

WORLD BANK HISTORY PROJECT**Brookings Institution****Transcript of interview with****STEPHEN ECCLES****Date: March 23, 1994
Washington, D.C.****By: John Lewis, Devesh Kapur**

*[Begin Tape 1, Side A]*¹

ECCLES: Ghana, until about 1986.

LEWIS: When did you come to the Bank?

ECCLES: 1966-1967.

LEWIS: As a YP [*young professional*]?

ECCLES: YP. Yeah, yeah.

LEWIS: You worked on agriculture early on?

ECCLES: Yes, I got into agriculture through the YP program. My first assignment was with Bilsel Alisbah when he was country officer for agriculture and water supply in India, and I went there for first my first assignment as a program officer, not as an agriculturalist, because he dealt with agriculture. Actually, he was more up-to-date on the non-project side about things like rates of return and being at the forefront of how one ought to look at these things than anybody was on the agricultural side at that time.

LEWIS: I see.

ECCLES: And so I spent all my time working on agriculture there, and then . . .

LEWIS: You were a resident there?

ECCLES: No, no, no. Just here, but I used to visit a lot though, a lot, particularly in the Punjab. And then when I had my second assignment I thought, well, you know, now I know everything about agriculture. And I knew nothing about agriculture before. I mean I learned on that trip that rice grew at the top of the plant. I thought rice, because it was so soggy, you know, in England when we ate rice it was a little bit mushed up with olive oil and things like that, so I assumed always that somehow rice must be one of these things like potatoes, you know, just lots of little small things under the ground. Rather surprised to--shows you how ignorant one is, with an English education system where one is so specialized, arrived in India on an agricultural mission for the Bank to find out that rice grew at the top of the plant, like—I mean, it was a grain, for god's sake! That was my level of agricultural knowledge, although I lived on a, I lived surrounded by farmland, so--but we didn't grow rice, of course, in northern England.

And then I wanted, knowing everything about agriculture, I wanted to do something different like transport economics to broaden my skills but I got dragged into agriculture for my second assignment on the projects side which I objected to but then they told me

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 [].

that they were short of mission types, because they had a real problem that they had--you got the agriculturalists who simply wanted everything their way. That's because if—particularly, and it was usually centered around irrigation--if they needed six and a quarter inches of water, then any scheme that didn't give them six and a quarter inches of water for this thing was wrong, irrespective of the economics, irrespective of the hydrology, irrespective of anything. They wanted that. Then you got the dam people, okay, who wanted to optimize something or other, and they would say, “No, no, no, you're going to have three inches in this thing, you got four inches then, but I don't care whether anything grows or not, this is the way the water is going to come.” This was usually about, as I remember, in India, about the question of, the big question you had in India of--when you had a dam, did you spread the water . .

LEWIS: Yes, yes, yes.

ECCLES: . . to be fair over anybody who could [*inaudible*] get hold of it, or did you restrict it to an acreage which would optimize the rate of return on the dam. And of course it was in that sort of context. And then they got the economists in, see, and they thought, well, the economists would pull all of this together because that's what economists are supposed to do, right? So--but then they found that the economists just formed a third phalanx of this thing where all they wanted to do was optimize the dam rate of return and irrespective of whether this would satisfy the engineers, probably made them make the dam not as high as they would like in the water, and so they got—so in the end they decided that they'd better start a breed of mission leaders, and the criteria for selection was common sense. And bring these three, including the economists, together and sit there and use your common sense and bang their heads together and come out with a, you know, the right answer.

KAPUR: Now, whose idea was that? I mean, this sort of, was that a sort of first, an equivalent of an organizational sort of change, that you began this thing of mission leaders and . . .

ECCLES: Oh, no, mission leaders had always been there. When I--I don't know when we started. It was before '66 on the multi--the multi--what do we call it, multi-sectoral, not multi-sectoral, multi . .

KAPUR: Functional.

ECCLES: . . functional teams where you bring everybody together was already there.

KAPUR: Because all those massive reports on the Columbia mission, you know, the books.

ECCLES: Oh no, no, we didn't.

KAPUR: Those always had multi-sectoral.

ECCLES: Oh yeah, no, no, no, this was this project. I was dealing purely with project appraisal and things like that. And at that stage there were missions, but there was a problem because if you had the mission led by an agriculturalist you tended to get one sort of end, and if you got a mission led by the dam engineer you would get a different, you know, slant to the relative importance of these things. And it was just part of normal development. I mean, institutional development isn't even new in to agriculture. When I joined agriculture in the end as a permanent employee about a year later, there were only 57 professionals in agriculture in the whole Bank and we did the whole world, and I was the 57th.

LEWIS: That was about '68?

ECCLES: This was, by then it must have been . . .

KAPUR: '67?

ECCLES: Yeah, October '67. There must have only been about 57 professional agricultural types. And they were--so, it had been very small. I mean, we'd only been doing agriculture since '64. It was George Woods who got us into agriculture, as you probably know, not [*Robert S.*] McNamara. McNamara gave us the . .

KAPUR: Boost.

ECCLES: . . the sort of spur to go, but it was George Woods time when he determined that we had to get into things like agricultural education, and it was at that time that they started the FAO [*Food and Agriculture Organization*] cooperative program and the UNESCO cooperative program. And so we were really—it was really small stuff. And the type of people who became, came in under this thing about getting different types of mission leaders who were not specialists in something, people like Amnon Golan, who is still here—I don't know whether you've talked to him—he was at the same time; John Malone, who's still around somewhere.

LEWIS: These mission leaders were YPs, weren't they?

ECCLES: Oh no, no, no. The--in those days, in 1966-7-8, there were very few YP's who were mission leaders because they were just too new.

LEWIS: It was just beginning.

ECCLES: It was just beginning. Most, I mean, their—basically, their problem at that time, if you want to take a YP-centric view, was that there were no YPs leading missions. And if you believed in the YP Program you said, “If only we'd had YPs leading missions they wouldn't have had . . .”

LEWIS: Then you could say the rationale for the YP Program was that you needed very competent generalists.

ECCLES: Yes. And flexibility was one of the big selection criteria. And it was--this is getting off the subject of agriculture, but it is very interesting from my point of view because I've had, you know, arguments on the YP program for years--when I joined the YP program, and I was the fifth group, the emphasis was on generalists, and the emphasis was on people who had actually done some work before. There were very, very few--I think two out of my group of 15, 16, actually had no work experience. They were two very young colleagues that had come straight from university. But the other 13 of our group and virtually everybody in the preceding group--you've got the Kim [Edward V.K.] Jaycox and, you know, people like that, also Alice Bow and Chris [Christopher R.] Willoughby and lots of other people of that nature—they'd all done work. I mean, I had spent two years in the army--which is not really count [*inaudible*]-but I spent three or four years in the British Foreign Service and the UN and I came at 27, 28. But a lot of the others, one of the Indians we had had been with Tatas as a training manager type of thing and was about thirty. Most of them, almost all of them were like that, and very few pure economists, very few academic economists. Mainly common sense.

And by the time I became old enough and experienced in the Bank to actually be on the YP selection panel, I used to put a lot of emphasis on that, and if I got somebody who came straight from school my attitude was "Sonny, go away and get your feet dirty first and come back in four or five years time." And that was fine because I fit in with the philosophy of the personnel selection people at that time. But they then switched, for some reason unbeknownst to me, into very much more like the IMF [*International Monetary Fund*], wanting the economists and they preferred the Ph.D. candidate who'd come straight from school. And then they disinvited me from the selection panel because--it was a waste of time because if they sent any of these guys to me I, they knew exactly what they were going to get back. "A very promising candidate," I would say. "Very smart, very sharp. Somebody we ought to keep our eye on, but, send him away, send him away somewhere for four years and let's see what he actually does under a work experience and then we'll have a look."

