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June 1981

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To mark the retirement of Robert S. McNamara as President of the World Bank after thirteen years of service, the Bank's Executive Directors commissioned a book gathering together all the principal statements Mr. McNamara made during his tenure of office. The book, entitled *The McNamara Years at the World Bank—Major Policy Addresses of Robert S. McNamara 1968-1981,* has been published by The Johns Hopkins University Press (Baltimore and London, 1981).

John L. Maddux was associated with Mr. McNamara throughout his years at the World Bank and contributed much to the preparation of these addresses. In this booklet, Mr. Maddux analyzes and explains Mr. McNamara's development philosophy in some detail by tracing, from year to year, in what way Mr. McNamara responded to the challenges of international events and how he perceived the development process. Mr. Maddux brings out how Mr. McNamara used these policy statements to arouse the world's conscience to the plight of the poorest and gives an insight into Mr. McNamara's wide-ranging interests and the frankness with which he confronted controversial problems. Above all, Mr. Maddux highlights how Mr. McNamara cut through economic terminology and statistics to reach out to the human aspects of development, as it affects people in the developing countries.

Mr. Maddux also briefly explains the Bank's unique institutional nature and gives an indication of the international community's reaction to Mr. McNamara's innovative ideas. At the end, he presents a summary of a dozen major themes that may be discerned throughout Mr. McNamara's speeches.

This booklet may be regarded as complementary to the Johns Hopkins University Press book, but it also can stand on its own merits by bringing into focus the development problems that Mr. McNamara felt should be addressed and solved to enhance the lives of individual human beings.

The Development Philosophy of Robert S. McNamara

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The Background

Though it is, of course, much too early to try to assess definitively the total impact that Robert S. McNamara has had on the international development movement during the thirteen years that he has served as President of the World Bank, it is already clear that it has been substantial.

Mr. McNamara has been an energetic activist. Under his leadership the Bank has become the single largest development agency in the world. But he has been more than just a dynamic executive. He has been a serious development thinker as well.

In the end, it will fall to scholars and historians to chronicle in detail his full contribution to the evolving international development process throughout the turbulent decade of the 1970s, and on into the final years of the century.

It is not, however, merely specialists alone who will profit from perusing his major policy addresses. Any interested observer of the contemporary global situation will find them provocative and enlightening. Mr. McNamara himself has noted that "the underlying drive toward social and economic transformation in the developing world is a critical component of the central historical movement of our time. The character of international life in the next century—for rich and poor nations alike—will depend largely on the success of the development effort."

He is right. Whatever one's individual views may be as to how these problems can best be solved, the overall importance of the international development task is beyond dispute.

That is why it is worth reading what Mr. McNamara has had to say. Over the years his annual address to the Board of Governors of the World Bank came to be regarded by the international development community as an authoritative and innovative *tour d'horizon* of the global development scene. Similarly, his policy statements on specialized subjects—his two full-length addresses, for example, on the population problem: the first at the University of Notre Dame in 1969, and the second at the Massachusetts Institute of Technology in 1977—received world-wide attention as comprehensive analyses of highly controversial issues.

What particularly characterizes Mr. McNamara's policy statements are their rigorous analytical character, and their frankness and candor. He has been forthright in taking on difficult and sensitive development problems—problems that it would have been far more comfortable to gloss over or leave aside—and while recognizing their complexity, he has consistently set out to deal with them in a carefully reasoned and objective manner.

That is a reflection both of the man himself, and of the unique position that a president of the World Bank occupies.

It is important to remember that the Bank is owned and operated by its own member countries. At this writing they number 139, all of them sovereign nations, all of them with political and socio-economic views of their own, and all of them with their own distinct cultural and historical heritage. More than 100 of these are developing countries, with a combined total population—including the recent entrance of China—of some three and a half billion people. The Bank's mandate is to serve these immensely varied societies with financial assistance and technical and economic advice in order to help further their own development programs.

All of the Bank's member countries, both the industrialized and the developing, are represented at its headquarters by a resident Board of 21 Executive Directors and their alternates. These directors, in consultation with the national authorities they represent, select and appoint the president, who both manages the Bank as its chief executive officer, and serves as Chairman of the Board. The Articles of Agreement—the Bank's charter—provide that only the president can propose a loan to the Board, but that no loan can be made without the approval of the Board.

Individual member countries have voting power on the Board in proportion to the amount of capital they have subscribed to the Bank, and which is in turn reflective of the size of their individual economies. It is a system of weighted voting that no single country can dominate or veto. As a matter of normal practice, decisions of the Board are almost always arrived at by consensus after the issues have been discussed and debated, and only rarely require a formal vote.

It is against this institutional background of the World Bank that Mr. McNamara's contribution to development must be viewed. The truth is that it is a very unique institution. Each Tuesday morning, when the Board convenes, something quite extraordinary takes place. The representatives of 139 nations, often divided on dozens of other issues outside the boardroom, sit down around a table and come to agreement on loaning substantial sums of money—a total of about $12 billion this past fiscal year—for a wide variety of development projects in an assorted group of dissimilar societies.

In a century as argumentative as ours, that is unusual. It is even astonishing if one considers how difficult it has been historically for that many nations to agree on anything substantial, especially concerning money.

Inside the Bank's boardroom these nations, despite their obvious political and ideological differences, come to a weekly consensus on development financing. They are realistic and unsentimental about it. The projects must be technically sound; they must assure a high rate of economic return to the borrowing country; they must carry its government's guarantee of repayment; and they must be approved on exclusively economic grounds. And that is what happens. The money is lent. It gets repaid. There has never been a default. The Bank makes a profit.

But outside that boardroom these same nations might—and, in fact, often do—have any number of understandable reasons why they wouldn't choose unilaterally to lend that money.

Around the table, after all, sit representatives of governments that range through all points of the political spectrum. At any given time some of the countries at the table may actually be in a state of war with one another. Some of the countries may have inherited ancient ethnic enmities. Some of the countries may have long-standing border disputes. Some of the countries have sophisticated technological societies, and some of the countries have disadvantaged subsistence societies. The various parochial interests of all these sovereign states in another context might well clash as much as the colors of their national flags that line the boardroom walls.

And, yet, around that table these clashing interests are largely resolved into practical agreement on action. Why? Chiefly because the institution itself has no rigid ideology. It confines itself, rather, to a few fundamental certainties: that producing enough to eat is better than hunger; that health is better than disease;

that education is better than illiteracy; that productivity is better than poverty; and that hope is better than despair.

Are these merely an institution's pious clichés? No, in the World Bank's view—and certainly in Robert McNamara's view—they are the self-evident development principles in any society that are above dispute and beyond dogma. And what is remarkable is how far these fundamentals can, in practice, bring otherwise diverse and divided countries together in effective and cooperative action. That is what routinely happens in the Bank. And without question that cooperative action is the single most important and indispensable characteristic of the institution, for without it nothing substantial could be achieved.

Robert McNamara's major addresses during his thirteen years at the Bank grew into what has become in the aggregate a rich corpus of development thinking. With the backing and consent of the Executive Directors, much of that thinking was translated into specific Bank operations—operations that today include more than 1,600 high-priority development projects in over 100 countries, with a total value of some $100 billion.

All of that was achievable because of the Bank's unique institutional nature, the Board's support, and Mr. McNamara's leadership. Let us turn to that story now in more detail.

The Evolution of McNamara's Development Thinking

1968:

When Robert McNamara assumed the presidency of the World Bank in the spring of 1968 there was a sense of weariness in the industrialized nations over the whole concept of foreign economic assistance. The discouragement over development was based on two assumptions: first, that the wealthy nations could no longer afford to provide financial help in sufficient amounts to the developing countries; and second, that even if they could afford it, it would be unwise to make it available since the record of past foreign assistance was characterized by waste, incompetence, and failure.

McNamara was convinced that neither of these assumptions was in fact true, but he recognized that they were widely believed, and that it was the belief itself that was seriously demoralizing the international development effort. He was determined to counter this trend through the instrumentality of the World Bank.

In the fall he addressed his first Annual Meeting of the Bank's Board of Governors. These week-long events, held jointly each year in October with the International Monetary Fund (IMF), gather together an invited audience of some five to six thousand high-level participants. They include the senior financial and monetary officials, and their official delegations, of all the member countries of both institutions. Typically, a Governor of the Bank or the Fund in a given member country is the Finance Minister, or the Governor of the Central Bank, or a cabinet official of similar rank.

Leading commercial bankers from around the globe are invited to the meetings as observers, as are the representatives of international organizations and of the worldwide financial and economic press. It is the most important and influential meeting of financial officials held anywhere in a given year. As the headquarters of both the World Bank and the International Monetary Fund are located in Washington, the joint annual meetings are generally convened there. Each third year, however, the meeting is held in some member country abroad.

The expectation of this global audience to hear the newly appointed president of the World Bank was high on September 30, 1968. They were not to be disappointed.

McNamara outlined an immensely bold five-year program. Declaring that he refused to accept the view that adequate resources were not available to assist the developing countries, he proposed that the Bank should double its overall lending in the next five years, as compared to the past five, and that this would mean that it would lend in the 1969–73 period alone very nearly as much as it had lent in its entire previous 22-year history.

He had arrived at that target, he explained, by surveying the five-year period ahead, drawing up a provisional lending plan for each of the Bank's developing member countries, and posing the question: What could the Bank invest in each of them if there were no shortage of funds, and if the only limit on the Bank's activities were the capacity of these individual countries to use the Bank's assistance effectively, and to repay the loans on the terms on which they were lent?

To double its lending, the Bank would have to increase substantially its borrowing. Leaving aside for the moment the issue of soft loan money for the poorest countries that is raised by the Bank through government contributions from its industrialized member nations, McNamara announced that he saw no difficulty in the Bank's expanding its bond issues in capital markets of the world.

It was the Bank's job, he said, to look at world money markets as a whole, and see where there were surpluses and reserves that could be tapped. As a result of an intensified borrowing program—in the Middle East as well as in more conventional markets such as Germany and the United States—he announced that in the past 90 days the Bank had raised more funds by borrowing than in the whole of any single calendar year in its history. Mr. McNamara was clearly off to a very fast start.

It was not merely that the Bank would double its overall operations, he added. It would also shift its lending emphasis

both geographically and sectorally. In the next five years lending to Latin America would more than double, and it would triple to Africa. Lending to Indonesia—where the Bank had never lent before—had begun, and a permanent resident mission had already been established.

Ironically, many of the Bank's poorest and least developed member countries had in the past received the least assistance—ten of them had received nothing at all—primarily because of their inability to prepare projects for consideration. They would get special assistance in doing this, he said, and lending to them would expand.

But it was his proposed sectoral shifts in emphasis that most surprised many listening to McNamara. World Bank lending for education would triple. For agriculture it would quadruple. And while some traditionally conservative bond underwriters in the audience were digesting those unexpected prospects, the new president saved his biggest surprise for last.

Now came the announcement that proved to be the opening salvo in a campaign that was to preoccupy McNamara for many years to come. It sounds tame enough today. In 1968, in the World Bank Annual Meeting, it was very big news:

"This leads me," he said, "to yet another area where the Bank needs to take new initiatives—the control of population growth. This is a thorny subject which it would be very much more convenient to leave alone. But I cannot, because the World Bank is concerned above all with economic development, and the rapid growth of population is one of the greatest barriers to economic growth and social well-being of our member states."

The issue would indeed prove to be thorny. Some observers felt it was at best impolitic, if not actually improper, for the Bank to get into the matter at all. Others felt that the issue in itself was important, but that it was simply not "bankable": How could a bank prudently lend money for it? Was it really a fundable development sector at all? Still others feared the critical reaction that might develop in Latin America or other areas of the world where religious and cultural traditions might be offended.

None of this nervousness deterred McNamara. Less than three weeks later he made a speech in Buenos Aires to the Inter-American Press Association, and spent part of it applying what he had said in Washington to Latin America in particular. But there was an even more unexpected event to come.

1969:

Perhaps the most famous Catholic institution of higher-learning in the United States is Notre Dame University, and in late 1968 its distinguished president, Father Theodore Hesburgh, invited McNamara to come to the university the following May, receive an honorary degree, and deliver an address at the dedication of a new graduate business and public administration facility on the campus.

McNamara accepted the invitation, and began in-depth preparations for a major full-length address on what he was to term "the most delicate and difficult issue of our era—perhaps of any era in history": the problem of excessive population growth.

It was to become perhaps the most widely read speech McNamara ever delivered while president of the World Bank. The subsequent requests for it were so heavy that it had repeatedly to be reprinted.

McNamara examined in persuasive and eloquent terms the complexities of the subject, and stressed that a family planning effort "on a humane but massive scale" was necessary to avoid catastrophic consequences. While acknowledging that there were certain "precise and painful dilemmas" in the issue, he dissected with his customary logic a whole series of "myths that obscure the essentials of the problem" and inhibit effective action: the myth that "more people means more wealth"; that "countries with large tracts of uninhabited open land have no need to worry about birth rates"; that "the white western world's assistance in family planning efforts among the non-white nations of the developing world is a surreptitious plot to keep the whites in racial ascendancy"; and finally the myth that "the time for action is past, and that sweeping famine is inevitable."

McNamara made his points at Notre Dame with both understanding and sensitivity. "You, and the Roman Catholic Church at large, are completely dedicated to the goal of development," he reminded his audience, citing Vatican and papal documents that call for the solution to the population problem as it relates to development. He spoke of "the fatherly and compassionate Pontiff who stands at your helm" and added that "such controversy as remains in this matter is merely about the means, not at all about the end."

The faculty and students of Notre Dame reacted to the address—as most of the world did—with prolonged applause. Father Hesburgh called it a "thorough, reasoned and nuanced speech, on the serious problem for which he has great responsibility." McNamara was to continue to take that responsibility seriously throughout his term of office, and was to deal with the issue in many of his public statements.

1970:

In an address to a conference on development, held at Columbia University in early 1970, McNamara made what was to prove to be a prescient prediction: "The outlook for the Seventies," he said, "is that the fault line along which shocks to world stability travel will shift from an East-West axis to a North-South axis, and the shocks themselves will be significantly less military and substantially more political, social, and economic in character."

Further, he introduced for the first time a distinction that he was to develop significantly over the oncoming decade. "In setting the objectives, planning the programs, and measuring the progress of development in the Seventies, we must look to more than gross measures of economic growth. What we require are relevant 'development indicators' that go beyond the measure of growth in total output and provide practical yardsticks of change in the other economic, social, and moral dimensions of the modernizing process."

This was an early indication of what was to become a very important McNamara theme throughout the years. To limit our attention to expanding gross national product (GNP), even though it be from 5% per year to 6 or 7%, he cautioned, "can only lead to greater political, social, and economic disequilibrium. However important an increase in GNP may be as a necessary condition of development, it is not a sufficient condition."

He concluded the passage with an even stronger warning: "If we achieve the 'quantity' goals, and neglect the 'quality' goals of development, we will have failed. It is as simple as that. We will have failed."

1971:

At the Bank's Annual Meeting in 1971—as he had in 1970—McNamara returned once more to the population issue. He pointed out that the development programs throughout the developing world had not yet faced up to the adjustments that the inevitable consequences of continuing population growth require. Two of these consequences would be greater malnutrition and growing unemployment.

McNamara began his analysis of the malnutrition problem almost like a professor standing at the head of his class:

"The argument I shall make is that: malnutrition is widespread; it is the major cause of high mortality among young children; it limits the physical—and often the mental—growth of hundreds of millions of those who survive; it reduces their productivity as adults; and it is therefore a major barrier to human development."

Some of the president's friends had joked with him in private that instead of a rostrum and a microphone at the Annual Meeting, he really ought to have a blackboard and a pointer. McNamara took the joshing well, but he was adamant about the format of his public speeches. The line of argument had to be rigorously clear and logical. The subject matter—and its consequences—were far too important, he said, for there to be any risk of imprecision or misunderstanding.

1972:

McNamara delivered three major addresses in 1972, each of them important in the evolution of his development thinking. The first was to UNCTAD III—the United Nations Conference on Trade and Development—in Santiago in April. "What I have to say," he began, "will be brief and candid." It was.

"My view is this: The state of development in most of the developing world today is unacceptable—and growing more so."

"It is unacceptable," McNamara went sternly on, "not because there hasn't been progress in the past 20 years—and particularly in the decade of the Sixties—but because development programs have been directed largely at gross economic goals, and have failed to insure that all nations, and all groups within nations, have shared equitably in the economic advance."

But though McNamara intended to be unmistakably blunt about the facts about the case—and was—he did not want to see the conference dissolve into useless wrangling over culpability. He put the matter directly:

"Finally, if the state of development today is unacceptable—and it is—we must not waste time looking for villains in the piece, or even worse, waste energy in fruitless confrontation between rich nations and poor nations. Rather, the entire international development community—all of us—must promptly

move forward with practical measures which are conceptually sound, financially feasible, and which can command the requisite public support. I hope to suggest some of these today."

And suggest he did. He demonstrated with icy logic that such evidence as was available suggested that even the developing countries which had registered significant gains in GNP growth were plagued with severely skewed income distribution patterns. "What can be done about it?" he asked. "What must be done about it," he answered, "is to reduce the crushing disparities of opportunity."

He was ready with realistic proposals.

"To begin with, there must be more equitable and comprehensive tax measures; land reform laws; tenancy security policies; and, above all, concrete programs to increase the productivity of small farmers. And not just programs and measures languishing in legislative debate and delay, or lost in legal complexities so hedged about with exceptions that they end by being more rhetoric than reality. What are required are feasible fiscal, agrarian, and educational reform measures that can be fully and fairly enforced. What is needed most of all is a determination to move against the inequities of income distribution."

Then came a McNamara comment that was to be widely quoted:

"There is no need to point out that this is politically difficult. Without question it is. But when the distribution of land, income and opportunity becomes distorted to the point of desperation, what political leaders must often weigh is the risk of unpopular but necessary social reform—against the risk of social rebellion. 'Too little too late' is history's most universal epitaph for political regimes which have lost their mandate to the demands of landless, jobless, disenfranchised and desperate men."

McNamara then went on to state a principle—for the first time in his public addresses—that was to become an increasingly familiar theme:

"What I am suggesting is that we should stop thinking of massive poverty in a developing country as simply a symptom of underdevelopment—and begin, rather, to think of it as a condition that must be attacked within the framework of the nation's overall program."

McNamara displayed his characteristically balanced view of the mutual responsibilities of both the developed and the developing countries:

"Just as we must conclude that it is the responsibility of the political leaders of the developing nations to recognize the inequities that exist within their nations and to move to correct them, so we must likewise conclude that the wealthy nations of the world—possessing 25% of its people, but 80% of its wealth—should move now to provide the additional assistance, in the form of aid and trade, which the developing nations need to meet minimum national goals."

"Our clear duty," he added, "for the remainder of this decade is to face up to mass poverty for what it really is, determine its dimensions, locate its whereabouts, set a limit beneath which we will not accept its continuance, and make our first priority a threshold of human dignity and decency which is achievable within a generation."

"That," he concluded, "is how I—for one—view the development task. What we need most to do is to get on with it."

McNamara himself got on with it in another major address in June, this time in Stockholm at the United Nations Conference on the Human Environment. Again, he tried to cool down the confrontational atmosphere that was boiling up over the environmental issue. The provocative volume, *The Limits to Growth,** had appeared earlier in the same year, and the thesis frightened many observers in the developing world who correctly feared that an overemphasis on the dangers of economic growth would severely penalize the poor.

McNamara described the dilemma graphically.

"The achievement of a level of life in accord with fundamental human dignity for the world's two and three-quarter billion poor is simply not possible without the continued economic growth of the developing nations, and the developed nations as well. But economic growth on the pattern of the past—and most particularly that in the already highly industrialized wealthy nations—poses an undeniable threat to the environment and to the health of man."

"The question," he insisted, "is not whether the impact on the environment must be respected. It has to be. Nor—least of all—is it a question of whether these two considerations are interlocked. They are."

* Donella H. Meadows, Dennis L. Meadows, Jørgen Randers, and William W. Behrens III, *The Limits to Growth—A Report of The Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972).

But he saw in the debate as it was then being argued a dangerous tendency to rush to premature conclusions. "Mathematical modeling," he said pointedly, "is useful. But it is only as useful as the validity of its assumptions and the comprehensiveness of its inputs."

"The manifest danger," he warned, "is to oversimplify. When that oversimplification suggests the imminent risk of overloading the planet's life-support systems, or exhausting its essential resources, the developing peoples of the world are suddenly faced with a fearsome prospect. On top of all their present disadvantages, are they now going to be asked to forego their efforts at development in the name of preserving the already disproportionate (and still rising) patterns of consumption of the rich?"

"The poor," he added, "are right to be indignant over such a prospect. But in my view it never need arise. It need never arise because there is no evidence that the economic growth—which the developing countries so desperately require—will necessarily involve an unacceptable burden either on their own or on anybody else's environment."

