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Transcript of interview with

SHAHID JAVED BURKI

**January 16, 1992
Washington, D.C.**

Interview by: Richard Webb, Devesh Kapur

**February 2, 1993
Washington, D.C.**

Interview by: John Lewis, Richard Webb, Devesh Kapur

*Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited*

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.

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

SHAHID JAVED BURKI

Session 1

January 16, 1992

Washington, D.C.

[The quality of this recording is poor; the recorder often seems too far away from all three participants.]¹

[Begin Tape 1, Side A]

WEBB: This is a first effort here, thoughts. I thought—you notice the dates—you might have some reactions or comments on these points. Starting there where it says F, the story on it, but what is above that is just a list of the—I call them “readings.” [long pause on tape; interviewers must be reading something]

It was always true that what the basic needs was seeking was to raise productivity rather than to protect, rather than to be a safety net for people who needed funding to survive, and I sense that it was always true in the Bank. The Bank was never, been able to or wanted to let go of the central idea that the only long-run solution is the poor must produce. Anything that is pure transfer, consumption, has to be put aside. When one advocates basic needs one could be thinking in terms of pure transfer, certain almost human rights, people need to survive, but my sense is that the Bank has never talked that way, that even in this debate *[inaudible]* people were talking about basic needs rather than *[inaudible]* it was as a way of raising productivity rather than as something that really could be more radical, could be described as something like human rights or pure equity. Is that right, or am I wrong? [both speaking at once]

BURKI: I disagree with this because when we came to basic needs, we came with the idea that for long-term sustainable development—I mean, these were—sustainable development was not in the economic idiom at that point, but that's essentially what we had in mind. And in order to do that sort of thing we needed to educate the poor, make them healthy, work towards longevity that had *[inaudible]*, the synergistic aspects of various kinds of interventions. That was a critical element in our thinking, and the *WDR*, the *World Development Report* that was done by Paul Isenman, the outline of that was prepared by Paul Streeten and myself. We took it to *[Robert S.]* McNamara and persuaded him that we needed to do something like this in order to—the first time this phrase, this theme, was left by us in this outline, all these things interacted with one another and produced an environment in which sustainable long-term development was possible. And he bought this. And then, you know, we were asked to develop this. And this *WDR* was born in our department or developed in it, and Paul Isenman was appointed to guide that thing. And so it was not really so much transfers as creating the base for sustainable development that was, I guess, the conceptual underpinnings of this particular *[inaudible]* And therefore we put this out in the book *[inaudible]*

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

KAPUR: Could we elaborate on this point? In some way we've underlined something--I'm not now *[inaudible]* basic needs *[inaudible]* The institution has maintained that really there are other institutions which are better, humanitarian-focused and therefore the sorts of transfer, as you're saying, you know, that maybe the Red Cross or this and that, but really that's not our loan type of *[inaudible]* for productive purposes and therefore the rationale which at least ought to underlie our Charter ought to be that, rather than the sorts of transfers which are the rationale for the *[inaudible]*

BURKI: But that's a total, totally wrong interpretation of the basic needs.

KAPUR: No, I'm saying if you take away that part and you take over--I'm not, as I said, other than that case, would that be a reasonable explanation of the Bank's overall limitations?

BURKI: No, but this has nothing to do with humanitarian aid.

KAPUR: The basic needs?

BURKI: Yeah. I mean, it is simply because of the belief that unless you do these things, you're not going to have sustainable growth. I mean, why I'm so attracted to the China experiment is because this is precisely what they have done. It is precisely what the rest of *[inaudible]* that they have provided themselves by way of human resource development, poverty alleviation, tremendous advances in healthcare and education and this, that, and the other. They have now created an environment on the basis of which I am prepared to be very, very optimistic about China's development. I am not optimistic about South Asia's economic development for precisely those reasons, that they have not concentrated their efforts in these kinds of areas. Briefly we were all very enthusiastic about what was happening in *[inaudible]*, their food direct intervention; the government has done wonderful things in basic health, basic education and so on, but that individual *[inaudible]* one important topic population *[inaudible]*

WEBB: It sounds to me as though you are--what you're saying really is just--the justification of basic needs is that it's necessary to generate higher income *[inaudible]* of the poor over, rather than equity or some humanitarian *[inaudible]* Well, that's what I was saying, that the Bank, in that sense, it's more pragmatic today, perhaps, rather than a difference in values. It was a phrase [both speaking at once]

BURKI: That is probably a good way of putting it, that it is pragmatic rather than just *[inaudible]* values. Essentially—and where I came into this, I guess, was after having done a fair amount of work in Pakistan where I became convinced that unless you concentrated on the nonphysical assets of the poor and developed those assets, you could do nothing about these people participating in most of the *[inaudible]* Where I had my nativist disagreement with Hollis *[Chenery]* and Monte *[Yudelman]* because they were concerned mostly with making physical assets productive, enhancing small farmer development, and so on. And where then I also had differences of direction with ILO *[International Labor Organization]*--and I forget the name of that guy, big man, who was a director general of ILO, who was a pioneer in these areas. *[inaudible]* Louis . . .

WEBB: Emmerij.

BURKI: Louis Emmerij. He and I had lots of intellectual disagreements during this period. He was also concentrating his attention on physical assets, improving the productivity [inaudible] and my view was that you had to go beyond that, that you had to treat human resource as a physical asset and develop that resource through education and public health and various [inaudible] and so on and so forth and that there was a synergism in all this. I was very influenced, I must say, by the Chinese, and I had done some . . .

WEBB: You had?

BURKI: Well, I have done--I had written a book on China in 1969, and I was . . .

WEBB: Is that right?

BURKI: And I was [inaudible]

WEBB: This was within the Bank?

BURKI: Yeah, I was at Harvard University. You see, I led a team of economists to China from Pakistan in 1965 to study their system of communes, and I came back and I said to the government of China that, at least the way I read it, your system of communes is designed to do five things: number 1, improve human resource; number 2, diversify opportunities [inaudible] for the poor; number 3, provide for what in today's language would be called good governance; number 4, to have better linkages in the rural and the urban economies; and number 5, to improve the productivity of land. And I said to them that you should treat the last four as total failure [inaudible] unless you do something about the first. This is a problem [inaudible] The Chinese were very, very unhappy with that conclusion because they thought that they had made tremendous strides on the productivity side and they hadn't. And I pointed out to them, looking at their private plots and the human environment and the productivity of the country, I said, "Write another plan." So when I went to Harvard and I worked with Dwight Perkins and so on, he encouraged me to write this up as a Harvard University book. So I knew this Chinese [inaudible] human resources and to decentralize [inaudible] So I guess, all things considered, I was very fortunate to be [inaudible]

KAPUR: You were--in '88, you were with [Attila] Karaosmanoglu in the task force on poverty, which you were a member of, these views of yours--I mean, if you want to see that task force, in a sense other than the [Alexander] Shalow in '83, to be the last sort of major intellectual towards basic needs in the Bank--in the end of the '70s and then there's a gap and then you come with [Jean-Francois] Rischard in '87 which leads to the Karaosmanoglu task force. What sort of evolution would you see?