LEWIS: I was in the [*inaudible*] and when the switch came it was quite a jolt when they shifted to Ph.D. type economists.

ECCLES: I think it was a mistake, really. Some of them, of course, worked out, as it has always been the case, a lot of them worked out extremely well. But it was not, to me it was as you were describing at the beginning, I mean you wanted the generalists who could really function on both sides, program, project and could switch around, and that was my idea, they'd switch around and in the end you'd get managers who'd just about done everything because they had a bit of experience and they make better managers.

KAPUR: Now, in '67, the people who were working in agriculture, their own backgrounds principally were sort of either with the Dutch or British colonial services or
...

ECCLES: A lot. Yeah, it was the one--that's why there was such a lot of Dutch and English because the main source, not the only, the main source of supply was colonial services winding up, and therefore the supply was tremendous. And you could pick and choose, and you could have your pick and have really good people. And some of them were first class, I mean you got a few dodos, of course, but--as you would in any organization--but basically that's where they, you know, that's where they came from, not exclusively. But Bob [*Robert*] Picciotto was another [*inaudible*] at that time, the same type of . . .

LEWIS: Yes, yes.

KAPUR: But the functional focus was principally on irrigation?

ECCLES: Oh, by the time I joined it had spread. Irrigation was, if I remember right--you could look up the organizational chart--but it was changing, we were expanding so fast that I, putting a time on it exactly I don't find that all that easy. But I can recall a time very early on when we had two irrigation divisions, and I think eventually we had three. We had an agricultural credit and livestock division which was then split into agricultural credit on the one hand and livestock on the other as things developed, and then we had a general agriculture where I went. Actually after my YP time I didn't do irrigation. After YP I didn't do any more. I was in a general agriculture division which did things like tea, tea projects, other cash crops not requiring agriculture, the beginning of rural development type projects, and that then split into General Agriculture I, General Agriculture II, and then you got an agroindustry division because things had, you know, as we got bigger we could afford to specialize. And then I became deputy division chief on the agricultural industries division, which is where I was when the first reorganization 1972 came along.

KAPUR: Now the agricultural industry was also forestry?

ECCLES: Ah, I think--I don't think we did any forestry in my time, and therefore that's why I don't remember, but I think that's where it was housed, but I am not 100% sure of that. I think we did it under general agriculture at one stage but we didn't do, didn't do too much then, that was a--we were doing a lot by the time I came back to agriculture as division chief. I went away for awhile.

LEWIS: Let me check one thing with you. You were working in Indian agriculture in say '66, '67?

ECCLES: Yes.

LEWIS: I have guessed that Sir John Crawford's group with the [*Bernard R.*] Bell mission had quite a--I know that they produced a very extensive product in terms of reports, and I assume that that played back into the Bank in a fairly emphatic fashion. Is that right?

ECCLES: Yes, I think so. I--my little spell in India at that time, being a very junior person then, I didn't really absorb where all this stuff was coming from, but certainly John Crawford was the guru and the name and the god and the--very, very well respected in the Bank so I can't imagine that they wouldn't have. But the Bell mission itself, of course, was all locked up at that time.

LEWIS: Yes, I know.

ECCLES: We couldn't get copies. You couldn't get copies of the damn report for anybody so it couldn't have any impact.

LEWIS: The agriculture part was leaking more than the others.

ECCLES: But the agriculture was the *[inaudible]* and he certainly was, and he retained long after that a . . .

LEWIS: He was influenced by McNamara.

ECCLES: He was a lot. He very nearly became director of agriculture, you know. There's a funny story about that but I wouldn't do it with the recorder on.

LEWIS: Turn it off.

[Interruption]

KAPUR: So, now between '68 and '72, did you sort of notice any sort of, because, basically a question of expansion, but the ideas of sort of rural development as it was later known, while it might not have been called or labeled that, but was the thinking sort of internally in that direction?

ECCLES: Oh, yes. I mean it wasn't new. The rural development didn't appear in the Nairobi speech of '72; I mean, it was not the beginning of that at all. Have you read the agriculture sector paper of '72-'71?

LEWIS: '71. No.

ECCLES: You don't know? Because that, that was the first sector policy paper of any sort that the Bank . . .

KAPUR: We have that, John.

ECCLES: It's a little green, greenish, thing like that. That was a very awkward piece to put together. I put it together in the end but it was a very mish-mashy sort of piece.

KAPUR: Was it because different groups had different opinions, differences?

ECCLES: Oh, no. In the '70--for that first agriculture sector policy paper there were disagreements about what a policy paper should consist of rather than any, you know, the actual disagreements about, about things. And the first one was considered to be—the first draft was considered to be unsatisfactory by Warren Baum and the people like that who were in charge of all the projects and things like that and it was sent back to be rewritten and I had the job of rewriting it. I didn't write the original one so it's always awkward when you come in and start rewriting somebody else's stuff which has been heavily criticized, and it was heavily criticized, not so much for the--I can't remember now exactly how much, there was some, there must have been some substantive stuff as well, I guess. But it was very awkward because I would redraft some paragraphs and then I would be told by my bosses, who were G11, 12, "That was a paragraph that I myself wrote, you know, so you've got to use my wording." So it was really quite awkward and the net result wasn't very, wasn't entirely happy but it wasn't all that bad.

LEWIS: Let me sharpen and lead Devesh's question a little bit more. I have the impression that by the '70s there was a—there were two things at work in the agriculture rural development field. One was a kind of a straight-line extension of the emphasis on agricultural production that had been under Woods that McNamara picked up very strongly in the beginning, but the other was this redistributive equity rural development anti-poverty dimension. And part of the interest in the story is to what extent were these things consistent and to what extent were there tensions and conflicts between them?

ECCLES: Oh, no! No, I don't think so. I don't think there were, there were no conflicts, I mean there was a lot of, there was a lot of, there was a lot of discussion between the diehards who felt that rural development projects weren't going to achieve anything, that kind of thing. But there was never any competition that one thing squeezed out the other because virtually we were told we could do anything we wanted. And it was just a question of how much we wanted.

I mean I remember going into—because I used to nip in and spend a year in the front office and then I would go back being a deputy division chief and then I would go back to the front office, things like that--and I remember going on the budget discussion with McNamara, oh, I think right at the beginning of his time, early '68, when his view was "how fast"--because he definitely had a poverty angle right from the beginning--"how fast can you expand your lending?" That's all he asked. Then we went back and figured out what we could do in terms of what projects were available and this kind of thing. And we came to the conclusion that we could, I think it was, quadruple lending in five years and that the main constraint that we had was the rate of absorption of new staff, and that the limitation was that we said we could not expand agricultural staff, professional staff, by more than 25% in any one year if we were doing it on a continuous basis. Obviously, you could take a 50% increase in one year if you then solidified for two or three years, but if it was a steady thing we said 25% increase of staff, year after year after year, would stretch our ability to keep quality, any sort of quality control over the whole operation,. And that was what limited us to the amount of lending we could do and that allowed us to quadruple lending between '68 and '72 or '73, something of that order, which obviously we actually achieved, as far as I know. I may be wishful thinking.

And then McNamara's reaction to that was, "Well, if that's all you can do, I guess I have to live with that." That was--I mean, when they talk about penny pinching on the budget today, but that was it! And then he said, "Well, couldn't you have more, you know, if I gave you more budget wouldn't you do more?"

