

**THE WORLD BANK ARCHIVES**

**ORAL HISTORY PROGRAM**

**Transcript of interview with**

**MONTAGUE YUDELMAN**

**July 18, 1986  
Washington, D.C.**

**Interview by: Robert Oliver**

**[Begin Tape 1, Side A]**

**OLIVER:** It is July 18, 1986. This is Robert Oliver, about to begin a conversation with Dr. Montague Yudelman on the subject of Bank developments with particular regard to agriculture. Thank you for coming today.

Let me introduce the conversation by asking if you'd say something about your early history, your background, and then, of course, how you came to the Bank, and what things you remember as high points of your Bank career.

**YUDELMAN:** Thank you very much. I started my interest in agriculture by virtue of where I was born. I was born in South Africa. I grew up on a cattle ranch there, and one of the questions that nagged me as a young boy growing up was about agricultural development. I grew up in an area which was divided between black and white people. This was before apartheid. And on the one side of a fence, which literally divided the black areas from the white areas, were white areas which were flourishing, rich farms, including ours, and on the other side of the fence there were large numbers of small black farms where most of the people, as it turned out--as I thought and as it subsequently was shown--were very, very poor. I was always puzzled about what were the factors that made a difference in an area where the physical resources were pretty much identical on both sides of the fence.

I grew up in this area. I went away to boarding school as kids were wont to do in those days and then went into the Air Force. I spent five or six years flying all over North Africa and Europe and had an opportunity to observe quite a bit about how other people lived. Unfortunately, I was involved in a bad accident towards the end of my military career. When I came back to South Africa, I found I wanted to continue my interest in agriculture. I went to university to study range management under a famous ecologist by the name of John Phillips, but I found I couldn't settle down. It was difficult for me. I'd read some books by a South African professor at Berkeley. His name was Jim [James M.] Tinley. And he'd written about labor economics and problems in South Africa, migration. So I got in touch with him and in due course I ended up in Berkeley where I took three degrees--Bachelors, Masters and Ph.D. in agriculture economics.

All the time I was there I was interested in development economics. I wrote my doctoral dissertation on this very problem I'd observed as a young man--the difference between the black and white areas--and tried to explain why there was a difference. After Berkeley I went to FAO [United Nations Food and Agriculture Organization] for a year.

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**OLIVER:** Could I interrupt and ask was your dissertation published if we wanted to read it?

**YUDELMAN:** No, it was never published. But ironically or interestingly, Tinley wanted to enter it as the best dissertation from the university that year. But I think Berkeley, my alma mater, (and it's produced many fine agricultural economists) was much more interested in the correlation between the price of animal feed and milk and the cost of delivering milk or walnuts. It was much more interested in mathematical approaches and especially as they dealt with California at that time. Now this has changed. But the thesis is there somewhere.

**OLIVER:** What year was it finished?

**YUDELMAN:** It was finished around 1953, I think. Perhaps a little earlier than that. Anyway I went to FAO for a year. I stopped at FAO. I was actually going to South Africa and I stopped at FAO, spent a year at FAO learning more about international agricultural development. And it was while at FAO that I got my first acquaintanceship with the World Bank. Richard Demuth came through FAO at the time and said he was looking for a young, energetic agricultural economist who would go on the World Bank's first agricultural mission to Colombia, largely as a sort of scribe, someone who could work with the senior agricultural economist on the mission. And I said I'd do that. So I came across to Washington and spent six months or so working on this mission to Colombia. First I went to Colombia and then, of course, came back and wrote the report and so forth.

Thereafter I went to Harvard. I was invited there because of some work I had done. I'm sorry, I've got it wrong. Thereafter I went to the Rockefeller Foundation. I was invited to join the staff of the Rockefeller Foundation, who were interested in agricultural development. And this gave me a foot in on the beginnings of the Green Revolution. I was the first agricultural economist they had hired, and this was just the time when these seeds were being developed by the Rockefeller Foundation. I worked with Norman Borlaug and others and became acquainted with the tremendous potential that was on the horizon. So my outlook was always rather optimistic because I knew what was coming down the pipeline. And I felt that people who were crying doom and gloom at that time were misinformed.

Anyhow, after three or four years at the Rockefeller Foundation, which took me to Latin America a great deal and gave me insights into the potential and the possibilities of agricultural development, I went up to Harvard to spend a couple of years and to write a book. The book that I chose to write was about an extension of my dissertation, but this time I took a country that was then

Southern Rhodesia, which was divided into two. One area was farmed by white farmers, the other by black farmers. And the growth rates were very different in these two areas. And I tried to examine why they were different. And while I was doing that I was involved with the critique of a World Bank project in the African areas of Rhodesia. And I was extremely critical of that project because at the time I felt it paid no attention to the human resource aspect of it.

Anyway, after that my career meandered along, and sometime later I found myself at OECD [Organization for Economic Cooperation and Development] where I was a Vice President of the Development Center. I started quite a large project on agricultural development, technological change and employment.

**OLIVER:** This was before or after your Harvard years?

**YUDELMAN:** This is after my Harvard years. I skipped my Harvard years. I wrote this book at Harvard. I taught there. I became the assistant of Professor [Edward S.] Mason. This had a big influence on my career because Professor Mason was the doyen of development economists, and I think subsequently he spoke to Mr. [Robert S.] McNamara about me. But let me just go ahead a little bit.

