

**WORLD BANK HISTORY PROJECT**

**Brookings Institution**

**Transcript of interview with**

**MONTAGUE YUDELMAN**

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Washington, D.C.**

**By: John Lewis, Devesh Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*Montague Yudelman*  
*September 12, 1991 – Final*

*[Begin Tape 1, Side A]*<sup>1</sup>

**LEWIS:** . . . so I have seen it. It's been awhile since I've read it, but I read your review of the whole experience, but there were just some things that I wanted to sort of get filled in or get your reflections on. First of all, when did you, how did you come aboard at the Bank?

**YUDELMAN:** Well, one is never quite sure about these things, but I think it all started with a talk I gave at Montreaux in Switzerland.

**LEWIS:** Uh-huh.

**YUDELMAN:** And Ed [*Edwin M.*] Martin was the chairman of the DAC [*Development Assistance Committee of the Organization for Economic Co-operation and Development*]. .

**LEWIS:** Yeah, yeah.

**YUDELMAN:** . . . and I was the vice president in charge of the Development Center.

**LEWIS:** Yeah, right.

**YUDELMAN:** And he had one of these Tidewater meetings.

**LEWIS:** I see.

**YUDELMAN:** The heads of all the aid agencies were there, including Robert McNamara. And Martin asked me to come along and give a chat on the research we were doing at the Development Center which included--which was focusing on the impact of the population and the demographic increases and what this meant for the labor force. This is 25 years ago; no one was really looking at this.

**LEWIS:** Right.

**YUDELMAN:** So I gave this talk, and McNamara was in the audience. And afterwards--the main thrust of my talk, as you know, was agricultural policies and preparing for the changed circumstances in Dakar and that it was no good to help pushing policies that involved large-scale mechanization, the displacement of rural people. So afterwards McNamara came to me and said, "Well, we don't do that kind of thing at the World Bank. We don't--we support large-scale mechanization."

I said, "Well, I think you're wrong."

He said, "Do you really believe in plot farming?"

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<sup>1</sup> Original transcript by Brookings Institution World Bank history project; original insertions are in [ ]. Insertions added by World Bank Group Archives are in *italics* in [ ].

I said, “Yes,” you know, because I’d seen what was coming out of the pipeline at the Rockefeller Foundation and elsewhere, where I had worked before.

And then he asked if he could see a manuscript I had that was written by David Turnham, which was the first product of the Development Center on this issue, which dealt with population growth and employment. And much to my surprise--it was a manuscript--he read the whole damned thing. He gave it to me the next morning and said he enjoyed reading it and that there--but there were some (I learned something from that) that there were some mistakes on page 72 [*laughter*], one of the footnotes or something like that. Well, that impressed me.

Then he asked me what I was going to do when I left OECD [*Organization for Economic Co-operation and Development*] because he said he was worried about agriculture at the Bank. I said, well, I hadn’t really decided yet. When I came back to Washington I got in touch with the people at the Bank.

**LEWIS:** Oh, you left OECD?

**YUDELMAN:** My term expired.

**LEWIS:** Your term expired. I see.

**YUDELMAN:** Just before it expired I received a number of offers, and I decided that the Bank sounded a bit interesting because I’d already done a couple of consultancies with them. And I was offered the job as advisor--I don’t know how all this worked--as advisor to the agriculture department, but the rural development--because they said the president wanted to do something about rural development. The reorganization was taking place, and in the shuffle that took place I became the director.

**LEWIS:** I see.

**YUDELMAN:** But I was told that the president wanted somebody, you know, who thought beyond the purely technical aspects of agriculture. And then when I got to know McNamara--as I got to know him quite well--he told me that he was very concerned about what he called the colonial aspects of, the colonial approach that was taken by the Bank’s agriculture department. It was too much “enclave development,” as he described it, and he wanted a much more broad-based approach and he wanted an approach that could reach the large number, the larger numbers of farmers, and then subsequently he wanted an approach that could really deal with the poor.

**LEWIS:** Yeah.

**YUDELMAN:** So that’s how I came.

**LEWIS:** Right. Uh-huh. This, the “ex-colonialist enclave approach,” who was he thinking about there?

**YUDELMAN:** Well, I think historically what happened at the Bank was the only people that

knew anything about tropical agriculture from developed countries were the Dutch--and they were a diminishing number—the British and the French.

**LEWIS:** Right.

**YUDELMAN:** And so the most of the people who applied for jobs at the Bank in agriculture came out of colonial services. They brought a lot of that kind of tradition with them.

**LEWIS:** Yeah, yeah. What was your--now, he said the Bank at that time, when you talked to him in Montreaux, that they were going for large-scale, mechanized agriculture. They had made loans for mechanization back in the '50s . .

**YUDELMAN:** Yeah, right.

**LEWIS:** . . but I've been getting kind of impressed with what a major change [*George D.*] Woods managed to make in agriculture in . . .

**YUDELMAN:** Well, I think that what happened in the Woods era was that the—I take the view that the economists began to prevail over the engineers, and in the Woods era there were widening horizons. But I think Woods wasn't there very long.

**LEWIS:** Well, he's five years and then . .

**YUDELMAN:** Yeah, but . . .

**LEWIS:** . . and he made this sort of monumental paper before the Board [*of Executive Directors*] in January of '64 where he said, "We've got to do a lot more," and he talked about even agrarian reform. And--but there was quite a beefing up of commitments, although there's this--I want to ask you about the water side because irrigation and drainage dominated everything else that they were doing.

**YUDELMAN:** Yeah, because—that's for two reasons. One, that's the engineering approach.

**LEWIS:** Yeah.

**YUDELMAN:** In the Woods era or the pre-Woods era very few people knew anything about the process of agricultural development.

**LEWIS:** Yeah.

**YUDELMAN:** How do you invest in agricultural development? They were still focusing on capital, investment in capital, you know, concrete, machines, things like this. My view is that it was--that there was change, that they were seeing, you know, they were seeing that there had to be change. The sector paper that [*Stephen D.*] Eccles and a couple of other people did show that there was a need for change. They beefed up the agricultural numbers and--but it was McNamara who really pushed it, but he changed it in one very significant way--two significant.

McNamara had two or three goals that were articulated in the 1973 Nairobi speech, which was the watershed as far as I was concerned, although things were in train already. One was, of course, to increase lending for agriculture. He concluded, helped by Mahbub ul-Haq and myself, that agriculture was, that agriculture was the most important sector in the third world at large so the Bank had to increase its lending for agriculture. Secondly, he was very concerned about the fact that a large subsector of agriculture was being bypassed, I mean the small farmers, and by then he knew that small farmer productivity could be raised because of the Indian experience. And we went in very strongly to support small farmer agriculture.

**LEWIS:** Mm-hmm, mm-hmm.

**YUDELMAN:** Third--excuse me--the point, the point that the big change was not only the increase in the agriculture but who benefited from it.