BURKI: Well, that report was interesting because it was--of course, the final report was written jointly by Oktay Yenal and myself. Oktay concentrated much more on the macroeconomic aspects of that, and I came up with this thing that was--a name was given to it--the poverty strategy, some such term which . . .

KAPUR: There is a thing called CPP.

BURKI: CPP.

KAPUR: Core poverty program.

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

BURKI: Core poverty program, within the context of overall development plans. So essentially I was using more or less the same concept that we had developed *[inaudible]* basic needs, that had to be regarded a little more *[inaudible]* poverty *[inaudible]* government responsibility, and that had to be defined in terms of this core poverty program which the Bank would then commit itself to assist. But the Bank wouldn't buy that.

KAPUR: Right. *[inaudible]* there were million dollar funds *[inaudible]*

BURKI: I find that very *[inaudible]*. Their—Oktay's contribution was to give orientation to poverty work, to system in poverty, the macroeconomic aspects.

WEBB: How did your task force work relate to what Shakow was doing in producing his article?

BURKI: *[both speaking at once]* He had already done his.

WEBB: I don't mean the '83 one; I mean, there was another paper of Shakow's that came out in '88.

BURKI: Yes, that was after we had done ours because this was not accepted by the management, what we had been doing, and then I think Shakow was asked to take up this and then translate it into some kind of an operational directive.

WEBB: Ah. He was tasked by the management?

BURKI: Yeah.

WEBB: In other words, was the idea to see what could be salvaged or what?

BURKI: What could be salvaged, that's right. The Board *[of Executive Directors]* was very unhappy with our report, particularly the developed countries.

KAPUR: The Board was? On what grounds?

BURKI: Oh, on the same grounds that the Bank's job really is to *[inaudible]* and, you know, to create an environment for *[inaudible]* and that this is putting the Bank in a *[inaudible]* *[Barber B.]* Conable was pretty new at that point to really understand the intellectual side of this. He later on began to see the wisdom of this *[inaudible]* He was a convert to this idea later on, but at that point it was . . .

WEBB: We understood from *[inaudible]* more to *[inaudible]* view of operations.

BURKI: Yes. Right. And also because of his wife. She was a tremendous influence on him. She probably saw more of the development process than he did, and while he was engaged in, you know, a dialogue with the generals, she was out there with the projects meeting the people. So she *[inaudible]*

WEBB: I guess she's the first "first lady" of the Bank.

BURKI: Yes, only wife of a president who was an expert in the Bank [inaudible] profoundly engaged in the Bank's work, particularly in the poverty side of things, women in development [inaudible] And his switch to poverty--he then began to say that the Bank's principal objective is poverty alleviation, which is, you know, a throwback to McNamara '73.

KAPUR: Right. The biggest--I'm afraid to ask this—I'm still somewhat--did you see, I mean, vis-a-vis [inaudible] insofar as in the end it has to be the government's own efforts towards [inaudible] which was actually [inaudible] for poverty alleviation [inaudible] within the Bank. The Bank, other than Africa [inaudible] How do you see the evolution of the Bank's instruments to persuade governments or to twist arms to do that? Or has the Bank actually been shy? [inaudible] You know, "Look, no more IDA [International Development Association] money unless your public expense"—say, if you look at public expenses [inaudible] and how the Bank has looked at that [inaudible]--"that algorithm changes or what role [inaudible] substantive changes we're not"--has that been part of the policy dialogue? Has it been part of adjustment lending? Has there been much leverage? How has it changed, if it has?

BURKI: You see, you're asking—you see, you're asking a very critical question, one--a question that relates to the Bank's entire mission and how did it perform that mission, and you use various cases like twisting of arms. And my view is that arm twisting never works. You have to have receptivity on the other side in order for the Bank to succeed in performing its mission [inaudible] You have receptivity; you have to have diligence on both sides. You have to have analytical understanding, underpinnings, on the Bank's side to be able to be persuasive with the people that you're bargaining with.

Let me give you an example of what's going on in China at this point and where the Bank has had an enormous impact. We are a very small player in terms of total investments, but for the last three years I have been telling the Chinese that they have been bowled over by [inaudible] macroeconomic reforms to such an extent that their poverty situation has begun to [inaudible] and some of their indices are now moving in opposite directions [inaudible] mortality [inaudible] maternal mortality, education levels [inaudible] and therefore they must not abandon what they have done earlier on under the system of communism in order to provide these kinds of services to the poor, that don't let the markets emerge once again as the most important indicator of resources, that there has to be current information. There has been that dialogue. We've succeeded, and we've shown them how to do it.

We've done a series of projects. One project approved only a couple of months ago that's highly favored by the Board because it was considered to be a very limited project, a project called infectious diseases. We took the message to the Chinese that two diseases which you thought were eliminated in fact have come back now after nearly elimination: these are schistosomiasis and tuberculosis. Both are in a way related to development. Schistosomiasis because of, you know, water resource development and so on and tuberculosis because of changes in environment, but both of them have gotten worse in their incidence because you have introduced elements of total privatization in the health sector. A barefoot doctor--I think you were there when I talked about this at Princeton also.

KAPUR: Yes.

BURKI: A barefoot doctor is now charging his patients for the services that he was previously rendering free. Now, we know that once you start charging people their attention

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

shifts. It's a metric that *[inaudible]* And that has suffered. So we then convinced the Chinese that that trend has to be reversed. So that's an example of the kind of impact the Bank can have, especially if you have a receptive client on the other side to join with the Bank, first in dialogue and then in understanding how things can be . . .

KAPUR: But one could make *[inaudible]* or even receptive to these things, and if not, what do you do?

BURKI: Well, it's difficult to say that you're dealing with a monolithic client. There are always people who are listening; there are always people who are thinking about the issues, worrying about them. And I think the Bank starts with the instinct *[inaudible]* for change. I mean, in my own country, for instance, Pakistan, I used to meet with the Bank *[inaudible]* I used to come equipped, you know, we'd sign on the dotted line with the Bank, and *[inaudible]* whatever you *[inaudible]* So . . .

WEBB: *[inaudible]* recently a poverty, some kind of poverty conditionality imposed. Is that not right? You don't see that as workable, then, not at all, or rather not a good idea?

BURKI: I am very skeptical about conditionalities. That's arm-twisting, and I have--that's why I'm--I've always been very skeptical about adjustment lending.

KAPUR: That's because, you know, really one has the sense the Bank has never explicitly recognized fungibility, the way things *[inaudible]* could change and overall, for instance, you know, look at the *[inaudible]* for X; that will do wonders for sectors. But is there intrinsically, this issue, you know, as you said, that you can sign on the bottom line to do . . .