At the OECD was where I first met McNamara. That was at a meeting that was held of heads of aid agencies. McNamara was there, and I made a presentation about agricultural development. And I focused on the importance of small farmer development, linking it to the problems of unemployment and underemployment and pointing out that the traditional approach to development--the large scale mechanization--being followed in the United States simply wasn't appropriate in Asia (where the focus of interest was at the time).

After this McNamara said, "Well, that's not the way we do it at the World Bank."

And I said, "Well, you do it all wrong at the World Bank."

He was somewhat taken aback, I think, that anybody had the nerve to tell him that. And he said, "Well, I hope you'll come and tell us how to do it right."

And I thought that was a good idea, but I didn't think much would come of it. And subsequently--I'm not quite sure exactly what did happen--when my time at the OECD was finished.

**OLIVER:** But didn't you also lend McNamara overnight a book, a manuscript?

**YUDELMAN:** Right. I had a manuscript with me that had been written by a colleague of mine (who is now an assistant director in the Bank), one of my research assistants. His name was David Turnham, a very, very capable and promising economist, now in charge of China. And he did an overall study on the problems of employment in developing countries. Nobody had really paid much attention to that.

**[Interruption]**

David Turnham had a manuscript about population growth and the prospects of the future and the opportunities for creating enough employment for the population. It showed that the outlook was not very promising. And this was one of the reasons why I was suggesting a different strategy for agricultural development. And McNamara asked if he could read the manuscript, which was about 200 pages. Much to my surprise he took it and even more to my surprise he read it, because the next morning he came to me and said, "You know, this is an interesting presentation, but I think there's some mistakes on page such-and-such and such-and-such." And, by God, he was right. There were some numerical mistakes. And there I learned two things about McNamara at that meeting. One, what a fantastic reader he was. Second, that he absorbed what he read and remembered it. And, third, when it came to numbers he was just unbelievable. And, of course, years later this was something that was going to drive me mad in the Bank, and did almost drive me mad.

**OLIVER:** Perhaps it illustrated that he was quite capable of changing his mind when the evidence suggested that he should.

**YUDELMAN:** Well, I think it did, and this is another thing that became very important later when I was at the Bank. McNamara was open to persuasion, but he was such a powerful intellect and he marshaled his numbers so effectively that it was very, very hard to persuade him. Also, I think he liked people to stand up to him, but most people were totally intimidated by him.

I've had experiences myself where I felt that he set targets and objectives that were far too ambitious, and when I've challenged them I've found I could seldom make my argument stick. Mine were based on realism, saying this had never happened before.

He would counter, "But could it happen?"

And, of course, I'd say it could happen.

“Well, then it can happen and why shouldn't it happen?”

I'd say, “It never happened because people just aren't like that.” And that wasn't an acceptable counter-argument.

Anyway, I learned a little bit about McNamara at that meeting. He asked if I'd be interested in helping at the Bank. And then after that, when my tour finished at OECD, I came to Washington. I went to see the Director of Agriculture at the time, and he said, yes, he'd like to hire me as a senior advisor in agriculture to deal with problems of rural development. Nobody was quite sure what rural development was, but it had something to do with the kinds of things I'd been talking about, and McNamara was interested in it. Furthermore, the Director of Agriculture was telling me that he was under tremendous pressure from the President to develop policy papers on all kinds of things like land reform and rural credit and the role of research and extension, and he just felt a lot of this was beyond him. He wanted me to work on these things.

But before I could start, really, the Bank was reorganized, and the Agriculture Department, which was massive, was reduced. Most of the activities were regionalized, but the core was left and I was asked to be the Director, something which I accepted. So I became the Director for the next 12 years.

I had a very peculiar relationship, because I wasn't like the other directors. I was dealing with a subject that McNamara was very much interested in, and he knew me and so he didn't hesitate to call me, and this was good and bad. From my point of view what was bad about it was he always used to call me about numbers. He was very quantitatively inclined, and there was a great deal of extra work that was done in order to produce tremendous sets of numbers about the impact of Bank lending on things like corn production and wheat production and citrus production--anything. How many people benefited from the Bank's programs and so forth. He was man who really lived by numbers and understood numbers. And to make point with him, you had to present things in a quantitative form.

Anyway, so I came to the Bank, and he told me he wanted the Bank's image changed. He was very concerned that the Bank (a) wasn't doing enough about agriculture, (b) what it was doing was plantation oriented and was colonial. He had a fixation in his mind that the Bank was run by ex-colonial officials in agriculture. And that was correct. Very few people knew anything about tropical agriculture in the developed countries except people with colonial experience. What he was worried about was that they brought that experience

into the Bank and were putting that imprint on the Bank's activities. And they were. There were very few people in the Bank at that time who were sympathetic to peasant agriculture and all that went with it, and he wanted me to change it around. And I spent the next ten years struggling with what was called rural development.

**OLIVER:** May I just ask, are you implying that he and his staff already were interested in rural agriculture before you arrived, or was it you who implanted in his mind the notion that this is something that he should be more interested in?

