

THE WORLD BANK GROUP

ORAL HISTORY PROGRAM

Transcript of interview with

ANNE O. KRUEGER

January 29, 2010

Washington, D.C.

By: Marie T. Zenni

MS. ZENNI: Good afternoon. I'm Marie Zenni, consultant and senior interviewer for the Bank's Oral History Program.

MS. KRUEGER: I'm Anne Krueger.

MS. ZENNI: Today, is Friday, January 29, 2010 and I'm here at the Paul Nitze School of Advanced International Studies, Johns Hopkins University, to interview Professor Anne Krueger, who previously served as the Bank's vice president for economics research from 1982 to 1986. Welcome Professor Krueger.

MS. KRUEGER: Thank you.

MS. ZENNI: I'd like to begin by discussing your background in general, including your educational background, pre-Bank work experience, and how you became interested in economic development?

MS. KRUEGER: I have my PhD in Economics, and I taught at the University of Minnesota until I came to the World Bank.

MS. ZENNI: Thank you. You were appointed by then World Bank Group President Clausen, the Bank's sixth president, as vice president for economics and research in the early stages of his presidency, and that was in September of '82. Please describe the scope of the Bank's development, economics, research, and policy-analysis program at the time you joined? What were the emerging research priorities? Which research themes in particular did you emphasize?

Anne O. Krueger

January 29, 2010

MS. KRUEGER: Well, I think the research at the Bank had been in the forefront of what was happening and had focused on finding a lot of empirical regularities across developing countries and pretty much taking for granted a lot of their policies.

The emerging priorities had to do with more focus on economic policies and their impact on development and doing more on comparative studies across countries as more data became available.

MS. ZENNI: So what were the main challenges you faced, and what objectives did you set out to accomplish?

MS. KRUEGER: That's hard to say. You want to get the cutting edge research and get ahead of where the Bank is so that you have better answers for them when they get to those points. That is always challenging.

MS. ZENNI: Please discuss the challenges, if any, your appointment both as first, and so far only, female chief economist and as first female VP within the Bank presented back then, including your views on Bank efforts at handling gender issues in general back then?

MS. KRUEGER: The first part is easy because I had no idea that there were any special challenges whatsoever. I went in there as vice president, I assumed because I was well qualified, and as far as I know, I was treated as an economist, and only somebody who saw that otherwise could tell you differently.

MS. ZENNI: Based on your experience, please discuss your assessment of the Bank's research strategy in terms of affecting Bank performance and informing country dialogue?

Anne O. Krueger

January 29, 2010

MS. KRUEGER: Well, I think it's always hard to say what the effect of research is because, of course, the results permeate through the policy community, the research community, and everyone else, and you never know how much was your input and how much was other factors. Quite clearly, the Bank plays a central role, not only in its own immediate direct research but then bringing research results together and presenting integrated findings. It was an intellectual leader in the development community.

MS. ZENNI: What impact on policy reform could you glean as evidenced from recipient countries and their policies?

MS. KRUEGER: Well, as I said, it's very hard to say what your specific impact is, because there is a policy community and a research community, and they interact, but certainly, the focus on economic policy and economic policy reform came to the fore at that time. Trade policy and the benefits of more openness were already one area of emphasis.

MS. ZENNI: To what extent was policy formulation at the bank influenced by outside parties, including public opinion, and to what extent was it about Bank learning from the lessons of experience, as well as encompassing the views of Bank clients?

MS. KRUEGER: Well, certainly outside parties influence the Bank. One of the purposes of the Bank's research is to be a conduit from outside to inside, and that continued -- both ways, actually. That continued, and, quite clearly, that was important and, of course, it enhanced the research and influenced research topics.

The research community is not divided into compartments that never talk to each other. In fact, there's a lot of spillover back and forth, and certainly the lessons of experience were very

Anne O. Krueger

January 29, 2010

important in terms of what we were researching and research results, finding out what worked and what didn't, and that was, I think, quite useful and used quite often in operations, as well as being disseminated through conferences and activities which had more immediate impact sometimes in individual countries.

MS. ZENNI: Thank you. In your capacity as the Bank's Chief Economist, you oversaw the yearly production of the World Development Report (WDR), the Bank's centerpiece for setting the agenda for broad international policy dialogue on current critical development issues, first published in '78. Please discuss your contribution to the WDR, including your general views on the process in terms of presentation and intellectual contribution to international policy dialogue?

