
Historical Evolution and Changes under McNamara

The departure of Robert S. McNamara as president of the World Bank on June 30, 1981, marked the end of thirteen years of his presidency and of an era for the world's preeminent international development organization. It was an era characterized by two major changes: a vast expansion in the flow of financial resources from the Bank to the countries of the developing world and a significant reorientation in the kinds of projects those resources financed. Particularly after 1973 the Bank diversified the sectoral allocation of its funds away from an almost exclusive concern with funding projects of basic economic infrastructure toward projects explicitly devoted to the alleviation of poverty in less-developed countries. At the same time it was vastly expanding the amounts of its development lending, the Bank was also becoming the world's largest antipoverty agency. It was in the forefront as the international development assistance community entered an era of poverty-oriented development projects.

The Bank before McNamara

A product (along with the International Monetary Fund) of the Bretton Woods conference of July 1944, the International Bank for Reconstruction and Development, now known almost exclusively as the "World Bank," began formal operations at its headquarters in Washington, D.C., on June 25, 1946. Its twin functions were explicit in its name. It was to assist in the reconstruction of the war-ravaged economies of Europe and Japan and in the "development"—the term was open to numerous interpretations—of the "less developed" world. The Bank's first four loans, approved in mid-1947, were for reconstruction of Denmark, France, Luxembourg, and the Netherlands. Its first development loan was made to Chile for two small projects in March 1948.

From its inception the Bank was both determinative and reflective of current thinking about development. In the two decades between its first development loan and the presidency of McNamara, the Bank had a strong tendency to equate development with economic growth. The principal developmental goal was the expansion of the aggregate growth rate, and the projects the Bank undertook to finance in the developing world tended to be judged by their prospective contributions to this objective. Edward S. Mason and Robert E. Asher, in their monumental history of the first quarter century of the Bank, summarized this view as follows:

The Bank recognized that investments of many kinds were needed for development but frequently implied that one kind was more essential than any other. The relative ease with which it could finance electric power, transportation, and economic infrastructure projects . . . made it an exponent of the thesis that public utility projects, accompanied by financial stability and the encouragement of private investment, could do more than almost anything else to trigger development. Projects to develop electric power and transport facilities were accordingly considered especially appropriate for Bank financing. At the same time the Bank was led to eschew certain fields traditionally open to public investment, even in the highly developed free-enterprise economies: namely, sanitation, education, and health facilities. Investments in these so-called "social overhead" fields were widely considered to be as fundamental to development as are investments in hydroelectric sites, railroads, highways, and "economic overhead" programs. The contribution of social overhead projects to increased production, however, is less measureable and direct than that of power plants, and they can be completed without large outlays of scarce foreign exchange. Financing them, moreover, might open the door to vastly increased demands for loans and raise hackles anew in Wall Street about the "soundness" of the Bank's management. It therefore seemed prudent to the management during the first postwar decade to consider as unsuitable in normal circumstances World Bank financing of projects for eliminating malaria, reducing illiteracy, building vocational schools, or establishing clinics. The Bank became the leading proponent of the view that investment in transportation and communication facilities, port developments, power projects, and other public utilities was a precondition for the development of the rest of the economy.¹

This view in fact persisted well beyond the first postwar decade; it was still operative when McNamara assumed the presidency of the Bank in 1968. It was clearly reflected in the Bank's sectoral lending allocations. Between fiscal years 1961 and 1965, 76.8 percent of all Bank lending was for electric power or transportation. Only 6 percent

was for agricultural development, and a paltry 1 percent for social service investment.² In the case of the International Development Association (IDA, the Bank's "soft-loan" affiliate created in 1960), about half of the lending between 1961 and 1965 was for electric power and transportation, only 18 percent for agriculture, and only 3 percent for social services.³