After describing in detail the practical measures and safeguards the World Bank had adopted to deal with the environmental issue in its day-to-day project operations, McNamara drew an important conclusion regarding the world's political will and social responsibility:

"Ecological considerations have made us all more aware of the interdependencies of our world. We have come to see our planet as 'spaceship earth.' But what we must not forget is that one-quarter of the passengers on that ship have luxurious first-class accommodations and the remaining three-quarters are traveling in steerage. That does not make for a happy ship—in space or anywhere else. All the less so when the steerage passengers realize that there are at hand the means to make the accommodations more reasonable for everyone."

We must realize, he said, "that human degradation is the most dangerous pollutant there is." And he concluded: "In the end, it is respect for man—and his home—that brought us to this conference. When we leave, let us go with the conviction that that respect can and must be translated into practical action. The leading edge of that action must be to protect man from the one hazard which can injure not only his habitat and his health—but his spirit as well. Poverty. Cruel, senseless, curable poverty."

The anti-poverty theme was growing stronger and stronger in all of McNamara's statements, and at the Bank's Annual Meeting that year he reinforced it even further.

He began a series of intellectual dialogues with that speech on social equity and economic growth that was to continue for several years. Perhaps the key passage in the 1972 address to the Board of Governors was the following:

"The task, then, for the governments of the developing countries is to reorient their development policies in order to attack directly the personal poverty of the most deprived 40% of their populations. This the governments can do without abandoning their goals of vigorous overall economic growth. But they must be prepared to give greater priority to establishing growth targets in terms of essential human needs: in terms of nutrition, housing, health, literacy, and employment—even if it be at the cost of some reduction in the pace of advance in certain narrow and highly privileged sectors whose benefits accrue to the few.

"Such a reorientation of social and economic policy is primarily a political task, and the developing countries must decide for themselves if they wish to undertake it. It will manifestly require immense resolve and courage.

"The task of political leadership in the wealthy world is to match that resolve and courage with a greater commitment to equity between their own affluent nations and the grossly disadvantaged developing nations."

This is a seminal passage because it reveals McNamara as an intellectual precursor of what later became known throughout the international community as the "basic human needs" approach to development. As that movement grew in later years he did not necessarily identify himself with each and every elaboration of the original concept—as in the environmental debate, there was a tendency of some enthusiasts to oversimplify the issue—but there is no doubt that McNamara was one of the intellectual founders of this whole "human needs" train of development thinking.

With this same address McNamara began a practice that was to continue throughout all his remaining Annual Meeting speeches. He added at the end of the printed version of his text a revealing statistical table that displayed what the individual developed countries were contributing in official development assistance (ODA, i.e., financial assistance to developing countries and multilateral institutions on concessional terms), measured as a percentage of their gross national product. Past, present, and projected performance were all indicated, country by country, and year by year.

The table created something of a stir. It was a little like the pastor of the parish church publishing for all to see not merely what each parishioner had been putting into the collection basket, measured against his total wealth, but also just how generous—or how stingy—he planned to be in the future.

There were the predictable complaints from governments, particularly about the projections. But the United Nations target for the Second Development Decade (the 1970s) was that the developed countries should raise their ODA to .7% of their GNPs by 1975, and McNamara was determined to publish the boxscore.

1973:

The Bank's Annual Meeting was held in Kenya in 1973, and what came to be known as the "Nairobi address" ranks as one of McNamara's most influential policy statements. As a guide to his views on poverty, it is particularly important.

In addition, it was a final report on his first five years in office. The Five-Year Program had now been completed, and McNamara detailed the results: not only had the overall goal of doubling the World Bank's operations in the fiscal period 1969–73, as compared with the previous five years, been achieved, but every subsidiary target that he had announced in 1968 had also been reached or surpassed.

He outlined a Second Five-Year Program for the period FY1974–78 in which lending, in 1973 dollars, was expected to total $22 billion for nearly 1,000 projects. "It will represent," he said, "the largest program of technical and financial assistance to developing countries ever undertaken by a single agency."

It is in this address that McNamara introduced a term—and a concept—that was to become part of the intellectual landscape throughout the international development community: the notion of "absolute poverty." The passage in which it first appeared is significant. McNamara examined the view of those in the developed countries who said that no more assistance could be spared for the developing countries:

"But I believe," he said, "that such critics of additional assistance to the poorer nations, when citing the needs of their own cities and countryside, fail to distinguish between two kinds of poverty: what might be termed relative poverty and absolute poverty.

"Relative poverty means simply that some countries are less affluent than other countries, or that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of differences between regions and between individuals, will continue to be the case.

"But absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities." It is "a condition of life so limited as to prevent realization of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity—and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries."

McNamara then asked his audience bluntly, "And are not we who tolerate such poverty, when it is within our power to reduce the number afflicted by it, failing to fulfill the fundamental obligations accepted by civilized men since the beginning of time? I do not wish you to interpret my remarks as those of a zealot. But you have hired me to examine the problems of the developing world and to report to you the facts. These are the facts."

It was a moment of typical McNamara candor, and there were to be many others in the address.

"In the remaining section of this statement," he announced, "I would like to discuss the nature of this poverty problem, consider what means are at hand to alleviate it, and indicate what part the Bank can play." He spent the next 18 pages of the speech doing that in closely reasoned detail.

"The basic problem of poverty and growth in the developing world," he stressed, "can be stated very simply. The growth is not equitably reaching the poor. And the poor are not significantly contributing to the growth."

McNamara pointed out that the vast bulk of the poor in the developing world lived in the rural areas, and that the poverty problem there revolved primarily around the low productivity of the millions of small subsistence farms. While admitting that neither the Bank, nor anyone else, had very clear answers on how to bring improved technology and other inputs to over 100 million small farmers, he was determined to make a beginning.

The essential elements of any comprehensive strategy to increase the productivity of smallholder agriculture, he said, must include the following: acceleration in the rate of land and tenancy reform; better access to credit; assured availability of water; expanded extension facilities backed by intensified agricultural research; greater access to public services; and, most critical of all, "new forms of rural institutions and organizations that will give as much attention to promoting the inherent potential and productivity of the poor as is generally given to protecting the power of the privileged."

The Bank, he said, would make the increased productivity of the small, subsistence farmer a major goal of its expanded activity in the years ahead, though he cautioned that no amount of outside assistance could substitute for the resolve of the developing countries themselves to take on the task. "It will call for immense courage," he noted, "for political risk is involved. The politically privileged among the landed elite are rarely enthusiastic over the steps necessary to advance rural development."

"But," he concluded, "if the governments of the developing world—who must measure the risks of reform against the risks of revolution—are prepared to exercise the requisite political will to assault the problem of poverty in the countryside, then the governments of the wealthy nations must display equal courage. They must be prepared to help them by removing discriminatory trade barriers and by substantially expanding Official Development Assistance.

"What is at stake in these decisions," he reminded his World Bank audience, "is the fundamental decency of the lives of 40% of the people in the 100 developing nations which are members of this institution."

1974:

In late 1973, and into 1974 the shock of the surge in oil prices, together with a rising commodity boom, and overall growth in inflation, severely affected the poorest developing nations' terms of trade. "In the twelve months since our meeting in Nairobi," McNamara began in his Annual Meeting speech that year, "the world scene has grown increasingly turbulent. The series of changes which have occurred have been of a magnitude previously associated only with major wars and depressions."

Any single one of the events, he said, would have had a serious impact on the developing nations. In combination, the effect on some of them had been near disaster.

The Bank's poorest developing member countries, he reminded his listeners, which are "relatively disadvantaged in natural resources, without significant foreign exchange reserves, and already suffering from serious internal deprivations—now find themselves caught in a web of external economic forces largely beyond their control. They can do little to influence the current disequilibrium, nor did they precipitate its underlying causes. And yet they have become the principal victims, and are faced with the severest penalties.

"These countries contain a billion individuals. Whatever the problems and preoccupations of the rest of us may be, we simply cannot turn our backs on half the total population this institution serves. The real issue, then, is whether we, in this forum, fully understand what is happening to the poorest countries—and having understood it, are ready to do what is necessary to assist them."

Could such assistance be mobilized? McNamara thought it could and must be.

He outlined his argument in a passage that was to be often quoted:

"The developed nations, understandably preoccupied with controlling inflation, and searching for structural solutions to their liquidity imbalances, will be tempted to conclude that until these problems are resolved, aid considerations must simply be put aside.

"But aid is not a luxury—something affordable when times are easy, and superfluous when times become temporarily troublesome. It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever.

"It is true that the affluent nations in the face of shortages and inflation, and in order to continue to expand aid, may have to accept for the time being some selective reduction in their already immensely high standard of living. If they have to, they can absorb such inconveniences.

"But for the poorest countries such a downward adjustment is a very different matter. For them downward does not mean inconvenience, but appalling deprivation. And for millions of

individuals in these countries downward means simply the risk of death."

1975:

The critical need for capital by the oil-importing developing countries continued to receive McNamara's attention in his 1975 Annual Meeting address. He warned that the persistent worldwide inflation, the high cost of petroleum, the deterioration in many of their terms of trade, and the prolonged recession in the developed nations all combined to confront them, just then, with an array of unanticipated obstacles to achieving even minimal development objectives in the remaining years of the decade.

"But despite all of this," McNamara added, after proposing a number of actions to reduce the foreign exchange crisis, "despite the urgency for all of us to focus our attention on this emergency, and to take every step we can to try to deal with it, we cannot allow this to diminish our concern with the central issue of development which underlies the present situation: the necessity of creating an effective strategy to deal with the fundamental problem of poverty itself."

Continuing the discussion with his readers on the "critical relationship of poverty and economic growth" that he had begun three years before, McNamara emphasized again that "analysis of income data makes it clear that policies aimed at diminishing income inequalities through direct redistribution of wealth will not be sufficient to end indigence. That is not to say that adjustments in this direction are not desirable on the grounds of equity, but no degree of egalitarianism alone will solve the root problem of poverty. What is required are policies that will enhance the productivity of the poor."

After reviewing the commitments the Bank had made in his Nairobi address two years before to wage an assault on poverty in the rural areas "because the overwhelming majority of the absolute poor are there," McNamara pointed out: "But we have not merely elaborated policy. We have moved ahead with an expanded lending program in rural development and we now lend more in this sector than in any other. This is a clear change in emphasis: 50% of all rural-development lending in the history of the Bank has occurred in the last year. We expect to commit $7 billion more in this field over the next five years."

But though the countryside was where most of the absolute poor were, "they live in the cities of the developing world as well. Roughly 200 million are there now. More are coming, and coming soon," he noted. He then devoted the next 13 pages of his text to a detailed analysis of urban poverty, and what could be done about it.

Graphically describing the life of the urban poor, and branding it as "unspeakably grim," McNamara underlined the dangers to governments that failed to take responsible action. "Historically," he reminded them, "violence and civil upheaval are more common in cities than in the countryside. Frustrations that fester among the urban poor readily are readily exploited by political extremists. If cities do not begin to deal more constructively with poverty, poverty may well begin to deal more destructively with cities."

In a trenchant passage, McNamara described the problem of housing:

"The deprivation suffered by the poor is nowhere more visible than in the matter of housing. Even the most hardened and unsentimental observer from the developed world is shocked by the squalid slums and ramshackle shantytowns that ring the periphery of every major city. The favelas, the bustees, the bidonvilles have become almost the central symbol of the poverty that pervades two-thirds of the globe. It is the image that is seared into the memory of every visitor.

"But there is one thing worse than living in a slum or a squatter settlement—and that is having one's slum or settlement bulldozed away by a government which has no shelter of any sort whatever to offer in its place. When that happens—and it happens often—there remains only the pavement itself, or some rocky hillside or parched plain, where the poor can once again begin to build out of packing crates or signboards and scraps of sheetmetal and cardboard a tiny hovel in which to house their families.

"Squatter settlements by definition—and by city ordinance—are illegal. Even the word squatter itself is vaguely obscene, as if somehow being penniless, landless, and homeless were deliberate sins against the canons of proper etiquette. But it is not squatters that are obscene. It is the economic circumstances that make squatter settlements necessary that are obscene."

McNamara indicated that though the dynamics of poverty in the cities differ substantially from those in the countryside, the key to dealing with them both is fundamentally the same. "What is required," he said, "are policies and actions that will assist

the poor to increase their productivity. Primarily this calls for measures that will remove barriers to their earning opportunities, and improve their access to public services."

Urging governments to increase earning opportunities for the poor in the informal sector, create more jobs in the modern sector, provide more equitable access to public utilities, transport, education, and health services, and to establish realistic housing policies, McNamara warned that "for the next decade or two—indeed for as far forward as anyone can realistically plan—the urban problem will be a poverty problem."

He added that any serious effort in solving the problems of urban development will clearly involve a number of sensitive and difficult political choices, and that those, of course, were for governments to make, not for the Bank. Moreover, the Bank's own lending could finance only a very small proportion of the necessary investments in productive facilities and supporting urban services.

But he stressed: "The Bank, can play a significant role in pointing out the extent to which governments' present policies, practices, and investment allocations are seriously biased against the poor. And the Bank can expand and redirect its own investments in urban areas to insure that they result in increased earning opportunities and more adequate services for the poor in both the modern and traditional sectors. This will be a major objective of our five-year program for the years FY1976–80."

1976:

In his Annual Meeting address in 1976 McNamara drew attention to the growing debate that was going on within various forums of the international development community over the issue of additional support from the developed nations to assist the developing countries achieve acceptable rates of growth.

This debate had led to the Special Session of the General Assembly the year before in New York; to the formation of the Development Committee composed of Governors of the IMF and the World Bank; to the meeting of UNCTAD IV in Nairobi; and to the North-South Dialogue in Paris. And yet, after more than a year of intense debate, there had been no agreement on the level of additional assistance to be provided to the developing nations.

In McNamara's view, the reason for the lack of agreement was that the discussions had focused far too much on details—

commodity agreements, buffer stocks, and so forth—rather than on fundamentals.

He believed that what was needed was a "basic understanding" among the parties as to the nature and magnitude of the problem; the action required to address it; the relative responsibilities of the parties for taking such action; and the costs and benefits to each of doing so.

Such an understanding—a "global compact"—would make clear in overall terms both the additional trade and aid support to be provided by the developed nations, and the policy reforms and structural changes to be undertaken by the developing nations. These should, he thought, have as one of their major objectives the meeting of the basic human needs of the absolute poor in both the poorest and the middle-income countries within a reasonable period of time, say by the end of the century.

Once the broad limits of such an understanding were established McNamara believed, then the specific form of assistance to be provided by individual developed nations to particular developing countries could be examined. It would then become apparent that it is relatively unimportant whether the assistance is to take the form of commodity agreements, debt relief, trade concessions, bilateral aid, or multilateral financing—or any particular combination of these—provided the overall total is adequate.

This pragmatic approach in McNamara's thinking was to result the following year in his proposal that Willy Brandt, former Chancellor of the Federal Republic of Germany, and Nobel Laureate, should convene and chair a private and wholly independent commission of experienced and distinguished individuals, drawn from the developing and industrialized countries, whose purpose would be to assess and recommend feasible alternatives to the continuing North-South deadlock.

1977:

Before that was to happen, McNamara was invited by the president of the prestigious Massachusetts Institute of Technology to deliver a lecture in its special bicentennial series on "World Change and World Security." He decided to use this important forum to make another major address on the population problem. It turned out to be the most comprehensive statement on a single subject that McNamara ever made while president of the Bank.

Fifty-four printed pages in length, the statement was in effect a tightly argued monograph. At the outset, McNamara indicated that he was going to do four things: examine the background of the population problem; analyze its current trends; evaluate the measures available to deal with it; and suggest the actions that governments and others can and must take to help solve it.

"I want," he began, "to discuss with you tonight a subject that has nothing whatever to do with military phenomena—but a very great deal to do with global tranquillity.

"It is the issue of population growth.

"Short of thermonuclear war itself, it is the gravest issue the world faces over the decades immediately ahead.

"Indeed, in many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organized control.

"The population growth of the planet is not in the exclusive control of a few governments, but rather in the hands of literally hundreds of millions of individual parents who will ultimately determine the outcome.

"That is what makes the population threat—even more than the nuclear threat—diffuse and intractable. And that is why it must be faced—like the nuclear threat—for what it inevitably is: both a central determinant of mankind's future, and one requiring far more attention of the world community than it is presently receiving."

McNamara indicated that there at last appeared to be a significant decline in fertility in the developing countries, but that though that was welcome the fact remained that the current rate of decline was too slow to avoid their ultimately arriving at stationary populations far in excess of acceptable levels.

"Unless governments, through appropriate policy action, can accelerate the reduction in fertility, the global population may not stabilize below 11 billion. That would be a world none of us would want to live in."

Governments, he underlined, must avoid the severe penalties of procrastination, and try to hasten the stabilization process forward. But how?

The causes and determinants of fertility reduction, he admitted, are extremely complex, but it appears likely that there are a number of key linkages between that reduction and certain specific elements of socio-economic growth.

The factors that appear to be most important, McNamara concluded, are: health, education, broadly distributed economic growth, urbanization, and the enhanced status of women.

Those factors were at work in the developing world, he said, but their progress is too slow to be fully effective. Without additional intervention on the parts of governments, the current population there is going to continue to grow at rates very substantially in excess of those that would permit far more economic and social progress.

There are, he argued, two broad categories of interventions that governments must undertake: those designed to encourage couples to desire smaller families; and those designed to provide the parents with the means to implement that desire.

The first set of interventions sets out to alter the social and economic environment that tends to promote fertility, and by altering it to create a demand among parents for a new and smaller family norm. And the second set of interventions supplies the requisite means that will make that new norm attainable.

To create the demand for a change in family norm, governments should try to:

- Reduce current infant and child mortality rates sharply.
- Expand basic education and substantially increase the proportion of girls in school.
- Increase the productivity of smallholders in the rural areas, and expand earning opportunities in the cities for low-income groups.
- Put greater stress on more equitable distribution of income and services in the drive for greater economic growth.
- And above all else, raise the status of women socially, economically, and politically.

To satisfy the demand for a change in family norms, governments and the international community should:

- Provide a broad choice of the present contraceptive techniques and services to parents.
- Improve the delivery systems by which parents can get the services they wish.
- And expand present levels of research seeking better techniques and services.

While McNamara admitted that some observers disagreed over the relative importance of social development and family planning efforts in reducing fertility—some saying the former was too indirect, and others saying that the latter was too inefficient—he argued firmly for the need for both.

Indeed, throughout the whole of this 20,000 word treatise on the tangled complexities of the population problem, McNamara remains at his expository best: his reasoning advances step by step from premise to conclusion, always clear and cohesive, always tight and orderly.

And yet the argument never becomes merely impersonal and clinical. It remains humanistic in its tone, and philosophical in its reach: traits that were characteristic of McNamara's best policy statements.

Consider the sensitivity of the following passage. In it McNamara is stressing the importance of trying to understand the mindset of villagers regarding family size.

"The reasons for fertility reduction that may be persuasive to planners sitting in distant capitals," he points out, "may not be persuasive at all to parents sitting in remote villages. Village couples rarely worry about the progress of the gross national product.

"What they may well worry about is the progress of a sick child, or how they are going to accumulate enough savings to secure their old age, and whether the signs are auspicious that the next pregnancy will finally give them a second son, rather than a third daughter.

"As we have said, it is the poor, as a generality, who have the most children. And it is the poorest countries, as a generality, that have the highest birth rates.

"But it would be a mistake to think that the poor have children mindlessly, or without purpose, or—in the light of their own personal value systems—irresponsibly.

"Quite the contrary. The poor, by the very fact of their poverty, have little margin for error. The very precariousness of their existence habituates them to be cautious. They may be illiterate. They are seldom foolhardy. To survive at all, they are forced to be shrewd.

"What we must grasp is that poverty does not make people unreasonable. What it does do is severely reduce their range of choice. They often do what they do because there is little real opportunity to do otherwise.

"Poor people have large families for many reasons. But the point is they do have reasons. Reasons of security for their old age. Reasons about additional help on the land. Reasons concerning the cultural preference for sons. Reasons related to the laws of inheritance. Reasons dictated by traditional religious behavior. And reasons for personal pride.

"Demography measures people. It cannot always measure their inner feelings.

"And yet understanding poor people—and the narrow range of options that poverty offers them—is the key to assisting them to broaden their choices."

To the connoisseur, that passage might well be called vintage McNamara.

1978:

In the Annual Meeting address of the following year, McNamara pushed even harder on the need for the rich and poor nations alike to do more to combat absolute poverty.

"The need to give greater attention to the problems of the absolute poor," he said, "has been increasingly recognized in international discussions. But the intractability of these problems and the scale of efforts needed to reduce the numbers of absolute poor have not been fully appreciated."

The latest studies in the Bank had concluded that, even under somewhat optimistic assumptions, some 600 million individuals at the end of the century would remain trapped in absolute poverty. That was shocking and unacceptable, he said, and he asked: "Now, what can be done to reduce this level of poverty?" His reply, as usual, was candid.

"The World Bank does not have a full and complete answer to that question, nor do I know of anyone in the world who does. And that is why I urge that the Brandt Commission, the Development Committee, the UN Overview Committee, UNCTAD, the Development Assistance Committee, and other international groups—and above all the individual developing countries themselves—each give serious and detailed attention to it."