MS. KRUEGER: The choice of topic was my decision. It has to be one where there have been enough new findings, enough new research, and where there are important results that can be brought together. So you don't want a topic where research is just starting but something that's come along far enough so you can say something. Then getting a team together is important. The team is composed partly of Bank people and partly of researchers from academia and other places, and they try and put together the current state of knowledge on the topic in question.

So, it's a very important part of what the Bank has been doing, and it plays a very important role in disseminating knowledge about policy.

Anne O. Krueger

January 29, 2010

MS. ZENNI: How would you characterize the relationship back then between research and operations staff, and the mechanisms in place dealing with gaps between researchers and those concerned with policy applications?

MS. KRUEGER: Well, that's hard to say because at that time the research was more focused on what I would call the macro issues of policy, and a lot of the specific issues that were covered in operations were covered by the operations policy research staff. So there were really parts of it that were not within the domain of economics and research, so-called, which was more the general overview.

MS. ZENNI: And what are the areas you found where the Bank is best suited to, and has a particular advantage in, doing research as compared to the many research groups from around the world?

MS. KRUEGER: Well, the comparative advantage clearly lies in the Bank's comparative perspective and ability to see across the field and bring to light what we know from a variety of circumstances. If you know something about fisheries in Chile, quite clearly a Chilean researcher or somebody in Chile is well equipped to do that. You don't need the resources of the Bank. But, if you want to know something about comparative success of fish farms around in different environments across the world, that's far too specific, but, nonetheless, my example will work. Then, having a comparative perspective when you have people doing research from different countries and from different perspectives can be very useful.

Anne O. Krueger

January 29, 2010

MS. ZENNI: Your arrival at the Bank coincided with the eruption of the '82 debt crisis. Please discuss the Bank's overall response and your contribution to the process of dealing with the debt crisis, including efforts at restructuring economic policies in the affected countries?

MS. KRUEGER: Well, of course, the debt crisis itself was much more something that was a focus for the International Monetary Fund (IMF) than the Bank. I mean, the Bank was clearly in there for the developing countries and was concerned about the long-term growth impacts and development impacts, but to a first approximation the first part of the problem was simply getting immediate financing, and for that it was either the U.S. or the G7 or the IMF, or some combination of those. The Bank would then contribute to it, especially, with structural adjustment loans.

The Bank helped with financing in that way, and very often there were particular longer-term issues that required full structural reform in which the Bank was very much involved, but it was not the lead agency for the debt crisis.

MS. ZENNI: And what was your particular contribution to the debt crisis?

MS. KRUEGER: In what sense?

MS. ZENNI: In dealing with the debt crises in your capacity as Chief Economist at the Bank?

MS. KRUEGER: Well, we had policy papers. We gave talks. We contributed to the dialogue and were participants in many of these discussions. And, of course, we were the institution collecting debt data from our members.

Anne O. Krueger

January 29, 2010

MS. ZENNI: Based on past experience again, how did you view the Bank's coordination and collaboration efforts, particularly with the IMF, UN, regional development banks, and other international organizations and bilateral aid agencies?

MS. KRUEGER: Well, by and large at that time there was some coordination with regional development banks and the UN. With the IMF, basically what we tried to do was have a division of labor in which the IMF was concerned, as it should be, with short term macro economic balance, and the Bank was concerned with long-run growth issues. Occasionally, the two came into conflict, but not very often, and when they did come into conflict, there were normally discussions, and it got sorted out. I met fairly regularly with my counterparts at the IMF.

MS. ZENNI: Please discuss your contribution to the Bank's poverty agenda in your capacity as the chief economist?

MS. KRUEGER: Well, I think almost everything I did was committed to development, which is committed, of course, to poverty reduction. You cannot achieve very much in poverty reduction without getting reasonably satisfactory economic growth. So, basically, almost everything we did contributed to the Bank's poverty agenda. Developing the Living Standards Measurements Study efforts has turned out to be important.

MS. ZENNI: What is your assessment of the Bank president under whose leadership you mainly served (A. W. Clausen—Bank's 6th president) in terms of leadership attributes?

MS. KRUEGER: I'm sorry...., that seems to be inappropriate.

Anne O. Krueger

January 29, 2010

MS. ZENNI: And, Chief Economists? What, in your opinion, should be the personal and professional selection criteria for the Bank's Chief Economist in terms of intellectual leadership?

MS. KRUEGER: I think it's inappropriate to evaluate past presidents. As to chief economists, what should be the professional and personal selection criteria? Well, I don't think there should be any personal. I think it should be professional, and I think it is intellectual leadership quite clearly and being in touch with, and knowing, the state of development and economics research throughout the world, having a good network of contacts so that they are in touch with what's happening, and sensitivity to them. I mean, those would be the primary criteria.

