar en la investigación. Nuestro propósito será el de juntar la experiencia con el análisis, usándolos ambos hasta donde lo permitan el tiempo y la capacidad

humana. Confiamos en utilizar la experiencia de ustedes tanto como la nuestra y la del personal del Banco.

Permítaseme hablar ahora de la organización del Instituto y del plan de trabajo. Hemos tratado de crearle más la atmósfera de un club que la de un colegio y haremos lo posible para que ustedes sientan que durante su permanencia con nosotros ésta es su propia casa. Aun cuando en esta oportunidad ha sido posible alojarlos a todos aquí, no creemos poderlo hacer así en el futuro. Cuando el número de alumnos ascienda a 25, más o menos la mitad tendrá que alojarse en otra parte.

Se habrán preguntado ustedes de dónde surgió la decisión de ubicar el Instituto en Wáshington en vez de escoger otro lugar de los Estados Unidos o del exterior, por ejemplo en la vecindad o aún en el campo mismo de una de las universidades que tienen un interés profesional en los problemas que a nosotros nos interesan. La respuesta es bien sencilla. Probablemente no hay ninguna otra ciudad del mundo donde vivan más individuos cuya preocupación cotidiana sea el desarrollo económico en todos sus aspectos. Además del personal del Banco Internacional, hay una legión de personas relacionadas con otras agencias como el Fondo Monetario Internacional, el Federal Reserve Board, el Departamento de Estado o una de las numerosas embajadas, a quienes podremos recurrir para que dirijan una discusión o para que nos beneficien con sus conocimientos experimentados y nos den sabio consejo. Además, tenemos a nuestra disposición un acopio de material sobre desarrollo económico en los documentos que asiduamente produce el personal del Banco, y este material podrá ilustrarnos y suministrarnos casos específicos de estudio. Disponemos de bibliotecas innumerables para complementar la pequeña de referencia que tenemos. Además de todo esto, tendremos las facilidades de una gran ciudad en la cual muchos de ustedes tienen ya amistades y donde de seguro conocerán personajes muy distinguidos de la política, de la vida

académica, de la administración y del mundo de los negocios que podrán enseñarles algo de interés. Habrán ustedes de notar por todas partes el intenso deseo de ayudarles y de hacer que su permanencia en este país sea agradable y fructífera.

Trataremos de ocupar buena parte del tiempo en los próximos seis meses en seminarios y reuniones de grupos más pequeños; pero no tenemos el deseo de superorganizar el trabajo y les dejaremos amplio tiempo para lecturas y estudios individuales.

Los seminarios se limitarán a un período de unas dos horas cada mañana, excepto lunes y viernes cuando habrá también reunión por la tarde. En total, hemos programado 120 reuniones de seminarios, divididos en 14 cursos breves, cada uno de ellos presidido por un miembro del personal del Instituto. Comenzaremos con una revista general de aquéllos que parecen ser los factores estratégicos del desarrollo, para dar una idea de la forma como el todo de una economía reacciona ante las fuerzas evolutivas. Discutiremos cómo las economías han ganado impulso en el pasado, qué es lo que es susceptible de ser desarrollado, quién gana con el desarrollo y quién lo desea y cómo puede medirse el ritmo del fomento. Examinaremos la experiencia de algunos países donde los cambios han sido particularmente dramáticos y trataremos de evaluar la experiencia de postguerra de los países subdesarrollados en contraste con la de los más avanzados. Trataremos de clasificar las magnitudes que son el centro del proceso general y mostraremos cómo un cambio ocurrido provoca cambios en otras partes.

También trataremos, en esta etapa inicial, de estudiar el mayor número posible de los problemas más difíciles, teóricos y de concepto, que es preciso afrontar para poder llegar a entender mejor ciertos temas más positivos que han de ser objeto de discusiones posteriores.

La segunda parte del curso, que se confunde hasta cierta parte con la primera; pero que nos tomará más tiempo, se referirá menos al movimiento de la economía en



general que a los efectos sobre la economía de ciertos sistemas en particular. Por ejemplo, se referirá a la forma como la política monetaria, la política comercial, la de intercambio, la de precios y la de inversiones pueden coordinarse en forma que aseguren que el crecimiento pueda ocurrir armónicamente y sin violentos cambios de curso que tan fácilmente resultan de la inflación, del déficit en la balanza de pagos o de superambiciosos programas de inversión, etc.

En el tercer grupo de reuniones, algunas de las cuales principiarán relativamente pronto a la vez que otras serán pospuestas hasta el final, se tratará de temas específicos tales como agricultura, manufactura, energía y transporte y de la técnica de preparar un programa de desarrollo económico en el cual las medidas para promover el crecimiento en cada uno de estos sectores pueden ser adecuadamente coordinadas. Este último grupo de reuniones que abarcará aproximadamente la mitad del curso total, tratará de proyectos más específicos que los otros dos grupos y en forma más positiva, refiriéndose con frecuencia a otros proyectos similares que han servido de experiencia en los últimos 10 años.

La responsabilidad de la conducción de las discusiones en cada uno de estos seminarios recaerá sobre su director quien habrá de distribuir antes de cada reunión un breve bosquejo que contenga algunos de los puntos principales a discutir. Sin embargo, no siempre preparará este bosquejo ni dirigirá necesariamente la discusión. De tiempo en tiempo, el tema será planteado por un experto del personal del Banco o de otra agencia de Washington o por una autoridad reconocida invitada especialmente para el caso. Cada uno de ustedes mismos dirigirá la discusión al menos en una oportunidad.

Después de las reuniones matinales del seminario, celebraremos breves reuniones de grupos más pequeños que penetrarán más a fondo en los problemas presentados en el seminario o que hayan de presentarse en la reunión próxima; o planearán o prepararán informes breves durante un período de varios meses. Estos informes

se referirán a asuntos de interés especial y los grupos que han de prepararlos contarán con la ayuda de un miembro del profesorado en calidad de consejero, pero no como director o redactor. Los informes, una vez preparados, serán debatidos en uno de los seminarios y, si se decide que tienen suficiente interés, podrán ser publicados.

Me he referido a oradores visitantes que concurren a las reuniones de los seminarios. De tiempo en tiempo -- tal vez una vez por semana -- hemos de invitar oradores de fuera del Banco, en general para reuniones vesperales, a las cuales concurrirán no sólo los alumnos sino también otros miembros del personal del Banco.

¿Qué podemos esperar que se aprenda como resultado de un curso de esta clase? A mi juicio, cuatro cosas: cierta noción de la interdependencia de los varios elementos que componen el sistema económico; una mejor perspectiva estadística; un entendimiento de los obstáculos administrativos; y un sentido del orden en el cual los problemas deben afrontarse.

La primera de éstas representa la peculiar contribución de la economía; cualquiera que se dedique a promover el desarrollo económico sin estar familiarizado con la ciencia económica, hará el papel de un explorador que se internara en la selva desprovisto de un mapa. Los economistas han dedicado mucho tiempo a hacer mapas y a leerlos; y aún si algunos de los mapas son extraños, o contienen puntos equivocados, pocos son los individuos adiestrados en el uso de los mapas de los economistas que hayan abandonado su empleo. Ellos muestran cómo están relacionados los varios componentes de una economía, con frecuencia en formas inesperadas, y cómo, si uno toma una cierta dirección, bien puede seguir una trocha que lo lleve bien lejos de su destino. Se da el caso de un gobierno que comienza a tener un déficit presupuestario y que se sorprende cuando las gentes se quejan de que empiece a subir el costo de vida. El sistema bancario da créditos liberalmente y

se sorprende de que se deteriore la balanza de pagos. El precio de las papas se reduce a la mitad y al cabo de pocos meses se forman colas de compradores de papas a cualquier precio. Estos son ejemplos elementales. Pero es sorprendente con cuanta frecuencia las consecuencias fácilmente previsibles de un acto de gobierno se mantienen ocultas porque no se ha entendido un principio económico elemental o, de habersele entendido, no se le ha tomado en serio.

El segundo propósito del curso, y no menos importante, es desarrollar la habilidad en el manejo de las estadísticas. Con ello no quiero expresar la habilidad de someter una masa de estadísticas a una elaborada manipulación matemática. Esta es una técnica especializada que no estamos calificados para enseñar y que toma mucho más de seis meses en aprenderse. Las prácticas estadísticas que deseamos que ustedes tengan son aquéllas que han de ayudarles a mirar una carta y sacar de ella al momento la información significativa para sus propósitos. Mucho puede aprenderse al comparar las cifras correspondientes a diferentes países; al observar el curso de las tasas del cambio en períodos largos; al familiarizarse con las cifras que se refieren a un cierto tema y adquirir un sentido de lo que es normal y creíble y de lo que es anormal y necesita comprobación.

El Profesor Kuznets ha hecho hincapié en que una de las grandes deficiencias de los países subdesarrollados es precisamente ese sentido de las cifras, el poder crítico de poner de lado las cifras que se apartan mucho de la experiencia lograda en otra parte, para confiar en ellas y sacar de indicios accidentales una impresión cumulativa de las verdaderas magnitudes. Podría agregar yo que ésta no es una deficiencia peculiar a los países subdesarrollados; pero que me ha impresionado fuertemente en todos los puestos administrativos que he desempeñado como la falta más común a muchos administradores en los países occidentales que por lo demás son funcionarios competentes. Yo no confío en que podremos hacer mucho para remediar deficiencias de esta clase en tan breve tiempo, pero ya lo creo que lo intentaremos.