The total lending of the Bank and IDA for all purposes from their respective beginnings until McNamara's presidency was not great. This totaled approximately \$13 billion through June 30, 1968. Much of this represented commitments to developed rather than poor countries. By 1968 the Bank had loaned about \$857 million to Japan, \$398 million to Italy, \$290 million to France, and \$236 million to the Netherlands. Reconstruction lending per se ended in 1955, but there continued substantial lending to developed countries until about 1967.⁴ Development loans had a slow beginning but soon attained an annual level of \$300 to \$400 million, persisting at this level until fiscal 1958. Between then and the beginning of McNamara's presidency in 1968, loans for development purposes tended to vary between about \$700 and \$800 million a year.⁵

In retrospect the World Bank before McNamara was, relatively speaking, a remarkably conservative institution. It was basically a project lender. The projects it financed were quite traditional, as it shunned riskier sectors in the borrowing nations. The Bank was particularly conservative in the ways it judged the performance and creditworthiness of its borrowers. For some years the principal index of creditworthiness was a country's debt service ratio—the ratio of a country's interest and amortization payments on its public and publicly guaranteed debt to the country's earnings from exports of goods and services. The Bank put considerable emphasis on domestic savings rates, public sector fiscal and monetary probity, the growth of output and investment in different sectors, and efficiency in the use of domestic resources. As Mason and Asher note, "the early literature of the Bank is full of references to 'sound' economic policies, 'sound' fiscal and monetary policies, and 'sound' policies of various other kinds, with the clear implication that the distinction between sound and unsound policies is as obvious as the distinction between day and night."⁶

It was a comfortable if not complacent time. The objective was growth, and growth could be technocratically orchestrated regardless of the political systems in the countries that were the recipients of Bank loans. Much of this was also related to the Bank's desire to establish and verify its own creditworthiness. The Bank was in part a cautious lender because of its own need to borrow to finance its lending

program, and “it was clear from the start that whatever lending policy the Bank might want to pursue would be strictly conditioned by the necessity of finding U.S. investors who were willing to buy its securities or accept its guarantee.”⁷ This was less strictly conditioned as the years went by but, nevertheless, kept the Bank from venturing into sectors and countries where lending could be thought to jeopardize the quality of its loan portfolio. The Bank in the pre-McNamara years avoided a role as a *development agency* in favor of the more traditional role of *bank*.

The McNamara Years

A vigorous debate continues on whether the World Bank under McNamara changed for better or worse, but there is no denying that the institution experienced some remarkable changes during his tenure.

Funding clearly increased, from 62 new projects approved by the Bank and IDA in fiscal year 1968 to 266 in fiscal 1981. In fiscal 1968 these new commitments totaled \$953.5 million; in fiscal 1981, \$12.4 billion.⁸ By the end of fiscal 1981 the total cumulative lending commitments of the Bank and IDA were \$92.2 billion.⁹ Of this amount all but \$13 billion were committed during the McNamara years. This means that almost 86 percent of all Bank/IDA lending occurred during those years. Even after correcting for the notorious inflation of that interval, Bank/IDA lending under McNamara grew approximately fivefold in real terms. This substantial growth in lending was accompanied by a growth in the staffing needs of the Bank. In fiscal 1968 the total staff numbered 1,574. By fiscal 1981 it had grown to 5,201. The professional staff numbered 767 in fiscal 1968; in fiscal 1981 it was 2,552.¹⁰ The World Bank, while becoming by far the world’s largest official lender for the development of low-income countries, also became a bureaucracy.