**YUDELMAN:** I think it was both. A lot of things were happening at the time. One of the important things was that McNamara was on the board of the Ford Foundation, and by this time the beginnings of the Green Revolution were taking place. There was a means whereby you could help small farmers. He was aware of this. He was tremendously interested in this technology, and he thought that the Bank should get involved in the generation of the technology, which we did through the CGIAR [Consultative Group on International Agricultural Research], and be the mechanism for the diffusion of it and the financing of it.

You must remember at that time the focus of attention was Asia, and there were tremendous food concerns. I must add that the underpinnings of a very successful Bank approach to India, for instance, was developed by the [Bernard R.] Bell report, especially the agricultural section of it. Those provided the underpinnings which established very close rapport between the Bank and India. And then as the years went by, the Bank put in hundreds of millions of dollars. In fact, India became the biggest borrower from the Bank. Most of that money going into irrigation. Most of the money going into to promote the spread of high yielding varieties. And most of the money being used to help small farmers. Because this was very much a natural state of affairs in India, unlike Latin America and so forth.

**OLIVER:** Some emphasis, I think, on research and experimentation, too.

**YUDELMAN:** Yes, very much so.

Now, let me go back and tell you the beginning of the rural development business, because this turned into what I've described as a \$10 billion experiment program. Shortly after I came to the Bank, McNamara asked me to be the staff person to get together a small group to write a report about rural development. And we reported to a group headed by [Mohamed] Shoaib. I think Burke Knapp had something to do with it. So I got out a couple of people, including the man who had worked on Burma--Lou [Louis J.]

Walinsky, I can't remember his name--and some other people. And we wrote this report.

The gist of the report was the unemployment problem, the problem of small farmers. We talked about the small farmers being a bypassed segment of the community and a neglected group with tremendous potential. We felt that the Bank should do something about this, that there were opportunities here that were not being exploited. Also, focusing on small farmers and the dispossessed and so forth fitted into the new approach that was being thought about in economic development. You will recall that the [Lester B.] Pearson report made much of the fact that a large number of people were bypassed in the first development decade where growth had been very high but poverty had increased. And so I think McNamara was groping for a strategy, helped by Mahbub ul-Haq and others, that could have both growth and better equity. And what better way to deal with this than helping the poor in the rural areas, especially the small farmers.

And when we finished this, two things happened. One, of course, the public statements started coming out and the level of rhetoric was very high, including the "helping the poorest of the poor." As the years went by, this was dropped from the rhetoric, and slowly the rural development approach became an approach to help small farmers. Because what we found was that the Bank only knew how to make investments that would help small farmers, help somebody who had a piece of land, because the new technology was available: better seeds, fertilizer, water and so forth. But we knew very little about how to help the poor, the landless, and they were the poorest of the poor and the aged and so forth.

**OLIVER:** Was there a strand also of concern about too rapid urbanization?

**YUDELMAN:** Very much so. This was all part of the general view we had of development and the need to slow down migration. I think in that respect we were naive, in retrospect, but we were hopeful. We felt that we could reduce the push element. As you know, urban migration comes about because of pull and push. Well, if we could reduce the push factor, make life better in the rural areas, perhaps fewer people would leave. That introduced the notion about bringing in social services and so forth. There was a great whoop-de-do about integrated rural development, but that was never really part of it. The main part of this whole McNamara strategy was to raise the productivity of small farmers, dealing with one very important element of the rural community that had been bypassed and which could have all kinds of beneficial impacts, we thought, including creating a market for light industry and so forth. I mean there were many, many reasons on paper why we thought it was a good idea. But the problem was to bridge concept and reality.

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**OLIVER:** Was there pessimism because of the traditional dual economy outlook on development?

**YUDELMAN:** Yes, there was that. Remember the Bank is a dual institution. On the one hand, as we've discussed, it's a banking institution, an investment institution. On the other hand, it's a development institution, at least what I call a development institution. And it generates ideas and concepts, much of which was started in the [George D.] Woods era. When Woods became President I think he encouraged ideas to flourish. And a lot of economists came in. A lot of work was done about problems of economic development. So there were two streams in a way. There were the thinkers, if I can call them that, economists and others who were saying, "This is what needs to be done." And then there were the doers. These were the guys in the regions and so forth that had to do it. Now, what we found, of course, as one would expect, it's very easy to say, "This is what you need to do," and when it comes to the other side, it's not so easy to do it, especially if your objectives are somewhat different. Your objectives are to get the money out, get good projects, get secure projects, reduce risks and so forth. And in agriculture the best way to deal with that kind of problem is to go through the regular banking channels and help the big farmers--they would pay back their loans--and forget about the traditionalists.

And the real problem was to switch that mentality to dealing with very large numbers of small, near subsistence farmers. And there there was a special set of problems, because very few people knew what to do and how to do it. So what was done in the McNamara years is that I and others like myself prescribed what we wanted done and gave general outlines of what we needed to do and then left it to the creativity of the division chiefs and others to do it. Well, most of them couldn't handle it, or many of them couldn't handle it. It was just not in their ken. And there's a very valuable lesson here. If you're going to switch gears in policy, you need a different kind of people to implement it.