**LEWIS:** Right.

**YUDELMAN:** That was the big change. That may have been a very narrow view but . . .

**LEWIS:** I have been thinking--until late last week, I guess--that there wasn't much going on in agriculture in the Bank up until after Woods came, and that's really what [*Edward S.]*Mason-  
[*Robert E.]*Asher says, for example, and that then agriculture was kind of bootlegged into the Bank almost by the [*Bernard R.]* Bell Mission and Jack [*John G.]* Crawford.

**YUDELMAN:** That's right.

**LEWIS:** And, and that that was . .

**YUDELMAN:** Well, not in the Bank as such, but I mean they made India the big client of  
[*inaudible*]

**LEWIS:** Yes, and they--but if you read the section on agriculture in the [*Lester B.]* Pearson Commission Report, which is after all, I think, reflects the almost pre-McNamara period because it's just a sort of standard operating "green revolution" discussion. It's all growth-oriented. It's--it's very much small scale; I mean it's the biological-chemical-technology-oriented. What it's not is equity-oriented.

**YUDELMAN:** No, of course.

**LEWIS:** It's growth.

**YUDELMAN:** Yeah, right.

**LEWIS:** And that, I would say, is the sort of Crawford kind of version.

**YUDELMAN:** Well, that's right, but if you look at that piece I wrote for the World's Resources [*Institute*], you'll see I focused on four stages in agriculture. One was the neglect of agriculture

at the beginning. The second was the export-oriented growth aspect—sorry, second was the heavy emphasis on the capital and the infrastructure. Third was growth, you know, much more concern about the biological-chemical, and fourth was equity.

**LEWIS:** I see. I'll have to go back and read your piece again. I really have read it, but my memory's short.

**YUDELMAN:** But I think that what happens, too, is there's a time, you know--it takes time for ideas to seep through and for action, the pipeline, and there's a long lead time. For instance, the lending for agriculture peaked after McNamara left the Bank, but that was in the period when his build-up that he instituted was still--its forward momentum was going on.

**LEWIS:** Right, right. Now, how would you characterize in agriculture, agriculture/rural development area, the key content, really, of this shift toward equity? I mean it was--I know that you were sort of tagged with smallholder farming, but, as we just said, the green revolution technology actually focused on smallholders. What was different?

**YUDELMAN:** Well, I'll tell you what was different. What happened was the president was very keen on doing something about poverty.

**LEWIS:** Right.

**YUDELMAN:** Okay, so we explored all the avenues, how you could do something about poverty, and we really, we concluded that by and large, at least at that stage of the game, that the Bank was very limited in what it could do about the really poor, who were the lame and the old and the young and the sick, et cetera, et cetera, as well as the urban unemployed and the growing number of underemployed and the growing number of landless in the rural areas. But what we did think of was, what we did believe, was that we could help people who had an asset, land, so the great focus became on trying to help those people who had a piece of land, small farmers, and then they were kind of--you know, we pushed very hard that this attention had to be given to that group.

The whole business about the rural development thing was that when McNamara concluded, helped by others, that the big problem was rural poverty, and he thought the big issue, then, you had to do something about rural development. But rural development and rural poverty were synonymous in his mind. It wasn't the kind of concept of integrated rural development that people talked very much about. It was rural development equals the alleviation of rural poverty. The notion of integrated rural development, which was tried on a very limited scale, I might say, although people made a big fuss about it, was an attempt to try and deal with the whole issue on a limited basis, dealing with the other requirements, health and education and so forth. But it wasn't--it's become a focal point of a lot of criticism, but it was a very marginal, very, very marginal aspect of the whole program. And, unfortunately, where it was tried was where the needs were greatest, and that was in Africa, parts of Africa, and that's where it failed.

**LEWIS:** Yeah, I want to chase that down some more, but . . .

**YUDELMAN:** The hard thing that—that I think is that you've got to understand something about the mechanism of the Bank. You know, the president is very powerful.

**LEWIS:** Yeah, we know that, yes.

**YUDELMAN:** Okay, so the difference was that McNamara made it a personal interest.

**LEWIS:** Okay.

**YUDELMAN:** And so he pushed people, and I pushed the division chiefs, “This is what you've got to do,” and et cetera, et cetera.

**LEWIS:** Okay. A whole set of questions. One is, you just now mentioned, I wanted to explore. After reorganization you were in this--in a sense--staff department, but you had these operating and regional, so how were your relations with them? Then there's the question of the landless, and I just want to sort of get a, take a sounding with you as to what the feeling was about land reform. There had been a lot of talk about land reform earlier on. And then the question of the president's inner circle, sort of, the innovators. What kind of relations did you have with Mahbub, with Hollis [*Chenery*] and some of them--were you tight in that group?

**YUDELMAN:** Well, I'll tell you about the beginnings of this program.

**LEWIS:** Okay.

**YUDELMAN:** The whole poverty orientation, at least operationally, in order to launch a program about rural development we called a--we assembled a group of people from all over the world, India [*inaudible*] you know, some of the names of the '50s and '60s, and we discussed the rural development approach. The meeting was chaired by [*F. M.*] Scherer, and Ian Mason was there, and the idea was, you know, is it feasible? Should we go ahead with this? And the meeting came to the conclusion that, yes, there was merit in this. So McNamara wanted, asked me to write a report with [*Louis J.*] Walinsky.

**LEWIS:** Lou Walinsky?

**YUDELMAN:** Lou Walinsky. And we did write a report saying, yes, we could do something about rural development and the Bank should move in this area into a poverty orientation. He called a meeting to discuss the report with Burke Knapp and the vice presidents--I'm not sure if they were--yes, they were vice presidents--and they weren't terribly keen. They didn't see any reason why there should be special emphasis. You know, they felt it was too difficult. They felt, you know, this wasn't in their purview, so to speak. There was some resistance. In my view--and I qualify this, in my view--McNamara got pretty angry, and he turned to me and said, “Well, you create a central unit to implement this policy.” Now, that was just when the Bank had been decentralized. So in the agricultural department, which was a staff department, we had an operating division, the rural development division, which was started under the direction of Leif Christoffersen.

**LEWIS:** Who?

**YUDELMAN:** Leif Christoffersen.

**LEWIS:** Oh, yes, yes.

**YUDELMAN:** That was one of--that created friction, of course, and that created problems because the operating power had been shifted to the regions.

**LEWIS:** And so this was an operating unit . . .

**YUDELMAN:** Yeah.

**LEWIS:** . . . that could generate projects and such?

**YUDELMAN:** Yeah, but it was very--it had a very tough row to hoe because there was a lot of resistance to it.

**LEWIS:** Did that continue for a long time?

**YUDELMAN:** Yeah, yeah, it did. And it grew, but it took on some very, very difficult projects.

**LEWIS:** Is that partly why this problem of defining what is rural development arose, to divide the turf between that unit and the regional?