But McNamara argued that even though no one as yet had a fully comprehensive answer to the problem of absolute poverty, he believed that within the present limits of our knowledge, each of the developing countries could—and should—set specific goals for its own society's direct attack on poverty; and that the international community, in the appropriate forums, should endorse these goals, and pledge the necessary support.

"As I have emphasized," he said, "such an attack on absolute poverty can only succeed in an environment of growth. And support from the international community—through further expansion of trade and more adequate capital flows—is essential if optimum rates are to be achieved."

Driving home this central conviction, McNamara emphasized again that "though growth is an absolutely necessary condition for reducing poverty, it is not in itself a sufficient condition. For growth cannot help the poor unless it reaches the poor."

Growth, he stressed, does not reach the poor sufficiently today, and hence the developing countries must both:

- Modify the pattern of growth so as to raise the productivity of the poor; and
- Improve the access of the poor to essential public services: to clean water, to basic education, to preventative medical care, to electricity, to public transportation—to those services fundamental to their health and productivity.

"Now, I am not suggesting," he admitted, "that any of this is easy to do. It is not. What I am suggesting is that absolute poverty can never be eliminated by traditional welfare. And the reason is obvious. No feasible redistribution of already inadequate national income in a developing society is, by itself, going to be enough to wipe out poverty. There must be growth in that income, and the poor must be enabled both to contribute more productively to that growth, and to participate more equitably in its benefits."

The tragedy of the absolute poor, he reminded the high officials in his audience, is that they remain largely outside the entire development process. They must be brought more fully into it, and that could only be done by the developing countries themselves.

Conditions, he conceded, clearly differ from society to society, but what is essential is that governments:

- Formulate attainable anti-poverty objectives at national, regional, and local levels;
- Define clear operational programs, and institutional policies, for achievement of the objectives within specific time periods; and

• Determine the level of resources required to meet the minimum goals.

"Unless such practical steps are taken by the governments in developing societies," McNamara reiterated, "the hope to reduce absolute poverty simply cannot be translated into effective action. Certainly no external development agency—no matter how helpful—can substitute for the internal political resolve necessary to take these steps. But once that firm resolve is evident, then the international community must support these politically difficult decisions with comparable courage and generosity."

McNamara concluded his address on a sober note.

"We must be candid about the choices that confront us. There are no easy alternatives. But to relax in the development effort, to lose momentum, to procrastinate, to let problems fester and grow worse—that choice can benefit neither us, nor those others who must follow after us.

"We know who those others are. They are our children.

"Will their world be more rational, more compassionate, more peaceful, more human?

"That choice is more ours than theirs. For the options are closing, and the inevitable chain of consequences is already underway.

"The time, then, to act is now. It is an opportunity that will not return."

1979:

McNamara sounded the same serious note as he began his Annual Meeting address in Belgrade the following year.

"We meet this year as one turbulent decade draws to a close, and what promises to be an even more critical one is about to begin.

"We need not be reminded that the economic strains of the 1970s have been more severe than any since the disruption of World War II and the global depression that preceded it. But the truth is that the problems that will confront us all in the 1980s are almost certain to be more difficult. More difficult because with the loss of irrecoverable time the easier solutions to these problems have begun to disappear.

"What we will be left with in the decade ahead are increasingly painful dilemmas that can no longer be ignored or postponed. We are going to have to decide—and decide soon—if we can really afford to continue temporizing with severe development problems that are getting worse rather than better."

McNamara reviewed the progress of the Second Development Decade, the 1970s, and the international community's official strategy that had put such emphasis on reaching certain overall performance targets. Not only were there going to be serious shortfalls in achieving these goals, but the overall performance statistics themselves obscured very significant differences between various groups of countries.

Income grew the least in the 1970s, he stressed, where it was needed the most: in the poorest countries, containing over half the population of the developing world. The economies of most of these nations, with hundreds of millions of their people already trapped in absolute poverty, had scarcely advanced at all.

"In the end effective development strategies revolve essentially around policy choices . . . It seems to me, therefore, that a more practical approach for DDIII planning would be to consider in detail the hard policy choices that the developing and developed countries alike are going to have to confront in the Eighties and beyond if fundamental development objectives are to be realized."

These policy choices would, he said, inevitably have to deal with such immense and complicated problems as population growth, food production, employment creation, urbanization, reducing absolute poverty, and expanding international trade and financial flows.

McNamara commented on all of these problems during the course of the address, as well as on the World Bank's own involvement with them, and underscored again the need for a basic understanding between the developed and developing countries over essentials. One of the principal frustrations of the North-South Dialogue had been that it had become so bogged down in arguments over the means that it had tended to lose sight of the ends.

"Such an understanding," he argued, "is all the more necessary because we simply do not yet possess the same instruments of implementation at the international level which are available—and taken for granted—at the national level.

"There is obviously no global planning system, no world treasury based on international taxation, and no central budgeting machinery to allocate governmental financial resources.

"It is possible—even likely—that some of these institutions will eventually evolve. Certainly the realities of our increasing interdependence ought to move us all towards less arbitrary and hopefully more rational management of global resources.

"In the interim we must shape and improve the institutions and the system we have as wisely as we can."

1980:

When Robert McNamara walked to the lectern on September 30, 1980, it was exactly 12 years to the day that he had first addressed the Board of Governors at the World Bank's Annual Meeting. In June of 1980 he had informed the Executive Directors that he would retire from the service of the Bank in June of 1981. The huge audience, then, knew that this was to be his valedictory address, and they expected it to be something memorable. It was.

"This is the thirteenth, and final, address" he began, "that I will have the privilege of making in this forum. The occasion, I believe, places on me a special responsibility, and hence what I will have to say this morning will be particularly frank and candid, especially as it relates to the future role of the World Bank."

Recalling that over the past dozen years the World Bank Group's lending program had expanded dramatically its level of financial assistance to the developing world from approximately $1 billion in FY1968 to more than $12 billion in FY1980, McNamara pointed out that the Bank's policy had not been simply to do more, but rather "we wanted to do more of what would contribute most to our member countries' evolving development needs."

There had been major qualitative change in the Bank's lending, and in its development policies. The change arose out of the understanding that "if the absolute poor had to wait for the benefits of overall economic growth to trickle down to them, their incomes and welfare would inch forward at an intolerably slow pace."

Throughout the 1970s the Bank had made a determined effort to help its developing member countries to devise policies and investment programs to assist the poor in their societies to become more productive, and to assure an equitable distribution of basic services to them.

In the FY1964–68 period, such loans from the Bank had amounted on average to only $60 million per year, and accounted for less than 5% of total lending. In FY1980 they had grown to $3,565 million, and accounted for over 30% of total lending.

In FY1980 alone the Bank approved agricultural and rural development projects to raise the productivity, and thereby the incomes, of 29 million people, including 18 million of the world's poorest—and to increase food production by 6 million tons per annum.

But, added McNamara, investments in highways, electric power, and other traditional infrastructure and production investments remain "vital to development." They are, he emphasized, "basic to strengthening the foundations of growth, and to expanding employment opportunities and enhancing the incomes of all members of society."

While the Bank reduced the share of lending to these sectors, McNamara explained, it substantially increased its absolute volume. Bank lending for traditional infrastructure projects grew from an annual average of $700 million in 1964–68 to $4.4 billion in 1980; and for traditional production projects, from $350 million to $3.5 billion.

Only by raising its overall level of lending was the Bank able to meet its member countries' new development needs without neglecting their traditional requirements. This would clearly continue to be the case throughout the 1980s and beyond.

The Bank's lending program for FY1981–85 had originally been drawn up in early 1977. But four events had intervened in the meantime that had invalidated the underlying assumptions of that program. These were:

1. A much greater inflation rate than had been projected in 1977.

2. The unexpected doubling of oil prices over the past 18 months, and restricted growth in the oil-importing developing country exports to the nations of the Organisation for Economic Co-operation and Development (OECD), resulting in huge current account deficits and the critical requirement for new structural adjustments.

3. The resulting need—both in their own interest, as well as that of the world community—for these oil-importing

developing countries to invest in and develop their own domestic energy resources.

4. The change in the representation of China in the Bank, increasing by 45%—approximately a billion individuals—the number of people who now needed, who now desired, and who were now entitled to have World Bank lending.

"What we need to do now," McNamara urged, "is to reach broad agreement on the following objective."

The Bank should:

- Increase its lending program in order to offset fully the higher-than-anticipated inflation levels;
- Finance structural adjustment, but not at the cost of reducing the development finance already planned for the oil-importing developing countries;
- Assist in financing an expanded energy development program, but not at the cost of cutting its assistance to other equally vital programs; and
- Respond to the development needs of China, but not at the cost of its other borrowers.

"All of this can be done," McNamara emphasized, "in a manner that takes full account of the current budgetary constraints faced by governments of the developed nations, provided we make full use of the potential of the Bank's capital base, and facilitate the use of the large private resources available for sound investment opportunities."

McNamara concluded his address by noting that through the support of its member governments the World Bank over the past ten years had become by far the world's largest and most influential development institution. That was important. But what was far more important, he said, was what had transpired throughout the developing world in the millions of individual lives that the institution had touched.

"What these countless millions of the poor need and want is what each of us needs and wants: the well-being of those they love; a better future for their children; an end to injustice; and a beginning of hope.

"We do not see their faces, we do not know their names, we cannot count their number. But they are there. And their lives have been touched by us. And ours by them."

As McNamara spoke these words his voice broke with emotion. He paused, and with difficulty concluded his address with this final passage:

"And now—if I may—let me add a purely personal note. These past 13 years have been the most stimulating of my life. I wouldn't have traded them for anything. And I want to say to all of you how deeply grateful I am for the privilege of having served with you throughout these years.

"This World Bank—born out of the ruins of World War II—has grown into one of the world's most constructive instruments of human aspiration and progress. And yet, it has only barely begun to develop its full potential for service and assistance. There is so much more it can do, so much more it ought to do to assist those who need its help.

"Each one of us can help make that happen. And how can we begin? We must begin—as the founders of this great institution began—with vision. With clear, strong, bold vision.

"George Bernard Shaw put it perfectly: 'You see things, and say why? But I dream things that never were, and I say why not?' "

McNamara, by now almost unable to speak, left the rostrum, as the huge audience rose to its feet and gave him what even the restrained *New York Times* described as "a thunderous ovation."

A very moving moment had passed, but in the minds of many that day there remained the question: had an era ended . . . or, in McNamara's words, had it just barely begun?

The McNamara Legacy

As is obvious, any serious examination of the principal public statements of Mr. McNamara reveals an evolving and wide-ranging set of insights on international development. His thinking is rich and complex. But if one were arbitrarily to limit oneself to perhaps a dozen major themes from these sources, the following points—some explicit, some implicit—would clearly emerge from such a survey.

I. The fundamental nature of development

McNamara does not view development exclusively as "economic progress," but rather as something more fundamental. "Development is clearly not simply economic progress measured in terms of gross national product. It is something much more basic. It is essentially human development; that is, the individual's realization of his or her own inherent potential." On the scale, then, of human activities, development is of immense importance, and should rightfully command priority. "Development is about people. The only criterion for measuring its ultimate success or failure is what it does to enhance the lives of individual human beings."

II. The role in development of the concept of equity

McNamara sees the concept of equity as central to the development process. He believes that our own era in human history is characterized by that concept's gradually becoming more universal and compelling. "If we look around the world today realistically," he says, "it is evident that the desire for a greater degree of equity—for a more just and reasonable equality of opportunity among individuals, both within nations and between nations—is becoming a major concern of our time.

"It is a trend that has been gathering momentum for century or more. The rise of the labor union movement, the drive against racial discrimination, the expansion of civil rights, the enhancement of the status of women—these and similar movements have all had an ingredient in common: the surge towards greater social justice and more equitable economic opportunity."

"If the rich nations do not act," he says, "through both aid and trade to diminish the widening imbalance between their own collective wealth and the aggregate poverty of the poor nations, development simply cannot succeed within any acceptable time frame. The community of nations will only become more dangerously fragmented into the privileged and the deprived, the self-satisfied and the frustrated, the complacent and the bitter. It will not be an international atmosphere conducive to tranquillity.

"The developed nations, then, must do more to promote at least minimal equity in the distribution of wealth among nations. But the developing nations must do more as well. Their internal equity problems are no less important than those of the international community at large. In the developing nation's pursuit of rapid economic growth, the poorest 40% of their populations are being largely left behind."

"Governments exist to promote the welfare of all of their citizens—not just that of a privileged few. Absolute egalitarianism is as chimerical as absolute laissez-faire, but what is certain is that absolute human degradation—when it reaches the proportions of 30 to 40% of an entire citizenry—cannot be ignored, cannot be suppressed, and cannot be tolerated for too long a time by any government hoping to preserve civil order."

III. Development comprises a twofold task: to accelerate economic growth, and to eradicate absolute poverty

McNamara believes that these two objectives must be primary elements of any sound overall development strategy. "The two goals," he emphasizes, "are intrinsically related, though governments are often tempted to pursue one without adequate attention to the other. But from a development point of view that approach always fails in the end. The pursuit of growth without a reasonable concern for equity is ultimately socially destabilizing, and often violently so. And the pursuit of equity without a reasonable concern for growth merely tends to redistribute economic stagnation. Neither pursuit, taken by itself, can lead to sustained, successful development."

IV. The characteristics and dimensions of absolute poverty

McNamara stresses over and over again that absolute poverty is "a condition of life so limited by illiteracy, malnutrition, disease, high infant-mortality, and low life-expectancy as to be beneath any rational definition of decency." It denies its victims the very potential of the genes with which they were born. In effect, it is life at the margin of physical existence.

"Malnutrition saps their energy, stunts their bodies, and shortens their lives. Illiteracy darkens their minds, and forecloses their futures. Preventable diseases maim and kill their children. Squalor and ugliness pollute and poison their surroundings. The miraculous gift of life itself, and all its intrinsic potential—so promising and rewarding for us—is eroded and reduced for them to a desperate effort to survive."

"Compared to those fortunate enough to live in the developed countries, individuals in the poorest nations have: an infant mortality rate eight times higher; a life expectancy one-third lower; an adult literacy rate 60% less; a nutritional level, for one out of every two in the population, below minimum standards; and for millions of infants, less protein than is sufficient to permit optimum development of the brain."

"And when we reflect on this profile of poverty in the developing world we have to remind ourselves that we are not talking about merely a tiny minority of unfortunates—a miscellaneous collection of the losers in life—a regrettable but insignificant exception to the rule. On the contrary, we are talking about hundreds of millions of human beings—40% of the total population of over 100 countries."

V. The key to reducing absolute poverty

McNamara insists that any successful effort to combat poverty in the developing countries has to do two basic things: assist the poor to increase their productivity; and assure their access to essential public services. "Unless specific efforts are made to help them realize their productive potential, no feasible degree of traditional welfare or simple redistribution of already

inadequate national wealth can fundamentally alter the circumstances that impoverish them."

"A critical component of that approach is for governments of developing countries to provide better access for the absolute poor in their societies to essential public services, particularly basic education, primary health care, and clean water. These fundamental services—combined with the better shelter and nutrition that improved incomes can afford—are the key to the poor's being able to meet their own basic needs."

"Not only are essential public services often out of financial and geographic reach of the poor, but such facilities as are in place may be so inappropriately designed as to be virtually irrelevant to their needs: impressive four-lane highways, but too few market roads; elaborate curative-care hospitals, but too few preventive-care rural clinics; prestigious institutions of higher learning, but too few village literacy programs.

"Public services that are not designed modestly and at low cost per unit will almost certainly end by serving the privileged few rather than the deprived many. To reverse this trend, governments must be prepared to make tough and politically sensitive decisions, and to reallocate scarce resources into less elaborate—but more broadly based—delivery systems that can get the services to the poor, and the poor to the services."

VI. The importance of the population issue

There is no question that McNamara considers it critically important that the developing countries find and apply a rational and humane solution to their population problem. "To put it simply: the greatest single obstacle to the economic and social advancement of the majority of the peoples in the underdeveloped world is rampant population growth. Having said that, let me make one point unmistakably clear: the solution of the population problem is in no way a substitute for the more traditional forms of developmental assistance: aid for economic infrastructure; aid for agriculture; aid for industrialization; aid for education; aid for technological advance. The underdeveloped world needs investment capital for a whole gamut of productive projects. But nothing would be more unwise than to allow these projects to fail because they are finally overwhelmed by a tidal wave of population."

VII. The dangers to both developed and developing countries of trade protectionism

McNamara's view is that unless the international community resists—and rolls back—the trade protectionism that has been growing in recent years, everyone will be the ultimate loser. "Just as the developing countries have begun to demonstrate their natural comparative advantage in certain labor-intensive manufactures, a new threat of protectionism is gathering momentum in the developed world. This is both inequitable and shortsighted since it denies the developing countries the only long-range economic strategy that can ultimately decrease their dependence on foreign assistance.

"Already the developing world constitutes an important and growing market for the exports of the industrialized nations, stimulating demand and helping hasten their own economic recovery. But if the developing countries are to import even more goods and services from the OECD nations—which they both need and want to do—then they must be allowed in return to export more to those same nations in order to earn the foreign exchange necessary to do so.

"In the end, excessive protectionism is self-defeating for everyone: for consumers, who are denied less expensive, and hence less inflationary, imports; and for producers, who are denied competitive access to expanding markets.

"What is required is a more rational framework of international trade that will reduce protectionism on both sides by promoting the dismantling of non-tariff barriers, and by broadening the scope of true comparative advantage. In the industrial countries this will require initiating adjustment procedures that can ease the shift of capital and labor away from marginal industries into more competitive and productive sectors."

VIII. The moral case for development assistance

McNamara believes that though there are many grounds for development assistance, the moral case is the basic one. "There are, of course, many sound reasons for development assistance. But the fundamental case is, I believe, the moral one. The whole of human history has recognized the principle that the rich and powerful have a moral obligation to assist the poor and the weak. That is what the sense of community is all

about—any community: the community of the family, the community of the nation, the community of nations itself.

"Moral principles, if they are really sound—and this one clearly is—are also practical ways to proceed. Social justice is not simply an abstract ideal. It is a sensible way of making life more livable for everyone."

IX. The national-interest case for development assistance

McNamara concedes that the moral argument for the developed nations to assist the developing countries does not persuade everyone. For those citizens in a developed nation who prefer arguments that appeal to national self-interest, he points out that there are some very strong ones. In this passage he uses the example of the United States, but in other passages he has cited the same kind of specific statistics for other OECD nations.

"Exports provide one out of every eight jobs in U.S. manufacturing, and they take the output of one out of every three acres of U.S. farm land—and roughly one-third of these exports are now going to the developing countries. Indeed, the U.S. now exports more to the developing countries than it does to Western Europe, Eastern Europe, China, and the Soviet Union combined.

"Further, the U.S. now gets increasing quantities of its raw materials from the developing world—more than 50% of its tin, rubber, and manganese plus very substantial amounts of tungsten and cobalt, to say nothing of its oil. The U.S. economy, then, increasingly depends on the ability of the developing nations both to purchase its exports, and to supply it with important raw materials. And the same sort of relationship of mutual interdependence exists between the other industrialized countries—the Common Market, and Japan—and the developing world.

"Thus, for the developed nations to do more to assist the developing countries is not merely the right thing to do, it is also increasingly the economically advantageous thing to do."

X. The developing world has made unprecedented progress in the past quarter century, but continues to face very critical problems

McNamara believes that the progress in the developing world since 1950 demonstrates an immense achievement, but that very serious difficulties remain to be solved. "If one looks objectively at the developing world's economic record during the past quarter century, it is impressive. It surpasses the performance of the present industrialized nations for any comparable period of their own development."

"Nor was the achievement exclusively economic. Important social progress was made as well. Average life expectancy, for example, was expanded from about 40 years to 50 years. Though 50 is still 30% lower than the longevity currently enjoyed in the industrialized nations, it took Western Europe a century to achieve what the developing nations did in 25 years."

"These emerging societies have also succeeded in increasing the literacy of their peoples. Twenty-five years ago 65 million children were in primary school. Today, 260 million are. Then, only 7 million were in secondary and higher institutions. Today, 65 million are. In 1950, only a third of their adult population could read and write. Today, more than a half can. Much of this social progress was possible because the real per capita income of the developing world had more than doubled during the period."

"But the unexpectedly high average rate of growth conceals significant differences between groups of countries.

"The poorest nations have done only half as well as the middle-income group. Crippled by serious disadvantages, these societies have witnessed their growth gradually diminish. And collectively they contain more than half the total population of the developing world.

"In the middle-income countries, the rates of growth have been better, but here too the averages obscure sharply skewed income patterns. Far too many in these societies—as in the poorest nations—have been able neither to contribute much to economic growth, nor to share equitably in its benefits. Development has passed them by.

"The tragedy of the absolute poor is that they are trapped in a set of social and economic circumstances that they cannot break out of by their own efforts alone. Hundreds of millions of them cannot read or write; are seriously malnourished; have no access to adequate medical care; are without adequate shelter; and have no meaningful work. Their basic human needs are simply not met.