But there were also important changes in the *composition* of Bank and IDA lending, and these serve as the basis for the inquiry that follows. The Bank in the McNamara years, and particularly since 1973, became increasingly devoted to the alleviation of poverty in its developing member countries. (The membership of the Bank, which totaled 36 nations in 1946, now numbers 141.) The benchmark event or turning point was McNamara’s Nairobi speech, his address to the Board of Governors of the Bank delivered on September 24, 1973. McNamara focused on the dimensions of world poverty, particularly on the very little done in the previous two decades to increase the productivity of subsistence agriculture in poor countries.¹¹

But McNamara's Nairobi speech was only the beginning. A series of sector policy papers outlined Bank thinking about sectoral poverty concerns, notably rural development, basic education, basic health, and low-cost housing, and suggested roles for the Bank in attacking poverty problems directly. The Bank's Development Research Center turned much of its attention to questions of poverty and income distribution. A volume produced in 1974, *Redistribution with Growth*, became somewhat of a landmark citation.¹² Much of the Bank's own research work was increasingly given over to questions about poverty alleviation. More recently, the Bank was in the vanguard of theoretical work on a "basic human needs" approach to development.

The McNamara reorientation of the Bank away from its almost exclusive concern with basic economic infrastructure toward antipoverty work was most dramatically reflected in changes in the Bank's lending activities for development. In fiscal 1968 Bank lending for agriculture and rural development amounted to only \$172.5 million, 18.1 percent of its total lending. By fiscal 1981 it had risen to \$3.8 billion, 31 percent of total lending.¹³ Bank lending for agriculture and rural development in the single year of fiscal 1981 was almost four times such lending during the Bank's entire existence from 1946 to 1968.¹⁴

There were also pronounced changes in lending within the agricultural sector. Lending for irrigation and other projects of agricultural infrastructure declined in relative importance, while lending for poverty-oriented rural development increased. Between fiscal years 1974 and 1978, approximately 75 percent of the 363 agriculture and rural development projects approved by the Bank contained what is called a "small-farmer element or component."¹⁵ Over 50 percent of the Bank's lending for agriculture and rural development in 1974 to 1978 was accounted for by 210 rural development projects defined by the Bank as "those projects in which more than half of the direct benefits are expected to accrue to the rural poor."¹⁶

Other lending changes were also apparent. Increasing concern with problems of urban poverty led to lending for low-cost housing and slum rehabilitation projects. From 1972, when the Bank made its first housing loan (for a project in Dakar, Senegal) through the end of fiscal 1981, the Bank undertook 52 basic urbanization projects representing total loan commitments of \$1.6 billion.¹⁷ Lending for industrial development increased, with greater attention to the potentialities of small-scale industry.

In the education sector the pre-McNamara years were characterized by no lending at all for primary education and very little for nonformal education. The Bank estimated, however, that 21.2 percent of its

educational lending would be for primary education and 24.6 percent for nonformal education over the fiscal years 1979 to 1983.¹⁸

Health components came to comprise an increasingly important proportion of the Bank's rural development and other projects. Approximately \$202 million were committed for health components of projects over the fiscal years from 1976 to 1981.¹⁹ The Bank funded large countrywide nutrition projects in Brazil and Colombia. In addition the Bank had approved 23 population projects by the end of fiscal 1980, involving Bank lending of \$421.9 million.²⁰ While small in aggregate amounts, Bank lending for health and population activities represented other new directions under McNamara.

In general, lending for the traditional activities of power, transportation, and telecommunications increased in absolute amounts but declined as a percentage of the Bank's lending operations. In fiscal 1968 lending for these activities constituted 57 percent of total Bank lending.²¹ By fiscal 1980 this figure was only 39.²²

Such changes in the Bank's lending program, while of central importance to the themes of this study, were not the only significant changes under the McNamara presidency. There were changes in the composition of the staff. The percentage of the professional staff coming from the United States, the United Kingdom, and other economically developed countries declined whereas the percentage from developing countries increased. There was also a perceptible increase in the percentage of women although the total number of women on the Bank's professional staff remains small. As of fiscal 1980 women constituted 12 percent of the professional staff, an increase from 6.3 percent in fiscal 1968.²³

There were many internal organizational developments. Entirely new units were created, reflecting both the increase in Bank work and its reorientation toward questions of poverty alleviation and income distribution. These included the Agriculture and Rural Development Department created in 1973, the Urban Projects Department created in 1975, and the Population, Health, and Nutrition Department created in 1979. The Bank's Development Policy Staff increased greatly in size and importance to the point where the organization's research expertise on some questions of economic development became unrivaled. A policy-planning department was established in 1972. The Operations Evaluation Department created in 1975 represented an effort at self-criticism and evaluation. Its principal task was to audit and draw lessons from the implementation of the Bank's manifold development projects.

