

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Robert S. McNamara Statements / Speeches - Statements 08

Folder ID: 1772444

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4547S

Series: Statements, speeches and interviews

Sub-fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 5, 2012

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

Statements
1975

The World Bank Group
Archives



1772444

A1993-011 Other #: 2

309725B

Robert S. McNamara Statements / Speeches - Statements 08

DECLASSIFIED
WBG Archives

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 6, 1975

FROM: William Clark *WC*

SUBJECT: Spanier Interview

Here is the Spanier interview. It has not come out as either he or I expected because when he viewed the transcript he wanted to keep more of your words than he expected.

The answers are cut about and polished, but they are essentially your own words. I think they will be persuasive and informative in Europe whether in English, French, German or Italian.

The figures have all been checked.

WDC:sf

Ab
Approved
as modified
EW

McNAMARA INTERVIEW I

CHAPEAU

In the carefree days when we took prosperity for granted, development aid to the Third World was an indulgence, to be bestowed like a blessing. In these anxious times, our mood is grudging. Like rich men fallen on hard times, our treasuries watch every penny. The hungry remain hungry.

Who knows, who cares? Answer: Robert McNamara, President of the World Bank. He is the can-do man in our can't-do era. In the storms of hyperinflation and recession, he is the man who shouts out that there is still more room in the lifeboat -- move over!

In this interview with Europa, Mr. McNamara discusses a radical new strategy on which the World Bank is embarking and previews two new schemes he is preparing for 1975, one a new form of aid and the other a new kind of food planning.

Question 1: In your first seven years at the World Bank, you took the high road to development -- trying to encourage economic growth at the top of developing countries' societies, in the hope that prosperity would percolate downwards. Now you seem to be on the low road, mobilizing the full thrust of the Bank for rural development, in the very poorest areas, hoping they can move up. Why this sudden change?

Answer: Our objective has been, and still is today, to advance the welfare of all the developing peoples. Are we and they achieving it?

We have been very impressed at the Bank by the 'skewness' of the income distributions in many many developing countries. In a typical western society, for instance, the top 20% of the population may receive income per capita eight times as much as the bottom 20%, and I'm not really arguing whether that's good or bad. ^{But in many} _^ in the developing countries the top 20% receive income per capita twenty times as great as the bottom 20%. I don't believe that ~~many~~ developing country governments or peoples or for that matter, bilateral aid programs, believe that's a desirable end. The question is what can one do about it? How can we advance the welfare of the poorest while exercising a Banker's prudence?

As a bank we must insist that all of our investments yield reasonable rates of return. We are trustees, if you will, of the world's scarce resources being devoted to development and the world has a right to expect us to insure that those resources are invested only where they will yield a high rate of return to the developing nations. To the extent that

we can measure our investments, the average economic rates of return approximate 18% and that's a very very high rate of return. But, the point I'm making is that while that's a necessary condition it's not a sufficient condition for the existence of this institution. It would be for a commercial bank, but not ^{for} us.

In addition to that high rate of return we must ensure that our investments contribute to what I'll call sound development of a society, ~~and that~~, ^{that} Almost by definition, means advancement of the welfare of all of the peoples of ^a ~~that~~ society. Now in cases where one sees severe skewness of income distribution and inequality in the distribution of the benefits of growth, then we think we have a responsibility to

- a) insure that our projects contribute to reducing that inequality and
- b) that our policy advice to governments also contributes to that. So that's ^{why} ~~now~~ we moved to place as much emphasis as we have on rural development.

We deal with a hundred developing countries who have a population of 2 billion people. Of the 2 billion, roughly 40% are what we would call the absolute poor. We define ^{the} poor as individuals who have per capita incomes of roughly \$50 per year or less, which is just barely on the margin of life, or who have less than one-third the income of the average person in their society.

Now of this total group of 800 million poor, about 80% are in the rural areas so that's ^{why we} ~~how we happen to~~ put this tremendous emphasis on rural development. Our objective is to raise their productivity

because we don't believe we can correct ^{the} ~~this problem~~ of skewness by redistribution of the existing income. It's too small. If you re-distributed it evenly it would still be unsatisfactory. So what we have to try to do is raise productivity and by that means raise the income of the rural poor.

Question 2: Have you made mistakes in your first seven years? What lessons have been learned?

Answer: I've learned that the development process is much more complex than I thought it was before, ~~and I think,~~ ^{I believe that is} though this might sound naive, ~~that it's~~ a lesson many others are learning as well.

Question 3: The idea of rural development on this massive scale looks like a very simple solution, as if there's been a lot of problems and suddenly, eureka! here's one simple thing we can do to put things right.

Answer: No, no I don't think it's a simple process. We believe it's a very difficult thing to do, a very risky course of action to follow, but a less risky course ~~of action~~ to follow than any other ~~course of action~~.

I say its risky because neither we nor others know exactly how to ensure that the investments directed toward raising the productivity of these 800 million people will accomplish that aim. I mentioned that of the 800 million, 80% or 640 million were in the rural areas -- mostly what we'd call small farmers tilling less than 2 hecates; and this is very small farming indeed. There is ample evidence in Japan and Taiwan that

small farming can be productive, but it is not so clear how one can economically and effectively organize the necessary supporting services in an India or Bangladesh or Pakistan or an Indonesia to bring to such small farms and such a large number of individuals the necessary financial services, the necessary technical services, the necessary marketing services, to raise their productivity.

Question 4: Let's look forward. What would you hope to achieve in your remaining term at the Bank, and perhaps looking beyond that in the next decade or two?

Answer: ^{Believe we can} I expect ~~we could~~ slowly advance in the direction that I have outlined. I hope we ^{can} could advance rapidly, but I'm realistic enough to know that ^{we are likely to} ~~we will~~ advance slowly because the issues are extraordinarily complex. We are trying to help the developing nations remake their societies and this is a very, very difficult matter. Our work is related solely to economics but one cannot achieve economic advances without major political and social changes ^{as well.} ~~which are not our responsibility.~~

Question 5: What is the moral basis for this kind of activity?

A normal bank lends money and providing it produces a satisfactory return, it doesn't ask any questions about it. But you're talking here about social and political changes.

Answer: Yes, as being a necessary condition for the economic advance that we are talking about. I simply meant that in a sense we in the Bank are not fully in control of our destiny because economic advance depends not solely on our investment or economic advice but on political and social changes. The action we are taking derives from

the objectives of this organization, to apply scarce resources, provided in large part by the industrialized nations, to the developing nations.

I think it has been accepted by all civilized societies for hundreds and thousands of years that the strong shall help the weak. It's been the foundation of all societies and most religions, ^{and} ~~and~~ ^{believe} I think it is the ultimate foundation of economic assistance. When I say this, many of my own staff members are sceptical of the degree to which the moral imperative will move the industrialized nations to continue to add to their assistance programmes.

But if one doesn't wish to accept the moral foundation for aid, one can point to national self-interest, because interdependency is more than a word, it's a condition of life. It's going to be increasingly a condition of life among nations, whether one considers interdependency in terms of assurance of raw materials supplies from other nations, or dependency on other nations for markets, or dependency on other nations for political support in international forums. These relationships are clear and I do not believe that one group of nations, whether it be the rich nations or the poor nations, can isolate ^{itself} ~~themselves~~ from life in the other nations. I don't believe that our children can live on islands of affluence in seas of poverty. It's politically destabilizing, it's economically disadvantageous, and it's morally indefensible.

Question 6: How is the performance of the industrial world in terms of economic assistance?

Answer: I guess the only thing that one could say is it's declining. If you measure ^{performance against the} the objective set by the U.N. General Assembly of (0.7% of GNP for Official Development Assistance) ~~against performance~~, you

see that in 1975 the flow of development assistance from the OECD nations won't exceed 0.3%. And in many of the developed nations there has been a consistent downward trend. That's certainly true of the United States, and I think it's unlikely that next year will be much better, if any. As a matter of fact, given the inflationary conditions that exist it's going to be increasingly difficult to maintain 0.3%.

Question 7: Do you think that the industrial nations at a time of hyperinflation should be obliged to do this? In your last annual address you said, "The core of the trade problem for the bulk of the developing countries is that they cannot expand their exports rapidly enough to pay for their essential imports." That describes the position of West European countries apart from West Germany very exactly.

Answer: I think one has to ask what is the condition of the OECD countries today. The condition on average is one of either declining real per capita income or no growth in real per capita income. ^{So the question is,} In the face of this, can one expect OECD to maintain the real value of this transfer? I think the answer is yes.

I say they should, even though real income per capita in 1976 may be lower than in 1973, because in 1973 it was already far in excess of what it was in most other parts of the world. ^{and in each of the OECD countries,} In the U.S., ^{In the United States, twenty years ago} ~~for instance,~~ it was far larger than it was one year, two years, five years before that. ^{Twenty years before} at the time of the Marshall Plan, ~~the~~ real income per capita in the United States wasn't more than 60% of ^{what it was in} ~~that~~ in 1973, and yet at that time the U.S. contributed in relation to

in relation to income,
~~its per capita income~~ 10 times more in economic aid than it does today. So, what I'm really saying is that despite the fact that real income is likely to remain lower next year than it was two or three years ago, it is still very very high, and we're only talking about a tiny, tiny diversion from that high income to the developing world.