Acaricio mayores esperanzas respecto del tercer punto, un mayor conocimiento de los obstáculos administrativos. Después de todo, los aquí presentes son administradores experimentados que han pasado largos años tratando de prever obstáculos y concibiendo la manera de evitarlos. No será para ustedes difícil entender de qué se trata cuando discutamos asuntos administrativos o al sacar de sus propias experiencias ejemplos de buenos y malos procedimientos administrativos. Por lo demás, la administración se presta para el análisis especial de cada caso y aun cuando sea difícil trazar reglas generales que cubran cada posible situación, es relativamente fácil hallar en ciertos casos los elementos que reaparecen con frecuencia en otros contextos. No es cierto en asuntos administrativos lo que Lord Keynes aseveraba una vez que era cierto en economía aplicada, que hay tan sólo una ventena de cuestiones que tienen importancia. Tampoco es cierto que uno puede convertirse en buen administrador como uno puede convertirse en buen economista, mediante sólo el estudio y la reflexión; quizá la mejor manera de llegar a ser un buen administrador es trabajando al servicio de uno que ya lo es. Pero es verdad que uno puede lograr grandes progresos escuchando a administradores de alto calibre cuando discuten en detalle una serie de casos típicos que requieren una decisión administrativa. También creo que sea cierto que es en extremo provechoso investigar errores y embrollos ocurridos, en vez de limitarse a estudiar ejemplos de buen sentido administrativo, porque los errores tienden a repetirse y los embrollos sólo se aclaran cuando ya se les ha reconocido como tales. Por tanto, trataremos de estudiar algunos casos que distan de ser modelos de buena administración en vez de poner siempre frente a ustedes proyectos (y en verdad los hay) no susceptibles de crítica alguna.

Es una buena regla de administración tratar de principiar por el principio. Pero también constituye un difícil problema -- uno que generalmente arreglan los políticos más bien que los administradores -- decidir qué debe hacerse primero en un país deseoso de desarrollar su economía.

Confiamos -- y éste es nuestro cuarto objetivo -- en que podremos ayudar a ustedes a obtener una visión más clara de las prioridades. No podremos decirles que deben preferir las escuelas a las plantas eléctricas o las factorías a las carreteras. Pero quizá podremos ver cómo se puede proceder cuando se presenten dos cursos de acción alternativos, y ver lo que la negligencia o la posposición de la acción puede costar en un momento dado. Ustedes tendrán oportunidad de estudiar la secuencia histórica de los eventos en países que han quemado ya las etapas iniciales del desarrollo económico, y juzgar cuál fué la contribución principal a ese desarrollo. Podrán adquirir una mejor comprensión de lo que en verdad impulsa hacia adelante una economía y cuáles son las magnitudes importantes para poder asignar adecuadamente los recursos.

Quisiera terminar diciendo algo acerca de la forma en que el Instituto tropieza con el trabajo del Banco y acerca de las bases sobre las cuales ustedes van a cooperar con el Banco.

Al organizar el Instituto, el Banco ha estado consciente de sus responsabilidades, que son tan importantes como su capacidad de proveer los medios que han financiado algunos de los importantes proyectos de desarrollo. El Banco Internacional no es sólo un banco, sino también una agencia establecida para promover los intereses comunes de sus miembros. Ha empleado métodos diversos para dar rápida ayuda al desarrollo económico en todo el mundo, dando préstamos, enviando misiones de estudio, proveyendo consejeros económicos y financieros, etc. El Instituto de Desarrollo Económico representa un esfuerzo más hacia el mismo fin.

El Banco en su calidad de agencia internacional no tiene que usar el autobombo ni tiene intereses nacionales o privados que promover. Puede considerar objetivamente el desarrollo económico y, al establecer el Instituto, nos ha dejado una total libertad académica para realizar nuestras investigaciones a dondequiera que ellas nos lleven y para sacar las conclusiones que, en nuestro criterio, resulten

de los hechos. Aun cuando no estamos adjuntos a una universidad, podremos dirigir el Instituto con toda la libertad intelectual que ha buscado la cátedra al través de la historia.

Y por ende el Instituto es una mera dependencia del Banco. Ustedes como participantes, y nosotros como sus profesores, estamos empeñados en una aventura cooperativa y confiamos en que ha de resultar ventajosa para todos. Como les escribí a ustedes en agosto, nosotros entendemos este curso como uno "en el cual todos hemos de contribuir en lo posible, como resultado de nuestra preparación, de nuestras lecturas y de nuestra experiencia. Algunos de nosotros se habrán detenido más a pensar en asuntos de principios generales, mientras que otros han tenido una experiencia más íntima y directa con los problemas concretos de uno o más países subdesarrollados; pero todos los participantes en el curso, tanto los provenientes del personal del Banco, como los funcionarios de un gobierno miembro, tenemos mucho que aprender acerca del proceso global del desarrollo, cómo varía de un país al otro, y qué medidas ya en uso han resultado acertadas. Queremos, por consiguiente, que ustedes trabajen en asoció con nosotros bajo nuestra dirección, no para tratar estos cursos como cosa unilateral, poniendo sobre la mesa una serie de verdades claramente establecidas conocidas de nosotros y desconocidas para ustedes. El Banco Internacional concede suma importancia a este proceso de educación mutua y espera que ha de ser provechoso para el Banco tanto como para ustedes y para los países miembros."

ECONOMIC DEVELOPMENT INSTITUTE

Oct 1, 1956  
Cairncross

Second Inaugural Address by the Director

The story is told of the late Lord Derby, a gentleman of ample proportions, that when he stepped on one of those machines that announce your weight by loud speaker, the machine cleared its throat with much whirring and creaking and finally pronounced the words: "One at a time, please!" This is an admirable injunction which has been followed with advantage by many celebrated personages. The maxim was obviously taken to heart, for example, by Adolf Hitler in his dealings with some of the smaller countries of Europe and neglected, with fatal consequences, in his dealings with some of the larger.

Unfortunately, not everyone is free to tackle his problems one at a time, and this is nowhere more true than in matters of economic development. Underdeveloped countries in particular are usually faced with the need to accomplish a whole series of transformations by simultaneous exertions in many different directions. Their religious beliefs, social values and economic attitudes, and the institutions in which all of these find expression, may be out of accord with the requirements of rapid growth; the techniques which they practice, and the knowledge and experience by which these techniques are governed, may lag far behind what they could usefully borrow; and the equipment and services at the disposal of their citizens may so frustrate individual enterprise and effort that development can gather no momentum. At the same time, to devise a comprehensive program of action within the power of the country to implement makes demands on human wisdom, leadership and administrative capacity vastly greater than the framing of policies to remove obstacles to growth one by one.

The same difficulties have long been familiar at the intellectual level, to those whose job it is to teach economic theory. No one but a genius masters economics in a single round. It is necessary to go over the ground several times, taking in the landmarks and letting the rest fall gradually into place, just as one usually does in finding one's way about a strange town. In time everything becomes familiar and obvious; but the first stages in learning are a series of reconnaissances in which the great difficulty is to recognize where anything is leading without already knowing where everything leads.

A third illustration, of more immediate interest to us here, is the birth of a new organization. This Institute is barely a year old; and during this formative period there has been no escape from the hard necessity of trying to do a great many things at once. We have had to face a host of problems before any one of them had been completely disposed of, and have been given an intimate view of the process of economic development without any need to step outside the Institute or, for that matter, without having to attend a single seminar inside it.

For example, we have been by no means free of those market limitations on growth that thwart the development of industry in many of the countries represented here. There is a narrow market in senior officials who are able to obtain release from their duties for six months at a time and who reach the standards of competence and administrative experience that we have laid down for ourselves. The market is particularly narrow in the very countries for which the Institute is specially designed to cater since it commonly happens that the weight of responsibility in those countries rests on a handful of capable men who can ill be spared, however much they may be deemed to require further training. Within the group eligible for nomination, many may lack the necessary facility in English, the intellectual curiosity, or the means to make provision for their families during their absence. These and other difficulties have limited the nominations received, particularly from Latin America and the Middle East.

Nevertheless, the interest shown by governments in the Institute has been very encouraging. They have put forward many excellent nominations for the first two courses and we have been able to maintain a high standard in the selection of participants. We have also been under some pressure to enter what I might describe as the "export" market and accept candidates from the more advanced countries who want to familiarize themselves with problems of economic development. Our first obligation, however, is to the "home" market - to those who are currently wrestling with those problems in the underdeveloped countries.

With a little of that marketing effort that comes almost as second nature to anything planted in American soil, we shall no doubt find that the market rapidly expands; our difficulty will soon be to limit entry to twenty-five candidates a year without giving offence to disappointed member governments. A new generation is in course of growing up in the underdeveloped countries from which it will eventually be much easier to recruit, but which at present still occupies subordinate posts and is below the limits of age that we have set ourselves.

The market has not only been relatively narrow but it has also, as commonly happens at an early stage of development, been extremely heterogeneous. Men rise more rapidly in one country than in another and there are, therefore, wide differences of age to be reckoned with. There are differences also in seniority and administrative experience. Above all, there are wide differences in background and interest. Some of you come from central banks where you are largely preoccupied with finance and monetary problems. Some of you are more concerned with the preparation and implementation of a development program. Others have been dealing with some one sector of the economy such as agriculture. All of you have a natural and overwhelming interest in the affairs of your own particular country and the affairs of other countries interest you, as a rule, only in so far as you see in them a reflection of your own immediate perplexities.



At one time, this very diversity appeared to me one of the main strengths of the Institute since it promised an exchange of experience between us all that could be of tremendous value. I am now inclined to take a more cautious view and to recognize that the task of the Institute becomes an extremely difficult one unless we can find a common element in our problems, a common point of departure, and common threads running through our diverse experience.

The development of the Institute has also presented us with serious production problems. These range from the apparently secondary, but in fact quite critical, business of finding suitable accommodation, to the major task of devising a curriculum and finding something worthy of study and discussion throughout the course. We spent almost as long in settling the right shape of table for you to sit at, the most satisfactory lighting and decoration for the rooms, the best way of making the front door stay shut, and so on as in deciding how many seminars there should be, how long they should last and what topics should be included or excluded.

The preparation of material for seminar meetings has been one of our main preoccupations. Much of the literature on economic development is by economists who make use of a high degree of abstraction, and who build up models and use concepts and terms that may be indispensable to precise reasoning but repel the layman anxious only to catch the drift of the argument and to see in what direction it leads. While there is no lack of reading material, therefore, much of it is unsuited to the requirements of this course. We have tried to sift out for each seminar meeting a few reading assignments that are illuminating, pointed and germane; these usually take the form of short articles and reports that can be read at a sitting rather than entire volumes. We have also thought it desirable to circulate before each seminar meeting a brief outline summarizing the argument to be presented or sketching the background against which the discussion should be conducted. These outlines to some extent represent work in progress since we hope that, once they have been thoroughly discussed in the Institute, some of them may be amended and elaborated for publication.