**YUDELMAN:** Well, I think that--no, I think the definition--the definition was my problem, my fault. If I'd simply called it "poverty oriented agriculture," we would have had no problems, but because the president wanted a thrust of rural development, then we said, "Well, rural development is this, that, and the other, as said in the Rural Development Policy Paper."

**LEWIS:** I see, I see. That's . . .

**YUDELMAN:** It got convoluted. You know, if we'd just said, "Look, the focus is on helping small farmers, helping low income people in agriculture," that could have been much more clear.

**LEWIS:** At least 50 percent of the beneficiaries . . .

**YUDELMAN:** Yeah, right. That became--but then we had to go into all these damned convolutions about--you know, because there was a lot of resistance. People said, "How can you isolate the small farmers, you know, if it's an area concept or if it's is a rural credit program?", you know, and anyway, most of the--as I told you, most of the people, most of the old hands just didn't believe it. They didn't believe that you could help small farmers. They believed that this was a lot of nonsense; you're just pouring money down a rat hole.

**LEWIS:** Yeah, yeah.

**KAPUR:** One thing that John has said--I wanted to get a sense as to why, when the emphasis was so much on rural poverty and yet operationally in the agricultural strategy the emphasis turned out to be on small farmers, but at the same time even then there was the awareness that in Asia in particular and probably, you know, in Africa but also parts of Latin America, the poorest of the poor were the landless. So what was the . . .

**YUDELMAN:** You're running ahead of things. Remember that at the time I'm talking about you couldn't say, "Yes, we know how to deal with small farmers. We can deal with one part of the problem."

**KAPUR:** I see.

**YUDELMAN:** Because--years later, I remember, I went to a seminar at IFRI [*Institut francais des relations internationales*] or somewhere and heard Michael Lipton say, "Well, it's no longer a small farmer problem. It's now a problem of the landless."

**KAPUR:** [*inaudible*] going down now?

**YUDELMAN:** Well, because we didn't--the way that we were structured, agricultural department dealt with agriculture. I mean, in dealing with the poorest people, as far as agriculture was concerned, as I said before, we realized (back in India and elsewhere) that what we knew best and what we could do best was to help people that had an asset, they had some land, help them become more productive. But at the same time there was a very heavy increase in investment in research and things like that.

**LEWIS:** Yeah. You know, to sort of reinforce Marty, if you think about India, this is what [*inaudible*] was at in about '69, the small and marginal farmer program.

**YUDELMAN:** That's right [both talking at once], that's right.

**LEWIS:** That you can't get down to the littlest farmers. But rural development, one would think of it in some sense extending beyond agriculture.

**YUDELMAN:** Well, it did, we did, but it was in a very limited way. And, of course what, what we did try these projects--unfortunately, as I said, many of them were in Africa--in which we tried to incorporate them, in Brazil, in northeast Brazil, and so forth, we tried to incorporate health components and education components, water, medical posts, things like that. Now, those kind--many of those projects were done by, initially by--these multi-sector projects were done by the unit that was in my department, the "new-style projects" they were called, and many of them didn't work because of the problems of administration and the difficulties we ran into.

**LEWIS:** What was your perception of the moveability of the whole land and tenure thing when you joined the Bank?

**YUDELMAN:** Well, I think the Bank was very, very conservative on this issue. Now, you recall that in the early papers they talked about agrarian reform.

**LEWIS:** Yeah.

**YUDELMAN:** It wasn't land reform. I was on the World Bank's first agricultural mission in 1956 as a consultant. It was to Colombia.

**LEWIS:** Uh-huh, I knew you had worked there.

**YUDELMAN:** We went down--and by the way, if you read [*Lauchlin B.*] Currie's report on Colombia, you'll find that all the things he talked about in 1956 are still the things that we're talking about today, including land reform and all the rest of it. And I remember that mission very well because there was a tremendous land use problem in Colombia, as you may well know. The indigenous population were farming on the sides of mountains producing food--I mean, this is a caricature--but the valley bottoms were occupied by the large cattle-owners, the reverse of what was rational. And there was a great debate among ourselves about what we could do about it. And there was some suggestion, you know, that there should be land--the government should take the lead in redistributing land and so forth, but we eventually ended up by suggesting that there should be taxation policies that would put pressure on the people in the valley bottoms to intensify land use.

This notion of not getting into the redistribution of land was reinforced when we returned because we were--the mission was ostensibly an independent mission, but we reported to Mr. [*Robert L.*] Garner . . .

**LEWIS:** Yeah, yeah.

**YUDELMAN:** . . . the vice president, and he made it quite plain, "None of that stuff." He made it quite plain that it was beyond our--that this was a political issue, and it was not, and it was not--the Bank wasn't to get involved in these kinds of things.

Years later when I went back to Colombia it was--the notion of having differential taxes, in fact, the idea that was developed was an imputed income tax.

**LEWIS:** I see.

**YUDELMAN:** It was very fanciful. The chief economist on the mission was a guy from the Federal Reserve Board in New York, and he came up with this idea about imputed income taxes, you know, good value land, if it wasn't being used, at least it should be taxed as though it was being used. And in theory it was fine, but I mean, it was politically naive and technically very difficult to do. And years later they still haven't done anything.

But you see what happened with the rural development program--this is one of the criticisms of helping the small farmers, especially in Latin America--we worked around them. We supported a very big program in Colombia called, I think it was called INCORA [*Instituto Colombiano de la Reforma Agraria*]-I'm not sure if that's the right acronym--which was a successful rural development program, but the large landholders were left intact. And we moved into the

mountains, we supported the government's program in the mountains, putting in roads, making credit available, helping with the marketing of potatoes and so forth. And that was the difference. When I went to Colombia in 1956, we wrote this report. Out of that report came a project for the importation of tractors to help the larger farmers. Twenty years later the focus was on what can you do for these people on the sides of the hills without redistributing land, or where you were developing under-utilized land you have land settlement programs.

**KAPUR:** With McNamara's approach to land reform, how did he . . . [Both talking at the same time]

**YUDELMAN:** Oh, I think he knew how difficult it was. But there . . .

**KAPUR:** Had he ever approached the issue?

**YUDELMAN:** I can't, I can't answer that. I mean, I am not, I can't speak for him on this. Except that, I know that he warned--I know that in my presence he warned one or two national leaders in quite a forthright way that unless something was done about the land situation, it would be extremely difficult, you know, that the political consequences and the economic consequences would be very serious. And that happened in Ethiopia. It happened in one or two other places. I was there when it happened.