"For these hundreds of millions, development has failed. It will continue to fail unless the dynamics of absolute poverty are dealt with directly, and reversed.

"There are two essential things that must be done. The rate of economic growth of the developing nations must be accelerated. And more of the benefits of that growth must be channeled towards helping the absolute poor meet their basic human needs."

XI. The World Bank is an international development institution, not a philanthropic organization

McNamara believes that there is no inherent contradiction between the World Bank being a well-run, hard-headed, prudent, and careful investor of other people's money, and at the same time being a socially responsible development institution, sensitive to the needs of basic human welfare. In the 35 years of lending operations, the Bank has never lost a penny, and its earnings throughout that period total $4.7 billion, including $588 million in FY1980. His view is that the greatest contribution the World Bank's staff can make to development is to help the developing countries use their scarce resources as effectively as possible.

"Now how can we help lift this burden of absolute poverty from off the backs of a billion people? That is a problem we have been dealing with at the World Bank intensively for the past six or seven years.

"It is clear that we in the richer countries cannot do it by our own efforts. Nor can they, the masses in the poorest countries, do it by their own efforts alone. There must be a partnership between a comparatively small contribution in money and skills from the developed world, and the developing world's determination both to increase its rate of economic growth, and to channel more of the benefits of that growth to the absolute poor.

"Most of the effort must come from the developing countries' own governments. By and large they are making that effort.

"In the past decade, the poor nations have financed over 80% of their development investments out of their own meager incomes. But it is true they must make even greater efforts. They have invested too little in agriculture, too little in population planning, and too little in essential public services. And too much of what they have invested has benefited only a privileged few. That calls for policy reforms, and that is, of course, always politically difficult.

"In any event, whatever the degree of neglect the governments in the poor countries have been responsible for, it has been more than matched by the failure of the developed nations to assist them adequately in the development task."

"The current account deficits of the oil-importing developing countries have risen dramatically. The increase in these deficits is the mirror image of a portion of the rise in the surpluses of the oil-exporting nations. A major objective of the world's intermediation effort to deal with these surpluses must be to assure that appropriate portions of them flow, directly or indirectly, back to these developing countries.

"The assistance the developing societies will need in the 1980s—both to alleviate their burden of absolute poverty, and to facilitate the structural changes in their economies required by the changes in the external environment—is much larger than was projected before the events of the past 18 months . . . That is why all previously planned programs of international assistance, including that of the Bank, must be reexamined in order to determine how the most urgent needs of the developing world can be met.

"It is in this perspective that the future level of World Bank lending, and the nature of its operating policies, should be reviewed. The Bank clearly cannot do everything. Nor should it try to. But neither can it be allowed to fail in its basic responsibility toward its developing member countries."

XII. The President of the World Bank has a teaching role as well as a financial and managerial responsibility

Though aware of the sensitivities involved, McNamara clearly felt a strong responsibility to use the presidency of the World Bank as a unique podium from which to say candidly to the world those things he felt needed saying on the subject of development.

What is remarkable is that he was able to say things about the performance of both the developed and developing countries that almost no one else of international stature in the world today could or would say and still be listened to with respect and credibility. But he saw it as his task to be rigorously objective, and to tell both the rich and poor nations what the development facts were, and consequently where their respective duties lay.

One commentator in the press observed that "the poor countries like to think of Mr. McNamara as an Old Testament prophet who emerges occasionally from periods of meditation to rail against the rich nations for their stinginess." Another termed him a "planet-saver . . . a public figure with world vision, an evangelical bent, and a realization of what an endangered species mankind is." Still another called him "a kind of conscience for the rich nations."

But if McNamara was a conscience, it was not for the rich nations alone. He repeatedly made the point to the developing countries that they bore the chief responsibility for their own economic progress, and that it was their task to see that all the groups in their societies both contributed more to national development and shared more equitably in its benefits.

He called on the governments of the developing countries to take those politically tough and courageous decisions that give the absolute poor better access to essential public services, and that help them to enhance their own productivity. But he always matched that plea with one directed to the governments of the developed nations that they exercise comparable political courage and make available greater development assistance to those developing countries willing to carry out these difficult tasks.

He stressed over and over again that no outside development assistance could substitute for the internal domestic efforts that the developing societies themselves must make, but he was equally insistent that for the developed nations to deny reasonable assistance was short-sighted, inequitable, and ultimately self-defeating.

In his final address to the Board of Governors—representing the entire membership of the Bank, rich and poor nations alike—he made the point with his characteristic candor. Absolute poverty, he said, "is an open insult to the human dignity of us all: to the poor themselves, because simply as human beings they have deserved better; and to all of us in this room, for we have collectively had it in our power to do more to fight poverty, and we have failed to do so."

But if McNamara believed that not nearly enough had yet been done to rid the world of the intolerable indecency of poverty, he recognized that progress had been made. Towards the close of that last address, he put the matter modestly.

"None of us, of course, can pretend that our understanding of the complexities of the poverty problem is complete. We are all still learning. But I believe we can take a measure of satisfaction that many governments and institutions throughout the international development community, including this Bank, are beginning to think about poverty in a more thoughtful way than they did a decade ago. And they are beginning to ask themselves how they can reshape their own efforts to deal with it more effectively."

He was right, but much too modest. The view that there need not be a punitive trade-off between economic growth and equity, and that there were workable solutions to the plight of the absolute poor, had gained wide acceptance in both the developing and developed nations. It had helped reshape development strategy in dozens of societies, and had resulted in a substantial thrust in the Bank's own lending program toward investments specifically designed to raise the productivity of the poor, and assure them access to essential public services.

Clearly he was right: many governments and institutions, including the Bank—not to mention an immense audience all around the world—had begun to think about poverty in a more profound and practical way.

It was due largely to his own dedicated leadership. And in the end it might well turn out to be the most lasting achievement of all of this very extraordinary man.

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DECEMBER 1969

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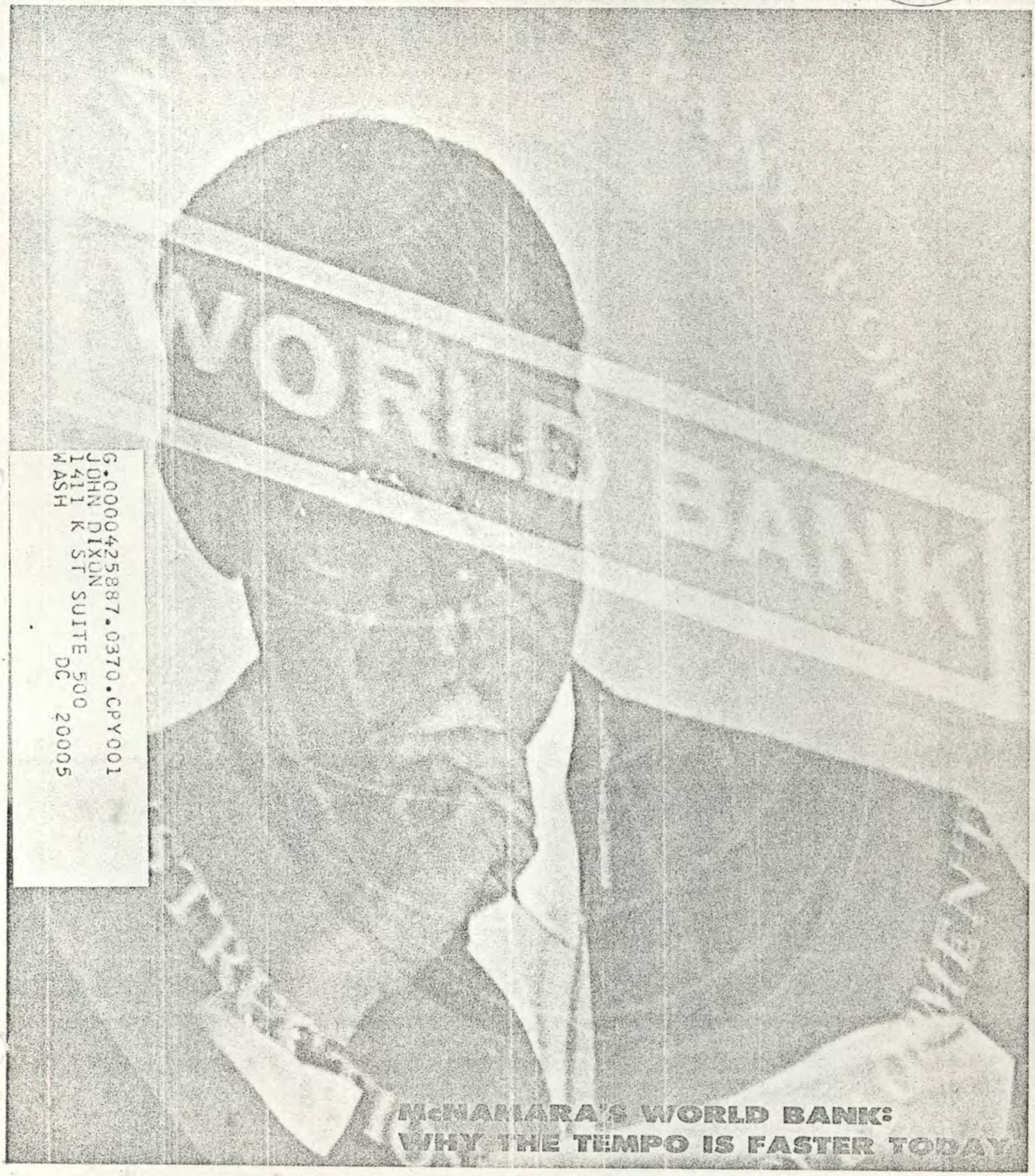
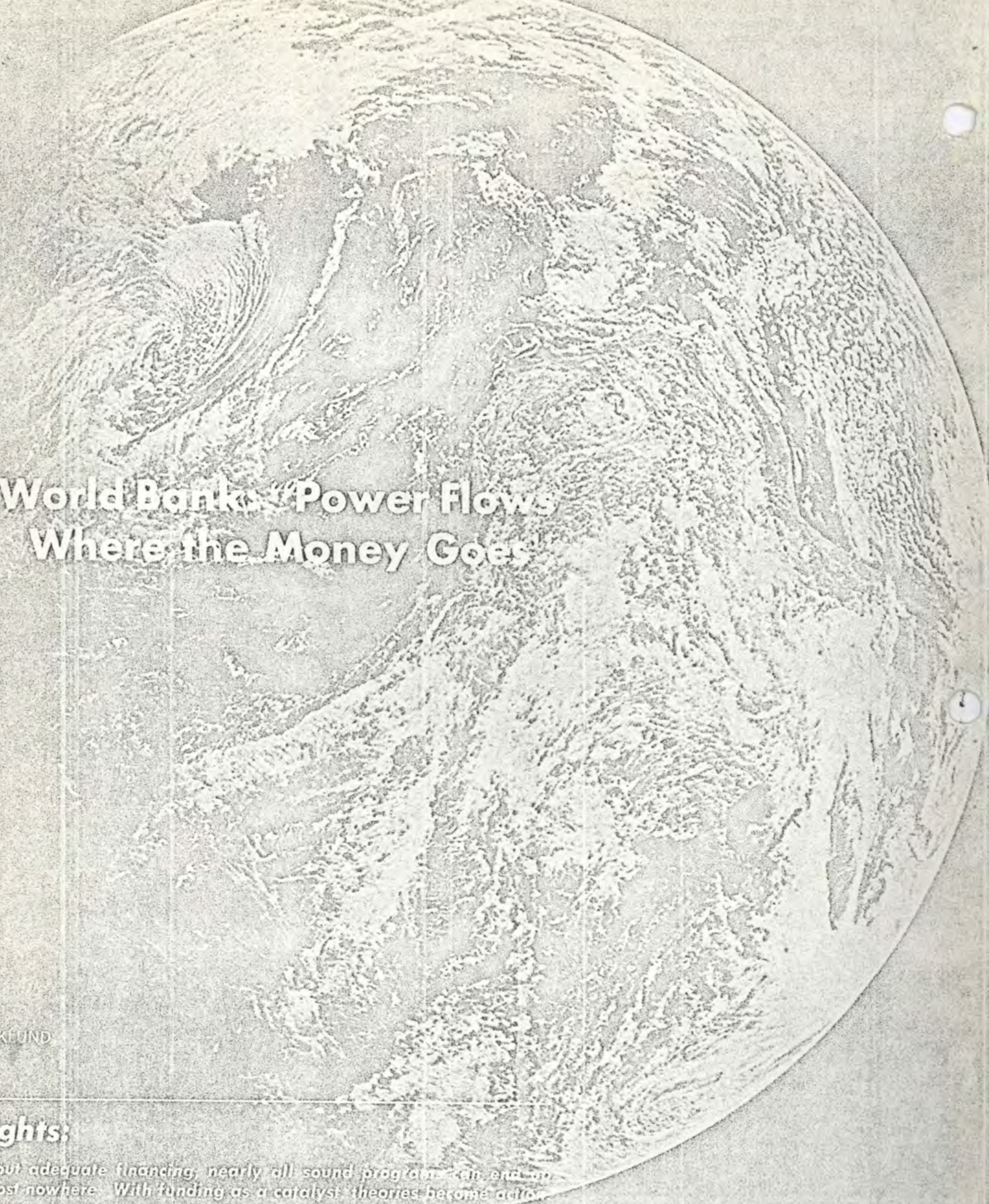


McNAMARA'S WORLD BANK: WHY THE TEMPO IS FASTER TODAY



The World Bank: "Power Flows Where the Money Goes"

C. W. BORKLUND
Editor

Highlights:

1—Without adequate financing, nearly all sound programs can end up going almost nowhere. With funding as a catalyst, theories become action.

2—Since its creation at the end of World War II, the World Bank has been trying to serve as a catalytic agent through which the world's relatively rich nations can help the poorer ones climb up out of poverty.

3—Yet, only in fairly recent times have Bank and Bank-member leadership realized why and how best to carry out that mission.

4—Unfortunately, just as all the machinery's complex parts were beginning to jell, member nations—most notably the United States—have become very chary about investing any more money in the program. Just as bad: That negative attitude is based mostly on misinformation.

DURING the more than 12 years (1947 to 1959) that Wilfred McNeil was U.S. Defense Department Comptroller, he regularly pointed out to whoever would listen that "power flows where the money goes." That truism accounts in large measure for the full-time representation in Washington, D.C., of envoys from several major U.S. states and even cities, as well as the headquarters being there for many special interest associations. The truism is also a significant factor in the annual contesting by U.S. Executive Branch agencies with each other for a piece of the biggest moneypot of them all, that controlled by Congress.

The adage is no less true on an international scale. And while the United Nations, in its political arena, may have achieved little more than a long series of inconclusive debates, its financial affiliates have been the catalyst for accomplishing a great deal. Some examples:

• **A $23.5-million, 25-year loan** at seven percent per annum (after 10 years grace) to Kenya in September will make possible the completion of a 1,000-mile highway construction program, which in turn will boost both agricultural development and tourism.

• **A $55-million, 50-year credit to India** will help the country build up its railway transportation system.

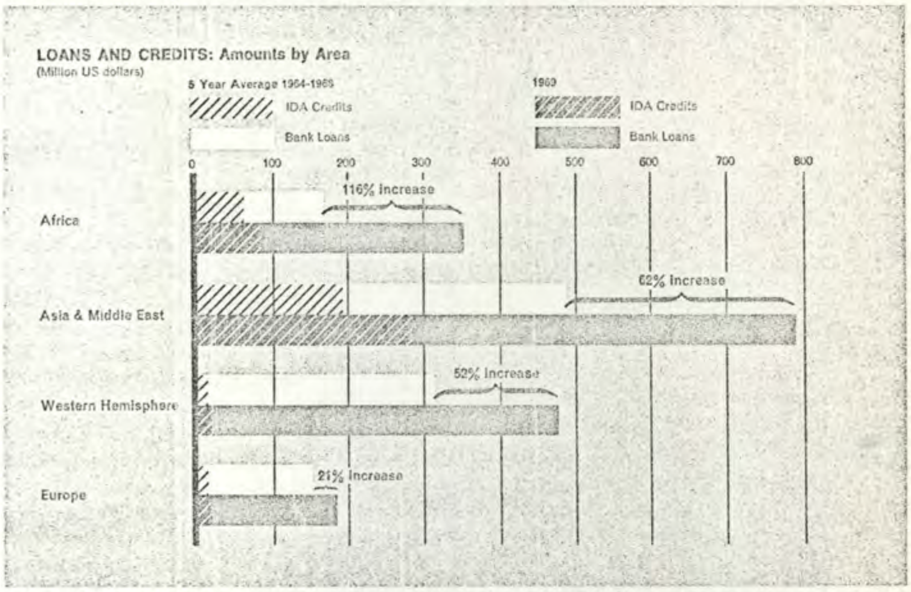
• **In sum,** the International Bank for Reconstruction and Development (commonly called the World Bank) and its sister, International Development Association (IDA), have, through loans and credits just in the five years between July 1964 and June 1969, made commitments totaling $6.424 billion for 357 projects in 84 countries permitting—creation or rehabilitation of irrigation and drainage systems for more than 29 million acres of land; construction or improvement of schools for more than 635,000 students; installation of more than 12,000 megawatts of new electricity generating capacity and nearly 1.4 million subscriber telephone lines; construction or improvement of nearly 12,000 miles of roads; provision by Bank-assisted development finance companies for nearly $1.7 billion in local assistance covering more than 11,000 projects.

Yet, for all those impressive numbers, they represent only the beginnings of a significant whack at the problem. More importantly, just as the World Bank has begun to revitalize, reorient and speed up its program, it is bumping into increased opposition or, worse, a ho-hum lethargy from many directions.

In sum, just as all the complex parts and cogent strategies were beginning to jell on how the relatively rich industrialized nations of the world could best help the poor nations up out of poverty, member-nations — most notably the United States—have become very chary about investing. Just as bad: That negative attitude is based mostly on misinformation.

Summed up the report "Partners in Development" of the Commission on International Development* this Fall:

"Although external resources as a whole have only financed some 15 per-



cent of the investment of developing countries, and foreign aid probably only about 10 percent, their contribution to the transfer of technology and to the breaking of bottlenecks, especially foreign exchange shortages, has been very important. Except for oil exporting countries, all fast growers have had substantial inflows of foreign resources. On the other hand, foreign aid has not always stimulated economic growth. This is not surprising since it has been given for many purposes besides that of promoting development.

"In recent years the volume of aid has stagnated, the terms have hardened and the conditions have become more restrictive. This is happening at a time when the success of many developing countries has greatly increased their capacity to utilize additional resources effectively. To overcome the obstacles and take advantage of the opportunities for further growth will require that aid, trade and investment policies are integrated in a single strategy, which rests firmly upon the performance of the developing countries themselves and the sustained commitment of the richer countries."

Neither the Commission nor the World Bank's present leadership is at all optimistic that what they consider the "right" thing will happen. Noted former Canadian Prime Minister Lester Pearson:

"International support for development is now flagging. In some of the rich countries its feasibility, even its very purpose, is in question. The climate surrounding foreign aid programs is heavy with disillusion and distrust. This is not true everywhere. Indeed, there are countries in which the opposite is true. (At about the time this statement was released, four regional development banks—the Inter-American, the Asian, the African and the Central American — were announcing they intended to increase their regional support.) Nevertheless, we have reached a point of crisis.

"The question which now arises is whether the rich and developed nations will continue their efforts to assist the developing countries or whether they will allow the structure built up for development cooperation to deteriorate and fall apart. The signs are not propitious. In the last years of this decade, the volume of foreign official aid has been stagnant. At no time during this period has it kept pace with the growth of national product in the wealthy nations. In fact, the commitments by the United States, which has been much the largest provider of aid funds, are declining. There, and in some other de-

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**Chaired by former Canadian Prime Minister Lester Pearson, Commission members included the United Kingdom's Sir Edward Boyle, Brazil's Roberto de Oliveira Campos, C. Douglas Dillon of the U.S., West Germany's Wilfried Guth, Jamaica's W. Arthur Lewis, Robert Marjolin of France and Saburo Okita of Japan. Their report is the result of an 11-month study, grew out of a typically McNamara request to find out "where we've been and where we ought to go from here."*

veloped countries, we have encountered a spirit of disenchantment."

As if to back him up, Congressman John R. Rarick of Louisiana rared up on Capitol Hill and warned his compatriots: "Past experience proves that the international bankers use their full power to confuse, persuade and maneuver the American people to accomplish international aims. . . . It becomes more and more imperative that (we) become alerted to crafty promotions if (we) are to continue representing (our) constituents rather than the predetermined programs of the powerful World Bank cartel."

Rarick is not a minority of one by any means. The U.S. generally is in an anti-world-involvement frame of mind right now, provoked in part by the frustration in Vietnam, in part by hearing over the years a steady barrage of fright stories about how U.S. aid dollars have reportedly been misspent, wasted or fallen into the "wrong hands." The sad fact, to high-level World Bank officials, is that much of "Aid's" bad image is the result of rich-nation taxpayers having been given bad information and, noted one observer philosophically: "You can't expect people to behave responsibly if they don't know what the facts are."

