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**Transcript of interview with**

**MARTIN KARCHER**

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**Interview by: John Lewis, Richard Webb, Devesh Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*[Begin Tape 1, Side A]<sup>1</sup>*

**KARCHER:** . . . and in 1973 we went back to India. We liked it so much. We got very fond of India and the culture.

**LEWIS:** That happens to people.

**KARCHER:** And we learned a lot.

**KAPUR:** Were the Naxalites active then in Kerala?

**KARCHER:** No, not yet.

**LEWIS:** He's taking umbrage at some references to Naxalites that we got from *[Robert S.]* McNamara the other day.

**KARCHER:** No, but there were elections going on in '67, and you got a lot of sandeshs all of a sudden. Sweets were available just before the elections. We came back from '73 to '76.

**LEWIS:** And you were in the Delhi office?

**KARCHER:** That's right. I was in the Delhi office from December 1973 to December 1976.

**LEWIS:** Who was the representative then?

**KARCHER:** *[William M.]* Gilmartin was there.

**LEWIS:** Gil was there!

**KARCHER:** Gil for at least a year and a half, and then Jochen Kraske was there, who is my current director (in the South Asia I Department at Headquarters).

**LEWIS:** Right, right. He's been--a long history, as has Oktay Yenal. He's been back and forth. But I used to come out--'73 to '76, you say?

**KARCHER:** That's right.

**LEWIS:** I came out every year somehow or another by hook or by crook, Ford Foundation usually paying the airfare, but in '75-'76 I had a longer stretch in the wintertime.

Well, we were just talking about--there are all kinds of things I would like to talk to you about (I'm sure Richard does, too), but the most important maybe is to see whether Devesh has got this story straight about the Philippines, your role there, which is a very interesting piece.

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<sup>1</sup> <sup>1</sup>Original transcript by Brookings Institution World Bank history project; original insertions are in [ ]. Insertions added by World Bank Group Archives are in *italics* in [ ].

But still staying with India for the time being, I was saying to Devesh that, although I certainly don't—I always am talking about Wolf Ladejinsky as a great guru of land reform. My sense is that Wolf didn't, by the time he got to India, really think there was much you could do with land reform, that the American who had a much bigger input on that subject was Daniel Thorner earlier and that Wolf was really sort of into agrarian reform of one kind or another at that time. Is that right, do you think? Or was he still--did he have hopes that something major was going to happen with land reform in India?

**KARCHER:** I don't believe so.

**LEWIS:** I don't think so, yeah.

**KARCHER:** I think he thought it was important, but that the scope wasn't that much, but something needed to be done. You have all the articles that he wrote on Maharashtra, Bengal, et cetera, which tend to bring out the ideas. But I don't think he was ever for a major kind of land reform as such—I mean, if I understand correctly what his thoughts were.

**LEWIS:** Of course, it was very state specific, wasn't it? I mean, you got some fairly significant entrepreneurial reforms in West Bengal, actually after the CPM [*Communist Party of India (Marxist)*] came in, and I guess they did quite a lot in Kerala, also.

**KARCHER:** Right.

**LEWIS:** What did you think . . .

**KARCHER:** My impression was that he wanted to prevent a situation where landless peasants take the law into their own hands. The government should be sufficiently responsive to their demands while maintaining law and order at the same time.

**LEWIS:** He's worried about Naxalites, see! [*Laughter*]

**KARCHER:** Not to let the situation deteriorate to the point where the government would lose control, and I think he says it somewhere. I mean, if you read the collected papers of his, I think that's the general attitude. He's very sympathetic, but he sees the limitations as well.

**KAPUR:** How did that affect the way he was sort of guiding Bank policy on agriculture with India?

**KARCHER:** My impression was that it was really quite marginal. I mean, he was doing his thing in the office and he would go on trips and he would talk to farmers and he would then write reports or articles, but I don't think anything really happened as a result of that. It was nice to have him in the office, and for the Bank I think he was a kind of conscience for the Bank.

**LEWIS:** That's right, because he was maintained as an ornament sort of almost. He had a nice place there to live, his sanctuary.

**KARCHER:** He was living in the Ford Foundation building, as you know.

**LEWIS:** Yes, lovely, in the guest house, beautiful place where the representative has an office now.

**KARCHER:** But I think that maybe by then the Bank had given up the hope that something could be done about land reform. I think there was renewed hope in 1975-76 at the time of the emergency. Wolf had passed away by then. When Mrs. [Indira] Gandhi announced the 20-point program, among the 20 points was one dealing with land reform, and she was saying that the Government needs to be serious about that.

I had gotten quite interested in the subject at that time, and so I wrote the paper that I shared with you on the background of land reform and what should be done now. I was looking at what the government was actually doing and contrasting it to the 20-point program and saying the Bank has a role to play in bringing to the attention of the government the fact that, although they are saying land reform is important and something needs to be done, in fact nothing is being done. Interestingly, nobody in the office reacted to my paper, except at some point when--what was his name—John, the Australian agronomist who was the mouthpiece for Mr. McNamara in agriculture, was slated to visit New Delhi . .

**LEWIS:** You don't mean Sir John Crawford?

**KARCHER:** Sir John Crawford. Yes.

Sir John was coming to India, and I mentioned the paper to my chief of mission and said, "Look, we should be doing something. He's the mouthpiece. Why don't we-- maybe we should have a discussion."

Sir John read the paper and agreed, "Okay, let's have a discussion."

**LEWIS:** The chief was then Jochen Kraske?

**KARCHER:** I think it was Jochen by that point.

So we arranged to meet with the Secretary at the Ministry of Agriculture. On the way to the ministry Sir John told me, "Now, let's not be academic about these things. We'll just have a discussion with them."

And he opened the meeting by saying, "Look, today we've come to talk about land reform. But I want to make it absolutely clear that whatever the Indian government does about land reform, it's not a precondition for the World Bank's support to Indian agriculture." That's the way he opened the meeting, so I mean he gave it away. We were not going to be serious. In fact, he was saying, "If you want to do it, it's your business, but it's not, you know, a precondition for Bank support in agriculture."

**LEWIS:** Well, yeah, okay. But at that point the Bank wasn't preconditioning much of anything, was it?

**KARCHER:** Well, what was interesting and kind of sad was that after the meeting one of the more junior officers in the ministry of agriculture, came to talk to me, and he said, "Look, this was a very good paper. I wish there was some support behind it." But there wasn't.

**LEWIS:** That's an interesting story.

This is a--takes away from India specifically, but I just wondered whether you agreed with Devesh's reading of sort of thinking back here at headquarters about this and the--particularly in terms of *Redistribution with Growth*. His reading of *Redistribution with Growth* is different than mine, but I'm not at all--we may both be right because it is after all a collection of pieces by different authors, and then you sort of pick your--what I remember about *Redistribution with Growth* is that they are very concerned about income distribution. They say if you want to get serious about income distribution, you have to look at asset distribution.

