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McNamara Papers

Statements
1980

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ROBERT MCNAMARA

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PUBLICATION

Opening Announcement:

CHARLTON: Robert McNamara is president of the World Bank. It's a post he came to in 1968 after a brilliant career in Industry. He was president of America's giant Ford Motor Company at the age of forty five. Then he served seven years as United States Secretary of Defence under Presidents Kennedy and Johnson. His term as President of the World Bank has seen its scale of operations expand enormously And its loans and development grants multiplide by ten. So for a view of the world from a man charged with managing so much of its development resources, I asked Robert McNamara to look forward to the eighties, from his office in Washington, in October 1979. And I began by asking him, 'Banks aren't usually associated with lending money to poor people, yet that's what the World Bank does. So is it right to call it a bank at all?'

MCNAMARA: The short answer is no. We are much more than a bank. We are a bank in the sense that we act as an intermediation force moving capital from suprlus pools in the world into the areas in where it's needed....in the developing countries. But we are much more than a bank. We're a Development Agency, and we seek to provide this capital along with..policy advice technical assistance to assist the developing nations develop more rapidly.

CHARLTON: What's an example which occurs to you...something which best fits what you consider the bank's intentions to be?

MCNAMARA: Well,....well, as a development agency our objective of course is to accelerate the social, economic advance of the two and a quarter billion people that live in the one hundred developing countries....we assist. And we do that by providing financial assistance, loans. And those loans are directed to two primary objectives. One to accelerate the rate of growth, economic growth. But secondly and importantly, to ensure that that growth is distributed equitably among the elements of society.

MCNAMARA:

And we're putting increasing emphasis on that latter. In the past five years for example we have financed....World Development Projects which have had as their objective, roughly doubling the income of some sixty million of the poorest people in these developing countries. And we do that by helping these people help themselves. By helping them increase their productivity. Let me give you an example of that. Nigeria, a very large country, (the largest in population in Africa of course, with some eighty-five million people,) despite its oil income is also a very poor country. And more than that it is a food importer. So we have sought to help

...Nigeria expand its food production, to reduce its dependence on external food supplies, and at the same time to help the poorest people of Nigeria increase their incomes. And therefore in many States we have financed agricultural development projects. One, in the Plateau State, with a loan of some twenty-seven million dollars is designed to increase the incomes of about four hundred thousand people by approximately 60%. And these are very very poor people with incomes per capita of ninety dollars per year. Barely enough to survive. But through this loan, which will provide feeder roads to ensure that their production can move to markets, which will provide extension services to help them improve their agricultural technology. Which will make available greater water supplies which will provide credit to buy seeds and fertilizer, we will help them greatly expand their production. As a matter of fact the loan will - we believe-add about a hundred and sixty thousand tons a year of the production of yams, maize, cassava and other foods. And thereby add to the food supply of Nigeria, and particularly add to the incomes of those very poor people.

CHARLTON:

Well, now you've been here a very long time with the World Bank....What you've just said is an example of the sort of thing which comes closest to what you consider the intentions of the Bank ought to be. Can you think of an example...the outcome of which least accords with what you think the Bank should do?

MCNAMARA:

Some seven or eight years ago, we initiated a project evaluation system under which the completion of every project, and after a reasonable time to allow it to move into operation, we evaluate that project, against its original objectives.

MCNAMARA: Was its cost what we anticipated? Did it take longer to build than we planned? Was the product what was anticipated? As a result of that system we've evaluated hundreds of projects. I would say roughly 10% of the projects have failed. They failed to accomplish their initial objectives. And that's true whether it be an agricultural project, an educational project, a road....In certain cases for example we've over-estimated the traffic requirements for a road. And with hindsight it would have been better to put the road expenditure into an agricultural programme. We've over-estimated power requirements at times. We could have deferred the construction of a power plant. But I don't want to concentrate on the 10% of the projects that may have failed. I want to concentrate on the 90% that have succeeded and the tremendous stimulus that that has given to social and economic advance in these one hundred developing countries. So we're proud of our record, despite our failures.

CHARLTON: When you use this word development as you have already several times, how do you really define it. Do you believe that mankind is headed for some common destiny. Is that what development is?

MCNAMARA: Well I think that development means different things to different people. And it must be interpreted in the light of history and the culture of the people. But common to all certainly is..a desire to live a healthy life. And to develop the capabilities of the human mind. And that does lead to certain common elements of development. Life expectancy for example, if it is low when it might be high, is certainly a sign of lack of development. Illiteracy is certainly a sign of lack of development. Malnutrition is a sign of lack of development. And hence in the most fundamental terms, our objective is to move nutrition, literacy, health to optimum levels so that the people may then choose their own course of development, using those basic strengths of literacy, health, nutrition.

CHARLTON: How do you assess the under-currents which I think, would you agree, come apparent in the 70's of people less willing to accept this idea of a common destiny, wishing more to

CHARLTON:go their own way, perhaps to insulate themselves against this common destiny...which technological change either forces upon them or makes inevitable?

MCNAMARA: Well I think...some of the movements have been extreme. The movement to disparage growth as a factor contributing to...call it spiritual advance, I think is something to be deplored. And it has taken hold in many societies, particularly in some of the Western societies. But I think on the whole there has been a very substantial philosophical advance towards understanding the necessity for overcoming these conditions that hold back human advance towards understanding the ways of accomplishing it. And in particular a recognition that it is the responsibility of Governments to advance the welfare of all of their people and not only the elite among their people.

CHARLTON: What are the implications though if this bias against growth this....loss of confidence and disillusionment about the possibilities which growth offers. Do....take hold and spread?

MCNAMARA: The implications are that those of us who have grown, you and me, and others like us, will be well off, and the two and a quarter billion people in the developing countries who have not grown will be consigned for ever to a second class status. I think it's disgraceful that we should even be considering such a thought. And yet there are many in our societies who without putting it as sharply as I have, are willing to accept that condition.

CHARLTON: Do you think its significant that China appears recently on this threshold of the 80's to have opted for - their word for development....would you agree is modernisation - Is that the same thing?

MCNAMARA: Well I think it's interesting that China has recently appeared to recognise that in order to achieve this advance of what I call the human spirit, they must have growth, they must have economic growth. And to achieve an optimum rate of economic growth they must utilize the resources of the external world. Both technical and financial.

CHARLTON: What therefore is the relevance of the world economy...on the threshold again of the 1980's, there are many misgivings about it, about whether it can sustain the levels of growth that we've known in the past? How much does depend upon the world economy...for this decade ahead?

MCNAMARA: Well I think that...increasingly, nations are becoming dependent one on another. You can see that in the United States with its dependence on the Middle East for energy, for example. You can see it in the developing nations on their dependence on the OECD for markets. So this increasing interdependence -- if each nation is to achieve its optimum level of advance -- is changing the importance of world economic advance and changing its relevance to national goals. And I think more and more both developed and developing nations are interested in the world economy, and interested in ensuring that it moves forward in a stable way, and at an optimum pace. And that for many nations...that's quite a different attitude than they had as recently as five or ten years ago.

CHARLTON: But do you think that this period of stagflation with all the signs pointing in only one direction, a world without growth is ephemeral, is a transitory...difficulty, or.....

MCNAMARA: I'm sure it's transitory. But I'm not sure how long the period transition will be. What I fear is that it may be longer than necessary. It's already affected us for two or three years, depending upon how you measure the origin of it. And it may well continue for another several years. And I hope we will all act with sufficient intelligence to reduce that period to a minimum.

CHARLTON: And this is a more cynical period than the high idealism which immediately followed World War 2, the world of rehabilitation and reconstruction. As you look at the problem, honestly now, facing the 1980's, can this gap between rich and poor be closed, is that how the problem should be stated?

MCNAMARA: Let me differentiate between two different gaps, between rich and poor. One gap is the gap of fundamental human

MCNAMARA:

.....conditions, those conditions I mentioned earlier, literacy, nutrition, health, life expectancy, that gap can be closed, it is being closed. During the past quarter century tremendous progress was made in closing the gap in each of those areas. It is far from being closed today, and we must all direct our attention to ensuring that it is closed between now, and, lets say, the end of the century. The other gap is the gap in incomes between rich and poor. That is not being closed. In many ways it is being widened. I can't ^{CONCEIVE} ~~conceive~~ of it being closed between now and the end of the century. But I think it's the first gap that we should put most emphasis on, because that is the gap in terms that...do restrict optimum development of the human spirit.

CHARLTON:

At what point does one depart from absolute poverty?

MCNAMARA:

We have defined absolute poverty as a condition of life so limited by malnutrition, illiteracy, disease, low life expectancy, high morbidity, has to be beneath any reasonable definition of human dignity. And that condition is suffered by some eight hundred million of these two and a quarter billion people I've spoken of in the developing world. And it is to reduce the number living in absolute poverty that we're directing an increasing portion of our energy.

CHARLTON:

So it would be fairer to say that the gap might be narrowed but unrealistic to suppose it can be closed?

MCNAMARA:

With respect to....absolute poverty...there the gap can be narrowed. And as a matter of fact, we think between now and the end of the century-if the developing country Governments and the developed Governments put emphasis on reducing absolute poverty, that eight hundred million figure can be reduced to perhaps four hundred million by the end of the century. Still far ^{too} ~~to~~ many, but a tremendous advance and particularly a tremendous advance when one recognises that the population in the developing countries will increase by some seventy-five or eighty per cent between now and the end of the century.

CHARLTON: In the narrowing of this gap, presumably it's not the same prescription that you would like every country to write, because there are rich countries, there are poor countries, there are very poor countries and there are middle-income countries. What's the message for them? Say for the rich countries....

MCNAMARA:I think the message is two-fold. (A) that it is possible with current knowledge, technology and resources to reduce the number in absolute poverty. (B) that this requires action by the Governments of the developing countries, it is their primary responsibility to take that action, to set their objectives, to lay their plans, to move towards that goal. But see that they can't achieve those objectives in reasonable time, and at an optimum pace, without substantial assistance, and I believe greater assistance, from the industrialised nations of the world.

CHARLTON: Is it essentially.. is aid essentially sacrifice, by everybody, as you see it?

MCNAMARA: In my mind definitely not. Because I think that in the most selfish of terms the advancement of these two and a quarter billion people, socially and economically, is in the interests of the rest of the world. Whether you measure it in economic terms or political terms or military terms. A world in which these two and a quarter billion people do not advance is not going to be a world I want to live in or I want my children to live in. And therefore I don't consider it any sacrifice, but in my own selfish interest to see those people advance.

CHARLTON: So you don't view it as an imperative moral duty so much as enlightened self interest.

MCNAMARA: The answer is I do view it as an imperative moral duty, but I find that not all people I talk to are moralists and not all of them have the same moral values as I do. And therefore while viewing it as an imperative moral duty, I also emphasise what I believe, that is in their narrow selfish interests, economic interest, political interests, to assist these people to move forward socially and economically.

CHARLTON: But just to split those things up, a rich country might do what for the very poor?

MCNAMARA: These very poor Nations, the Bangladeshs, the Indias, Upper Volta, Malis, ~~Nigers~~ cannot afford to pay the market rates for capital. They need the capital, most of it they're going to get from their own savings. But they need external assistance as well. And that external assistance needs to be on favourable terms, in terms of maturities and terms of interest. And it is up to the industrialised countries to help them in that direction and the industrialised countries should be doing much more, and can do very much more in my opinion within their present economic capacity, even though that is restricted, as you pointed out earlier, by stagflation. Secondly the industrialised countries need to provide opportunities for the developing nations, to expand their exports, to earn foreign exchange. They need the foreign exchange to import the goods they can't produce. The bulk of the foreign exchange they will use to finance their imports will come from earnings, from their exports. And therefore the industrialised countries need to...and should for them, open their markets to their exports.