Question 8: One group of countries we are all concerned about today is OPEC. They have the money. What is the bank doing about that?

Answer: First, let me say that the OPEC countries are highly liquid but there is a difference between liquidity and wealth and one needs to take account of that. In comparison with OECD, the OPEC nations' incomes are still not high, on average.

But because they are highly liquid, they are in a position ~~dramatically~~ *dramatically* to increase their levels of assistance to the developing countries, and they have done so. The figures indicate that in 1974 the OPEC nations probably committed, in terms of concessional aid, something in excess of \$7 billion to the developing countries, and that compares with \$10 or \$11 billion from the OECD. And of that \$7 billion of commitments, they probably ~~actually~~ *actually* disbursed over \$2 billion, which is a much higher percentage of their gross national product than OECD.

Secondly, we in the Bank have ourselves sought to assist OPEC countries in that process. We have offered them all of our professional services, in any way they choose to use them, to accelerate the flow of their income to the developing countries. We also borrowed from them substantial amounts, well over \$2 billion last year, to direct

through our own activities ^{to} in the developing countries.

We have recently proposed to them that they support a new activity in the World Bank, what might be called a 'Third Window' ^{of} ~~operations~~, that would provide loans at interest rates mid-way between our very low interest loans of ~~some~~ 3/4% and our normal loans of 8½%. This Third Window of operations would be subsidized to a substantial degree by the OPEC countries, ~~and~~ their reaction has been very positive so far.

Question 9: How did the idea of a Third Window come up?

Answer: The developing countries are facing such difficult problems today, brought about by climatic disasters which have driven up cereal grain prices all over the world; by the oil price increase; by widespread inflation affecting the prices of their imports; and by the recession in OECD which has reduced their export markets; that unless attention is given to increasing the flow of external capital to help them meet these problems, the poorest of them will suffer reductions in per capita incomes in ~~each~~ of the remaining years of this decade.

So we are trying to increase the flow of capital to the poorest of these developing nations. One way to do that is to set up a the Third Window.

Question 10: When will the Third Window be operational?

Answer: It won't be approved until we can actually obtain the subsidy necessary to finance it, ^{but some of the OPEC countries have contributed to such a subsidy} and some of the OECD stated in principle that they would participate, and some of the OECD

governments, for example, the Dutch, have indicated the same. We expect to make some specific recommendations in the next two or three months. I don't want to make any rash promises, but we are working very hard to get it off the ground this year.

Question 11: We are in the middle of an oil crisis, and now we are threatened by a food crisis. Did the World Food Conference help dramatize the problem or was it wasted effort?

Answer: ~~I think that~~ the Conference came at a time of great crisis and great human distress and much of the public discussion of it ^{tended} ~~tended~~ to focus on the degree to which it did or did not result in the immediate increases in the flow of food aid to the drought stricken countries, ^{however,} ~~whereas~~ its purpose was really to address the longer-term ^{problem} ~~issues~~ of expansion of food production at rates sufficient to offset the probable expansion of population. My own feeling is that with respect to the latter, it made considerable progress.

We have, as a matter of fact, just joined with the FAO and UNDP as we were asked to do by the Food Conference, to organize a new group of nations to ^{examine} on a regular basis the food production plans of the world, particularly in the major developing countries.

Question 12: When will you have your first report from this new group?

Answer: It's much too early, ^{to say} ~~we~~ only began organizing ^{the work} ~~it~~ last month. We hope to have a first meeting of the nations involved perhaps ^{the program} ~~mid-year~~. I think ~~it~~ will both assist public understanding and contribute to expanding food production.

Question 13: But has this expression of international concern and cooperation come too late to deal with the magnitude of the problem?

Answer: We have had a food crisis that could have been avoided, and I believe that food crises in the future can be avoided.

^{However}
 There is a school of thought in America that draws an analogy between the food situation of the world, particularly in the developing countries, and a lifeboat. They say the world is a life boat with a capacity of 100, there are 125 people in it and if anyone is to survive, 25 must be sacrificed. ⁹ I just totally disagree with that. It's technically wrong and morally indefensible. ¹¹ It is possible for the world to expand its food production by an amount sufficient to offset the expanding population in the next two or three decades, and to use ^{the} that time to take the actions that will ensure ^{that} the population growth in the future doesn't expand more rapidly than our ability to advance the welfare of man. I say it's possible for the world to do that. Whether or not ^{the world will do so} it will ~~do it~~ is another question. I think ^{where it is} ~~it's~~ both possible and I think ^{where the world} ~~it~~ will.

E N D

*The paper and the
 another left hand
 carrying so public
 when the...
 at present.*

DEWEY, Ball

BILL MOYERS' JOURNAL: INTERNATIONAL REPORT

"A Conversation with Robert McNamara"

WNET-TV/CHANNEL 13 8:00 PM EST Thursday, February 6, 1975

ANNOUNCER: This program was made possible by grants from the German Marshall Fund of the United States, the Corporation For Public Broadcasting, the Ford Foundation and International Business Machines Corporation.

(MUSIC)

BILL MOYERS: These are rice fields in West Africa. The soil here is fertile. Here the people can farm the land, grow their crops, tend their herds and raise their children.

But the people are leaving. They are leaving because there is a plague upon the land. And the plague is blindness. The waters that nourish life also breed darkness, depriving people of their sight and livelihood, driving them away from the land that could sustain them.

(MUSIC)

MOYERS: These are vibrant people. If the blindness is overcome, they can stay on this land. Life can be normal again. And eyes meant to see can see.

(MUSIC)

MOYERS: I'm Bill Moyers. There are about one billion people in the world who live on what Robert McNamara calls the margin of life. They live without enough to eat and with very little hope that things will get better. There are many reasons why they're poor and they usually can't control those reasons. Some are the victims of a cruel and capricious climate. Others were born where nature left nothing to grow or sell. Still others live where opportunities are frustrated because of overcrowding, disease, corruption, and exploitation.

In this edition of my Journal, we'll meet some people whose lives could be better, were it not for a tiny, winged insect that thrives on the source of life itself. And we'll talk with the President of the World Bank, Robert McNamara who believes that it doesn't have to be that way.

These are the people of the Volta River Basin in West Africa, where river blindness is a plague upon the land. The area covers parts of seven countries, Upper Volta, Ivory Coast, Mali, Niger, Ghana, Togo, and Dahomey.

(DRUMS)

MOYERS: Thousands of people in villages like this suffer from unkopsychiasis(?), river blindness. The disease impairs vision and can ultimately destroy all sight. River blindness is transmitted by the bite of a female black fly.

Dr. Nemo of the Ministry of Health in Northern Ghana explains.

DR. NEMO: When this fly bites people, it transmits a worm which we call the unkocircbobulous(?) and this worm is a smaller one. This smaller worm or the michloturearea(?) moves in the subtissues of the human body and it keeps moving, wandering around, until it grows and becomes the adult. And you can get one male, one female always in a nodule, mating together to produce many of the infant worms and it's usually these infant worms which cause the trouble. They wander around the eye, produce certain changes and cause blindness.

MOYERS: To the people of West Africa, the first of gifts is water, their most precious resource. But these fertile river valleys are also the home of the black fly. Etymologist Rene LeBehr(?) of the World Health Organization.

RENE LE BEHR: In places like this, with fast running water, the fly is living. The female lays eggs on the leaves, on the grass, and on the rocks, and the larvae develops on the resting place(?). They become pupae. And the female and male hatch. After a while, the female is biting man to suck blood. And all the females, for example. Takes about two to five minutes for a fly to suck blood. After this fly is going away, and after three or four days, this fly is laying eggs in these bodies, on the ledge or on the rocks. And a new generation begins.

MOYERS: River blindness affects people in many parts of the world but it's most severe in the seven West African countries. Until recently, anyone who lived near the river almost certainly would have been bitten by the fly, some repeatedly, until the blindness came.

The river valleys are oases in a dry, parched land. For people and animals alike, the rivers established the rhythm of existence.

Without water, no life survives. But near it, a person can suffer as many as thirteen thousand fly bites in one day. Thirteen thousand.

(MAN SPEAKING NATIVE TONGUE)

MOYERS: There is a familiar cycle of life in the villages along the Volta Rivers-birth, death, work, and play. But with river blindness, the social pattern abruptly changes. Women do

the work of men, boys and girls the work of adults. The blind are always with them.

(MUSIC AND SINGING)

MOYERS: In some villages, as many as fifteen percent of the people are totally without sight. Many are men in their thirties and forties, men in their prime.

MAN: When you ask, river blindness, yes, a lot of people are blind. But they eat. So safe people has to work very much for them, for children, for old people and for blind people.