To marketing and production problems have been added others that equally beset development whether in a firm, a country or an organization like the Institute. We have been faced, for example, with a difficult staff problem. Not, of course, in the sense that any of my colleagues have been difficult or uncooperative: we could not have worked in greater harmony, or with more determination to make the Institute a success. But we started with a full-time staff of three only: and while this allowed us to preserve a close working relationship in which we could all keep in touch with each other's activities and views, it also involved us in a number of inconveniences and risks. Moreover, the Institute was in the unique position that every single member of its staff was due to

return, after a comparatively short period, to another post, either in the Bank or elsewhere. It stood in need of additional staff even if there were no increase in the number of participants, and the number was in fact expected to come close to doubling. Yet it was very hard to find men who simultaneously complied with the various requirements that we sought in a member of staff and were prepared to abandon their existing posts in order to join it. We may count ourselves fortunate in the way in which these difficulties have been resolved, and in the accession to the staff, one on a full-time basis and the other for a limited period, of two able and experienced economists from the underdeveloped countries. We have been fortunate also, looking a little further ahead, in finding a new Director who has had plenty of opportunity to observe how different governments grapple with the problem of economic development and who has had a distinguished career as commentator on the policies they have pursued.

To conclude the parallel with other forms of economic development, I should like to refer briefly to problems of research and finance. Like most people, we appreciate the importance of research and, again like most people, we have an uneasy feeling that we have neglected it. In some ways, this is inevitable, since we start with an acute consciousness of our own ignorance and the strong conviction, implanted in us by professional training, that if only we had time to examine the record of economic development more carefully, we should not only discover truths of intellectual importance but should also be able to direct your thinking and the thinking of other people towards conclusions of great practical importance. We have been asked again and again for any pamphlets, articles or books that have emerged from our studies here and have had to give the rather lame reply that we have as yet nothing worthy of publication. It would be quite wrong, however, if we used our output of printed material as a measure of the research effort that we have made. For the truth is that almost the whole of our work here represents a cooperative venture in research: a scrutiny of all that is known about economic development in an endeavor to apply that knowledge to practical purposes. The papers that we shall circulate to you, and the talks to which you will listen, are a kind of interim report which you can help us to amend and improve.

I have left finance to the end because in our case, as in the case of many organizations and countries, it is far from being the principal obstacle to development. You should be in no doubt, however, that the Institute is quite a costly affair and that, apart altogether from the contribution made by your governments, the Bank and the two Foundations sponsoring the experiment have to put up a total of some \$10,000 for each participant in one of our courses. Even so, the arrangements are by no means lavish, and in some countries where official duties are not the sole source of income, attendance at the Institute would involve a man in some financial sacrifice.

Now that our first course is over, and we have had time to reflect on its shortcomings, we have been able to make changes step by step so as to achieve a better solution to our various problems. We have transformed the Institute from a place where all the participants are housed into a center for study, recreation and social activity. Given the dimensions of the house, we should have been obliged in any event to ask the great majority of you to live elsewhere; and we have decided that it is better to free the whole of the building for non-residential uses.

The curriculum has also been completely revamped. We shall have fewer meetings and fewer guest speakers. More of the meetings will be given up to discussion in small groups. The sequence of courses will be altered and the courses will be less comprehensive. These changes are designed to free your time, to allow the staff to see more of you individually, to allow you to digest more fully what you learn, to let you concentrate on a narrower range of key problems, and to permit a more even and more intensive discussion of those problems.

I shall not enlarge on these changes since they are discussed at some length in my report to the Directors of the Bank and you all have copies of this report. You will see that we are proceeding empirically and learning as we go along. But however empirical we are, we have to know where we are going, what we are trying to do and how we propose to do it. My colleagues and I have thought hard about these matters during the past year and we have consulted many different people with experience of one or other of our problems. We have talked to men who conduct courses in management for senior business executives; to men who are in charge of technical training courses that involve bringing fairly senior men to the United States from underdeveloped countries; to instructors attached to staff colleges; to university professors who run special courses in economic development aimed mainly or exclusively at officials and others from underdeveloped countries. It is astonishing how often their problems coincide with ours. Yet none of them has precisely the same objectives as we have.

Our approach, for example, is not that of a university which, at the undergraduate level, seeks to implant habits of intellectual discipline and systematic generalization, and, at the graduate level, is concerned with scholarship, research capacity and contributions to knowledge. We do not conduct a post-graduate seminar, nor even a post-postgraduate seminar. On the other hand, there are elements of theory in the course that distinguish it from some forms of staff college and business management training where reliance is placed almost exclusively on the discussion of concrete cases. While there is no specific technique in which we are trying to instruct you, all that we have to say bears on a quite definite and recognizable range of problems which fall within the sphere of competence of one or more of you. I draw your attention also to the fact that the course extends over a period that

is twice as long as the longest course for senior business executives known to me (in the United States, at least). While it is shorter than the courses offered at the Industrial War College in Washington, the men attending these courses are expected to move their homes to Washington for the period of the course. Moreover they are drawn, as are the vast majority of those attending management courses, from a single country and have a far more homogeneous background than are officials drawn from the ends of the earth.

While facilities at the Institute have something in common with the other facilities to which I have referred, they are really quite unique. The curriculum borrows heavily from academic economists and some of it might well form part of a university course. It also includes elements that might well figure in management courses. But equally there are differences in the kind of people taking part; in the teaching methods employed; in the range and variety of speakers in the curriculum; and above all, in the fundamental objectives.

Before I submit to you my own view of these objectives, let me dispose of some preconceptions of our aims and functions which you may have formed. You may be tempted to regard the Institute as an elaborate consulting room in which you can recount any symptoms of economic ill health in your own country and be handed down an authoritative prescription from the Bank's pharmacopeia. Let me disabuse any of you who have such expectations. We do not deal in prescriptions. We recognize that there may be several different ways of pushing forward development and that it is difficult, and often impossible, to make a choice without full knowledge of the circumstances. Even if the Bank, or some member of the Bank's staff, has given a general blessing to some particular expedient, be it a development bank, an investment program or a public corporation, we are under no compulsion to endorse that expedient as appropriate in every country and every case. We think it important that you should draw your own conclusions, learn where to go for evidence and how to assess it, and see how one expedient may become preferable to another as circumstances alter.

You may also look on the course as a means of prosecuting advanced study, and feel some impatience with elements in the curriculum that do not cater for your special interests. There is no reason why you should not profit from your stay in Washington to improve your knowledge of matters within your present field of responsibility. But I hope that you do not come to feel that other parts of the course are a mere distraction and try to avoid discussions in which you feel disqualified from participating. For the course is not intended for specialists; there are already other arrangements for bringing to the United States high-level officials who want to pursue a special field of inquiry, and there is no need to duplicate those arrangements in the Institute. Nor is the course designed to let everyone taking part suit his own convenience or work exclusively on individual assignments. The course, to stress the obvious, is, after all, a course. There is a common,

compulsory element as well as an individual, optional element; and the first bulks far more largely than the second. Moreover the optional element is designed to reduce the inequality and unevenness that arise from the big differences between participants quite as much as to allow fuller play to the personal preferences and interests of each.

Education is a subtle and often painful process in which what is learnt is rarely what is taught. We recognize that if we set out to teach you, we are not likely to be more successful than the average teacher, and we shall not even be able to test and measure our success. If we set out, however, to accelerate the learning process, we may have better grounds for satisfaction. The first requisite in this process is a certain humility - a readiness to recognize that we all know very little about anything, and that other people may know more than we do, or may have something new to say, even on matters that we regard as our peculiar province. We must also be willing to confess ignorance - a rare and difficult exercise in humility. The usual method of stimulating such confession is by conducting regular written examinations and it has often been suggested to us that we should employ this method, specifically for the purpose of demonstrating to you how much you don't know that you ought to know. We do not propose to accept this suggestion; but there is obviously a real danger in a course of this kind of complacency on your part and ours, of one half-understood exposition succeeding another, and of your completing the course with no injury to your pride but no gain to your understanding.

When we ask you to put down something in writing on any subject, you may feel little enthusiasm and protest that the writing of minutes and memoranda is a normal bureaucratic activity with which you are already entirely familiar. On the same grounds, you may resist, consciously or unconsciously, most assignments that we offer you. You have all been members of government committees, acted as chairmen of meetings, prepared reports on projects, advised on action to be taken. But you may still need training in each of these activities; and you make a great mistake if you imagine that your studies here are a kind of tonic, to be taken in isolation from the rest of your daily diet, and yet capable of making you twice the man you were. A training in economic management necessarily includes some training in setting out conclusions and putting them across, as well as in reaching conclusions that make economic sense. For this reason, we shall invite each of you to undertake various tasks involving the setting out of your views in writing, leading a discussion or debate, summarizing a seminar or group discussion, and so on.

You may also feel distressed by what you regard as a somewhat theoretical approach to economic development and hanker after a more practical and down-to-earth treatment. It is natural to expect us to single out the common problems of underdeveloped countries and demonstrate the general lines along which a solution can be found. But

if your expectation springs from a desire to be shown exactly how to proceed in the local circumstances of your own country, you are thrusting on us pretensions that I have already disclaimed. If, on the other hand, it springs from the hope of arriving at generalizations from past experience and general solutions of wide applicability, it is tantamount to an appeal, not for less theory, but for more. Moreover, it takes for granted that a discussion of economic problems in the context of some individual country will engage the interest of all of you, however diverse your backgrounds and preoccupations. But our experience of the first course left us in some doubt whether this was in fact true. There was considerable reluctance to pursue case studies in which the issues could not be easily divorced from their local context and in which a mass of detail had first to be assimilated before they could profitably be discussed. The best case studies from our point of view appeared to be those that gave point and color to propositions that would otherwise have been abstract or platitudinous, or that lent themselves to debate on general issues, or that allowed us to introduce speakers who had something worthwhile to say about their own experience of underdeveloped countries. Where only limited generalizations are possible, theory is out of place and a study of cases is very much in place; but as soon as one can generalize freely, it is the generalizations that people want to master and these generalizations rapidly assume the character of theory.