**KAPUR:** Before the coup?

**YUDELMAN:** Yeah, before the coup.

**LEWIS:** I would say the conventional wisdom at that time was that it was terribly important but you couldn't do a hell of a lot about it in most situations politically. And, in fact, I've been surprised, in Woods' early papers he speaks as though he's on for some--at least very close support for land reform. I don't think it ever happened very much in his term.

**YUDELMAN:** But let me say one thing. It was--in the '60s was when there was a very powerful sentiment, especially with regard to Latin America, that you had to do something about land reform. And Tom Carroll and--there were a whole group of people who . . .

**LEWIS:** Yes, yes, that's true. It was very much differentiated regionally, yes.

**YUDELMAN:** Yeah, there was a whole group of people who pushed this very hard. It was pushed in the Alliance for Progress, too, but it stumbled. You know, there wasn't the follow-through. Now, there was a great concern about land reform technically, you know, disturbing production and so forth, and there was a lot of distrust about it. It was seen as a sort of political way of helping the have-nots, but it would have very bad economic consequences.

**LEWIS:** Yeah, yeah, yeah, yeah.

**YUDELMAN:** We did have problems in the Bank with Brazil, for instance, over some of the publications about land distribution, et cetera.

So in summary I would say that there were mixed feelings about land reform. The old, older crowd who were in the Bank just felt that this wasn't the Bank's business. Some of the younger people who were coming out of MIT [*Massachusetts Institute of Technology*] and elsewhere were saying [*laughter*], you know, "This is a very important issue." But it, it never--land reform wasn't on the agenda.

**KAPUR:** Thomas Carroll said, when I talked to him about it, he said that for him the surprising point was not that the Bank did not draw or push the governments into land reform, he thought politically it just was not . . .

**YUDELMAN:** Turn this off; I want to tell you something.

*[Interruption]*

**KAPUR:** But he said--but the other part of that question is that was the Bank more hesitant in supporting those countries which initiated land reform on their own because the feeling is that land reform generally failed. The post-reform cost--because structural changes occurred and there are a lot of costs after the actual redistribution, and did the Bank say, "Well, you guys have taken the political heat." There are very few countries, but there were examples, and so, you know . .

**YUDELMAN:** Give me an example.

**KAPUR:** . . now that you have. Well, Peru tried it in the later '60s.

**YUDELMAN:** Yeah, okay, the Peruvians.

**KAPUR:** Chile tried it . .

**YUDELMAN:** Yeah, yeah.

**KAPUR:** . . but of course [*inaudible*]. Nicaragua tried it, and the Philippines were on the verge of trying it in the late '80s.

**YUDELMAN:** Well, the Bank was heavily criticized for some of the loans it made that supported large-scale farmers that seemed to have imbedded the existing structure. One of the countries I remember very well where there was a lot of criticism, a small one, Honduras, because a large-scale cattle loan had been made. The critics of the Bank were very vociferous about the fact that this was, you know, that Honduras might have had a reform movement, and there was an incipient reform movement, and this kind of loan was simply maintaining existing structures.

**KAPUR:** Which year was that?

**YUDELMAN:** That would have been in about '74, somewhere around there. But the livestock-

-you know, the guys who were handling livestock just said, "Listen, you know, you've got to have large holdings for livestock." That was the way they viewed it in those days, and they were very upset about this.

Now, Tanzania became one of the favorite countries of the Bank. I mean, they were going through a fairly radical--I wouldn't call it a land-reform program but a change in the whole structure of land holdings and land ownership and so forth. I don't think you can say that there was--there was, I guess, perhaps I should correct myself--I think there were some people who simply believed that redistribution of land was extremely radical and that this was not conducive to the kind of investments that the--well, perhaps I shouldn't say that. It was very unsettling. There was no telling what would the outcome be and the Bank shouldn't get involved. The Bank wasn't pushing for that kind of change.

Now, in very practical terms, the--your mention about Peru reminds me that there was an approach. Somebody--there were some suggestions that perhaps the Bank could take the lead in helping to develop, devise the means of underwriting bonds whereby the large landowners could be compensated for giving up land for redistribution, but this idea wasn't, didn't fly, didn't go anywhere.

**LEWIS:** Under the heading of rural development, at least putting aside land . . .

**YUDELMAN:** Excuse me, John. I want to say one last thing about this. I think--I think that there was the beginnings of a recognition, which I think is widespread now, that, you know, that land reform isn't a panacea. It was--in the early '60s the group we talked about believed it was a panacea. Now I believe it's realized, having seen what's happened in one or two countries, that it's not a panacea. Although some people would say without--those people said, and I share this view--that without redistributing land you couldn't change the power structure in many countries. And they saw it in that sense, and the Bank said, "Well, that's not our business," at least in those days, anyway.

**LEWIS:** Well, that sort of brings me to the question I wanted to put to you, which will take us back, in a sense, almost to David Turnham's paper. Land reform, it can't be the answer because there isn't enough land to go around as people keep multiplying, and so you have to think about nonagricultural solutions to rural poverty . . .

**YUDELMAN:** Absolutely.

**LEWIS:** . . . and to what extent did your operation get into questions like rural public works or what's now the integrated rural development program in India, I mean, handing out little bits of assets and things of that sort?

**YUDELMAN:** No.

**LEWIS:** No, it didn't?

**YUDELMAN:** It did get into some in combination with the World Food Program and it did

work in labor-intensive work with other parts of the Bank, you know, labor-intensive road-building and so forth, with Tony [*Anthony A.*] Churchill's crowd and so forth.

**LEWIS:** I see.

**YUDELMAN:** There was some of that.

**LEWIS:** Yeah, yeah, yeah.

**YUDELMAN:** And there was some effort to push more labor-intensive things, but they didn't--there wasn't, there wasn't the emphasis on small-scale industry or things of that sort.

**LEWIS:** Yeah, yeah, yeah. It brings me--I mentioned before Hollis. Was *Redistribution with Growth*, Hollis, I mean Chenery-*[Montek Singh]* Ahluwalia, was that an important document from where you sat, or was that just something the . . .

**YUDELMAN:** No, it was important for the footprint.

**LEWIS:** Uh-huh.

**YUDELMAN:** Let me tell you something else, John. I don't know whether I should put this on the record [*laughter*]

**LEWIS:** We'll try to be discreet.

**YUDELMAN:** All right. Uma Lele wrote this book about rural development.

**LEWIS:** Yes, yeah.

**YUDELMAN:** I had a staff of about 80 people at the time, a big staff, I don't know, something like that. I asked them--this is the nerve center dealing with rural development, including other people--"How many of you people have read this book?" I think two had read it.

In fact, there was a book written about the Bank by that Teresa Hayter and . . .

**LEWIS:** And Sheryl Pate [*phonetic*]?

**KAPUR:** Sheryl Pierce [*phonetic*]?

**YUDELMAN:** No, no, no, not that.

**LEWIS:** No, I know the one that she did; in fact, Sally [*Sally Watters Yudelman*] told me that you took her in, this young woman . . .