BURKI: You are absolutely right. I mean, with my own division chiefs over here I have a running battle. They want me to influence the Bank in terms of determining *[inaudible]* the sectors. They would like me to insist that when we, when our funds are passed on by Beijing to province X, Y and Z, which is down three or four levels of authority. And my point to them is that money is fungible. They may do this for our funds if we really twist their arms, but then they'll get it back somehow or other. So what we have to address ourselves to is the overall policy with respect to social development and financial *[inaudible]* and fiscal relationships between different levels of government.

And that--and just making yourselves part of a small campaign and saying that, you know, "We are happy. Our projects will *[inaudible]*." So we come out looking very good, but I don't think we have then really served the client as we should. I think we have to engage ourselves with the client and say, "Well, the institutions have to change policies for this kind of *[inaudible]*."

WEBB: Do you think the Bank needs to do that more often *[inaudible]*

BURKI: No.

WEBB: No?

BURKI: If anything it's doing now more of this because of--I mean, that's the positive side of a bureaucracy in the sense that when we do not understand the macro side of development-

-previously under [*George D.*] Woods and so on the Bank was [*inaudible*] kind of a purist [*inaudible*]

WEBB: I think we'd better interrupt this now because I'd like to be welcome to come back.

BURKI: Oh, you're welcome anytime.

WEBB: This has really helped a lot. I wonder if I could send you the revised version of that to see if you would just glance at it sometime and had some thoughts.

BURKI: Can I keep this?

WEBB: Sure.

KAPUR: And if there's any--I think I know Fred [*inaudible*] and I will try to [*inaudible*] but if there's anything that you think you have that might be worth our while.

BURKI: I will rummage through my old files and see what I have. Some of these, you know, McNamara and those earlier others are fascinating, some of them [*inaudible*] You see, the Bank has no record on a lot of these debates. It's only memory that--I was telling you and John when it came to policy formulation—that's another place in which you [*inaudible*]--the only person left in this institution who has any recollection of how policies were made in the Bank because I was the secretary of this McNamara group, Policy Review Committee. There is no written record, and when I did this work for the reorganization [*inaudible*] in 1987, it was amazing but archives had nothing to show. When Wilfried Thalwitz became, you know, vice president of policy, he and I sat down and I kind of revived his memory because [*inaudible*] It was his own recollection of [*inaudible*]

KAPUR: Well, in a way [*inaudible*] I think [*inaudible*] within the institution [*inaudible*] There was staff from [*inaudible*] and it is natural that it be moved twice or whatever over a ten year period because [*inaudible*]

WEBB: Another area where I would like to pick up with you is the earlier period, when McNamara arrived. There is [*inaudible*] poverty [*inaudible*] How do you see—how did that come about?

BURKI: [*Inaudible*]

KAPUR: It was not [*inaudible*] within the Bank [*inaudible*]

WEBB: The reactions within the Bank.

BURKI: Okay. Stay in touch.

WEBB: Yeah. Sure will.

[End of Tape 1, Side A]

[End of Session 1]

SHAHID JAVED BURKI

Session 2

February 2, 1993

Washington, D.C.

[Begin Tape 1, Side A]

KAPUR: You know, he sent us only the comments. He faxed us the comments, but only the ones that were very complimentary.

BURKI: Oh, I see. [all speaking at once]

LEWIS: Because I waited, been waiting to hear from Mahbub [*ul-Haq*]. We [all speaking at the same time]

WEBB: I tried to reach him, you know.

LEWIS: Oh, you did?

WEBB: Yeah. And haven't . . .

KAPUR: Well, it's like [*inaudible*] had commented.

LEWIS: It's--really, that paper was pretty distressing.

BURKI: It's a very selective reading of the history.

LEWIS: Yeah.

BURKI: And since I was very much a part of that history, you know . . .

LEWIS: I know. It's, you know it--I've--I don't know, maybe he's become just a pamphleteer.

KAPUR: But also, I mean, he gave exactly an identical talk in the Bank here. There was a poverty conference, targeting poverty, last June, and the paper he sent us was virtually verbatim of what he said then, but the two are quite different things.

LEWIS: Well.

BURKI: China.

LEWIS: That clearly has to figure pretty prominently in this story, and we have a sense that somehow this very important happening has been going on almost despite of the rest of the Bank. I'm not sure; you can correct me on that. But it is a fascinating story, and McNamara says it's that and Indonesia, the two sort of special stories in the Bank. We've heard from Caio [*Koch-Weser*], and we had an hour with Ed [*Edwin R.*] Lim. That sort of brings us up to your time. [*Laughter*]

BURKI: The more difficult part of the story!

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

LEWIS: Yes, that's right. So tell us.

BURKI: Well, what do you want to know? Which part of China do you want? The Bank's role, I guess?

LEWIS: I guess the Bank's role and how you have interacted with the changes in China--not of the political changes, of course, but we were saying, Devesh and I, that this country has been growing like topsy in terms of its own perception, probably, and everybody else's perception, and it damned well feels like a great power now, I guess. And that must affect . . .

BURKI: Well, let's, let's first start with the Caio period, which is essentially the Bank getting to know China and hence that 1981-82 report which had a very profound impact in the sense of telling the Chinese how to read their own economic history and also getting us involved in the sectors in which the Chinese thought we should be involved. We did very little picking and choosing at that point.

Three things stand out insofar as the Bank's work is concerned, and now I'm talking only about the lending program; I can also talk about economic and sector work. But on the side of lending, as I said, the Chinese were not giving us options. They were essentially telling us what it was that they wanted us to do. Caio and his group would meet with them--I believe it was every six months--and go over their requests for the lending, the projects of the Bank they wanted the Bank lend for. And then we essentially gave them technical advice on how to put those projects together. So that was the first part.

The second is the Chinese were very reluctant to borrow anything but IDA from the Bank, and Caio's main job at that point was to convince them that they had to have a fairly hard blend. Even at that point it was recognized that this was a stronger economy than India's, and since India was the country that was sacrificing IDA in order to make way for China, his position and the Bank's position was that you have to have at least as hard a program as the one in India. The Chinese never accepted this. Their position was that, "Look, India had a ten-year advantage on us. India began to borrow from IDA in 19 and--or rather twenty year--in 1961, and we have just come in 1981, so there was a lot of catching up to do," an argument that was accepted up to a point. So the Bank's or IDA's blend was considerably softer for China than it was for India.

The third thing was that China did not want to borrow for policy or did not want any policy content in what we were doing in China. These were to be straightforward investment projects. They valued Bank's technical help, technical assistance, and that's as far as they were prepared to go.

In 1987 when I came in, that's what was my inheritance, and I started asking the Chinese the same kind of questions that Caio was asking:

"Could we lend more by IBRD [*International Bank for Reconstruction and Development*]?"