MOYERS: The burden on the families is enormous. Here the father, mother, and three children are blind or suffering from other diseases. Only one son, age eleven is well. On him is the weight of harvesting, planting, and carrying water from the river. But he has the all too familiar nodules; like his father he, too, will one day, be blind. Who will take care of the family then?

(MUSIC)

MOYERS: Farming here is hard. Usually it's the man's job but it's even harder to sow and harvest when you cannot see. Life in the villages must go on, supported mainly now by women and children. In time, the afflicted village begins to die.

Young people leave as soon as they can, trying to escape the fly. There are fewer marriages and fewer children. And the blind, the blind live on in darkness isolated, lonely, and dependent. Life at the end of the stick.

Chief Galbraith Sawbrook(?) rules the village of Fungo on the White Volta. His village is dying. Twenty-seven of the two hundred people who live here are totally blind. Others are beginning to lose their vision too. Chief Sawbrook cannot quite believe that a small, black fly has been the thief of his sight. But having lived here all his life, he knows well the old village saying, "The River Will Eat The Eye".

To these people blindness is another of life's mysteries, a fate they can neither understand nor overcome. Its toll is high. Along the White River Volta, almost fifty villages have been abandoned. And more are dying. If the black fly continues to thrive here, this rich delta country of Africa could become a wasteland.

MAN: The population is moving away from the river. Because when you stay very close to the river, as the time, the fly will come over and bite them, and when they move away from the river, the unfortunate thing is that they go on to some barren land so that they can't farm or they can't get food produce from their

farm.

MOYERS: Ten million people spread over seven countries are potentially the victims of this cycle. They live in a region of great agricultural possibility. If it is developed, they could feed themselves, grow crops to sell, and be on the road to a better economic life.

But first, the disease that saps their sight and strength and drives them from these valleys to poorer land, first it must be controlled. And that will not be easy.

There is only one doctor here for about every ninety-three thousand people and there are too few clinics like this one, where infected people can be treated.

A small skin biopsy is the best method of diagnosis. Under a low power microscope, the disease bearing larva can be identified at an early stage. The use of this equipment is efficient, the results more accurate.

Unfortunately, people must travel a long way to the clinic and then wait, wait for some word that their disease can be arrested, wait to hear that, maybe, some sight can be saved. For many it is a frightening experience. As they wait, they cannot forget that the disease they bear is hard to cure.

Two drugs are available today for treating river blindness. And both must be administered in clinics or hospitals under the supervision of a doctor. While both drugs kill the worm, both also have unpleasant side effects. One causes toxic reactions. The other brings on a wild itching. The side effects require the constant presence of trained personnel--a simpler cure must be found.

MAN: We must be able to get a good drug which will not give the patients any reaction so that they would be taking the drugs. The other aspect, too, we need so much campaign and it's going to take us so long, dating probably more than twenty years to be able to eradicate this.

MOYERS: There is only one effective way to control river blindness. And that is to kill the black fly that causes it. Insecticides have to be put in the river, upstream of the breeding plants.

MAN: What we've been using here in the upper regions of Ghana is the DDT and the unfortunate situation is that we are getting so much DDT into our rivers, especially the Volta Lake and with time this is going to poison the fish life. Now we've stopped using the DDT and we hope that we are going to get another chemical which will be easily broken down.

MOYERS: Scientists have come up with an insecticide that will kill the larva of the fly, without harming other forms of plant or animal life. But to treat an entire region with its several, major river systems, thousands of streams, is an enormous task. After the insecticide has been distributed, it must be kept under constant surveillance, in case the fly develops a resistance to it or the chemicals upset the delicate web of nature and bring a Silent Spring to West Africa.

Helicopters are being used to carry the war against the fly to remote areas. During the rainy season, the foliage along the rivers thickens and hides countless streams and small rapids where the fly breeds. Rains wash out the roads and make it impossible to reach the breeding site by land. Yet every location must be hit. The black fly has an amazing flight range of up to one hundred miles and can easily return to lay more eggs.

Yet the fight can be won. We know now that river blindness can be controlled. There is proof here. In the village of Finkelo(?) in Mali. Once the people were leaving to escape the fly. An experimental program was begun and today the people are back. Tea plantations flourish and village life has resumed its natural rhythm.

The children go to school. They can be children again. Lessons, games in the schoolyard; time to be curious and mischievous take the place of growing old too soon, of having to provide for their families because their fathers are helpless.

(CHILDREN SINGING)

MOYERS: There are still blind people here. But the battle against the plague is being won. The people of Finkelo can see again to that day when blindness is rare and the rivers once more bring life.

Finkelo is just one village among many in the Volta Region area. Hope for the whole region depends on an international effort that has been mounted by four different agencies: The Food and Agricultural Organization, the United Nations Development Program, the World Health Organization, and the World Bank. Each plays a different part in helping to control the disease, to treating the victim, to marshalling financial resources, to improving agricultural techniques.

My guest this evening is the President of one of those organizations: Robert McNamara of the World Bank.

Mr. McNamara is former President of Ford Motor Company and Secretary of Defense under Lyndon Johnson and John F. Kennedy. The World Bank is the major, international institution in the

world for making loans for development.

How did you get involved, you, the Bank, and you, personally in this project in the Upper Volta Region?

ROBERT McNAMARA: In part it was accident. My wife and I were visiting Upper Volta. I try to visit the nations that are members of the Bank. There are a hundred and twenty-five of them. I visited perhaps seventy-five or eighty-five at the present time. And while in Upper Volta, in Wakadoodoo(?) the capital, I was told that this plague that was destroying the, literally destroying the lives, the opportunity for economic advance and the actual life itself of tens of thousands of their people. And I was told that a research center examining the vector(?) and the larva that were the cause of the plague was located within Upper Volta at a town called Bogadioloso(?). So I went there to see this and found three or four scientists, that had dedicated major parts of their lives to determining the cause and possible remedy for this disease.

In their eyes, the only thing that stood in the way of controlling it was lack of money and I think, perhaps, they were a little optimistic at the time. But that was their feeling.

MOYERS: Too optimistic. Why?

McNAMARA: Well, I think that they felt that they had the answer in March of 1972. It's pretty clear now they didn't. But they were on the right track. They were designing new pesticides. They were designing new methods of applying the pesticides. And the project, we finally started; as a matter of fact, just last week, the helicopters began spraying the area, applying the pesticide, which, over a period of twenty years, we believe will control the vector sufficiently to allow the larva which exists in the human body to ultimately die. And a twenty year period is required for this, because these larva live in a body seventeen years. And until the larva die, a resurgence of flies will allow them to transfer the larva from one body to another body and allow the whole disease to expand again.

So the expense of the program is to kill the flies--they grow in running water; we're flying pesticides by the air to the running water, to kill the flies. And as soon as that has reached the point where the fertile valleys, the White Volta, the Red Volta, the Black Volta valleys are reasonably clear of flies, people can move back to the fertile farm areas that they're forced out of by this disease, become productive, provide their own livelihood; it's a vision of hope.

MOYERS: Well, now, when you say the unproductive poor, whom do you mean? Who are the poor?

McNAMARA: Right. Let me tell you just briefly about the bank. It's an amazing institution, created at Bretton Woods at the same time the International Monetary Fund was created, after World War II, 1946; it's owned by a hundred and twenty-five nations. These hundred and twenty-five nations are represented in this building by twenty full time resident directors and twenty full time alternate directors. So the Bank is literally governed by them.

And the division of power if you will--let me take just a second--between the management of the bank on the one hand and the governing body on the other is very interesting. I can't present--I can't approve any loan by myself. But the board can't consider any loan I don't present to them. And this was done to prevent logrolling so that one country can't say: well, if you approve a loan for me, Mr. Country, I'll approve a loan for you. It can't be done.

This institution is run on a hard-headed, economic basis. But what's our objective? Our objective is to help the two billion people that live in the one hundred developing countries that are members of this Bank.

MOYERS: Two billion?

McNAMARA: Two billion people. Our objective is to help those two billion people help themselves. And we can only help them if we help them increase their productivity. Now, what kind of people are these?

One-third to one-half of them are malnourished. The average caloric intake, for example, is roughly two thousand calories a day. Ours is fifty percent more. And it's becoming increasingly clear that malnourishment, itself, is a cause of lack of development. We're now understanding that protein deficiency in the last part of pregnancy, the last third of pregnancy and the early years of life, literally restricts the development of the brain and individuals are denied the right to realize the potential of the genes they were born with. Malnutrition is Number One.

Number Two. High infant mortality. Twenty percent of the children die before they're five years old. Low life expectancy. Our life expectancy is twenty years more than theirs. They're literally condemned to an early death at birth. High illiteracy, roughly eight hundred million illiterates out of these two billion. A hundred million more than twenty years ago. The percentage of illiteracy has dropped. But the population increase has been so great that the number has increased.

High unemployment. We're concerned about eight percent in this country. Rightly so. They have twenty to twenty-five. This

is the universe we deal with.

