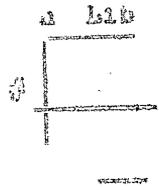


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**ADDRESS to the  
COLUMBIA UNIVERSITY CONFERENCE  
ON  
INTERNATIONAL ECONOMIC DEVELOPMENT**

BY

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I am pleased to be here, because your deliberations in this conference on the Report of the Pearson Commission are most timely. They are a preface to the Second Development Decade. They are addressing the issues on which a sound, sensible strategy for the Seventies must be fashioned. After the past quarter-century of experience, governments in the more affluent nations no longer question the general need for global development. What they do question—and what they have every right to question—is whether or not the specific programs of the past are still relevant to the problems of the present, and the imperatives of the future.

Decision-makers in these governments—under the understandable pressures of competing priorities—need a clear view of development goals, and a workable set of options designed to meet those goals. They need practical, politically-feasible programs that can command and sustain legislative and popular support. What is particularly valuable about the Pearson Commission Report is that it realistically addressed itself to that need, and it is clear from announcements by governments in the past several weeks that already the work of the Commission has had an impact:

- Chancellor Brandt of the Federal Republic in addressing the Bundestag has announced: "The Federal Government will endeavor to attain the aim envisaged in the

Report of the Pearson Commission for a public share in development aid by an annual average increase rate of 11 per cent. . . . The number of German development experts and volunteers will be increased with a view to doubling it by the mid-seventies. The Federal Government will continue to improve the quality of German aid."

- Prime Minister Wilson, calling the Report "one of the most important documents of the twentieth century," announced increases in Britain's Aid Program for each of the next three years. And Judith Hart, the Minister for Overseas Development, stated in Parliament: "Taking a high estimate for private flows, we could expect to reach the 1 per cent target not much after the date of 1975 recommended by the Pearson Commission. In any case, the Government intends, unless our balance of payments should preclude it, to reach the target of 1 per cent total flow not later than the end of the Second Development Decade."
- The King of Norway, in his speech from the throne, announced: "The Government has worked out a framework plan for state aid to the developing countries, which will involve a tripling of the amount made available between the years 1968 and 1973."
- Prime Minister Holyoake of New Zealand has pledged that his Government will aim to meet the Pearson Commission target of 1 per cent of Gross National Product in external aid.
- Prime Minister Sato of Japan has stated that economic aid would double in the near future, rising from the present level of \$1 billion per year to \$2 billion.

France is already providing official development assistance in amounts exceeding the Pearson targets. And Sweden, before the Report was published, announced it was increasing budgetary appropriations for aid by 25 per cent per year which will permit it to achieve the targets by 1975. Similarly, in The Netherlands,

the Government has requested Parliament to provide for fiscal year 1970 a 21 per cent increase in foreign aid, and a still further increase in 1971.

All of this lends encouragement to the view that the decline in official foreign aid is now reversing itself. The trend in the richer countries is manifestly to make more official aid available—with one overwhelming exception. And that is in the richest country of all: the United States. This is, of course, ironical in view of America's performance in the past.

In the whole of history there has probably never been a more thoroughly successful program of assistance than the Marshall Plan. The economic vitality of Western Europe today stands as a witness to its wisdom. The resources the United States committed to this effort were generous, but realistic, and the results in benefits to the entire Atlantic community, including America, have fully justified the investment.

In 1949, at the beginning of the Marshall Plan, American economic aid amounted to 2.79 per cent of its GNP, and 11.5 per cent of its federal budget. In FY 1970, the AID programs constitute less than one-fifth of 1 per cent of the GNP, and less than 1 per cent of the total federal budget. The United States now ranks ninth in the proportion of GNP devoted to aid.

But despite this present adverse trend in America towards foreign assistance, there are signs that the situation will improve. The President is firmly committed to the principle of development aid, and is supporting it. When he signed the Foreign Assistance authorization bill, he stated: "It is my personal conviction that such assistance remains vitally necessary if we are to effectively cooperate with less wealthy countries struggling to improve the lives of their citizens." In appointing the Peterson Task Force on International Development, he charged its members to come up with new and creative proposals. The President is seeking renewal, reform, and innovation in U.S. foreign aid policy, not stagnation.

No one can question that American domestic problems—particularly in the social and environmental fields—require in-

creased attention and funding. But it is wholly unrealistic to suppose that this can only be achieved at the cost of cutting off aid to desperately poor nations abroad. The argument is sometimes made that rich countries must first take care of their own poor before worrying about the poor of other nations. Charity, after all—we are reminded—begins at home.