**KARCHER:** Absolutely.

**LEWIS:** They say that you're not going to do much about--the main asset that the rural poor don't have is land, but you're not going to do much about land reform. It's politically beyond reach nearly, and so what we have to do is get at other kinds of assets, and that's where they really get on human capital formation, that you try to give the poor their unexpectedly large share of education, health improvement, stuff like that. And you say that they would give the poor also employment programs, public works and so on. I thought they didn't much.

**KAPUR:** Well, in a sense, again one must differentiate the research rhetoric, which is what the Bank did, but public employment and rural public works had already come out of the ILO [*International Labor Organization*]. The ten-year study of . .

**LEWIS:** Oh, yes. It had been talked about in India for years.

**KAPUR:** Right, and this was sort of picked up in the research part of the Bank, of public works, but the Bank really has not supported actual programs of rural employment in . .

**LEWIS:** No, that's right, not much at all.

**KAPUR:** No. That's the impression I have.

**KARCHER:** My impression was that--maybe that's what I wanted to read in *Redistribution with Growth*; I think each of us was trying to look for things that would support our personal convictions and arguments--and I read that they were quite serious about asset redistribution and about land reform in particular.

There is a chapter in *Redistribution with Growth* which was drafted by Jack [*John H.*] Duloy, and it's interesting because it links it to the Philippines exercise. When I was

given the task of leading that mission, I was kind of scratching my head and trying, “Whom do I have?” I mean, “Who in the Bank really is serious about land reform, and who would be a good member of the team?” Because at the time this mission was being put together there was a strong sense—at least our interpretation was—that the government of the Philippines was serious about land reform, and so we wanted, I wanted to have a team of people who were kind of favorably inclined and who knew something about land reform, had thought about it and would not be people to whom one had to explain why land reform.

**LEWIS:** Right!

**KARCHER:** And so I was looking around through the shelves in my library and happened on *Redistribution with Growth* and opened it again and found that Jack Duloy had written that article. And so I got in touch with him.

**LEWIS:** He was still in the Bank?

**KARCHER:** No, he had been more or less—I mean, he took early retirement.

**WEBB:** What year was this mission?

**KARCHER:** ‘87.

**LEWIS:** ‘87, yeah. It was after [*Corazon*] Aquino had come in.

**KARCHER:** That’s right. And so I asked him whether he would be available to . .

**LEWIS:** Was he in Australia?

**KARCHER:** He was in Australia. So I asked him to come to Washington at the time we were kind of getting the mission together. We went to the Land Tenure Center in Madison [*Wisconsin*] together and interviewed some people and selected Bill [*William C.*] Thiesenhusen. I mean, he happened to be available, and he also happened to be, I think, a good person. And so that's how he became part of this mission.

**LEWIS:** I see. How big a group did you have?

**KARCHER:** Oh, there were about six of us, including a lawyer working in the Bank, Mohan Gopal from Kerala, who also happened to work on the Philippines and happened to have been interested in land reform in Kerala as such.

**LEWIS:** What's the name of the American lawyer who--Roy . . .

**KAPUR:** Prosterman?

**LEWIS:** Prosterman.

**KARCHER:** Prosterman.

**LEWIS:** He has a younger colleague, Jeff [*Jeffrey M.*] Reidinger, who wrote a book with him on land reform, and he just finished a degree that Devesh hasn't yet finished at the Woodrow Wilson School. He wrote [*inaudible*]

**KAPUR:** I was mentioning this.

**LEWIS:** I guess I understand the idea that some of you people who were serious about land reform saw this as a window of opportunity when she came in and she had a sort of a capacity to in effect write laws.

**KARCHER:** Exactly. She could legislate through decrees until the parliament was going to be elected.

**LEWIS:** Yeah, before the elite structure got back in. And somebody must have thought she was ready to go with a fairly--it was kind of a bold venture for the Bank, wasn't it?

**KARCHER:** I thought so. I was amazed that Mr. [*Attila*] Karaosmanoglu accepted the job when he was asked to put together a mission to evaluate the land reform program.

**LEWIS:** Who asked him? You asked him?

**KARCHER:** No, no. There were two senior ministers at the Paris consortium, the minister of planning and the minister of finance, who made the request officially and publicly that the Bank should come out and evaluate the program. In view of the fact that the Bank doesn't have much experience in land reform and not much of a track record of supporting it, I was very pleasantly surprised that Mr. Karaosmanoglu accepted and said, "Okay, we will send a mission."

**LEWIS:** This was a consortium or a consultative group meeting on the Philippines?

**KARCHER:** That's right.

**LEWIS:** And you were there at that meeting, were you?

**KARCHER:** No, I wasn't.

**LEWIS:** I see.

**WEBB:** Was that Solita Monsod?

**KARCHER:** Solita Monsod, yes, and Jaime Ongpin, the minister of finance. I mean they both spoke very explicitly at the meeting and said, "This is a historic opportunity for the long-term social and economic development of the country. We have to do land reform."

And we put together this package, a comprehensive agrarian reform program, which was a major program for the Philippines. I mean, it really was no longer dealing just



with rice and corn land as the [*Ferdinand E.*] Marcos reform had done, but it really was tapping into . .

**LEWIS:** How much backing did this have within the Bank sort of at the take-off? I mean, I guess Karaosmanoglu could go ahead and do this almost on his own, I suppose, but he wouldn't have been wise to unless he had some kind of resonance with somebody, Ernie [*Ernest*] Stern or somebody like that.

**KARCHER:** That I don't know.

**LEWIS:** You don't know.

**KARCHER:** He would be a good person to . . .

**LEWIS:** Yeah, we'll have to ask him.

**WEBB:** It's a good question.

**LEWIS:** Yeah, well that's—Karaosmanoglu, they're colleagues, close colleagues now, but . . .

It was really exciting to hear about it from outside, that the Bank was charging in with this quite radical proposal.

**KARCHER:** I think that he, Karaosmanoglu, had some personal experience with land reform, I think in Turkey.

**LEWIS:** In Turkey.

**KARCHER:** Right.

**KAPUR:** He was the deputy prime minister.

**KARCHER:** He was deputy prime minister, and it was not a very positive experience!

**LEWIS:** That's right! [*Laughter*]

**KARCHER:** So he, I mean, at the same time he was cautious because he thought, "Look, this is difficult under any circumstances." And I think that's why he asked us to put together a kind of technical team in the Bank of people who were experts in land reform and whoever was available to act as a sounding board, but basically he wanted to assure himself of the soundness of the recommendations of the mission and have a second opinion.

**LEWIS:** Who were the people in the Bank that were the sounding board?

**KARCHER:** Do you--was it in my files or not? There may be a list.

**KAPUR:** A list, yeah.

**LEWIS:** Some of the OED [*Operations Evaluation Department*] types?

**KARCHER:** Gershon Feder was in it. Price Gittinger was in it. Some people--I might be able to find a list.

**LEWIS:** They were people from, say, the agriculture and rural development department?

**KARCHER:** Agriculture and rural development department; that's mostly. Right. EDI [*Economic Development Institute*], I mean Price Gittinger who was with EDI.