**OLIVER:** Well, I think you said earlier that some of the people from the large agricultural projects department before the reorganization of 1973 had gone into the regional departments. Were you not able to maintain contact with them?

**YUDELMAN:** Oh, yes. I'm just giving you my view of what happened. Even though there were difficulties, there was a core of people who pushed very hard on this rural development approach. I'll come back to that in a second. But I think the problem was that most of the people in the Agricultural Department, big though it was, didn't believe it at the beginning. The younger

people did, but the most people came out of a colonial background with the old tradition--you know, the old tradition of dualistic economies where they felt the money should go to the plantations and so forth, as it had been.

**OLIVER:** Or to industry.

**YUDELMAN:** Oh, in addition to which, of course, the way the Bank's Articles were written encouraged that, because money couldn't be spent on local expenditures. You know, you could import tractors. Who was going to use tractors? You could make funds available for big buildings. You could make funds available for big dams and things like that. But you didn't have money for local expenditures for small scale operations. That was changed, by the way, slowly over time. That was an important change. I don't want to be negative about it. But I'm telling about the problems we had to overcome, and I think they were gradually overcome. And the reason they were overcome was because the President insisted on it. I was the President's spokesman.

Second lesson in a big institution like this, if you go around and say, "Listen, boys, I hear you, but the President wants this done, and, you know, you'd better do it." Because power flowed from the President, and he was so all-knowing in a sense. He knew what was going on in his institution. And I think that was important. It was because it had the force of McNamara behind it that things were done, even though people were skeptical about them.

Now, we embarked on the rural development program and defined it as being where the benefits went to the poorest people and so forth. We were quite optimistic about it, but many people felt that we were far too optimistic about it. McNamara, of course, wanted to cite numbers, so I insisted that on every project the staff should tell me how many people benefited from it. They should estimate how many poor people benefited. So it may have been like the body count in Vietnam; they may have manufactured numbers, but I had to trust them.

And then when I added up all the numbers and tell the President, "Well, last year according to the numbers of people said to be benefiting from these projects, the total is ten million or something," and all the staff would come to me and say, "God, how can you do that?"

And I'd say, "Well, they're just your numbers."

This is one of the problems. Like the body count. I think the staff felt, "He wants numbers; we'll give him numbers." But when these numbers were reproduced, they said, you know, "How can you do a thing like this?"

Anyway, these were some of the lessons that were learned. I mean one was if you judge success by numbers like that, then everybody looks for success and tends to exaggerate slightly, but the cumulative effect was enormous. But I think that we can say in general that as the years went by and the evaluations began to take place, the following emerged: one, that the projects that were designed to help small farmers, which didn't reach the poorest of the poor but did reach a strata of smaller farmers, were generally as successful as other projects and they brought a new group of beneficiaries into the picture. The second thing was that the strategy didn't work in Africa, in sub-Saharan Africa, and there were good reasons for it.

One of the reasons which I have mentioned to you was that we were in a period of great growth in agriculture in Asia. It was euphoria. The Green Revolution was taking place, and this was the heart of the Bank's activity. Growth rates were unbelievable, and all of a sudden this terrible fear of famine in Asia seemed to be disappearing. We thought we knew what needed to be done and how to do it. We did in effect, but we thought we could transfer the experience from Asia to Africa and that was a mistake, for many reasons, not the least being (a) that the Green Revolution was an irrigation based revolution. You know half of the cultivatable acreage in China and India is irrigated, whereas in Africa very little is. So the technology wasn't the same. Second, African governments weren't as interested in agriculture as some of the Asian governments. Third, the level of development of agriculture, if I can put it that way, wasn't the same in Africa as in Asia. It just didn't have the human infrastructure to deal with it; neither the scientists, the administrators, nor the people at the grassroots level.

I very well remember, for instance, going with McNamara to see [Julius] Nyerere, and Nyerere saying, "My God, you know, this rural development strategy is just what we want, and we're going to do it, and I'm going to tell the First Secretary to see that it's done." But unlike Mrs. [Indira] Gandhi, when Mrs. Gandhi said, "We're going to do it," something happened, because she had a civil service and whole human infrastructure along which instructions could flow. Nothing happened in Tanzania. We thought that if Nyerere said it, he was going to do it. You know, Nyerere was the man to back. But nothing happened because he just didn't have the capacity to do anything. He wanted to do things.

**OLIVER:** You mean he personally didn't have the capacity?

**YUDELMAN:** Well, he didn't have the infrastructure, the human infrastructure. He didn't have people. He would say, "Well, I want people to adopt new technology. I want to make available fertilizer, seeds and things like this." He didn't have a distribution network. He didn't have the extension

service.

**OLIVER:** He didn't have a bureaucracy.

**YUDELMAN:** He had a bureaucracy. He had a political bureaucracy, which sort of got in the way. I mean, in addition to which, of course, the villagization program, he had his own ideas about structural change in the agricultural economy that conflicted with what the Bank was trying to do. But I think I can say without fear of contradiction the largest number of failed projects in the Bank in agriculture were in Tanzania. It was one of the countries where people felt most hopeful at one time, and almost everything went wrong, including (I must add) the drought. But there was never another situation where the capacity of the country was so overstrained, and the Bank was one of the actors in this. So were many of the donors. And it's a great pity, because a lot of money was wasted and the Tanzanians have to pay for that.