But I suggest that this argument, while appealing, misses the point. The President has pointed out that in the next ten years the U.S. will increase its wealth by 50 per cent and that the Gross National Product in 1979, at constant prices, will be \$500 billion greater than last year. The fact is, then, that the American economy is so immense it can readily support a just and reasonable foreign aid program, within the general dimensions outlined by the Pearson Commission Report, and at the same time deal justly and effectively with domestic needs. The country is clearly wealthy enough to afford allocating a realistic percentage of its expanding resources to both tasks: to assist in alleviating underdevelopment both at home, and abroad.

There is no lack of capacity in the American economy to meet this twin set of responsibilities. What may be lacking is a broad commitment of the national will to do so. Or perhaps the deficit is not so much a lack of national will, as a lack of national understanding; not so much a case of a people indifferent to their responsibilities, as a case of understandable confusion over the competing claims on their attention and resolve.

What is certainly true is that the decision to respond both to the pressures of domestic problems, and the urgency of essential foreign assistance is, in the end, dependent on the response to a far more basic and searching question—a question that must be faced not in the United States alone, but in every wealthy, industrialized country of the world. And that question is this. Which is ultimately more in a nation's interest: to funnel national resources into an endlessly spiraling consumer economy—in effect, a pursuit of consumer gadgetry with all its senseless by-products of waste and pollution—or to dedicate a more reasonable share of those same resources to improving the fundamental quality of life both at home and abroad?

The dilemma that faces the wealthy nations of the world is not whether they should devote more of their GNP to solving domestic crises, and less of it to helping eliminate inhuman deprivations abroad; but rather whether they are going to seek a more equitable balance between private opulence and public responsibility. Private wealth cannot be preserved and public responsibility cannot be met by a heedless indifference to common crises that in the end will touch rich and poor alike.

What we must grasp is that gross measures of economic strength and gross measures of economic growth—for example, levels of GNP or rates of change of GNP—as necessary as they are, cannot measure the soundness of the social structure of a nation. The United States itself is a classic illustration of this truth. Technologically the most advanced society on earth, it produces the greatest GNP ever recorded in history, and enjoys a per capita income that is 30 times greater than that of the peoples in a quarter of the nations of the world.

But what do such figures mean when we remember that even for the affluent, life is beset by smog, pollution, noise, traffic congestion, urban violence, youthful disaffection and a terrifying increase in the drug problem? Worse still, the wealthiest society on earth has within its midst more than 20 million people so poor that their lives verge on mere subsistence. In 1967, 10 per cent of all white families and 35 per cent of all black families in America lived beneath the poverty line.

The poor in America are like the poor everywhere. Statistically their economic condition is improving, but the progress is so slow in relation to the more advantaged groups in society that they are actually growing poorer relative to the rich. The point is illustrative of a phenomenon common throughout the world. Though men have inhabited the same planet for more than a million years, they coexist today in communities that range in the extremes from stone-age simplicity to space-age sophistication.

That degree of inequality would not, perhaps, be as socially and politically explosive as it in fact is, could it remain a well kept secret. For centuries stagnating societies and deprived peo-

ples remained content with their lot because they were unaware that life was really any better elsewhere. Their very remoteness saved them from odious comparisons. But the technological revolution has changed all that. Now, with the transistor radio and the television tube in remote corners of the world dramatizing the disparities in the quality of life, what was tolerable in the past provokes turbulence today.

And what else but turbulence could one expect on a planet linked by instantaneous communication but fragmented by conspicuous inequality. It is inconceivable that one-quarter of mankind, moving forward into a self-accelerating affluence, can succeed in walling itself off from the other three-quarters who find themselves entrapped in a self-perpetuating cycle of poverty.

It is not too much to conclude that the nature of the principal threat to the nations of the world today is internal strife rather than external aggression. In the case of the United States, that is precisely what Dr. Milton Eisenhower did conclude in his final report as Chairman of the National Commission on the Causes and Prevention of Violence. He was clear and emphatic in his analysis: "Our most serious challenges to date," he told the President, "have been external—the kind this strong and resourceful country could unite against. While serious external dangers remain, the graver threats today are internal."

The outlook for the Seventies is that the fault line along which shocks to world stability travel will shift from an East-West axis to a North-South axis, and the shocks themselves will be significantly less military and substantially more political, social, and economic in character.