And we said, no, that was the maximum we could do, and even that would be using a lot of consultants, taking a lot of risks.

And so he said, "No, no, it's fair enough, all right, 25%." So we adopted that as the target. So within that framework, I mean, there was room for everybody to do anything. And in fact the easiest way to expand was on rural development projects because dam building takes a long time, you know, irrigation takes a long time to put together. So there really was no, there was no real restraint.

LEWIS: How about the character of the projects? Particularly the integrated rural development multi-faceted agricultural project: now there, wasn't there a conflict between the agricultural-only people who were just trying to increase output and people who wanted to package together a whole lot of other good things with it?

ECCLES: Yeah, at an intellectual level, because the projects were being—the projects were being put together by a different division that believed in what they were doing. And since they had as much money as they needed, there was no, there was no real conflict in, as seen from us. I think seen from the outside--and this is one of the reasons, I guess, why Jim [*Lionel J.C.*] Evans was sort of pushed out a bit, was because he was himself, and he may well, I mean you'll have to ask him because I was too junior at the time as to what extent, given the freedom of the budget, he saw that the budget was principally in these areas and not quite so much in these areas therefore there was a little conflict. Because yes, there was some intellectual tension about them, a lot of people thought, not that they were against doing the other things, it was a purely practical, there were two purely practical considerations, if I remember rightly. One was that they would be impossible to organize and manage and that bringing all the various agencies of government together to make an integrated rural development project was so incredibly difficult--and most of these people had operated, they were not economists of the vague, we can do anything school; these were hard-nosed people who'd lived in the countries concerned and they sort of said, "Getting an integrated project between the roads department and the agriculture department and the water department and the education department, you just will never get this going. And you will spend all your time farting around trying to get everything to work, and it will be—you know, you won't get very far. You won't get much out of it." Purely practical. And to a large extent they were right. I mean, there was a phenomenal amount--there were some countries where you could do that, and there were others where in fact it was really . . .

LEWIS: Who was pushing integrated projects then, at that point?

KAPUR: This is, we're still talking about pre '73.

ECCLES: Yes, pre-'73. Who? Gee. I mean, I was in favor of them; I wouldn't say I was pushing them, though. There must have been people . . .

LEWIS: It's not a new idea; I mean, it's like community development in India back in the '50s.

ECCLES: No, that's right, no, no, no, it was not new. I mean I can't tell you who was pushing that particular line but there must have been lots of people around . . .

LEWIS: McNamara himself in his speeches is not talking about that.

ECCLES: No, no, no, no, not at all, not at all. He was speaking, at least by '72, by the time he gets to the Nairobi speech, talking about small . . .

LEWIS: Oh, yeah. Small holder agriculture.

ECCLES: Small holder agriculture, which we were very much in favor of, I mean, there was no problem there. There was a big difference and one doesn't want to mix these two things up. We did a lot of small holder projects, and there was a lot of emphasis on small farmers. I mean there were one or two large farmer-type projects but they were already being very severely criticized from within the agriculture department. The big push was always for small people. The integrated agricultural projects were a different, a different matter, and they didn't—you know, they were still pottering around by '72, I think. And the big push on those . . .

LEWIS: The area development projects?

ECCLES: The area development projects, all that kind of thing. But the other reason why people were, had a problem--which I think was also valid at that stage, at that time--was that people would go into them just by the assumption that, "Here you've got a poor area, okay? You don't actually have to know what you are going to do. You don't actually have to have an economic base for this. This area is poor, therefore we put a rural development project in there because--and that is going to solve it."

And the agriculturalists and the economists and various other people who were not really for that would say, "But, but, but, what are you going to grow? Do you have a technology for these people which they don't have already? What are you actually going to achieve? Don't do everything. This is a waste of money. I mean, if there's a technology there which people can't use because there's no extension service, then put in an extension service. If the problem is that you don't have roads because you can't get road to market access, then put in roads. By all means, put a project together which brings the minimum number of things necessary to get things going." Okay? An area development project of that kind was very sort of well thought of by people. I mean, if you went in and said, "This is what you need"--maybe there was no, you know, seed delivery, fertilizer delivery, no credit, nothing like that, if they were the bottlenecks to

doing something, but you had to have something around which the farmers could be got to be interested because there was money in it. And if there wasn't money in what you were doing, don't expect the farmers to cooperate very much with you, because why should they? I mean, they have to go out and do the work, not you. So, you really want to have something--and don't fritter away your money just simply saying that an area development project has to have roads, has to have education, has to have these things irrespective of whether these things pay.

And that was where the, I think Malawi, the Malawi was already an example of a project that was being done before '72 which was a rural development project but didn't have everything in it, I mean it was one that had, if I remember right, it started out by concentrating on certain things which I think were roads and--I remember rural roads. I didn't actually appraise that one; I did the later project, roads extension and informal credit. It was extremely good and totally informal type of credit.

KAPUR: One thing that which I'm sort of confused, you had said a few minutes back when you started to say that McNamara said, you know, "I'll give you any budget, you know, how much can you lend?" And that, and you had real, you know, absolute sort of, a great deal of leeway in the subsector of agricultural lending. But we sort of hear a lot from people, '70's and '80's, that when, that to the extent that meeting certain known targets mattered, people cite India a lot, ag credit would always win out because you could have a loan for 80 million dollars or 150 million dollars really quite easily in May or June so that you meet your target, whereas other projects, I mean other subsectors don't allow you that flexibility, shall we say, and so you see that push at the margin toward ag credit.

ECCLES: That may have been, and really, I'm not trying to dodge your question, I mean, in the '70s and '80s you're talking about, after regionalization, when you would get a lot more country pressure rather than project purity--which wasn't good either, I'm not trying to defend project purity. In an India-type situation where the sums of money were large and where there was indeed, I think, a desire to insure that the IDA [*International Development Association*] credit availabilities were not wasted because there was only so much, it was a scarce resource and we didn't want to get to the end of the--there is definitely, I would expect that there would be some, not pressure to do the agricultural credit project, but in a country like India clearly a credit project can be expanded in terms of the amount of money that it can absorb from the Bank without doing harm to the substance of the project, because you can do that. I mean, now in a small country that I was dealing with in Africa that wasn't true and therefore those pressures never came because there was no, A, there was never any, not very much IDA money available for African countries in any case, and there was bitter dispute over whether it should be a transport project or an agricultural project because there was only so much. So you didn't get that anywhere else. In India you could have, in one or two large countries and India was probably the only one at that stage, it is possible that that could be, but I wasn't working on India at that time.

KAPUR: So this pressure to lend really did not affect ag throughout the '70s or . . .

ECCLES: Oh, pressure, pressure to lend in the broadest sense of, you know, that's what, that's the business that we were in, and wanting to be more, more helpful, I guess, is that you didn't want to just sit around and let, you know, lending, who the hell cares about lending? And it's a dichotomy that you still have today. And to me, as a manager, when I became in a managerial position, it was always the--it was always the key issue with me. And I thought it was my job to resolve that, is quality and, you know, getting things done. And you had to--every time you had to draw the line: is this project good enough to go and if not, then no. But it depended very much on individual people. You'd get one person who would take a quality--I was known as a bit of a quality control nut, and therefore in the end became very unpopular because I wouldn't, I wouldn't lend under certain circumstances, and it got me into a certain amount of modest trouble. And others presumably were even stickier than I was and had problems, and others I suspect were a little on the other side where they made their border line between what is doable and what's ready and what's not ready would be somewhat different.