**OLIVER:** Have there been some successes in agriculture in Africa?

**YUDELMAN:** Oh, yes. Yes. From time to time, yes. But two things I must tell you. One is you must remember there's been a terrible drought, and that, of course, always reminds us that nature does have a lot to say about agriculture, especially non-irrigated agriculture. And, secondly, success is a relative term. I think there have been successes, but these haven't been so recognized because the definition of a success early on was something that was too grand. I mean you can have a success and a success. If you expect perfection as a success and you don't get perfection, that doesn't mean that it isn't a success in some terms.

**OLIVER:** But if you set out with a benefit-cost ratio as determined by the engineers, there's a big difference between its exceeding on the one hand and falling far short on the other.

**YUDELMAN:** Right. Yes, okay. But what I'm saying is what you call success, yes, there were quite a few successes in Africa, but modest ones.

**OLIVER:** Well, let me ask where they were. Were they in Nigeria?

**YUDELMAN:** Yes, they were northern Nigeria. Now, what was a success ten years ago is not a success now because of the collapse of the economy and everything else. There was Malawi. There was Zimbabwe. There were some in Rwanda. Some in Kenya. Generally the successes were in the areas where the agri-climatic conditions were favorable.

**OLIVER:** May I also ask about irrigation? There have been two or three notable dam projects, but I suppose mainly for power in Africa.

**YUDELMAN:** Yes, right.

**OLIVER:** Could those have been redesigned earlier to have made irrigation a larger part of the project?

**YUDELMAN:** I can't answer that question now, but what generally is one of the headaches about Africa is that the cost of irrigation is fantastically high in proportion to the number of beneficiaries that can be reached. You've got to build big dams and convey the water a long distance and then spread it over a large area. There are very few places where the conditions for large scale irrigation are appropriate.

This used to drive the Africans mad, because they used to come here and say, you know, "We want food security. We want to grow our own food. Water is the first requirement. We want you to find a dam, and you come with all this nonsense about cost-benefit ratio examples and tell us it's too expensive. What do you want us to do?"

"Well," we'd say, "small scale irrigation and things like that."

And there have been quite a few small scale irrigation projects that have been effective and economic. Not as many as the developing countries would like. I think that was the biggest problem in Africa, and if we could go back and do it all over again, I would have stuck all my money into research and training and education and create that cadre of technical expertise that is so essential to do anything in agriculture.

You see, in the course of my time in agriculture, agriculture has changed from being the kind of nomadic, near hunting, scrabbling around. The success in agriculture in the developing countries has come through the application of science to agriculture. We've learned that it's costly. You need capital for it. You need infrastructure. You also need a tremendous amount of technical input and trained people. And these are the things that were missing.

McNamara appreciated that. McNamara, because of his connection with the Ford Foundation and elsewhere, liked that expression "the application of science to Africa." He saw that there was hope for Africa provided you could bring in new technologies, but also hope for Asia where most of his attention was focused. And that's what happened. And the great turning point in agriculture that's taken place in McNamara's years, which the Bank had something to do with--not necessarily all, not necessarily too much—was that

for the first time the biggest increases in production came from the yields--increases in yields--rather than expansion of acreage. That was a big shift. Agriculture ceased to be a frontier type development and became a productivity oriented, yield increasing type of thing.

**OLIVER:** Well, you spoke about Africa in terms of if you had it all to do over again things might have been different. Does that imply that it's in some sense too late?

**YUDELMAN:** No. Never too late. But I think it should be done now, and I think that's what's happening now. My last years at the Bank I decided that the thing we had to do was rectify that technological gap in Africa. And to start we wrote a paper on research and so forth and started urging investment in agricultural research. I think this is now underway. There's a huge effort to develop appropriate technologies for African conditions--a very big effort. And we just have to see what comes out of it.

**OLIVER:** In the case of Asia where things have been a great deal more successful, should I infer that having got over that threshold of success that it is now a self-generating, improving situation so that the Bank need not itself pay so much attention to administering future improvements? Will improvements continue in India, for example?

**YUDELMAN:** Yes, I think so, because--except the emphasis will have to change. The engine of growth in Indian agriculture was comprised of three things: the technology, the research--by the way, India had a very good research establishment, and they produced a lot of things on their own. But, of course, they allied with the work of the international research centers on rice and wheat and so forth. Technology and fertilizers. And, third, irrigation. The biggest expansion was in irrigation. Irrigation is the area where there have been the biggest investments from the Bank and elsewhere. The investment in irrigation has been enormous. That is constructed now. Most of it. And there will be further expansion. But in the next decade the really important thing is to make these things work effectively. You know, if you've got a \$100 billion investment in irrigation and you're getting a 5 percent or 10 percent return when you should be getting a 20 percent or 30 percent return, it certainly pays a great deal to focus on raising the return on that investment. And that's what the Indians have to do now.

So in a sense the problem has changed a little bit. It's not so much creating capacity, although that will have to continue, but it's how to use this capacity more effectively. The Indians know it. And the problem of dealing with this is you get right into the culture. Who gets water? Who doesn't get water? What are the roles of engineers, the district commissioners? You know, the farmer's

at the tail end. Who bribes who, and all the rest of it. Very sticky business.