All of these changes had profound implications for the work of the Bank. The social dynamics of the organization were fundamentally altered. Before McNamara the Bank was in a sense a club characterized by much cultural homogeneity; now it is a bureaucracy with a good deal of heterogeneity. Before, management was benevolently paternalistic; under McNamara it was greatly centralized, much more hierarchical.

The pace of work also speeded up. The number of projects approved per staff member increased. Loan commitments per staff member increased from \$1.59 million in fiscal 1968 to \$1.95 million in fiscal 1978.²⁴ This resulted in what some members of the Bank's own Staff Association referred to as an assembly-line approach to project preparation. Pressure increased to grind out projects to meet the year's quantitative goals.

If the Bank changed internally, it also changed in the character of its external relations. The substantial increase in the commitment of Bank resources and the associated qualitative changes in lending had pronounced effects upon the Bank's role in the international development assistance community. At a time when the low profile was much in vogue elsewhere, the Bank became an increasingly visible institution. Its general development policy orientations, the kinds of specific projects it financed, and its conflicts with recipient countries became the subject of increasing journalistic, political, and public comment and debate—in marked contrast to the lack of attention given the Bank when it was in many ways almost an appendage of the U.S. Treasury Department. The Bank's active involvement—indeed its central role—in the substantive debate about the goals of development in the 1970s, particularly the goal of poverty alleviation, brought it into increasing conflict with regimes in the developing world not noted for their urgent concern for these matters.

Such involvement also brought the Bank into conflict with important figures in the U.S. government. There was increasing disquiet, especially within the Congress, with the growth and poverty-oriented redirections of the Bank. This disquiet sharply increased with the advent of the Reagan administration in 1981. Few in the administration seemed to share McNamara's concerns with subsistence farmers and shantytown dwellers.

Poverty Alleviation and Its Implications

What motivated the new poverty-oriented concerns in development assistance? What motivated McNamara's World Bank? There were

undoubtedly numerous, complex conditions, many of which may be summarized in the following observation: The process of economic growth as it occurred in many developing countries in the last several decades appeared to bypass the poorest people and in some cases even worsened their circumstances, despite some impressive achievements in aggregate terms.

The problem was the apparent failure of the trickle-down strategy of development.²⁵ The impressive growth rates and sectoral achievements in many developing countries were apparently not translated into an improvement in real living conditions for the “absolute” poor who constitute, according to a conservative estimate, at least 40 percent of the population of such countries.²⁶ Even within countries such as Brazil and Mexico, where growth is thought to have been exceptional, there are very large areas of desperate poverty (in this case rural Mexico or northeast Brazil). For many countries income distribution, as measured by indicators of relative inequality or by measures of absolute impoverishment, appeared to worsen noticeably as economic growth proceeded.²⁷ The problems of unemployment and underemployment came to the fore as urban industry was unable to absorb the increments to the urban labor force.²⁸ Neglect of agricultural development contributed to a crisis of production and productivity. According to one account, “a large majority (nearly four-fifths) of the population of underdeveloped territories are supported on a level of productivity that still implies a risk of famine.”²⁹ In the light of these and other seemingly intractable problems, it is conceivable that the development assistance effort had to change to deal with poverty directly; the traditional practice of waiting for the slow diffusion of the benefits of growth simply did not work.