**LEWIS:** And they gave the mission report support?

**KARCHER:** And they gave the mission report support on the whole. In fact, they told us that some of the recommendations should be sharpened and we should be more up-front and more explicit as to what we were recommending. So we did have the support of the technical group as well--I mean, once the report was completed.

**WEBB:** And were your recommendations agreed on with the Philippine government?

**KARCHER:** It was difficult to get a reading before we left the Philippines. I mean, basically we hadn't completed the work. It was a two or maybe two-and-a-half week mission. We traveled to some extent. We saw lots of people including people in the opposition, representatives, I mean, the kind of front for the People's Liberation Army or whatever they were called then. So we had lots of contacts, including among the clergy in Negros and the government of Negros--to find out what people wanted.

We did leave an aide-memoire with the government which we discussed with them. At that meeting, which was chaired by Solita Monsod, to some extent she was saying, "Yes, we agree with you. In fact, we already are doing this" or "We already discovered that."

One of the major issues, for instance, was the issue of compensation to the owners. And the cost of the land reform: when you calculated it using the market value of the land which, according to the constitution, was the required fair compensation, it clearly became unaffordable. I mean, you can't--no external donors would be available to compensate fully the owners who would lose part of their land.

**LEWIS:** No redistribution either.

**KARCHER:** No redistribution either. I mean, some redistribution, maybe, but mostly from the outside and external capital kind of enriching people. We had discovered a clause in Marcos's decree where he had asked the owners of real estate to declare the value of their property--I mean for tax purposes--and there was a clause in there saying that if the state would take over the land or a piece of real property, the declared value could be construed as just compensation, which were exactly the words used in the constitution. So we said . . .

**LEWIS:** You got ‘em. [*Laughter*]

**KARCHER:** We got them. “Let's use that,” because obviously they were under-declaring the real value of the property but since it said this can be used as just compensation; the constitution was requiring just compensation; so we said, “Okay.”

When we presented that finding to the government at the wrap-up meeting, Mrs. Monsod said, “We know about that, and that's what we are going to propose.” In fact, we had provided the information to her own working group who was working as a counterpart to us on this land reform program. So she seemed to say, “That makes sense to us.” And again that provided some hope to the members of the mission that the government was serious. And we talked to lots of people in government who felt, “Yes, this is a historic opportunity, we need to do something about it, we need to do something serious,” et cetera.

Once we completed the report, we got the country division chief, the country director, to sign off on it, this technical review group to sign off on it, Mr. Karaosmanoglu signed off on it, and then we sent it out. Disappointingly, the first reaction was from the minister of finance, saying, “What you're recommending, which is that the land should basically be turned over free to the beneficiaries with just a one-time token payment by them, that this was not acceptable.” They argued that they wanted to instill financial discipline among the beneficiaries, and therefore the beneficiaries should be made to pay for the land.

**LEWIS:** Would this Marcos rule, would that have meant just trivial compensation, or would it . . .

**KARCHER:** No, it was not trivial at all. No, it wasn't.

**LEWIS:** It would have meant some discipline.

**KARCHER:** No, it's the other side, the beneficiaries--what we were saying is that the land should be given basically free to the beneficiaries . . .

**LEWIS:** Okay. I'm catching on.

**KARCHER:** . . . because when we looked at the previous experience under the Marcos land distribution, most of the beneficiaries defaulted on the credit. Many of them didn't want the land because of the obligation that came with it, and we felt that when you looked at the cost of collecting the payments from X million beneficiaries over a 20 or 30 year period, the cost to the government would be so huge that the financial implications of handing over the land free were not major. And we did some calculations to demonstrate that in fact the government would be just as well off giving the land and then requiring financial discipline on the part of the beneficiaries in terms of timely repayment of seasonal production credits. There they could really insist that the farmers would pay back the seasonal credit. If they had to pay back both the cost of the land and the seasonal credits, they would be defaulting much more easily.

**LEWIS:** Yes. So you were really suggesting that they get a complete subsidy on the land and less of a subsidy on the production credits. That would be cleaner.

**KARCHER:** Right. It seemed to us to be much cleaner.

**LEWIS:** But now, this was the ministry of finance. The minister you referred to, Mrs. . .

**KARCHER:** Mrs. Monsod, she was planning.

**LEWIS:** Planning. I see. Okay.

**KARCHER:** My feeling was that there was a difference in perception between planning and finance.

**LEWIS:** Not unusual, is it? *[Laughter]*

**WEBB:** It's rather unusual if they are the same.

**LEWIS:** But did you have a reading on Mrs. Aquino through all this? Do you think that she on one side?

**KARCHER:** Well, since Dr. Monsod was very close to her and she had been appointed as minister of planning by Mrs. Aquino, and Dr. Monsod was not the only one speaking in favor of land reform, we took it that Mrs. Aquino was favorably disposed. I mean, otherwise why would the government have made the request at the consultative group meeting in Paris? Why would they have worked out such a program? Also, I think there were lots of pressures on part of the agricultural laborers and landless farmers, et cetera, for a land reform. I think there was a big movement at that point. So it seemed something genuine.

**KAPUR:** In January of '87 there was a big demonstration, and in the resulting sort of melee farmers were killed. That created a big uproar because Mrs. Aquino had just come to power, and so she publicly announced--the rally was for land reform, so she publicly announced. And I think that led--the consultative group meeting was just after that.

**KARCHER:** That's right. Also, if I'm not mistaken--I mean, I don't think I am--land reform was explicitly included in the constitution, which had just been voted on, as an obligation for the government to carry out comprehensive land reform. So I mean the signs were positive.

**LEWIS:** Yeah. The question I am posing, I guess, thinking about, is: Why didn't it happen. And I guess it partly didn't happen because of the Philippine decision and that was the president's decision, whether it was a matter of her family or whatever sort of pulling her back from the precipice, but there's also the question of whether the Bank didn't do things that might have made it happen. You had done the job in terms of, you might say, the technical assistance job . .

**KARCHER:** That's right.

**LEWIS:** . . . of giving a good program, you think, and it was one that was well received by important sections of the government. Did it call for external funding, for example, by the Bank?

**KARCHER:** It did. I mean, we recognized that the government would not be able to finance the program without external support. And actually the objective of the report was to enable the government to call a mini consultative group meeting where the report would be tabled and where pledges would be asked on the part of donors. And the Japanese were going to be involved and some other donors who had indicated and expressed an interest.

**LEWIS:** They had?

**KAPUR:** But you had explicitly ruled out the Bank financing any of this because . . .

**KARCHER:** No, we explicitly ruled out the Bank financing the cost of land transfers as such.

**LEWIS:** Well, this is the same kind of position George Woods took in principle way back in the '60s, that the Bank couldn't do that but it could do all sorts of facilitative things.

**KARCHER:** We could do credit. We could do rural infrastructure. We could do extension. I mean, there was a . . .

**KAPUR:** Post-reform.

**KARCHER:** Post-reform, that's right . .

**LEWIS:** And accompanying it.

**KARCHER:** . . . which was absolutely necessary. I mean, we felt that land reform without that was not meaningful, but if you accompany it by credit, by extension, by rural infrastructure, et cetera, then it would make sense. And that's the kind of thing that the Bank can finance more easily. I don't know. You may have researched in the meantime whether the Articles [*of Agreement*] of the Bank explicitly prevent the Bank from financing land transfers.