MOYERS: When you reported to the World Bank Governors--last fall, I think it was--you said the situation of many of these people is desperate. Is it still desperate? Has anything been done?

McNAMARA: Roughly eight hundred million of these two billion live, if you can call it that, on about thirty cents per day.

MOYERS: But where do you find them mostly? What countries?

McNAMARA: Bangla Desh is an illustration. Seventy-five million people in Bangla Desh living in fifty thousand square miles. Now, fifty thousand square miles is the area of the state of Florida. Seventy-five million people living in the state of Florida; alternately Bangla Desh is--two-thirds of it is flooded about six months of the year and the remaining six months, it's dry.

MOYERS: Well, about a year ago, in fact, as recently as a year ago, we were talking about the "Third World". This was a term that was commonly used around the world. Now, everybody's talking about the "Fourth World". Are these the people you're talking about?

McNAMARA: The Fourth World, you might say, consists of the, perhaps, eight hundred million to a billion people who have average incomes of less than two hundred dollars per capita. And that consists of Bangla Desh, India, Pakistan, the Salian(?) zone, I was talking about earlier, Upper Volta, Mali, Niger; many of the countries of French West Africa; Mauretania, for example; Senegal; among East Africa: Kenya, Tanzania. That's the Fourth World.

If by that, you mean countries within kind of a roughly two hundred dollars per capita, per person, it's very difficult for us to understand what that means. Our income per capita on a comparable basis is on the order of five thousand dollars.

MOYERS: As I travel--and as we all read, I'm encountering more and more of the question, well, is it worth it, trying to save these people? It's time, isn't it--the argument goes--to be somewhat unqueamishly self-interested. That is: there aren't enough resources in the world to really save countries like Bangla Desh. There aren't enough resources to make a marginal difference. So the best thing to do is to simply save those that have some capacity to cope and survive and let the others regrettably go down the drain.

How do you feel about that?

McNAMARA: Well, I read exactly the same argument two or

three weeks ago in the magazine section in the New York Times. It was labeled Triage(?) and they used the illustration of the wounded after World War One, when-or during World War One, when the medical services weren't sufficient to take care of all, they divided in groups. One group didn't need it. Another group needed it, but there wasn't enough to take care of them. They let them die. The third group needed it, and they applied the medical service.

You can't deal with nations that way. They don't die. You can't bury them. They're there. That's number one. The second point they made was, it's like a lifeboat. You've got a lifeboat. The capacity's a hundred. You've got a hundred and twenty-five people in it. If we don't quickly throw overboard twenty-five, let them die, kill them, everyone of the hundred and twenty-five will die.

It's morally repulsive and it's technically wrong. If you want to use a lifeboat analogy, the lifeboat's capacity is a hundred and we've only got seventy-five in it.

MOYERS: But you are being moral and sentimental and these critics say that this is not the time to be moral and sentimental.

McNAMARA: I believe in being both moral and practical. I don't think I'm sentimental. My point on the analogy of the lifeboat is that it's technically wrong. The lifeboat isn't full. The world capacity is not being utilized. I don't care whether it's food, or what it is you're talking about. We have a capacity to expand production in the countries that need it, in the Indias, Bangla Deshes, and elsewhere, to expand production -- to expand production to begin to deal with these problems.

MOYERS: What about the argument, though, that nature is self-regulating, nature has its own limits. A rising death rate will compensate for the adversities brought on by rising birth rate and that the more we try to tamper with this system, the more, actually, in the long run, we're going to create misery.

McNAMARA: Well, I'm not sure we know the linkages. There are clearly linkages. But I think they might even be the reverse of just that argument. If we let more people die, it'll reduce births: I rather doubt that.

It's interesting that in India, and my statistics may be slightly off because they're from memory but it illustrates the point--it's interesting that in India, the actual number of births per women is on the order of six point five. The number of births per woman required to have a high probability that a male will survive to the later years in life of the parents is on the order

of six point six or seven.

Now, I don't think that's coincidental. I think it's the high mortality of Indian interests that is driving up that fertility rate and therefore--and so does the government by the way--and therefore the Indian government has asked us to work with them to develop a population project that will experiment with this. So we, in two districts in India, each with populations of more than ten million--we have a population project which is trying out a large number of actions designed to reduce the fertility rate--one of the actions is to change the nutrition by increasing the nutrition to try to reduce infant mortality to see whether that will stimulate a reduction in fertility. We're almost certain it will.

MOYERS: Your enthusiasm is, of course, contagious. But I remember right after World War II, the general belief in this country was that with enough capital and enough technology we could rescue the poor of the world from their poverty. And look at it today.

McNAMARA: Well, I think we can. But we can't do it overnight. In the last twenty-five years, the poor of the world, many of the poor of the world have been rescued. It's hard to get a single measure of development. But I suspect that the best single measure is life expectancy. That's the end(?) of us all.

MOYERS: You mean the number of years you expect to live?

McNAMARA: The number of years you expect to live.

MOYERS: Are people going to die before these problems are resolved?

McNAMARA: Definitely. No question about it. They're dying now. I read a report a few weeks ago--I don't know how accurate it is, that a hundred thousand have died in Ethiopia because of starvation in the last several months. I read reports from the Red Cross that said--this was a few months ago--that a million in the Sahalian(?) zone of Africa were on the verge of starvation. I know thousands have died in Bangla Desh and India in the last year or so.

MOYERS: So you think that the term you used last fall--'desperate'--and you also used the term--'appalling'--still is true in many--....

McNAMARA: No question about it. And tens of thousands, probably hundreds of thousands are going to die in the next five or ten years because of neglect. Neglect by their own governments and neglect by the governments of the western world, including

Japan.

MOYERS: And what is this going to do to the psychological attitude of the world?

McNAMARA: In the short run, not much. Because people have been dying from neglect by their own governments or other governments for centuries. And, as I indicated, the life expectancy of these people is rising. Their condition is actually getting better. It's very hard to believe that when you see the terrible misery that exists in these cities. As I move around--I never come back from a visit to one of these Fourth World countries without feeling depressed.

But the conditions are better today than they were. And they will be better in the future. But the rate of advance is not yet optimal.

MOYERS: Shouldn't you tie your assistance to hard, tough programs of population stabilization?

McNAMARA: Well, perhaps we should if we knew what those were, but we don't. The world doesn't yet know what the linkage is between fertility reduction on the one hand--I'm going to call it economic advance--economic and social advance on the other. I think it's becoming increasingly clear that there are linkages. It's not just a question of practicing the rhythm method or accepting contraceptives. It's a problem of motivation. And how do you motivate a family to want to have lesser number of children?

Using India as an example, there are a hundred million couples in India of which the wife is in the fertile range. A hundred million. And those hundred million couples must be persuaded that it's in their interest to do certain things they haven't been doing. To persuade them of that, there are forty or fifty thousand people in India dedicated to that job, employed by the government or governments to do that. It's a tremendous administrative problem.

Beyond that, it's not clear whether primary education for females will have more impact on their motivations than cheap contraceptives. So one doesn't really know exactly how to do that.

Beyond that, I should hasten to add, even if we did know, we don't have power to order sovereign nations to follow policies other than those that they're willing to adopt.

MOYERS: At the recent World Food Conference, there was considerable talk that among the newly developed nations that family planning--to repeat your point--is not necessarily a cure for poverty.

And they were constantly pointing to China. China's population has swollen tremendously. And yet there's no famine in China. Do you think that China is the model for development in these countries?

McNAMARA: Well, let me say, first, I've never been to the Peoples Republic since it was the Peoples Republic. I'm not an authority on it. I don't think we in the Western World have a sufficient knowledge to come to firm conclusions.

MOYERS: But isn't the fact that the other countries--...

McNAMARA: Let me just say this. That there's ample evidence--my wife was in China a year and a half ago--and from what she said and others have said, there's ample evidence that the Chinese have adopted a population planning program. They do have barefoot doctors. The barefoot doctors do educate the people on the desirability of reducing fertility. They raised the marriage age. They've taken a number of very important steps. They've increased nutrition. They have equalized the distribution of food. They have reduced illiteracy. They have--I should say, raised the role of women. All of this is very important in reducing fertility rates. So my impression--and it's only an impression, rather than a final judgment--my impression is they've gone far to effectively reduce fertility rates.

MOYERS: Do you think the attitude that was expressed by some people at the World Food Conference, that family planning isn't a cure for poverty is going to make harder the kind of programs you were talking about earlier?

McNAMARA: No. No. I don't think so. The--it was expressed more fully at Bucharest at the Population Conference than it was at the Food Conference in Rome. And there, the Third and Fourth World were trying to demonstrate their need for additional external assistance. And they therefore, I think exaggerated the relationship between development measured in terms of economic per capita income on the one hand and fertility on the other.

My own impression is that we must increase the exposure of females to primary education. We must improve the nutritional levels. We must raise the health levels before we can achieve optimum fertility rates. But we need not expect Bangla Desh to reach a U.S. per capita income level before their present three point five percent growth rate of population is cut to a more reasonable level--such as one percent.