What is our own view of our aims and functions? According to the booklet describing the Institute, the course is "designed to give the participants a broad perspective of the problems of economic development and to increase their effectiveness in carrying out their responsibilities." We lay emphasis first on a "broader perspective." We think it important that you should see the bearing of economic policies on all parts of your economy and that you should appreciate, not just what your own department is trying to accomplish but the role of other departments and of agencies outside government, including private firms and enterprises. You should realize more fully what is involved in any course of action and be able to assess the more remote as well as the immediate consequences.

It is for this reason that the staff consists largely of men trained in economics. Economists cannot tell you what you should try to do; but they can advise you what to expect if you try to do this or that and can bring to your attention ways of achieving your goals that may have escaped you. Those who study applied economics in the hope of finding cut and dried answers to dilemmas of policy are usually disappointed; economists hedge their conclusions freely with provisos and reservations until the conclusions become hurred and inconclusive. But there are at least three things that economics can inculcate and all three are of great practical importance to those whose sphere of action is an entire economy. First of all, there is the habit of thinking of many variables simultaneously; the power to perceive interconnections and interdependencies that escape the casual student of affairs; the ability to

gain a panoramic view of the movement of the whole economy. Secondly, flowing from this, is the habit of measuring the attractiveness of any course of action in terms of alternatives; the economist, generally correctly, sometimes wrongly, is trained to think of decision-making in terms of choice, and to weigh the superior merits of one decision in terms of its net advantages over the best alternative. Thirdly, the focus of interest is usually in flows and rates of flow and in margins rather than in averages; the economist is, therefore, on the lookout for statistical magnitudes different from those that occupy the layman, and his handling of statistics and information and quantitative form shows a different finesse. While the course is far from being one in economics, we attach importance, on all three grounds, to ensuring that you have at least an elementary acquaintance with economic analysis.

You should also be able to gain a broader perspective by the opportunities that you will have of listening to experts in many different fields, often on subjects with which you are imperfectly acquainted. It is a common experience that when you find an expert with the gift of clear exposition, you not only see for the first time what his subject is about but you are left, temporarily at least, with the impression that you have mastered it. Certainly the essentials of most subjects are astonishingly simple; but because of modern specialization, the average administrator stands greatly in awe of those who can lay claim to expertise. I hope that you will gain from this course greater self-confidence in your approach to technical experts, without, however, carrying this to the point where you begin to teach them their own business.

Lack of knowledge of technical matters is one of the major weaknesses of those who have to formulate and carry out programs of economic development; and we have, therefore, made it our business to include in the course some training in economic technology, particularly those elements in technology that relate to the construction and operation of large projects. We shall have a good deal to say about the economics of power and transport, for example, and about the considerations, economic and technical, governing the selection of power and transport projects. If there are rules of thumb which will help you to decide whether a project is likely to be worthwhile, we shall draw your attention to them. We shall try to show you the kind of calculations that you should make and the kind of alternatives that you should consider.

This brings me to what is, I think, the core of the matter. Development is a process that can be understood and directed only by a combination of talents and disciplines. Economics may govern the strategy but it has to be united with some grasp of technology and some insight into administration. These three disciplines are far from exhausting the list, particularly where religion, politics and social customs may supply the drive or block the way. But it represents at least a considerable

advance to know enough of the three that I have listed to be able to bring them to bear on the larger proposals for industrial and agricultural development. It is precisely this advance that we hope that you will be able to make during your stay at the Institute.

During the first course there was some surprise that when we made our field trips we seemed to spend much of our time in industrial establishments, at power plants, and so on. This surprise was combined with some disappointment that many of those plants turned out to be far larger than any corresponding plant in the underdeveloped countries. We found ourselves looking at the largest steel plant in the world, or the biggest thermal plant for the generation of electric power, or the highest dam this side of the Mississippi, until many of the participants concluded that it was all part of a plan to dishearten them and demonstrate the impossibility of development. But when we showed them something on a scale more familiar to them, they tended to be just as puzzled that it should be thought worthy of their attention because they already had plants of that kind, often, in their view, more efficiently organized. The object of those visits was not to impress or discourage. It was to bring home some of the technological considerations that are relevant to the selection of industrial projects and to show how much there is in common between the problems of management in large-scale industry and the problems of economic management in a country undergoing industrialization. We want to furnish you with opportunities of studying the interaction of economic, technological and administrative factors in American industry; we think that such opportunities are valuable and that they should form an integral part of the course.

When we drew up our first curriculum we were at some pains not to employ in it the word "planning" since we wanted to avoid misunderstanding, and few words are so productive of it. We have now decided, however, that it will be easier for you to catch the drift of the course if we make development plans our point of departure, and go on to show that, while there are many different kinds of development plan, all of them require an understanding of fiscal policy and monetary policy and all the other constituent parts of the present course. We begin by examining what a development program is, the various aspects of it, how it works in selected cases, and the limitations to which it is subject. Then we go on to discuss the policies that give effect to a program, for example in financing it, in preventing inflation, in keeping foreign trade in balance and so on. In the second part of the course we study the component elements of the program in agricultural and industrial development and the concrete problems that such development encounters. We cover very much the same ground as in our first curriculum but in a different order; and although we shall talk a great deal about planning, the course is still not intended as a training in planning but is more adequately described as a review of economic policy for those whose task it is to frame and administer it.



Here I return to the theme from which I started: that the tasks confronting the Institute have much in common with the tasks confronting your countries. We, too, have to plan; but, as with all plans, we can foresee the future only imperfectly and must leave room for contingencies. We cannot tell what you will think of our curriculum until we are well launched on it, just as you cannot be sure what response your plans will meet with until they are put into action. We have to be ready to make changes and not be mesmerized by earlier decisions based on what may prove to be false premises. We have to plan, not for this year only, but for later years as well, just as you must shape your plans with an eye on their long-range effects and not merely on their immediate usefulness. Above all, we have to train ourselves in the habits of mind that good planning requires. It is just such a training that many of you hope to derive from this course. But you are not alone in submitting yourselves to this training; for we, too, as one course succeeds another, must submit to learn from each how we should plan for the next. You may count the course a failure if you do not learn something from us; we shall certainly be very disappointed if we do not learn from you.

A. K. CAIRNCROSS  
Director

Washington, D.C.  
October 1, 1956

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THE SHORT TERM  
AND THE LONG IN  
ECONOMIC  
PLANNING

*Alexander K. Cairncross*



ECONOMIC DEVELOPMENT INSTITUTE  
Washington, D. C.

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*Tenth Anniversary Lecture,  
by Alexander K. Cairncross,  
Head of the United Kingdom  
Government Economic Service,  
January 6, 1966.*

ECONOMIC DEVELOPMENT INSTITUTE  
Washington, D.C.

## *PREFACE*

The Economic Development Institute of the World Bank is a staff college offering courses to officials of ministries, government agencies and other institutions concerned with development plans and development activities. It was established ten years ago when Mr. A. K. Cairncross, then Professor of Applied Economics at the University of Glasgow, became its first Director. On the occasion of the tenth anniversary of the Institute, Professor Cairncross, now head of the United Kingdom Government Economic Service, was invited by the World Bank to return to Washington to give a public lecture on a subject of his own choice. In his lecture on "The Short Term and the Long in Economic Planning" Professor Cairncross deals with a subject of particular interest to practitioners and students of the applied art of economic development, in line with the objectives of the Economic Development Institute.

Professor Edward S. Mason, Lamont University Professor of Harvard University, who introduced Professor Cairncross made the following remarks about the activities of the Economic Development Institute and its accomplishments:

" . . . the primary responsibility for development rests squarely on the shoulders of the aid-receiving countries themselves. If this responsibility is to be exercised it is essential that adequate training be provided for those in responsible positions and the EDI has done its share, and more than its share, to make effective training possible. In the 10 years of its existence some 530 government officials from 97 countries and territories have attended the courses of the

Institute and of these a respectable number have moved into top positions as ministers of finance, directors of planning commissions, presidents of development corporations and investment banks, and into other posts associated with development programs and policies. Such training constitutes the highest order of technical assistance and, as was anticipated at the time the EDI was initiated, its alumni have not only made a first rate contribution to the welfare of their own countries but have also significantly aided the work of the Bank around the world."

Much of the credit for these results must go to Professor Cairncross who was in charge of the Institute in its early phases, during which a teaching curriculum was evolved reflecting the experience of the World Bank with a variety of practical development problems.

The purpose of this publication is to make Professor Cairncross' lecture available to a wider audience.

John H. Adler  
Director  
Economic Development Institute

ON 10TH JANUARY, 1956 the Economic Development Institute was launched, quite literally, with a splash. The previous evening, one of the participants in the first course at the Institute arrived late, rather tired, and decided to have a bath and go to bed. Unfortunately he forgot to turn off the bath water, which in due course found its way through the ceiling on to the beautiful new carpet that had been laid for the opening ceremony.

Dampening though this was, it did not delay the proceedings. But it was not only the bath water that dripped through. A large invited audience arrived in instalments throughout the delivery of the inaugural address by the Director because it happened to be one of those winter days in Washington when a little ice here and there throws the traffic into utter confusion. Thus although it was heartening to see the audience grow rather than melt away, it was impossible not to reflect, as newcomers dropped in all the way to the final paragraph, on the obstacles to development—in this case the development of a theme—that persist even in advanced societies and on how much, momentarily at least, the Institute had in common with a cinema.

Apart from the need for a continuous performance when there is a message to be got across, the events of the morning pointed a number of salutary morals. One was that interest in economic development tends to increase rather than to decline. Then there was the obvious fact that plans are apt to go awry and that one must exercise constant vigilance to adapt them to new circumstances. But above all, the cold water poured on the Institute by one of its own participants prompted the reflection that it might not be a bad way of studying economic growth to look at it in the light of the Institute's own experience, the impulses that made it grow and the obstacles that it had to overcome in doing so.

From this point of view the last ten years have been immensely encouraging. The Institute is now firmly established and its activities have developed in many different directions. All over the world one meets Fellows

of the Institute who carry increasing responsibility in the administration of their countries. The collective knowledge and experience of those who have studied or taught at the Institute must by now be enormous and should make it easier not only to carry out the practical tasks of development but to investigate the outstanding characteristics of the process of development itself.