In view of this, it is tragic and senseless that the world today is spending \$175 billion a year on armaments—a sum so huge that it is 25 times larger than the total spent in all foreign assistance programs. What is even worse is that defense spending is increasing by some 6 per cent a year, a growth rate in destructive power that is greater than the growth rate of the world's total production of all goods and services. And the final irony in this litany of irrationalities is that arms spending in the less

developed countries is rising at the rate of 7.5 per cent a year, as against the world average of 6 per cent.

Prudent military preparedness has its place. Prodigal military proliferation is human folly at its worst.

Now as I have pointed out, growth rates of GNP are entirely valid and necessary economic indicators, but they are not adequate measures of the development of a nation. Nor are they satisfactory terms in which to frame the objectives of development programs.

In the First Development Decade, the primary development objective, a 5 per cent annual growth in GNP, was achieved. This was a major accomplishment. The 5 per cent rate exceeded the average growth rates of the advanced countries during their own early stages of progress in the last century. But this relatively high rate of growth in GNP did not bring satisfactory progress in development. In the developing world, at the end of the decade:

- Malnutrition is common.  
The FAO estimates that at least a third to a half of the world's people suffer from hunger or nutritional deprivation. The average person in a high standard area consumes four pounds of food a day as compared with an average pound and a quarter in a low standard area.
- Infant mortality is high.  
Infant deaths per 1000 live births are four times as high in the developing countries as in the developed countries (110 compared with 27).
- Life expectancy is low.  
A man in the West can expect to live 40 per cent longer than the average man in the developing countries and twice as long as the average man in some of the African countries.
- Illiteracy is widespread.  
There are 100 million more illiterates today than there were 20 years ago, bringing the total number to some 800 million.

- Unemployment is endemic and growing. The equivalent of approximately 20 per cent of the entire male labor force is unemployed, and in many areas the urban population is growing twice as fast as the number of urban jobs
- The distribution of income and wealth is severely skewed. In India, 12 per cent of the rural families control more than half of the cultivated land. And in Brazil, less than 10 per cent of the families control 75 per cent of the land.
- The gap between the per capita incomes of the rich nations and the poor nations is widening rather than narrowing, both relatively and absolutely. At the extremes that gap is already more than \$3,000. Present projections indicate it may well widen to \$9,000 by the end of the century. In the year 2000, per capita income in the United States is expected to be approximately \$10,000; in Brazil, \$500; and in India, \$200.

Just how much worse these conditions are at the end of the decade than they were at the beginning is difficult to determine. For most of them, even today, we lack satisfactory indicators and data. The result is that trying to plan to improve these conditions, in the absence of such measures and indicators, is like trying to plan price stabilization without price indices. It is an impossible task.

The lesson to be learned is that in setting the objectives, planning the programs, and measuring the progress of development in the Seventies, we must look to more than gross measures of economic growth. What we require are relevant "development indicators" that go beyond the measure of growth in total output and provide practical yardsticks of change in the other economic, social, and moral dimensions of the modernizing process. To limit our attention to expanding GNP, even though it be from 5 per cent per year to 6 or 7 per cent, can only lead to greater political, social and economic disequilibrium. However impor-

tant an increase in GNP may be as a necessary condition of development, it is not a sufficient condition.

This is not to say that the Pearson Commission and Tinbergen Committee target of reaching a 6 per cent annual growth rate of GNP for the developing world in the Seventies is not both feasible and necessary.

It is feasible if those of us in the wealthier world will complement the growing savings of the developing countries by moving toward the development assistance objectives endorsed by both these distinguished groups. And it is necessary, if the broader objectives of development are to be met.

But if we achieve the "quantity" goals, and neglect the "quality" goals of development, we will have failed. It is as simple as that. We will have failed.

The Second Development Decade gives us the opportunity to establish and pursue "quality" goals of development with new insights, new strategies, and new emphases.

With that in mind, I would like to put before you one or two points on the possible role of the World Bank in this new task of seeking quality in the process of development. As a Bank we are naturally committed to the continuance and expansion of our role of mobilizing capital and using it for growth of the productive capacity of the developing nations. We plan during the five years 1969-73 to increase our lending by 100 per cent over the level of the previous five years. The very great advances in the developing countries' skills and infrastructure over the last decade have broadened the opportunities for productive investment, and we are determined at the Bank to take full advantage of them.