The Bank of course is not the first institution to treat the socioeconomic conditions of the poor. If one wishes to search for the roots of concern for the poor, one may retreat through the millennia to the study of the world’s great religions and philosophical systems. A more contemporaneous and mundane example is to be found in various Indian national plans, which have stressed the importance of anti-poverty objectives.³⁰ The work of the International Labor Organization (ILO) after 1969 on the employment needs of developing countries was of undeniable importance. During the 1970s a number of international forums focused directly or indirectly on poverty-oriented issues. These included a conference in Cocoyoc, Mexico, held by the United Nations in 1974, where the objective was to “redefine the whole purpose of development . . . to ensure the quality of life for all . . .”; the Third World Forum, organized in 1975 to “facilitate the creation

of a more just world order"; the 1975 report of the Dag Hammarskjöld Foundation, which argued that the satisfaction of peoples' basic needs should be at the core of the development process; the 1976 World Employment Conference of the ILO, where the central theme was the importance of making basic needs satisfaction the prime focus of national and international development efforts; and the Tinbergen report on *Reshaping the International Order* which called for the elaboration of new development strategies emphasizing basic needs satisfaction, poverty eradication, self-reliant and participatory development, and development attentive to ecological considerations.³¹

Two major policy initiatives of the American government—one antedating by many years the World Bank's newer concerns, the other coterminous with them—were particularly illustrative of poverty-oriented emphases. One was the Alliance for Progress, an initiative begun in 1961 which marked "a dramatic and fundamental reorientation of Washington's policy toward Latin America."³² While the primary objective of the Alliance was an increase in rates of economic growth, its second objective was a more equitable distribution of national income.³³ The Alliance aimed at reforms in the region's economic and social systems and proposed specific policy reorientations in agriculture, health, housing, education, and other sectors that in many significant ways preceded World Bank initiatives a decade later.

A second major effort was embodied in the U.S. Foreign Assistance Act of 1973, popularly known as the New Directions legislation. The act mandated a change in "our whole approach to development by concentrating on the needs of the poor."³⁴ Henceforth the American bilateral assistance program was to focus on the fundamental problems of the "poor majority"—food and nutrition needs, population, health, education, and human resource development.³⁵ The overriding objective was to "help improve the lives of masses of people who live under conditions of extreme poverty, malnutrition, and disease."³⁶ According to one observer, "this was a marked departure from previous U.S. aid schemes which had concentrated on high-technology, capital-intensive, industry-based growth for almost two decades."³⁷

The Bank then was not a *deus ex machina*. Poverty alleviation was not invented with McNamara's Nairobi speech of 1973. But the Bank rapidly moved to the vanguard of international efforts on the anti-poverty front. Partly this was because it skillfully distilled the work of others—in academe, in international forums and organizations, and in some developing countries themselves. Partly it was because of its own intellectual leadership role in this area, especially after the creation of its Development Policy Staff in 1971. But mainly it was because

the Bank possessed the *resources* to make the new poverty-oriented emphases operational. While others could write reports, elaborate theories, make proclamations, and perhaps carry out some limited endeavors in the field, the Bank could back up its new antipoverty concerns with the transfer of substantial sums of money.

The transfer of money by the Bank for poverty-oriented work had a number of significant implications for its operations. One of these was the tension created between McNamara's goals of substantially increasing resources transferred to developing countries by the Bank and of reorienting the Bank to play a predominant role in the international antipoverty effort. The goal of transferring resources, or "moving money," as it is sometimes called, was more readily attained via big, traditional infrastructure projects—through loans for steel mills, for example. Poverty-oriented projects appeared to be typically smaller in their commitment of resources, more time-consuming, more staff-intensive, more difficult to implement, more requiring of skills in which the Bank was still relatively deficient. How to move a lot more money while doing a lot more on behalf of poverty alleviation thus became a central tension of the Bank's work under McNamara.