CHARLTON: And what about middle-income countries? (Now suppose - would you feel able to include in those the OPEC countries? Some of the newly industrialised countries have made spectacular progress under assistance, a lot of it from the World Bank, since the Second World War.)

MCNAMARA: Well the middle income countries, the Brazils, the Turkeys the Korea^s. for example, they have advanced far beyond..the economical level of the poorest countries, They can afford to borrow in the World's capital markets. They need to be ^{PERMITTED} ~~permitted~~ access to those capital markets. They need to be provided the supplementary assistance that the World Bank does through its International Bank for Reconstruction and Development. But they also need access to the markets of the industrialised world, and one of the sad conditions of the present is the growing wave of protectionism that is sweeping some of these industrialised nations.

MCNAMARA: And one sees it in restrictions on textile imports, on clothing imports, on rubber-shoe imports, and these restrictions, if they were to continue, fortunately they haven't advanced very far, but there is an attitude that is tending to expand the restrictions with every passing year. If they were to continue they would substantially limit the ability of the middle income countries to grow. Because those countries need more foreign exchange. They're only going to obtain that...at the appropriate rate if they are permitted to earn it by exports, they can't earn it by exports if the protectionists prevent the industrialised countries from importing.

CHARLTON: Do you have any encouraging suggestions..to make about that because there's no doubt that the thought of cheap labour competing with domestic industries makes very strong resonances in the industrialised countries.

MCNAMARA: It does. And yes the answer is, I do have some encouraging suggestions to make...and they are two. First, today we're facing very serious problems of inflation, in almost all of the industrialised countries. And I submit to you that one of the ways of reducing the rate of inflation is to encourage the imports from the developing countries, because those goods come in at lower prices. And they replace the goods that would be sold at higher prices. And they thereby tend to dampen the rate of inflation. And we've seen that particularly in the United States. And I could cite many many illustrations of that, so that's the first point. The second point is that in the longer run, it's far better for the industrialised consumer to buy a shirt from the Korean manufacture, and to replace the labour and capital that had been producing that shirt in his own industrialised nations with labour and capital that is producing something that the Koreans will buy. Or something that other nations will buy. Electronic Data equipment is an illustration. So there is a long-run advantage to each nation pursuing its comparative advantage. There is also a short-run cost that you have eluded to, because there is a structural change when the textile company goes out of business. That capital is unemployed and those ^{LABORERS} ~~labours~~ are unemployed.

MCNAMARA: Even though it's advantageous to the society as a whole to have that structural change, provision must be made to soften the blow upon the company or the employers affected. And very few industrialised nations have adequate adjustment procedures.

CHARLTON: What is going to preside over this change though? Do you see it as essentially institutions which are vigorous and changing in the face of these challenges? Or do you see institutions becoming more defensive, groupings of nations becoming more defensive? What do you look to, to provide this evolutionary change.....

MCNAMARA:For one thing I look to more discussion, more debate in a sense of the kind we're having right now. To (over time,) acquaint people with where their own interests lie. Because I think that if more individuals in the industrialised countries understood the degree to which an increase in imports from developing countries did dampen down the rate of inflation, and if they understood the extent to which a substitution of - I'll call it Korean made shirts forshirts made in the industrialised countries - and a shift of those resources in the industrialised countries, is in their long run advantage^{ous}, if they understood that the short run costs to the shirt manufacturer and the shirt-making employees could be offset by adjustment assistance, additional training or transition means, that they would then be more receptive to those changes. And it's through these discussions in public, in International fora, in the United Nations, in the World Bank meetings, that I think the foundation for economic and social advance will be laid.

CHARLTON: Now when you mentioned before what the poor countries might do, you said that they should set objectives. But can you be more specific? What is incumbent in your view upon the poorest themselves to do?

MCNAMARA: Well I think the poorest themselves must accept the responsibility of addressing their own economic and social problems. And in particular accept the responsibility for ensuring that they achieve growth with equity. I've just come back from Yugoslavia, from the annual meeting of the

MCNAMARA: ...World Bank and Monetary Fund, and that country has recognised the regional disparity in income and productivity among their people. The Republics of Kosovo, Macedonia, Montenegro, Bosnia, Herzo-Govina, have lower per capita incomes than do the Republics of the North. And the Government has specifically decided as a matter of policy, to shift capital resources from the richer elements of the society to the poor. And has accepted the responsibility of helping the poor increase their productivity and their income. It's that kind of policy judgement that I believe all Governments should enter into.

CHARLTON: Well, I'm sure it would be interesting to hear how your own perceptions have changed. Who for example was being left out, who was being bypassed, not included in world development in say the fifties and sixties who you now propose to include?

MCNAMARA: In the fifties and sixties, with some slight exaggeration but not much, the disadvantaged were being left out, the poor, the absolute poor, the eight hundred million I was talking about. Neither International Agencies nor National Governments, neither developing nor developed country Governments were putting adequate emphasis on or directing adequate attention towards the raising of the incomes and the raising of the productivity of the poor. There was a general acceptance of what has become known as the trickle down effect. If you just accelerated the rates of economic growth the assumption was that a portion of that would trickle down to the poor and they would be taken care of. It is now recognised that in many, many environments that will not be the case. And while growth is absolutely essential, one must ensure that the benefits of growth are distributed equitably or, more exactly, that the investment is channeled towards the objective of increasing the productivity of low-productivity elements of society, the poor.

CHARLTON: Now when you compete in that particular constituency, the rural poor and the urban jobless, (if they're the category as you mean,) you're competing in the same constituency as revolutionary politicians. Do you think this whole question of development can be lifted out of this context of rivalry....

CHARLTON:between East and West?

MCNAMARA: Oh yes I think so, in a very real sense we're a substitute for revolution (or the theory I've propounded is a substitute for revolution).....A substitute for violent revolution. In many respects it's a peaceful revolution. And I've absolutely no hesitancy in saying that it is technically possible and politically feasible to channel technical assistance and financial resources, to raise the productivity of the poor and thereby vastly accelerate economic and social advance.

CHARLTON: Well, having mentioned East and West, what proportions does this dialogue between North and South assume for you? How in the Eighties do you think essentially one has got to organise or should organise, if possible, the responsibilities and relations between North and South, the rich and poor?

MCNAMARA: As one of the leaders of the South was saying to me last night when he came to my office to discuss this exact question, He thought the most important change that should take place is to remove the rhetoric in this dialogue between North and South, move away from ideological sermons, put forth by either side, and get down to the substance of the issue. What is it specifically that each party needs to do. And that they need to do jointly, to assist these two and half billion people. And he and I were discussing these specifics, population, expanding food production, creating jobs for the some five hundred million people who will come into the labour force; accelerating the financial flows, the concessional flows...to the poorest nations, the market flows to the others. Expanding trading opportunities. If we can move the North-South dialogue to discussion of the specifics, and out of the realm of the rhetoric...I think much more progress will take place.

CHARLTON: You've already said something about the essential strength as you see it, of the non-revolutionary way, the communists maintain of course that people in this structured position of disadvantage want revolution. Do you think they do?

MCNAMARA:

No, I don't believe.....if by revolution you mean the application of violence to ensure change; no, I think most people want to avoid violence, while achieving the change. And the question really is, can the necessary changes, the changes that are required to achieve a reasonable rate of social and economic advance, for these eight hundred million absolute poor, can they be achieved without violence? I think they can. We could look at many many societies where they have been.

CHARLTON:

Do you have a picture in your mind of the 1980's as a decade, what it might be like in practice? I'd like to take advantage of how you saw the 1960's in this, because you came with Kennedy to power in the United States, as part of the new frontier, innovative and confident, and you would agree, I'm sure, that some of those predictions and some of that confidence has not been entirely sustained. What are the choices, and the chances, facing humanity in the 1980's as you see them?

MCNAMARA:

You spoke of Kennedy. The 60's in the United States were a period of remarkable economic advance which we sometimes fail to recognise. For a century in this country we had had...very severe discrimination against the blacks, and that discrimination was substantially reduced by action in the sixties. So in many ways despite the problems that later developed in the sixties it was a period of remarkable social advance in the United States. It brought with it many problems, false expectations, and the false expectations led to violence. And I think therefore one cannot say that a period of progress, which I believe is going to occur in the 80's, after we pass through this period of what you call stagflation, (which I hope we'll be through in two or three years.) I think we will see the economic and social advance in the developing countries accelerate in the 80's, particularly in the second half of the 80's. But I don't wish to be so naive, or lead you to think I'm so naive as to think that that can occur without social and political unrest. It may well be accompanied by that, and perhaps even by more of it than we've seen in the recent past. Just as I suggested that the period during which discrimination in the U.S. was reduced was accompanied by substantial violence.

CHARLTON: Yet there is no automatic link, there is no economic progress and stability?

MCNAMARA: There is not. There is no automatic link at a given point of time. But in the longer run, my own belief is that economic and social advance will lead to greater political stability, greater economic stability. And frankly, I think, less military conflict.

CHARLTON: Do you still retain your confidence Mr. McNamara in this planetary view that you have of things. Is it a sober message you want to leave about the 1980's, or a generally optimistic one. How would you put it?

MCNAMARA: I would say that.....the 80's will depend upon the decisions we make....It is within our power, -when I say ours I mean the leaders of the developing countries, the leaders of the developed countries - It is within our power to make decisions that will advance the welfare of these two and a quarter billion people. Whether we'll do so is an open question. I'm happy to have had the opportunity in this programme to, I hope, convince a few we should.

CHARLTON: Mr. McNamara Thank You.

MCNAMARA: Thank you indeed.

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Mr. Robert S. McNamara - Interview

With Mr. Mannsfeld, German Television

(February 5, 1980)

Q. In 1973, in Nairobi, you announced a shift in the Bank's lending giving less emphasis on traditional economic infrastructure, (highways, ports, and so forth) and more emphasis on poverty projects, farmers in small farms and the country side. Has this trend continued?

A. Yes, it has and I think it should and it will continue in the future. This Bank serves 2-1/4 billion people in 100 developing countries. Its objective is to help those people accelerate their pace of economic and social advance. In the past, development economists believed that that objective could be achieved by increasing the growth of GNP and they believed that the benefits of that increase in growth would trickle-down through the society. But, by the end of the 1960s, it became clear that, while growth is a necessary condition for attacking poverty, it is not a sufficient condition, and that the trickle-down was too little and too late. And as a result, some 800 million of these 2-1/4 billion people are living in conditions of absolute poverty that are so characterized by malnutrition, by disease, by illiteracy, by high infant mortality, low life expectancy as to be beyond any reasonable definition of human decency. So as you suggest, in 1973, we decided to attack this problem more directly, to help these 800 million people. We would focus a major part of our activity on their problem, and their problem was simply low productivity. It could be addressed only by increasing their productivity, and our loans

are therefore directed to that particular objective. Since most of them live in rural areas, the loans are designed to raise agricultural yields on small farms. Their farms average less than 2 hectares. We have been quite successful. It is difficult, there are problems, but on balance we have been quite successful and in the past 5 years, for example, we have financed projects which have as their objective raising the incomes of some 60 million of these people, the poorest of the world, and on average their income should more than double.

Q. How does this poverty oriented approach relate to the total financial needs of the developing countries?

A. Well, a few minutes ago I said that the growth was a necessary condition to development, not a sufficient condition, but a necessary condition. The problem today is that, in order to maintain any reasonable rate of growth in the developing countries, the amount of external financing made available to them will have to increase dramatically. As a result of the recent increases in petroleum prices and as a result of the reduced rate of expansion of the exports from the developing countries [reduced rates of expansion of exports] because of the lower rate of growth in the OECD countries, their current account deficits are raising dramatically. In 1978 the current account deficits of the oil-importing developing countries amounted to about \$26 billion. This year it should be about three times that level. But even modest rates of growth are to be sustained. The real danger is that the financing will not be available and the growth rates will not be sustained. Now, the problem is a very difficult one

in the long-run, those higher oil prices must be paid for by the developing countries and they can pay for them only by either expanding their exports or reducing their imports. Each of which action is going to be very difficult but they must take the action to make the structural changes that will allow them to pay for higher oil prices in the long-run. In the short-run it is going to be a narrow interest, and the interest of the rest of the world, to provide additional flow of external financing, to help to maintain a reasonable level of imports, a reasonable rate of growth while they are making these structural changes. That of course, will be the subject of the meetings that are to be held in Hamburg, to be attended by the Finance Ministers of the world.