**OLIVER:** Do you foresee Bank lending for agriculture in Asia continuing at the same past high levels or perhaps even getting higher still, or will it diminish as the Indian government is able to put more of its own funds into the improvement of the efficiency that you're talking about?

**YUDELMAN:** I think that India is so big--I think that the Bank will continue to play an important role. They're at the cutting edge. I think the Indian government looks to the Bank for certain things, and I think there is a role for the Bank. Now, whether it can be justified on purely financial grounds, I don't know. There are many, many things. I don't think for one minute that the Indian problems are resolved. I mean, there's a whole area of dry land agriculture where a great deal is needed, including the development of new technologies. And so I think the Bank will have a role to play there.

**OLIVER:** Are there some Asian countries where the Green Revolution is much less far along than it is in India?

**YUDELMAN:** Well, of course, there's Burma and Bangladesh. Although I think the progress in Bangladesh has been substantial. Malaysia has done very well. East Asia and Nepal. They're the poor countries of Asia.

**OLIVER:** How about Pakistan?

**YUDELMAN:** Pakistan has had a remarkable record. They've got all kinds of other problems, but the agricultural growth in Pakistan has been remarkable. When you think in your time and in my time, you know when the World Food Conference was held in 1973, everybody was talking about starvation. Since then, the world's population has increased by over 1200 million, perhaps 1300 million, but there's more food per capita in the world now than there ever has been. And one of the important reasons for it is what's happened in the developing countries. I say that if the Bank can claim anything, they had a role in that, for better or for worse.

**OLIVER:** Of course, I'm old enough to remember that my relatives who were in farming in Indiana in the United States in the '30s pooh-pooed the ideas of experiment stations and agricultural research, and ten years later discovered that they were paying a great deal of attention that sort of thing. So the revolution can take place very rapidly once people have faith that it can work.

**YUDELMAN:** But I still think that the revolution in the Punjab in India was more rapid than in the Middle West with hybrid corn. I went to talk to Mr.

[Roswell] Garst about this, one of the fathers of that revolution, and we compared notes and he agreed with me.

**OLIVER:** Well, we've been talking mainly about rural or small scale agriculture. Should I infer that that was the sole interest of your department?

**YUDELMAN:** No, certainly not. That was the point. That's why I called it the rural development experiment. Basically . .

**[Interruption]**

**YUDELMAN:** . . about half the lending went for that experiment and about half for other projects. And that's the way it worked.

**OLIVER:** Do you want to say a bit about the other projects?

**YUDELMAN:** Well, these were normal irrigation projects, livestock projects, you know, projects where most of the beneficiaries weren't small scale producers.

**OLIVER:** And these were the kind of projects which had been going on before you came?

**YUDELMAN:** Yes, before plantation projects and so forth. I think by the time McNamara left, small scale, small farmer emphasis was embedded in the culture of the Bank.

**OLIVER:** Yes. Even though you were not present in the Bank in the 1960s, I know you have written about some of the programs that were of interest in that time. Maybe you would quickly survey the growing role of agriculture in the Bank.

**YUDELMAN:** Well, I think what happened was, as I've said in my manuscript [*The World Bank and agricultural development: an insider's view*], that under Mr. [Eugene R.] Black there was a period of benign neglect. And one reason for this was people didn't see agriculture as a problem, especially those with a colonial background. Lots of land and lots of people. And some Bank people presumed that people were lazy and that all they had to do was dig a little more and they could grow more. And, secondly, people didn't know how to invest in agriculture. There wasn't much experience in that. Many people had had their fingers badly burned by investing in agriculture. And as I said, the engineers were more or less running the Bank, because the emphasis was on transport or power--rightly or wrongly--and the main focus was Latin America because that's where all the free countries were.

And then towards the end of Black's period there was beginning to be a shift. And under Mr. Woods I think—I wasn't here then, but as I read and study, there seems to have been a real shift towards looking at development problems, not from an engineering point of view but from an overall development point of view. And the first real memoranda on agricultural development came out in the Woods' regime; the whole question of agrarian reform and what could the Bank do about it was addressed in the Woods' regime.

**OLIVER:** Agrarian reform meaning land reform?

**YUDELMAN:** Agrarian reform. No, agrarian reform, if you're in the profession, is a buzz word that you use to circumvent land reform. Land reform is part of agrarian reform, but there are many other things that could be done including some changes in the arrangements of land. But it meant better services for agriculture, better pricing, better roads, better water, research, all the other factors as well. That was important, because at that time, when Latin America was center stage, there was tremendous emphasis on land reform. It was a very touchy subject, and if you'll see in my book, I talk about what happened in Colombia where for years the Bank tried to get them to deal with land reform but they never did.

**[End Tape 1, Side A]**

**[Begin Tape 1, Side B]**

**YUDELMAN:** I think that that must have prepared the way for the big takeover that took place under McNamara. One of the things that McNamara set all his targets, you know, growth targets which were credible, you know, growth targets in spending. He also created great tensions by saying that I want some of this to go to the poorest farmers, and there was great strain and tension among the people in the trenches.