In the presence of that accumulated knowledge and experience I feel rather like a first year undergraduate called upon to address the Faculty. It would be possible for me, in the brash way that undergraduates have, to prescribe for all and sundry, and propound the lines along which the Institute ought to develop over, say, the next ten years. But it has been borne in on me before now that there is a limit to the advice that can be usefully offered from outside, that the ideas with which one starts off are progressively modified through contact with the hard facts governing the growth of institutions (just as much as economies), and that to trace the inner logic of that growth and fathom the real alternatives of policy needs very careful study of past experience, current resources and future opportunities. Living at a distance of several thousand miles from the Institute and absorbed by other duties, I am not equipped to speculate on its future and am happy to content myself with a tribute to its past. On this anniversary to celebrate its emergence from infancy, I am delighted to have been summoned back from outer darkness although I should have preferred, in my capacity of Chief Ghost, to have confined my share in the proceedings to a walking-on part.

THE FIRST THING that those who attended courses at the Economic Development Institute ten years ago wanted to hear about was how to set about preparing a development programme. Their interest lay not in economic theory nor even in specific problems in applied economics, but in an area of discussion where there are few good textbooks—the administration of economic

policy. I thought, therefore, that I might select for my theme today a topic falling within this area. What I propose to do is to consider the relationship between the short term and the long in economic planning. I shall deal with a number of problems that are posed by this relationship. For example, what limitations on long-term planning does the need to make short-term adjustments impose? And conversely what limitations on short-term policy are necessary in order to take account of long-term trends and plans? What administrative machinery is calculated to secure the right balance between long-term and short-term considerations? What division of responsibility between departments is desirable in order to marry short-term and long-term planning effectively?

Let me begin by reminding you that the idea of planning an economy, irrespective of motive and time-horizon, is of comparatively recent origin. Short-term economic planning to maintain full employment and prevent fluctuations in the level of activity is largely a post-war development. This kind of planning has been associated with the use of budgetary and monetary weapons and the time-horizon rarely extends beyond about one year. The budget, which in most countries is the principal instrument employed, was not originally a tool of economic management at all but rather a means of keeping public receipts and outgoings in an appropriate relationship to one another judged by exclusively financial criteria. Long-term plans prepared by governments with the object of bringing about a systematic transformation of an economy by changes in its economic structure, and with an eye to speeding up the rate of growth of output, are also a post-war development (leaving the special case of the U.S.S.R. out of account).

But it ought not to be necessary for me to remind you here in Washington that every administration has to weigh up short-term and long-term considerations and that it is not infrequent for one agency to be entrusted with responsibilities centering on the preservation of

equilibrium while another agency is charged with responsibilities for promoting development over time. The most obvious example on the international plane is the existence of the International Monetary Fund alongside the International Bank for Reconstruction and Development. But in many other countries the same dichotomy exists in a different form, with the Ministry of Finance co-ordinating policy on a short-term basis while long-term policy is co-ordinated through a Planning Commission or a Ministry of Planning.

Ten years ago there was no doubt that in the less developed countries long-term planning was in the forefront while in the more industrialised countries what I have described as short-term economic planning dominated policy. Why was this? And why is it that there have been shifts in both sets of countries towards a more balanced approach?

The answer seems to me to lie in the state of economic theory, the nature of the planning process itself, the peculiarities of the less developed countries, and the respective dividends that the two sets of countries expected to enjoy from improvements in planning of one kind or the other. Let me take these in turn.

Economists devoted a great deal of time before the war to the analysis of economic disequilibrium and had developed concepts and policy prescriptions appropriate to coping with disequilibrating forces. It is true that they did not visualise the persistence of inflationary disequilibrium and were thinking more in terms of conspicuous and sustained departures from full employment. But as soon as economic stability was accepted as a definite aim to which short-term policy should be directed, a whole apparatus of thought was ready to hand to guide policy in the selection and use of stabilising techniques.

**L**ONG-TERM PLANNING was in an entirely different situation. The purpose of long-term planning was obscure and it was rarely thought of as promoting faster

growth. On the contrary, it was usually associated with the use of dictatorial powers in the U.S.S.R. or in Germany without much regard to consumer welfare, or with war-time controls that no one wished to perpetuate, or (at best) with programmes of recovery designed to ensure that moneys advanced or borrowed from abroad would be used to good advantage. Even when the ideas of planning and growth became firmly associated with one another there was no theory of economic growth on which development planning could rest. Ten years ago almost the only contribution to development planning that economists had made was the popular doctrine that faster growth required higher investment and that planning ought therefore to concentrate on raising the level of investment. If anything, the doctrine is even more popular today. But it is doubtful doctrine and far from an adequate theory for policy purposes. If you make higher investment your watchword—even higher “productive” investment, whatever that is—you may do little to accelerate growth and may even slow it down; and if you want higher investment, planning is not necessarily the best way of getting it.

Thus whereas short-term policy rested on a definite aim, developed concepts and familiar techniques, long-term policy had no such firm foundation. The idea of growth was slow in acquiring a central importance and the role of the government in promoting growth remains a matter of controversy. Although the preparation of growth models became itself something of a growth industry, economists did not develop a coherent theory of growth capable of translation into policy measures, nor did they provide an intelligible account (except in terms of higher investment) of the role of planning in the formulation of such measures. The preparation of development plans was accepted as natural in countries incurring foreign debt or receiving foreign aid but was not usually justified in terms of faster growth. This in itself meant that planning fell out of favour in industrial countries when the Marshall Plan came to an end but

that it continued in favour in the less developed countries to which foreign aid flowed on an increasing scale.

There is, secondly, the simple fact that the people who plan most successfully are not necessarily the people who issue most plans. Industrial countries all engage in some form of short-term planning: but how many of them issue short-term plans setting out how they expect demand and output to develop over, say the next year? Many of them profess not to engage in long-term planning: but they all issue budgets in which may be concealed commitments stretching over several years and an effort to plan ahead indistinguishable from that underlying many published plans. Budgets bring into existence an elaborate planning machine that is kept constantly in play because fresh decisions about expenditure and revenue have to be made more or less continuously throughout the year.

Budgets also happen to be an almost ideal instrument for co-ordinating short-term and long-term policy. The value of the budget as a short-term regulator has been increasingly recognised in industrial countries and its importance in this role has grown the more they have abandoned the use of administrative controls or become sceptical of the effectiveness of monetary policy by itself to counter inflation. But although the budget has traditionally a rather short-term orientation it is also capable of being used to promote long-term growth and public expenditure in particular has to be viewed against a fairly long time-horizon. The existence of a highly developed budgetary apparatus and its evolution into an instrument of long-term planning has been one of the most powerful reasons why industrial countries have been slow to create separate machinery for the preparation of long-term plans.

**I**N THE LESS DEVELOPED countries the budget normally plays a subsidiary role in planning both short-term and long-term and the administrative machine is less well

adopted to successful short-term economic co-ordination involving frequent changes of policy. Very often the necessary information is simply not available for assessing the state of the economy at frequent intervals and deciding what to do. Long-term plans are much easier to prepare because the process can be spread over a longer period of time and because the intervals at which long-term plans are likely to be altered are almost certain to exceed the intervals between short-term adjustments.

One could, of course, put forward a rather different explanation of the emphasis on long-term plans, although I am in no position to judge what foundation in fact it may have. For young mandarins who have recently returned from the universities of the West, initiated into the abracadabra of input-output analysis, linear programming and other mysteries, the preparation of long-term plans is a very beguiling operation, and one full of intellectual challenge even when the practical outcome may be highly obscure. On the other hand, the short-term management of an economy that is subject to rapid changes in circumstances offers harsher and more restricted choices with little scope for subtlety. Economists have spent a great deal of time analysing the long-term inter-relationships between different parts of an economy and given far less thought to short-term relationships whose operation in many economies escapes statistical measurement and in all economies had to be guessed at until comparatively recently. The preparation of a long-term plan, viewed as a kind of statistical massage rather than as a way of ensuring co-ordinated action, is also a much safer occupation than short-term economic planning because there is plenty of time for the plan to be changed or for the public to forget before the calculations and forecasts in the plan are put to the test.

There are, thirdly, differences springing from the special circumstances of most of the less developed countries. They are highly vulnerable to forces that they cannot control in the short term: agricultural output, which forms a large part of their national income, is subject to



wide fluctuations because of weather conditions on the one hand and changes in world prices on the other. Whether one looks at the balance of payments, at the instruments of monetary policy, at rationing and other controls, or even at the Budget itself, one has to recognise again and again that large changes may occur which the governments of these countries cannot effectively counter in a short period of time.

ON THE OTHER HAND, the importance of government action designed to promote long-term growth is bound to seem far greater to such countries. They are conscious of the need to make large structural adjustments such as seem to them unlikely to arise as the result of the unaided workings of market forces. They recognise that their economy is in need of a major transformation and that it makes sense to try to visualise the different elements in this transformation in relation to one another by drawing up a development plan. The more industrialised countries, however much they may feel in need of modernisation, rarely feel so strongly the compulsion to bring about major structural changes within a comparatively limited period of time.

Largely for this reason the less developed countries have a strong incentive to concentrate on long-term development plans. The dividends that they expect from such plans—and certainly from economic growth, however secured—are bound to seem large in relation to the dividends from any greater degree of economic stability that they could secure through their own efforts. The industrialised countries, by contrast, have been conscious throughout most of the past half century of the enormous loss that might be inflicted on them through failure to maintain short-term economic stability. Their attention, therefore, has been drawn to the problems that this raises and to the ways in which such losses could be avoided by better short-term economic management. It is only as the dangers of economic instability have receded that attention has begun to be focussed on economic growth and

on the possibility that government policy might be able to accelerate it. An extra 1 per cent per annum may be hardly worth bothering about when the national income is liable to fall by 5 or 10 per cent in a single year; but if variations in the national income can be kept down to 3 or 4 per cent per annum (in relation to trend) it is no longer possible to treat a cumulative gain of 1 per cent every year as a subsidiary matter.