Among the anomalies:

1—As already noted, much of the concerned population of wealthy nations has the impression that the bulk of poor-nation growth comes from aid. Thus, goes the reasoning, persons in developing nations are incapable of handling most of their own affairs wisely; they always will be; therefore, aid will never solve the problems because the ailments are inherent in the weakness of the people. In fact, 85 percent on the average of the development comes from the resources of the developing nation itself. In Africa, for instance, government leadership generally has been very impressive at husbanding its limited wealth, putting those resources to the best overall growth use.

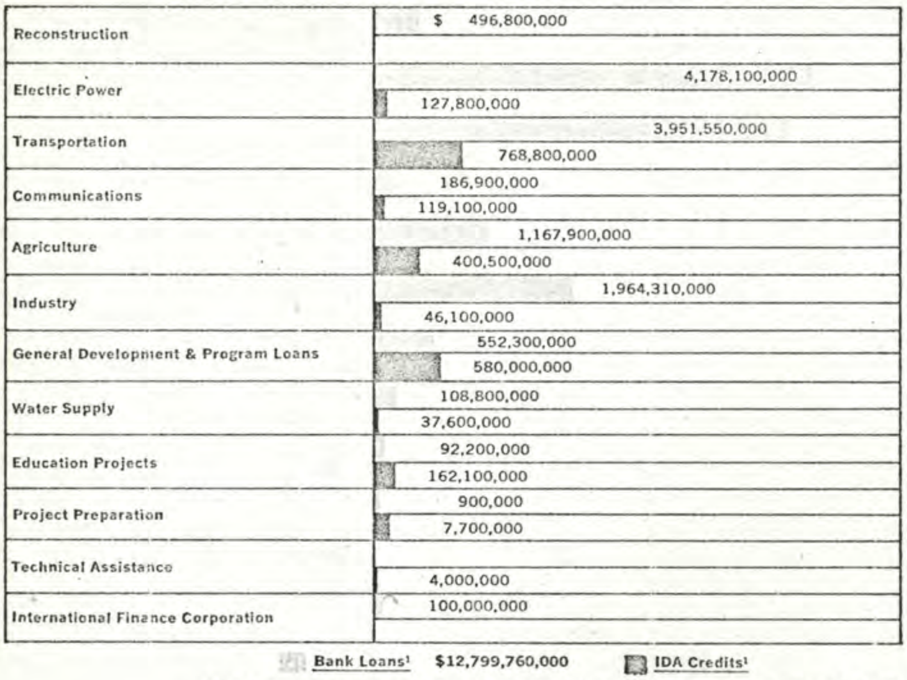
2—According to a recent poll, U.S. citizens believe generally they are already contributing about one percent of the Nation's Gross National Product (GNP) to aid for the developing nations. The World Bank would be delighted if that were true since that is about what all rich nations supposedly can comfortably afford, according to most banking experts. In fact, at 0.39 percent in 1968, the U.S. is supporting aid at a pace, and one falling off at that, only slightly over half the interim percent-of-GNP goal set for the world's rich nations to reach by 1975, i.e. 0.70 percent.

Nor is that goal, recommended by the Pearson Commission, likely to be met simply because (1) other developed nations (some 14 of them) which contribute to aid have a tendency to follow the U.S. example; (2) since the U.S. contribution is such a significant part of the total package, the present U.S. downturn in aid participation can have a deadening effect on growth all by itself.

3—As to waste, the real question—as the Commission properly pointed out—should not be whether some funds have been misdirected, which they have, but whether the number of mistakes is as acceptable a percentage of total activity in the aid business as it would be in any endeavor. Indeed, if anything, the economic aid field has more opportunities in it for stumbles than most other programs.

For one thing, developing countries vary enormously in size, ethnic and economic complexity. The problems of India with a 530-million population are not precisely the same in either size or order of problem priorities as those of Gambia with 300,000 persons. And what Malta needs, with over 2,600 inhabitants per square mile, is not the same as Mauritania with a density of three. Gabon owns some of the richest mineral deposits in the world, while nearby Chad has none; Yemen is largely arid desert, while Indonesia is mostly rain forest.

The challenge to right judgment would be tough enough on that score alone. But added to it, as the Commission pointed out, is that aid has sometimes been given not solely with the goal of providing help, but often with some more immediate political gain in mind. (A fact which has prompted some observers to note the startling similarity



[1]*The figures are rounded and are net of cancellations, refundings and terminations totaling $306,763,396 of Bank loans and $46,303,860 of IDA credits.*

Loans and credits of the World Bank and International Development Association are listed in U.S. dollars.

World Bank Group: Who Does What?

The World Bank Group consists of three international financial institutions, the Bank itself (formally, the International Bank for Reconstruction and Development) and two affiliates, the International Development Association (IDA) and the International Finance Corp. (IFC). Each has its own special function, but all are devoted to the same general objective—the promotion of economic development.

The World Bank, oldest of the three elements, makes loans to governments, or with a government guarantee, at conventional rates of interest for high-priority projects designed to increase output of useful goods and services and to raise standards of living. IDA does much the same thing but confines its assistance mainly to countries where per capita incomes are low and loans can only be made by placing a lighter repayment burden on the borrowing country.

IFC supplements the activities of the Bank by making and encouraging investments on commercial terms in productive private enterprises in developing member-countries. The World Bank was set up in 1945, IFC in 1956 and IDA in 1960 (following a suggestion for it two years earlier by Oklahoma Senator Mike Monroney).

between failures in the foreign aid business and U.S. failures trying, ostensibly, to rebuild domestic ghettoes but, often, actually handing out dollars in the vain hope of quieting a dissident clutch of impoverished citizens.)

If that isn't enough fertile ground for aid foul-ups, add the simple lack of experience. Noted the Commission: "Even aid which was extended with the objective of promoting economic growth (rather than just political gain) was given with little or no previous experience." And finally, aid "has often been directed at the promotion or financing of exports from developed countries with little relevance to development objectives in the receiving countries."

Case in point: The World Bank itself has tended to concentrate its loans in the areas of building industry, transportation and utilities and to look at individual projects rather than at fostering total programs of economic growth. Net result: a tendency to encourage "piecework;" neglect the just as important fields of agriculture and education.

Must Tackle, Not Overlook Causes

In sum, there has been a tendency to overlook and, thus, not to tackle the root causes of laggard economic development itself. Clearly, Bank and member-country executives have learned better. That, in effect, is at the base of Bank President Robert S. McNamara's much publicized—but not always favorably received—attack on uncontrolled population growth (*Government Executive,* July 1969, p. 27).

McNamara spells it out briefly this way:

"The Bank's efforts are not merely—or even mainly—quantitative in their goal. They are, above all, qualitative. We seek to provide assistance where it will contribute most to removing the roadblocks to development. The problem is to understand precisely what these roadblocks are. It is simply not enough to propose a project here, and a project there, merely because by short-term calculation they appear profitable. This falls far short of what is required.

"As a responsible, international institution, dedicated by the very title deeds of our existence to 'development,' it is clear that we must know—insofar as it is possible to know—what the internal dynamics of development are. We must know how its processes affect entire societies, and enlarge or diminish their chances for both economic and social growth.

"Our objective is not to search for good investments in sick economies. Our objective is to try to understand what makes economies sick in the first place, and to take those remedial steps that will encourage recuperation and health. We want to seek out those projects, those procedures, those policies that will assist economies as a whole to get into the mainstream of self-generating growth and progress.

". . . What we need—and what we must design—is a comprehensive strategy that will constitute an overall plan into which particular policies and individual projects can be fitted as logical, integral parts.

"When I point out, then, that we have begun to put a new emphasis on population policy, and on educational reform, and agricultural expansion—and when I add that we are planning to give a new thrust to our activities related to the problems of unemployment, urbanization and industrial growth—I am not choosing sectors or policies at random. What we are trying to do is to form a framework in which each of these vital fields can be dealt with in an interrelated and mutually reinforcing manner. . .

Balanced Development

"Thus, reduced rates of population growth can take the strains off both countryside and city. Modernized agriculture can provide more job stability, income and hope on the land; increased yields can feed the growing cities, reduce the present over-rapid rate of urbanization. The agricultural revolution can stimulate the growth of a new network of decentralized regional urban communities where services, processing and light manufacture can create more jobs outside the big cities. More productive farms, and a wealthier countryside, will provide a better market for the new heavy industry in the large urban centers. And all of this can provide a larger scale of operations from which to compete in foreign markets presently dominated by experienced outside firms from developed countries.

"I do not suggest we shall get all these equations into immediate balance. But balanced development must be our objective."

McNamara: "Our objective is to try to understand what makes economies sick in the first place, and to take those remedial steps that will encourage recuperation."

Where Bank leaders once could only dream about hoping the poorer nations would do something to get population growth under control, they now talk about having it under control by the end of the century. The much-lauded Green Revolution in agriculture, primarily in the Far East, is already turning some populous developing nations from food importers to food exporters.

More to the point, developing nations are growing, percentagewise, at about the same rate as developed ones. And Bank experts are convinced, given a little extra boost, that the majority of those developing nations can achieve virtually self-sustaining growth by the end of the century.

The critical point, however, is probably best summarized in the Pearson report: "The widening gap between the developed and developing countries has become a central issue of our time." And "if the developed nations wish to preserve their own position in (the) world, they must play their full part in creating a world order within which all nations, and all men, can live in freedom, dignity and decency. In short, we face an essential need and an unprecedented opportunity. . . . Our response to it will show whether we understand the implications of interdependence or whether we prefer to delude ourselves that the poverty and deprivation of the great majority of mankind can be ignored without tragic consequences for all."

Area Departments of the World Bank

WESTERN HEMISPHERE: Next month, the Western Hemisphere area department will be reorganized into two separate departments, to be called the Caribbean area department and the South American area department. The Western Hemisphere area department now takes in all the Latin American countries, plus Trinidad and Jamaica, as well as South America.

Under reorganization, the Caribbean area department will be comprised of Latin America, Central America, the Caribbean, plus Venezuela and Guyana—the latter two included to provide "balance."

The World Bank has been particularly active in lending programs in Brazil, Colombia, Mexico and Argentina. In relative terms—relative to the size of the country—there are very active programs in many Latin American countries.

As for distribution of Bank lending by fields in South America, while there is a great deal of emphasis on expanding the operation in the agricultural field, the most important field for some time will continue to be power and basic transport facilities; these are the "bread and butter" of the Bank.

EASTERN AFRICA: The East African department covers eastern and central Africa and is comprised of Sudan, Ethiopia, Somalia, Mauritius, Madagascar, Kenya, Uganda, Tanzania, Zambia, Malawi, Lesotho, Botswana, Swaziland, Burundi, Rwandi and Congo.

Transportation, agriculture and education are the Bank's big involvements in Kenya, Uganda and Tanzania, as well as in Sudan and Ethiopia.

Apart from specific projects in each country, the Bank is involved in what it describes as "common services"—primarily railways, telecommunications and harbors—projects common to the communities; this involvement is "in a big way."

In the next fiscal year, the Bank's involvement in telecommunications and agriculture will increase and further attention will be given to secondary or "feeder" roads. Relatively new to the Bank's areas of interest is tourism and greater attention will be given this in Fiscal Year 1971.

Over the next five years, the Bank will be going in for the development finance companies. This mode of financing specific projects in-country is increasingly popular throughout the Bank's involvement world-wide, believing development finance companies exercise greater control and are more responsive to country needs.

EUROPE, MIDDLE EAST AND NORTH AFRICA: A great deal of business is being conducted today by the Bank in Turkey, Yugoslavia and Spain. Tunisia, as small as it is, is one of the Bank's best customers. For the coming year, some $100 million will be loaned to Morocco. Lesser amounts are involved in Greece and Israel.

About a year ago, the Bank started to build up its program in the United Arab League (Egypt). Only one loan was made to the UAR in the history of the Bank (for an enlargement of the Suez Canal), but talks are under way for financing a main Nile Delta drainage project and the rehabilitation of the country's aging railroad.

The first educational project ever undertaken by the Bank occurred in Tunisia. With the help of the Bank, a firm of architects and the Tunisian government conducted a study, a result of which saved 25 to 30 percent of school construction. "It was," said a Bank official, "a successful mixture of capital and technical assistance."

Spain has been a very important part of the Bank's activities, helping to reorganize the country's entire railway system, and to institute major educational reforms.

Other active Bank countries are Iceland, Finland, Ireland, Portugal, Libya and Cyprus.

EAST ASIA AND PACIFIC: In this area are Japan (not active as a lender, but an important monetary source for the Bank), Thailand, Malasia, Laos, Cambodia (now in the process of becoming a member), Vietnam (where the Bank is not active at this time), Singapore, Indonesia, the Philippines, Australia (the Bank loans to Papua Trust Territory), New Zealand (a lending decision here has not yet been made), Nationalist China, Korea and such British dependencies as Fiji and the Solomon Islands.

It is a large and very active area. In the current fiscal year, the Bank is dealing with some $400 million, and in Fiscal Year 1971 this amount will increase more than $77 million. Indonesia will be one of the Bank's "biggest customers;" it had been inactive during the Sukarno regime, but now has a resident mission. The country, said a Bank official, has tremendous needs in a large number of areas, including agriculture, telecommunications and transportation. It is primarily, in context of Bank involvement, an IDA country.

An area of increasing importance is the complex of Mekong countries: Thailand, Cambodia, Laos, Vietnam.

WESTERN AFRICA: This area department includes 14 French-speaking countries and five English, from Mauritania in the north, south to but not including South Africa.

Agriculture development is viewed as of prime importance throughout most of this area, with secondary but supporting roles in transportation (mostly feeder roads), education and some, but very little, tourism. Bank involvement in Western Africa is small and of recent entry.

Many of these nations joined the Bank shortly after achieving independence. The Bank's first effort was to identify projects, gradually developing them on a priority basis.

There is very little financing of private enterprise for two reasons: The private enterprise is not very well developed, except in a few countries (Nigeria, Ivory Coast where it is very dynamic); most of existing development has been financed by other countries. The Bank is involved in local to medium-sized entrepreneurship. One method of effecting this is support of local development companies serving as a channel to the small businesses, providing technical assistance where needed.

In the next five years, agriculture will continue to dominate the Bank's involvement in this area.

SOUTHERN ASIA: The first Bank loan of any type to India was granted in 1949 to support that country's railroad—the largest railroad in the world outside the Soviet Union (the U.S. has more tracks, traffic and ton-miles)—and has been assisting the railroad ever since. Agriculture funding started in 1961. A new generation of agricultural funding is in the mill now and in the next couple of years there will be a surge in this type lending. Much money went to private industry through the Industrial Credit and Investment Corp. of India.

In Nepal, more IDA money is used than Bank; it gets an enormous amount of aid from China, Russia, India, Germany and other countries. The Bank's major area is in telecommunications and it may assist in a highway loan within the year.

A smaller total program than in India is underway in Pakistan, but larger in per capita terms and more highway work. Money is loaned for education, agricultural credit and urban water supply.

Irrigation and land reclamation are heavy involvements in Ceylon. In Afghanistan credits were given for education and highway maintenance. Iran received loans for irrigation, power, roads and industry; it has very active, aggressive industrial development banks. Burma is inactive.

The Development Philosophy of Robert S. McNamara

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June 1981

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The Development Philosophy of Robert S. McNamara

To mark the retirement of Robert S. McNamara as President of the World Bank after thirteen years of service, the Bank's Executive Directors commissioned a book gathering together all the principal statements Mr. McNamara made during his tenure of office. The book, entitled *The McNamara Years at the World Bank—Major Policy Addresses of Robert S. McNamara 1968-1981,* has been published by The Johns Hopkins University Press (Baltimore and London, 1981).

John L. Maddux was associated with Mr. McNamara throughout his years at the World Bank and contributed much to the preparation of these addresses. In this booklet, Mr. Maddux analyzes and explains Mr. McNamara's development philosophy in some detail by tracing, from year to year, in what way Mr. McNamara responded to the challenges of international events and how he perceived the development process. Mr. Maddux brings out how Mr. McNamara used these policy statements to arouse the world's conscience to the plight of the poorest and gives an insight into Mr. McNamara's wide-ranging interests and the frankness with which he confronted controversial problems. Above all, Mr. Maddux highlights how Mr. McNamara cut through economic terminology and statistics to reach out to the human aspects of development, as it affects people in the developing countries.

Mr. Maddux also briefly explains the Bank's unique institutional nature and gives an indication of the international community's reaction to Mr. McNamara's innovative ideas. At the end, he presents a summary of a dozen major themes that may be discerned throughout Mr. McNamara's speeches.

This booklet may be regarded as complementary to the Johns Hopkins University Press book, but it also can stand on its own merits by bringing into focus the development problems that Mr. McNamara felt should be addressed and solved to enhance the lives of individual human beings.

The Development Philosophy of Robert S. McNamara

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The Background

Though it is, of course, much too early to try to assess definitively the total impact that Robert S. McNamara has had on the international development movement during the thirteen years that he has served as President of the World Bank, it is already clear that it has been substantial.

Mr. McNamara has been an energetic activist. Under his leadership the Bank has become the single largest development agency in the world. But he has been more than just a dynamic executive. He has been a serious development thinker as well.

In the end, it will fall to scholars and historians to chronicle in detail his full contribution to the evolving international development process throughout the turbulent decade of the 1970s, and on into the final years of the century.

It is not, however, merely specialists alone who will profit from perusing his major policy addresses. Any interested observer of the contemporary global situation will find them provocative and enlightening. Mr. McNamara himself has noted that "the underlying drive toward social and economic transformation in the developing world is a critical component of the central historical movement of our time. The character of international life in the next century—for rich and poor nations alike—will depend largely on the success of the development effort."

He is right. Whatever one's individual views may be as to how these problems can best be solved, the overall importance of the international development task is beyond dispute.

That is why it is worth reading what Mr. McNamara has had to say. Over the years his annual address to the Board of Governors of the World Bank came to be regarded by the international development community as an authoritative and innovative *tour d'horizon* of the global development scene. Similarly, his policy statements on specialized subjects—his two full-length addresses, for example, on the population problem: the first at the University of Notre Dame in 1969, and the second at the Massachusetts Institute of Technology in 1977—received worldwide attention as comprehensive analyses of highly controversial issues.

What particularly characterizes Mr. McNamara's policy statements are their rigorous analytical character, and their frankness and candor. He has been forthright in taking on difficult and sensitive development problems—problems that it would have been far more comfortable to gloss over or leave aside—and while recognizing their complexity, he has consistently set out to deal with them in a carefully reasoned and objective manner.

That is a reflection both of the man himself, and of the unique position that a president of the World Bank occupies.

It is important to remember that the Bank is owned and operated by its own member countries. At this writing they number 139, all of them sovereign nations, all of them with political and socio-economic views of their own, and all of them with their own distinct cultural and historical heritage. More than 100 of these are developing countries, with a combined total population—including the recent entrance of China—of some three and a half billion people. The Bank's mandate is to serve these immensely varied societies with financial assistance and technical and economic advice in order to help further their own development programs.

All of the Bank's member countries, both the industrialized and the developing, are represented at its headquarters by a resident Board of 21 Executive Directors and their alternates. These directors, in consultation with the national authorities they represent, select and appoint the president, who both manages the Bank as its chief executive officer, and serves as Chairman of the Board. The Articles of Agreement—the Bank's charter—provide that only the president can propose a loan to the Board, but that no loan can be made without the approval of the Board.

Individual member countries have voting power on the Board in proportion to the amount of capital they have subscribed to the Bank, and which is in turn reflective of the size of their individual economies. It is a system of weighted voting that no single country can dominate or veto. As a matter of normal practice, decisions of the Board are almost always arrived at by consensus after the issues have been discussed and debated, and only rarely require a formal vote.

It is against this institutional background of the World Bank that Mr. McNamara's contribution to development must be viewed. The truth is that it is a very unique institution. Each Tuesday morning, when the Board convenes, something quite extraordinary takes place. The representatives of 139 nations, often divided on dozens of other issues outside the boardroom, sit down around a table and come to agreement on loaning substantial sums of money—a total of about $12 billion this past fiscal year—for a wide variety of development projects in an assorted group of dissimilar societies.

In a century as argumentative as ours, that is unusual. It is even astonishing if one considers how difficult it has been historically for that many nations to agree on anything substantial, especially concerning money.

Inside the Bank's boardroom these nations, despite their obvious political and ideological differences, come to a weekly consensus on development financing. They are realistic and unsentimental about it. The projects must be technically sound; they must assure a high rate of economic return to the borrowing country; they must carry its government's guarantee of repayment; and they must be approved on exclusively economic grounds. And that is what happens. The money is lent. It gets repaid. There has never been a default. The Bank makes a profit.

But outside that boardroom these same nations might—and, in fact, often do—have any number of understandable reasons why they wouldn't choose unilaterally to lend that money.