Q. Thanks, Mr. McNamara.

A. Thank you very much indeed.

August 19, 1980

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2/27/80

Remarks to the Congressional Roundtable on World Food and Population

As your Chairman requested we have prepared and distributed a background paper, "Discussion Notes on the Food Problem in the Developing World" dated February 20, as a basis for tonight's discussion. Many of you either have glanced or will glance through the document and therefore I will not read it to you this evening. Instead, let me extract and comment on a few of the major issues and then throw the floor open to your questions and comments.

Eleven years ago, while speaking at the University of Notre Dame on the subject of population, I referred to the view of the distinguished British scientist and novelist, C. P. Snow, who believed that sweeping famine is inevitable. Shortly before I spoke he had written: "Many millions of people in the poor countries are going to starve before our eyes. We shall see them doing so upon our television sets". He went on to say that "the major catastrophe will happen before the end of the century. We shall, in the rich countries, be surrounded by a sea of famine involving hundreds of millions of human beings. There will be suffering and desperation on a scale as yet unknown".

Now, though Lord Snow is a brilliant and perceptive man, I did not believe then and I do not believe now that wholesale famine is inevitable. I was convinced that there was time to reverse the situation if we would but use it, and I think the events of the past ten years have proven me correct. That is the theme of the paper we have put before you and that is the point I wish to stress tonight.

As a matter of fact during the past 20 years food production per capita in the developing countries did increase. The increase was only 5% because population growth was almost as great as the 55% rise in food output, but there was an increase, not the decline that Snow predicted.

Now what is the outlook for the next 20 years?

The nature of the problem is clear:

- a. Population growth will continue even though the rate of growth is declining.
- b. The number of malnourished people in the developing countries, while decreasing in relative terms, is actually increasing and is larger today than 10 or 20 years ago. It has increased from 900 million to one billion one hundred million because of the unequal distribution of the small increment in per capita food output.
- c. The production increase of the past 20 years, in the developing countries, was achieved to a large extent by expanding the acreage under cultivation. The opportunity for continuing to expand cultivated acreage is limited and therefore future production increases will depend primarily on increases in yield per acre.

Can yields be increased throughout the developing world? The answer is yes. At present they are very low, probably no more than one-half of North American yields under comparable conditions of water, climate and soil.

Among the actions which would contribute to increased productivity and higher yields, the following are of particular importance:

- a. Government policies have long neglected the rural poor and discriminated against agriculture; they must be changed. Farmers must be paid a price which provides an incentive to produce.
- b. The areas benefiting from irrigation must be increased. Within the next 20 years water is likely to become the limiting factor in agriculture. In most countries it continues to be treated as a free good and immense quantities are wasted. Improved water management on existing irrigated lands could reduce water consumption by about two-thirds, thereby providing a potential for a substantial expansion of irrigated areas.

- c. The rate of destruction of cultivated land by water and wind erosion must be reduced. We have hardly begun to attack this problem.
- d. Agricultural research both in the developed and developing countries must be increased. Less than 25% of the world's expenditures on such research takes place in the developing countries. And agricultural research in the developed nations, other than the USSR, has been declining in real terms. In the U.S. cereal grain yields appear to have stabilized, providing some evidence that the bank of knowledge provided by past research has been depleted. If yield increases are to continue, new research must be undertaken. There appears to be great potential for increasing the efficiency of the photosynthesis processes and for achieving biological fixation of nitrogen. And yet the federal support of research and extension services in this country has dropped approximately 2% per year in real terms since the early 70s.
- e. Soil fertility must be improved. Fertilizer usage per acre in developing countries is, on average, only 15% of that in the United States and the fertilizer used is applied so inefficiently that 70% of the nutrients are wasted.
- f. Support of small and less productive farmers by provision of credit, extension services, new seeds, fertilizers, feeder roads, and irrigation is essential. In the developing countries approximately 50 million farm families farm one hectare or less and an additional 50 million farm between one and five hectares. Their productivity is substantially below the levels achieved in their own countries -- investment to raise that productivity will yield high rates of return in both economic and human terms.

Earlier I said that famine was not inevitable: production of food per capita has increased during the past 20 years and I believe it can be increased further during the next 20 years. In part, I base that belief upon our experience in the World Bank. The Bank now is by far the largest single source of external funding for agriculture in the developing world, particularly for food production. We currently make available over 40% of all official external financial assistance to that sector. During the past five years, the Bank has provided about \$12 billion for agricultural development, financing projects for a total cost of about \$30 billion and representing 15 to 20% of the total public investment in agriculture. In the early 80s, these Bank-financed projects will contribute about one-fifth of the annual increase in food production in the developing countries. During the next five years, we expect the Bank to provide some \$25 billion for agricultural investment, supporting a total of over \$50 billion worth of projects.

Nowhere is the potential for increased production through government action and external support better illustrated than in India. This year, despite severe drought, India's cereal grain production is likely to total 120 million tons, substantially above the level of any previous drought year and, in combination with its food reserves, sufficient to meet consumption requirements without imports--an achievement that few would have thought possible even five years ago.

So I repeat: famine, while remaining very much a threat, is not inevitable. There are steps which all of us acting together can take both to avoid famine and to reduce the number of those now suffering from malnourishment. Some are bilateral, some are multilateral, and some require action by the developing countries themselves. The effectiveness of one often depends on the effectiveness of others. This in turn calls for a unity of purpose, indeed of political purpose, that we rarely see in worldwide economic endeavors.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 2, 1980

FROM: John E. Merriam

SUBJECT: Rosemary Righter interview for the Sunday Times of London

Attached for your approval are quotations taken by Ms Righter at her interview with you last Friday. I have edited them as you requested. She has asked to use these replies and has agreed to avoid a Q&A presentation. Frankly, she has taken a lot more than I thought she would and many of the quotes do not seem accurate. The answers to numbers 2 and 3 were specifically excluded in your comments. The Sunday Times would like an interview; but this was not really foreseen as part of the ground rules. What seems possible is a background piece using those parts you authorize.

I hope you will agree this edited version.

4/3

Attachment

JEM:rgw

4/3
Approved as
revised + as you
suggest
JEM

SUNDAY TIMES (LONDON) INTERVIEW WITH ROBERT S. MCNAMARA

Question 1: The central warning of the Brandt Report is that the world economy is now functioning so badly that it damages rich and poor countries alike. Do you agree with that analysis?

Answer 1: I would take it further. The problems facing the world are much more serious than they were when the Brandt Commission was established two years ago; more serious than when the Report was drafted last summer. The Report, for all the sense of urgency that it projects doesn't fully reflect the gravity of today's situation. The emergency is considerably greater, for all of us but above all for the ~~oil importing~~ poorest developing countries. ~~whose situation since December has become starkly worse.~~

Question 2: You have said before that decisions - on food, energy, jobs, and population - cannot now be postponed. All these decisions will involve major investments. What prospect do you see for action by the rich countries?

Answer 2: Some of the ideas in the Report - such as a universal income tax - are, I think ideas for the future. They are worth talking about or automatic revenues will never be available. But there are some proposals which are long overdue. ~~And the first is a deal on oil - by which I mean agreement on prices, supplies, conservation by the major consumers, and security of real revenue for the producers. Such an agreement ought to be possible, because it would include benefits for both the major importers and the major producers; in the context of that common interest, they should jointly be able to help the poor oil importing countries in the Third World.~~

Question 3: The "Emergency Package" proposed by Brandt includes not just oil, but large scale transfers of funds to the developing countries, a global food program, and a start on reforms of the international economic system. Is this a workable package?

Answer 3: ~~We are not going to get agreements on energy by adding to it all the elements of the new international economic order. It is urgent to concentrate on the most immediate task. If we are going to recycle the OPEC~~ SURPLUSES, ~~we must be able to guarantee~~

that the oil producers will get a return for their assets which retains its real value. If we are to have an energy strategy, the major consumers must agree to conserve supplies. And if economic planning is to be possible, price increase must be predictable. Finally, we must do something about the financing burden which doubled oil import bills create for the Third World. Now that is already damn complicated, without adding sub-clauses on the other problems. But if we can get it right, we have the basis for a start on the rest.

Question 4:

Is the large scale transfer of resources called for by the Brandt Report essential for dealing with the Third World debt problem?

Answer 4:

What we need is ^{inter-}mediation between lenders and borrowers to lessen the risks in recycling. The problem is one of a world of relatively high liquidity, caused by the building up of OPEC ^{surpluses} ~~surfaces~~. We must ^{put} get those ^{surpluses} ~~surfaces~~ to work, or face a very serious world inflation. ~~And~~ We must put them to work in an equitable way, or certain parts of the world will lose out, the parts which have the least capacity to adjust. The risks over recycling, over putting the ^{surpluses} ~~surfaces~~ to work, may be greater than they were in the 1970s, and there is therefore a more pressing need for what Henry Kissinger described then as a "safety net", an insurance plan covering potential losses by the banking system. But I think the risk is ^{manageable} ~~modest~~. Never underestimate the complexity and sophistication of the international financial system, its ability to cope. Certainly, the major international banks are pushing their lending limits to certain countries, and they will not be able to raise the level of their net outstanding receivables ^{this year} ~~from those borrowers~~. But the system as a whole hasn't yet reached its limit. An 11% increase in lending to the Third World would just about take care of the problem, close the financing gap. ~~Most countries' debt service capability is good; Their exports are rising and can continue to rise if we act intelligently to lower protectionist barriers.~~ So what we need is a sensible plan to intermediate between lenders and borrowers. performance can be improved.

Question 5

What about the poorest countries, which cannot borrow on the capital market? Are we not talking here about an urgent need for increased aid?

Answer 5:

The low income ^{facing greater difficulties than the middle-income} countries are ~~stuck~~. They need special assistance. Major countries - the United States, Canada, ^{countries} ...!

Britain, are cutting official aid because of national retrenchment - and that retrenchment directly affects those who can least afford it. We have to meet this by bringing home to working people in the West that their children's jobs, as well as their own, will depend on the gross ^{with} prospects of these countries - even if, at present, they import little because - well because they are poor. ~~And we need strong leadership by politicians.~~

Question 6:

What about the contribution of the Bank, and the International Monetary Fund?

Answer 6:

(a 40 billion increase) *(17 billion for three years)*
I can't answer for the Fund. But the doubling of the Bank's capital, and the agreement on the Sixth Replenishment of IDA (the International Development Association, which provides low cost loans to the poorest countries) gives us some scope. We are moving into lending for structural adjustment, providing funds on a program basis to help countries shift from a hot house kind of growth to new patterns which help them finance oil imports by increasing their exports, or creating policies for import substitution or more effective uses of energy for growth. We have already approved loans to Turkey and Kenya, ~~and we shall be treating this kind of program aimed at helping countries bridge the financing gap - top priority for the next several years.~~

Question 7:

How can the Brandt Report be translated into policy?

Answer 7:

related
We have got to prevent the Brandt Report dropping into the sea. I have picked out 17 of its proposals which affects the Bank, and we are examining them now. We are already doing some of the things they propose - like co-financing, ~~and providing more funds for programs as distinct from specific projects.~~ Its a very good report, and a political summit to act on it is highly desirable.

and will present the results of the studies, along with our recommendations to our Board of Directors.

