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Reorientation in Development Policy

World Bank President Robert S. McNamara has never hesitated to make his listeners face clearly the discrepancy between the moral claims and the sober and disappointing realities of development policy. His speech at the annual meeting of the IMF and the World Bank Group in Nairobi this year deserves special attention because it did not get bogged down in complaints and platitudes but set new keypoints and landmarks for international development policy.

McNamara developed a kind of new development strategy. It may be better to speak of a new development concept so as to avoid the unjustified impression that his ideas were biased as is so much else which is put forward as a strategy in the debate on development policy. McNamara's concept rests on three pillars: first, the developing countries will have to reorientate their development targets and through appropriate reforms work for more equity in incomes distribution; secondly, public development aid must be raised to the projected level of 0.7 p.c. of GNP; and thirdly, the industrialised countries should remove their trade restrictions on developing countries to give them a chance to increase their exports and thereby earn the foreign currency which they need to finance indispensable imports and ease their grave debt problem.

The last two of these demands are not new. They have been and will continue to be cardinal issues in the debate on development policy. The first pillar of McNamara's programme is new

and crucial. He set out two important points, which are rarely stated so clearly and bluntly: first, he told the developing countries plainly that any and all success of development efforts depends in the final analysis on the conditions, which they are creating in their own countries; and secondly, McNamara proclaimed publicly the departure from the one-sided industrialisation strategy pursued over decades and laid the emphasis on greater promotion of the agricultural sector.

Such a readjustment has long been overdue in as much as in almost all developing countries agriculture provides 50–75 p.c. of the population with their only chance of earning a living. Not only is it the food and thus the subsistence basis but, as a rule, it is also the starting point for industrialisation and expansion of exports. A better balanced encouragement of the industrial and agricultural sectors, and especially of the small enterprises in both sectors, could therefore make a substantial contribution to the solution of the urgent problem of "absolute poverty", which according to McNamara's remarks affects at least 40 p.c. of the population of the Third World.

That McNamara is laying so much stress on improving the incomes distribution is problematic. In conjunction with appropriate measures by the developing countries themselves, the concept is certainly a necessary prerequisite for any appreciable improvement of the incomes of the poorer sections, but that the distortion of incomes structures

can be overcome in this way is more than doubtful. All past experiences suggest that further industrialisation and growth — which are not abnegated by the concept but are indeed necessary — cannot come about without distortions in the incomes distribution. Today the industrialised countries have still to cope with structures inherited from the time, when their economies were established, and see themselves largely incapable of solving these problems. Pointing out this fact is not the same thing as opposing appropriate efforts, but merely a warning against unwarranted expectations to be followed inevitably by fresh disappointments. The "risk of revolution" of which McNamara spoke does not only stem from the realities of the situation, but also from expectations which are raised and left unfulfilled.

The developing countries will have to do their part to lessen the discrepancy between reality and expectations. McNamara's frankness has nothing to do with interference in the internal affairs of the developing countries, but it is the necessary basis for the success of his concept. There has been too much talk and too little action in the countries concerned on property law and land reform, on the promotion of new organisational and institutional forms, and much else. Only when these preconditions have been created will there exist a real chance to accomplish the objective — so great and yet so modest — of putting an end at least to the absolute poverty by the end of this century.

Otto G. Mayer