Around the table, after all, sit representatives of governments that range through all points of the political spectrum. At any given time some of the countries at the table may actually be in a state of war with one another. Some of the countries may have inherited ancient ethnic enmities. Some of the countries may have long-standing border disputes. Some of the countries have sophisticated technological societies, and some of the countries have disadvantaged subsistence societies. The various parochial interests of all these sovereign states in another context might well clash as much as the colors of their national flags that line the boardroom walls.

And, yet, around that table these clashing interests are largely resolved into practical agreement on action. Why? Chiefly because the institution itself has no rigid ideology. It confines itself, rather, to a few fundamental certainties: that producing enough to eat is better than hunger; that health is better than disease;

that education is better than illiteracy; that productivity is better than poverty; and that hope is better than despair.

Are these merely an institution's pious clichés? No, in the World Bank's view—and certainly in Robert McNamara's view—they are the self-evident development principles in any society that are above dispute and beyond dogma. And what is remarkable is how far these fundamentals can, in practice, bring otherwise diverse and divided countries together in effective and cooperative action. That is what routinely happens in the Bank. And without question that cooperative action is the single most important and indispensable characteristic of the institution, for without it nothing substantial could be achieved.

Robert McNamara's major addresses during his thirteen years at the Bank grew into what has become in the aggregate a rich corpus of development thinking. With the backing and consent of the Executive Directors, much of that thinking was translated into specific Bank operations—operations that today include more than 1,600 high-priority development projects in over 100 countries, with a total value of some $100 billion.

All of that was achievable because of the Bank's unique institutional nature, the Board's support, and Mr. McNamara's leadership. Let us turn to that story now in more detail.

The Evolution of McNamara's Development Thinking

1968:

When Robert McNamara assumed the presidency of the World Bank in the spring of 1968 there was a sense of weariness in the industrialized nations over the whole concept of foreign economic assistance. The discouragement over development was based on two assumptions: first, that the wealthy nations could no longer afford to provide financial help in sufficient amounts to the developing countries; and second, that even if they could afford it, it would be unwise to make it available since the record of past foreign assistance was characterized by waste, incompetence, and failure.

McNamara was convinced that neither of these assumptions was in fact true, but he recognized that they were widely believed, and that it was the belief itself that was seriously demoralizing the international development effort. He was determined to counter this trend through the instrumentality of the World Bank.

In the fall he addressed his first Annual Meeting of the Bank's Board of Governors. These week-long events, held jointly each year in October with the International Monetary Fund (IMF), gather together an invited audience of some five to six thousand high-level participants. They include the senior financial and monetary officials, and their official delegations, of all the member countries of both institutions. Typically, a Governor of the Bank or the Fund in a given member country is the Finance Minister, or the Governor of the Central Bank, or a cabinet official of similar rank.

Leading commercial bankers from around the globe are invited to the meetings as observers, as are the representatives of international organizations and of the worldwide financial and economic press. It is the most important and influential meeting of financial officials held anywhere in a given year. As the headquarters of both the World Bank and the International Monetary Fund are located in Washington, the joint annual meetings are generally convened there. Each third year, however, the meeting is held in some member country abroad.

The expectation of this global audience to hear the newly appointed president of the World Bank was high on September 30, 1968. They were not to be disappointed.

McNamara outlined an immensely bold five-year program. Declaring that he refused to accept the view that adequate resources were not available to assist the developing countries, he proposed that the Bank should double its overall lending in the next five years, as compared to the past five, and that this would mean that it would lend in the 1969–73 period alone very nearly as much as it had lent in its entire previous 22–year history.

He had arrived at that target, he explained, by surveying the five-year period ahead, drawing up a provisional lending plan for each of the Bank's developing member countries, and posing the question: What could the Bank invest in each of them if there were no shortage of funds, and if the only limit on the Bank's activities were the capacity of these individual countries to use the Bank's assistance effectively, and to repay the loans on the terms on which they were lent?

To double its lending, the Bank would have to increase substantially its borrowing. Leaving aside for the moment the issue of soft loan money for the poorest countries that is raised by the Bank through government contributions from its industrialized member nations, McNamara announced that he saw no difficulty in the Bank's expanding its bond issues in capital markets of the world.

It was the Bank's job, he said, to look at world money markets as a whole, and see where there were surpluses and reserves that could be tapped. As a result of an intensified borrowing program—in the Middle East as well as in more conventional markets such as Germany and the United States—he announced that in the past 90 days the Bank had raised more funds by borrowing than in the whole of any single calendar year in its history. Mr. McNamara was clearly off to a very fast start.

It was not merely that the Bank would double its overall operations, he added. It would also shift its lending emphasis

both geographically and sectorally. In the next five years lending to Latin America would more than double, and it would triple to Africa. Lending to Indonesia—where the Bank had never lent before—had begun, and a permanent resident mission had already been established.

Ironically, many of the Bank's poorest and least developed member countries had in the past received the least assistance—ten of them had received nothing at all—primarily because of their inability to prepare projects for consideration. They would get special assistance in doing this, he said, and lending to them would expand.

But it was his proposed sectoral shifts in emphasis that most surprised many listening to McNamara. World Bank lending for education would triple. For agriculture it would quadruple. And while some traditionally conservative bond underwriters in the audience were digesting those unexpected prospects, the new president saved his biggest surprise for last.

Now came the announcement that proved to be the opening salvo in a campaign that was to preoccupy McNamara for many years to come. It sounds tame enough today. In 1968, in the World Bank Annual Meeting, it was very big news:

"This leads me," he said, "to yet another area where the Bank needs to take new initiatives—the control of population growth. This is a thorny subject which it would be very much more convenient to leave alone. But I cannot, because the World Bank is concerned above all with economic development, and the rapid growth of population is one of the greatest barriers to economic growth and social well-being of our member states."

The issue would indeed prove to be thorny. Some observers felt it was at best impolitic, if not actually improper, for the Bank to get into the matter at all. Others felt that the issue in itself was important, but that it was simply not "bankable": How could a bank prudently lend money for it? Was it really a fundable development sector at all? Still others feared the critical reaction that might develop in Latin America or other areas of the world where religious and cultural traditions might be offended.

None of this nervousness deterred McNamara. Less than three weeks later he made a speech in Buenos Aires to the Inter-American Press Association, and spent part of it applying what he had said in Washington to Latin America in particular. But there was an even more unexpected event to come.

1969:

Perhaps the most famous Catholic institution of higher-learning in the United States is Notre Dame University, and in late 1968 its distinguished president, Father Theodore Hesburgh, invited McNamara to come to the university the following May, receive an honorary degree, and deliver an address at the dedication of a new graduate business and public administration facility on the campus.

McNamara accepted the invitation, and began in-depth preparations for a major full-length address on what he was to term "the most delicate and difficult issue of our era—perhaps of any era in history": the problem of excessive population growth.

It was to become perhaps the most widely read speech McNamara ever delivered while president of the World Bank. The subsequent requests for it were so heavy that it had repeatedly to be reprinted.

McNamara examined in persuasive and eloquent terms the complexities of the subject, and stressed that a family planning effort "on a humane but massive scale" was necessary to avoid catastrophic consequences. While acknowledging that there were certain "precise and painful dilemmas" in the issue, he dissected with his customary logic a whole series of "myths that obscure the essentials of the problem" and inhibit effective action: the myth that "more people means more wealth"; that "countries with large tracts of uninhabited open land have no need to worry about birth rates"; that "the white western world's assistance in family planning efforts among the non-white nations of the developing world is a surreptitious plot to keep the whites in racial ascendancy"; and finally the myth that "the time for action is past, and that sweeping famine is inevitable."

McNamara made his points at Notre Dame with both understanding and sensitivity. "You, and the Roman Catholic Church at large, are completely dedicated to the goal of development," he reminded his audience, citing Vatican and papal documents that call for the solution to the population problem as it relates to development. He spoke of "the fatherly and compassionate Pontiff who stands at your helm" and added that "such controversy as remains in this matter is merely about the means, not at all about the end."

The faculty and students of Notre Dame reacted to the address—as most of the world did—with prolonged applause. Father Hesburgh called it a "thorough, reasoned and nuanced speech, on the serious problem for which he has great responsibility." McNamara was to continue to take that responsibility seriously throughout his term of office, and was to deal with the issue in many of his public statements.

1970:

In an address to a conference on development, held at Columbia University in early 1970, McNamara made what was to prove to be a prescient prediction: "The outlook for the Seventies," he said, "is that the fault line along which shocks to world stability travel will shift from an East-West axis to a North-South axis, and the shocks themselves will be significantly less military and substantially more political, social, and economic in character."

Further, he introduced for the first time a distinction that he was to develop significantly over the oncoming decade. "In setting the objectives, planning the programs, and measuring the progress of development in the Seventies, we must look to more than gross measures of economic growth. What we require are relevant 'development indicators' that go beyond the measure of growth in total output and provide practical yardsticks of change in the other economic, social, and moral dimensions of the modernizing process."

This was an early indication of what was to become a very important McNamara theme throughout the years. To limit our attention to expanding gross national product (GNP), even though it be from 5% per year to 6 or 7%, he cautioned, "can only lead to greater political, social, and economic disequilibrium. However important an increase in GNP may be as a necessary condition of development, it is not a sufficient condition."

He concluded the passage with an even stronger warning: "If we achieve the 'quantity' goals, and neglect the 'quality' goals of development, we will have failed. It is as simple as that. We will have failed."

1971:

At the Bank's Annual Meeting in 1971—as he had in 1970—McNamara returned once more to the population issue. He pointed out that the development programs throughout the developing world had not yet faced up to the adjustments that the inevitable consequences of continuing population growth require. Two of these consequences would be greater malnutrition and growing unemployment.

McNamara began his analysis of the malnutrition problem almost like a professor standing at the head of his class:

"The argument I shall make is that: malnutrition is widespread; it is the major cause of high mortality among young children; it limits the physical—and often the mental—growth of hundreds of millions of those who survive; it reduces their productivity as adults; and it is therefore a major barrier to human development."

Some of the president's friends had joked with him in private that instead of a rostrum and a microphone at the Annual Meeting, he really ought to have a blackboard and a pointer. McNamara took the joshing well, but he was adamant about the format of his public speeches. The line of argument had to be rigorously clear and logical. The subject matter—and its consequences—were far too important, he said, for there to be any risk of imprecision or misunderstanding.

1972:

McNamara delivered three major addresses in 1972, each of them important in the evolution of his development thinking. The first was to UNCTAD III—the United Nations Conference on Trade and Development—in Santiago in April. "What I have to say," he began, "will be brief and candid." It was.

"My view is this: The state of development in most of the developing world today is unacceptable—and growing more so."

"It is unacceptable," McNamara went sternly on, "not because there hasn't been progress in the past 20 years—and particularly in the decade of the Sixties—but because development programs have been directed largely at gross economic goals, and have failed to insure that all nations, and all groups within nations, have shared equitably in the economic advance."

But though McNamara intended to be unmistakably blunt about the facts about the case—and was—he did not want to see the conference dissolve into useless wrangling over culpability. He put the matter directly:

"Finally, if the state of development today is unacceptable—and it is—we must not waste time looking for villains in the piece, or even worse, waste energy in fruitless confrontation between rich nations and poor nations. Rather, the entire international development community—all of us—must promptly move forward with practical measures which are conceptually sound, financially feasible, and which can command the requisite public support. I hope to suggest some of these today."

And suggest he did. He demonstrated with icy logic that such evidence as was available suggested that even the developing countries which had registered significant gains in GNP growth were plagued with severely skewed income distribution patterns. "What can be done about it?" he asked. "What must be done about it," he answered, "is to reduce the crushing disparities of opportunity."

He was ready with realistic proposals.

"To begin with, there must be more equitable and comprehensive tax measures; land reform laws; tenancy security policies; and, above all, concrete programs to increase the productivity of small farmers. And not just programs and measures languishing in legislative debate and delay, or lost in legal complexities so hedged about with exceptions that they end by being more rhetoric than reality. What are required are feasible fiscal, agrarian, and educational reform measures that can be fully and fairly enforced. What is needed most of all is a determination to move against the inequities of income distribution."

Then came a McNamara comment that was to be widely quoted:

"There is no need to point out that this is politically difficult. Without question it is. But when the distribution of land, income and opportunity becomes distorted to the point of desperation, what political leaders must often weigh is the risk of unpopular but necessary social reform—against the risk of social rebellion. 'Too little too late' is history's most universal epitaph for political regimes which have lost their mandate to the demands of landless, jobless, disenfranchised and desperate men."

McNamara then went on to state a principle—for the first time in his public addresses—that was to become an increasingly familiar theme:

"What I am suggesting is that we should stop thinking of massive poverty in a developing country as simply a symptom of underdevelopment—and begin, rather, to think of it as a condition that must be attacked within the framework of the nation's overall program."

McNamara displayed his characteristically balanced view of the mutual responsibilities of both the developed and the developing countries:

"Just as we must conclude that it is the responsibility of the political leaders of the developing nations to recognize the inequities that exist within their nations and to move to correct them, so we must likewise conclude that the wealthy nations of the world—possessing 25% of its people, but 80% of its wealth—should move now to provide the additional assistance, in the form of aid and trade, which the developing nations need to meet minimum national goals."

"Our clear duty," he added, "for the remainder of this decade is to face up to mass poverty for what it really is, determine its dimensions, locate its whereabouts, set a limit beneath which we will not accept its continuance, and make our first priority a threshold of human dignity and decency which is achievable within a generation."

"That," he concluded, "is how I—for one—view the development task. What we need most to do is to get on with it."

McNamara himself got on with it in another major address in June, this time in Stockholm at the United Nations Conference on the Human Environment. Again, he tried to cool down the confrontational atmosphere that was boiling up over the environmental issue. The provocative volume, *The Limits to Growth,** had appeared earlier in the same year, and the thesis frightened many observers in the developing world who correctly feared that an overemphasis on the dangers of economic growth would severely penalize the poor.

McNamara described the dilemma graphically.

"The achievement of a level of life in accord with fundamental human dignity for the world's two and three-quarter billion poor is simply not possible without the continued economic growth of the developing nations, and the developed nations as well. But economic growth on the pattern of the past—and most particularly that in the already highly industrialized wealthy nations—poses an undeniable threat to the environment and to the health of man."

"The question," he insisted, "is not whether the impact on the environment must be respected. It has to be. Nor—least of all—is it a question of whether these two considerations are interlocked. They are."

* Donella H. Meadows, Dennis L. Meadows, Jørgen Randers, and William W. Behrens III, *The Limits to Growth—A Report of The Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972).

But he saw in the debate as it was then being argued a dangerous tendency to rush to premature conclusions. "Mathematical modeling," he said pointedly, "is useful. But it is only as useful as the validity of its assumptions and the comprehensiveness of its inputs."

"The manifest danger," he warned, "is to oversimplify. When that oversimplification suggests the imminent risk of overloading the planet's life-support systems, or exhausting its essential resources, the developing peoples of the world are suddenly faced with a fearsome prospect. On top of all their present disadvantages, are they now going to be asked to forego their efforts at development in the name of preserving the already disproportionate (and still rising) patterns of consumption of the rich?"

"The poor," he added, "are right to be indignant over such a prospect. But in my view it never need arise. It need never arise because there is no evidence that the economic growth—which the developing countries so desperately require—will necessarily involve an unacceptable burden either on their own or on anybody else's environment."

After describing in detail the practical measures and safeguards the World Bank had adopted to deal with the environmental issue in its day-to-day project operations, McNamara drew an important conclusion regarding the world's political will and social responsibility:

"Ecological considerations have made us all more aware of the interdependencies of our world. We have come to see our planet as 'spaceship earth.' But what we must not forget is that one-quarter of the passengers on that ship have luxurious first-class accommodations and the remaining three-quarters are traveling in steerage. That does not make for a happy ship—in space or anywhere else. All the less so when the steerage passengers realize that there are at hand the means to make the accommodations more reasonable for everyone."

We must realize, he said, "that human degradation is the most dangerous pollutant there is." And he concluded: "In the end, it is respect for man—and his home—that brought us to this conference. When we leave, let us go with the conviction that that respect can and must be translated into practical action. The leading edge of that action must be to protect man from the one hazard which can injure not only his habitat and his health—but his spirit as well. Poverty. Cruel, senseless, curable poverty."

The anti-poverty theme was growing stronger and stronger in all of McNamara's statements, and at the Bank's Annual Meeting that year he reinforced it even further.

He began a series of intellectual dialogues with that speech on social equity and economic growth that was to continue for several years. Perhaps the key passage in the 1972 address to the Board of Governors was the following:

"The task, then, for the governments of the developing countries is to reorient their development policies in order to attack directly the personal poverty of the most deprived 40% of their populations. This the governments can do without abandoning their goals of vigorous overall economic growth. But they must be prepared to give greater priority to establishing growth targets in terms of essential human needs: in terms of nutrition, housing, health, literacy, and employment—even if it be at the cost of some reduction in the pace of advance in certain narrow and highly privileged sectors whose benefits accrue to the few.

"Such a reorientation of social and economic policy is primarily a political task, and the developing countries must decide for themselves if they wish to undertake it. It will manifestly require immense resolve and courage.

"The task of political leadership in the wealthy world is to match that resolve and courage with a greater commitment to equity between their own affluent nations and the grossly disadvantaged developing nations."

This is a seminal passage because it reveals McNamara as an intellectual precursor of what later became known throughout the international community as the "basic human needs" approach to development. As that movement grew in later years he did not necessarily identify himself with each and every elaboration of the original concept—as in the environmental debate, there was a tendency of some enthusiasts to oversimplify the issue—but there is no doubt that McNamara was one of the intellectual founders of this whole "human needs" train of development thinking.

With this same address McNamara began a practice that was to continue throughout all his remaining Annual Meeting speeches. He added at the end of the printed version of his text a revealing statistical table that displayed what the individual developed countries were contributing in official development assistance (ODA, i.e., financial assistance to developing countries and multilateral institutions on concessional terms), measured as a percentage of their gross national product. Past, present, and projected performance were all indicated, country by country, and year by year.

The table created something of a stir. It was a little like the pastor of the parish church publishing for all to see not merely what each parishioner had been putting into the collection basket, measured against his total wealth, but also just how generous—or how stingy—he planned to be in the future.

There were the predictable complaints from governments, particularly about the projections. But the United Nations target for the Second Development Decade (the 1970s) was that the developed countries should raise their ODA to .7% of their GNPs by 1975, and McNamara was determined to publish the boxscore.

1973:

The Bank's Annual Meeting was held in Kenya in 1973, and what came to be known as the "Nairobi address" ranks as one of McNamara's most influential policy statements. As a guide to his views on poverty, it is particularly important.

In addition, it was a final report on his first five years in office. The Five-Year Program had now been completed, and McNamara detailed the results: not only had the overall goal of doubling the World Bank's operations in the fiscal period 1969–73, as compared with the previous five years, been achieved, but every subsidiary target that he had announced in 1968 had also been reached or surpassed.

He outlined a Second Five-Year Program for the period FY1974–78 in which lending, in 1973 dollars, was expected to total $22 billion for nearly 1,000 projects. "It will represent," he said, "the largest program of technical and financial assistance to developing countries ever undertaken by a single agency."

It is in this address that McNamara introduced a term—and a concept—that was to become part of the intellectual landscape throughout the international development community: the notion of "absolute poverty." The passage in which it first appeared is significant. McNamara examined the view of those in the developed countries who said that no more assistance could be spared for the developing countries:

"But I believe," he said, "that such critics of additional assistance to the poorer nations, when citing the needs of their own cities and countryside, fail to distinguish between two kinds of poverty: what might be termed relative poverty and absolute poverty.

"Relative poverty means simply that some countries are less affluent than other countries, or that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of differences between regions and between individuals, will continue to be the case.

"But absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities." It is "a condition of life so limited as to prevent realization of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity—and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries."

McNamara then asked his audience bluntly, "And are not we who tolerate such poverty, when it is within our power to reduce the number afflicted by it, failing to fulfill the fundamental obligations accepted by civilized men since the beginning of time? I do not wish you to interpret my remarks as those of a zealot. But you have hired me to examine the problems of the developing world and to report to you the facts. These are the facts."

It was a moment of typical McNamara candor, and there were to be many others in the address.

"In the remaining section of this statement," he announced, "I would like to discuss the nature of this poverty problem, consider what means are at hand to alleviate it, and indicate what part the Bank can play." He spent the next 18 pages of the speech doing that in closely reasoned detail.

"The basic problem of poverty and growth in the developing world," he stressed, "can be stated very simply. The growth is not equitably reaching the poor. And the poor are not significantly contributing to the growth."

McNamara pointed out that the vast bulk of the poor in the developing world lived in the rural areas, and that the poverty problem there revolved primarily around the low productivity of the millions of small subsistence farms. While admitting that neither the Bank, nor anyone else, had very clear answers on how to bring improved technology and other inputs to over 100 million small farmers, he was determined to make a beginning.

The essential elements of any comprehensive strategy to increase the productivity of smallholder agriculture, he said, must include the following: acceleration in the rate of land and tenancy reform; better access to credit; assured availability of water; expanded extension facilities backed by intensified agricultural research; greater access to public services; and, most critical of all, "new forms of rural institutions and organizations that will give as much attention to promoting the inherent potential and productivity of the poor as is generally given to protecting the power of the privileged."