I doubt, however, whether this is the main reason for the renewed interest of the industrialized countries in planning. A more powerful factor has been the expansion of the public sector and of the influence of the central government on the whole economy. The more public expenditure grows, the more necessary it becomes to look at it, not year by year but in relation to longer-term trends, and not item by item, but as part of an aggregate for which the government has to raise the money. It is also necessary to foresee what will be involved in financing this aggregate over a period of years and how far the private sector is likely to be able to keep in step. Public expenditure has to be planned over a period of years, first in order to get the make-up "right" in relation to social priorities and then in order to get the total "right" in relation to the parallel growth in GNP. There are also a whole series of interconnections between the constituent parts that it is important to establish and preserve: for example, in order to ensure that there are new schools to match the growth in the school population, teachers for the schools when they are built, colleges in which to train the teachers, and so on. The motives for planning public expenditure must be at least as strong as the motives of any large firm in planning for expansion.

But in fact they are much stronger. The interconnections are not all within the public sector but between it and the private sector. For one thing, the private sector has to provide a great deal of the money. For another, the private sector cannot engage in forward planning without making assumptions about the evolution of government policy and developments in the public sector.

Similarly, it is difficult for the government to avoid making some long-range forecast of the way the private sector will grow and natural to go onto frame policies for the whole economy on the basis of this long-term assessment. These policies are already a plan in embryo.

ON TOP OF ALL THIS comes the strong tendency in the modern State towards centralisation. The more pervasive the influence of the central government, the greater the urge to give coherence to that influence in some form of planning. Where central planning has a bad name it is all too often because centralisation of power and influence has a bad name. The central government may be disinclined to use its influence to the full because it is conscious of the dangers. But its scruples have generally been overridden by desperation—the desperation of war, or depression, or, nowadays, disappointingly slow growth. In the industrial countries, the vogue for planning is greatest where there is a combination of strong central government and a deep anxiety to grow faster. It is hardly necessary to add that both of these are also characteristic of many underdeveloped countries.

If the industrialised countries have become more aware of the possibilities of long-term planning it is perhaps time for the less developed countries to consider whether a more deliberate attempt might not be made to improve short-term planning. They cannot and certainly do not escape sudden pressures that take them unawares and force on them decisions only dimly related to their long-term plans. These decisions are taken by different agencies and departments, sometimes in a remarkably unco-ordinated way. The departments in charge of expenditure programmes, foreign aid, taxation, import controls, exchange restrictions, monetary policy, regional policy (if there is one) and all the other aspects of general economic and financial policy, often give the impression of being at sixes and sevens, taking defensive action or fresh initiatives without any apparent regard to

the line of policy still pursued elsewhere. Apart altogether from what might be done to bring such action into closer relationship with long-term development plans, there is need for a more wholehearted effort of planning current policy-making. This means putting more administrative time and energy into short-term forecasting, improving the information on which it is based, devising machinery for proper consultation between the key agencies and departments, keeping abreast of ideas and practices elsewhere in grappling with the problem of economic co-ordination, and devoting to the whole business a larger share of the administrative talent and skilled economic advice at the disposal of the government.

I SHOULD NOW like to turn to the first of the questions which I undertook to discuss. What are the mutual limitations imposed on long and short-term planning when they have to be carried on simultaneously?

Although this is how I originally formulated the question in preparing this address, it is not how I was inclined to put it once I had drafted it. It now seems to me that it is not the length of the time-horizon that distinguishes one kind of planning from the other. All planning for the future must extend over a period relevant to the problem to be solved; and how short-term and long-term considerations are reconciled within that period depends on the specific problem under discussion rather than on rules of general application. If one is planning transport or power or educational facilities there is no escape from a very long time-horizon although at any point in time one must make the best of the facilities that exist. On the other hand, if one is planning the future level of employment one has to take a short time-horizon although at any point in time one may want to know the underlying trend in the size of the working population. It is the fact that these time-horizons are different that gives rise to the conflict between short-term and long-term planning. The measures taken to preserve a steady level of employment are only too likely to conflict with measures

to give effect to a long-term plan for the development of the transport system, power supplies or education.

The really critical distinction, as I now see it, is between planning approached as a matter of demand management and planning that takes the form of an effort to influence supply directly. The first focuses on the regulation of demand within the framework of an existing set of supply responses while the second is concerned with structural changes in the social and economic framework itself. The distinction between the two broadly corresponds to the economic distinction between the short period and the long. In the short period demand is subject to much larger fluctuations than supply and, within the limits set by full employment, governs supply. In the long period, the growth of the economy, except in conditions of chronic depression, is governed by the capacity to produce or, in other words, by supply.

The objectives of the two forms of planning coincide roughly with the classical aims of stability (of demand) and growth (of productive capacity), and it is the conflict between those objectives that underlies the conflict between the short term and the long. In an economy where governmental planning was confined to demand management and no effort was made to influence supply except through the regulation of demand, there would be no fundamental difference between short-term and long-term planning. The same kind of calculations would fall to be made in each, the same kind of staff could undertake both, and the co-ordination of economic policy would rest unmistakably with a single governmental agency, presumably the Ministry of Finance. On the equally extreme assumption that planning was directed solely to bringing about structural changes in supply conditions (for example, mobilisation for war, or organising for rapid industrialisation) and that demand could be neglected or forced into line by shortages, inflation, or—at a pinch—higher taxes, the co-ordination of economic policy would again be greatly simplified and could be entrusted to a single agency on the model of

Gosplan. I am not suggesting that there would be no conflicts between the short run and the long, for this would be absurd. The point is rather that there would be none of the special obstacles to effective co-ordination that arise from the need to consider demand and supply relationships simultaneously—usually in separate departments of government.

THE CONFLICT BETWEEN short-run and long-run considerations is essentially a conflict of aims. In plans for a short period such as a year the principal aim is to see to it that no more is undertaken than can be carried out, or alternatively, that enough is put in hand to make the fullest possible use of available resources. Where a long period is taken—four years or more—the principal aim is different: it is to add to available resources and increase the productive potential of the economy by a stated amount and to bring about various “structural” changes calculated to sustain further growth. The contrast, to repeat, is between planning the use of existing capacity and planning the enlargement of that capacity, with stability the principal aim of the first and growth the object of the second.

I am not concerned, of course, with the extent to which these aims are achieved. There are plenty of sceptics who think that national economic planning makes for less stability not more and slower growth not faster; and there are others who are enthusiastic about short-term and hostile to long-term planning—or, sometimes, the other way round. My concern is with the aims themselves and the extent to which they are compatible with one another.

Now they are obviously not entirely incompatible. On the contrary, economic stability is a powerful contribution to economic growth and it is conceivable that success in accelerating growth might make for greater stability. Many things can obviously be done to improve one without doing injury to the other.

On the other hand, a full reconciliation of long-term and short-term objectives is far from easy. To accomplish

such a reconciliation in a world free from unexpected setbacks it would be necessary to aim at a rate of growth over the short term that it seemed possible in the light of experience to sustain in the long run; and conversely to aim at a rate of long-term growth that was not out of accord with what could be hoped for in the immediate future. In addition, since life is full of unexpected setbacks, provision would have to be made both in long-term and short-term plans for unforeseen contingencies either by setting aside adequate reserves or by refraining from firm commitments for at least some proportion of available resources.

**T**HESE MAY SEEM modest conditions. Most countries, however, have not found them so. How is a country to decide what long-term rate of growth it can sustain even if the balance of payments imposes no external constraint? It is only in recent years that advanced countries have begun to examine the underlying trend already achieved and to recognise the intricacies of the conceptual and measurement problems involved. Nearly all the published estimates cover limited periods of time without any adjustment for changes in capacity utilisation, participation rates, occupational structure, and so on. One need not go as far as Professor Morgenstern in order to entertain considerable doubt as to their reliability. What then of less advanced countries with less advanced statistical services? And even if they are confident that they know how productivity has been growing or (by some miracle) accelerating how are they to translate the policies for faster growth that they propose to adopt into fairly precise estimates of the outcome of these policies? If they start off blindly at what seems to them a reasonable rate of expansion how can they avoid having to change their minds long before they reach their goals because the pace proves to be hotter or slower than they can stand or, still worse, because they begin to have doubts whether they misjudged the situation at the outset?

Equally, every country that issues a plan has to ask itself whether it is consistent with what is currently happening and with the succession of events and decisions that seem likely along the line before the plan is realised. If the plan implies a different course of events and a different set of decisions, whether by government or by private industry, it becomes not only incredible but inappropriate as a basis for further decision-taking, and in the strict sense, not a plan at all. This may seem a very elementary point; but it cannot have struck those who still think of a plan as something one set of people prepare while another set get on with the job of handling the current situation. The current situation usually changes pretty violently every year or so and a plan that looked reasonable at the beginning of the year may well look near-impossible at the end. Should one then still try to steer towards the original objectives and leave the long-term programme untouched? Or should one alter course at once and try to effect some fresh reconciliation between short-term and long-term objectives? Reason may suggest the latter; but planning is not in practice the rational process that it may be in principle and few countries if any make a practice of engaging in continuous modification of development plans except in minor respects.

**A** CLASH BETWEEN short-term and long-term objectives can be softened by the use of reserves to screen the long-term plan from disruption or by the avoidance of completely fixed long-term programmes.

The first alternative is most familiar in terms of reserves of foreign exchange and the line of thought is already familiar in the recent literature on compensatory finance. Because of the perennial shortage of foreign exchange in the less developed countries they run a constant risk of under-insuring against disruption of their plans and there is a strong case for channeling some aid to them so as to increase the insurance on which they can draw. The second alternative involves giving only

provisional sanction to some programmes and parts of others, with the power to impose cuts up to stated limits or to make additions of the same order of magnitude in the later years of the plan. Essentially this means the power to defer or bring forward some parts of the total programme if required so that although the bulk of the plan is firm a contingency element remains. There is no doubt as to the utility of arrangements of this kind as a means of dealing with the uncertainties of the real world. But planning to provide for contingencies is the antithesis of what is popularly thought of as planning: it means either refusing to allocate resources at all or refusing to allocate them firmly and leaving over decisions until it is known how things will turn out.

Suppose that something happens to throw existing plans out of gear. The key question then arises: how is the shock to be taken?