LEWIS: I think it would be fair to say that the sort of conventional wisdom about the McNamara years at this point seems to be that the people on the other side won out somewhat, that there was a quantity push and some loss of quality on the projects. Did you notice . . .

ECCLES: It's all—I, I--you will find that everybody will agree with that except when it deals with their own feelings. When I was a division chief I never felt those pressures, and whenever I stood up to a thing and said, "That's not ready," nobody--and I could say that--absolutely nobody every came up to me and said, "You have to make that loan."

KAPUR: But that's what I've sort of wanted to ask . . .

ECCLES: You know the feelings, anyone knew that one wanted to get things out if one could because it was silly not to do so, and anyway, you know, I mean you don't succeed if you don't get something on the ground that you've worked on and it doesn't actually ever get started, then what the hell, you know, what the hell are you working for? So I do believe in a certain amount of pressure.

And I also think that this end of fiscal year stuff is really quite interesting. I mean, one studied that a lot. There is a possibility, right, that you might do, you might cut the corner, you might be satisfied with 95% of what you want instead of 100% of what you want, which I don't think as a manager is any bad thing because you procrastinate like hell. The end of the fiscal year was absolutely marvelous in this view because it forced people to take decisions. You know, you sit there in January and you've got your thing ready, and everybody says, "Well, now, is the conditionality right, should we be asking for a little bit more, should we be doing a little bit more of this, a little bit more of that," and everybody could do and you could go off and study things a bit more and you could see whether you could do a bit more optimization which often added zero to the real quality of the project. You come March or April, people had to say, "Is this damn thing a

good project or not?” Well, I would think—I tried to get introduced biannual bunching, because I thought this was a damn good thing because it forced people to take decisions.

LEWIS: Semi-annual.

ECCLES: Semi-annual, sorry, sorry, not biannual, semi-annual or even quarterly, so we've tried that in various things but it just doesn't carry the same, it just doesn't carry the same way, it never has and therefore you tend to get this bunching because in bunching you'd get the summer holidays, the end of the fiscal year all coming together. Everybody wants to get everything out of the way; it's a perfectly natural thing. So I said, you know, "Change the fiscal damn year to the calendar year because then you get a bunching because of the annual report and things like that in December and you get another bunching in June anyway because everybody wants to go on holiday and nobody wants to leave their project sitting around, so," I said, "You get two lots of bunching." Two lots of bunching to me were better than one lot of bunching because people just procrastinate, they just don't take decisions. And I think that in relatively few cases--I mean there always had been one or two--in the forcing oneself off the fence, in deciding whether a project should go, you would fall off the wrong side which if you'd taken a little longer you might have avoided that. But I never felt--I myself I never really felt that was anything like as much a risk as just getting, you know, just getting things done as long as you . . .

KAPUR: If one looks at a specific case, I mean, your—I mean ag in Africa. Take [*Julius*] Nyerere.

ECCLES: I dealt with Tanzania.

KAPUR: Yes. I mean, there it would be sort of interesting for us to see the mechanics of how that worked out because, I mean, the ex poste's fine, but how you saw it at that time in the, you know, both within the Bank and there.

ECCLES: Right. I was in charge of—I was in charge of agriculture in Tanzania from '77, I think, to '82.

KAPUR: '76 to?

ECCLES: '77, it must have been.

KAPUR: Who preceded you there?

ECCLES: Well, before me—and this is where you, why—before me there were two divisions. One was run by Chris [*Christopher H.*] Walton, who is the same guy, and one was run by Mike [*Michael J.*] Walden, I think, who is still here who now works for me in internal audit. They had a north-south split, and I think Chris Walton had the north part and Mike Walden had the south part, and I think Tanzania must have been with the south part. When I came into agriculture back in East Africa back in 1977--and I'd been

working for McNamara in the center--they split the division into three because they were growing still. And I came into the middle. And Mike Walden took the central group, he had some French so he took the French speaking bits of West and East Africa and Kenya and stuff like that, and Chris Walton took the northern end, and I took the southern end which started in Tanzania and went all the way down to Swaziland, Zambia, and Zimbabwe when it came in (Zimbabwe just started before I left). So my--I think my predecessor for Tanzania must have been Mike Walden. But the reason why I'm a bit confused about that is Chris Walton had such a lot of views on Tanzania that I'm not quite sure where he got them from if he wasn't actually doing the projects there and certainly had been involved--certainly had views, very strong views.

When we were--when I took, when I took over in '60--'77, the ujamaa question was just raising its head, I think. It wasn't in full swing; it was an idea.

KAPUR: No, in '77?

ECCLES: '77.

KAPUR: No, I think they had already actually not worked, I mean in a sense.

ECCLES: Now why are you mixing up with my early period in Tanzania?

KAPUR: '67, you're right, but '77 . . .

ECCLES: No, that must be, I'm just trying to think where did I get my--no, that's right. I mean, I'm going back to the time in '67 when I did the Tanzania tobacco project which was in, must have been pre-'72, that's right, that's right, because there, that's the thing--because there the ujamaa was just being [*inaudible*] and if you were ever to read my appraisal report (that was one I actually appraised, not managed) there was some prophetic stuff there about the ujamaaization and the tobacco project because we actually appraised the tobacco project there when ujamaa was looming as a possibility but it hadn't actually been determined. And we had some prophetic things there about saying, "Well, this project may well be affected by ujamaaization if it takes place." And we assessed the risks of that, and we said, "If the ujamaa was done"--because it was still an open question--"in the sense of voluntary cooperatives of people who actually believe in cooperatization, then this project will be enhanced by, but if they take the line--if they take the line that everybody should be part of ujamaa whether they like it or not and there's no spirit of things, then the project will collapse." And of course they took the second line and the project collapsed. But we actually wrote that down in '67. That was what I was thinking of.

No, in '77, that is correct, when I took over the--I'm trying to think back to who was in the--Ping [*Ping-Cheung*] Loh. Ping Loh was, with Richard Stern, were in charge of the country side of things, and they must have realized things were going a little funny--they were by 1973 [*inaudible*], trying to enlist my support for more agricultural lending because they were having difficulties, and one was not to take a sort of negative view.

And the view expressed at that time--which I subscribed to initially--was a country, a country has a right to follow whatever political system it wants. We were not, it was not our job to say whether the system was right or whether it was wrong because that was injecting politics into our business which we were strictly forbidden to do. And it was our job to see that, without challenging the basic underpinnings of where it is, you had to make certain the projects worked, and that was all. You may not believe in cooperatization, but what's that got to do with it because your personal views shouldn't involve themselves in there. The question really was, you know: did it work? And if it worked you should put your money into it whether you believe it or not. And the day after you do a project in Tanzania which may take that view, then you go over the border into Kenya and you do a project where the political attitude may be totally different and you should do exactly the same job there. Very much like a British civil servant with a change of political regime: you nationalize steel one day, efficiently hopefully, and you denationalize it the next day, same guy because he's got most of the experience, and you do that efficiently, and you renationalize it when another lot come in and you do these all with, so that your political masters never know, you know, whether you believe in the damn thing or not because you've tried to do everything efficiently. And that was the sort of view that was prevalent or had been prevalent in Tanzania, and very much with everybody, particularly when you had somebody like Nyerere, who was so convincing and very much, you know, clearly not making money out of his position as head of state and clearly was well-intentioned, naive as hell but never mind. That was the sort of picture I came in.