The Bank, he said, would make the increased productivity of the small, subsistence farmer a major goal of its expanded activity in the years ahead, though he cautioned that no amount of outside assistance could substitute for the resolve of the developing countries themselves to take on the task. "It will call for immense courage," he noted, "for political risk is involved. The politically privileged among the landed elite are rarely enthusiastic over the steps necessary to advance rural development."

"But," he concluded, "if the governments of the developing world—who must measure the risks of reform against the risks of revolution—are prepared to exercise the requisite political will to assault the problem of poverty in the countryside, then the governments of the wealthy nations must display equal courage. They must be prepared to help them by removing discriminatory trade barriers and by substantially expanding Official Development Assistance.

"What is at stake in these decisions," he reminded his World Bank audience, "is the fundamental decency of the lives of 40% of the people in the 100 developing nations which are members of this institution."

1974:

In late 1973, and into 1974 the shock of the surge in oil prices, together with a rising commodity boom, and overall growth in inflation, severely affected the poorest developing nations' terms of trade. "In the twelve months since our meeting in Nairobi," McNamara began in his Annual Meeting speech that year, "the world scene has grown increasingly turbulent. The series of changes which have occurred have been of a magnitude previously associated only with major wars and depressions."

Any single one of the events, he said, would have had a serious impact on the developing nations. In combination, the effect on some of them had been near disaster.

The Bank's poorest developing member countries, he reminded his listeners, which are "relatively disadvantaged in natural resources, without significant foreign exchange reserves, and already suffering from serious internal deprivations—now find themselves caught in a web of external economic forces largely beyond their control. They can do little to influence the current disequilibrium, nor did they precipitate its underlying causes. And yet they have become the principal victims, and are faced with the severest penalties.

"These countries contain a billion individuals. Whatever the problems and preoccupations of the rest of us may be, we simply cannot turn our backs on half the total population this institution serves. The real issue, then, is whether we, in this forum, fully understand what is happening to the poorest countries—and having understood it, are ready to do what is necessary to assist them."

Could such assistance be mobilized? McNamara thought it could and must be.

He outlined his argument in a passage that was to be often quoted:

"The developed nations, understandably preoccupied with controlling inflation, and searching for structural solutions to their liquidity imbalances, will be tempted to conclude that until these problems are resolved, aid considerations must simply be put aside.

"But aid is not a luxury—something affordable when times are easy, and superfluous when times become temporarily troublesome. It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever.

"It is true that the affluent nations in the face of shortages and inflation, and in order to continue to expand aid, may have to accept for the time being some selective reduction in their already immensely high standard of living. If they have to, they can absorb such inconveniences.

"But for the poorest countries such a downward adjustment is a very different matter. For them downward does not mean inconvenience, but appalling deprivation. And for millions of

individuals in these countries downward means simply the risk of death."

1975:

The critical need for capital by the oil-importing developing countries continued to receive McNamara's attention in his 1975 Annual Meeting address. He warned that the persistent worldwide inflation, the high cost of petroleum, the deterioration in many of their terms of trade, and the prolonged recession in the developed nations all combined to confront them, just then, with an array of unanticipated obstacles to achieving even minimal development objectives in the remaining years of the decade.

"But despite all of this," McNamara added, after proposing a number of actions to reduce the foreign exchange crisis, "despite the urgency for all of us to focus our attention on this emergency, and to take every step we can to try to deal with it, we cannot allow this to diminish our concern with the central issue of development which underlies the present situation: the necessity of creating an effective strategy to deal with the fundamental problem of poverty itself."

Continuing the discussion with his readers on the "critical relationship of poverty and economic growth" that he had begun three years before, McNamara emphasized again that "analysis of income data makes it clear that policies aimed at diminishing income inequalities through direct redistribution of wealth will not be sufficient to end indigence. That is not to say that adjustments in this direction are not desirable on the grounds of equity, but no degree of egalitarianism alone will solve the root problem of poverty. What is required are policies that will enhance the productivity of the poor."

After reviewing the commitments the Bank had made in his Nairobi address two years before to wage an assault on poverty in the rural areas "because the overwhelming majority of the absolute poor are there," McNamara pointed out: "But we have not merely elaborated policy. We have moved ahead with an expanded lending program in rural development and we now lend more in this sector than in any other. This is a clear change in emphasis: 50% of all rural-development lending in the history of the Bank has occurred in the last year. We expect to commit $7 billion more in this field over the next five years."

But though the countryside was where most of the absolute poor were, "they live in the cities of the developing world as well. Roughly 200 million are there now. More are coming, and coming soon," he noted. He then devoted the next 13 pages of his text to a detailed analysis of urban poverty, and what could be done about it.

Graphically describing the life of the urban poor, and branding it as "unspeakably grim," McNamara underlined the dangers to governments that failed to take responsible action. "Historically," he reminded them, "violence and civil upheaval are more common in cities than in the countryside. Frustrations that fester among the urban poor readily are readily exploited by political extremists. If cities do not begin to deal more constructively with poverty, poverty may well begin to deal more destructively with cities."

In a trenchant passage, McNamara described the problem of housing:

"The deprivation suffered by the poor is nowhere more visible than in the matter of housing. Even the most hardened and unsentimental observer from the developed world is shocked by the squalid slums and ramshackle shantytowns that ring the periphery of every major city. The favelas, the bustees, the bidonvilles have become almost the central symbol of the poverty that pervades two-thirds of the globe. It is the image that is seared into the memory of every visitor.

"But there is one thing worse than living in a slum or a squatter settlement—and that is having one's slum or settlement bulldozed away by a government which has no shelter of any sort whatever to offer in its place. When that happens—and it happens often—there remains only the pavement itself, or some rocky hillside or parched plain, where the poor can once again begin to build out of packing crates or signboards and scraps of sheetmetal and cardboard a tiny hovel in which to house their families.

"Squatter settlements by definition—and by city ordinance—are illegal. Even the word squatter itself is vaguely obscene, as if somehow being penniless, landless, and homeless were deliberate sins against the canons of proper etiquette. But it is not squatters that are obscene. It is the economic circumstances that make squatter settlements necessary that are obscene."

McNamara indicated that though the dynamics of poverty in the cities differ substantially from those in the countryside, the key to dealing with them both is fundamentally the same. "What is required," he said, "are policies and actions that will assist

the poor to increase their productivity. Primarily this calls for measures that will remove barriers to their earning opportunities, and improve their access to public services."

Urging governments to increase earning opportunities for the poor in the informal sector, create more jobs in the modern sector, provide more equitable access to public utilities, transport, education, and health services, and to establish realistic housing policies, McNamara warned that "for the next decade or two—indeed for as far forward as anyone can realistically plan—the urban problem will be a poverty problem."

He added that any serious effort in solving the problems of urban development will clearly involve a number of sensitive and difficult political choices, and that those, of course, were for governments to make, not for the Bank. Moreover, the Bank's own lending could finance only a very small proportion of the necessary investments in productive facilities and supporting urban services.

But he stressed: "The Bank, can play a significant role in pointing out the extent to which governments' present policies, practices, and investment allocations are seriously biased against the poor. And the Bank can expand and redirect its own investments in urban areas to insure that they result in increased earning opportunities and more adequate services for the poor in both the modern and traditional sectors. This will be a major objective of our five-year program for the years FY1976–80."

1976:

In his Annual Meeting address in 1976 McNamara drew attention to the growing debate that was going on within various forums of the international development community over the issue of additional support from the developed nations to assist the developing countries achieve acceptable rates of growth.

This debate had led to the Special Session of the General Assembly the year before in New York; to the formation of the Development Committee composed of Governors of the IMF and the World Bank; to the meeting of UNCTAD IV in Nairobi; and to the North-South Dialogue in Paris. And yet, after more than a year of intense debate, there had been no agreement on the level of additional assistance to be provided to the developing nations.

In McNamara's view, the reason for the lack of agreement was that the discussions had focused far too much on details—

commodity agreements, buffer stocks, and so forth—rather than on fundamentals.

He believed that what was needed was a "basic understanding" among the parties as to the nature and magnitude of the problem; the action required to address it; the relative responsibilities of the parties for taking such action; and the costs and benefits to each of doing so.

Such an understanding—a "global compact"—would make clear in overall terms both the additional trade and aid support to be provided by the developed nations, and the policy reforms and structural changes to be undertaken by the developing nations. These should, he thought, have as one of their major objectives the meeting of the basic human needs of the absolute poor in both the poorest and the middle-income countries within a reasonable period of time, say by the end of the century.

Once the broad limits of such an understanding were established McNamara believed, then the specific form of assistance to be provided by individual developed nations to particular developing countries could be examined. It would then become apparent that it is relatively unimportant whether the assistance is to take the form of commodity agreements, debt relief, trade concessions, bilateral aid, or multilateral financing—or any particular combination of these—provided the overall total is adequate.

This pragmatic approach in McNamara's thinking was to result the following year in his proposal that Willy Brandt, former Chancellor of the Federal Republic of Germany, and Nobel Laureate, should convene and chair a private and wholly independent commission of experienced and distinguished individuals, drawn from the developing and industrialized countries, whose purpose would be to assess and recommend feasible alternatives to the continuing North-South deadlock.

1977:

Before that was to happen, McNamara was invited by the president of the prestigious Massachusetts Institute of Technology to deliver a lecture in its special bicentennial series on "World Change and World Security." He decided to use this important forum to make another major address on the population problem. It turned out to be the most comprehensive statement on a single subject that McNamara ever made while president of the Bank.

Fifty-four printed pages in length, the statement was in effect a tightly argued monograph. At the outset, McNamara indicated that he was going to do four things: examine the background of the population problem; analyze its current trends; evaluate the measures available to deal with it; and suggest the actions that governments and others can and must take to help solve it.

"I want," he began, "to discuss with you tonight a subject that has nothing whatever to do with military phenomena—but a very great deal to do with global tranquillity.

"It is the issue of population growth.

"Short of thermonuclear war itself, it is the gravest issue the world faces over the decades immediately ahead.

"Indeed, in many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organized control.

"The population growth of the planet is not in the exclusive control of a few governments, but rather in the hands of literally hundreds of millions of individual parents who will ultimately determine the outcome.

"That is what makes the population threat—even more than the nuclear threat—diffuse and intractable. And that is why it must be faced—like the nuclear threat—for what it inevitably is: both a central determinant of mankind's future, and one requiring far more attention of the world community than it is presently receiving."

McNamara indicated that there at last appeared to be a significant decline in fertility in the developing countries, but that though that was welcome the fact remained that the current rate of decline was too slow to avoid their ultimately arriving at stationary populations far in excess of acceptable levels.

"Unless governments, through appropriate policy action, can accelerate the reduction in fertility, the global population may not stabilize below 11 billion. That would be a world none of us would want to live in."

Governments, he underlined, must avoid the severe penalties of procrastination, and try to hasten the stabilization process forward. But how?

The causes and determinants of fertility reduction, he admitted, are extremely complex, but it appears likely that there are a number of key linkages between that reduction and certain specific elements of socio-economic growth.

The factors that appear to be most important, McNamara concluded, are: health, education, broadly distributed economic growth, urbanization, and the enhanced status of women.

Those factors were at work in the developing world, he said, but their progress is too slow to be fully effective. Without additional intervention on the parts of governments, the current population there is going to continue to grow at rates very substantially in excess of those that would permit far more economic and social progress.

There are, he argued, two broad categories of interventions that governments must undertake: those designed to encourage couples to desire smaller families; and those designed to provide the parents with the means to implement that desire.

The first set of interventions sets out to alter the social and economic environment that tends to promote fertility, and by altering it to create a demand among parents for a new and smaller family norm. And the second set of interventions supplies the requisite means that will make that new norm attainable.

To create the demand for a change in family norm, governments should try to:

- Reduce current infant and child mortality rates sharply.
- Expand basic education and substantially increase the proportion of girls in school.
- Increase the productivity of smallholders in the rural areas, and expand earning opportunities in the cities for low-income groups.
- Put greater stress on more equitable distribution of income and services in the drive for greater economic growth.
- And above all else, raise the status of women socially, economically, and politically.

To satisfy the demand for a change in family norms, governments and the international community should:

- Provide a broad choice of the present contraceptive techniques and services to parents.
- Improve the delivery systems by which parents can get the services they wish.
- And expand present levels of research seeking better techniques and services.

While McNamara admitted that some observers disagreed over the relative importance of social development and family planning efforts in reducing fertility—some saying the former was too indirect, and others saying that the latter was too inefficient—he argued firmly for the need for both.

Indeed, throughout the whole of this 20,000 word treatise on the tangled complexities of the population problem, McNamara remains at his expository best: his reasoning advances step by step from premise to conclusion, always clear and cohesive, always tight and orderly.

And yet the argument never becomes merely impersonal and clinical. It remains humanistic in its tone, and philosophical in its reach: traits that were characteristic of McNamara's best policy statements.

Consider the sensitivity of the following passage. In it McNamara is stressing the importance of trying to understand the mindset of villagers regarding family size.

"The reasons for fertility reduction that may be persuasive to planners sitting in distant capitals," he points out, "may not be persuasive at all to parents sitting in remote villages. Village couples rarely worry about the progress of the gross national product.

"What they may well worry about is the progress of a sick child, or how they are going to accumulate enough savings to secure their old age, and whether the signs are auspicious that the next pregnancy will finally give them a second son, rather than a third daughter.

"As we have said, it is the poor, as a generality, who have the most children. And it is the poorest countries, as a generality, that have the highest birth rates.

"But it would be a mistake to think that the poor have children mindlessly, or without purpose, or—in the light of their own personal value systems—irresponsibly.

"Quite the contrary. The poor, by the very fact of their poverty, have little margin for error. The very precariousness of their existence habituates them to be cautious. They may be illiterate. They are seldom foolhardy. To survive at all, they are forced to be shrewd.

"What we must grasp is that poverty does not make people unreasonable. What it does do is severely reduce their range of choice. They often do what they do because there is little real opportunity to do otherwise.

"Poor people have large families for many reasons. But the point is they do have reasons. Reasons of security for their old age. Reasons about additional help on the land. Reasons concerning the cultural preference for sons. Reasons related to the laws of inheritance. Reasons dictated by traditional religious behavior. And reasons for personal pride.

"Demography measures people. It cannot always measure their inner feelings.

"And yet understanding poor people—and the narrow range of options that poverty offers them—is the key to assisting them to broaden their choices."

To the connoisseur, that passage might well be called vintage McNamara.

1978:

In the Annual Meeting address of the following year, McNamara pushed even harder on the need for the rich and poor nations alike to do more to combat absolute poverty.

"The need to give greater attention to the problems of the absolute poor," he said, "has been increasingly recognized in international discussions. But the intractability of these problems and the scale of efforts needed to reduce the numbers of absolute poor have not been fully appreciated."

The latest studies in the Bank had concluded that, even under somewhat optimistic assumptions, some 600 million individuals at the end of the century would remain trapped in absolute poverty. That was shocking and unacceptable, he said, and he asked: "Now, what can be done to reduce this level of poverty?" His reply, as usual, was candid.

"The World Bank does not have a full and complete answer to that question, nor do I know of anyone in the world who does. And that is why I urge that the Brandt Commission, the Development Committee, the UN Overview Committee, UNCTAD, the Development Assistance Committee, and other international groups—and above all the individual developing countries themselves—each give serious and detailed attention to it."

But McNamara argued that even though no one as yet had a fully comprehensive answer to the problem of absolute poverty, he believed that within the present limits of our knowledge, each of the developing countries could—and should—set specific goals for its own society's direct attack on poverty; and that the international community, in the appropriate forums, should endorse these goals, and pledge the necessary support.

"As I have emphasized," he said, "such an attack on absolute poverty can only succeed in an environment of growth. And support from the international community—through further expansion of trade and more adequate capital flows—is essential if optimum rates are to be achieved."

Driving home this central conviction, McNamara emphasized again that "though growth is an absolutely necessary condition for reducing poverty, it is not in itself a sufficient condition. For growth cannot help the poor unless it reaches the poor."

Growth, he stressed, does not reach the poor sufficiently today, and hence the developing countries must both:

- Modify the pattern of growth so as to raise the productivity of the poor; and
- Improve the access of the poor to essential public services: to clean water, to basic education, to preventative medical care, to electricity, to public transportation—to those services fundamental to their health and productivity.

"Now, I am not suggesting," he admitted, "that any of this is easy to do. It is not. What I am suggesting is that absolute poverty can never be eliminated by traditional welfare. And the reason is obvious. No feasible redistribution of already inadequate national income in a developing society is, by itself, going to be enough to wipe out poverty. There must be growth in that income, and the poor must be enabled both to contribute more productively to that growth, and to participate more equitably in its benefits."

The tragedy of the absolute poor, he reminded the high officials in his audience, is that they remain largely outside the entire development process. They must be brought more fully into it, and that could only be done by the developing countries themselves.

Conditions, he conceded, clearly differ from society to society, but what is essential is that governments:

- Formulate attainable anti-poverty objectives at national, regional, and local levels;
- Define clear operational programs, and institutional policies, for achievement of the objectives within specific time periods; and

• Determine the level of resources required to meet the minimum goals.

"Unless such practical steps are taken by the governments in developing societies," McNamara reiterated, "the hope to reduce absolute poverty simply cannot be translated into effective action. Certainly no external development agency—no matter how helpful—can substitute for the internal political resolve necessary to take these steps. But once that firm resolve is evident, then the international community must support these politically difficult decisions with comparable courage and generosity."

McNamara concluded his address on a sober note.

"We must be candid about the choices that confront us. There are no easy alternatives. But to relax in the development effort, to lose momentum, to procrastinate, to let problems fester and grow worse—that choice can benefit neither us, nor those others who must follow after us.

"We know who those others are. They are our children.

"Will their world be more rational, more compassionate, more peaceful, more human?

"That choice is more ours than theirs. For the options are closing, and the inevitable chain of consequences is already underway.

"The time, then, to act is now. It is an opportunity that will not return."

1979:

McNamara sounded the same serious note as he began his Annual Meeting address in Belgrade the following year.

"We meet this year as one turbulent decade draws to a close, and what promises to be an even more critical one is about to begin.

"We need not be reminded that the economic strains of the 1970s have been more severe than any since the disruption of World War II and the global depression that preceded it. But the truth is that the problems that will confront us all in the 1980s are almost certain to be more difficult. More difficult because with the loss of irrecoverable time the easier solutions to these problems have begun to disappear.

"What we will be left with in the decade ahead are increasingly painful dilemmas that can no longer be ignored or postponed. We are going to have to decide—and decide soon—if we can really afford to continue temporizing with severe development problems that are getting worse rather than better."

McNamara reviewed the progress of the Second Development Decade, the 1970s, and the international community's official strategy that had put such emphasis on reaching certain overall performance targets. Not only were there going to be serious shortfalls in achieving these goals, but the overall performance statistics themselves obscured very significant differences between various groups of countries.

Income grew the least in the 1970s, he stressed, where it was needed the most: in the poorest countries, containing over half the population of the developing world. The economies of most of these nations, with hundreds of millions of their people already trapped in absolute poverty, had scarcely advanced at all.

"In the end effective development strategies revolve essentially around policy choices . . . It seems to me, therefore, that a more practical approach for DDIII planning would be to consider in detail the hard policy choices that the developing and developed countries alike are going to have to confront in the Eighties and beyond if fundamental development objectives are to be realized."

These policy choices would, he said, inevitably have to deal with such immense and complicated problems as population growth, food production, employment creation, urbanization, reducing absolute poverty, and expanding international trade and financial flows.

McNamara commented on all of these problems during the course of the address, as well as on the World Bank's own involvement with them, and underscored again the need for a basic understanding between the developed and developing countries over essentials. One of the principal frustrations of the North-South Dialogue had been that it had become so bogged down in arguments over the means that it had tended to lose sight of the ends.

"Such an understanding," he argued, "is all the more necessary because we simply do not yet possess the same instruments of implementation at the international level which are available—and taken for granted—at the national level.

"There is obviously no global planning system, no world treasury based on international taxation, and no central budgeting machinery to allocate governmental financial resources.

"It is possible—even likely—that some of these institutions will eventually evolve. Certainly the realities of our increasing interdependence ought to move us all towards less arbitrary and hopefully more rational management of global resources.

"In the interim we must shape and improve the institutions and the system we have as wisely as we can."

1980:

When Robert McNamara walked to the lectern on September 30, 1980, it was exactly 12 years to the day that he had first addressed the Board of Governors at the World Bank's Annual Meeting. In June of 1980 he had informed the Executive Directors that he would retire from the service of the Bank in June of 1981. The huge audience, then, knew that this was to be his valedictory address, and they expected it to be something memorable. It was.

"This is the thirteenth, and final, address" he began, "that I will have the privilege of making in this forum. The occasion, I believe, places on me a special responsibility, and hence what I will have to say this morning will be particularly frank and candid, especially as it relates to the future role of the World Bank."