MOYERS: My wife is going to watch this show. And she's going to say: He's singled out women and exposing them to the need for family planning techniques. What about men?

McNAMARA: Well, certainly men too. And the most effective programs of family planning involve both the man and the wife. I mention women because women are discriminated against in many countries of the world, not just perhaps the U.S., as some of them think they are but in--certainly in the developing countries and particularly in education.

If you look at the rates of school attendance as a percentage of the primary age groups, you'll find that in many countries, only eight percent of the females will be attending primary age school, whereas perhaps thirty percent of the males will. It just shows the degree of discrimination. And there's ample evidence to show that as the literacy level of females is raised, their--it affects their desires for numbers of children.

MOYERS: Let me share with you an attitude that I think rather common around the country; at least, it's been mentioned to me rather frequently of late. It's a--we are suffering the highest inflation rate of increase in the cost of living in this country in years. More people are out of work today than ever before. Our growth rate is slowing down dramatically. Don't expect us to help. We can't do it anymore. Mr. McNamara makes fine statements about what needs to be done. He diagnoses the problem explicitly and eloquently. But don't ask us to help. We have our own problems. What's your answer to that?

McNAMARA: It's worse than they expressed it if that's the way they express it, because not only has the growth declined, there's been an actual setback. And the real income per capita in the U.S. today is probably five percent less than it was a year ago. So how do we go to a person whose real income per capita has decreased and ask them to, first support the existing programs, and secondly, support an expanded program.

Well, I think one approaches it on perhaps two or three grounds. First, he must understand how he's had a setback--it's temporary; and it's a setback in a strongly rising trend. The real income per capita of the average income has increased about a hundred percent in the last twenty-five years--since the start of the Marshall Plan, as a matter of fact.

And I don't care how you measure it. Meat consumption per capita is up a hundred percent. Second cars, third TVs, the percentage of our children that are going to colleges, the security of the elderly, the life expectancy, the health, the equity and the health distribution. Anyway you want to measure it, the real income per capita in this country has increased dramatically.

Therefore, our capacity to help others has increased. Now, twenty-five years ago, when we had a real income per capita, perhaps half what it is today, our nation initiated the Marshall Plan, that program of help to Western Europe. Western Europe's strong

today, in part, because of that Marshall Plan. At that time, we had half the real income per capita. But our economic assistance at the time of the Marshall Plan twenty-five years ago in relation to the income was ten times greater than it is today.

MOYERS: But today you do have something called the Age of Scarcity. And a lot of people are saying we can only help other countries if we're willing to give up something ourselves and quite frankly, we're not willing to do that.

McNAMARA: I think it's correct. This is a choice. We can't consume all we're consuming and also add to the help we give other countries.

MOYERS: And you're saying--...

McNAMARA: But it's a choice that it's within our capability to make, particularly when one recognizes the amounts are so small. I was interested in a poll, I noticed the other day; it had asked American people: what percent of the government's budget was dedicated to economic assistance. And they said: ten percent. Now, the error is just tenfold. It's one percent. Not ten percent.

But the next question was: In the light of your answer, i.e., ten percent of the budget goes to economic assistance, do you believe that we should continue economic assistance. The answer was: Yes.

Sixty-five percent of the people said that they would believe that ten percent of the budget should go to economic assistance when only one percent goes.

Now, it isn't even--

MOYERS: What's your conclusion from this?

McNAMARA: The conclusion I've come to is that there's an underlying support for economic assistance and that support is based on a moral feeling as well as a feeling that it's in their self-interest to do it. And we can talk about that if you wish.

So that's the first point I come to.

The second point I want to draw from it is that the amount of additional assistance required to reach what I'll call optimum levels, however you wish to define it, five or ten years from now, is very small in relation to our income. And it can be attained over the next decade by dedicating just a small percentage of the gain that we will achieve in that period, in real terms, I'd say two to three percent of the gain in real income, if diverted to the developing countries would make the difference between misery

and a good life.

MOYERS: Are you saying that we can help without giving up anything?

McNAMARA: We cannot help without giving up something. But the amount we have to give up is very small and it's out of a tremendously bountiful life.

MOYERS: Why shouldn't the oil producing countries take on the burden of this task? They have all this new found cash.

McNAMARA: Well, of course, the answer is, whether they should or not, they are. And this is very interesting--...

MOYERS: They are--...

McNAMARA: They are. A tremendous amount of economic assistance has been committed.

MOYERS: How much?

McNAMARA: Well, it's a little difficult to be absolutely sure but it exceeds ten billion dollars.

MOYERS: From the oil producing--...

McNAMARA: From the oil producing--...

MOYERS: To the Fourth World.

McNAMARA: To the developing countries. That includes the Third and Fourth World. Within the past twelve months. Ten billion dollars. Now, they've just newly received this huge flow of foreign exchange. They haven't had time to develop their own, long term programs of development but out of that, they have diverted, committed ten billion dollars or more-actually the figures we have are twelve and a half or something like that-to the developing world. And of that, they've disbursed two billion--

MOYERS: Can we step back because of what they're doing?

McNAMARA: Whether that's enough or not, who can say? We have cut back. That's the tragic thing. The economic assistance of the Western World, Western Europe, U.S., Canada, Japan (sic) in real terms has decreased. It hasn't kept track, it hasn't kept pace with inflation and as a percentage of our income, it's declined dramatically.

At the time of the Marshall Plan, two and a half percent of our gross national product went for economic assistance. Today,

It's just a tenth of that: point two five.

MOYERS: You think this is the result of insularity, of retreating?

McNAMARA: It's the result of frustration; yes, it is an insularity and it is a retreat and it's been more noticeable the last year or two. I think that's to be expected.

MOYERS: Why do you think the last year or two?

McNAMARA: Well, we have-as I say, in this country, we've had an increase in real income of a hundred percent, in twenty-five years. Now, what's it represented by? Automobiles, some of them bought on time, credit; much improved housing; much of it mortgaged; increased participation by our children in colleges, some of them on a credit basis; and when income declines five percent, it's very difficult to adjust that consumption pattern five percent. Not that the consumption pattern doesn't have a third TV set or a second automobile or a vacation home that could be taken out of it but it's very difficult to take it out after you've bought it and it's on mortgage payments.

MOYERS: So you say, they feel frustrated?

McNAMARA: They feel frustrated. And there's a malaise. And I think the malaise is the result of this sense of frustration. It's a result of an expectation gap, rather than lack of progress. And we fail to distinguish between these two. We set our hopes higher than we're capable of realizing. And then when we didn't realize them, we became disappointed and frustrated. And, in a sense, ineffective.

MOYERS: Is there a paradox in the fact that part of the problem these countries face is the result of an increase in fuel prices, which goes into fertilizer and other projects? That the Arab and oil producing countries are coming in to give them help, in a sense to subsidize the price of that oil and we are, if we increase our help, we're having to increase our help, in effect, to subsidize the wealth of the oil producing countries. Isn't that a paradox?

McNAMARA: The economic assistance-if we increase it, which we haven't, but I hope we will, it would not go to subsidize the transfer of oil. The oil price increase occurred at a time when several other major changes in the world economy were adversely affecting the developing countries and it's this package of problems that have to be dealt with. The oil price is only one of them.

MOYERS: What are the other two or three?

McNAMARA: The others are drought conditions in much of Asia

and part of Africa, which led to food scarcities, serious food shortages and rising food prices. Dramatic increases in prices in the industrialized world because of prosperity. The rates of development, the rates of economic advance in Western Europe, Japan, North America, in 1971, -2 and -3 were among the highest on record. This strained the production system. Demand put pressure on supply. This tended to stimulate the price increase. That's been the major reason for worldwide inflation.

As that occurred, governments tried to take action to correct it. The action's led to recession. As the recession occurred, the export market of these developing countries began to shrink; and they depend on exports for foreign exchange, to pay for their imports; the imports they need for more fertilizer, more irrigation, a foundation for their economic advance. So that occurred.

At the same time, their terms of trade began to deteriorate. It simply means the price of their imports went up more rapidly than the prices of their exports. And the combination of these several things: the increase in the price of oil, the shortage of food and rising prices of food imports, the reduction in their export markets, and the deterioration of their terms of trade; it's that package of adversity that we have to try to help them deal with.

MOYERS: All of this comes down to a feeling not unlike that of a man who said to me recently in Dallas: I woke up one morning and the world that I knew: the known and the tried and the identifiable world, financially was gone.

What happened to that? I think you've said something of what happened to it. But then the question becomes, even though the technical terms are beyond most people, including me: Is the world developing new monetary and financial structures to deal with this strange new world that has suddenly emerged?

McNAMARA: Yes. I think that that's part of our responsibility and we're trying to help in that. And the events of the last two or three weeks should be a cause of optimism for your Dallas friend because the finance ministers of the world, the governors of the International Monetary Fund and the World Bank met here in Washington to consider this problem. And they took several actions to begin to deal with the financial problem.

MOYERS: In laymen's terms, what do they mean?