"No."

"Could we do policy-based lending?"

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

“No.”

“Is there anything that we can do in order to pick and choose?”

“No.”

And that position lasted until about '88. In 1988, as a result of a visit by Conable to China, we made some very dramatic breakthroughs. Conable had a long meeting with Zhao Ziyang, and this was--I don't know whether Ed referred to this in his meeting with you. [both speaking at once]

LEWIS: I'm not sure he did, but anyway . . .

BURKI: First he refused to see Conable, but then Ed's persuasive powers and his contacts in China, they figured out a way of doing it which is we invited the party secretary general to a dinner, which he accepted. So that's how the meeting was arranged. And this was about the longest meeting I've ever held in China with a senior leader. It lasted for something like four, four and a half hours. In China a meeting will never go more than an hour and a half, two hours at most. And he was very open, and he said that, “Look, I am absolutely determined to make this economy grow at double-digit rate of growth, and I'm a man in tremendous hurry.”

[Interruption]

“I want the Bank's assistance.”

And then he turned to the minister of finance and the senior vice, the senior vice chairman of the state planning commission and said, “You know, these two guys don't let me approach the Bank. They have been restraining us. But I'm telling you this in their presence: I want a larger Bank presence. I want to borrow more from you. I want to get your advice in all sectors. I want you to pick and choose where you think we need money.” So all the things that we had been dialoguing with the Chinese is something that without our prompting they gave to us.

So with that meeting started a different kind of relationship. It was not because I had been more successful in dialoguing than Caio, but because here was a guy who for some reason, having looked into the performance that the Bank had by now shown in China, was prepared to lean quite heavily on us.

So starting with about 1988-89, our program went in a very different direction. We started the practice of doing the following: that every spring we would sit down with the Chinese and discuss with them a three-year rolling program, a three-year lending program on a rolling basis, in which my colleagues and I were able to identify for them the things that we wanted to do, and they were very interested in finding out why we wanted to do them, and if they thought we had a reasonable idea about the kinds of things the Bank could fruitfully do in China, and were very cooperative. So we began to generate our own ideas [inaudible] on projects, obviously for their assistance and so on.

They also accepted the need for hardening of blend, which essentially meant that we could now lend more than the Chinese were willing to borrow previously, and as a result our lend

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

program began, literally exploded in size. And since it was constrained on IDA, it was then an IBRD program.

And finally for the first time they agreed to borrow for policy lending, and we did during that period the only policy-based lending that we have ever done. This was called a rural sector adjustment loan. It was a 300 million dollar operation, and it was aimed—it was a very ambitious operation and was aimed at bringing about fairly fundamental restructuring of the rural sector.

They also agreed with us that the time had now come for the Bank--and now I'm coming to economic and sector work--the time had come for the Bank to move away from mega studies. I've already referred to the '81-'82 study on—it was a retrospective of Chinese economic development, and then Ed Lim and Adrian Wood did a study on China in the year 2000. [both speaking at once]

LEWIS: The '85?

BURKI: It was '85. But [*inaudible*] agreed that we can now move away from these mega studies and begin to do much more sector specific, policy-oriented work in the areas where we thought and they thought we could provide some useful ideas.

So starting with the autumn, the fall of 1988, we also instituted a three-year economic and sector rolling program. The first time we did this, as I said, it was in the fall of '88, and we identified about 25 studies we thought would be useful for us to do after discussing with the various interlocutors that we had in China. And then we had a discussion with them, and out of this came an economic and sector program which was fairly micro in orientation. We looked at the railway sector. We looked at highway sector. We looked at the development of the non-banking financial institutions and so on and so forth. So that program has continued to evolve on a yearly basis.

So that then set the stage for a number of things: for a larger World Bank program in China, for deeper involvement by the Bank in identifying areas for them where we thought we could help, both in terms of lending as well as economic and sector work, and also then anticipating some of the problems that we thought China was getting into because of the very rapid rate of economic growth. And so for me, '88, that meeting in particular, was kind of a watershed in the relationship.

Then we come to the Tiananmen Square crisis in 1989. I think you know the story. We--its immediate impact on us was that we had in the month of June seven projects that were already with the Board, prepared, negotiated, documented, ready to go, and then June the 4th happened. I was in Hawaii at that point vacationing, and I was called back, and I was asked to negotiate with the Chinese a postponement of these projects. This is the first time in the Bank's history that initiative was taken by the management--not by the Board, by the management--to postpone a project that it had already presented to the Board.

I had some very difficult negotiations, but finally we did manage to convince the Chinese that it was in everybody's interest--their interest, our interest, and interest of the developing world--not to have a project shot down in the Board, no matter for what reasons, but to let things cool off, cool down, and then to come back when we thought opportunity was there for us to get the project approved.

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

I don't know if you recall, John, in July of 1989 there was a meeting in Madrid of the European financial ministers in which they decided that they wanted to use the World Bank as one of the sanctions against China for what it had done at Tiananmen Square, and then there was a summit in Houston in which the European Economic Community initiative was then included in the summit declaration. So that then laid the groundwork for a threat of turn, voting down a project in the Board if projects were presented to the Board. And since seven countries, seven industrial countries, have the veto power in the Board, it was just useless for us to try to attempt to go to the Board.

That hiatus lasted until January of 1990. In the fall of 1989--I forget exactly what date it was; November, I think it was--China suffered a major earthquake in an area northwest of Beijing, the province of Shanxi. And I decided that this would be a good way of testing out the G7 [*Group of Seven*] countries because they had said that for humanitarian reasons they would be prepared to have the World Bank support China. So very quickly we put together an earthquake relief project, and then that project was taken to the Board, and it was approved by the Board. But we were told very clearly that this was an exception.

Then opposition of the Group of Seven to lending to China began to weaken, and it was decided around the spring of 1990 by these people--I forget what was the occasion for them to get together--that they will support World Bank lending for basic needs fulfillment in China, and we were asked to identify the projects in which basic needs was the objective. So then slowly we began to get back to the Board, and that situation lasted for another year or so.

So there was a sharp dip in the World Bank's lending in 1988--sorry, in financial year 1989--when we did about 1.1 billion compared to 1.3 billion the previous year. And then in 1990 we were able to lend only about 560 million dollars, all IDA. That was the irony of the situation, that China got 100 percent IDA in 1990 since we were not allowed to lend for anything but basic needs, and basic needs is an obvious candidate for IDA type of lending. We pointed this out to the G7, but they said there was nothing much they could do about it. So we went from--all the hard work that we had put into hardening the blend went out the window, and we came in with 100 percent IDA lending in 1990.

Then the Japanese essentially took the initiative, and they began to tell the Americans that they had to part company with G7, and they thought that it was not very responsible for the World Bank to, not to lend for China on the basis of objective criteria. And once the Japanese decided that they were not going to be a party to G7 resolution, then for all reasons, all kinds of reasons--commercial reasons, political reasons, and so on--Europeans also decided to move out to that consensus. So the Americans were left by themselves. And even today the American chair votes--not against but abstains on any project which is not basic needs, while every other country has gone ahead and approved our projects.