**YUDELMAN:** Right.

**LEWIS:** . . . and then she went back and blasted you.

**YUDELMAN:** Yeah, right. But she wrote about the people who worked. She thought it was very amusing. As a matter of fact, this is the book over there. I could have cheerfully wrung her neck because she took a lot of internal memos and so on. But she wrote that--well, the kind of people she liked at the Bank in the agricultural department--she despised the young professionals for reasons of her own; she had some clash with them--and the kind of people that she really liked were the sort of the people who'd had tropical experience, surprisingly enough. She said many with colonial backgrounds who had worked in developing sugar industries and so forth, but the great weakness she found in them was that they hadn't kept up with the literature, very few of them had read Marx, et cetera, et cetera. Well, that's true. *[Laughter]* They were not people with—a lot of the old guard were hands-on types, I mean they had a lot of experience, they were very good, but they weren't terribly--the social issues weren't, didn't preoccupy them at the time.

**LEWIS:** You keep reminding me of things that--I want to jump for a moment to follow up on what you just said, because in reflecting why the Bank neglected agriculture early on, I hypothesize that one of several reasons might be a kind of two cultures reason, and that goes back to my own sort of sense of things in India in the '60s, that the people who were working, outlanders, who were working on agriculture by and large were sort of technical types, very often agricultural scientists, but they are micro types in the field, those kind of people you found in the foundations and AID [*U.S. Agency for International Development*], and they weren't macro money movers like you tend to have in the Bank. There was a sort of--I just had the sense that up until sometime in the '60s there really weren't very many of these hands-on agricultural types in the Bank. Is that right? Or . . .

**YUDELMAN:** Well, there were very few. The first time I visited the Bank there were 12 people in the agriculture department, and they were—it was headed by a man with a lot of Indonesian experience, an engineer. But I think, John, there's also, was an intellectual underpinning for neglecting agriculture, and that was your name, your namesake . . .

**LEWIS:** Oh, sure. There was a whole set of people. [all talking at once]

**YUDELMAN:** I mean, the *[Arthur]* Lewis theory is about dualism and agriculture and who provides land and you modernize the market sector.

**LEWIS:** Oh, sure, Albert Hirschman and all of the main liners, yeah, yeah.

**YUDELMAN:** Yeah, sure. So there was an intellectual--the big change that came was that people said, "No, that's not the way to go," that you can do something in agriculture. What made it possible to do something in agriculture in many respects was the work of *[Norman E.] Borlaug* and company. And remember one thing, too: McNamara was on the board of the Ford Foundation, and he knew what was happening in agriculture. He knew about the green revolution, and he knew the potential.

**LEWIS:** Right, right.

**YUDELMAN:** And he was determined to do something about it.

**LEWIS:** Right.

**YUDELMAN:** But I think that's, you know, that's the way it worked.

**LEWIS:** Now, let me ask you about these Christmas tree projects in Africa. How did that come about? One question would be--you surely knew about the experience of community development . .

**YUDELMAN:** Sure.

**LEWIS:** . . which was very much a sort of similar concept but doing everything in the round, wasn't it?

**YUDELMAN:** Well, yes and no. The so-called Christmas tree projects (short term of mine) were those projects where there was an attempt to introduce elements that--there was a notion that there you could have some synergy. You know that there was this notion that, you know, to improve the standard of living you had to have--you could have something productive that would increase incomes, but at the same time you needed to improve health and education and all the rest of it . .

**LEWIS:** Yeah, sure, yeah.

**YUDELMAN:** . . and have health posts and so forth. And there was an attempt in the first instance to take some areas and try and put in all these elements. They weren't exactly Christmas trees; they were bare bones elements and--but what was lacking in the African context was, of course, was the administrative capacity to do this, and also failure to appreciate the dysfunctionality--let's put it that way--of systems that, you know, that had--there were time lags, and there were shortages of people. There was no local--a local currency counterpart wasn't forthcoming, and the roads weren't built on time, and health posts were built but doctors weren't sent out for two years, by which time a project was complete or the whole thing had broken down and so forth. That was--all these projects were assumed to be financially sound and were assumed to be--you know, that the productive component could carry the nonproductive components. But a lot of them just--they just didn't work that well. They didn't work that way in other parts of the world as well. It was just too ambitious . .

**LEWIS:** Yeah.

**YUDELMAN:** . . even though it was on a very modest scale. It wasn't--these weren't sort of elaborate things.

But I do remember, though, as director, seeing a project once, a cotton-producing project in Tanzania or somewhere, and then seeing tucked into the project a hospital. I said, "What the hell is this? [*Laughter*] Oh, my god!"

“Well, that's integrated rural development!” because they were under the impression, the people who were doing this were under the impression that you had to have, you know, multi-sectoral components.

**LEWIS:** Do you have a--when I got to DAC in 1979, for a little while before we were overtaken by the adjustment mania, we were in a sort of reflective mood, looking back and trying to draw lessons from the experience with the more, the new style projects, rural, anti-poverty projects, in Africa and elsewhere. A lot of bilaterals got into the same kind of thing. Do you have any sense how the Bank did compared with the bilaterals on that stuff?

**YUDELMAN:** Well, there was a lot of co-financing.

**LEWIS:** Yeah.

**YUDELMAN:** Well, I would say I thought the Bank did pretty well.

**LEWIS:** Yeah.

**YUDELMAN:** A lot of them didn't do well. There was a--there were lots of problems. One of the problems, we found out, where these things did work modestly, was in a way you would have a level of development in this limited region that was higher than anything around it. And this created problems, you know, because you couldn't be--it's very hard to have an isolated development without really cutting across sectors. In other words, the ministry of education is in charge of education, and then here you have an area supported by the Bank where the school system is superior to everything else. There were these kinds of problems.

**LEWIS:** Uh-huh.

**YUDELMAN:** But I've visited area development projects where--in fact, I've been with McNamara and by myself--with people from outside the area of development. In Nigeria, for instance, which was supposed to have been a failure, people outside the area of development came and pleaded to be included in the circumference of the area being developed because roads were being put in, water points were being established, and so forth.

**LEWIS:** What I was sort of thinking about, speculating about, was that the almost passion at that time was to get benefits down to very--to the village level, to the poorest of the poor and the right out at the end of, sort of, the periphery. And the Bank structurally is very much tilted, I would say, toward wholesaling resources, that it's a headquarters-centered operation that's used to moving money and so you need to take things up in fairly big bunches. And so there's a problem of how do you sort of articulate from, from--and part of the answer might be, okay, take up a big area and you try to sort of cordon it off from the rest of the mess and get the administration right.

