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Development Ideas and the World Bank: 1950s-1970s

USING HISTORY TO INFORM DEVELOPMENT POLICY

The Role of Archives

The World Bank

October 25, 2012

The World Bank – Early Chronology

1944 – Bretton Woods

1947 – Reconstruction loans to Europe

1947 – Harvard University, Marshall's speech

1948-51 – Marshall Plan

1949-53 – Bank General Survey Missions to:

Colombia, Cuba, Guatemala, Turkey, Iraq,
Jamaica, Surinam, British Guyana, Ceylon (Sri
Lanka), Mexico, and Nicaragua

1948 – First development loan: Chile

Linear evolution I

“The Bank took pains to present itself as a sound financial undertaking [...]. Economic backwardness was regarded as a problem that could be dealt with by [...] raising capital in the richer countries and transferring it to the needy ones. Once the depth and complexity of the problems faced by the developing countries were recognized [...] the concept of the Bank as a financial institution modelled on traditional investment banks gave way to a new vision of a development finance institution”. (Kraske et al. 1996: 4)

Linear evolution II

“There are recognized fields of development lending that the Bank has to date [1973] avoided. Housing [...] may be the most conspicuous example [...]. From the point of view of development, some hitherto neglected fields may deserve a high priority [...]. As the Bank has amassed more information and more experience, and has become less of a bank and more of a development agency, its advice has become more relevant and more useful”.

(Mason & Asher 1973: 721-2)

In search for policy formulation

“Policy was not ‘formulated.’ It was formed. It evolved. It resulted from events. And it changed with different loans [...]. Policy formulations have been extremely rare”.

Leonard Rist, 1961, former head of the Economic Department (1946-1952)

General Survey Missions I

Colombia: “The most ambitious [mission] undertaken so far by the Bank”.

(WB internal memo, 1948)

Goal was to formulate “a development program designed to raise the standard of living of the Colombian people”.

(Colombia mission, final report 1950: xv)

General Survey Missions II

“Only by a generalized attack throughout the whole economy on education, health, housing, food and productivity can the vicious circle of poverty, ignorance, ill health and low productivity be decisively broken”.

(Colombia mission, final report 1950: 356)

General Survey Missions III

“Expenditures to improve sanitation, education and public health should, without question, be given first priority in any program designed to increase the long-range growth and development of the Nicaraguan economy”.

(Nicaragua mission, final report 1953: 22)

Distribution of investment by sector as proposed by WB missions (%)

	Agriculture and Irrigation	Industry and Mining	Transport	Power	Housing	Health	Education	Housing + Health + Education
Nicaragua	35.5	5.0	30.2	5.9	—	16.1	6.4	22.5
Guatemala	16.0	—	44.0	20.0	—	14		14
Colombia	10.6	—	38.9	15.4		18		18
Jamaica	41.2	16.3	5.6	—	15.9	20.6		36.5
Surinam	52.5	3.0	16.0	—	11.0	14.3	—	25.3
Iraq	37.2	21.9	18.1	—	—	3.0	3.6	6.6
Turkey	14.8	14.8	35.7	12.2	—	3.5		3.5
Ceylon	25.2	5.2	25.7	11.5	2.5	11.0	10.2	23.7

Source: Elaboration from Spengler, 'IBRD mission', p. 591.

WB loans by purpose, Dec. 1956

Classification	Amount million US\$
Reconstruction	497
Electric power	886
Transportation	686
Communications	26
Agriculture and forestry	274
Industry	369
General Development	140
Total	2,878
Total net of Reconstruction (Total 2)	2,381
(Electric power + Transportation)/(Total 2)	0.66

Barranquilla, *Zona Negra*, 1952

“Aqueduct expansion, sewer improvements and additions, local market improvements, construction of a new slaughter house with a meat processing plant, improvement of municipal cleaning, construction of a modern hospital, road paving, and piping standardization”.

(Consejo Nacional de Planificación 1952)

Directly productive loans

“The Bank should concentrate its efforts on projects which will yield the greatest and quickest increase in output and productivity. By lending for projects which do, we believe we can most effectively assist our member countries to develop new sources of wealth and income which would enable them to provide out of their own resources better municipal services, better housing, better health and education”.

Robert L. Garner to Emilio Toro, April 21, 1953

Directly productive loans

“Although the social benefits might be considerable, the economic results would not be nearly as great as those which could be obtained from directly productive projects”.

Robert L. Garner to Emilio Toro, April 21, 1953

The roots of the Bank's conservatism

- Fund raising in the US capital markets
- Wall Street men
- The politics of productivity
- The success of the early loans

Roy Harrod on Bretton Woods

“The biggest question at issue was never fully discussed, namely, whether the Bank should be a sound conservative institution on normal lines, or depart from orthodox caution in the direction of greater venturesomeness”.

(Harrod 1951: 580)

Long-term consequences I

“We [at the Bank] know more about the cost effectiveness of alternate production techniques of motor boats than we do of teaching reading or delivering prenatal care”.

(Simmons, 1974: 50)

Long-term consequences II

“The proliferation of squatter settlements and slums, and the rising backlog in urban services, have been accompanied by growing recognition that ‘development’ implies much more than just expansion of output. [...] In recognition of the importance of these issues, the World Bank recently decided to supplement its activities in individual sectors with a more direct focus on problems of urbanization. [...] This is a new field for the Bank”.

(WB Sector Working Paper, 1972).

Housing

“The World Bank Group entered this field, in the 1970s, as a latecomer”.

(World Bank, 1975: 6)

Conclusions

- Non-linear evolution
- Political / ideological choices
- Is the Bank a late comer today?
- If so, in what?
- Look outside
- Look at lessons from history