LEWIS: The Europeans, in a sense, started it with their . . .

BURKI: The Europeans started it. The Americans then came along with them. The Japanese very reluctantly joined. In fact, the Japanese told me that they had softened the language of the Houston summit. In fact, it was known that that particular paragraph was given to the Japanese delegation to write and that it was considerably more--considerably softer in its approach than original paragraph that Europeans had drafted because of the Madrid summit. And then once the Japanese left, this thing began to crack open.

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

Also worth mentioning is that Conable had a direct line into the White House on the China issue, and [George H. W.] Bush, as you know, was very supportive of keeping the lines of communications open. I was asked by Conable to go to China on the 16th of June. This was 12 days after Tiananmen Square. So I arrived in China, flying nonstop on the 18th of June; and I was the first relatively senior foreigner to visit the country after June the 4th. And because I was the first, I was received by everybody, the prime minister, all the deputy prime ministers and so on and so forth. And I told Conable before I left that, "I would like to come back and report to you on three things: my assessment whether China's creditworthiness had been affected as a result of Tiananmen Square, my assessment with respect to the management of the World Bank's portfolio, and my assessment with respect to continuity of personnel as well as economic policies. And if there was positive assessment on all these three scores, then I could not justify suspension of lending to China." And Conable and [Moeen A.] Qureshi, our senior vice president, accepted this as the terms of reference of my visit.

So I went and I talked, I traveled a bit in the country, talked to foreign consultants and contractors and so on and so forth, and then I was satisfied that Tiananmen Square had not affected in a negative sense any of these.

So whereas before I left Conable had said to me that I should make a presentation to the Board when I came back to say what were my findings, when I came back and I said to him that my findings were that it was irresponsible for the Bank to scale down its lending, it could not be done on the basis of our Articles of Agreement and objective criteria and therefore we should just go ahead, Conable said, "I can't have you make this kind of presentation to the Board. Instead," he said, "you meet with all of them on a one-to-one basis." Twenty-two executive directors! So I did that, and I met with all of them, developed, developing countries, so on and so forth, including the Chinese.

One unexpected result of this was that the Chinese got the word on what we were doing. And they then said that whereas the professionals and managers within the Bank had taken a very objective position from their perspective, it was a political position that the Bank's Board had taken, so that management and Board had gone different directions, and therefore if the Bank was not able to get the projects to the Board, then it was the fault of politics rather than of the management to push the Bank program. And that helped me a lot when it came around to rebuilding the program and so on and so forth because we gained the confidence of the Chinese enormously as a result of this.

LEWIS: I think--was at that time I saw you made some statement that was in the press, I think?

BURKI: Right.

LEWIS: Was it about that time?

BURKI: Yes. I made a statement in the press in Tokyo which was really resented by the Americans, the Canadians, and the Brits, and the three executive directors then wrote to Conable saying that this was irresponsible of somebody senior in the Bank to make that kind of statement. I had said simply the following in response to a question--I had given a talk to Kadai Ron [phonetic] in Japan, and somebody asked me, "What do you think about this

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

human basic needs strategy that you're being asked to follow?" And my response was that China really does not need any arm-twisting from the outside world to provide, you know, shelter, clothing, water, sanitation, et cetera, to its people. They have done remarkably well in that area. If it needs any assistance, it's in economic reform, removing bottlenecks, and so on and so forth. So that was it.

LEWIS: That was it.

BURKI: That was flashed, and, you know, these three EDs [*Executive Directors*] said that I was questioning the wisdom of their capitals who had said that this is the policy that has to be followed, and who the hell is he to tell us that this is not the right approach to take!

KAPUR: But actually they used the word "wisdom"?

BURKI: I have the memo somewhere. It should eventually become part of the record but not at this stage!

The other interesting part of the Chinese story is that this institution has for a time followed two very different approaches in tackling the problem of economies in transition. I took the approach in this department that the right way to go for these economies was to move in a number of areas simultaneously but slowly and to be extremely mindful of the absorptive capacity for change in socialist countries, and if you followed the big bang kind of approach, it would very disruptive, and if the situation was not broke, why fix it, essentially. That's the approach we followed in China. Totally opposite the approach the Bank endorsed in the Soviet Union and Eastern Europe, so much so when the report came out, the joint World Bank/IMF report on the reform of socialist economies, I went to, first, Stanley, Stan Fischer, and then to his successor, Larry [*Lawrence H.*] Summers, and I said, "Look, I go all over the world giving speeches. I go to Princeton at the invitation of John Lewis. Now you're not saying that this is appropriate [inaudible] and here you have come up with a very different approach, put down in paper, published all over the world. What is it that the Bank is really saying as regards reform of socialist economies?"

That question was never answered. Maybe it was right for the Bank not to force one particular solution into its way of thinking, but I'm sure it did create a lot of confusion outside the institution as to what is it that the Bank supports when it comes to reform of the socialist economies.

LEWIS: We, of course, have been mindful of this, and we were going to ask you whether there had been any attempt to take ideas, information, experience from the Chinese case?

BURKI: We, uh . . .

KAPUR: I mean, before the study was launched, the joint study, was the sort of China department's sort of earlier [*inaudible*]

BURKI: No, no. We were way out into the wilderness. We were not respectable anymore at that point.

LEWIS: I see.

KAPUR: Because of Tiananmen Square?

BURKI: Because of Tiananmen Square. And since, you know, we had managed to hang in there, the conventional wisdom within the institution was that we were making a mistake. But I must say Conable supported us, and we were able to continue our work. But we were not popular in the analytical parts of the Bank. They thought that we were, we had gone native, we had become not very relevant to the kind of thing that needed to be done. I mean, Jeffrey Sachs was a guru over here--probably still is; I don't know. But he is the fellow who was calling the tune, and those of us who were speaking a different language were not--we were not invited into the councils of whoever was making decisions with respect to . . .

LEWIS: Stan Fischer was in the Sachs camp?

BURKI: No, he was not.

LEWIS: I don't think so. I wouldn't think so.

BURKI: He was not. In fact, Stan [*Stanley*] Fischer--that's an interesting, another interesting episode. Stan and I went to China in, shortly before Tiananmen Square, April of 1989, and again we met with the party secretary general, the same fellow, Zhao Ziyang. And he asked Stan a question, whether big bang is the way for China.

And Stan said, "No."

And he said, "Why not?" He said, "Germany did it."

And Stan said--and I remember that conversation very vividly--Stan said, "Germany was very different. Germany after the war had an enormous amount of human resources. It had excess capacity of all kinds which could be quickly brought back into production. You are a very different kind of economy. You're straining as it is, and if you go for a big bang type of approach, you will lose control over the economy."