J

Mr. Robert S. McNamara

Interview on French TV (Antenne 2)

By Mr. El Kabbach, (June 9, 1980)

Q. What solutions do you propose to reduce the problem of hunger in the world?

A. Let me first put the problem of hunger in context. The World Bank has been providing technical and financial assistance to about 2 1/4 billion people in 100 developing countries. Of that 2 1/4 billion about 800 million people are living in absolute poverty, a condition of life so limited by malnutrition, disease, illiteracy, low life expectancy as to be below any reasonable definition of human decency. Of that 800 million people in absolute poverty, 200 to 400 million are suffering from serious malnutrition, so severe as to be limiting their productivity. They are suffering from hunger, so severe as to literally limit the development of the brains of tenths of million of the children, who are suffering calorie and protein deficiencies. A major action, required to address that problem of hunger, is to increase the incomes of the poor and because most of the poor.....

Interruption by reporter.

Mr. McNamara, you have been saying that for years, you have tried that for years.

A. We have, we have, but we don't deal in promises, we deal with actions and that is what I have been trying to emphasize. Not only have we been emphasizing that the major action to deal with the problem of hunger is to increase production of the poor but we have been doing so.

Within the past 5 years, we have provided financing for projects which will approximately double the incomes of about 100 million of the poorest people in the world and that is the way by which they will begin to relieve their hunger. Expanding their production and providing more food, either directly by the food they produce or by providing agricultural products that they can sell for food. So I am very pleased with the progress that has been made and I have no doubt that if this Bank, with the help of FAO and other international institutions, pursues that program for another 10 years, as I am sure they will, a much further reduction of hunger will be taking place by the 1990s.

Q. Mr. McNamara, Jacques Segui, our correspondent in the U.S. announced that you are retiring next year. Is that a recognition of the inefficiency of the World Bank?

A. No, it is a recognition of the fact that we all age. Today I am 64 years old and one year from now I will be 65, and therefore, today I told our Board of Directors that I felt that it will be proper for me to follow the traditional retirement policy of the Bank, which is to retire officers at 65. To retire myself a year from today and to provide our Board and our member governments with 12 months to find a successor. I will be leaving after 13 years of service with the Bank. It is a magnificent institution. We are in the stage of our program where I think a change will be of advantage to the institution. The decade of the 80s will be much different from the decade of the 70s. It is appropriate that we bring in a man, who will stay here for 10 years, instead of only the first year or two of that decade.

Q. What would you like precisely of that decade Mr. McNamara?
What will it be like?

A. I think it is very difficult to say, except that it will be full of problems. Within the past year, as you know, the price of energy has increased about 80% in real terms. The industrialized nations of the world are facing inflation rates none of us could have visualized one or two years ago. As a result they are all following policies of austerity which have reduced the growth rate in many countries that are actually declining in production and income. This is leading to a rising tide of protectionism which is penalizing the exports of the developing countries, at a time when they must expand their exports to pay for the high prices of petroleum which they are required to import. It is a very difficult period indeed, and the problems are not going to be solved in a month, or one year or two years. It is a time for sustained leadership, for matching leadership. I have no doubt that the developing countries and the developed countries working together can resolve these issues. I don't believe small is beautiful. We must operate in a period of growth. I think that growth is possible only by enlightening policy decisions on the part of both parties, the developed and developing nations.

The reporter thanks Mr. McNamara.

A. Thanks. A great pleasure indeed.

August 19, 1980

K

THE WORLD BANK: 1968-1980

During the past 12 years the World Bank has become by far the world's largest and most influential international development institution. And it is for that reason that its 135 member countries must take care to insure that the Bank's next president -- be he an American or not -- be qualified to exercise strong and impartial leadership. With the entrance of the People's Republic of China into the Bank, this single institution is responsible for providing economic advice and financial assistance to one hundred developing countries, with a combined total population of some three and a half billion people.

The Bank's growth in capability and importance since 1968 can be measured in a number of ways.

1. Annual financial commitments have risen from \$1 billion in the fiscal year ending June 30, 1968 to \$11.5 billion in the fiscal year ending June 30, 1980.^{a/}
2. The internal financing necessary to support this expansion of lending has come both from the private capital markets of the world, and through negotiated agreements with the governments of the developed nations. The most recent steps in this process have included the approval of a \$40 billion increase in the capital of the Bank, and a \$12 billion replenishment for the next three years of the funds of the International Development Association -- the Bank's affiliate that lends on special concessional terms to the very poorest developing countries.
3. As a result of this expansion in financial commitments the Bank today is supervising more than 1,600 projects -- with a total value of some \$100 billion -- in 100 countries.
4. Perhaps of even greater significance than the elevenfold expansion in lending has been the Bank's major shift in emphasis from economic programs and investments directed simply toward maximizing the rate of overall economic growth, to programs and investments directed toward achieving that growth with equity. The Bank's research, initiated during this period, has demonstrated that in most instances there need not be a punitive trade-off between equity and growth, and that there is a workable solution to the problem of the 800 million absolute poor who literally live on the margin of life. The Bank's views in this matter have gained wide acceptance in both the developing countries and the donor nations. These views have helped reshape development strategy in dozens of developing societies, and have directly resulted in a substantial thrust in the Bank's lending program toward investments specifically designed to raise the productivity of the poor, and to insure the equitable distribution of essential public services -- basic education, primary health care, potable water -- to the poor.
5. During this same period, the Bank has initiated lending in a number of critical sectors in which it had never been engaged before. These have included population planning, environmental protection, primary health care, and energy development. In the case of energy, for example, the oil import bill of -- developing countries has risen from \$4 billion in 1972 to \$26 billion in 1978, and

^{a/} Robert S. McNamara assumed the presidency 4/1/68.

and is estimated to reach \$60 billion in 1980. To help meet this problem, the Bank has recently launched an energy development program so that its non-OPEC developing member countries can assess, explore, and exploit their domestic petroleum, coal, hydroelectric, and other energy resources. By 1983 the Bank's lending to these countries for domestic petroleum development alone will reach \$1.2 billion per year -- financing, annually, oil and gas exploration and production projects with a total cost of over \$4 billion, and representing roughly a third of the total investment requirements of its developing member countries in this sector.

14

L

ABC-TV PROGRAM

- I. Introduction of Mr. McNamara by Richard O'Leary, President of ABC-owned TV stations (to be filmed in New York).

- II. Remarks of Mr. McNamara (approximately 2 minutes):

I congratulate ABC-TV for probing beyond the daily headlines, and for taking a hard and realistic look at the immense problems of poverty and hunger in the world today. These problems may seem remote from our situation here in the United States. But the fact is they are not. In our increasingly interdependent world, these problems are inevitably going to have an effect on us all.

The film you are about to see is about a typical Indian farmer. He faces the problem that small farmers face everywhere: how to increase his yield from the land, and hence his income, so that he can better meet the needs of his family.

He, and his fellow village farmers, need practical advice and information from agricultural extension agents -- just as American farmers do.

In the past, that advice has been hard to get in India. Now the "training and visit" system of agricultural extension, which is based on frequent, scheduled visits to farmers, by trained extension workers, has been introduced -- with World Bank support -- in a number of Indian states. At full development, these extension efforts will serve approximately 32 million Indian farmers and their families.

What makes the "training and visit" system of extension work in India -- as well as in a number of other developing countries -- is its emphasis on simplicity and practicality. The village-level extension worker shows the farmers foolproof ways to increase their yields with little or no additional expenditure. It is no use advocating expensive methods which the farmers can't afford. The extension worker sticks to fundamentals: better planting, better weeding, better spacing and rotating of crops. And he is there with the farmers on a regular scheduled basis, monitoring progress, and encouraging initiative.

The result is that more and more of India's small farmers are being transformed into modern cultivators, aware of the importance of land and water management techniques, and agricultural inputs. Not only is this increasing farm production, it is also infusing a new spirit and a new hope in farmers and extension workers alike.

Nimai, the central figure in this film, is a farmer in West Bengal who has not had a really good crop for years. As a result of his participation in the extension program, his life, and that of his family, has changed. His story is not unique. It is being repeated all across India.

III. Film: "A Day in Srishnagar" -- approximately 15-1/2 minutes.

IV. Remarks by Mr. McNamara (approximately 2 minutes)

How does agricultural extension in India relate to Americans? The North American continent has become the granary of the world, providing about 80 percent of all grain exports. But most of this grain is grown under rainfed conditions. And a few bad harvests in North America -- always possible under the uncertainties of weather -- could have disastrous effects on the world's food-deficit regions. But the poor harvests wouldn't have to happen here in North America in order to affect our lives, and those of hundreds of millions living in other parts of the world.

You will remember what happened in 1972, when harvests were poor in sub-Saharan Africa, in the Soviet Union, and in certain parts of Asia. World grain production went down by only 3 or 4 percent. This seems like a small reduction, and yet it had an immense effect on prices of export grains. They went up in cost by some 300 percent.

The effects were felt not only in India and Africa, but here in the United States. The price of bread, and everything else made out of grain, went up dramatically in America's supermarkets. The price of meat went up, too, since it cost more to feed our livestock and poultry. And since wage rates in the automobile industry and in many other industries are tied to the cost of living, the increase in food prices triggered a rise in the wage rate, and helped to boost inflation.

That same cycle could easily be repeated. Unless the food-deficit countries continue to expand their grain production, there is sure to be a stimulus to inflation in this country whenever harvests elsewhere are poor again.

Through the medium of television, we are often witnesses to the outbreaks of violence and political upheaval in various parts of the developing world. In many cases, the fundamental causes of this unrest are related to the unfulfilled economic and social expectations in these societies. That is one reason development is so important. And when the yields of small farmers improve, not only is more food available, but more jobs are created, more children go to school, and villagers' lives are changed. That is what is happening in Miami's village of Srishnagar -- a part of the world where villagers have been cultivating the soil for more than thirty centuries.

V. Film segment on Daniel Benor's meeting with farmers in Srishnagar (approximately 3-1/2 minutes)

VI. Mr. McNamara's Concluding Remarks (approximately 2 minutes)

One of the most fundamental tasks confronting us all today -- in both the developed and developing world -- is to ensure that there is going to be adequate food supplies for everyone.

If present trends in agricultural production continue, it is almost certain that the people living in a number of developing countries will not be able to meet their minimal caloric requirements by the year 2000 without a tripling of their cereal imports -- up to a level of between 90 and 100 million tons a year.

It is questionable whether the grain-exporting countries can generate such huge surpluses for export at any price -- much less at prices that the poorest importing countries will be able to afford. They may well be simply priced out of the market by those grain-deficient nations that are better off financially.

These projections make it clear that the only way that many developing countries can be sure of adequate food supplies in the future is to produce enough food themselves to meet their own needs.

Most of the World Bank's agricultural lending for the past several years has been for projects that aim at increasing the production of cereals and other basic food crops, and many are being particularly designed to increase the productivity of low-income farmers, most of whom farm 5 acres or less.

In the film, the Indian farmer, Nimai, and his neighbors have been able to increase their yields through the simple techniques introduced by the "training and visit" system. However, extension by itself is not the whole answer to the problem of inadequate food supplies.

According to the Food and Agriculture Organization of the United Nations, developing countries could double their agricultural production over the next two decades by adopting a combination of measures -- in addition to extending practical advice to the small farmer. These steps include:

- Increasing the use of fertilizer;
- Substantially expanding the use of high-yielding seed varieties;
- Making more efficient and equitable use of irrigation water; and
- Intensifying reserach on multiple cropping, and rainfed agriculture.

These measures require the investment of large sums of money -- perhaps 30 to 40 billion dollars a year over the next two decades. The developing countries are not capable of raising these funds by themselves. They are going to need help from the international community.