There are some countries where it may not be necessary to do anything at all. A country like, say, Saudi Arabia has large external reserves to cushion any change affecting its foreign trade or the inflow of capital. Its revenue is drawn so much from one commodity, oil, or from customs tariffs that are changed very infrequently, that fiscal policy is of no help in the short run. Public expenditure may be limited almost exclusively by the difficulty of getting work carried out. In those circumstances the only way in which the short-term situation is likely to impinge on the development programme is through the need for some (possibly) informal building control or the use of credit restriction if inflation seems to be getting too much of a grip.

There are other countries where there are almost literally no instruments of short-term policy: for example, in an economy of primary producers with no administrative controls and fixed rates of taxation. In such economies the only protection against short-term dislocation of long-term plans is the use of reserves, either of domestic savings or of external reserves, or foreign borrowing and aid.

But in most countries, there is a need to act and there are policy instruments to use. The danger is that action will be deferred so that when it does come it will be more violent and on a larger scale than if the process of adjustment had begun earlier. The longer the delay, the stronger the government's eventual preference for something that is quick-acting even at the expense of something that would do less harm in the long run.

THE PRESERVATION of equilibrium, at whatever level of activity, is an object of policy likely to require much less detailed government intervention than faster growth—at any rate if the means to faster growth is taken to be central economic planning. By the same token, action to preserve equilibrium will tend to cut across some of the specific elements in a plan for faster growth because it is likely to include the use of general weapons to check or stimulate demand rather than the specific weapons of expenditure control that usually figure prominently in plans for long-term development. Even when this type of conflict is absent, efforts to cope with short-term dangers to stability are likely to involve some sacrifice of long-term growth.

Broadly speaking, the government has a choice between action to put the burden of adjustment on the current standard of living (e.g., through higher taxation) or on the means to future growth (e.g., by cutting investment). The choice is not an absolute one since any downward adjustment is bound to have some repercussions on expectations of future trends: investment may suffer indirectly if consumption is cut directly. But there is a choice: and the choice ultimately relates to the price of growth.

The way this choice is made will obviously differ from one country to another. In an authoritarian regime, the government may pitch the claims of the future high not only in the plan it puts into operation but in the obstinacy with which it pursues the objectives of the plan through thick and thin. In more democratic regimes

there is usually less readiness to sacrifice the present standard of living on the altar of the future. This affects the shape of democratic plans. But it also affects their immunity to short-term changes. Governments with a limited expectation of life and dependent on popular favour, discount future income fairly heavily and are more alive to current dangers than future risks. This is not the only reason why they are more willing to let a short-term crisis affect investment. All governments have a strong tendency to meet disequilibrium where it arises rather than take offsetting action that will operate indirectly on some other part of the economy. If they have difficulty in maintaining the planned level of investment, therefore, they may well cut it instead of trying to make more room for it. But in any event the problem facing a government is often not which to cut, consumption or investment, but how to reduce the total pressure on resources and this means that consumption, as the largest element in final demand, can hardly fail to take part of the knock.

In practice the range of possibilities is usually limited, and the points at which the plan is threatened also form a familiar list. We all know by now the post-war cycle of ambitious investment plans, balance of payments deficits, exchange control and appeals for more foreign aid, with the inelasticity and variability of agricultural earnings and the shortage of skilled labour as the steady accompaniment.

**I**TURN FROM these rather general considerations to more concrete issues about the machinery needed to give them effect. This machinery must obviously differ widely from one country to another so that the scope for valid generalisation is limited. One country is governed by a personal dictator, a second by a military junta. One has a President who happens to be extremely interested in economic affairs, in another they are left to technical experts, and in a third the Minister of Finance is himself both a professional economist and an influential political

figure. Different administrative solutions are inevitable in these very different situations. I wish I knew more about the solutions that have been adopted in practice: and perhaps it would have been more sensible of me to find out before presuming to address you on the subject. But from long experience of lecturing on subjects about which I know next to nothing, I recognise that ignorance not only emboldens a speaker when knowledge would inhibit him but also allows his audience the gratification of correcting his errors. So at the risk of encouraging you in over-indulgence, I propose to go on describing a wood that I have rarely been in and drawing your attention to one or two trees in it that may bear only a coincidental resemblance to the real ones.

It will not surprise you if I say that, as a Treasury official, my main interest in the machinery of planning is in the role assigned to the Ministry of Finance. There are, of course, countries where the Ministry of Finance takes no part whatever in the key decisions. In the Soviet Union, for example, this has been so since the first Five-Year Plan; I have never once seen a reference in the Western press to the Soviet Minister of Finance. On the other hand, there are countries—of which the United Kingdom until 1964 was one—where the Minister of Finance is entrusted with full responsibility under the Cabinet for the co-ordination of economic policy both short-term and long. To some extent this contrast reflects the distinction that I drew earlier between a regime under which co-ordination takes place on the side of supply and one under which it takes place on the side of demand. But it would be misleading to describe the Soviet and British systems in such terms since there is, after all, a Soviet Budget which is not presumably just a piece of accountancy and there is in Britain a large public sector under the direct control of the authorities as well as a variety of ways of influencing or controlling what goes on in the private sector.

Even where economic co-ordination is the responsibility of a single minister this leaves a good many other

administrative problems unresolved. Policy is many-sided: economic and other considerations (defence, foreign policy, social justice and so on) have still to be weighed against one another and co-ordinated on some interdepartmental basis. Again, policy-making cannot always be divorced from the execution of policy: if one department is charged with co-ordinating duties its responsibilities are liable to grow the more it scrutinises and controls the projects and decisions which it co-ordinates. It may become too large to do its job efficiently. Finally, the mere fact that various co-ordinating roles are all united within the ambit of one department does not dispose of the conflicts between those various roles. In particular long-run and short-run considerations have still to be reconciled; and the reconciliation achieved on an intradepartmental footing is not necessarily more satisfactory than one arrived at through interdepartmental conflict.

However co-ordination takes place, a number of different departments control one or other of the key instruments of economic policy. One department may deal with commercial policy, a second with taxation, a third with control over public expenditure, a fourth (usually the central bank, which may retain a good deal of independence) with monetary policy, a fifth with foreign aid, a sixth with relations with subordinate authorities whether state, provincial or local, and so on. Traditionally, the major role in co-ordination is taken by the Ministry of Finance; but the degree to which this department itself operates any of the instruments of co-ordination varies a great deal, partly because of historical circumstances and partly because the size and complexity of the fiscal or monetary system, the importance of the public sector, relationships with subordinate authorities, and so on, differ from one country to another.

**T**HE TRADITIONAL SUPREMACY of the Ministry of Finance in economic affairs has also come under attack for a variety of reasons of which the growing

importance of long-term planning is the most obvious. In the first place the objectives of policy are nowadays less exclusively financial: the management of the economy calls for an entirely different approach from the balancing of the budget. Co-ordination is no longer the comparatively simple matter of making next year's expenditures add up to a given total but the much more complex one of trying to maintain domestic and external balance and simultaneously promoting economic growth by government intervention over a wide front. The instruments of policy, as an immediate consequence of this, are also less exclusively financial: the government is far more intimately involved in the affairs of the private sector, quite apart from its own direct responsibilities within the public sector. It has other ways of influencing the economy than making use of monetary or fiscal weapons and these other ways are often more appropriate and effective. Above all, the staff engaged in co-ordinating policy now requires a training extending far beyond finance. However this staff may be distributed between departments, its functions are less concerned with specific areas of policy than with the links between policies, and this applies whether the policies themselves relate to the immediate future or to the long-term development of the economy. What is needed is a grasp of the economic interconnections that lie beneath the surface and are not always apparent to the ordinary administrator or even to the financial expert reared in the ways of Treasury control.

Now there is no reason why the staff of the Ministry of Finance, given the right training, should be less capable of acquiring this grasp than a staff recruited to some other department and charged with the duty of planning the economy. Indeed, the creation of a separate staff of this kind can lead to unfortunate conflicts which are perhaps more observable in the less developed countries than elsewhere but are by no means confined to them. It is all too easy, for example, for two centres of co-ordination to come into existence, one dealing with

day-to-day decisions in the Ministry of Finance while a second, in the Planning Commission, has the benefit of a strong staff of economic experts and may also enjoy the authority that comes from having the Prime Minister or President in the chair. Such an arrangement, with its polarisation of long term and short, may easily militate against a proper balancing of the different aspects of policy and leave what I may call the operational departments of government between the upper and the nether millstones. Whatever instruments of policy a department uses it cannot avoid seeking to balance long-term and short-term considerations, however imperfectly or unwisely it may do so. What it usually needs is help in visualising the consequences, especially the long-term consequences, of alternative policies and in taking due account of the probable state of the economy throughout the period involved. It is not helped if it finds itself under pressure from the Ministry of Finance to take action of one kind to meet an immediate crisis and from the Planning Commission to move in the opposite direction in order to carry out a long-term plan.

The existence of two—or more—central departments is not by itself fatal to good administration. There are more important things in government than consistency; and to aim at perfection in the co-ordination of decisions is not only to pursue a will o' the wisp (since one man cannot decide everything) but to invite the evils of over-centralisation. What is indispensable is that there should be machinery for resolving differences and that it should be clearly understood who has the last word. What is impossible is that the machinery should resolve all differences or that whoever has the right to the last word should exercise his right very often.

**L**ET ME MAKE this a little more concrete. If differences are to be resolved there has to be provision for consultation. This may seem platitudinous. But it is striking how haphazard, if not indeed nebulous, inter-departmental consultation often turns out to be. I can

think of countries where the economic co-ordinators in different departments rarely if ever meet. An economic development plan may be prepared almost in secret and without the participation—perhaps even without the knowledge—of the Ministry of Finance, only to be rejected on completion by those who had no hand in it. Or the central bank may decide to expand credit just when the Ministry of Commerce is about to reduce import quotas. None of the economic departments may be represented in the Cabinet. In other countries there is consultation at the top but the staffs pursue their ways in ignorance of one another's reasoning or diagnosis. Some banker friend of the President may convert him at a week-end party to the expectation of a foreign exchange crisis and the idea may percolate from echelon to echelon without prompting any organised attempt to devise counter-measures. There are countries where the leading economic co-ordinators are hardly on speaking terms with one another; and others where, although on speaking terms, they speak what are practically different languages, the planners talking to a baffled Ministry of Finance in the higher mathematics of capital-output ratios, inverted matrices, and shadow prices only to be answered in classical turkey. Even where the language is the same, the creed may be different: crude believers in the quantity theory cross swords with heretics who are opposed to the use of monetary weapons of any kind.