Recalling that over the past dozen years the World Bank Group's lending program had expanded dramatically its level of financial assistance to the developing world from approximately $1 billion in FY1968 to more than $12 billion in FY1980, McNamara pointed out that the Bank's policy had not been simply to do more, but rather "we wanted to do more of what would contribute most to our member countries' evolving development needs."

There had been major qualitative change in the Bank's lending, and in its development policies. The change arose out of the understanding that "if the absolute poor had to wait for the benefits of overall economic growth to trickle down to them, their incomes and welfare would inch forward at an intolerably slow pace."

Throughout the 1970s the Bank had made a determined effort to help its developing member countries to devise policies and investment programs to assist the poor in their societies to become more productive, and to assure an equitable distribution of basic services to them.

In the FY1964–68 period, such loans from the Bank had amounted on average to only $60 million per year, and accounted for less than 5% of total lending. In FY1980 they had grown to $3,565 million, and accounted for over 30% of total lending.

In FY1980 alone the Bank approved agricultural and rural development projects to raise the productivity, and thereby the incomes, of 29 million people, including 18 million of the world's poorest—and to increase food production by 6 million tons per annum.

But, added McNamara, investments in highways, electric power, and other traditional infrastructure and production investments remain "vital to development." They are, he emphasized, "basic to strengthening the foundations of growth, and to expanding employment opportunities and enhancing the incomes of all members of society."

While the Bank reduced the share of lending to these sectors, McNamara explained, it substantially increased its absolute volume. Bank lending for traditional infrastructure projects grew from an annual average of $700 million in 1964–68 to $4.4 billion in 1980; and for traditional production projects, from $350 million to $3.5 billion.

Only by raising its overall level of lending was the Bank able to meet its member countries' new development needs without neglecting their traditional requirements. This would clearly continue to be the case throughout the 1980s and beyond.

The Bank's lending program for FY1981–85 had originally been drawn up in early 1977. But four events had intervened in the meantime that had invalidated the underlying assumptions of that program. These were:

1. A much greater inflation rate than had been projected in 1977.
2. The unexpected doubling of oil prices over the past 18 months, and restricted growth in the oil-importing developing country exports to the nations of the Organisation for Economic Co-operation and Development (OECD), resulting in huge current account deficits and the critical requirement for new structural adjustments.
3. The resulting need—both in their own interest, as well as that of the world community—for these oil-importing

developing countries to invest in and develop their own domestic energy resources.

4. The change in the representation of China in the Bank, increasing by 45%—approximately a billion individuals—the number of people who now needed, who now desired, and who were now entitled to have World Bank lending.

"What we need to do now," McNamara urged, "is to reach broad agreement on the following objective."

The Bank should:

- Increase its lending program in order to offset fully the higher-than-anticipated inflation levels;
- Finance structural adjustment, but not at the cost of reducing the development finance already planned for the oil-importing developing countries;
- Assist in financing an expanded energy development program, but not at the cost of cutting its assistance to other equally vital programs; and
- Respond to the development needs of China, but not at the cost of its other borrowers.

"All of this can be done," McNamara emphasized, "in a manner that takes full account of the current budgetary constraints faced by governments of the developed nations, provided we make full use of the potential of the Bank's capital base, and facilitate the use of the large private resources available for sound investment opportunities."

McNamara concluded his address by noting that through the support of its member governments the World Bank over the past ten years had become by far the world's largest and most influential development institution. That was important. But what was far more important, he said, was what had transpired throughout the developing world in the millions of individual lives that the institution had touched.

"What these countless millions of the poor need and want is what each of us needs and wants: the well-being of those they love; a better future for their children; an end to injustice; and a beginning of hope.

"We do not see their faces, we do not know their names, we cannot count their number. But they are there. And their lives have been touched by us. And ours by them."

As McNamara spoke these words his voice broke with emotion. He paused, and with difficulty concluded his address with this final passage:

"And now—if I may—let me add a purely personal note. These past 13 years have been the most stimulating of my life. I wouldn't have traded them for anything. And I want to say to all of you how deeply grateful I am for the privilege of having served with you throughout these years.

"This World Bank—born out of the ruins of World War II—has grown into one of the world's most constructive instruments of human aspiration and progress. And yet, it has only barely begun to develop its full potential for service and assistance. There is so much more it can do, so much more it ought to do to assist those who need its help.

"Each one of us can help make that happen. And how can we begin? We must begin—as the founders of this great institution began—with vision. With clear, strong, bold vision.

"George Bernard Shaw put it perfectly: 'You see things, and say why? But I dream things that never were, and I say why not?' "

McNamara, by now almost unable to speak, left the rostrum, as the huge audience rose to its feet and gave him what even the restrained *New York Times* described as "a thunderous ovation."

A very moving moment had passed, but in the minds of many that day there remained the question: had an era ended . . . or, in McNamara's words, had it just barely begun?

The McNamara Legacy

As is obvious, any serious examination of the principal public statements of Mr. McNamara reveals an evolving and wide-ranging set of insights on international development. His thinking is rich and complex. But if one were arbitrarily to limit oneself to perhaps a dozen major themes from these sources, the following points—some explicit, some implicit—would clearly emerge from such a survey.

I. The fundamental nature of development

McNamara does not view development exclusively as "economic progress," but rather as something more fundamental. "Development is clearly not simply economic progress measured in terms of gross national product. It is something much more basic. It is essentially human development; that is, the individual's realization of his or her own inherent potential." On the scale, then, of human activities, development is of immense importance, and should rightfully command priority. "Development is about people. The only criterion for measuring its ultimate success or failure is what it does to enhance the lives of individual human beings."

II. The role in development of the concept of equity

McNamara sees the concept of equity as central to the development process. He believes that our own era in human history is characterized by that concept's gradually becoming more universal and compelling. "If we look around the world today realistically," he says, "it is evident that the desire for a greater degree of equity—for a more just and reasonable equality of opportunity among individuals, both within nations and between nations—is becoming a major concern of our time.

"It is a trend that has been gathering momentum for century or more. The rise of the labor union movement, the drive against racial discrimination, the expansion of civil rights, the enhancement of the status of women—these and similar movements have all had an ingredient in common: the surge towards greater social justice and more equitable economic opportunity."

"If the rich nations do not act," he says, "through both aid and trade to diminish the widening imbalance between their own collective wealth and the aggregate poverty of the poor nations, development simply cannot succeed within any acceptable time frame. The community of nations will only become more dangerously fragmented into the privileged and the deprived, the self-satisfied and the frustrated, the complacent and the bitter. It will not be an international atmosphere conducive to tranquillity.

"The developed nations, then, must do more to promote at least minimal equity in the distribution of wealth among nations. But the developing nations must do more as well. Their internal equity problems are no less important than those of the international community at large. In the developing nation's pursuit of rapid economic growth, the poorest 40% of their populations are being largely left behind."

"Governments exist to promote the welfare of all of their citizens—not just that of a privileged few. Absolute egalitarianism is as chimerical as absolute laissez-faire, but what is certain is that absolute human degradation—when it reaches the proportions of 30 to 40% of an entire citizenry—cannot be ignored, cannot be suppressed, and cannot be tolerated for too long a time by any government hoping to preserve civil order."

III. Development comprises a twofold task: to accelerate economic growth, and to eradicate absolute poverty

McNamara believes that these two objectives must be primary elements of any sound overall development strategy. "The two goals," he emphasizes, "are intrinsically related, though governments are often tempted to pursue one without adequate attention to the other. But from a development point of view that approach always fails in the end. The pursuit of growth without a reasonable concern for equity is ultimately socially destabilizing, and often violently so. And the pursuit of equity without a reasonable concern for growth merely tends to redistribute economic stagnation. Neither pursuit, taken by itself, can lead to sustained, successful development."

IV. The characteristics and dimensions of absolute poverty

McNamara stresses over and over again that absolute poverty is "a condition of life so limited by illiteracy, malnutrition, disease, high infant-mortality, and low life-expectancy as to be beneath any rational definition of decency." It denies its victims the very potential of the genes with which they were born. In effect, it is life at the margin of physical existence.

"Malnutrition saps their energy, stunts their bodies, and shortens their lives. Illiteracy darkens their minds, and forecloses their futures. Preventable diseases maim and kill their children. Squalor and ugliness pollute and poison their surroundings. The miraculous gift of life itself, and all its intrinsic potential—so promising and rewarding for us—is eroded and reduced for them to a desperate effort to survive."

"Compared to those fortunate enough to live in the developed countries, individuals in the poorest nations have: an infant mortality rate eight times higher; a life expectancy one-third lower; an adult literacy rate 60% less; a nutritional level, for one out of every two in the population, below minimum standards; and for millions of infants, less protein than is sufficient to permit optimum development of the brain."

"And when we reflect on this profile of poverty in the developing world we have to remind ourselves that we are not talking about merely a tiny minority of unfortunates—a miscellaneous collection of the losers in life—a regrettable but insignificant exception to the rule. On the contrary, we are talking about hundreds of millions of human beings—40% of the total population of over 100 countries."

V. The key to reducing absolute poverty

McNamara insists that any successful effort to combat poverty in the developing countries has to do two basic things: assist the poor to increase their productivity; and assure their access to essential public services. "Unless specific efforts are made to help them realize their productive potential, no feasible degree of traditional welfare or simple redistribution of already

inadequate national wealth can fundamentally alter the circumstances that impoverish them."

"A critical component of that approach is for governments of developing countries to provide better access for the absolute poor in their societies to essential public services, particularly basic education, primary health care, and clean water. These fundamental services—combined with the better shelter and nutrition that improved incomes can afford—are the key to the poor's being able to meet their own basic needs."

"Not only are essential public services often out of financial and geographic reach of the poor, but such facilities as are in place may be so inappropriately designed as to be virtually irrelevant to their needs: impressive four-lane highways, but too few market roads; elaborate curative-care hospitals, but too few preventive-care rural clinics; prestigious institutions of higher learning, but too few village literacy programs.

"Public services that are not designed modestly and at low cost per unit will almost certainly end by serving the privileged few rather than the deprived many. To reverse this trend, governments must be prepared to make tough and politically sensitive decisions, and to reallocate scarce resources into less elaborate—but more broadly based—delivery systems that can get the services to the poor, and the poor to the services."

VI. The importance of the population issue

There is no question that McNamara considers it critically important that the developing countries find and apply a rational and humane solution to their population problem. "To put it simply: the greatest single obstacle to the economic and social advancement of the majority of the peoples in the underdeveloped world is rampant population growth. Having said that, let me make one point unmistakably clear: the solution of the population problem is in no way a substitute for the more traditional forms of developmental assistance: aid for economic infrastructure; aid for agriculture; aid for industrialization; aid for education; aid for technological advance. The underdeveloped world needs investment capital for a whole gamut of productive projects. But nothing would be more unwise than to allow these projects to fail because they are finally overwhelmed by a tidal wave of population."

VII. The dangers to both developed and developing countries of trade protectionism

McNamara's view is that unless the international community resists—and rolls back—the trade protectionism that has been growing in recent years, everyone will be the ultimate loser. "Just as the developing countries have begun to demonstrate their natural comparative advantage in certain labor-intensive manufactures, a new threat of protectionism is gathering momentum in the developed world. This is both inequitable and shortsighted since it denies the developing countries the only long-range economic strategy that can ultimately decrease their dependence on foreign assistance.

"Already the developing world constitutes an important and growing market for the exports of the industrialized nations, stimulating demand and helping hasten their own economic recovery. But if the developing countries are to import even more goods and services from the OECD nations—which they both need and want to do—then they must be allowed in return to export more to those same nations in order to earn the foreign exchange necessary to do so.

"In the end, excessive protectionism is self-defeating for everyone: for consumers, who are denied less expensive, and hence less inflationary, imports; and for producers, who are denied competitive access to expanding markets.

"What is required is a more rational framework of international trade that will reduce protectionism on both sides by promoting the dismantling of non-tariff barriers, and by broadening the scope of true comparative advantage. In the industrial countries this will require initiating adjustment procedures that can ease the shift of capital and labor away from marginal industries into more competitive and productive sectors."

VIII. The moral case for development assistance

McNamara believes that though there are many grounds for development assistance, the moral case is the basic one. "There are, of course, many sound reasons for development assistance. But the fundamental case is, I believe, the moral one. The whole of human history has recognized the principle that the rich and powerful have a moral obligation to assist the poor and the weak. That is what the sense of community is all

about—any community: the community of the family, the community of the nation, the community of nations itself.

"Moral principles, if they are really sound—and this one clearly is—are also practical ways to proceed. Social justice is not simply an abstract ideal. It is a sensible way of making life more livable for everyone."

IX. The national-interest case for development assistance

McNamara concedes that the moral argument for the developed nations to assist the developing countries does not persuade everyone. For those citizens in a developed nation who prefer arguments that appeal to national self-interest, he points out that there are some very strong ones. In this passage he uses the example of the United States, but in other passages he has cited the same kind of specific statistics for other OECD nations.

"Exports provide one out of every eight jobs in U.S. manufacturing, and they take the output of one out of every three acres of U.S. farm land—and roughly one-third of these exports are now going to the developing countries. Indeed, the U.S. now exports more to the developing countries than it does to Western Europe, Eastern Europe, China, and the Soviet Union combined.

"Further, the U.S. now gets increasing quantities of its raw materials from the developing world—more than 50% of its tin, rubber, and manganese plus very substantial amounts of tungsten and cobalt, to say nothing of its oil. The U.S. economy, then, increasingly depends on the ability of the developing nations both to purchase its exports, and to supply it with important raw materials. And the same sort of relationship of mutual interdependence exists between the other industrialized countries—the Common Market, and Japan—and the developing world.

"Thus, for the developed nations to do more to assist the developing countries is not merely the right thing to do, it is also increasingly the economically advantageous thing to do."

X. The developing world has made unprecedented progress in the past quarter century, but continues to face very critical problems

McNamara believes that the progress in the developing world since 1950 demonstrates an immense achievement, but that very serious difficulties remain to be solved. "If one looks objectively at the developing world's economic record during the past quarter century, it is impressive. It surpasses the performance of the present industrialized nations for any comparable period of their own development."

"Nor was the achievement exclusively economic. Important social progress was made as well. Average life expectancy, for example, was expanded from about 40 years to 50 years. Though 50 is still 30% lower than the longevity currently enjoyed in the industrialized nations, it took Western Europe a century to achieve what the developing nations did in 25 years."

"These emerging societies have also succeeded in increasing the literacy of their peoples. Twenty-five years ago 65 million children were in primary school. Today, 260 million are. Then, only 7 million were in secondary and higher institutions. Today, 65 million are. In 1950, only a third of their adult population could read and write. Today, more than a half can. Much of this social progress was possible because the real per capita income of the developing world had more than doubled during the period."

"But the unexpectedly high average rate of growth conceals significant differences between groups of countries.

"The poorest nations have done only half as well as the middle-income group. Crippled by serious disadvantages, these societies have witnessed their growth gradually diminish. And collectively they contain more than half the total population of the developing world.

"In the middle-income countries, the rates of growth have been better, but here too the averages obscure sharply skewed income patterns. Far too many in these societies—as in the poorest nations—have been able neither to contribute much to economic growth, nor to share equitably in its benefits. Development has passed them by.

"The tragedy of the absolute poor is that they are trapped in a set of social and economic circumstances that they cannot break out of by their own efforts alone. Hundreds of millions of them cannot read or write; are seriously malnourished; have no access to adequate medical care; are without adequate shelter; and have no meaningful work. Their basic human needs are simply not met.

"For these hundreds of millions, development has failed. It will continue to fail unless the dynamics of absolute poverty are dealt with directly, and reversed.

"There are two essential things that must be done. The rate of economic growth of the developing nations must be accelerated. And more of the benefits of that growth must be channeled towards helping the absolute poor meet their basic human needs."

XI. The World Bank is an international development institution, not a philanthropic organization

McNamara believes that there is no inherent contradiction between the World Bank being a well-run, hard-headed, prudent, and careful investor of other people's money, and at the same time being a socially responsible development institution, sensitive to the needs of basic human welfare. In the 35 years of lending operations, the Bank has never lost a penny, and its earnings throughout that period total $4.7 billion, including $588 million in FY1980. His view is that the greatest contribution the World Bank's staff can make to development is to help the developing countries use their scarce resources as effectively as possible.

"Now how can we help lift this burden of absolute poverty from off the backs of a billion people? That is a problem we have been dealing with at the World Bank intensively for the past six or seven years.

"It is clear that we in the richer countries cannot do it by our own efforts. Nor can they, the masses in the poorest countries, do it by their own efforts alone. There must be a partnership between a comparatively small contribution in money and skills from the developed world, and the developing world's determination both to increase its rate of economic growth, and to channel more of the benefits of that growth to the absolute poor.

"Most of the effort must come from the developing countries' own governments. By and large they are making that effort.

"In the past decade, the poor nations have financed over 80% of their development investments out of their own meager incomes. But it is true they must make even greater efforts. They have invested too little in agriculture, too little in population planning, and too little in essential public services. And too much of what they have invested has benefited only a privileged few. That calls for policy reforms, and that is, of course, always politically difficult.

"In any event, whatever the degree of neglect the governments in the poor countries have been responsible for, it has been more than matched by the failure of the developed nations to assist them adequately in the development task."

"The current account deficits of the oil-importing developing countries have risen dramatically. The increase in these deficits is the mirror image of a portion of the rise in the surpluses of the oil-exporting nations. A major objective of the world's intermediation effort to deal with these surpluses must be to assure that appropriate portions of them flow, directly or indirectly, back to these developing countries.

"The assistance the developing societies will need in the 1980s—both to alleviate their burden of absolute poverty, and to facilitate the structural changes in their economies required by the changes in the external environment—is much larger than was projected before the events of the past 18 months . . . That is why all previously planned programs of international assistance, including that of the Bank, must be reexamined in order to determine how the most urgent needs of the developing world can be met.

"It is in this perspective that the future level of World Bank lending, and the nature of its operating policies, should be reviewed. The Bank clearly cannot do everything. Nor should it try to. But neither can it be allowed to fail in its basic responsibility toward its developing member countries."

XII. The President of the World Bank has a teaching role as well as a financial and managerial responsibility

Though aware of the sensitivities involved, McNamara clearly felt a strong responsibility to use the presidency of the World Bank as a unique podium from which to say candidly to the world those things he felt needed saying on the subject of development.

What is remarkable is that he was able to say things about the performance of both the developed and developing countries that almost no one else of international stature in the world today could or would say and still be listened to with respect and credibility. But he saw it as his task to be rigorously objective, and to tell both the rich and poor nations what the development facts were, and consequently where their respective duties lay.

One commentator in the press observed that "the poor countries like to think of Mr. McNamara as an Old Testament prophet who emerges occasionally from periods of meditation to rail against the rich nations for their stinginess." Another termed him a "planet-saver . . . a public figure with world vision, an evangelical bent, and a realization of what an endangered species mankind is." Still another called him "a kind of conscience for the rich nations."

But if McNamara was a conscience, it was not for the rich nations alone. He repeatedly made the point to the developing countries that they bore the chief responsibility for their own economic progress, and that it was their task to see that all the groups in their societies both contributed more to national development and shared more equitably in its benefits.

He called on the governments of the developing countries to take those politically tough and courageous decisions that give the absolute poor better access to essential public services, and that help them to enhance their own productivity. But he always matched that plea with one directed to the governments of the developed nations that they exercise comparable political courage and make available greater development assistance to those developing countries willing to carry out these difficult tasks.

He stressed over and over again that no outside development assistance could substitute for the internal domestic efforts that the developing societies themselves must make, but he was equally insistent that for the developed nations to deny reasonable assistance was short-sighted, inequitable, and ultimately self-defeating.

In his final address to the Board of Governors—representing the entire membership of the Bank, rich and poor nations alike—he made the point with his characteristic candor. Absolute poverty, he said, "is an open insult to the human dignity of us all: to the poor themselves, because simply as human beings they have deserved better; and to all of us in this room, for we have collectively had it in our power to do more to fight poverty, and we have failed to do so."

But if McNamara believed that not nearly enough had yet been done to rid the world of the intolerable indecency of poverty, he recognized that progress had been made. Towards the close of that last address, he put the matter modestly.

"None of us, of course, can pretend that our understanding of the complexities of the poverty problem is complete. We are all still learning. But I believe we can take a measure of satisfaction that many governments and institutions throughout the international development community, including this Bank, are beginning to think about poverty in a more thoughtful way than they did a decade ago. And they are beginning to ask themselves how they can reshape their own efforts to deal with it more effectively."

He was right, but much too modest. The view that there need not be a punitive trade-off between economic growth and equity, and that there were workable solutions to the plight of the absolute poor, had gained wide acceptance in both the developing and developed nations. It had helped reshape development strategy in dozens of societies, and had resulted in a substantial thrust in the Bank's own lending program toward investments specifically designed to raise the productivity of the poor, and assure them access to essential public services.

Clearly he was right: many governments and institutions, including the Bank—not to mention an immense audience all around the world—had begun to think about poverty in a more profound and practical way.

It was due largely to his own dedicated leadership. And in the end it might well turn out to be the most lasting achievement of all of this very extraordinary man.