And that particular conversation was then put into a minute, and it was circulated, I believe, within the senior circles of China and was used by the people who were opposed to Zhao Ziyang as evidence of how much wrong he was, because he was increasingly leaning towards the [*Mikhail*] Gorbachev type of economic management: you know, change very, very quickly.

LEWIS: I see.

BURKI: So I think that conversation . . .

LEWIS: So Stan was interpreted as being sort of to the right of or something . . .

BURKI: Stan was interpreted as a fellow who was not going to encourage big bang in China. He was saying initial conditions are different there. Larry Summers was much more of a big bang guy. Stan was not--but more big bang-ish than we are.

LEWIS: Yeah. [*Laughter*]

KAPUR: But what's your--is it your sense that Conable's support, in a way, despite what happened at the Tiananmen Square, for the China program as a whole, was it you think because he was picking up impulses that Bush wanted to maintain, and he was, as you say, he had an open line to Bush?

BURKI: There was a bit of that, but he was--is--a very honest guy, listens to people, takes decision on the basis of what he considers to be the right move to make.

At a reception after his departure he spotted me, he walked towards me, he took me by my tie, and he kind of, you know, got me about six inches from his face, and he said, "I want to tell you now that I've left the Bank that you gave me a lot of grief! I used to stay up at night saying to myself, 'What unpleasant surprise is he going to throw at me tomorrow morning?'"

So I said, "Barber, since you are talking to me like this, let me ask you the following question: if I had not given you that kind of grief, would you have done or would you have given us the kind of support you did?"

And he said, "That's a fair question, and my answer is no politician wants to take hard decisions unless he's forced to do so. And the contribution you guys made was that you forced that decision onto me. And if you had not done it, I would have perhaps not been as supportive as I was." That was his reading of history.

LEWIS: Very interesting.

KAPUR: Do you think--your interpretation is that, post-Tiananmen square, because the management stood with, sort of, China, that sort of actually, it sort of retained if not actually increased its sort of credibility? There are those who argue that the Bank as an institution, rather than management--the Chinese, you know, early '80s, they had viewed it as sort of an American institution and were quite skeptical in allowing it to enter into policy things because they saw it as an American institution, and those doubts strongly resurfaced after that. They saw it more as a political institution, rightly or wrongly, but as an institution rather than separating . . .

BURKI: No, the Chinese have told me in almost as many words that what Tiananmen did for them was to separate their perception about the Bank, and the perception now is—and I think it's a correct perception--that there is one political animal within the institution called the Board which rightly or wrongly--I think rightly--functions according to the direction it receives from its capitals. But then there's a management and the staff which is able to, within the constraints imposed by the Board, function objectively. And they saw that happening in Tiananmen Square.

And it's as a result of that that today we have an enormous amount of credibility in China, so much so that we have been invited to produce papers on some very, very delicate reform issues. This morning, for instance, I spent three hours discussing with Michael Bruno and company reform of the financial sector. We would never have been invited into that kind of area before Tiananmen Square. Same for the reform of state-owned enterprises: we are not doing all that many projects in reform of state-owned enterprises, but they have recognized that this is something that we know and we can help, and they've invited us to come and give them some advice and give them ideas as to what's happened in other parts of the world. So I think Tiananmen Square was extremely important in a positive sense for this particular

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

department and its relationships in China.

LEWIS: Were the Part II members of the Board vocal in supporting management, or did they kind of keep their heads down or . . .

BURKI: They kept their heads down. There were a couple of exceptions. The Indians were an exception. The Indians were very vocal--well, vocal; I shouldn't say "very." But they took the position that this could happen to anybody, and they didn't want the decision-making to be criticized. The frustration of the Chinese was that they did not hear anything from anybody else. There were a couple of other EDs, but it was a total silence.

LEWIS: Go ahead, Richard.

WEBB: Well, I'm quite curious about the big bang and the contrast with the style that you've been following in China. Could you say a little bit more about how Summers saw all this? You say he was more supportive. Was he very involved at all?

BURKI: No.

WEBB: No.

BURKI: Summers was not involved. I tried to get him involved. In fact, it was with Summers that I had this detailed conversation that shouldn't we have some kind of well articulated position with respect to the differences, say, between China and former Soviet Union and Eastern Europe. And his total contribution was to organize a seminar at which I made a long presentation, presenting our position in China, and on the other side there were two presentations, one by Kemal Dervish and the other by Russ [*Russell J.*] Cheetham, giving the story from that side. And then there was an interesting exchange, and then that was the end of the matter.

But in a meeting with the management when I presented our strategy in China, Summers intervened on two things. Number one, he said that it was not right for the Bank to support lending to state-owned enterprises or to be lending to state industrial sectors and, number two, that he did not accept my position which was that we are going to see a fairly significant, albeit not altogether dramatic, restructuring of the Chinese economy and also kind of sustained rate of growth of about seven to eight percent in the remaining years of the century. In fact, he took on a bet with me. He said, "I'll bet two dollars with you that in the year 2000 when we look back you will be shown to have been more optimistic and I will be shown to have been correct."

So I said, "As long as these are 1991 two dollars, I'm prepared to take it." [*Laughter*]

So anyhow, I said to the senior management that it would be irresponsible for the Bank not to engage itself in reform of state-owned enterprises because that is where the main problem is in socialist economies, and we think we can make a contribution, and therefore I should be given the mandate to do so.

KAPUR: Now was the argument on restructuring as opposed to privatization or . . .

BURKI: It was--argument was privatization.

Shahid Javed Burki
January 16, 1992, and February 2, 1993 – Final Edited

LEWIS: Yeah.

BURKI: That the Bank should not be supporting [both talking at the same time] lending to state-owned enterprises unless there was a commitment by the government to privatize. And I said that the jury was still out on the relationship between ownership and reform and growth and that I was not convinced that you have to have private ownership--defined I don't know as what--in order to produce the right kind of policy change and elevated efficiency on the part of the state sector.

KAPUR: That was in which year? I'm sorry.

BURKI: This is last year.

KAPUR: Last year.

BURKI: Yeah.

LEWIS: You're too young, but you know there is a Berle and Means book of 1931 that makes that very point about ownership and control.

BURKI: Which one is this? Whose?

LEWIS: Adolf Berle and Gardiner Means said--*The Modern Corporation [The Modern Corporation and Private Property]* is the name of it, a very big scholarly study. They simply identify the difference between ownership and control. And if ownership--it's a kind of second-rate issue insofar as efficiency is concerned for performance or social impact. And that was the conventional wisdom when I went to school.

BURKI: Well, it ain't anymore! Certainly not with Summers, et al!

LEWIS: Really, I'm surprised. This is what Ed Lim pointed out, that your distinction between the market and ownership has been one of the great virtues, one of the most effective things in the lines that you've taken in China.