**KAPUR:** I've sent a note to the legal department, to [*Ibrahim F.I.*] Shihata, and I've talked to--whether there is anything. Their first reading was that they have not--they don't see anything explicit, but they are going to get a more explicit look at it.

**LEWIS:** They have to sort of go out and have a rationale that was somehow developmental that I shouldn't think--they've cooked up rationales on tougher things than that.

**KAPUR:** The same issue came up with adjustment loans.

**KARCHER:** On the other hand, I mean there was enough of these post-reform activities to finance that it was very easy to carve it out and to say, "Look, you,

government, you take over the responsibility"--and maybe some selected external donors—"you take over the responsibility for paying for the cost of transferring the land, I mean compensating the landlords, and we do the rest."

**LEWIS:** I don't feel that was very inhibiting. I think that in fact you had already helped them on the financing by discovering this relic in the old valuation so that--and what you did was to propose a way that you actually would have some redistribution and not just a swapping of assets.

**KAPUR:** And arguably an ag SECAL [*sector adjustment loans*] is so fungible that the government uses that money to . . .

**LEWIS:** Oh, sure.

**KARCHER:** That's right.

**LEWIS:** But at any rate the scenario that you had in mind was a mini consultative group, which of course could only happen if the government of the Philippines asked for it. Is that right?

**KARCHER:** That's right.

**LEWIS:** And they didn't?

**KARCHER:** They didn't. No.

**LEWIS:** So you weren't, you didn't—I gather there wasn't an occasion for active rejection of this within the Bank, was there, of your report?

**KARCHER:** I don't think it was rejected within the Bank as such. I mean, it was accepted at Mr. Karaosmanoglu's level, and he was vice president for the region. He signed off on it, and we sent it out under a very strong covering letter, saying that, "Look, the mission recommends a package of ten actions that the government take, and unless you take the whole package, we don't think it's going to happen." So it was very supportive and very strong.

**LEWIS:** Did you have--I guess Devesh indicates that there was some static from the Americans about this?

**KARCHER:** That's my impression. The first static was--before going on mission I was asked to go to the State Department and to explain to them what the mission was going to do, composition of the mission, et cetera. I mean, lots of questions were being asked, and especially after the meeting in the afternoon I had a phone call from someone who had been at the meeting saying that they really thought that I had chosen the wrong person to come as the land reform expert on this mission and that they would have much preferred someone else who was less radical.

**LEWIS:** I see.

**KAPUR:** Who were they referring to?

**KARCHER:** Well, they thought that Bill Thiesenhusen was too radical.

**LEWIS:** From the University of Wisconsin group? What's his name?

**KARCHER:** Thiesenhusen. So I mean, I thought that was a little bit . . .

**LEWIS:** And this was the State Department, not AID [*U.S. Agency for International Development*]?

**KARCHER:** Maybe the person was from the AID, but I mean the meeting was at State with representatives from AID, I think.

**LEWIS:** Well, there is actually a fairly close nexus there, but the sort of hard-nosed aspects of that sort of thing--at least if this is the same group that interacts with the FAO [*United Nations Food and Agriculture Organization*]--is in the State Department. There's a husband/wife team, and one is one place and one is the other. You sort of go back and forth. They're both--he's of Cuban extraction, and I forget what the hell is the name.

That reminds me, though, of a related question. I saw them because--I got involved to my surprise in a review group of looking at the whole of FAO back in '88, '89, and this was demanded by the losing countries when they weren't able to block the reappointment, re-election of Edouard Saouma as the Director General. He conceded that they could have this vetting exercise, and then people were nominated, and I was the least objectionable American of those that they put up.

**KARCHER:** It's a compliment!

**LEWIS:** It was a seven-man group headed by Just Faaland, who is now head of IFPRI [*International Food Policy Research Institute*]. There were three of us or four--three, I guess--from developed countries, and one was a sort of token Japanese, and then there were four quite good people from developing countries. All of this to say that we had a lot of briefing by senior FAO staff over the space of, on or off, several weeks over the space of a year and a half.

And one of those people was the head of the social and economic wing of the FAO, and he is a Latino. He succeeded Nural Islam, and I think his name maybe is Marino? And he's either Peruvian or Chilean; I think he's maybe Chilean. But he'd been doing stuff about land reform, talking about it, and I braced him on this very issue. I said that, "Here was a case, according to hearsay, but it was a real window of opportunity for doing something about land reform in the Philippines, and the Bank had charged in, and where was FAO? Weren't you asleep at the switch?" And he didn't take very kindly to that.

Do you know anything about the FAO?

**KARCHER:** No, I don't.

**LEWIS:** He was very—oh, he had been quite indignant and said that I had it all wrong, that the Bank's proposals were off the wall. I don't know what sort of game he was playing, but FAO was playing a much more prudent line at that point.

**KARCHER:** So was ADB [*Asian Development Bank*].

**LEWIS:** So was ADB, huh?

**KARCHER:** When we saw them in Manila, they didn't want to touch it.

**LEWIS:** I'm not surprised.

**KAPUR:** By prudent, meaning conservative.

**LEWIS:** Oh, yeah, conservative, oh yeah, yeah, yeah. But, you know, FAO was supposed to be at least very heavily influenced by the developing countries, and you might think that they would be . . .

**KAPUR:** But that might be precisely the reason . . .

**LEWIS:** That's true, yes, that's right. [*Laughter*]

**KAPUR:** Send the fox to guard the chickens.

**KARCHER:** I mean, so was the U.S. AID mission in Manila. They were very cautious about it.

**LEWIS:** Very cautious.

**KARCHER:** They said privately they sympathized with the position and the need for a land reform.

**LEWIS:** Was a guy named Blackinton [*phonetic*] there at that time, do you remember? He was at one time. I'm not sure--probably about that time.

**WEBB:** What was the scale of this proposal? I've never seen it. For instance, do you have any sense at all how much of the agricultural value added would have been redistributed?

**KARCHER:** I'm not sure whether we made that computation. I don't remember, but . . .

**WEBB:** Was it tending to 70 to 80 percent or 20 percent? Was it affecting practically all or half . . .

**KARCHER:** It was affecting a huge chunk of the land in the Philippines.

**LEWIS:** What fraction of the land would have been redistributed, do you know?

**KARCHER:** I'd have to look at the report.



**WEBB:** But in terms of production rather than that land, was that ever looked at?

**KARCHER:** I think we did look at what it will mean for production.

**WEBB:** No, I mean what percentage of production would be redistributed?

**KARCHER:** I don't remember. I haven't reread the report in five years or so.

**KAPUR:** For a few items it was, a few major items it was almost 90, 100 percent, like sugar.

**LEWIS:** Well, you—that was the big thing, that their own plan exempted sugar, which is interesting from a political point of view because that's what all the big, the Aquino family and so on were all in sugar.