The response to this need will help determine the quality of life for all of us in the medium and longer-term future. For unless there is visible progress towards a solution to massive absolute poverty in the developing countries, there is little hope for peace. We simply cannot build a secure world on a foundation of human misery.

I am delighted that ABC is probing behind the daily headlines & taking a hard look at the enormous problems of poverty & hunger which are affecting the lives of hundreds of millions of people in the developing countries today. These issues may seem remote from our situation in the US. They are not. In our increasingly interdependent world, such problems are inevitably going to affect us all.

The film you are about to see is the story of a typical Indian farmer. He faces the problems that small farmers everywhere do: how to increase his yield from his land so that he can better meet the needs of his family.

He & his fellow farmers, each trying to eke out less than $\frac{1}{2}$ acre, need practical advice & assistance from extension agents. In the past that advice has been hard to get in India. Now an extension system, based on frequent & scheduled visits by trained extension agents, is being introduced with World Bank support. It will serve over 30 million farmers & their families, nearly 100 million people.

The central figure in this film is a small farmer in West Bengal who had not had a really good crop in years. As a result of his participation in the extension program his life & that of his family has changed dramatically. His case is not unusual. It is being repeated all across India.

II
How does agricultural extension in a ^{developing country} relate to Americans?

North America supplies about 80% of all grain exports, including exports to the developing countries. Most of our grain is grown under rainfed conditions and a few bad harvests, reflecting bad growing weather, can have disastrous effects on the world's food-deficient regions.

But poor harvests don't have to happen here to affect our lives & those of hundreds of millions ^{of people} living in other parts of the world.

You will remember what happened in 1972. Poor harvests ^{occurred} in the Soviet Union, in sub-Saharan Africa & in parts of Asia. World grain production dropped by 3 or 4%, a relatively ^{small} amount. But because world-wide supply & demand is so precariously balanced that small reduction in supply caused prices to rise 300%. Bread prices rose in the US & human beings died in Asia & Africa.

That cycle will be repeated again unless production is increased in the developing countries.

We are witnesses of outbreaks of violence & political upheaval in many parts of the world. All too often that unrest is related to unfulfilled economic & social expectations. Development won't guarantee an orderly peaceful world, but lack of it will bring the opposite.

When the yields of small farmers are unfulfilled as they have been in this village where jobs were created, more children go to school; villagers's lives are changed.

One of the most fundamental tasks facing the world today is to expand food production in the developing countries. Even if we could increase our own ^{US} production by enough to feed their expanding population the "will be unable to pay for the imports. There is no solution ^{to this problem} other than to help them help themselves by expanding their own production.

That is the object of the "training + visit" system pictured in the film. But much more than extension services is required: better seeds, additional fertilizer, more irrigation, farm to market roads -- all are needed if malnutrition now affecting 600 million people in the developing countries is to be reduced.

Such measures require huge investments -- perhaps \$30-40 billion dollars a year over the next two decades. Most of these funds must come from the savings of the developing countries themselves -- they currently finance over 80% of all of their development needs. But they are going to need help from the international community as well.

How well we respond will do much to shape the world of our children and ^{our} grandchildren. Unless there is visible progress towards a solution to the massive problem of absolute poverty we cannot hope for a stable, secure world. Such a world cannot be built on a foundation of human misery.

M

N

Not to Mrs. Koelle

OFFICE MEMORANDUM

It was clearly understood that

TO: Mr. Robert S. McNamara (thru Mrs. Shirley Boskey)

RWB

DATE: August 13, 1980

FROM: H. Martin Koelle *HMK*

the interview was for background. Specific statements to be quoted

SUBJECT: Your interview with Mr. Lew Simons

As Mr. Merriam discussed with you over the phone, we have gone through the rough transcript of the interview and tightened it slightly without taking away its colloquial character. If you approve, we shall forward the revised transcript to Mr. Simons to be used for his article in the "Smithsonian Magazine."

Attachment

HMK:raw

were to be cleared for quotation. We should stick to that agreement. Dnew

8/13

1. I don't agree that virtually everyone associated with development says or believes that reduction of fertility is a necessary condition to achieving substantial economic and social advance. Certainly in the sub-Saharan countries of Africa, for example, there are many, many government leaders who don't say it and who haven't acted on it. And there are many, many opinion leaders, in the media and elsewhere, in universities, for example, who don't say it and who haven't acted on it. And certainly that's true in parts of Latin America. I think, therefore, that there are many in positions of influence and power associated with development who by implication endorsing the reverse haven't accepted it or at least haven't acted on that premise. So, the most important single thing the Bank can do is to change those attitudes. If agriculture ministers and prime ministers don't agree that expanding food production is important in their country, there's very little we can do with projects to address the issue. And the same thing's true in population. If we can't get initial acceptance of the necessity for reducing fertility rates, there's nothing we can do with projects that will really make much difference. And hence I think the most important contribution we've made is to help contribute to a change in those attitudes. And I know that we have contributed to that. (Reference to his MIT speech). It's through that, that one most effectively attacks this kind of problem at this stage, when there's not intellectual acceptance of the necessity for action. Secondly, in places where it is accepted that reduction of fertility is a necessary condition of advance, or where action requires support, one has to address

the question of what has been done and do we have the expertise to deal with it. . . It's absurd to say that our people don't have expertise -- they do. Now whether we have done enough or our projects have been effective enough, that's a different question. But we certainly do have expertise. Have we achieved little? Well, I don't think so. Take it country by country. In Indonesia I would say we have achieved a lot. In the Philippines, considerable. Tunisia, considerable. So, I don't want to claim that we've revolutionized the world's growth rate, we haven't, but I don't know anybody that's putting out this information or that with this information has had as much effect on governments. . . (Reference to table 17 in World Development Report, 1980, specifically viz Bangladesh). . . These figures President Zia has looked at. And I don't want to say these are the only figures that changed his view. . . But they have contributed to a dramatic change in the attitude of the administration in Bangladesh. And we're working on them -- we working with them -- on population projects to support this. But he himself, the president himself, has seized the leadership within the last 90 days, 120 days, to deal with the problem. Up to this point the fertility rate has been far too high. . .46 per 1,000. Now that's an impossible situation. . .Clearly the influential leaders of Bangladesh have not accepted (the need for population planning) or it wouldn't be that way. So, the problem is not simple. There are many parts of the world today in which it is still necessary to change mental attitudes. Now there are many other parts of the world where, when the mental attitudes have changed, it's necessary to begin to deal with the problem. And there it divides into two parts. And I'd say we've been quite successful in one part. . . the supply side, where you provide contraceptives in

various forms. We have projects in many countries of the world and they are providing contraceptives. The problem is that's only half of, I won't even say half, it's only one of two elements. . . the other side is the demand side. . . The First problem: Change attitudes of leaders. The second problem: deal with the high fertility among the population. That has two elements: supply and demand. We've done well on supply and not very well on demand. The desire of the average Indian family is for a relatively large family, larger than is consistent with optimum development in the country. The desire for the average Pakistani family is for a size of family larger than is consistent with optimum development. We haven't made nearly as much progress -- and Pakistan's a very good illustration -- not nearly as much progress in changing that demand element of the equation. But, I don't think this is unique to the Bank. We're not the only agency in the world working on it. None of us have done as much as can be done. We're all learning. . . Low fertility rates are not a function of income. They certainly are not a function solely of availability of contraceptives. They are a function of other social advances -- nutrition, role of women, literacy, health, low infant mortality, these factors. And we're probably doing as much or more than any other agency in the world in dealing with those factors. So, indirectly we have had, and in the future will have, much greater influence. Frankly, that's the reason we're putting as much weight as we are on health and nutrition -- not because they're good per se, although they are -- but because they have a synergistic effect on other elements of development, including fertility rates.

2. I don't think closing the gap in those terms -- monetary terms --

is the way to measure whether progress is acceptable or unacceptable. Nor is it, in my opinion, the best formulation of a goal of development. The goal of development should be human advance. What you need to do is attack the fundamentals of social development, which are health, literacy, life expectancy, the basic needs. And it seems to me that the goal should be the reduction of what we call absolute poverty and ultimately its elimination. And if one were to say what is an appropriate goal for the end of the century, I'd say it's a very substantial reduction in percentage terms of the proportion of the population of developing countries living in absolute poverty. That, I think, is a primary, if not the primary, goal. And I think that's attainable. When I say a proportion I mean a very substantial reduction -- in percentage terms I'd say a reduction of at least half. . . In terms of numbers, because the population will be expanding substantially between now and then: If one were to achieve a reduction of half in percentage terms of those living in absolute poverty, the numbers would actually go down from today. Today, they're on the order of 800 million. A reduction of half would take them down to 600 million or below. Frankly, I would like to see more rapid progress. But I think that is an attainable goal. . . Look at the increase in literacy, the reduction in infant mortality, the increase in life expectancy, the increase in caloric intake, which have taken place in the last 10 years, and particularly in the last quarter-century. . . The progress is tremendous. Life expectancy on average for the 2 1/4 billion people we serve, (we have served before China came in) has increased, I'd say, 40 percent, in the last quarter-century. That's a tremendous advance. That's really fundamental. . . Many many forces have contributed to it. I hope we've contributed some.

I think we have. . . The major factor affecting social advance, including that increase in life expectancy, is the behavior of the developing peoples themselves, including, of course, their governments. Domestic savings, reorientation of investment to put additional stress on literacy, on health, on food production. And, obviously, great technological advances -- vaccinations, and other medical advances have had a major impact on this as well.

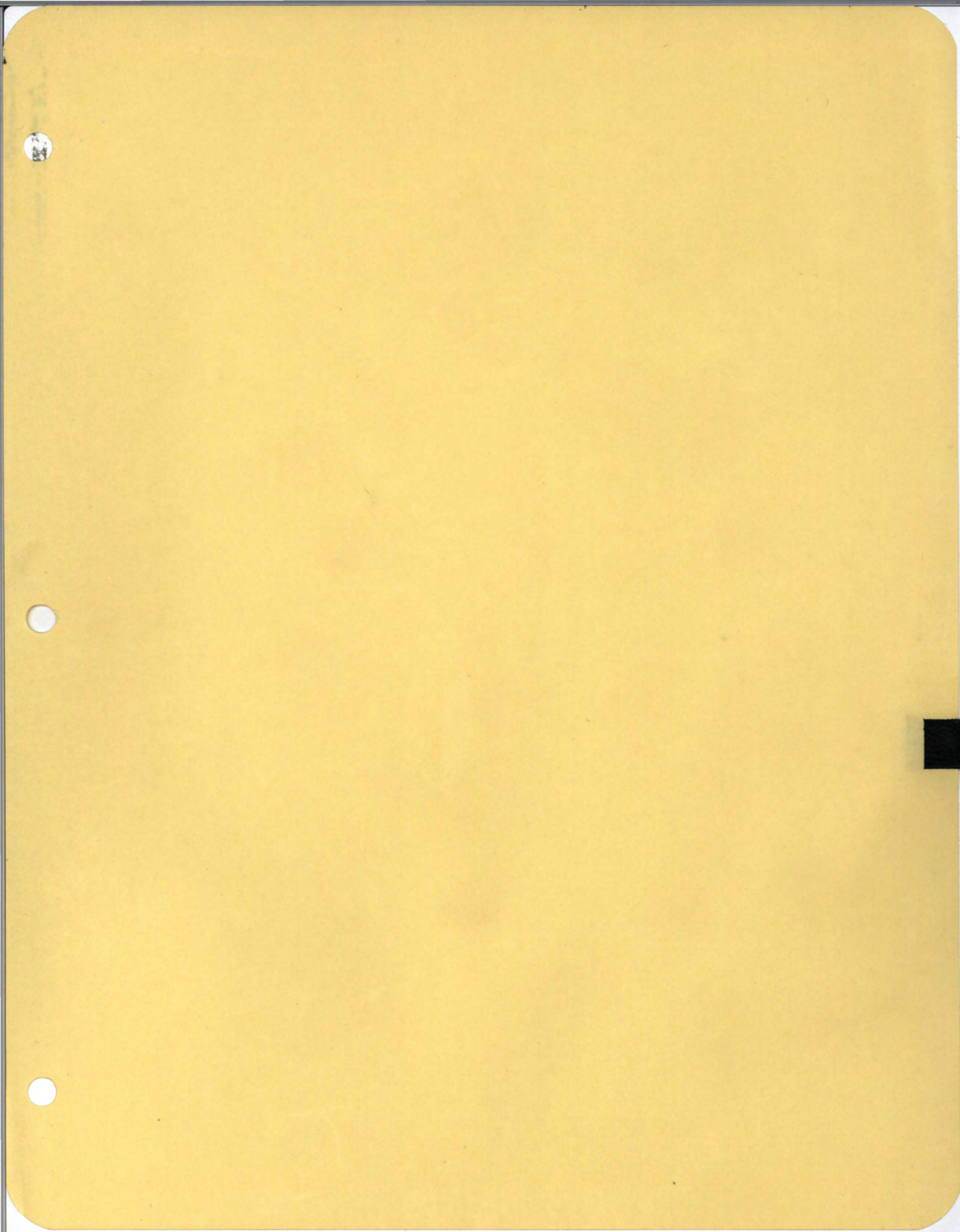
3. (Do you stress quantification and if so why?) Surely, because our product is advance of people. Social and economic advance of people, and not just one person but large numbers of people. That's our job. You have to think in terms of advancing the welfare of 2 1/4 billion people. And you have to see whether you're doing it. Now, it's extraordinarily difficult. . . I don't know what the life expectancy of a Chadian is in 1980 versus 1975, but I do know that the average life expectancy of a subSaharan African today is a lot more than it was 25 years ago. And I think that's important to know. And it's important to know whether it's one year more, or five percent more, or whether it's 10 years more or 40 percent more, whatever it might be. Another illustration: we deal in money. And you've got to know how much money to borrow and how much money you lend and how much money it takes to achieve a certain objective. If you can't expand food production at a reasonable cost you better not put the money in; you'd better spend it on literacy or something with which you get a greater return. We are in the business of dealing in numbers -- numbers of people, numbers of dollars, numbers of tons of food produced. How on earth can you run this place without thinking in those terms? Now one must not mislead oneself, one must not attach to these numbers false levels of accuracy. They are