BURKI: Right. But it was not acceptable to Summers.

WEBB: You know, what I really don't understand is where this came from in the Bank because it seems to be against the Bank's culture. The Bank's--going back, the Bank has tended to work in a more practical way, a more gradual way, nudging reforms along and kind of sensing possibilities rather than coming in with a meat axe. It doesn't seem . . .

BURKI: It's a--Richard, it's a fascinating subject, and one can talk at some considerable length on this and why it happened. I trace it to Anne Krueger and to Deepak Lal. And, you know, they set the stage that government was all wrong, state control of any kind was all wrong, that the Bank had to move very fast to get the government out, that it was ownership that mattered, I mean, the sort of studies that are now coming out as a result of these massive projects they launched.

LEWIS: He's a participant.

BURKI: Yes, he's a participant. That's right. And then, you know, this--this particular theology was bought lock, stock, and barrel by Latin America, by my friend Shahid Husain and your friend Marcelo Selowsky and so on. So it was the fashionable--it was quite a dramatic change from the days of McNamara. It became very, very fashionable over five, six years, and it is at that point that we were invited into China in a big way by Zhao Ziyang in 1988, and that was then the theology within which we were supposed to operate, and we didn't. And since we didn't, we were considered to be the mavericks in the development area. I think we're only now returning into some form of respectability.

KAPUR: But how has the sort of senior management taken this? I mean, have they allowed that freedom of operation in the sense of the SVP [*senior vice president*] and now the MDs [*managing directors*] and so on and the VPs [*vice presidents*]?

BURKI: You see, what's happened in the Bank is that 1987 reorganization, has produced a lot of departmental autonomy, and each one of us--within some, you know, very broadly defined constraints--can more or less do our own thing. This would not have been possible under McNamara or under Hollis Chenery. We would have seen one approach adopted and then everybody would have been made to follow that.

KAPUR: Under McNamara or under Ernie [*Ernest Stern*]?

BURKI: Well, Ernie is--Ernie is a person who implements, but that strategy was, you know, McNamara's strategy, Hollis's strategy, and so on. Now, that weakened considerably as a result of 1987 reorganization.

Insofar as China is concerned, I was able to convince Qureshi that this was the way to go. He was very, very reluctant. I mean, he--you know, I remember taking a trip with him, and he and I sat next to each other for about 15 or 16 hours on our way to Beijing, and I talked nothing but this, and he kept on resisting it. At the end of it he even agreed to go along with the report that we were doing, which is the first time that the Bank formally endorsed a gradual approach towards change in socialist economies. That is the country economic memorandum of 1990.

KAPUR: I see.

LEWIS: You get--in terms of this organizational issue, do you have any sense of the three Managing Directors? Do they separate on this one, or are they clearly identified?

BURKI: Well, I can tell you, since I know one of them very well, and he was my vice president and fully supportive what I was doing, that was Attila Karaosmanoglu. And he himself, you know, had been a vice deputy prime minister in Turkey, at which point Turkey had a very large public sector, so he has no problem with that approach. Sven Sandstrom, I think, goes along with this. I don't know about Ernie. I've never had the occasion to discuss this with him. But the fact that Ernie's been prepared to support a major expansion in our [*inaudible*] program, some of it now in the industrial sector, suggests that he is on board with this kind of [*inaudible*]

LEWIS: With the big bang, huh?

BURKI: No, no, no, [all speaking at once] with the gradual approach.

LEWIS: Oh, yeah, yeah, yeah. I would have—I would have--my only guess is--although I haven't really talked to Ernie about this--that he's really a pragmatist, and he knows the neoclassical argument, but he also--I would expect him to come out on the more gradual side, I think.

BURKI: But, he--you know, he is also--I guess he was quite deeply involved with structuring the kind of thing that we did in Eastern Europe. And so, I would call him a pragmatist rather than a dogmatic person. So for him different approaches can fit different situations.

LEWIS: It's really funny, I mean, this is a little--that all of the pundits who've gone into Eastern Europe, the ones like--Jeffrey Sachs is the best known--but very few of them are people who have any background as experts on Eastern European economies. I mean, those people have been sort of pushed aside, I mean the westerns, like Richard Portes, for example.

BURKI: Even [*Janos*] Kornai.

LEWIS: Oh, Kornai. He's done a—he's done a flip and . . .

BURKI: But even then, I was once asked to give a--which was for me a very interesting thing--there was a seminar of the members of the Board, and I was asked to address them. And Kornai was also there, and I made, you know, the same kind of points that I'm making over here, and I must say he came around, and he said, "There's a lot of truth in what you're saying."

LEWIS: I was shocked at that book he put out, the sort of popular one, in the summer of '90, I think.

BURKI: The short one.

LEWIS: That just a complete—it sounded like a--I have known him pretty well for quite a long time and have tremendous admiration for him. This was—he was smoking something.

BURKI: He was prepared to be swept with the tide, yes.

LEWIS: Yeah, yeah, yeah.

BURKI: But the jury is still out on a lot of these issues. I mean, China looks remarkably good today, but who knows what's going to happen.

LEWIS: Do you think this, these kinds of growth rates can be sustained for some time?

BURKI: Not the growth rate of last year.

LEWIS: Which was?

BURKI: Twelve percent [all speaking at once]

KAPUR: But isn't the—I mean, there are a lot of--especially because the financial sector, which is what you were talking about earlier, so—I mean, it's really not clear what the true rate of inflation might now be at this moment in a way because of the way the numbers are, I mean, not--when the prices are not really reflect as true market. The prices are real mixed . . .

BURKI: That's—that's really not the case anymore. We know that something like four-fifths of total retail sales are at market prices, and this proportion is not much different from other developing countries which also exercise control of their prices. That's one. And, number two, Chinese statistics are no worse, if anything much better than some of the other developing countries. They are--you know, when they were talking about hyperinflation, they were . . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

BURKI: Now they're talking about 6.5 percent as the rate of price increase, about ten percent in major urban areas. But that's--one half of that is because of the readjustment in administratively controlled prices as it brings them closer to the market prices. But my answer to your question is that--I mean, this is essentially what I told Summers last summer--that seven to nine percent rate of growth is, with some fluctuations, is very much on the cards, and I think it will happen.

LEWIS: What are you going to do with the GDP [*gross domestic product*] per capita?

BURKI: That's obviously underestimated, and I think we are responsible for that. We did it in large part because--I think this is McNamara--because we wanted to justify IDA to China. There is no way you can justify 370 dollars GNP per capita for China. The PPP [*purchasing power parity*] rate is calculated at 2,000 dollars. I think that's—I mean, those kinds of adjustments you make for most countries. Even Pakistan is 2,000 dollars of PPP.

LEWIS: Is it?

BURKI: But if I were doing some guessing, even on the basis of Atlas methodology, I would say that per capita income is triple that, 1100 dollars. So you're talking about an economy of something like a trillion dollars now, a trillion, trillion and a half.