And I made a lot of effort to, even though when I'd been there in '67 on the--or whenever it was, '68, '69--on the tobacco project had been really, really worried about the way things were going, and when I got there I found that's the way they had gone and that my tobacco project had indeed collapsed. It was still going after all these years because of course they hadn't been able to dispose the money so I inherited that same project supervision. It should have been finished ages ago and still wasn't. I went in there with the best spirit to try and help, you know, make new lending. But by the time I'd finished in 1982 I was totally turned off, I mean in the sense that it, it was simply was not working. I mean, after working there for three years one just came to the conclusion that it doesn't matter whether you believe in the philosophy or not philosophy. The fact is that it was abundant to anybody who cared to look that the system wasn't working and it had no chance of working and therefore I stopped agricultural lending, simply stopped agricultural lending.

KAPUR: So '82 was the well-known ag sector report on Tanzania?

ECCLES: That is right, that was done under my—Uma Lele under my--I was division chief at the time. And that was coming to the head, that's where we brought it to a head because we could not--really, we had difficulty in getting anybody at the national, the total country level in the country economic reports to be really, in my view, objective about it. And we launched the sector study at that time because I was determined that the facts would be properly exposed, and they were simply, you know, not exposed in our global economic work.

Stephen Eccles
March 23, 1994 - Edited

And it wasn't so much--at that stage, it wasn't so much a matter of ujamaaization or not, although I had my own views about that. It was, it was the basic, basic questions of whether the farmers were responsive to prices or not. We used get a lot of that in Malawi and Tanzania, and various people like that--and the view, which really made us sick, was, "You don't have to pay these farmers any more because it's an absolute waste of money. I mean, they will, they will, they will do what the state requires, and you don't actually have to pay them to do it. And we need all the income from the difference between selling price and all the margin. We want to be able to *[inaudible]*"

LEWIS: Who was saying that? In the Bank?

ECCLES: Oh, no, no, no, no, no. In the government. I had correspondence--which must be on file--in Malawi really going, going at it with the government saying, and the same in Tanzania, saying, "How can you treat your own people like that? This is ridiculous. They are like everybody else. You know, you pay somebody some more, they work a bit harder, believe it or not." And I said, "I think you will find the same with your people," which of course was proved by abundance. In Tanzania our--we got some sort of success in that at one stage when the--but it took a crisis to do it. It was one of the bad years, I don't know which year it was now, but the . . .

KAPUR: The one in '78-'77?

ECCLES: Maybe, yeah, but it was really bad. And they didn't know what to do, and they then grew--they had lots of sorghum and everybody was preparing to eat the stuff, but the moment that the weather came back, of course, people wanted maize. And sorghum which they stored and all that started rotting, the prices were all sort of wrong. But we said to the government at that time, I said, "Look, you know, you've done it your way. Look where it's got you. I know you don't believe in pricing, price increases, things like that, but please, just try it. You know, just, just do it once, I mean just put the prices of maize up and just see what happens. And if you don't like it, you know, put them down again, but I mean just try it." So they did; they tried it. And the maize of course came flooding out. Now to what extent that was, whether to what extent that was responsiveness, because I think most of the analysis that we did indicated that there was indeed—as you might fully expect--a degree of responsiveness. And it was--that must have been '79 or '80.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

ECCLES: . . . where there was a paternalistic view of the peasantry but from a totally different political perspective, but it was the same basic, in my view, total disrespect of the central government for the peasant farmer. Whether it was the *[Hastings K.]* Banda type of view where these people were, you know, as far as I could see, were to be exploited because you didn't pay them more than you absolutely had to, to a Tanzanian point of view where there was this totally naïve--I don't think the motivation was

[inaudible] but it was a totally naive view that Tanzania needed to develop, Tanzania needed to industrialize, the whole of Tanzania is one big country and everybody will do their bit for the common good and the thing that is required for the president is to go out and work in the fields in the sunlight for, for, for, for eight hours a day for virtually no money and they will do it and they don't need money to be an incentive because they will do this for the good of the state. I mean that, that was their basic view.

KAPUR: If you look at reports . . .

ECCLES: Hmm?

KAPUR: If you look at the Bank's—I mean, between the '70s and the '80s on these sort of countries--one gets a distinctive flavor in the tone of—you know, I mean, I'm talking about PC minutes, you know, president's council *[inaudible]*--of a more, of a less favorable tone towards Malawi in the '70s. And in the '80s there's a real switch. Then in the '80s, it's Malawi which is, gets a much more favorable, you know, there's far more--a thing about markets and so on, whereas Tanzania gets just the opposite. Now I'm just wondering, is--and one has a sense that partly it had to do with expectations--the Bank just, you know, did a lot for or with Nyerere in the '70s, and the expectations really didn't work out at all. And you really see this . . .

ECCLES: Yes, you must have had, you must have had a--I mean, to Tanzania you must have had a, for those who lived through the long time--I only came in '77 so we were already in the down *[inaudible]*--but for those who had invested a lot in the idea of Tanzania and Nyerere and things like that--when you have to change around and accept that it isn't working, it must be a greater trauma for you than it was for me who came in, heard all this stuff, saw what it was and then found it didn't work and then did something about it, I mean, because that was fine. But if I'd been working there and pushing that from '72 to '76 and then found I had to be left out, I guess my mental attitude would have been quite different. Malawi was better in some ways but it had major problems, absolutely major problems.

LEWIS: Also changed presidents in those two, Tanzania. McNamara, I don't think ever gave up on Nyerere entirely, did he?

ECCLES: Oh, I think he--yes, I wouldn't say gave up, no, he wouldn't because Nyerere was too nice a guy who thought the same way McNamara did in terms of what he wanted in rural development, but did he--were his eyes open, yes, oh, I think so. I remember one meeting we used to have once a year, meeting with McNamara in January of all the division chiefs for agriculture throughout the Bank

KAPUR: Were minutes kept of that?

ECCLES: I don't think so. They may have been; I doubt it very much because it was a lunch and we had tables and everybody was there. It was usually around January, it might have been linked with the agricultural forum that we had, I don't know when they

started, I'm talking about '78, '79. And I had been back in agriculture for six months, and I had went on my first trip to Tanzania in, must have been November 1977 or December 1977, and I had just come back from my first mission there.

And Monty [*Montague*] Yudelman, who was the director of agriculture at the time, he used to ask people to say things, to stand up and say something about what they were doing for McNamara to hear and then McNamara could ask some questions. And Monty was of course totally 100% with Nyerere and thought this was terrific stuff, so he knew I'd come back so he never, unfortunately, checked with me about what I'd actually found when I was in Tanzania. So he asked me, thinking it was McNamara's favorite subject, he says to me, you know, he gave me no notice, at the luncheon itself, he said, "Well, Steve Eccles has just come back from Tanzania and so and so and so and so and so; you might be interested to know what he found."

So I stood up and said, "This guy, this president is taking you all for a ride. This is the only country I have been to with a five-year gap, six-year gap where I actually see things far worse than what I saw when I, I usually see some signs of progress, in India it depends on the year you go, but you see a lot of phenomenal progress of one sort and another. In Tanzania all I could see was disaster." I said, "Roads that I used to go on, that I could drive on I could no longer drive on; farmers not interested in producing, I get asked when I'm out in the field to explain government policy because it doesn't make sense to even the local administrators, and I have to sort of say, you know, without saying 'I don't agree with it either' because I didn't think that was my job, being put into really difficult situations and that I was really very concerned about this" and that was, you know . . .

And McNamara, which I give him his credit, he didn't shout me down or anything else like that, he said "Well, I must go back to Tanzania and have another look." And he did, not so long after that, and then he became more, much more critical. And I remember going to a country program paper on Kenya just after that where the Kenyan performance was criticized by McNamara. Willi Wapenhans, who was the RVP [*regional vice president*] at the time, was foolish enough to say, "Well, it's a lot better than Tanzania," you know, in terms of performance.