**YUDELMAN:** Well, that was done, or else it was done through banks, you know, in India, all the rural banks and so forth, and than stipulated that you have to have, you know--you have to

put limits on the size of borrowers, and of course this created tremendous problems, with banks in Mexico and elsewhere nearly went bankrupt because of it. And, you know, make sure that if you have seed distribution and fertilizer distribution, make sure that a certain proportion goes to X, Y and Z. But you're right. The whole problem became the retailing because when you deal with large numbers of small farmers, the overhead costs in dealing with them are much greater than dealing with a few large farmers, especially if the large farmers are linked to the world's capital markets or, you know, linked to the world's markets and use the money effectively and produce for export and so forth. But you know the--a lot of schemes were devised. There were the nucleus estates.

**LEWIS:** Yeah.

**YUDELMAN:** You know, originally it just supported the estates, and then afterwards you support, "Well, okay, we'll have a nucleus estate, but around the estate you've got to develop smallholders," and so forth. So that was an attempt to deal with this particular issue.

**LEWIS:** Yeah, yeah.

**KAPUR:** One of the things which one sees in the real take-off or rural development strategy of the Bank is sort of how rapidly it grew in a way in those few years. And one of the things--sort of *[inaudible]* go back and say is that, was there, were there any sort of notes of caution or whatever that "Let's try out the field" or run a pilot, see the experiences for a few years and then, sort of, replicate it. But it seems that there was exponential take-off. It's not a sort of steady, gradual growth and then sort of reflection and then again growth.

**YUDELMAN:** Well, in many respects the whole rural development program was an experiment. McNamara said so in his 1972 speech, you know, that this was an experiment, and he said in that speech that it could fail. So while we, as you know the Bank is very--what shall we say?--self-centered or whatever it is, you know, it's very--it sees itself as the center of the universe, and compared with the size of the problem, I think there is this . .

*[End Tape 1, Side A]*

*[Begin Tape 1, Side B]*

**YUDELMAN:** . . nobody seemed to realize is that McNamara was very strongly driven by a sense of need. He wanted to combine what he saw as the satisfying or meeting these tremendous needs of the third world as he saw them--he wanted to combine meeting those needs with doing it effectively, and that was the clash. He saw the--he saw the need and he pushed the Bank, he pushed the staff to do more, but he wanted to do it effectively and that's where, in a way, there was an incompatibility. And that's where the exponential growth came and things tended to fall by the wayside. Very difficult to just have high economic rates of return, et cetera, et cetera, while pushing to meet the needs. Also I think it was very regrettable that the term "poorest of the poor" was introduced. I think that was a great mistake, and it came to haunt us.

**KAPUR:** Why was that?

**YUDELMAN:** Well, because the poorest of the poor you couldn't reach doing the kind of things the Bank could do. On the other hand, it was a very effective--you know, our critics hung that around our necks, but it was very effective in terms of communication, et cetera.

**LEWIS:** Let me ask you. You were one of his inner circle. He still insists, he gets adamant, almost angry, over the issue of whether there is any necessary trade-off between equity and growth and insists that there is none, goddamn it! You can get just as good results. Now . . .

**KAPUR:** Of quality and of quantity.

**LEWIS:** Quality and quantity, yes. Now, how widespread--there is certainly abundant skepticism about that in the Bank and outside at present, but did you guys buy that at the time, or was it as a sort of quirk of the boss that you had to sort of humor?

**YUDELMAN:** Well, I mean, when you looked at India and you looked at what happened in India, this is the illustration. You know that you've got this tremendous growth and a large number of small farmers participating. It was recognized it was in the irrigated areas, it was recognized it was those farmers who were growing particular commodities, but it was cited as an illustration. And then, of course, if you can do it in India, why can't you do it elsewhere, although we tried to explain the special set of circumstances in India. And, of course, that was the euphoria of the '60s that drove us into Africa, saying, "Well, look what's happening in India. Why shouldn't it happen in Africa?" Of course, there were very good reasons why it couldn't happen in Africa.

I had my doubts about the time horizons. You know, five years basically is a very short period. I mean, you know, you had to, you had to, you couldn't--a lot of things couldn't happen in such a brief period of time, especially starting from a very low base. I think we may have gone too fast, but as I say, it was all an experiment, the rural development thing, the poverty approach was all an experiment--a very large one--and it worked in some places, didn't work elsewhere.

Now that's a pretty devastating thing to say if you're an official of the Bank because of, for the following reasons, and I've often thought about this. And we got in Nigeria and Tanzania and say, "Listen, this is the way to go. We want to help the small farmers. It's a damned doable plan." And then the damned thing fails; I retire from the Bank; the Tanzanians have got a huge debt on their hands. In that respect there's no accountability.

**LEWIS:** Yeah, yeah.

**YUDELMAN:** And that, of course, to me is one of the great problems within this institution. You see, I don't know if you know this, John--now, I'm not telling tales out of school--but all the Bank's loans are guaranteed by the governments, so it doesn't matter whether a project works or not, it's going to be repaid. Whereas, if there was a system whereby projects worked--when projects failed, they showed up on a balance sheet somewhere. There was some accountability, and then people were held accountable: "Well, why did you promote this if it failed?" That, I think, is to me, is one of the difficulties of an institution like the Bank. It's probably like that in many of these *[inaudible]* activities.

**KAPUR:** Would that reduce risk taking by the Bank?

**YUDELMAN:** Yes, it would. It certainly would.

**KAPUR:** So in that case couldn't you have *[inaudible]*

**YUDELMAN:** You've have the stresses and strains, yes. You'd have, you know, the pressure to do something and then there is that penalty for failure.

**KAPUR:** Right.

**LEWIS:** I can think of a sort of theoretical answer, but I guess it's not very realistic. I used to say when I was in India with AID that--after I became aware of what the technical assistance process was like--that actually I thought a good baseball batting average was about the best you could do in technical assistance, about one out of three would work.

**YUDELMAN:** That's right.

**LEWIS:** And that was not such a disturbing--it's a sort of cynical type of thing, but--but it doesn't have any afterlife as a proposition as long as you're giving grants.

**YUDELMAN:** Yeah, yeah.

**LEWIS:** And so if IDA [*International Development Association*] were turned into a grant-making establishment then there wouldn't be this overhang of responsibility.

**YUDELMAN:** Yeah, yeah.

**KAPUR:** But the other unfortunate—the other unfortunate thing in the year '70 they're looking at a center for agriculture returning to Africa. Africa, at that time, still a lot of the money was from IBRD [*International Bank for Reconstruction and Development*].