**OLIVER:** But it was not a welfare kind of reform.

**YUDELMAN:** No, definitely.

**OLIVER:** It was associated with productivity.

**YUDELMAN:** That's right, and that was the thing that he insisted on, and that's what also made it a little more difficult.

**OLIVER:** Well, you have identified agriculture as a major program in the McNamara years. Looking more broadly beyond agriculture, I wonder if you

could identify other major thrusts of the years that you've observed in the Bank?

**YUDELMAN:** Well, of course, I came in in the McNamara years and stayed for the beginning of the [A. W.] Clausen years. And I think in the Clausen years there was shift toward policy lending. If I may say so, I think Clausen was a victim of circumstances. He came in as the debt crisis was just getting out of hand and the poverty crisis in Africa, and he was very constrained. He would adapt to new circumstances, and he didn't know the first goddamned thing about it. He said so himself. And it took him some time to find out what it was all about, and then by then people were disenchanted with him. Very sad in a way.

Let me go back to your first question. I was quite close to McNamara. He wasn't an easy man to get close to, but I enjoyed my association with him and I enjoyed his confidence. And I still see him, and I'm happy to see him. And he feels the same about me. But he tells me that one of his biggest disappointments in the Bank was the failure to deal with the population problem. Not to deal with the population problem in itself, because that's putting it too grandly, but to have an effective population program in the Bank. He felt--this was a great disappointment to him.

One of the triumphs that he enjoyed most was the creation of the consulting group for international agriculture research, which absolutely was a triumph. And he was always groping around for new ways of dealing with some of the problems that he saw as important, and I think the poverty issue was one--both rural and urban--he always thought was important. And when it came to the African issue, he was always in the forefront. But he's a very strange guy in terms of wanting to do something for the people whose needs were so great but, on the other hand, insisting that everything should be based on productivity.

**OLIVER:** I wonder if we might talk a little bit about the role of economists in the Bank. You are an economist. Is it probable that an economist was the most logical person to help bring about the within-the-Bank revolution in thinking about productivity and in agriculture?

**YUDELMAN:** Well, I was an economist by virtue of my background. I had been thinking about these problems for a long time and came into the Bank with a long background of concern about these problems. In that sense, I think it had to be somebody who knew something about it. And I think when I came in as an economist there was a general feeling that there was a need for a different view of some of these problems.

The concern in agriculture now, with the policy based lending, is that not enough attention is being paid to the technicians. If you're just focusing on macro-economics, you think in terms of their getting things done and changing this and changing that without appreciating what the natural and physical barriers are. And I think that's always a delicate balance. And I think the agriculturalists, the agronomists, in the Bank, always felt that people like McNamara and myself were pushing for pie in the sky. They felt that they had a much better feel for things on the ground and how difficult it was to make African peasants change their ways and so forth. But our view was that it might be difficult but it had to be tried. Their view was that it was so damned difficult it wasn't worth trying. That was the difference.

**OLIVER:** Well, what you're illustrating, I think, is that at the margin at least the question of whether we're dealing with programs or projects is almost nonsense, because you have to have the technicians who know that the projects are well founded and you have to have the broader view to know that this project rather than some other project has priority.

**YUDELMAN:** That's right, but there's another dilemma there. My concern about policy based lending grew out of my experience with the Alliance for Progress. A great deal of money was allocated for that and there isn't a darned thing to show for it. You make quick disbursements to make foreign exchange available and the promise that certain changes will be made. Those changes have to involve political decisions. Every country has its own procedures, and there are very few countries--in Latin America, anyway--where changes in things like land titling or land ownership or taxes or tariffs at least can be made without going through a long process. In the meantime, the money's disbursed and that's that. At least with a project there's something left behind.

**OLIVER:** Quite right.

**YUDELMAN:** There's quite a lot left behind. So I recognize the importance of policy changes, but I share Mr. Black's view that the Bank's strength lies in projects.

**OLIVER:** Not unlike the distinction [John Maynard] Keynes used to make between overseas lending and domestic investment. He said even if the domestic investment fails in a financial sense you at least have the on-the-spot specific plant that was built, whereas if it was overseas, then the U.K. had nothing.

**YUDELMAN:** That's right. In a way that's correct, I think.

**OLIVER:** Well, are there questions that I should have asked you about your

experience in the Bank that I haven't asked you? I hope you do not confine your answer to just agriculture.

**YUDELMAN:** Oh, no. Well, if I was to say what was the biggest problem in the Bank in my time here in my capacity as Director of Agriculture, I would say it was the very weak system of checks and balances. Let me explain that. All projects came through the regions, basically, although there was a small unit created under me when we started rural development. That was created because McNamara got such a lukewarm response from the regions. When he said he wanted to do something to help poor farmers, he got a lukewarm response. Whether they understood it or misunderstood it, I don't know, but he created a special unit and put it under me to develop prototypes. Needless to add, this wasn't very popular, especially at a time when the Bank had been decentralizing. But there was a small central unit which was subsequently decentralized. All agricultural projects had to go through my department and through the Vice President of Operations up to the Loan Committee. My technical people used to check on the projects, talk to the people, and then write memos pointing out what was right or wrong about the project. A large number of the things that they pointed out were very critical, and I would sense this and write to the Vice President. What happened, of course, is that under the great pressure to get money out, the Vice President was very reluctant to intervene in these projects. So a lot of difficulties were skidded over. We kept a file of all our observations. And every now and then we used to get some rare satisfaction five years later or six years later pulling out the file.