A second major implication concerned the Bank's role as a bank in contrast to its role as a development agency. The officials interviewed at the Bank for this study were very quick to point out that the institution is first and foremost a bank. It makes loans. It has to be concerned about creditworthiness of borrowers, interest rates, amortization schedules, and the like. Like any other bank it does not give things away. It does not subsidize undertakings. As the treasurer of the Bank has pointed out, it has to provide "unmatched protection and strength for creditors and shareholders."³⁸

In fact, however, the World Bank has always been something more and something less than a "real" bank. In its functions of technical assistance, research, in much of its country economic work, in its more innovative development projects, in its involvement in desperately poor countries, in its role in the international marketplace of ideas through its publications and the speeches of its president, the World Bank has always differed substantially from a standard bank. Obviously, if the Bank were to become increasingly involved in antipoverty activities in developing countries, it had to become less of a bank and more of a development agency.

A third implication of the Bank's poverty-oriented concerns under McNamara relates to the Bank's larger role in the international system. The Bank in the McNamara years became a more overtly reformist institution. But this reformist role, in which social and distributional

concerns were added to primarily economic and growth-oriented objectives, did not fundamentally alter what may be considered the Bank's primary objective. This has been variously phrased, but in essence it amounts to the goal of modernizing the international economy in its capitalist variant for the sake of its long-term preservation. In the 1950s and 1960s an overriding concern was with growth, and development projects to facilitate growth were viewed as principal contributors to this primordial goal. In the 1970s certain socioeconomic reforms came to be seen—by the Bank and by others—as essential in this effort. McNamara at the Bank confronted a situation not unlike that before Franklin Roosevelt during the Great Depression. For both the task was to preserve the prevailing system through reforms whose necessity was not previously understood or well tolerated. Means were significantly altered in the pursuit of long-standing ends.

Evaluating the Bank

These considerations suggest that the political economy of poverty-oriented development strategies is a complex and controversial topic. So is the role of the World Bank in the design and implementation of such strategies. In addressing these subjects, there is an array of conflicting analytical and normative orientations. It is accordingly difficult to formulate criteria for evaluating the Bank's work, particularly its work under McNamara on behalf of poverty alleviation in its developing member countries.

There are strikingly divergent (indeed almost diametrically opposed) viewpoints on this question. On the one hand, a leftist or "radical" interpretation is that the kinds of antipoverty efforts in developing countries discussed in subsequent chapters of this study amount to a mere utopian pipedream. From this perspective, such efforts in developing countries (with a few exceptions, such as Cuba) are viewed as not politically feasible because such countries are "dependent capitalist" states. They lack a growth-promoting "national bourgeoisie" because the most powerful political actors are closely tied to foreign capital. They are thus "structurally inhibited" from pursuing poverty-oriented strategies because these would transform the status quo from which the elites derive benefit. In such political systems policies designed to combat poverty would be mere palliatives or tokenism at best and probably counterproductive. The only "real" solution lies in the revolutionary uprooting of the dependent capitalist system and its wholesale replacement by some variant of socialism.

Opposed to this line of reasoning is a "conservative" critique of the Bank which in its most extreme guise argues precisely the reverse,

that the Bank's operations are *promoting* socialism in developing countries. According to this line of argument, the Bank's efforts are *undermining* capitalist development. In the United States this line of argument spread from academic into policy circles with the arrival of the Reagan administration. Early in the administration, for example, its budget director protested that the Bank "has supported state planning efforts in some countries" and "has not been vigorous in using the leverage inherent in its large lending program to press recipients to redirect their economies toward a market orientation."³⁹

This was only one of the conservative complaints about the Bank. Whereas leftists were concerned that Bank funds might not reach the poor at all, conservatives seemed to be concerned that they might in fact reach them, contribute to their empowerment, and possibly even result in changes of regimes away from capitalism. One prominent conservative critic argued in this fashion when he severely criticized loans for "collective farming" in Tanzania.⁴⁰ Whereas leftists argue that much World Bank lending simply winds up back in the pockets of developed-country exporters and multinational corporations (through contracts awarded in connection with Bank projects), conservatives tend to argue that *not enough* is winding up back in their pockets. While leftists see the terms of Bank lending as too onerous to be supported by the public treasuries of developing countries, and therefore as contributory to a vicious circle of external indebtedness (requiring still more loans), conservatives tend to see the terms as too liberal. In their view much Bank lending (and all IDA lending) represents a "giveaway."