**LEWIS:** IBRD, right.

**YUDELMAN:** Yeah, right. [all talking at once]

**KAPUR:** But in the '80s that--so unfortunately IBRD money was *[inaudible]*

**YUDELMAN:** Well, let me give you an illustration of the circumstances, though, that may change one's views. The Bank made a loan for an irrigation project in Madagascar very early on. I can't remember the dates exactly. When they did the audit of that loan, it was considered to be one of the best irrigation projects that had been funded. Then ten years later they did an impact study, one of these impact studies, and they considered it to be the worst project the Bank had ever funded. So I went to Madagascar to find out why was it that in this period there was such a change. And the answer was very simple: when the loan was made, Madagascar still had a large

number of French technicians and was still very much in the French fold. The use of water was strictly controlled. The system was well maintained. There was a lot of discipline that ran from the top down, but it was effective in terms of increasing production [*inaudible*] rice production, well managed in that sense. People had very little to say about it. Then there was a revolution, and the French were forced to leave, they were kicked out. People's committees were established to run the system. When I went there the sluice gates were missing, the sluice gates were!  
 [*Laughter*] I went to talk to some of the farmers and asked them through an interpreter if the government, if they ever saw extension agents and if saw the seed and fertilizer on time, and they assured me they did. But I had another man with me who understood the language. He said, "Listen, what the government interpreter tells you is not what these people are saying. They said they haven't seen anybody for years, you know, and in fact, as far as they are concerned, the further away the government people keep from them, the better." But the whole system had broken down because the environment had changed. Now, you know, so then I say, "You've got to hold people accountable." Who do you hold accountable for that? And I think that's happened in several cases, but that's the kind of unpredictability that makes it all so difficult. That's apart from other things.

**KAPUR:** In the sort of inner circle that John was referring to, that you were a part of . .

**YUDELMAN:** I wasn't part of the inner circle, but I was very close to the president. In fact, Maurice Strong used to tell me that McNamara spoke to me far more often than he spoke to the vice presidents. This was a very mixed blessing, I might add [*laughter*], because--this is in my, you know, oral history--because he was very quantitatively-oriented and he, you know, wanted numbers, to churn out these numbers: "This is government subsidy; this is . . ." As I've said in that oral history, you see, a lot of my colleagues were very unhappy with me because he wanted to know how many beneficiaries there were from these projects, and I used to go to them and say, "How many beneficiaries are there from projects A, B, C, D, E?" And they'd give me the numbers, and then I'd add them up and give them to him. And they'd be very upset with me, and then I'd say, "But these are your numbers." You know, because--this was very much a problem.

**LEWIS:** Yeah. I got--you remind me of a couple of things. I just want to take soundings with you. And one of them, after all, came up in the '70s, is in agriculture--it was a big deal in the Bank: T and V [*training and visit system*].

**YUDELMAN:** Oh yeah, oh yeah.

**LEWIS:** Was that under your . . .

**YUDELMAN:** Yeah, yeah, yeah, I had a lot to do with [*Daniel*] Benor.

**LEWIS:** Did you? Yeah.

**YUDELMAN:** I went to India with him the first time, at the beginning. His real mentor at the Bank was Ernie [*Ernest*] Stern.

**LEWIS:** Really?

**YUDELMAN:** Yeah.

**LEWIS:** Yeah, yeah.

**YUDELMAN:** Well, at least Ernie says he was. *[Laughter]* I suppose success has many fathers and--you know the rest of the story! You know how Benor came to the Bank, don't you? You know how it all started in Turkey?

**LEWIS:** He started in Turkey, yes.

**YUDELMAN:** In Turkey, that project that seemed to be so successful. And *[Munir P.]* Benjenk had something to do with that, too. And then he went to India. I think that's when Ernie took him to India.

**LEWIS:** Yes, Ernie was then in the vice presidency of the region.

**YUDELMAN:** Yeah, right, of the region, yeah. And of course he did have an influence and he didn't--he managed to change the system, the rural development system, from, you know, the village level worker, the all-purpose village level worker, including agriculture, then becoming a special worker dealing with agriculture. This was the key change bureaucratically.

**LEWIS:** I see.

**YUDELMAN:** And then he--I think it started, as Benor tells it, because he went to a lot of villages and asked them, asked the village level workers how much time they spent on agriculture, the multiple-service worker. I've forgotten now what it's called.

**LEWIS:** VLW *[village level worker]*.

**YUDELMAN:** Yeah, VLW. And he found that that man was spending about a very small part of his time in agriculture, and he convinced Mrs. *[Indira]* Gandhi that so long as there wasn't anybody who was spending full time on agriculture, it would be very difficult to have agricultural change of the kind he had in mind. So they had a tremendous inner bureaucratic struggle--and I don't know if you were a part of all this--in which they simply took the village level worker away from the community development and put it in agriculture. Of course, the hassle out of that was enormous because of turf issues and all the rest of it. And then he developed--his assistants mainly developed--a very systematic approach to spreading the message, and in the circumstances in India this was extremely effective. There was a message to be spread, there was a *[inaudible]* to the group, you know, and so on and so on, and I think he contributed a great deal. And then the idea's been taken elsewhere, and basically all the T and V method is a systematic approach to spreading *[inaudible]* Now, I mean, that's in a very simple sense.

**LEWIS:** I knew quite a bit about it at the time. I may have had too much of a sour grapes sort of attitude, I mean, the idea of having the VLW concentrate on agriculture is not new with

Benor, that had been part of the doctrine back in the '60s, and it had been done in the intensive areas, I think, but not throughout the country.

**YUDELMAN:** Right, right, right, right.

**LEWIS:** And a lot of this stuff had been experimented with very extensively--Akhter Hameed Khan at Comilla [*Bangladesh*]. And when it came out, I remember (Jim [*James Q.*] Harrison helped him write this book) I thought it was an awful lot of heavy advertising kind of by the Bank of some common sense, and I spoke lightly of it at a seminar in honor of, in memory of Wolf Ladejinsky, which I think was in '78 in Kyoto.

**YUDELMAN:** You know, we were there.

**LEWIS:** You were there?

**YUDELMAN:** Yes. I was chairing the damned thing.

**LEWIS:** Did you chair it?

**YUDELMAN:** Yes, because [*Peter*] Cargill was my senior vice president at the Bank.

**LEWIS:** Okay. And Crawford was there, also chairing. Yes, yes. Well, do you remember, I gave some kind of paper, and I spoke with kind of a light touch about T and V, and Bob [*Robert*] Picciotto almost took my head off!

**YUDELMAN:** Yeah, right, right. Well, Bob was working on India. Well, but he was--Benor was bitterly opposed by the old colonial types, especially those who worked in Africa, saying, you know, "Well, we had advisory services. There's nothing new about this." And that's right, you know, like so many things, there was nothing new about it. You know, everybody, you, anybody coming into a room would agree, "Listen, if we have a systematic approach to this problem, we'll do much better." You know, we can always do better. But the Bank did come on very heavily, and Benor was used for PR [*public relations*] purposes.