But—and I repeat the point—we cannot content ourselves with the mere quantity of our operations if they are not adding to the genuine quality of man's life on the planet. And if our investments are to meet this wider goal, I frankly admit that we and other investors need to add to the patterns of analysis a new dimension of social concern.

This concern must, of course, be as rigorous, factual and informed as any of our other economic analyses and forecasts.

We do not want simply to say that rising unemployment is a "bad thing" and something must be done about it. We want to know its scale, its causes, its impact and the range of policies and options which are open to governments, international agencies and the private sector to deal with it.

We do not want simply to sense that the "green revolution" requires a comparable social revolution in the organization and education of the small farmer. We want to know what evidence or working models are available on methods of cooperative enterprise, of decentralized credit systems, of smaller-scale technology, and of price and market guarantees.

We do not want simply to deplore over-rapid urbanization in the primary cities. We want the most accurate and careful studies of internal migration, town-formation, decentralized urbanism and regional balance.

These issues are fully as urgent as the proper exchange rates or optimal mixes of the factors of production. The only trouble is that we do not know enough about them. I would go further and say that, up to a point, we do not even know how to think about them. Just as the censuses of the 1950's helped to alert us to the scale of the population explosion, the urban and employment crises of the Sixties are alerting us to the scale of social displacement and general uprootedness of populations which are exploding not only in numbers but in movement as well. But we are still only picking up the distress signals. We still do not know how to act.

We should be frank about this. As we enter the Seventies, in field after field, we have more questions than answers. Our urgent need is for new instruments of research and analysis with which to dispel our ignorance of the social dimensions of economic change and help us formulate a more comprehensive strategy for the decade ahead.

10 We in the World Bank cannot, of course, alone and from our own resources, provide all the new information and expertise

demanded by the scale of our ignorance. But we can stimulate and be part of a wider effort of research and education, and we can help draw together new resources for the formulation of wise development policies. We propose to seek the cooperation of universities, foundations, research units, other international institutions, and experienced administrators for that purpose.

Further, to provide a solid foundation for consultation and action by both developed and developing nations, in the whole field of development strategy and administration of aid, we plan a new and expanded program of Country Economic Missions. These will be regularly scheduled, thoroughly staffed, comprehensive missions whose mandate will be to assist the member government to draw up an overall development strategy which will include every major sector of the economy, and every relevant aspect of the nation's social framework.

One significant innovation in these missions is that the team itself will include representatives from the UNDP, who will play a central role in working out a pre-investment program, so that future development financing may be on a firmer foundation. Where appropriate, the team will include agricultural specialists from FAO, educational specialists from Unesco, medical officers from WHO, and employment experts from ILO, as well as other competent consultants in specialized sectors.

Our own Bank staff on the mission will be looking into not only the traditional problems of economic growth, but the other facets of development as well: questions of population increase, urbanization, land reform, income distribution, public health, environmental preservation, and all the related issues. Once the mission is completed, we will promptly produce for use by all of the parties concerned a thorough Economic Report which will serve as a profile of the country's progress, and of its overall development plan.

In our larger member countries—those containing 80 per cent of the population of the developing world—we will undertake these new Economic Missions annually; in other member coun-

tries, every two or three years. The essential point is that they will be comprehensive in scope, regular in schedule, and will form the basis for strategic rather than merely tactical development financing.

Perhaps one of the most wasteful mistakes that both developing countries and aid agencies can make is to proceed on a random project-by-project basis, rather than first to establish an overall development strategy, and then select projects that mutually support and interlock with one another within that overall plan. Our new program for Country Economic Reports is designed to provide a foundation for such a strategy.



All of us, within the worldwide community, have a mandate in common. Our ultimate goal is to help build the planet into a more habitable home for mankind, and to help create a political, social and economic environment in which individual men and women can more freely develop their own highest potential.

The funds we require to accomplish this are small compared with the funds the wealthy nations are already devoting to prodigiously disproportionate objectives.

The talents and managerial skills we require are at hand. We only need to organize them.

Finally, the most important ingredient of all—the dedication, the drive, the determination to see the task through—is, I believe, within our grasp. If development becomes a social as well as an economic objective, if it aims squarely at an end of grinding poverty and gross injustice, I believe it has a constituency waiting for it among the emerging generation of young adults. These young men and women are looking for goals beyond their own personal affluence. Human development is surely a challenge that can command their dedication, provided it is a development not simply in goods and gadgets but in the self-respect and dignity of man.

That, I believe, is the true dimension of the task that lies before all of us in the Second Decade of Development.

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