imprecise measures. . . There are all kinds of qualifications. But we have to have some relative measure of income per capita in these countries as a basis for allocation of scarce concessional resources. We are a numbers-oriented institution. Beyond that, algebra, numbers, what have you, are a language. And I have no apology for using that particular language, to express ideas that can be expressed more effectively and convey more completely using that language instead of some other language.

4. My background was a background of establishing objectives for institutions and then pursuing those objectives in effective ways. And both in my business career in the Ford Motor Co. and other industrial organizations I was associated with as director and in other respects, I always felt that business leadership had two primary responsibilities: one was to the stockholders of the firm and one was to the society they were part of. And the objectives we formulated were in those terms. Now, here, when you come in and say, 'what should the objectives be?' the objectives are economic and social advance. And then you say, 'how can that best be achieved?' Well, population was a good illustration. In my opinion they cannot best be achieved by concentrating solely on investment projects. One must address the fundamental issues of national policy. I spoke with respect to population. We could say the same thing with respect to food production or education. In the case of education, it's much more important to gain agreement on the fundamental objectives of education -- one of the primary ones of which I would say is education of women -- than it is to build a particular school or establish a particular curriculum. So, having for 40 years as a manager believed that a manager's responsibility is to appraise

the institution, (to) determine what its objectives should be, then to develop a plan for achieving those objectives, and then measure performance against that plan, it was very easy to bring that philosophy to this institution. We could say the objective should be to maximize this institution's contribution to the social and economic advance of the 2 1/4 billion people; that that meant just what it says: people, not economies. And one had then to think about what does advance of people mean, social and economic advance? What it means in these fundamental terms. And then to develop a plan to do it one soon came to the conclusion that one can't maximize the advance with some projects alone; one has to deal with the broader issues -- that's how we got into this whole set of issues of population and rural development, attack on absolute poverty and so on.

5. (Why he came to the Bank): It is, I think, the most exciting job I could conceive that I was possibly prepared for. It deals with a very important objective -- advancing the social welfare of 2 1/4 billion people -- it puts you as part of an organization of extremely able, attractive, bright people. . . they're an amazing group of people. . . and in an environment that is absolutely fascinating. It's a political environment, an economic environment, -an intellectual environment, requiring association with a wide range of problems -- I can't imagine anything more fascinating. I've said -- people think I say it facetiously; I don't -- I've said that apart from frustration which doesn't occur often I'd pay for the job. I really mean that. And I would say that to my successor. And, by the way, I think one of the interesting things is. . . why are so very many people in the world interested in this place?



9/8/80

Remarks to Members of Congress

1. The U.S. Congress has before it legislation relating to the World Bank. You no doubt have questions regarding both that legislation and the Bank's operations. I would like to answer these questions this morning. But before doing so, I wish to make two points :
 - a. Development of the poorer countries of the world is very much in the interest of the U.S., whether one looks at that interest from an humanitarian, geopolitical, or economic point of view.
 - b. Support of the World Bank is an extremely cost-effective way of accomplishing this objective.
2. With respect to the U.S. interest in the developing countries, I am not going to stress our deep humanitarian concern in alleviating the sickness, hunger and deprivation which prevail in those countries. Of the 2 1/4 billion people in the 100 developing countries which have been assisted by the World Bank, over 800 million live in absolute poverty, a condition of life so limited by malnutrition, disease, high infant mortality and low life expectancy as to be beyond any reasonable definition of human dignity. Of these people, 700 million are undernourished and 600 million are illiterate -- on average, their infant mortality is 10 times greater than ours and our life expectancy is 40% greater than theirs. External financial assistance has contributed to the social and economic advance of these populations and can continue to do so.

3. As fundamental as it is, I do not wish to dwell upon the moral or humanitarian justification of economic assistance. Instead, I want to stress the major economic and geopolitical interests we have in the development of those nations:
 - a. The increasing economic interdependence throughout the world brings with it an increasing political interdependence. The U.S. cannot isolate itself from the disorders that will result from economic stagnation in the trouble spots of the world: Zaire, Thailand, Turkey, Uganda, the Caribbean to mention but a few. Nor can it expect to have secure bases in areas in which it is interested, Kenya, Somalia, Oman, for example, if these countries are experiencing economic chaos. Economic and social advance will not assure order but lack of it will guarantee disorder. I have long believed that at the margin, and in the amounts we are talking about, a few hundreds of millions of dollars per year, a dollar spent on development adds more to American security than an additional dollar spent on defense.
 - b. Economically, in the past two decades there has been a major change in our relationship with the developing world.
 - (1) The percentage of our GNP derived from trade has doubled in the past decade: from 6.4% in 1970 to over 12% in the 1st half of 1980. Such trade today is a source of one of every 7 manufacturing jobs and takes the products of one of every 3 farm acres. Over 1/4 of U.S. exports, including 10% of

agricultural products, go to the non-oil producing developing countries. They form a market larger than Western Europe, Eastern Europe, China, and the Soviet Union combined. What happens to that market is of vital interest to our workers and our investors.

(2) The U.S. increasingly depends on developing countries for its raw materials:

- . five supply 50% of the world's copper;
- . two supply over 50% of the world's tin;
- . two supply 75% of the world's natural rubber.

(3) The success or failure of the developing countries' expanding petroleum production and cereal grain production will directly affect the rate of inflation and hence the economic growth of the U.S. economy.

In sum, the social and economic advance, or lack of advance, in the countries of the Third World can have immense impact on both our domestic economy and our national security.

4. The World Bank is a major force affecting the rate of economic and social advance in those developing countries. It is:

- . the largest single source of external funds for development;
- . the major adviser to developing governments on development strategy and economic policy.

a. That the Bank is a cost-effective means of supporting U.S. economic and security interests is clear from an examination of its financial statements:

- . approximately 30% of the Bank's loans are financed by IDA through government appropriations. The U.S. share of contributions to IDA has dropped from 43% to 27%. As a result, 73% of IDA's operations, from which the U.S. benefits so directly, will be financed by other countries.
 - . 70% of the Bank's loans are financed by the IBRD whose funds come from the world's capital markets. Over the nearly 35 years of the Bank's existence, during which time the IBRD has made nearly \$60 billion in loans, the U.S. Government has paid into it in the form of capital approximately \$800 million. Over its lifetime, therefore, the Bank has made more than \$70 in loans for each \$1 the U.S. has invested in it.
 - . The IBRD loans and IDA credits have added billions to the U.S. balance of payments and tens of thousands of jobs to U.S. employment.
- b. As illustrations of the Bank's operations, let me refer to three areas: food production, petroleum production, and poverty alleviation.
- (1) Food.
- . The Bank now is by far the largest single source of funds for agriculture in the developing world. We currently make available over 40% of all external financial assistance to that sector.
 - . Over the past five years the Bank has provided about \$12 billion for agricultural development, financing projects with a total cost of about \$30 billion. Over 3/4 of this investment has been

directed toward increased food production. We expect that in the early '80's, Bank financed projects will account for about 1/5 of the annual increase in food production in developing countries.

(2) Energy.

- . Three years ago the Bank initiated a survey which identified 78 developing countries with a potential for oil and gas production. Of these, 23 were in production, in most cases producing relatively small amounts. Provided that sufficient resources can be made available -- some \$12 billion a year from all sources -- these 78 developing countries will be able to increase their oil and gas production by close to the equivalent of 4 million barrels a day by the end of the '80's.
- . Production equivalent to an additional 6 million bpd, i.e. in the form of forest, coal and hydroelectric resources is also possible, dependent on the availability of finance.
- . The question is: will the necessary financing be available.
- . To help insure that it will the Bank has launched a 50-year program of technical and financial assistance for development. We have greatly expanded our petroleum lending -- by 1983 it will amount to over \$1 billion per year for oil exploration and development projects, with a total cost of over \$4 billion a year. The Bank's program will support roughly one-third of the total investment requirements of the developing countries in this sector. The program can and should be expanded still further.

(3) Poverty Alleviation.

Since 1973 the Bank has placed increasing emphasis on lending to the poorest countries. 90% of IDA credits now go to such countries in which live 1 1/4 billion people. Moreover in each country our lending is focussed more and more on accelerating the economic and social advance of the poorest groups within the society. This can be done only by helping the poor to raise their productivity. In the past five years, the Bank has helped to finance projects which will approximately double the incomes of 60 million of the poorest individuals in the developing world, those living literally on the margin of life.

5. In sum, we are not a philanthropic organization. We are a hard-headed financial intermediary, operating in the long-term economic interests of both our developing and developed country members. In the fiscal year which ended 6/30/80 our new financial commitments totalled \$12 billion and our net income \$588 million.

P

Mr. McNamara's Opening Statement - Press Conference in Brussels

The present world food situation gives grounds for both hope and for concern. Hope because - despite the direst of predictions - global food production has kept ahead of population growth throughout the 35 years since World War II. The achievements have been especially notable in South Asia and parts of Southeastern Asia. There is concern, though, because of lagging food production in some areas - including much of sub-Saharan Africa and the Mekong Basin. There is concern, too, because even now millions throughout the world do not have adequate nutrition. As we look ahead, many hundreds of millions more will have to be nourished by the end of this century in a world that is growing increasingly dependent on North America for its food supplies.

The World Food Conference of 1974, and more recently the Brandt Commission, have emphasized that developing nations must increase their own food production. They cannot rely on the developed world for an increasing amount of their food.