And McNamara rounded on him and said, "Willi, you know very well that that is no measure from which to, you know, compare anybody else." So clearly, you know, he'd become very--he became very skeptical over time.

KAPUR: What was Monty's role in this whole? Now, clearly rural development was identified with him. The action was in Africa. What was—I mean, you had--when one reads, say, the OED [*Operations Evaluation Department*] study, you see the tension between the supervision out of the Nairobi office of the agricultural projects, the programs, the projects people as well as the rural development group, which is sort of four. And what--the sort of mechanics of that--effective? I mean, was that important?

ECCLES: Not, it may, I think, Chris Walton would be a good source of discussion on that because most of the argument was over by the time I got back in 1977. Initially Leif Christoffersen was, was put in charge of one of the divisions in the central area which dealt with the, the, the—what was the name of that famous project in, on Kigoma, Kigoma project, I think it was, and things of that nature--and they were preparing up more of these projects. And there was then a tremendous amount of tension between the sort of, the regional people who thought that these people were nuts, airy-fairy nut cases, and those who like Leif Christoffersen really believed that, you know, this was the name of the, the name of the game.

LEWIS: And that was the area projects, I mean the big complicated area projects size against some incremental agriculture specific size?

ECCLES: Right, well that had disappeared a lot because--it was certainly true in the period immediately after 1972 when the, all these experimental projects were put centrally with Leif Christoffersen, who had been McNamara's assistant and really didn't have much experience in agriculture but talked the right sort of noises in terms of poverty and all that sort of stuff. That was for sure. And he was put in charge of that. And there was definitely a tension between them and the country, the agriculture groups, with the country departments sort of being somewhat in the middle. If they were sensible they played one off against the other to get what they wanted.

The thing in Nairobi was a side issue. I mean that was just an organizational mess which I sorted out before I left there, because you had the supervision of projects in my sort of countries being done by a unit that reported to a separate head while I was overall responsible for the conduct of agricultural relations in these countries. And I thought, "That's screwy." Any tensions that were there were purely personal rather than ideological in the fact that--and I, we changed that. But by the time I got back to agriculture in '77, the rural development, area development projects had been so mainstreamed that we were way ahead of anything that Leif could do, and so the issue became--they became totally and ultimately immaterial. And they should have been wound up because there was no need for them because there was nothing they were doing which was sort of . . .

LEWIS: His unit became immaterial?

ECCLES: Yeah, absolutely immaterial. They were swamped in size and everything and the direction we were going.

LEWIS: You were doing the area development?

ECCLES: We were doing the area development projects.

LEWIS: Were you doing ones that turned out to be too complicated and multi-faceted?

ECCLES: Yeah, oh yeah. But we tried to do it a little less. Oh, some of the, some of the projects which had been done in the, if you take the Kenya IADP [*integrated agricultural development project*], is it? I think it was. Absolute shambles of a project. Suffered from all the things I was discussing before that had worried us in the pre '72 period and things like that.

LEWIS: Do you think Uma Lele's critique of all those was pretty sensible?

ECCLES: Yes, very much so, very much so.

So that anyway, it became irrelevant. And when I came in they were still doing projects, and I simply said, "Look, don't, you know, you've appraised, you've prepared one project, you're not appraising it, I'm going to appraise it. It's in my area, I will look at this. And it's got to be practical, and we're doing these projects, there's just no point in having more people doing it." And then they just ceased to operate in my area altogether.

But I had reached the point in agriculture in, before I left in '82 in Tanzania, where I said I didn't think we should be lending any more in agriculture, to stop because--and that was basically because of the pricing issue and the exchange rate because there was no, no way any farmer could produce anything and get a decent return on it, because, you know, without actually subsidization that the government couldn't afford. I said, "If you don't change that, there is no point," because I--we were forced more and more into sillier and sillier projects because they were the only ones that we could find that we could work. So we ended up with pyrethrums and things like that because we thought that was the only crop that was left that we could still pay and it was just absurd. So I said, "No more, I mean this is ridiculous. We're not going to have anymore."

And then I got the reaction of the country people which said, "Well, we've got 72 million in IDA money for Tanzania which we had scheduled 25 to go to agriculture. If you're not going to put it in agriculture, we'll just put it, we'll give it to the division that runs the roads."

And I said, "You must be mad, because they're not maintaining the roads. What do you want to spend more money building more roads for when they are not maintaining the roads they've got?"

And they said, "No, no, no, we've got to do this."

And then I said, "Well, fine, if you're going to waste money," you should switch it off a little bit, "if you're going to waste money I'd much rather waste it on agriculture than I would see it wasted on roads which are not going to be maintained, because if I spend it on agriculture, even in Tanzania, I will end up by doing something which might have some lasting effect. And if you build another road and you don't maintain it, that lasts you for four years and that's the end, they've got no trace of anything whatsoever." That was the sort of argumentation I was going through to try and get something sane, sane policy in Tanzania.

Then we had the sector report, and then I—unfortunately, I left. Around '82 I left for West Africa, and so I'd lost touch with exactly how it all panned out. Most of the serious discussion really following on the Uma Lele report took place after I'd gone, rather than before. We had the initial discussion [*inaudible*]

LEWIS: The question I've never asked about the Tanzania story is, it's sort of a, the whole thing is pretty tragic, were there any good guys or good people in the Tanzanian government side? I mean, in most such cases you find quite a, you know, pluralism at work and there're different points of view, did Nyrere dominate so much that dissent was not really feasible?

ECCLES: Oh, yes, I think so. I mean, there were good guys. I wouldn't be able to recall their names now but there was one . . .

LEWIS: Nomea(?), huh?

ECCLES: No, no, no.

LEWIS: Not him?

ECCLES: Don't think so. Uma would remember the names of those, she would remember that sort of thing better than I would.

We--and much of this took place before I joined therefore I didn't see too much of it, but I heard stories like there used to be a guy who, in charge of this division of agriculture who stood up and said that this is the way we went and he got sent out to be the agricultural officer in Kigoma. I mean that's how you dealt with these things. I mean, you didn't shoot anybody, you didn't cut them off, you sent them out to the boondocks and that was that.

You know, I remember discussing with the rural development director, I guess they were called, in an area of north Mwanza where we were trying to, we were doing a project, and, in supervision--I mean, I didn't do the project; I was just supervising it. And I was trying to--we were trying to talk them out of wasting money on fertilizer subsidies. It was a terrible waste of--I mean, essentially it was just a question of here's what we're doing for the peasants, we're giving them subsidized fertilizer in areas where, you know, the fertilizer formulation and everything else was just wasn't relevant, not relevant at all. And I kept saying to this guy, you know, why we--you know, we refused to finance it, fertilizer, because it was being misused. The farmers literally were taking--the first year they used the fertilizer because they were told it was a good thing. There wasn't good rains, negative effect, they got less in terms than they would have done if they had no fertilizer at all. They found out the next year, they'd learned their lesson, they took the fertilizer and they found out that it made an extremely good paint or whatever for wattle construction because it kept the termites out. So you found out of all the areas, you know, everything, all the huts turned out white because they were using the fertilizer to—

since it didn't cost them anything anyway and they had to take it, but they wouldn't put it on the farm because they knew it was too risky. So they used it for that.