**KAPUR:** And all the political power is the sugar families.

**WEBB:** Aquino? Aquino family?

**KARCHER:** She's the biggest landlord [all speaking at once]

**LEWIS:** She was going to be very virtuous if she went for this. They exempted sugar, and these people said, “No, no, everything should be included.”

**KARCHER:** The whole thing. I think one of the major disagreements was that they wanted to phase in the reform gradually, and we said, “You can't do it that way.” Experience shows that if you phase it, then land disappears. I mean, it will have been transferred to other people and when you come to it . . .

**LEWIS:** Cousins and so on.

**KARCHER:** Yeah. And there's no land to be reformed anymore. So we said, “You freeze all of the transactions as of January 1, '87, and take it from there.”

**LEWIS:** You played it pretty hard. Do you think in retrospect that you played too hard a game?

**KARCHER:** I don't think so.

**LEWIS:** You don't think so.

**KARCHER:** I think either they would go ahead or they would not go ahead. If they were serious, the job to be done was so huge that they had to involve people's participation. They had to have at the community level everybody involved: teachers, local officials, people's representatives, and really do it on a large scale. If you did it piecemeal, then it wouldn't happen. So I think—well, maybe it's debatable: Were we were asking too much or more than can be expected? From--I think from the evidence of what happened, it's obvious that even if we had watered down the recommendations somehow, they still would not have been acceptable.

**KAPUR:** I mean, if you see what they did, they did not accept it. They went ahead and said we'll do our own thing, and then you see what the outcomes were. Last year a whole 22 hectares were transferred. *[Laughter]* This is in the new issue of *Foreign Policy* journal. It's not a radical on the Philippines, which lays out . . .

**KARCHER:** And also, when they didn't go ahead with the land reform program, Mrs. Aquino finally left it to the landowners to decide what the value of the land was in terms of just compensation.

**LEWIS:** Oh, that's very nice.

**KARCHER:** Which is very nice, so it wasn't even the current market value, but it was the value the landowner would declare when asked, "How much is your land worth?"

**LEWIS:** I'm sure that's a vast oversimplification: it really sounds to me as though it was a great gamble and a wonderful one on the courage of one little lady. I mean, here you had this very pleasant, essentially housewife, who suddenly was vaulted into this position as a leader of a revolution. And if she'd been able to tough it out just a little bit longer, you could have had a sort of irreversible kind of change. But it went all against her, the whole conditioning. The money was more in her family than his. Her family is just loaded with this stuff, and so imagine the pressure coming in on her, and then she just caved. I mean I would assume that's what happened.

**KAPUR:** But the Bank—I mean, what was my impression of the follow-up and this is what interested me in how you see it--the Philippine government didn't take it up, and then it just seemed to have vanished from the Bank's sight also.

**KARCHER:** But this is where I'm really not in the picture anymore because there was the reorganization. I was transferred to a different department. And I think really, if you could, you should follow up with . . .

**LEWIS:** With people working on the Philippines after that . . .

**KARCHER:** Who were working on the Philippines to find out exactly what's happened, what's going on.

**KAPUR:** My feeling is from going through Conable's Philippines files and documenting the briefings which Conable got on what issues he should raise each time the finance minister or the planning minister or even when he met Mrs. Aquino, and the briefings, and I have documented that here: What are the issues which the Bank, which—because he always agreed that these are the issues we should take up, and the whole thing is on debt.

**LEWIS:** No mention of this?

**KAPUR:** I mentioned that it *[inaudible]*, and this is from '87 to '90. But he--I don't know if that is, but I think that's indicative, not necessarily true.

**LEWIS:** They've got a pretty good excuse, however, if the next step had to be taken by the government of the Philippines and they never took it. It's pretty easy for them, for management here to say, "Well, hell, we gave this a good shot, and we can't nag at them about this if they aren't interested."

**KAPUR:** It's interesting to see at the same time the Bank was doing a financial sector adjustment loan to the Philippines, and you see the very tough line laid out by the Bank on all sorts of financial sector, you know, all sorts of things.

*[End Tape 1, Side A]*

*[Begin Tape 1, Side B]*

**KARCHER:** . . . those who really made a lot of money. I mean, look at the S&L [*savings and loan*] crisis in this country.

**LEWIS:** Oh, sure.

**KARCHER:** So are we really tough?

**KAPUR:** Well, it's much more on, you know, almost on how much the banks can put out on credit. They're all sort of targets on--I don't know . . .

**LEWIS:** But in this case there was no suggestion, I take it, that land reform should be made an object of an adjustment loan.

**KARCHER:** Not to my knowledge.

**LEWIS:** I don't--has there ever been a case such as that where they--I wouldn't think so. They talk now, they're beginning to talk about—I think there's, I know there are instances even where there have been program loans that have been conditioned on certain kinds of educational reform, but maybe . . .

**KAPUR:** On--I guess they're becoming a little more involved on allocation. India and Pakistan were told that IDA [*International Development Association*] money, they could not expect if they did not spend more on, say, primary education . . .

**LEWIS:** Women's education, stuff like that.

**KAPUR:** Yeah. That's my understanding.

**LEWIS:** Yeah. But land reform hasn't got on that short list yet, I don't believe, so . . .

This is a--it's a sad story, this one, but I think you've give the, thanks to you and Karaosmanoglu, the Bank comes out with a braver venture than it normally undertakes.

**KARCHER:** Thanks.

**WEBB:** Now, was Al [*Mamadou Alpha*] Barry a part of the group?

**KARCHER:** Who?

**WEBB:** Al Barry?

**LEWIS:** Candidate?

**KARCHER:** No.

And, I mean, after the report was sent to the Philippines, we made sure to send 30 copies in the expectation that it would be leaked somehow. *[Laughter]*

**KAPUR:** And it was.

**KARCHER:** And it was. And what it did was really to contribute to the debate and to give arguments to people in favor of land reform so when the debate started in parliament, you had people talking knowledgeably about what land reform can do and why it's important, et cetera, et cetera. So to some extent it played the role domestically of informing the people and providing them with good arguments in favor--I mean, those who wanted them.

**LEWIS:** Were there academic economists who came in strongly in support of this?

**KARCHER:** There were. I mean there was one professor who was in fact a member of Dr. Monsod's team who was working as a kind of counterpart to us . . .

**WEBB:** *[Mahar]* Mangahas?

**KARCHER:** I have his name. He's the head of the Social—what's it called?--Social Weather Station.

**LEWIS:** You don't know how *[Jose]* Encarnacion *[inaudible]*? He was the dean of economics at Diliman. He probably stays above this kind of fray; I'm not sure.

**KAPUR:** How—I guess that now you're working on sort of social sector issues, how do you sort of see this episode in the whole of the Bank's concern for equity? Or lack?

**KARCHER:** It's a good question. My impression is that the Bank's concern for equity depends very much on the division and the manager concerned directly, regardless of the speeches being made by presidents or the senior vice presidents or vice presidents. Well, it really boils down to what are the interests of the division and managers.