McNAMARA: Well, the first problem is that caused by the fact that the oil that we're buying, we can't pay for in goods today because the oil producers lack the capacity to absorb the goods. In a sense, that's good, because if we don't pay for it in goods, there's no pain to us. We're paying for the oil, in

part, with paper. And we pass the paper over to the oil producers. And then that paper must circulate through the world, evenly, so that they'll take the Bangla Desh paper and Italy--Italian paper and the paper from Great Britain and all nations equally and if that paper stops circulating, then we have a serious disruption in the world economy. If(?) there was danger that the paper would stop circulating, the risks of standing behind it were getting greater than the commercial banking system of the world could accept, and it was necessary for governments to agree to begin to accept some of those risks. That's essentially what was done.

Last week and the week before, the finance ministers agreed to set up two funds, one known as the Safety Net Fund that Secretary Kissinger had proposed and was to be set up by the OECD nations and the other, known as the Oil Facility of the International Monetary Fund, which is to be set up by all the nations that are members of that. And these two funds will help assure that these pieces of paper continue to flow evenly and help assure, therefore, that there is no serious distortion of the economies of these consuming nations, caused by a failure of the paper to flow evenly during the next year.

Similarly, these finance ministers approved the expanded bank, World Bank Lending Program. We borrow from OPEC, we put those funds to work in the developing countries. This is another form of what's known as recycling, all designed to minimize the impact of this oil price increase. Ultimately the world will have to adjust to it. They'll have to adjust to the oil price increase by transferring goods to the oil producers.

MOYERS: Are you saying inflation is here to stay as a worldwide phenomenon?

McNAMARA: No. No. I'm just talking about adjusting to the oil price increase by paying for it in real terms. And that's going to have to be done in goods. And when it's done, it's a real penalty. There's no--you can't close your eyes to it.

MOYERS: Who pays the penalty?

McNAMARA: All of us. All the oil consumers pay it. But the amount of the penalty is absorbable within our society. It might amount to two to three percent of one year's income and we can absorb that. We need not allow this to disrupt the societies of the industrialized nations and we should not allow it to disrupt the societies of the developing nations. And I'm not arguing whether it's right or wrong. It's not my--

MOYERS: But you are saying some structure is emerging that will give some consistency to the world?

McNAMARA: Exactly. Some structure is emerging which will allow the world to adjust over a period of time to this price, assuming the price continues.

MOYERS: You've been in this job now six years. You have the image to many people of the modern manager: Harvard Business School, Ford Motor Company, Secretary of Defense for seven to eight years. Have you learned anything at the World Bank that would startle or scare your old friends about the nature of the world economy?

McNAMARA: Well, I'll tell you one thing I've learned. I've learned my wife was right. She pointed out to me four or five years ago a passage from T.S. Eliot, which I haven't forgotten since then and he wrote, and I think it was in his Fourth Quartet, he wrote these lines: We shall not cease from exploring and at the end of our exploration we will return to where we started and know the place for the first time.

And I think that my service with the World Bank is part of this journey of exploration. And it's tremendously expanded my understanding of nations and peoples.

MOYERS: Does it say anything to you about the need to radically change the way things are? Do you think the assumptions on which we've lived in a capitalist society for so long have to be tackled and altered? I mean--

McNAMARA: Well, we're changing our subject. I don't think the program allows time perhaps to go into it fully. But we are changing our assumptions. We're becoming much more sensitive to the rest of the world. We--it is true that in this present period of difficulty, economic difficulty in the U.S., we tend to be turning inward. But that's just a minor dip in a rising secular trend of turning outward. Certainly, in your lifetime, and surely in mine, this nation has become much more sensitive to problems elsewhere in the world, much more willing to try to join in meeting those problems. I think we've learned we can't do it all by ourselves and we shouldn't try but we're understanding that on our own, narrow self-interest, we should deal with these problems. Our children cannot live on an island of affluence in a sea of poverty. That's not a secure world. It's not going to be a prosperous world for them. It's not going to be a happy world for them. We can only live if we take account of the problems of other nations. I think that philosophical, political, economic change is occurring.

MOYERS: What I was getting at in particular is, that if you take the Bank where I think and others think you seem to be taking it, you're going to go right into the heart of some of the most difficult questions we face in the world--the redistribution of income and wealth -- taking it from here and giving it to here --

and land reform. And every time you get into land reform in many countries, the ruling class says: wait a minute. Not here. Isn't that going to cause you some consternation?

McNAMARA: It has and it will. And it will cause my successor a difficulty. Most of all, it'll cause the governments of the developing countries difficulties--as it is causing the U.S. government difficulty. Our argument today, in the U.S. Congress and between the Congress and the Administration is exactly on that point: how is the burden of sacrifice going to be distributed? That's the essence of the problem. And we face that every day in every one of these developing countries. We're just beginning to understand ourselves the depth of the problem and some of the actions that need to be taken to solve it.

The income distribution in the developing countries. In general, is more unequal than it is in the developed countries. There are many, many developing countries in which the top twenty percent of income receivers have incomes twenty times the level of the bottom twenty percent. A comparable ratio in the Western World is eight to one, not twenty to one. So there are greater income distortions there than here. This simply reflects the maldistribution of political and economic power.

MOYERS: Power.

McNAMARA: Exactly. And as you suggest, over time, to begin to deal with the problem, to do what I think must be done, which is to increase the productivity of the low productivity elements in those societies, that's the only--

MOYERS: The landless poor, the farmers--

McNAMARA: The landless poor--exactly. That's(?) what we call the lowest forty percent. The only way to deal with the lowest forty percent is to raise their productivity; redistribution of income is not going to do it. But, to raise the productivity, there has to be a redistribution of government services. You've got to stop treating the urban centers as privileged centers for purposes of primary education and get that primary education down to the rural areas. You've got to have roads out there. I think I'm right in saying that fifty percent of the rural people in Ethiopia are more than one day's walk from the nearest dirt road. Now, how can you expect them to increase their productivity and produce a surplus for cash sale, which they may then use to build a better house or buy a school or something, when they can't get their product to market?

But throughout the developing world, there's a maldistribution of services. Education, health, water, et cetera. That's got

to be changed. It's going to take time to do it. The political power is in the hands of those who don't want to give it up.

MOYERS: Well, that's the nature of power--is not to yield. And aren't you flying in the face of nature?

McNAMARA: Yes. Surely. But, of course, that's the story of civilization. And that's been the history of power in the industrialized countries. It certainly happened here. Look at the income tax. That was fought. That's been a shift of economic power. Look at our--look what's happened in the U.S. Congress in the last several weeks. That's a shift of power. This is all part of the process to begin to deal with some of these inequalities. I think the world has made great progress in dealing with them. But, my God, it's an imperfect world and I'm afraid it's going to be so for thousands of years to come.

MOYERS: One final question. When you come into confrontation with these facts of nature, with power, with the disparities in incomes, when, as you have done, you see the faces of these eight hundred million people who are living in what you call desperate conditions, what is there that makes you not simply want to chuck it all and go lead a more serene life?

McNAMARA: Well, hope, I guess; first, a realization that progress has been made and sometimes I forget that and I have to go back and read the story to really refresh my mind and see that there is a basis for hope. Because all we really need to do is extend the trend of the past; the last twenty-five years has seen tremendous advances. There's widespread misery today. But much less today than there was twenty-five years ago. I can remember it in part myself, a little over twenty-five years ago, I was in the U.S. Air Force in India and the time I was in Calcutta, there were ten thousand dead bodies on the streets of Calcutta. They weren't dying by the thousands. They were dying by the hundreds of thousands in India at that time. That was the terrible famine of 1943. We haven't had that today. We need not have it tomorrow. And it's a hope to avoid it. [That] I think underlies our work.

MOYERS: On that note I want to thank you for spending this hour with public television.

I've been talking with Robert McNamara the President of the World Bank. Until next week, good night.

21

B. MR. McNAMARA'S ARRIVAL STATEMENT IN TURKEY

I am glad to be among you here in Turkey today, and look forward to the discussions I am going to have with your leaders.

Turkey is one of the World Bank's oldest borrowers and occupies an important place in the Bank's operations. Our relations have grown over the years from occasional loans in a few sectors to a major and diversified program, which includes assisting Turkey with the development of its agriculture, industry, power, transportation, education and urban and rural development.

Turkey's record of economic growth has been impressive, reflecting a dynamic partnership between the public and private sectors. That partnership has had its most important results in Turkey's rapidly expanding industrial sector. But it has also contributed to significant progress in many aspects of social development in rural and urban areas. During my brief visit to Ankara, I hope to exchange views with your leaders on how the Bank can best help Turkey in the future with some of its pressing development problems.

I wish you all the success with your development plans.