MS. ZENNI: Thank you. How do you look back on your contribution to the Bank's mission, and what do you consider to be most significant?

MS. KRUEGER: Well, I think when I came to the Bank, it was just at the time when the Bank was changing from having been pretty much concerned with individual sectors and not fully recognizing the role that appropriate overall policies, for example, exchange rate policy, macro policy, inflation, and so on, made to the productivity of loans in individual sectors. At the time I came in, I think we were beginning already, and it continued while I was there, to put focus much more on the overall policy framework and getting that structure right so that, indeed, the productivity of the Bank's resources, when it went in there, would be higher.

MS. ZENNI: Is there anything specific that you focused on, like trade as opposed to --

Anne O. Krueger

January 29, 2010

MS. KRUEGER: Well, I think certainly we gave more emphasis to trade than had been done earlier. We were more skeptical about barriers to trade than the Bank had been earlier, as had been the development policy community and the academic community generally.

It was just not the Bank alone, but it was a shift toward more looking at incentives and markets and how they were functioning, and a little bit less on sort of direct intervention.

MS. ZENNI: Is there anything else you wish to talk about that I might have perhaps overlooked?

MS. KRUEGER: This has been pretty comprehensive.

MS. ZENNI: Many thanks for a most productive interview and for your contribution to the Bank's oral history program.

MS. KRUEGER: You're welcome.

[Pause in proceedings.]

MS. ZENNI: I'm resuming my oral history interview with Professor Anne Krueger. The question regards WDRs. What were the WDR topics covered during your tenure (1982-1986) as chief economist? How were they received, and what impact did they have?

MS. KRUEGER: Okay. Well, there were five. The first was Management and Development. The title had been different before I got there, and it had intended to be very different than what it was. Our intent with it, as it developed, was to talk about how you got efficiency in public services and things like that, and also overall macro economic policy in setting the framework for individuals and firms in the economy.

Anne O. Krueger

January 29, 2010

The earlier folks had been concentrating more on what they called managing development, which was much more plan orientation. They focused on things such as how you administer price control when the public sector regulates a price, and so on. So it turned out to be quite a different WDR, I think, and what has initially been thought about and, to my surprise, did seem to have quite an impact very quickly. The tone of a lot of World Bank conversations changed quite fast. After that came out, our direction continued to be looking a little bit more on incentives and markets and a little bit less at letting the government do it itself. It was pretty well received in many quarters. I think less in Africa, where the African were still pretty committed to letting the government run their economies. But, otherwise, I think we had some impact that was not insubstantial, more in some countries, of course, than in others, but it made a difference.

The next was Population Change in development, which in a sense was just bringing up to date the huge explosion to the understanding of human capital, population growth, whether population was endogenous or exogenous, and all that. It was very well received and I think well done and stood for a long time as sort of the reference people used for all of the material they wanted on population growth, education, nutrition, that range of issues.

The next one was International Capital and Economic Development. We were pushing a line -- at that time, foreign direct investment was very suspect. Now everybody thinks it's the be-all and end-all. At that time, they thought it was an instrument of exploitative capitalism or something. Our effort was to have some balanced views as to what it did, and, of course, especially after the debt crisis; that was an important issue. Our discussion was not to throw out

Anne O. Krueger

January 29, 2010

the baby with the bath water, and I think in the end it made a difference. Nothing changes everything overnight, but it was very well received.

The next two WDRS (my last two), were both related to trade. The first was Agricultural, and the second, the Manufacturing Industry. In the case of the first one, we were hitting hard on the notion that if one country tries to reform agriculture by itself, we're going to have tremendous problems, but if the world as a whole would reform, the adjustment for everybody would be far less because you have the countries that are subsidizing that need to stop and the countries that are penalizing and need to stop. But if you have only one side doing it and not the other, you need to have bigger drops in income in the subsidizing countries or you have problems in the opposite direction when you remove tariffs and quotas in the other countries. If both happen at once, the price changes are smaller so adjustment is less difficult. That one was probably the most controversial WDR we did. In that sense, it was probably more important than the others, but it was not in the same sense as the Population one; the Bible for the next few years, but it certainly had an impact.

And the final one was Foreign Trade where we were making the case, and I think convincingly, and it did make a difference, that the opening of trade regimes was terribly important for economic development and wealth, and that the failed import substitution models were not a path to sustainable growth. Those were the WDR topics.

MS. ZENNI: Thank you very much again for a most productive oral history interview. Thank you.

Anne O. Krueger

January 29, 2010