The point I'm making is that the conflict between the desire to meet needs, which is what McNamara saw--the tremendous needs--and the desire to have truly effective projects was one that was never really resolved.

**OLIVER:** Well, are you implying that in some cases at least projects went forward due to the fact that they had been programmed into a schedule before it was totally ready?

**YUDELMAN:** Absolutely. Absolutely. I mean if anybody tells you otherwise either they don't know what they're talking about or they're not telling the truth. This was a constant pressure, but this is the McNamara style of management. Constant pressure: You can do better. You can do it. You know, you can bridge these gaps. Just get on with it.

**OLIVER:** I understand.

**YUDELMAN:** Yes, and I think that was a fact of life. You had to take the good with the bad. I mean, there was a tremendous outpouring of resources,

but not all of these projects were as effective as they might have been if you went at it slowly, the outpouring of resources. And then there are other things. As I say in this manuscript, we didn't worry about environment. I take some responsibility for that. It was just another thing that got in the way. And then women in development. Let's worry about women in development. What shall we do about it? Nobody knew what to do about it.

One of the biggest changes that took place, which I was very proud to be involved with, is change in forestry policy, which is symptomatic of the change in approach. When I started, we only invested in industrial forests. The forest policy changed completely. We helped, did social forestry, small farmer lots, you know, the focus was on natural resource conservation, preventing dams from silting and so forth and so forth, and dealing with the energy crisis.

**OLIVER:** In commenting about McNamara setting up your department, you touch upon another issue that I think you might want to comment on. Bernie Bell has mentioned that when McNamara saw that something special needed to be done in Indonesia, he did not hesitate to create a special situation, mainly the Bell permanent mission to Indonesia. I take it this was also part of the McNamara style.

**YUDELMAN:** That's right.

**OLIVER:** He wouldn't let organization structure stand in the way of an innovative way of doing something.

**YUDELMAN:** Yes, sure. I mean that was right. When I used to go and see McNamara and we'd talk about thing, and sometimes I'd say, "Gee, the Bank's getting big," he'd say, "How many people are there in the Bank now?"

"Five thousand."

He'd say, "Hell, you know, when I ran the Ford Motor Company there were 270,000 employees or something like that." So, you know, he thought in a different perspective. But I'd like to tell you something off the record now.

**OLIVER:** Please. Shall I turn it off?

**YUDELMAN:** Well, I mean I don't know . . .

**OLIVER:** I'll leave it on.

**YUDELMAN:** Okay. I once went to see Bob and said, "Look, Bob, we've

got a morale problem.” You know, I felt close enough to him that I could go and see him and tell him these things. “You know, the guys are straining and groaning. They’ve got all these added burdens and this problem of dealing with small farmers and they don’t feel they’ve adequate resources” and this that and the other.

And he said, “Gee,” he said, “I just can’t understand it. When I was at the Ford Motor Company I used to work for the stockholders and did a lot of things there to improve productivity. I used to go home every night and when I went out I’d think to myself, ‘Now what have I done for the stockholders of the Ford Company today?’” That was exactly what he told me. He was always telling me his experiences there. “And,” he said, “I can’t understand why the people who work for you don’t go home and think to themselves, ‘What have I done for the world’s poor today?’”

I thought to myself, “God, that bunch of monkeys, you know, they were probably thinking about when they could get their next drink or where they could go for a beer or something like that.” He liked dedicated people, but he was driven by an ethic that most of these guys weren’t driven by.

**OLIVER:** And you were more similar to him than to . . .

**YUDELMAN:** Well, I was much more concerned about the things he was concerned about than the other. I’m happy carrying his mandate. But in the end it just became too much.

**OLIVER:** Well, as you look back on your total career in the Bank are there certain highlights that stand out in your memory and maybe anecdotes that go with those highlights?

**YUDELMAN:** There are plenty of anecdotes, but I like to talk, tell you an anecdote about McNamara that I remember. It was about a forestry project that went to the Board. The three people who were presenting it happened to be women. McNamara, as Chairman of the Board, drew attention to the fact that this was the first time there had ever been a project in which the three officers presenting it were all women. And then he went on to say that there had been tremendous improvement in the role of women in the Bank; however, it wasn’t good enough. Only 13.1 percent of the senior staff were women and only 27.2 of the total staff were women and that he really wanted us to get 17.4 percent of the staff of women, et cetera. “However,” he said, “this is a forestry project and this is one of the few forestry projects we’re presented and it shows the importance we attach to forestry. And I regret to say that only 13.1 percent of the projects are forestry projects. We’re trying to get it up to 17.4 percent.” You know, exactly. Whether it was forestry,

women, everything had to be in numbers, and that was the way it was. This was very amusing to me.

I don't know. There are lots of experiences, lots of pleasant memories of the Bank. Lots of pleasant ones and difficult ones.

**OLIVER:** Well, I sense that you have reached the end at least for the moment. But let me thank you very much.

**YUDELMAN:** Okay. Thanks very much.

**[End Tape 1, Side B]**

**[End of interview]**