**LEWIS:** The division?

**KARCHER:** The division and manager. If a division chief is interested in equity issues, he or she can work on equity issues and you can get those kinds of concerns incorporated into project design. If you're not interested, I don't think anybody is going to slap you on your wrist for not being interested, so . . .

**LEWIS:** That's interesting. It suggests quite a decentralized view of how things operate. Wouldn't there still be a—wouldn't it be important if management, top management, is giving off signals that . .

**KARCHER:** I think it's important for top management to give those signals because it provides some room for those who are interested to do the work. If you are interested in women in development issues and Mr. Conable or Mrs. Conable keeps talking about women in development issues, it provides you with a breathing space. Then you can get resources, you can get it into the work program, you can mobilize external resources mostly to do the work, but you can do it. It's been legitimized. If, at the top echelon, people are not concerned, or, say, I mean even totally unconcerned about it, it makes life at the bottom of the ladder much more difficult because I don't think that those concerns have really percolated through the whole machinery.

**KAPUR:** I was wondering if you've seen at all in the time you've been in this institution, has the concern increased? Are more managers interested? Do you think it's really been not changed? Has it been a waxing and waning?

**KARCHER:** No, I think it has increased--since I've been in the Bank for a long time--but not to the extent that you would expect. And it comes and goes.

**KAPUR:** It's not a linear progression.

**KARCHER:** It's not a linear progression, and unfortunately it takes on a kind of nature of a fad.

If Mr. McNamara speaks a lot about poverty and rural development and urban development, et cetera, you have more people who are encouraged to do something about it. But I think that even he would have had to prove that he was serious about these concerns, and if there was a trade-off between meeting lending targets or holding back 'til a government was serious about those issues, he would have had to give the example and say, "Look, I'm not lending any more to that country unless they do something meaningful." And I don't think that signal ever came through. Then, I mean, you did have basic needs in the mid-'70s, late-'70s.

When Mr. Clausen came, my impression is that he forgot about those issues. He was more into macroeconomics and structural adjustment programs.

Mr. Conable again gave an impetus to people interested in those issues, and I think he's provided quite a lot of breathing space, as I call it, for people to do something.

We don't know about the new president.

**LEWIS:** You don't know about [*Lewis T.*] Preston yet, huh?

**KARCHER:** I don't know if you've had a chance to talk to him.

**LEWIS:** No, we haven't, we haven't.

**KARCHER:** Everybody's waiting for his speech at the annual meeting to see what might transpire about his views.

**LEWIS:** All we know is that McNamara from a distance thinks well of him, but hasn't talked with him except *[inaudible]*

**KAPUR:** Do you know of any—in your experience--any country where the Bank actually laid down that, “Look, unless you do more on this issue . . .”

**KARCHER:** I really don't.

**KAPUR:** So in the countries where you've worked, you haven't experienced that. That may be an indication *[inaudible]* India, Bangladesh . . .

**KARCHER:** I think to a large extent the Bank was guided by the governments' own policies and guided by not so much the rhetoric of governments (because you have so many governments saying that they are concerned about equity issues) but guided by whether the governments are seriously undertaking actions. And if a government is not, I think the Bank would still go along and have a lending program and a sector work program but not say, “You're not serious, and therefore we cannot support what you're doing.”

**WEBB:** When you look to the speeches, it's very hard to know what country you're in.

**KAPUR:** Because they're all the same? Every one can . . .

**WEBB:** Even the constitution.

**KARCHER:** But it's good if a country's government makes the right speeches, then I think it gives the Bank a handle. Then we can say, “Look, it's the government's policy. That's what you, the government, are saying, but your actions do not reflect your intentions. Can we help you to get closer to the objectives that you're pursuing?”

**LEWIS:** What would the--short of the president, in these years that you've been here, have there been other senior people who've been particularly positive in their approach to social sector things? I suppose in a way--we talked about *Redistribution with Growth*--I guess you'd have to say that the *[Hollis B.]* Chenery research establishment was sort of running in that direction. Did people like *[J. Burke]* Knapp or Stern get, did they come down either pro or con very much or were they preoccupied with other things?

**KARCHER:** I think it's a difficult question for me to answer not having had great contact, but, I mean, *Redistribution with Growth* did give some impetus to those concerns and issues and to people who wanted to work on those issues.

As I mentioned, in India, for instance, there wasn't any major concern about land reform, about pursuing that aspect. It was agricultural growth; it was increased irrigation, high-yielding varieties, et cetera, et cetera. The basic focus was really much more on production. When India had 20 million tons of food grains in its silos,

storage, and you still had hungry people, some of us were asking, “But what is it for?” Increased production is not enough. People have to have the purchasing power to have access to the food, and I don't think there was enough debate on how to provide access to purchasing power, how to generate the employment so that people would actually be able to buy the food that was being produced.

That I think is a big lacuna, and I don't think—maybe it would be interesting to do a chapter on employment and the World Bank. How does the World Bank perceive employment? How do we deal with the landless? How do we perceive the problems? How are the solutions that we are propounding or the projects that we are financing helping those people?

**KAPUR:** I was wondering, I mean employment must have been seen at the time as sort of subgroup within a forwarding strategy, for forward irrigation, for the poor, I mean increasing their employment, that is the intention [*inaudible*], or wanted to. But clearly that priority seems hardly ever operationalized. At least that instrument of public poverty alleviation was not seen to be either a viable instrument or a worthwhile instrument for the Bank to explicitly back in its operations. Is that a fair statement?

**KARCHER:** I think that's right, yes.

**LEWIS:** We have to remember, of course, that the Bank in that phase, in that period, was backing away from program lending in South Asia and was very much back into projects, and it was-- a limit to how much local currency funding was going to do, so that they would argue that there was not a hell of a lot they can do in terms of transfers that would be for employment programs.

**KARCHER:** On the other hand, we never bothered much about what the local currency counterpart funds were being used for.

**LEWIS:** No, that's right.

**KARCHER:** The governments could use them at their discretion.

**KAPUR:** Right. And the Bank never said that the local currency ought to go for, say, employment programs.

**KARCHER:** And I think the Bank was never terribly in favor of employment programs as such.

**LEWIS:** Well, that's the one thing I was--I'm an old rural public works fellow, and I was very annoyed with *Redistribution with Growth* because there was almost nothing in there about employment programs. They talk about this human capital, but it's as if they never heard of them. And I think it's partly because they thought they were messy, that they were difficult to manage, all of which is true, but if you're going to really do something to raise the productivity of the poor, you've got to put them to work.

**KARCHER:** We just did a project in Sri Lanka, which is called a poverty alleviation project, trying to help the government generate employment for poor people, and it really was tough going.

**LEWIS:** When was this?

**KARCHER:** It came to the Board in May this year.

**LEWIS:** This year?

**KARCHER:** And it was called to begin with “poverty alleviation and rural employment project” or “employment project,” and we had to drop “employment” from the title.

**LEWIS:** I see. That's interesting.

**KAPUR:** But sort of why, where did the negative reaction in the Bank come from: from Operations, the senior operations staff or . . .