And I was trying to argue this guy out of doing this. And he was a biologist, I mean, he was a rural development guy but he was a trained biologist, and he knew damn well, he knew, I mean I could just simply say I know fertilizer doesn't work. Well, what the hell do I know about whether fertilizer doesn't work or not? I mean, he knew whether fertilizer worked or not. And he knew damn well it wouldn't work. And would, could I get through in any way, you just got this doctrinaire [*inaudible*] back. And I couldn't get through! So I went, had a brainstorm one night and went back the next morning and I said to him, "Look, let me put it this way. You are spending 10 million dollars in this region on fertilizer which you know and I know is not being used. If you had that 10 million dollars and you were not using it for fertilizer because it was in the form of subsidy and you could use it for the development of rural roads into your area, which would you choose?"

And that stumped him; he hadn't thought of it in that sort of way. And in the end he came back to me and said, "I must admit that I'd rather have the money and spend it on rural roads."

So I said, "Well, there you are; that's all we're saying. You put the money where you want. Why don't you go off and do that?"

He called me in the next day, and he said, "I have to retract my statement." Not because of the reason you are going to think, that he'd been warned off. He said, "But I realized, of course, why I don't take this view." He said that, "If I refuse the fertilizer I just won't get the fertilizer but I won't get the 10 million shillings for the, for the roads because this is dictated by, by central policy. So if I'd refuse the fertilizer, I don't get the fertilizer. And," he said, "I wouldn't be able to refuse the fertilizer." And so you've got people like that who know, you know, know damn well where it is, and they just simply . . .

By the time I got there, I mean, or by the time I left--actually it was interesting. In '77 when I went there I don't think there was any corruption, generally speaking, throughout the, the middle ranking politicians. I don't think there was ever very much at the top, but even at the lower levels, there was very, very, very little. By the time I left in '82 it was beginning to show definite signs of resistance, and then as the '80s developed it became worse and worse and worse and worse because everybody had lost their, first of all they lost their belief in what was going on and total, they wanted to get a little crafty in the sense and of course everybody comes out of the woodwork. And they simply physically had to survive. They simply had to survive and they could not survive without . . .

KAPUR: But the next decade, I mean, it's a real swing. The next term, '82 to '92, we see a sort of constant struggle by the country, you know, try this, try that.

ECCLES: This is Tanzania?

KAPUR: Yeah, and I guess much of Africa.

ECCLES: I lose touch with Tanzania after the end of '82.

KAPUR: Notwithstanding the new report, you know, that it's working, but the reality is still very harsh. Even on agriculture where, you know, policy changes have to be *[inaudible]* In some ways, if you look back at the involvement with agriculture in Africa and you look at—because you haven't yet mentioned a third group, which is other donors, because they were also very sort of part of the scene, especially in East Africa, and probably as heavy a weight, at least in the '70s, as the Bank—how do you see the Bank's role? I mean, could it or should it have stepped out much earlier?

ECCLES: Oh, looking with, well, I suppose I, looking with hindsight, definitely, I would say that from my own point of view, yes, even at the time, I mean like when I said I don't think we should lend Tanzanian agriculture and then faced with the fact that people would put the money somewhere else because they were not, they were not, they were ignoring the realities. And in my view we did harm by not being tougher earlier. In the end we had to be tough and miserable and take all the blame for structural adjustment and everything else like that. And of course our standard defense against that is that it's not us who gets these people into trouble. And therefore if they have to do structural adjustment measures of a violent kind, you know, that's a fact of life, it's not our fault they're there because that's where the government policies have brought them. But I do think on the Bank, if we'd had the right, if we'd had the courage of our convictions more at that time, we would have closed down on a number of countries where the policy framework clearly prevented anything from happening. And that--by the time I left in '82 that was fairly obvious in Tanzania, and maybe before that. We really should have been saying either--not just that the exchange rate prevents you from doing agriculture but it doesn't prevent you from building roads, let's therefore put the money into roads. We really should have said, no, this is an agricultural country.

It was never brought home to me quite so much how much of an agricultural country it was until the IMF—we're talking in 198--the late '80's, about what the exchange, because they were having a lot of discussion about the exchange rate and what the exchange rate should be. And I, in my innocence, at that stage thought, "Well, this isn't really our affair. That's the Fund. The Fund determines the exchange rates with the government and we do the long-term development projects." And we all knew the Fund thought that the shilling was overvalued, the same as ourselves. But it wasn't for me to—you know, I never spent any time figuring out what exchange rate was like. Then when there looked as though there might be some sort of movement, the question was for the Fund, "Okay, what shall we ask for, I mean, what sort of degree of devaluation should we go for?" And I was absolutely flabbergasted when the Fund came around to me and said, "What should the exchange rate in Tanzania be?"

And I said, "What's that got to do with me? I mean, you tell me. This is your job."

And they said, "No, no, no, this is an agricultural country."

Stephen Eccles
March 23, 1994 - Edited

KAPUR: This is which year?

ECCLES: It must be the beginning of the '80s, whether it was exactly '80, '81, '82 I can't remember, but somewhere around there.

And they said, "You tell me." You know, they'll do the running, because that's their job. "You tell me what the exchange rate in Tanzania is because this is an agricultural country. I have to know what exchange rate will allow agricultural produce to actually sell abroad and leave enough profits for the farmers to be active participants in the economy because there isn't anything else. That is it."

And of course it made a lot of sense to me. So we sat down and worked out what we thought an exchange rate would be that would revitalize agricultural product because of course things had been in such a bad state you couldn't just use statistical methods to find out what was right. I mean, you were really starting from something which you knew was woefully wrong and you had no idea whether you were wanted two times, ten times, twenty times devaluation. And that seemed to me a very reasonable approach so we did that, we did do that. We gave them some of our feedback as to what was required. We couldn't say it was right, we were not going to claim it was the right exchange rate, but at least we were prepared to say what exchange rate we'd give.

Now we were not really--'82 were we doing structural adjustment lending? It was just beginning to raise its head. And I don't think we called it structural . . .

KAPUR: It was East Africa that started it in Kenya in 1980.

ECCLES: 1980. It must have been about . . .

LEWIS: It was sort of relabeled structural adjustment. They already had the thing in the works . . .

KAPUR: Sort of a program loan which was renamed.

ECCLES: That's right. Because we had come to the conclusion by the time of '82 that sort of, at least in agriculture, as I was saying, we got pushed more and more into the corner as to what we would do. But without a—I mean, I don't remember ever using the word "structural adjustment" in that place, but we knew that without a change of policy it was absolutely pointless to do projects, absolutely pointless.

And that's what turned me into a little bit more interested in macroeconomics because up to that stage I--macroeconomics was for the economists to work and things like that. But that project experience, particularly in Tanzania, '77-'82, absolutely made me a convert to--you've got to have at least a reasonable, there's no perfect, you have to have at least a reasonable climate for policies under which you can do, otherwise you are just throwing your money away on projects.

LEWIS: What you said about, in retrospect you would have gotten tougher sooner, it seems to be almost a fair generalization that being hard-nosed in this business is the right thing in terms of actual transactions by an external intervener and that then gets one thinking whether there is a sort of inherent contradiction in the McNamara period that--is it possible to be hard-nosed, a tough intervener, constructively, and at the same time be driven by, you know, sort of good liberal juices, wanting to increase the growth rate, wanting to push equity and all these good things that a guy like McNamara--and he, it's fair to say, looking at it as an outsider, that he definitely achieved a psychic kind of transformation to this institution.

ECCLES: He certainly did. Absolutely.

LEWIS: And could it have been smarter in, in, you know, in the way that it engaged Tanzania, at the same time had those juices run?

KAPUR: Or in the sense of this [*inaudible*] thing, is there a fundamental contradiction? He could not have, at least the institution could not have grown the way it did, not have become as salient as it had become in 1980 relative to '68, if he had tried to do, be hard-nosed, much more hard-nosed.