Expanding domestic production of food is both an economic and political imperative. Economic because growing agricultural output provides one of the best opportunities for economic development in many countries, especially for the rural poor. And political because an assured supply of food is essential to meet the needs of the populations of the exploding cities in the Third World. Indeed in my view, the ready availability of low-cost food in urban areas will remain, for developing countries, a major political issue in the years to come.

For both economic and egalitarian reasons small-scale farmers need to be brought into the mainstream of the development process. By increasing their productivity, the poor will make a greater contribution to growth and development and receive a greater share of the benefits of that growth. One vital attribute of the "Green Revolution" is that it is scale-neutral -- it provides equal opportunity for benefits to both large and small farmers. To achieve increased production and to sustain the momentum of agricultural growth, developing countries must increase the productivity of the small farmers who form the bulk of the rural sector.

It is for these reasons that the Bank has expanded lending for food production throughout the developing world. Lending for agriculture and rural development now constitutes one-third of the Bank commitments and the Bank lending represents roughly one-fifth of total public sector investment in agriculture in the developing countries. Bank disbursements in this sector exceed the total from all other external sources. A recent review of the impact of completed Bank projects in agriculture and rural development in the past seven years indicates that, on balance, these projects have helped to increase the incomes and productivity of some 100 million rural poor.

Irrigation, fertilizers and agricultural research were crucial to the success of the Green Revolution which began with the introduction of high-yielding varieties of rice and wheat in 1965, varieties developed by the International Agricultural Research Centers which are being honored by the award of the King Baudouin prize. About a decade later, some 55 million hectares, more than one-third of the area sown to these two cereals in developing countries, are growing high-yielding varieties, thus making this the most rapidly adopted technology in agricultural history.

There is scope for considerable further increases in output by a more effective use of water and fertilizer while expanding research efforts. Water is by far the most critical input for agriculture. In the last ten years roughly 40 percent of all additions to developing country food production has derived from expanded irrigation. But the supply of water is not unlimited. The costs of irrigation have escalated as well. Despite this, water had traditionally been treated as a free good. By reducing waste, the quantum of water available for irrigation could be substantially increased. The vast Indus River system in Pakistan, for example, wastes some 60 billion cubic meters of water every year at the village level through seepage and evaporation. This is more than two-thirds of the entire annual flow of the Nile.

The benefits from making the water system more efficient are large. The average cereal yield on the 95 million hectares under irrigation is around two tons. Improved management of water could double this.

Fertilizer consumption has increased steadily in developing countries growing on average by over 8 percent each year. Still the average application rates per hectare of farmland are lower than in the U.S. and in Europe. Experience shows that on average for every incremental ton of fertilizer, as much as six tons of grains can be produced in developing countries.

Even more important is research leading to development of new technologies designed to increase yields. Although over a third of total global food production is in developing countries, less than one-tenth of total agriculture research has been undertaken there.

Together with the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Development Program (UNDP), the Bank in

1971 sponsored and organized the Consultative Group on International Agricultural Research (CGIAR). The purpose of the Group was to bring international support for those critical technological problems of food production in developing countries.

The Group is an informal association whose members are countries, public and private foundations, and international and regional development institutions. In calendar 1981, the donor members will be making grants amounting to about \$140 million to support a network of 13 international research institutions, a fifteen fold increase from the \$9 million level of ten years ago.

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Q

The current account deficits of the O IDC's have more than doubled in absolute terms since 1978 and almost doubled as a percentage of GNP. Unless GNP growth rates are allowed to fall to unacceptably low levels they will remain very high for the future.

The question all of us must face is can such high deficits be financed?

The answer, I believe, has three parts:

- a. In the short run, this year and next, it appears likely that the private markets and existing international facilities will meet the financing requirements.
- b. In the long run, the level of deficits of today should not be financed. In many countries they are so high as to require levels of debt that cannot be serviced by any conceivable expansion of exports. The deficits therefore must be brought down to sustainable levels by appropriate structural adjustments, adjustments which would have as their objective either the expansion of exports or the reduction of imports, or a combination of both.
- c. But in the medium term, say for the years 1982-86, existing private markets and international facilities may not be sufficient to finance current account deficits of sufficient size to facilitate the adjustment process, while avoiding disastrously low growth in the developing countries and deflationary pressures on the economies of the industrialized nations.

It is for this reason that the World Bank and the IMF are urging that, at a minimum, contingency plans be developed for supplementing the financial flows to the O IDC's from the private markets: in the case of the Fund by additional lending through its Extended Fund Facility; in the case of the Bank

through SAL and by expanding lending for such high priority investments as energy. The financing for the Bank's expanded lending could come from the organization of an Energy Affiliate or a change in the capital structure of the Bank.

The opportunity for profitable expansion of the Bank's energy program with benefits to all parties (OPEC, OECD and OIDC's) is enormous. We estimate that today the OIDC's are producing 8.5 mbepd and by 1990 could be and should be producing 18 1/2 mbepd. But to add 10 million mbepd would cost approximately \$500 billion over the decade, in 1980 dollars, compared to the 80 billion spent in the last five years.

Without such contingency plans we run the risk that the very low rates of growth forecast for the oil-importing developing countries for the first half of the decade, including, for example, negative growth for the 140 million people in the low-income countries in sub-Saharan Africa, will be even lower and will extend into the 1990's.

Even with larger financial flows, economic and social growth in the developing countries will be severely restricted unless the protectionist forces in Europe and the United States are curbed.

One could easily be overcome by pessimism in the face of such an outlook.

And it is true that our increasingly interdependent world is still largely dependent on independent sovereign states for forging responses to the problems of interdependence.

But there is a basis for hope. The organization which your King has honored for its achievement in the field of agriculture illustrates the point.

In the short period of a decade and a half, wheat and rice production in the world has been revolutionized -- in large part as a result of the

international agriculture research centers. Today the high-yielding varieties developed by the Research Centers are producing on one-half of the wheat acreage and one-quarter of the rice acreage in the developing world. Annual production has increased by enough to meet the food needs of 300 million people.

India suffered a severe drought last year but grain production, despite the drought, totalled 116 million tons. In 1966, a year of comparable rainfall, production amounted to 72 million tons. The increase resulted in large part from the use of the high-yielding varieties of seeds produced by the Rice Institute in the Philippines and the Wheat Institute in Mexico.

We are most grateful to His Majesty for drawing attention to both the problems and the potential of development. All nations, rich and poor, are indebted to him.

Will you please join me, therefore, in a toast to a very sensitive, very wise human being: His Majesty, the King of the Belgians.

R

2300 years ago, Aristotle used a phrase that is often on the lips of Chancellor Helmut Schmidt.

Man, said Aristotle, was not merely a rational animal, but a political animal.

Other animals showed evidence of social organization, but only Man had the power of speech, and only Man had the sense of what was just and what was unjust. That, said Aristotle, was what politics is all about: citizens governing themselves in a constitutional state, under just laws, and in a manner in which each individual could strive to realize the fullest potential for a life of excellence, and happiness, and dedication to the preservation of the common good.

Chancellor Schmidt is preeminently a politician in that tradition. He has been so for over 30 years.

Not only has he the power of speech, but -- as you will hear in a moment -- the power of eloquence.

And not only has he cared about and worked for, and achieved so much for the common good of his own society, but he has emphasized that it is imperative ^{as well,} to care for and work for the common good ~~as well~~ of a much broader and more diverse society: a society of nations that are inevitably -- and increasingly -- interdependent, and bound in various ways to one another.

His support, for example, of close German-American relations dates back to his earliest days as a junior member of the Bundestag.

And now as the key figures who originally shaped those close and cooperative relations in the postwar period have grown older, ^{or} retired from active political life, ~~or passed on,~~ Chancellor Schmidt has frequently expressed concern that this has begun to create -- on both sides of the Atlantic -- a kind of intergenerational

transfer problem. There is a danger that the immense importance of that relationship could tend to be neglected, to the great potential disadvantage of both the Federal Republic and the United States. That, he believes, must not be allowed to happen. And surely he is right in that.

His support for the NATO Alliance, and for the European Economic Community has been unwavering, and his previous service both as Defense Minister and Finance Minister have given him experience, understanding, and competence in dealing with the critically important issues that face both of those institutions.

His contribution to solving international monetary problems; his commitment to the ^{control} ~~limitation~~ of nuclear weapons; his refusal to believe that solutions cannot be found to dangerous military imbalances, as well as to costly economic protectionism; and his belief that a stable and secure world cannot be built on the foundation of human misery that the 800 million absolute poor of the developing countries are suffering: It is these convictions of Chancellor Schmidt, among many others, that do him honor as a free man, as a German, as a European, as an abiding friend of the United States, and indeed as an architect of a better world.

It is said that Helmut Schmidt originally intended to become a town planner, and that he turned instead to the study of politics and economics because he believed that, given the vast scope of the post-World War II reconstruction in Germany, he could be more useful in those fields.

He was right. Aristotle would have approved. And so do we.

Chancellor Schmidt, it is a great personal honor for me -- and for all of us here -- on behalf of the Society for the Family of Man ... a family you manifestly care deeply about ... to award you this Gold Medallion.



Society for the Family of Man
Council of Churches of the City of New York

October 17, 1980

The Honorable Robert S. McNamara
President
World Bank
1818 H Street N. W.
Washington, D. C. 20433

Dear Mr. McNamara:

Pursuant to our telephone conversation and on behalf of the Trustees of the Society for the Family of Man and the officers and directors of the Council of Churches of the City of New York, I want to express our sincere appreciation to you for accepting the invitation to present the Gold Medallion to Chancellor Helmut Schmidt. I liked the emphasis that you lifted up about the concept of the Family of Man. Please feel free to drive home that point. Give it as much attention as necessary.

10/23

We immediately notified the German Consulate here in New York and they are delighted that you will make the presentation.

Others expected to make presentations for the evening are the Honorable Cyrus Vance, Dr. James I. McCord and Father Theodore M. Hesburgh.

The other Awardees are Ambassador Donald F. McHenry, Robert O. Anderson and The Rev. David H. C. Read, D. D.

Please inform us if you have an additional guest. If Mrs. McNamara can join us, please let us know. Be assured we will be happy to have her as our guest.

The dinner will take place on Wednesday, November 19th in the Grand Ballroom of the New York Hilton Hotel. The pre-Dinner reception at 6:00 p.m. is being held in the Trianon Ballroom; the dinner itself starts at 7:00 p.m.

As plans progress we will fill you in on the details.

Once again, we are all deeply grateful to you and we are looking forward to a very exciting evening.