**KARCHER:** From basically the chief economist's office . .

**KAPUR:** Oh, here in Asia.

**KARCHER:** . . in the Asia region. I mean Oktay . .

**LEWIS:** From Oktay?

**KARCHER:** . . has always been very doubtful as to whether the Bank could do anything about employment or with employment.

**KAPUR:** Or about equity issues in general?

**KARCHER:** Even doing sector work on employment, he would discourage it so strongly that nobody would come forward with . .

**LEWIS:** Huh. I didn't know that about that fellow.

**KARCHER:** . . with a proposal to do a piece of sector work on employment.

**KAPUR:** He was actually one of the few people who his letters--when I was seeing the memos in response to your first drafts on the Philippine land reform, he was one of the few negative voices.

**LEWIS:** That's interesting. I've known Oktay for a long time, but I haven't really talked much substance with him, I guess. He's a very sharp guy, but I'm not altogether surprised.

**WEBB:** This project went through the Board?



**KARCHER:** This project went through the Board with flying colors, and then the Board members--we had so much problems at various levels to get the project . .

**KAPUR:** Within the Bank?

**KARCHER:** . . within the Bank, to get it approved, but when it reached the Board many of the Executive Directors who spoke up were extremely complimentary, saying, "This is the kind of project that the Bank should be doing more of" and . . .

**LEWIS:** Well, I'd like to see something on that. That's very . . .

**KAPUR:** Do you have--I was wondering if you could just look at some memos from within the Bank and the response to this project.

**KARCHER:** If it's still part of your history.

**LEWIS:** That's right.

**KAPUR:** It's within our dates.

**KARCHER:** What is your cut-off point?

**LEWIS:** Our cut-off is 30th of June 1991.

**WEBB:** No, that's only a partial cut-off. *[all talking at once]*

**KAPUR:** We have automatic access to everything to the end of the year 1991 and any documentation subsequent to that is, we do not have automatic access.

**KARCHER:** I see. That's interesting.

**KAPUR:** After that it depends on the individual.

**LEWIS:** Well, they think that it may rock the boat in terms of transactions with some members. That's fair enough.

**WEBB:** Well, we can see it but not necessarily use it.

**LEWIS:** Well, that's another thing. There again, the issue even before the cut-off date, if the legal department says that a direct quotation of a document marked "confidential" would be embarrassing or difficult in terms of relations with members, we may not--they can suppress the direct quotation, but we can paraphrase it. We can provide the substance but not technically violate the confidentiality. We've got a pretty broad--that's not our problem.

**KARCHER:** It's the volume!

**LEWIS:** Yes!

Well, I find this Philippines thing fascinating.

**WEBB:** Yeah, it's an interesting story. I'm quite surprised that you--to get this rounded off--you said that within the Bank that all the people consulted were supportive.

**KARCHER:** Most of them were.

**WEBB:** Was anyone with any weight negative?

**KARCHER:** As I recall, I think it was our chief economist, the same Oktay, who was . . .

**WEBB:** Once again.

**LEWIS:** But it wasn't Ernie Stern or somebody up the ladder?

**KARCHER:** Not to my knowledge, no.

**WEBB:** People in the ag department?

**KARCHER:** Where they had asked us or looked at this at that time, I don't know. I don't have the impression.

**LEWIS:** Let's see, who was that? Was Michel Petit here?

**KARCHER:** No, it was Ed [*G. Edward*] Schuh.

**KAPUR:** There is something by Ed Schuh and Hyami [*phonetic*] which I saw.

**KARCHER:** Ed Schuh was supportive. We didn't know how he would come out.

**LEWIS:** That's good. Good for Ed.

Really, it's quite a good story. It's a sort of a—I think people could see this window of opportunity argument: Here's a chance to be virtuous for once, and . . .

**KAPUR:** But also it's in a sense it's more interesting to me that because of the reorganization and the confusion, the Bank itself at the top was not really focused on this.

**LEWIS:** Yeah, but I don't know how much they could have done . . .

**KAPUR:** Done, even if they were, right.

**KARCHER:** Things were happening so fast in the Philippines, and Mrs. Aquino, I think she changed her mind.

**LEWIS:** She choked.

**KARCHER:** I think I should have mentioned that in agricultural division there was quite, I mean some opposition to the report.

**LEWIS:** In their . . .

**KARCHER:** No, in here, here.

**LEWIS:** In the agricultural department here?

**KARCHER:** No, not the department, but the division in the region.

**LEWIS:** Oh, division, regional division.

**KARCHER:** The regional division. There were some people who took really exception to our, to the report.

**WEBB:** In the regional . . .

**KARCHER:** East Asia region, the agricultural division.

**WEBB:** Regional technical?

**KARCHER:** There was no technical division at that time.

**LEWIS:** Well, the agriculture, the main agricultural expertise . .

**KARCHER:** Was there.

**LEWIS:** . . was in these regional shops and the Schuh thing was just sort of overarching.

**KAPUR:** Was it primarily on production disruption grounds or . . .

**KARCHER:** I think just an opposition in principle to land reform as such.

**LEWIS:** It could be. A lot of these agriculturists are pretty conservative.

**KARCHER:** That's right. I mean, there was some opposition there.

Oktay was really not sanguine about the report. I mean, his point was that this is a political issue, and the Bank should not be involved in political issues.

And I think Mr. [Gautam S.] Kaji's point at that point was, "Well, we knew from the beginning that this is a political issue. When we accepted the job in Paris, we knew it was a political issue. That doesn't seem to be an argument not to produce the report."

**LEWIS:** So the two Turks did not agree on this one?

**KARCHER:** They--some tense discussions, I think. But you should talk to them. Get Karaosmanoglu's impressions and his recollections and then the follow-up, what happened, because I just don't know.

**KAPUR:** Attila--both he and Kaji, who is now going, but they both continued, Karaosmanoglu as Asia, Gautam Kaji as director of that region including the Philippines, so both of them would know.

**WEBB:** [*inaudible*] that the Bank would follow through?

**KAPUR:** No, I really think it did not.

**WEBB:** I mean, if the Philippines had said okay, and I suspect even then--I would bet that they would have gotten around--submerged . . .

**KARCHER:** No, not from the Bank. I mean, we would have been the first ones to have that meeting, discuss the report, get pledges and get the thing going. There was enough momentum.

**WEBB:** No, what I mean is that in a second round there would have been much more vigorous opposition that would have involved business interests in general probably, not just the farmers, and I think the banks would have come into this.

**LEWIS:** You're talking about in the Philippines?

**WEBB:** Yeah, and the commercial banks, American commercial banks.

**LEWIS:** No, but you see . . .

**WEBB:** That's my scenario.

**LEWIS:** . . . she could have done it by decree. She absolutely could pass or lay down a law that did this. Now, maybe it could be repealed.

**KARCHER:** It might have been. There might have been so much opposition . . .

**WEBB:** If she had come closer to doing it, is what I'm saying, if she had really sat down and said to people--and it would have gotten all over the place--that she was really going to do this, then I think we would have had a second round of . . .