On a range of criteria for judging the Bank, therefore, both leftists and conservatives give it bad marks—but for completely different reasons. Public debate about the role of the Bank has alternated between one or another of these bifurcated positions. Under the Reagan administration the terms of the debate in the United States have generally been established by the conservatives, and their arguments are dealt with extensively in the concluding chapter of this study (on policy issues and options currently confronting the Bank). In some other countries, for example, Canada and the Scandinavian countries, the terms of the debate about the Bank more often have been established by the left.

Each of these lines of argument has important implications for the study of the World Bank and its efforts under McNamara to give a poverty-oriented slant to development. According to each argument, the Bank is not part of the *solution* at all; it is part of the *problem* (though for entirely different reasons).

Teresa Hayter succinctly states the leftist view of the Bank as problem, arguing that "The existence of aid can be explained only in terms of an attempt to preserve the capitalist system in the Third World. . . . [T]he exploiting classes relinquish the minimum necessary in order to retain their essential interests."⁴¹ As another book on the Bank put it: "If one is convinced that in most low-income countries immediate, wholesale shake-ups of society—in other words, revolutions—are necessary before real progress can occur, he will probably consider the Bank counter-revolutionary, meaning that, in his view, the institution is worse than useless."⁴²

The conservatives see the Bank as part of the problem because, as an editorial in the *Wall Street Journal* argued, it is promoting "hare-brained schemes" in developing countries at the expense of sound development policies.⁴³ Such policies would entail greater attention to the private sector, free enterprise, and, in general, "supply-side" economics applied to the Third World. Instead, the conservatives argue, the Bank emphasizes national planning and bloated public-sector bureaucracies requiring high taxes to support them and thwarting the development of the private sector which should be the real engine of growth. In this sense, then, the Bank and its programs constitute impediments to development.

This study sides with neither the leftist nor the conservative critique of the Bank. It adopts a centrist view, emphasizing the Bank's essentially *reformist* role as a development institution. It adopts the normative position of Albert O. Hirschman, the chief academic representative of the reformist persuasion. According to Hirschman, reformers need to explore "how social change short of cataclysmic revolution actually happens."⁴⁴ This in turn requires attention to the *politics* of such non-cataclysmic social change. An important element of such politics is the existence (or, more commonly, the forging) of a pro-change coalition. Such a coalition does not only involve domestic actors within developing countries; it may also, and frequently does, involve the World Bank.

In this study reform is viewed as preferable to either revolution or reaction and the World Bank is viewed as an agent of reform. Given this orientation to the Bank's involvement in socioeconomic development in poor countries, the discussion in this study largely concerns various ways of promoting reform rather than ways of promoting revolutionary activity or (at the other extreme) arresting progress. The study readily accepts the implication of this, that the possible contributions of the Bank on behalf of socioeconomic change may very well be somewhat prosaic. The Bank is limited in what it can do for a

great variety of reasons. But this limitation does not call for systematic derogation of its work. Rather, it encourages a sober assessment of its role and highlights the fact that the major commitments on behalf of change must in the final analysis be made by the developing countries themselves. Most of these countries, if they opt for change at all, are far more likely to opt for either liberal reformism or authoritarian social change (the “revolution from above”) than for the genuine revolution suggested by radical models.