ECCLES: Yeah, I don't think that--I mean, looking back one could give an answer to that question but looking at it at the time, I don't think he faced a, I don't think he thought of himself--you could ask him--but I don't think he thought of himself as facing a, such a choice. He really did believe what he was doing. And I think most of us would have agreed with that, that we really had a role to play.

I mean, it took me--I mean, I came into Tanzania in '77. I mean, it ought to, and I began to get noises, you know, immediately, but even then it took me three years to convert my initial reaction which I told you about on the McNamara lunch to the point where I was really saying, seriously saying to myself, "This ain't working. This has to be changed." And that took me three years of actual direct involvement because you try so damned hard to get things to work! The people in here are built that way. I mean, you know if you have a built in sort of optimism, it takes time for you to realize, you know, the errors of your ways, if you wish, in this particular case.

And I don't think McNamara—maybe he was even smarter than I give him credit for, and I give him quite a lot of credit. He was always claimed he was not intelligent, [*inaudible*] he always used to claim that his strength was he would focus on one issue at a time and actually see it through and get it done, but he really wasn't very smart as compared with other people. But he was really better than that. But there's a certain truth in that narrow focus because he really did believe it.

And it is true, if we hadn't, if we hadn't done--and this is chicken and egg stuff--if we hadn't got involved in such a big way, we would never have been in a position to have even known whether the macroeconomics was important to our projects or not, because

we would have dribbled on doing little things here and there, we might or might not have done something in Tanzania because we didn't operate in every country in that stage, we'd have had no IDA money, we wouldn't have been a major player, and it wouldn't have made any difference.

If he had known, I would like to think that if he had known that the way to get growth--which was what he was really interested in, in poverty and a poverty orientation to getting rid of growth, getting rid of poverty [*inaudible*] growth--he would have taken a tough line because I think that's what, that's what really drove him. I don't think he was driven, despite what everybody sort of says, by having a bigger IDA and a bigger thing, he thought of them as purely means to an end and he wanted growth. And if he had been—if he had been convinced that the way to get growth for Tanzania was to sit there and be tough because their policy was so wrong that it had to change, he would have done that. He would have done that. And there are other occasions where, you know, where he did that, where he thought that was the right thing to do. And I think that in Tanzania he was bedazzled like everybody else in the early stage by Nyerere's rhetoric. I mean, the rhetoric was absolutely correct and superb and exactly what McNamara wanted to do and he believed it. The fact is that it wasn't true, not that there was anything necessarily inherently wrong with that, and I don't think—I don't think McNamara shied away from doing this, taking the tough line, you know, to get more lending or to do everything else. I think when he was faced with or began to faced at the end with these choices he wanted to get tough. I heard him being very tough in country [*inaudible*] the end of his time.

KAPUR: I've seen, from his files, he was very tough with Mobutu, I mean [*inaudible*]

ECCLES: Oh, yeah, Mobutu was--well, of course that was interesting because of course he'd come across him in the defense establishment and he had no time for Mobutu right from the beginning.

LEWIS: I think he was very quite personally oriented to leaders; he had very strong feelings about leaders.

ECCLES: Oh yeah, well, it's, you know, I mean, that's the way it is. If you've got a leader you really do believe in, that means he's going to make use of it. It's the same, I mean, I run the budget now, and okay, a lot of what one does on the budget is designed by the actual underlying needs for the budget, but to a certain extent also, if you've got somebody you know uses the money well and is going to get value for money, you're much more inclined to give it to them. So in that sense I--if you believed in Nyerere, if you actually thought he was doing what he said, then why wouldn't you give him your money? I mean, would you give it to Mobutu? And the answer is no. So I mean I don't think there's anything necessarily wrong with that, but if you make a mistake you make a mistake. And we made, as did the Nordics and everybody else, we just made a huge mistake. And Tanzania, in that sense, is a pity to--I mean everybody concentrates on Tanzania because it's such an interesting case to the exclusion of all, you know, almost all

other things. I mean, there were rural development projects that didn't, there were being played out these things that didn't work very well in Lesotho, for example.

KAPUR: I mean, most of the central Africa . . .

ECCLES: All those types [*inaudible*] And of course where you didn't have any of the side, you know, the side things of the exchange rates, forced cooperatization or anything of that nature to muddy the water, I mean, you could just see there what happened if you tried to do a rural development project where you didn't have an underlying--in the one in Lesotho, you know, I inherited a project there. There was no product. There was no product that these poor farmers could actually grow that paid, so it doesn't matter what you do in the way of growth and extension services. I mean, if you've got nothing to do. So I tended to be a member of the school of, that said, "Find the cash crop," whether it's food--I mean I don't object to food as a cash crop by any means--but "find the cash crop that's going to, or the crop that's going to put money into the farmers' pocket, which they don't have at the moment, if you've got such a crop, and I can produce you a project and that project will work; it's just a question of putting the mechanics together right. But if you bring to me a project where I do not know what I'm going to do on the agricultural side and I don't care what you do, it ain't going to work. Because what could it be?"

We got things wrong in Swaziland. It was very interesting in Swaziland. It was a very interesting project in Swaziland where we, where you--one learns the law of unintended effects, which is sometimes positive as well as negative. We did a rural development project there. And we actually had, we actually had what we thought was a crop that would grow, which was in fact an improved maize and the climate was such that it could actually work and so we built a project around this. And we thought, "Ah ha! Now here we're going to have a project that is really going to work." I didn't, it wasn't my--I inherited it [*inaudible*]. Ted [*Edward B.*] Rice is the guy you should--do you know him?

KAPUR: He's in OED.

ECCLES: He knows more about this than I do. The project went on; it seemed to be successful in terms of everybody being very happy with it. And maize production just stayed absolutely like this. And we go, "What the hell is going on?" Failure, you know, the project is a failure. We had absolutely nothing. We were about to wind up the project. We said, I mean, "This doesn't work. What the hell? It seems to work but nothing happens."

What we found when we looked a little deeper was that indeed this had been a superb project. But what the farmers had done is to, simply to improve their productivity so that they could get the maize production, the same maize production out, out with much, much less effort, and they'd freed up labor, which they had then used for other purposes, which we were not tracking. And when we started to realize what was really going on and actually threw in the whole benefits of the project, the project wasn't a failure at all. The project was a rip-roaring success. It was just that we hadn't seen in what direction it

was going to be successful. And they went to work on the sugar estates, and they did off-farm kinds of things.

But it was still wrong in the sense that the prices were wrong and it was a--what had happened was that (this was the work that Ted Rice did) if the prices had been right, the farmers would have used the improved technology to actually increase the amount of maize they put onto the market. But in fact the prices were wrong, so what they did is they still only produced for themselves and a minimal on the market for—because it swings on the roundabout. But the--and it certainly paid them to take the increased productivity because the alternative of buying their own—so between--it was one of these projects that fitted between the buy price and the sell price of maize is that the new technology was certainly worth inventing simply because it prevented you from having to buy the stuff, but it wasn't sufficiently good with the pricing regime for you actually to sell. So the farmers reacted--you know, these so-called peasants really do think, just as they did in Malawi and Tanzania. And they figured it out what was the right thing to do, and the thing to do was to use the technology but only for self or for consumption and that was it. And it worked. And it was very--I found very interesting. I came away from my whole period in Africa with a profound respect for the . .

LEWIS: Which country was that in?

KAPUR: Swaziland.

ECCLES: That was Swaziland. Profound respect for the farmer, the farmer in that area. Anyway, here we are.

LEWIS: Well.