Very sincerely,

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1980 OCT 23 11 35 AM
The Rev. Robert L. Polk, D. D.
Executive Director

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Committee of Trustees of the City of New York
Society for the United Arts and Sciences



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WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

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1) INTBAFRAD

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2) MR. MUNIR BENJENK

BRUSSELS HILTON

BRUSSELS, BELGIUM

TELEX: 22744

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SUBJECT:
McNamara's Opening Statement

DRAFTED BY:
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AUTHORIZED BY (Name and Signature):
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John E. Merriam, Director

DEPARTMENT:

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FOR STECKHAN. HERE IS MCNAMARA'S OPENING STATEMENT AT BRUSSELS.
PLEASE NOTE HE DOES NOT WANT ANY ADVANCE DISTRIBUTION OF THE
STATEMENT UNLESS AUTHORIZED BY HIM. QUOTE THE PRESENT WORLD
FOOD SITUATION GIVES GROUNDS FOR BOTH HOPE AND FOR CONCERN.
HOPE BECAUSE - DESPITE THE DIREST OF PREDICTIONS - GLOBAL FOOD
PRODUCTION HAS KEPT AHEAD OF POPULATION GROWTH THROUGHOUT THE
35 YEAR SINCE WORLD WAR II. THE ACHIEVEMENTS HAVE BEEN ESPECIAL-
LY NOTABLE IN SOUTH ASIA AND PARTS OF SOUTHEASTERN ASIA. THERE
IS CONCERN, THOUGH, BECAUSE OF LAGGING FOOD PRODUCTION IN SOME
AREAS - INCLUDING MUCH OF SUB-SAHARAN AFRICA AND THE MEKONG
BASIN. THERE IS CONCERN, TOO, BECAUSE EVEN NOW MILLIONS THROUGH-
OUT THE WORLD DO NOT HAVE ADEQUATE NUTRITION. AS WE LOOK AHEAD,
MANY HUNDREDS OF MILLIONS MORE WILL HAVE TO BE NOURISHED BY
THE END OF THIS CENTURY IN A WORLD THAT IS GROWING INCREASINGLY
DEPENDENT ON NORTH AMERICA FOR ITS FOOD SUPPLIES. PARA. THE
WORLD FOOD CONFERENCE OF 1974, AND MORE RECENTLY THE BRANDT
COMMISSION, HAVE EMPHASIZED THAT DEVELOPING NATIONS MUST INCREASE
THEIR OWN FOOD PRODUCTION. THEY CANNOT RELY ON THE DEVELOPED
WORLD FOR AN INCREASING AMOUNT OF THEIR FOOD. PARA. EXPANDING
DOMESTIC PRODUCTION OF FOOD IS BOTH AN ECONOMIC AND POLITICAL
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ONE OF THE BEST OPPORTUNITIES FOR ECONOMIC DEVELOPMENT IN MANY COUNTRIES, ESPECIALLY FOR THE RURAL POOR. AND POLITICAL BECAUSE AN ASSURED SUPPLY OF FOOD IS ESSENTIAL TO MEET THE NEEDS OF THE POPULATIONS OF THE EXPLODING CITIES IN THE THIRD WORLD. INDEED IN MY VIEW, THE READY AVAILABILITY OF LOW-COST FOOD IN URBAN AREAS WILL REMAIN, FOR DEVELOPING COUNTRIES, A MAJOR POLITICAL ISSUE IN THE YEARS TO COME. PARA. FOR BOTH ECONOMIC AND EGALITARIAN REASONS SMALL-SCALE FARMERS NEED TO BE BROUGHT INTO THE MAINSTREAM OF THE DEVELOPMENT PROCESS. BY INCREASING THEIR PRODUCTIVITY, THE POOR WILL MAKE A GREATER CONTRIBUTION TO GROWTH AND DEVELOPMENT AND RECEIVE A GREATER SHARE OF THE BENEFITS OF THAT GROWTH. ONE VITAL ATTRIBUTE OF THE QUOTE GREEN REVOLUTION UNQUOTE IS THAT IT IS SCALE-NEUTRAL--IT PROVIDES EQUAL OPPORTUNITY FOR BENEFITS TO BOTH LARGE AND SMALL FARMERS. TO ACHIEVE INCREASED PRODUCTION AND TO SUSTAIN THE MOMENTUM OF AGRICULTURAL GROWTH, DEVELOPING COUNTRIES MUST INCREASE THE PRODUCTIVITY OF THE SMALL FARMERS WHO FORM THE BULK OF THE RURAL SECTOR. PARA. IT IS FOR THESE REASONS THAT THE BANK HAS EXPANDED LENDING FOR FOOD PRODUCTION THROUGHOUT THE DEVELOPING WORLD. LENDING FOR AGRICULTURE AND RURAL DEVELOPMENT NOW CONSTITUTES ONE-THIRD OF THE BANK COMMITMENTS AND THE BANK LENDING

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REPRESENTS ROUGHLY ONE-FIFTH OF TOTAL PUBLIC SECTOR INVESTMENT
IN AGRICULTURE IN THE DEVELOPING COUNTRIES. BANK DISBURSEMENTS
IN THIS SECTOR EXCEED THE TOTAL FROM ALL OTHER EXTERNAL SOURCES.
A RECENT REVIEW OF THE IMPACT OF COMPLETED BANK PROJECTS IN
AGRICULTURE AND RURAL DEVELOPMENT IN THE PAST SEVEN YEARS
INDICATES THAT, ON BALANCE, THESE PROJECTS HAVE HELPED TO INCREASE
THE INCOMES AND PRODUCTIVITY OF SOME 100 MILLION RURAL POOR.
PARA. IRRIGATION, FERTILIZERS AND AGRICULTURAL RESEARCH WERE
CRUCIAL TO THE SUCCESS OF THE GREEN REVOLUTION WHICH BEGAN
WITH THE INTRODUCTION OF HIGH-YIELDING VARIETIES OF RICE AND
WHEAT IN 1965, VARIETIES DEVELOPED BY THE INTERNATIONAL AGRICULTURAL
RESEARCH CENTERS WHICH ARE BEING HONORED BY THE AWARD OF THE
KING BAUDOIN PRIZE. ABOUT A DECADE LATER, SOME 55 MILLION HECTARES,
MORE THAN ONE-THIRD OF THE AREA SOWN TO THESE TWO CEREALS IN
DEVELOPING COUNTRIES, ARE GROWING HIGH-YIELDING VARIETIES,
THUS MAKING THIS THE MOST RAPIDLY ADOPTED TECHNOLOGY IN AGRICULTU-
RAL HISTORY. PARA. THERE IS SCOPE FOR CONSIDERABLE FURTHER
INCREASES IN OUTPUT BY A MORE EFFECTIVE USE OF WATER AND FERTILI-
ZER WHILE EXPANDING RESEARCH EFFORTS. WATER IS BY FAR THE MOST
CRITICAL INPUT FOR AGRICULTURE. IN THE LAST TEN YEARS ROUGHLY
40 PERCENT OF ALL ADDITIONS TO DEVELOPING COUNTRY FOOD PRODUCTION

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HAS DERIVED FROM EXPANDED IRRIGATION. BUT THE SUPPLY OF WATER
 IN NOT UNLIMITED. THE COSTS OF IRRIGATION HAVE ESCALATED AS
 WELL. DESPITE THIS, WATER HAD TRADITIONALLY BEEN TREATED AS
 A FREE GOOD. BY REDUCING WASTE, THE QUANTUM OF WATER AVAILABLE
 FOR IRRIGATION COULD BE SUBSTANTIALLY INCREASED. THE VAST
 INDUS RIVER SYSTEM IN PAKISTAN, FOR EXAMPLE, WASTES SOME 60
 BILLION CUBIC METERS OF WATER EVERY YEAR AT THE VILLAGE LEVEL
 THROUGH SEEPAGE AND EVAPORATION. THIS IS MORE THAN TWO-THIRDS
 OF THE ENTIRE ANNUAL FLOW OF THE NILE. PARA. THE BENEFITS FROM
 MAKING THE WATER SYSTEM MORE EFFICIENT ARE LARGE. THE AVERAGE
 CEREAL YIELD ON THE 95 MILLION HECTARES UNDER IRRIGATION IS
 AROUND TWO TONS. IMPROVED MANAGEMENT OF WATER COULD DOUBLE
 THIS. PARA. FERTILIZER CONSUMPTION HAS INCREASED STEADILY IN
 DEVELOPING COUTRIES GROWING ON AVERAGE BY OVER 8 PERCENT EACH
 YEAR. STILL THE AVERAGE APPLICATION RATES PER HECTARE OF FARM-
 LAND ARE LOWER THAN IN THE U.S. AND IN EUROPE. EXPERIENCE
 SHOWS THAT ON AVERAGE FOR EVERY INCREMENTAL TON OF FERTILIZER,
 AS MUCH AS SIX TONS OF GRAINS CAN BE PRODUCED IN DEVELOPING
 COUNTRIES. PARA. EVEN MORE IMPORTANT IS RESEARCH LEADING TO
 DEVELOPMENT OF NEW TECHNOLOGIES DESIGNED TO INCREASE YIELDS.
 ALTHOUGH OVER A THIRD OF TOTAL GLOBAL FOOD PRODUCTION IS IN

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TO DEVELOPING COUNTRIES, LESS THAN ONE-TENTH OF TOTAL AGRICULTURE
RESEARCH HAS BEEN UNDERTAKEN THERE. PARA. TOGETHER WITH THE
CITY/COUNTRY FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)
MESSAGE NO AND THE UNITED NATIONS DEVELOPMENT PROGRAM (UNDP), THE BANK
IN 1971 SPONSORED AND ORGANIZED THE CONSULTATIVE GROUP ON INTER-
NATIONAL AGRICULTURAL RESEARCH (CGIAR). THE PURPOSE OF THE
GROUP WAS TO BRING INTERNATIONAL SUPPORT FOR THOSE CRITICAL
TECHNOLOGICAL PROBLEMS OF FOOD PRODUCTION IN DEVELOPING COUNTRIES.
PARA. THE GROUP IS AN INFORMAL ASSOCIATION WHOSE MEMBERS ARE
COUNTRIES, PUBLIC AND PRIVATE FOUNDATIONS, AND INTERNATIONAL
AND REGIONAL DEVELOPMENT INSTITUTIONS. IN CALENDAR 1981, THE
DONOR MEMBERS WILL BE MAKING GRANTS AMOUNTING TO ABOUT DLRS
140 MILLION TO SUPPORT A NETWORK OF 13 INTERNATIONAL RESEARCH
INSTITUTIONS, A FIFTEEN FOLD INCREASE FROM THE DLRS 9 MILLION
LEVEL OF TEN YEARS AGO. UNQUOTE. REGARDS, MERRIAM.

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SUBJECT:
McNamara's Opening Statement

DRAFTED BY:
AUTHORIZED BY (Name and Signature): *Merriam*
John E. Merriam, Director

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

June 9, 1980

To All Staff

As you know, my current term as President of the World Bank runs to April 1, 1983. Today, however, is my 64th birthday, and I want to inform you, as I informed the Board this morning, that one year hence--that is, effective June 30, 1981, when I shall have reached the traditional retirement age of 65--I propose to retire from my present position.

Timely change in leadership is salutary both for institutions and for individuals, and I had originally intended not to accept a third five-year term. In the end I acceded to the request of the Board that I do so because of the then unresolved problems of the Bank's future financial structure. There was the added circumstance that eight senior officers of the Bank were scheduled to retire in the near future, and careful consideration needed to be given to their replacement.

Within the next twelve months these problems, and related issues, will have been largely resolved. The negotiations for the Sixth Replenishment of IDA's resources, at a level of \$12 billion, have been concluded; agreement on the \$40 billion General Capital Increase for the IBRD has been reached; and the new senior appointments will soon be in place.

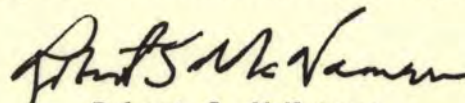
Further, two other matters of long-range significance have now been settled.

The Board has approved membership for the People's Republic of China, and in the months immediately ahead we will be setting in motion the planning and organizational steps required as the world's largest developing society--a nation of some one billion individuals--prepares to seek our assistance in its drive toward economic modernization.

Finally, the Bank's basic policy decision, taken in the early 1970s, to gear itself not merely to the traditional role of assisting its developing member countries to increase their overall economic growth, but to help them as well in their efforts to deal directly with the fundamental problems of absolute poverty, has now been largely institutionalized within the organization. Our growing experience and capability--particularly in our new rural development projects--to design effective measures to help the poor to become more productive, and to assure a more equitable distribution of services to them, have demonstrated the essential feasibility and soundness of the approach, and its immense potentiality for the future.

In view of all these circumstances, I have come to the conclusion that we are approaching an appropriate time for a change in leadership in the Bank.

I have suggested that later in the year the Board organize a Search Committee, and I will of course be available to assist it in any way that I can. In the meantime, there is a great deal of Bank business ahead of us all in the coming months, and I look forward to it, as I am confident you do, with undiminished enthusiasm and anticipation.



Robert S. McNamara