The radical model, which for long dominated the academic debate about the Bank, suffers from a number of problems that make it singularly inappropriate to employ as a basis for judging its poverty-oriented work. Its most serious flaw is that it vastly oversimplifies existing political reality in contemporary developing countries. It “overdetermines” that reality. As an analytical tool the model has proved notoriously long on abstractions and notoriously short on the generation of systematic empirical research. Moreover the radical model often seems wrong. It tends to conclude that “ultimately, revolutionary socialist movements are likely to succeed because of the failure of capitalism to eradicate underdevelopment and the limited capacity of the world capitalist system to defend itself against mounting revolutionary activity in the underdeveloped areas.”⁴⁵ It therefore ignores the limited amount of truly revolutionary activity in most underdeveloped areas, political trends in developing countries that seem profoundly antirevolutionary, and, especially, the range of alternative political forms (not just socialist ones) that are likely to supplant dependent capitalism. It neglects the fact that revolutions are not always necessary for meaningful social change to occur. Nor are they always capable of achieving what they claim to achieve (such as income or wage equality). The frequent ossification of putatively revolutionary regimes in the postrevolutionary period raises the question of which kind of regime—the revolutionary, the reformist, or other (unlabeled) variants—produces more continuous and enduring changes.

The conservative model, which currently dominates the *political* debate about the Bank, is also inappropriate as a criterion for evaluating the Bank’s antipoverty activities. Many of the reasons for this are adumbrated in the concluding chapter, but the essential reason is that it is fixated on private-market solutions to the problems of development and gives little if any importance to the provision of “public goods.” It substitutes the profit motive for the achievement of development. While the World Bank does make a relatively modest annual profit, and while earning a profit may sometimes be compatible with helping

the poor, the Bank is not a private firm and cannot be evaluated as if it were.

On balance therefore, the present study sides with those of reformist tendencies. Its criteria for evaluating the World Bank's poverty-oriented initiatives are not those of either its leftist or conservative critics. They are essentially those of its reformist defenders. Such a reformist defense of the Bank speaks to both the leftist and conservative critiques. The ensuing discussion demonstrates that the Bank's poverty-oriented projects are consistent with the institution's long-standing emphasis on economic growth, that the Bank places great stress on cost recovery and on such associated notions as the affordability of the benefits provided by its projects, and that the Bank also stresses the importance of the policy environment within recipient countries as crucial to project effectiveness. These are things of which conservatives can generally be expected to approve. The left is fond of contending that Bank funds do not reach the truly poor. While there may have been more than a modicum of truth to this assertion a decade or two ago, the Bank's sharply increased antipoverty lending which is the focus of this study belies the argument now. Both right and left are concerned that Bank projects do not pay enough attention to "institution-building" issues or to project "software." As a result they are alleged to make insufficient contributions to long-term development. But this too is increasingly belied by the historical record. That record demonstrates the Bank's concern with ensuring that the development projects it finances make many contributions beyond simply the capital installations themselves.

Perhaps it is inevitable that the Bank should be subjected to severe criticism from the ideologues of both left and right. Those on the left at bottom desire that the Bank contribute to *revolutionary* change, something it is most clearly not in the business of doing. Those on the right appear to desire that the Bank become a mere underwriter of the plans of private investors for the developing world. But this too would be alien from the Bank's developmental role. The profit motive alone will not solve the problems of underdevelopment.

The Bank is thus vulnerable to crosscurrents of criticism in the same way as any organization that eschews ideological extremes. Judgments about the utility of the Bank must therefore be made in the light of what it is that its programs are trying to attain and not in the light of externally prescribed criteria, which are frequently irrelevant to its developmental objectives. Under McNamara those objectives were basically summarized in the phrase "growth with equity," to be attained in an incremental, reformist fashion. While some social costs are inevitable in any pursuit of these objectives, the Bank's approach sought

to minimize disruptive consequences of a social or political nature. The approach is justified by its contribution to qualitatively better societies in developing countries. While far from being the perfectly egalitarian societies of the radical visions or the free-market paradises of the right, these societies would be improvements over what they were when the Bank commenced its operations.