April 9, 1975

22

~~DRAFT~~
JBKnapp:vm
May 7, 1975

DELIVERED AT
BOARD MEETING,
May 8, 1975

DRAFT STATEMENT BY THE PRESIDENT

Just before our meeting on April 1, when the proposed loan to Chile ^{After this} had been ~~presented to the Board but before the meeting on April 1~~ for an agricultural project was on the agenda, I was informed that the expected meeting of the Paris Club to consider a rescheduling of a substantial part of Chile's external debt, had been ^{cancelled} postponed. In these circumstances, I felt it prudent ~~also~~ to postpone consideration of the ~~proposed~~ loan, not so much because I was concerned regarding the eventual outcome of the rescheduling exercises, but more because I felt that the postponement of ^{rescheduling of Chile's debt would have had} the Paris Club might have adverse consequences upon Chile's ability to obtain ~~some of~~ the new capital inflows required to sustain their program during 1975.

^{On April 25 we were informed that the Paris Club meeting}
After taking fresh stock of the situation, I decided to put the proposed loan back on the agenda for today's meeting. In the meanwhile, we ^{had been rescheduled & we were assured that rescheduling arrangements would be negotiated.} have received word that the Paris Club meeting, which took place earlier ^{did take place} this week, resulted in an understanding, which the Government of Chile has ^{accepted} also accepted, regarding the terms upon which seven of Chile's creditors, holding over 80 percent of the debt concerned, will reschedule their claims.

^{We believe therefore}
I now feel reassured that the appraisal of the situation which we had made when presenting the loan originally, remains valid. We considered then that there was a reasonable prospect that Chile would be able to obtain enough capital inflows during 1975 to sustain their program, and this judgment has been reconfirmed. Moreover, the Government has already given evidence of its determination to take the necessary measures of adjustment, if short-falls in these inflows should develop. I have had personal discussions with

at which it was to be discussed

Subsequent

adjustment

on that date rescheduled loan for your consideration

the Minister of Finance and the President of the Central Bank, and am satisfied that in reintroducing this loan for your consideration, and recommending its approval, I am proposing a course of action that does not involve undue risks for the Bank.

I will now ask Mr. Pfeffermann to summarize very briefly the latest information that we have obtained on this subject, and then will ask Mr. Goffin to introduce the project.

23

Board Room
World Bank

Dr. McNamara

It is my pleasant duty to welcome you all here today for the purpose of finalizing the financing arrangements for the

STATEMENT BY MR. McNAMARA ON SIGNING ONCHOCERCIASIS FUND AGREEMENT, MAY 7, 1975

Program for the control of Riverblindness in the Volta River Basin

Before signing this Agreement on behalf of the World Bank and the International Development Association I would like to say a few words about the ^{*origin of the project and what lies ahead.*} ~~program for the control of riverblindness in the Volta River Basin and what it means for the people living in the area.~~

We are ^{*today*} putting the seal ~~today~~ on many years of research carried out in ~~West Africa~~ by a dedicated group of doctors and scientists. This work, which was supported initially by the French Government and later also by the European Development Fund and the ^{*UNDP*} ~~United Nations Development Programme~~, provided the basis for the ^{*1970*} report of the ^{*WHO*} mission ~~sponsored by the World Health Organization in 1970 to assist the seven Governments concerned to formulate~~ ^{*seven govts concerned*} a specific program for the control of the disease.

Dr. Candau, who is with us today as Chairman of the ~~Joint~~ Coordinating Committee for the program, was Director General of WHO at that time, ~~and~~ the fact that we are able to sign this Agreement today owes much to the enthusiastic backing which he ^{*has given*} gave to the campaign from the beginning. The FAO was also ~~closely~~ associated with the work of the preparatory mission, the costs of which were financed by the UNDP.

My own close interest in the program dates from a visit to Upper Volta in March 1972 where I met with ~~members of the preparatory mission, and with the research workers at the Centre Murat at Bobo-Dioulasso, and where I~~ ^{*It was then that I*} saw what riverblindness was costing not only in human suffering and physical

debilitation, but in income and output foregone by the neglect of some of the most fertile land in a region desperately short of natural resources. I learned that there were one million people in the area afflicted with the disease, and that probably as many as sixty thousand of these had lost their sight. Humanitarian concern and concern for economic efficiency both pointed to the need to bring riverblindness under control if a program could be devised for doing so at an acceptable cost.

Accordingly the four international agencies concerned - the FAO, the UNDP, the WHO and the World Bank - agreed to set up a Steering Committee ~~for Onchocerciasis Control~~ to coordinate action with respect to ~~the planning and implementation of~~ such a program. A first meeting of potential donor Governments and agencies to consider financing was held in Paris in the summer of 1973, ~~about the time that the report of the so-called PAG mission was completed.~~ Shortly afterwards, in November 1973, the program was formally endorsed at a meeting of the seven African Governments in Accra, and these Governments signed the Operational Agreement which is annexed to the document in front of us today.

We are still at the beginning of a long campaign - a campaign that has been designed to extend over twenty years - long enough, ~~that is,~~ to ensure the ~~natural~~ disappearance ^{from the human host} of the parasite that causes the disease, ~~from the human host.~~ However, first benefits of the campaign are already evident as the blackfly population has been sharply reduced by the aerial spraying of insecticides, which started last December, ~~and~~ within two to three years

we should begin to see significant results in terms of increased agricultural activity in the program area. It is most important, of course, that this activity should be properly directed, and while the vector control operations continue under the direction of WHO, the Governments are turning their attention to the preparation of projects for the resettlement of the liberated valleys. In this task they will need technical and financial assistance from the donor community, and a great deal of interest has been expressed by a number of multilateral and bilateral agencies.

The launching of vector control operations on schedule is due to the excellent response of the donors represented around this table to the request for external financing to cover the first six-year phase of the program. Of the \$54 million estimated to be required for this purpose, all but a small amount is now covered by pledges ~~from the donors listed in Article 3.02 of the Fund Agreement.~~ We hope to obtain the rest in due course ~~from other Governments and agencies with which we have already been in contact.~~ However, since the estimated amount required could be affected by unforeseen movements in prices and exchange rates, we propose to retain some room for manoeuvre in negotiating additional contributions.

To conclude, I want to emphasize again the importance which the World Bank attaches to this program as one of the most promising ways of increasing agricultural production and raising standards of living in one of the least developed parts of the world. By providing opportunities for the

22

24

Speech by President McNamara
on the occasion of the visit of
President Senghor of Senegal

May 22, 1975

Mr. President,

It is a great personal pleasure for me to welcome you back to the World Bank. My colleagues and I are honored by your presence here and your continuing interest in and support of the work of this institution.

I am particularly pleased to sign with you the documents relating to these two important projects. The Sine Saloum project will make a major contribution to agricultural productivity and will increase the livelihood of 34,000 Senegalese farming families in one of the most heavily populated areas of your country.

The Debi Lampsar Engineering project is a small but important first step towards the development of a program to harness the water resources of the Senegal River Basin.

We are well aware of your special interest in this promising international program and of the central role which you have played in promoting it as President of the OMVS. Your personal involvement in this undertaking will help to insulate in the future an important part of the Sahel from the ravages of drought.

I would like to pass beyond the signing of these two projects to emphasize further the importance of the role you have played as the catalyst for the conception of an African philosophy of development and for the stimulation of international cooperation in support of development

objectives, most especially illustrated by your present role as President of the OMVS and President of the West African Economic Community.

We in the World Bank are very pleased to be able to help support the development objectives of Senegal. Your Ministers present here will have told you that in close collaboration we engage in a variety of development projects covering practically every economic sector in your country. The dialogue we have enjoyed with your Government has been extremely fruitful for us and we look forward to continuing our good relations in the future.

Thank you.

25

ROBERT McNAMARA'S OPENING STATEMENT TO DEVELOPMENT COMMITTEE

At its January meeting this Committee decided to focus attention on the long-term needs of the developing countries. In response the Bank staff prepared a study of the capital requirements of the developing countries, which the Committee has before it.

The report deals primarily with the external factors affecting growth in the developing countries, not because these are more important than domestic policies in adjusting to the new economic conditions, but because they are the factors which this Committee could address effectively.

The Bank study, read in conjunction with the Fund report on the current situation on the developing countries, leads to the following principal conclusions:

1. Most of the developing countries today face serious ^{new} economic adjustment problems which will extend at least through the end of the decade;
2. If these countries are to be assisted in dealing with their adjustment problems, while sustaining reasonable rates of growth, there must be major ^{new} international efforts affecting both trade and aid;
3. Economic recovery in the industrial countries, appropriate policies by the developing countries, and adequate international support for their efforts, will make the adjustment progressively easier over time. However, ^{But} there will be a substantial increase in their dependence on external capital in the near term. This can be reduced in later years if their export trade can be increased;
4. During 1975 and 1976, the developing countries need both quick disbursing balance of payments assistance and additional longer-term development assistance;

5. ^{outlook} The prospects for the poorest countries, with per capita income below \$200, ^{is} are particularly bleak. Their ^{one billion} 900 million people face the prospect of virtually no increase in per capita incomes for the rest of the decade. Their requirements for additional amounts of concessional capital to raise growth rates are relatively modest. The mobilization of these resources is of the highest priority;
6. The other developing countries face a much more difficult situation than we anticipated one year ago. Their exports of primary commodities have been affected by declining prices, and their manufactured goods by lagging or declining demand due to the recession in the industrialized countries; ^{and} Capital from the international markets ^{is} is more expensive and more difficult to obtain, ~~at reasonable maturities~~. Unless their foreign exchange availability can be enhanced through increased exports and capital flows, they too will grow well below their capacity.