**LEWIS:** I don't know. I think people thought she was going to do it.

**KAPUR:** She didn't have time, Richard. Either the congress was going to reconvene in July.

**KARCHER:** August.

**KAPUR:** July or August. This report comes out in May. May?

**KARCHER:** May 13<sup>th</sup>.

**KAPUR:** May the 13<sup>th</sup>. They respond end of May. She has between--everyone knew that once the congress reconvened it was gone because it would be too diluted to be really [*inaudible*] So there were these two months. So there wasn't that much time to

really announce. It was either just announce it as a *fait accompli* and see what happens, and if--the impression I have is that if you procrastinate, you're gone, and that was the whole question. If you want to do it, do it as a package and now just pass the decree. And that was a--the window was closing very fast.

**WEBB:** You see, the people in finance and the central bank are very conservative. I suspect something like this would have created some waves for the whole of the debt problem, and that would have been huge. I think the bank would not have tolerated anything that threatened the debt in a macro solution. That's just my . . .

**KARCHER:** I think you've touched on something that just reminded me that at the wrap-up meeting with Solita Monsod, she actually made the threat that if external donors don't come forward to finance the cost of this exercise, the Philippines would stop paying on its external debt and use those resources to pay for the land reform. And it seemed so urgent and so important to her and (we felt) to the government.

**WEBB:** The thing is that she was advocating not paying the debt right from the beginning.

**KARCHER:** But she linked it explicitly to external support for the land reform . .

**WEBB:** At that moment.

**KARCHER:** At that moment.

**WEBB:** But all along she was fighting an internal battle that she lost. All along she was kept on by Aquino but never given the . . .

**KARCHER:** The real power.

**WEBB:** Yeah. And the guy who really ran things was this man at the central bank. What was his name? [*Jose B., Jr.*] Fernandez? Yeah.

**LEWIS:** So you're saying, really, that . .

**WEBB:** I suspect that it was a little more politics.

**LEWIS:** If she--I was just saying earlier that she just sort of choked, that she backed away under pressure, family or whatnot, but you're saying that maybe she really didn't have the option of going for it, that the . .

**WEBB:** No, I wouldn't rule it out. I just think it would have meant quite a lot of waves, and the Bank would have been in a more awkward situation than it sounds, and . . .

**KARCHER:** But it was very difficult.

**LEWIS:** Oh, I think it would have been awkward. I think that's precisely it. I think it was sort of a ratchet situation. If she could have gone for it in that short window, and they had his report there, the Bank had recommended this, signed off by a vice

president, it would have been on the hook, it said if you've taken the plunge, we're going to have to—at least there would have been a lot of friction and static, but I think it would have been very difficult for the Bank to back away from it at that point. What they're called on in terms of money was probably not all that much. I mean, there probably is--some people in this institution probably heaved a sigh of relief when they didn't do anything!

**WEBB:** Well, that's what I'm saying. I'm sure. But, I mean, I suspect Treasury would have come out against it.

**KAPUR:** The U.S. Treasury?

**WEBB:** Yeah.

**LEWIS:** Well, it's hard to say. Maybe so, but . . .

**KARCHER:** At the State Department they were asking us, “If you do that, what's going to happen to sugar production and exports?” *[Laughter]*

**KAPUR:** That was when the price of sugar was . . .

**KARCHER:** Slightly depressed.

**KAPUR:** . . . falling, it was going--it had gone from twenty cents to four cents a pound.

**KARCHER:** And lots of the questions had to do with, “If you turn over the land to the workers and to the landless, what's going to happen to exports?”

**KAPUR:** *[inaudible]*

**KARCHER:** It showed the trend of their kind of reasoning.

**WEBB:** Do you think they were worried that the price would go up?

**KARCHER:** No, they were worried that the Philippines would no longer export commodities and therefore their balance of payments would be affected and so what would happen, what's the impact on the balance of payments.

**KAPUR:** Basically through production.

**WEBB:** And that's the State Department. The Treasury would have been a lot more turned on by this.

**KAPUR:** As it happened, the Philippines' exports of sugar to the U.S. really almost completely vanished after '87.

**LEWIS:** Well, the whole--I'm still kind of puzzled by their question. The whole market, U.S. market for sugar is totally artificial.

**KAPUR:** Absolutely.

**LEWIS:** It's rationed by the countries, and they'd be glad to have some of those quotas that they could reassign to some other friends and . . .

**KAPUR:** *[inaudible]*

**KARCHER:** It wasn't just sugar. It was all the plantation crops.

**LEWIS:** Oh, I see. They were worried about their exports.

**KARCHER:** Yeah, about exports in general.

**LEWIS:** Yeah, yes, I see.

**KAPUR:** It was precisely some of the plantation [two interviewers speaking at once] which have the worst aspects of . . .

**KARCHER:** Exploitation.

**KAPUR:** . . . of exploitation in the Philippines. The whole Philippines' political economy has been this fantastic . . .

**LEWIS:** Well, that's sort of a Bank-type question: What's going to happen to exports? An Anne Krueger kind of thing.

**KARCHER:** I mean, I would have expected it more from this institution than from the U.S. State Department.

**WEBB:** We really appreciate your time.

**LEWIS:** Oh, indeed. It's very, very interesting.

**KARCHER:** Thanks. For us on the team it probably was the most exciting thing that we've done in our Bank career. It just seemed to be such, as you say, a window of opportunity. This was going to be something meaningful which could really have made a difference.

**LEWIS:** It's a bloody shame.

**KARCHER:** As you say, we may have been too radical or too optimistic about what could be done.

**LEWIS:** No, I think you make some pretty good point, that you probably couldn't have diluted it too much without losing what you were shooting for. I don't know enough about it to disagree with you. It's--I don't know whether it's something that, if you had a McNamara, possibly you could have had a Bank leadership that really would go out and try to . . .

**KARCHER:** Sell the program.

**LEWIS:** . . . hold their hands, strengthen it. But it's a difficult thing for a multilateral chief to do, I think. It's something that if you had a progressive bilateral agreement, like the U.S. one, with a very different cast of characters [*inaudible*] in place, might have helped.

**KARCHER:** But if you remember, that's was the period when there were all these changes going on. Ernie Stern was changing. [*Moeen A.*] Qureshi was taking over . .

**LEWIS:** Oh, I know, sure, I mean, absolute chaos.

**KARCHER:** . . . and nobody had the time to focus on these kinds of issues.

**LEWIS:** Oh, I know.

**KAPUR:** There was no--that's what I said—I mean, it's one thing for, you know, a McNamara to go and hold Aquino's hand. It gives a very different sense of support for a person who is . .

**LEWIS:** Well, Conable was in his first year. He was totally beleaguered. He had created this monster of the reorganization because he felt he had to do it politically. I know. The place was a shambles.

**KARCHER:** It was.

**LEWIS:** In fact, you were lucky to get away from it for a while!

**KARCHER:** That's right.

**LEWIS:** Well, the history needs a few sad stories. This is one of them.

*[End Tape 1, Side B]*

*[End of interview]*