Consultation, always time-consuming, is likely to be fruitful only if it is based on an agreed view of the state of the economy and the forces at work in it. I attach importance for this reason to the role of an economic intelligence staff, centrally located and working closely and continuously with similar staffs in the other main economic departments. The function of such a staff cannot, in my view, be confined to the assembly of statistical data or the preparation of a long-term plan. Its main function should be to analyse and interpret the trends at work in the economy, both short term and long. For this purpose it must have ready access to the latest available



economic information from all sources and fashion from that information the best and most up-to-date picture it can of the changes in progress. If the picture changes rapidly, the work of such a staff is bound to be heavily concentrated on short-term changes. But it can never neglect the need to analyse and re-analyse the relationships to which these changes conform. This alone brings constantly before it some of the underlying trends that are equally important to satisfactory long-term planning; and where such a staff exists it can either be enlarged to prepare the outline of a long-term plan or co-operate with a similar staff concentrating on that task.

The duties of such a staff as I have described them relate mainly to the analysis of demand relationships. The natural place to locate it, therefore, is in the Ministry of Finance provided it is the Minister of Finance who takes the key decisions on demand management. But in countries where it is the President in person who takes those decisions the staff would be attached to his office. Where long-term planning is little more than a matter of demand management, and consists essentially of the projection over a period of several years of the main economic aggregates, the variables and calculations do not differ from those entering into short-term planning so that no separate staff is needed. But the more an analysis of supply relationships is involved because planning extends beyond control over expenditure and the regulation of demand into direct intervention by the government, the more will be the need for a rather different staff with more experience of industry and trade. Where planning involves extensive intervention designed to bring about structural changes in the economy, a separate department with a separate staff is likely to be necessary. Either a Ministry of Planning or Planning Commission will be set up, or the existing departments responsible for industrial and commercial affairs will be reorganised so as to co-ordinate the longer-range aspects of their activities.

Such a development creates an obvious danger of duplication. So far as it is activities within the public sector that are planned, the duplication is with the agency or agencies responsible for the control of public expenditure. So far as it is activities within the private sector, the duplication is with the individual departments regulating those activities. Let me take these in turn.

THERE IS RARELY any overwhelming need to create new machinery for the purpose of planning the public sector. Indeed, in countries that lack experienced administrators and economists it might well make more sense to concentrate them in the existing agency controlling public expenditure—usually the Ministry of Finance—and build up at least one competent co-ordinating unit. Control over public expenditure already presupposes some rudimentary form of long-term planning. It is true that it can be exercised against a time-horizon of one year and many governments still carry on as if they were entirely free to exercise such control. But everybody knows that decisions taken today—especially decisions to make cuts—have often little effect over the next six or twelve months and that, if genuine control is intended (not just approval of individual projects), it has to be over a longer stretch of time. Commitments to spend public money, whatever parliaments may think or the legal position may be, are not very flexible for several years ahead (except when the commitments take the form of transfer payments); and they do not allow much room for manoeuvre in re-assessing priorities from year to year. Governments have therefore a strong incentive to relate their spending programmes to a long-term view of economic prospects whether they draw up a formal plan for the whole economy or not.

It is sometimes argued that people who control spending develop an anti-spending psychology, and that the habit of scrutinising expenditure programmes causes too little weight to be attached to the growth that such

expenditure generates. On these grounds, the programmes need to be championed against their critics by a central department, headed by a major political figure and staffed by a specially selected team of administrators and economists.

If there is any truth in this, it does not rest on the psychology of those who control public expenditure. In my experience there are few pressure groups ranged against the use of any control more powerful than those who administer the control itself. Those who administer import controls are usually the most sceptical of their value; the monetary authorities heartily dislike tight money and take the first opportunity of insisting that the right thing to do is to cut government expenditure; similarly, the controllers of public expenditure easily persuade themselves that there are few or no short-term advantages to be gained from attempts to reduce it in a crisis.

What is more debatable is whether public expenditure can be satisfactorily controlled in the absence of a long-term plan. It is one thing to examine each project thoroughly and make sure that it is well conceived and calculated to do what it purports to do; this, after all is not usually the job of a central co-ordinating department or Planning Commission (although, I need hardly add, they often make it their job). It is a quite different thing to examine projects and programmes in relation to one another in order to make sure that they are manageable in total and so composed as to reflect the priorities decided upon by the government and yield the right balance between one kind of expenditure and another; this is a budgetary operation that is, or might be, carried on in a Ministry of Finance or Bureau of the Budget in much the same way as in a Planning Commission. Whether it is or is not depends mainly on the level of economic sophistication in the Ministry of Finance and on the extent to which the totality of public expenditure is planned on the basis of a view of the probable future development of the economy as a whole.

**B**UT THERE IS a further consideration. If public expenditure decisions are taken, or even reviewed, by a Planning Commission, this is likely to engage the Planning Commission in their defence against attempts to revise them on short-term grounds; and this in turn will force the Ministry of Finance (or whatever department is concerned with short-term co-ordination) to rely more exclusively on other instruments of economic stabilisation. The Planning Commission, in other words, is more likely to act as a pressure group in favour of fixed (and perhaps also high) expenditure programmes than a department more closely involved in day-to-day decisions and policy adjustments.

Expenditure is, of course, only one side of the balance sheet. Annual revenue is far easier to change—at least from the technical point of view. Decisions to alter the level of taxation, social insurance contributions and so on not only take effect more quickly: they are also more straightforward since individual decisions may involve very large absolute amounts of revenue. But this very adaptability (which does not extend, of course, to the system of taxation) makes it unnecessary to plan revenue far ahead, except in a rather tentative way; and it also makes changes in the level of taxation, social insurance contributions, and the price of public services a useful if not indispensable instrument in the short-term regulation of the economy. Whatever department has responsibility for such regulation is unlikely, therefore, to be willing to forego control over taxation; or if it does, the effects are not likely to be very happy.

**L**ET ME TURN NEXT to the private sector. It has always struck me as odd that most long-term plans should lay so much emphasis on the private sector (which, by definition, is not directly under government control) and so little on the public sector (which they and they alone can control). It is hard to look on public expenditure as something engaged in solely or mainly because of its impact on the private sector or to imagine that the

plans that are published for the development of the private sector are intended merely to help in settling public expenditure programmes. Development plans, except in so far as they are statistical dreams or political fanfares, are guides to action by government departments and, in intention at least, private industry. But the action taken within the private sector is inherently unco-ordinated, although there is plenty of scope for co-operation, i.e., voluntary co-ordination, if the government encourages it.

Just as it is practically impossible to segregate short-term and long-term considerations in the control of public expenditure, so it seems to me impracticable to divide the work of departments in contact with the private sector so that it falls into two separate sections, one of a long-term and the other of a short-term character. Every decision has short-term and long-term consequences and every decision is subject to revision in the light of changes from day to day. Hence no such clear-cut division of function is possible. If the work is to be co-ordinated by a single department rather than by ministerial committees, then the department cannot escape interesting itself in current problems as well as those of longer range. It would be possible, for example, to have a Minister for the Private Sector working alongside a Minister for the Public Sector who might simultaneously be Minister of Finance. The work of the two ministers might be co-ordinated with the help of a relatively small planning staff attached either to the Prime Minister or to some senior minister who acted as Chairman of the Cabinet Committee on economic policy and worked in close association with the Prime Minister. In countries with a Planning Commission the two might act as Chairman and Vice Chairman respectively, the latter taking charge of the detailed working out of the Plan.

**A**S YOU CAN SEE, my bias is in favour of strengthening the hand of the Minister of Finance and equipping him to look further ahead and take more account of

producer relationships. But you may reasonably ask whether it is realistic to regard him as a kind of Chief Planner and whether this would put him in too powerful a position in relation to his colleagues. The President or Prime Minister, particularly in a less developed country, is bound to attach great importance to economic policy and is unlikely to entrust any other minister with full responsibility for it. He will not be content to limit his interest to those issues of policy that become so much the subject of ministerial disagreement that they cannot be settled without his personal intervention. Yet he cannot himself assume responsibility for the whole of economic policy. He may act as Chairman of the Planning Commission, or at least occupy the chair occasionally without presiding over the detailed work of the Commission. But it is practically unknown for him to act as his own Finance Minister. The nearest a President is likely to get to personal control over economic co-ordination is when he appoints technicians to head the Ministry of Finance and the Planning Commission. But this does not seem a very satisfactory solution. The more able the technicians are, the more inclined they will be to settle things between themselves without calling in the President at all: this may mean that compromises are struck that reflect, not political will and popular support, but personality and departmental convenience. On the other hand, the less capable the President's nominees the more they may shirk taking decisions or warning him of the dangers ahead so that by the time the issues are brought into the open they have already been decided by events. Not that this need prevent lengthy and earnest debate on what is to be done or solemn amendments to the plan in order to make it seem that the course of events is conforming to government decree rather than the other way round. Whatever the calibre of the heads of the two departments, there is bound to be a tendency for the two to drift apart in mutual distrust, one department limiting its field of view to the immediate future while the other occupies itself with

plans for the spending of public money, with only an imperfect grasp of its powers to implement them.

The case for having two central departments, one directed towards the short run and one towards the long does not seem to me to rest on the reluctance of the head of the government to entrust any member of his Cabinet with responsibility for both aspects of economic policy. If he can find somebody capable of doing such a difficult job well he is unlikely to improve matters by cutting it in half; and he need lose little sleep over the danger that he may build up a rival and successor.

WHAT SEEMS TO ME unhealthy, and this is the essence of what I have to say, is to think of economic co-ordination exclusively in long-run terms, and still more to think of it as satisfactorily discharged through the periodic preparation of a document called a Plan. Co-ordination means trying continuously to get consistency and this is impossible if there is no consciousness of the need for consistency: if the Central Bank, the Import Licensing Board, the Tariff Control Board, the nationalised industries, and all the departments of government go their several ways without regular consultation and exchange of information. Of course, long-run development is highly important. Economists to whom the long run is meat and drink (even if it is the death of them) are only too well aware of its importance. But to get to the long run you have to survive the short.