Shifts in the external factors are, of course, only part of the adjustment process. The developing countries themselves must be responsible for most of the actions required. They must again reduce their dependence on external capital by increasing savings, ^{by} emphasizing agricultural production, ^{by} expanding exports, and ^{by} making more effective use of existing plant capacity.

The policy adjustments in the developing countries vary widely, depending on how they have been affected and the opportunities available. Many countries, including Pakistan, Kenya and India, are increasing their investment in the development of domestic energy resources; countries like Korea and Colombia

are actively seeking to diversify their exports; a long list of countries have raised prices of petroleum products to reduce demand. Even among the poorest countries, which have little room to maneuver, policies are being adjusted. Bangladesh, for instance, has just announced a new economic program, including a 58% devaluation. Many governments have taken steps to limit the increase in current expenditures and raise the prices of public enterprise products.

Our review of the policy responses suggests that the developing countries, as a whole, have moved with alacrity. However, there are serious constraints on their ability to deal with the problems which beset them. In many countries, reducing imports means reducing utilization of existing capacity; limiting current expenditures may mean reducing the newer programs of services to the poor; expanding exports is limited by market stagnation due to the recession.

The measures being taken by the developing countries themselves need to be supplemented by additional assistance from the international community. In the absence of early assurance of such additional assistance, investment programs will be curtailed further at the expense of future growth, and it may not be possible to sustain ^{actions} programs aimed at alleviating poverty and redressing domestic inequalities. In addition, a cutback in the growth of developing countries' imports will slow down the growth of world trade and affect the global economic recovery adversely.

The Bank's study ^{points to} indicates a number of areas in which measures of assistance might be considered, ~~and these are further amplified in the paper on the Future Work Program of this Committee, prepared by the Secretariat. It is therefore not necessary for me to review these in detail. However, a few points might be emphasized.~~

First, the Low-Income countries have a generally acknowledged need for additional Balance of Payments support. In the short term, their capacity to increase exports is limited, their reserves are minimal, and their capacity to make internal adjustments is small. The additional Balance of Payments support required by these countries is estimated to be modest, less than \$2 billion per year in each of the next two years. The proposed Trust Fund ^{could} ~~can~~ help to meet these needs.

Second, the concessional resources of the international lending institutions, including IDA, are precisely the kind of longer-term ~~development~~ assistance needed by the ^{se} Low-Income countries. In the case of IDA, negotiations for the Fifth Replenishment will start later this year. It is a matter of the utmost importance that the Replenishment provide both for a full offset to the effects of inflation and for an appropriate measure of real growth. In the meantime, establishment of a Third Window in the Bank can do much to help meet the most immediate ~~financing~~ requirements of these countries.

Third, a re-examination of bilateral aid levels is urgently needed. Projections suggest that the ODA as a percent of GNP for the industrialized countries as a group, already more than 50% below the 0.7% target, is likely to fall increasingly below that target. A number of countries, including some OPEC members, have no medium-term aid plan at all and even some of the countries which have such objectives find it difficult to adhere to them with the currently high rates of inflation. While full compliance with the 0.7% target by all countries appears ~~highly~~ unlikely, a reversal of the downward trend is essential.

Fourth, because nearly half of ODA is flowing to Middle and Higher Income countries, all donors should review their bilateral programs to determine

how much of the limited supply of concessional capital can be redirected from the Higher Income to the Lower Income countries. ^{However} Since the Middle and Higher Income countries also require additional capital, ^{the} a redirection of concessional flows should be accompanied by measures to increase substantially the availability of capital to these countries.

Fifth, whether or not ODA flows are concentrated more on the poorer countries, measures to increase the flow of capital to the Middle and Higher Income countries are urgent. These measures should include an expansion of the lending programs of the World Bank and the Regional Banks to the maximum level consistent with their capital structures and the availability of funds. In addition, there are a number of proposals to improve the direct access of selected developing countries to the capital markets. Many of the Middle and Higher Income countries are faced with what is essentially a temporary foreign exchange crisis. If they can obtain adequate resources to utilize their existing capacities fully and to continue their investment programs, they can maintain their creditworthiness and return to reasonable rates of growth within a few years.

Finally, expansion of trade is of crucial importance to the developing countries if their dependence on external capital is to be reduced in later years. This Committee may not be the most appropriate forum in which to take up trade liberalization measures, but since trade negotiations are in progress it would appear desirable that this Committee endorse those measures which would enable the developing countries to increase the exports of their manufactured goods and assure greater stability in the prices of their primary commodity exports. The Bank is in discussion with the Tin Council to explore financing of a buffer stock under the terms of a new agreement designed to help moderate

fluctuations in tin prices. In the interests of both consumers and producers, it is ^{possible} probable that similar arrangements could be negotiated for other materials. and I believe the Bank should be prepared to consider participation in their financing.

Increasing export earnings is not, of course, ^{primarily} only a question of price stability, but rather one of expanding the volume of exports of both primary commodities and manufactures. This requires substantial savings and policy changes in the developing countries, additional investments which both bilateral and international development agencies should support, and changes in the trade policies of importing countries.

Even with optimistic assumptions regarding the expansion of developing countries' exports, their foreign exchange earnings are not likely to rise rapidly. While all possible measures should be implemented ~~as soon as possible~~ to expand the exports of manufactured goods and primary commodities from the developing countries, there is no substitute in the short run for the additional capital flows I referred to earlier if minimum acceptable rates of growth are to be sustained by the developing countries during the remainder of this decade.

26

*Distributed to press
(per SB)*

STATEMENT UPON ARRIVAL IN COSTA RICA

This is my first visit to Costa Rica and I am delighted to be here. As you know, the World Bank is participating in your country's development efforts in a number of important sectors. We have supported projects in transport, electric power, agriculture, education and communications; and have committed ^{over 145} ~~approximately \$115~~ million to help them succeed. We want to continue our assistance in these fields, and in others. I would hope, for example, that we can enlarge our participation in your rural development work, as well as provide further support for your industrial growth.

During my stay I hope to see for myself some of the progress that is being made and get a better grasp of the problems that remain. I am looking forward to meeting with your distinguished President and his Ministers, and discussing with them your development plans.

^{As you know,} A dozen years ago -- only a few short months before his death -- John F. Kennedy, ^{ed} ~~in his~~ ^{He} visit here, spoke of the common goals of the entire region. "No man's job is done," he said, "until every man in this hemisphere shares an equal opportunity to pursue his hopes as far as his capacities will carry him."

Surely that is the ultimate goal of development -- for Costa Rica, for this hemisphere, for the world at large.

We in the Bank believe that progress towards that goal is possible, and practical. And we are pleased to be associated with your own determined efforts to make it happen.

END

Distributed to press (Apr 58)

MR. ROBERT MCNAMARA'S ARRIVAL STATEMENT IN COLOMBIA - 11/1/75

his speech in Wash.

I am particularly pleased again

I am delighted to be back in Colombia, and to have an opportunity to meet your President, whose speech in Washington I listened to with such interest and admiration a few weeks ago. I was particularly impressed by one passage in that speech where he said: "Although it is true that we don't cling to any specific form of social system and even less to any foreign model and that we are ready to seek a better redistribution of our income through the implementation of programs such as tax, agrarian and educational reforms, there is nonetheless something upon which we cannot compromise. That is the quality of our life and, therefore, the right to think our own thoughts and dream our own dreams."

I am looking forward to seeing how your development program is proceeding to achieve your dreams for your country.

I have always ^{repeated} said since I came to the Bank that ^{the fate of} a country's development ^{program lies} is 80% in its own hands, financed from its own resources, carried out by its own people. All that the outside world, the developed world, can do is to add that margin of help which makes it somewhat less difficult for you to achieve your ambitions, your ideals, your dreams.

We at the World Bank do not consider ourselves outsiders in Colombia. After all it is your Bank. You pay us back the money we lend, and it is in a sense, your money. We are not outsiders also because we have been very much involved in Colombia, which is the fifth largest borrower from the Bank in the whole world. That is to say we have invested more of our resources in Colombia (over \$1,400 million to date) than in most other countries, because we believe you could make good use of it.

^{Recently} We invested some US\$27 million in ^a the Caqueta rural settlement project, and another US\$21 million in ^{the} the Córdoba II agricultural development project, because we believed you wanted to raise the standards of living of your poorest farmers and you knew that this could be done best by making them more productive. In addition, we are working ^{very hard} on preparing for future investments in ^{further} support of the Government's Integrated Rural Development and Nutrition Programs.

I hope to see something of all of this in my visit to this beautiful, exhilarating and friendly ^{land.} country.