WEBB: That's a fifth the size of the U.S.

BURKI: A fifth the size of the U.S., doubling every seven years.

WEBB: Yeah.

BURKI: It should be about two trillion, two and a half trillion by the end of the century, and five trillion in today's dollars by the year 2007. So, I mean, Summers made that famous statement. He flipped then. He went to China, and he and I bumped into each other at a, you know, in the lobby of the hotel, and he said to me, "Javed, I've lost those two dollars!" [*Laughter*] And then he came back, and he gave a statement that Chinese GNP is about 2.5 trillion and by about the year 2009 it will become the world's largest economy, which is the number that *The Economist* picked up in its survey.

LEWIS: Right, yeah. Well, the--their relations with any outside intervener are bound to somewhat be influenced by this kind of growth. I mean, there is enormous growth internally.

KAPUR: What sort of—I'm curious, now that going through now a fair amount of Bank documentation, whether one sees in Africa, you know, a strategy, one never virtually sees any reference to how, say, the Chinese achieved their literacy or how they achieved, you know, public health without all the foreign exchange rules, even now and for every Bank project, even for basic needs in those parts of the world. Why do you think--I mean, that, after all, is what people argue is the real comparative advantage of the Bank, the fact that the expertise or knowledge from one part of the world to the other. But there is a real dearth . . .

BURKI: Because the conclusions are very unpleasant, I think. My view is that the Chinese have done what they have done not by design but more or less by accident. And they had this rather interesting juxtaposition of Mao Tse-tung and his ability to extract tremendous sacrifices and therefore, on the basis of those sacrifices, bring about a qualitative change in the level of human resource development during the first 20 years of the communist rule. And then along comes Deng Xiaoping with a very different philosophy of—not, you know, that degree of coercion and letting, you know, 100 flowers genuinely bloom, and then building on top of that tremendous human resource development an infrastructure creation which was made possible by earlier sacrifices. Can you repeat that in other parts of the world without making those kinds of sacrifices? I really doubt it. So what lesson are you giving? What is it that you're telling Africa and India, Pakistan, Bangladesh? I think that, if you accept what I am saying, then these are very, very difficult lessons to factor into any kind of Bank advice.

WEBB: Is it--how much is it a matter of the initial kind of revolutionary period, what was achieved during—what--a decade or two under Mao? Or how much is it a matter of the continuing much closer administrative control over the population through local governments?

BURKI: The first ten years of Mao are--or, I would say, the first fifteen years of Mao--are very important for China's development. And I once gave a talk in China, and the Chinese didn't like it at all because I said that. And I said to them, I said, "Look, take your system of communism." They want to forget about the system of communism. I said, "Look, the communists set out to do five things, and they managed to do four. They failed in the fifth." What did they set out to do? They set out to invest an enormous amount of resources into irrigation infrastructure. They set out to improve human resources—human resources through education and health and so on and so forth. They wanted to provide good government at the local level. Once feudalism was wiped out, there was nothing left in place, so they wanted good government which ensured, you know, safety and some kind of rule of law. They wanted to diversify rural economy and therefore they had communes set up, industry, commerce, transport activities and so on. And, finally, they wanted to bring about a fairly significant and dramatic change in food grain output. The communes succeeded in doing the first four. They failed in the fifth. But then Deng Xiaoping--and that's where a very fortunate accident comes into Chinese history--came along and then unleashed the forces of the market, gave land back to the people, and they had not forgotten how to do family farming. They were still there. And once that was done, you had rates of growth in agriculture output on the order of about ten percent a year for five years. No agriculture system of any substantial size has seen a sustained ten percent growth in its output over a period of five to six years, which is what China produced.

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

LEWIS: We used to say five percent was impossible.

BURKI: Sorry?

LEWIS: We used to say five.

BURKI: Yes! *[Laughter]*

WEBB: But the education and health, is that . . .

BURKI: All these, Richard, all these indices in China in 1949 were no better--if anything, worse--than in South Asia. Infant mortality was on the order of about 250 per 1,000. Maternal mortality was 7-800 per 100,000. Literacy rates, again the same order of magnitude. And now--not now, but by about 1965—I mean, Chinese statistics have been just--the Chinese situation has changed very, very dramatically.

I was in China for the first time in 1965. I led a group of Pakistani economists to write on the Chinese system of communes, actually, and I was amazed to see--I had read up a lot on China, and I thought I would see a country like Pakistan or a country like India, but even in 1965 it was very, very different. The Chinese don't like to be reminded of that, not at all. They want to--for them, history starts in 1979. It doesn't start in 1949.

WEBB: There is no sense of . . .

LEWIS: There is a—do you remember Joe *[Joseph W. V.]* Alsop, the columnist? He wrote a column from Hong Kong, I think it was, in about 1954, '53. He had been sort of eavesdropping a bit on what was going on in China, and the theme of the column was “don't watch the agony too much.” Just exactly your point, that they were able to build capital of various kinds by repression and pain and that this was an alternative that softer systems simply didn't have.

BURKI: That's right. A tremendous amount of pain.

LEWIS: Yeah, yeah.

BURKI: And this, you know, then your question: how can you suggest that kind of pain-taking to other developing countries?

LEWIS: But the economic reforms, the gradualism, can certainly be peddled to some.

KAPUR: It possibly--I was actually referring to even the way they have--I mean, not the philosophy as much but as (which is where I think the pain is needed), but the mechanisms of, say, the delivery systems for public health and literacy, just the delivery, you know, just the mechanics of that.

BURKI: But, you know, you just take a look at the numbers. Take your delivery system argument. China spends about seven percent of its GDP on education and health, and of this seven percent, something like 80 percent goes into primary education and primary health care. India is just the opposite: 20 percent into primary health care and primary education,

Shahid Javed Burki

January 16, 1992, and February 2, 1993 – Final Edited

80 percent into urban health and tertiary and secondary education, which means that the political system will not let that kind of allocation of resources to take place. My country is even worse than India. So if you could have that kind of hold of the elite, the powerful, the rich, on the allocative processes within a country, then, you know, you have to have a much larger increase in resource availability for education and health to be able to affect the situation of the poor. So it's very much a byproduct of the political system, the social system.

LEWIS: Well, this is a very eye-opening--I'm glad we got this recorded.

WEBB: Yeah. Thank you very much, Shahid.

BURKI: Not at all.

LEWIS: That was great.

WEBB: I'd like to visit you next week with an outline. *[Laughter]* [all speaking at once] I'll take you up on that offer. [all speaking at once] I'll call.

BURKI: How is the project coming along?

LEWIS: Slowly. We're learning.

BURKI: You're on a fast track.

LEWIS: Well, we've got to turn on the speed here. These guys keep peeling the onion!
[Laughter]

[End of Tape 1, Side B]

[End of interview]