I remember going to a DAC meeting once, traveling with the assistant secretary of the Treasury and flying across with him to Paris--can't remember his name now--and there had been a big article by Bart [*Hobart*] Rowan. Benor had taken Bart Rowan to Thailand to a seminar or something and did a snow job on Bart! [*Laughter*] But also showed him some good results. Jesus! There was a full-page article in the [*Washington*] *Post* about it, and this guy said to me, "Listen, about three articles like that are worth a billion dollars to IDA!" [*inaudible*]

And let me tell you another thing. When [*A.W.*] Clausen went to have a lunch on Wall Street once, the thing he talked about about the Bank was Benor, you know, what's different about it.

No, no, the guy has had a tremendous impact, and I've just seen--I've just been in Africa, I've just reviewed a project, the Global 2000 project in Ghana and so forth, and I've seen his influence, and I think it's positive. Well, it's been oversold, and there's a lot of criticism, and it ought to be

modified and all the rest of it.

**LEWIS:** To be fair, I have to follow up and say that right after that I was in India again and I went down to West Bengal to--because that was one of the states that adopted it. I thought this bureaucracy under the communist leadership would be cynical about this if any, and they were absolutely bananas, they were so much in favor of it.

**YUDELMAN:** Yeah, I went there with Crawford and Benor. And I always remember when John said to a fairly senior official down there, "Well, tell us about the Benor method."

He said, "We don't call it the Benor method here. We call it our method." *[Laughter]*

Which, as I said, was a success.

**LEWIS:** Yeah, yeah.

**YUDELMAN:** No, no, I think Benor--listen, that guy--the other thing about Benor, apart from his charisma, is he's the hardest-working guy I've ever met. When he says, "Let's start early," there's a knock on your door at 3 o'clock in the morning! *[Laughter]* Secondly, he's a good agriculturalist, and that's terribly important because the way he got, really got going was to show how farmers could increase productivity without increasing inputs, by doing things differently, different spacing of plants, different densities of plants. These are costless improvements, and they made a difference. So his first--you know, the first impact was of that kind. The second thing about Benor was--and this irritated some of the people in the Bank--was he had very good rapport with the heads, the leaders, you know, Mrs. Gandhi and others. He was a guy who could deal with them. So this was not--this doesn't help much in terms of personal relations. No, I think Benor is an illustration of one man who made a big difference.

**LEWIS:** Yeah, yeah.

**KAPUR:** What was your sense of another issue which is, the Bank has sort of emphasized: it seems relatively more in the '80s, the whole thing on ag policy in terms of pricing, inputs and outputs. The old thing is to now say that, especially in Africa, cocoa or coffee were squeezed out, more *[inaudible]* very poor pricing policies. As you look back on the '70s, was the emphasis much more on projects?

**YUDELMAN:** Yeah, right. I was also on the first World Bank mission to Uganda, economic development in Uganda, with Ed Mason. I was his assistant at Harvard then; he took me along. The marketing boards were a big issue in Uganda.

**KAPUR:** Right.

**YUDELMAN:** But the interesting thing was we didn't focus so much on the role of the state. We just focused on how they could become more efficient and how they could reduce the marketing margins. The price--and it was just at the time when the coffee agreement was being signed.

**KAPUR:** I think that's late '60s?

**YUDELMAN:** Yeah, so there was no—but the price issues weren't--greatly elevated wasn't the *[inaudible]*, simply was how to make it more efficient. My own view, of course, is that net prices are important, elasticity and supplies are important and so forth. But I feel after all these years--and I've been in the game for even longer than John, 40 years or so--I'm still finding it very difficult for somebody, *[Hans P.]* Binswanger or somebody, to come up and show me exactly what effect did this have. You know that the--if you look at the literature on supply responses, it's absolutely dismaying. You know, we've talked about it so much, it's one of those things that we take as given, but if you look for it, it's very dismaying to find that it's very hard to prove. Having said all that, it's quite obvious that it's quite clear people aren't going to produce more if the returns to labor aren't conducive or too low, sort of. But I always argue that if you build a road or build a dam or educate, train people, especially train people, and develop research, for example, this does have a lasting impact.

**KAPUR:** There was this--I guess you might have heard the story; it happened after you left, in '83 or '84--there was yellow cover, it's not yellow cover, staff working paper; it used to be the yellow . .

**YUDELMAN:** Is this the paper by *[Kevin M.]* Cleaver?

**KAPUR:** Yeah, right.

**YUDELMAN:** Yeah, Stern got very upset with that.

**KAPUR:** And Stern and Anne Krueger. Have you heard that story?

**LEWIS:** No.

**YUDELMAN:** Rather unfair, it was.

**KAPUR:** But that was the incident which led to the yellow staff working papers being discontinued. Kevin Cleaver was, I guess, in . .

**YUDELMAN:** He was in Nairobi. He was an agricultural economist in Nairobi, bright agricultural economist. And he did an analysis of the factors that contribute to agricultural growth, and he downplayed the role of prices and up--boosted the role of technology, you know. And since the Bank was then on the *[inaudible]* their public policy, was working on the whole policy area for the *[inaudible]*

**LEWIS:** That was one of the lines John *[James W.]* Mellor pursued, though.

**YUDELMAN:** Yeah.

Then Stern got very upset, saying that, you know, "Listen, the Bank's *raison d'être* or whatever

you want to call it, its whole focus and thrust is on prices and price policy, and here you come and say it's not all that important. Jesus! Whose side are you on?" *[Laughter]*

Black mark! Smart guy. You should interview him.

**KAPUR:** Yeah. We had heard it was Anne Krueger . . .

**YUDELMAN:** Well, she might well have been disturbed at that.

**KAPUR:** . . . who came down and she got very upset about this whole thing, and she sort of marched up to Ernie Stern and . . .

**LEWIS:** And Ernie was implementing this vice presidential--that sounds to me a little bit more—fits the roles a little better, but . . .

Another shot in the dark, but you had to have an impression as you came aboard, I guess, of all this tremendous water analysis work that had been going on. Do you have a view of the *[Pieter]* Lieftinck report? I don't ask if you've ever read it--it's 30 volumes.

**YUDELMAN:** I've seen it. The one on the water distribution and India and Pakistan.

**LEWIS:** It is. It's basically the Pakistan water management issue, and there's a tremendous hassle over modes of drainage, between the SCARP [*Salinity Control and Reclamation Projects*], which had been a kind of an AID thing or U.S., and smaller tube wells. And I just wonder whether--I haven't read it. I've read Vern Rutan on it. Vern was in a group I was with that looked at the Bank's history in Pakistan over a period of 25 years in '85-'86, I guess it was, '84-'85. And Lieftinck's report is often spoken of with almost hushed tones, that it's a tremendous professional achievement. He was a very important man. It also blessed Tarbela, having however noted that groundwater irrigation would be eight times cheaper than this huge dam. And it seemed to me that it still left an awful lot of puzzles about where drainage should go in Pakistan, and that seem to still be there. So I just wonder whether you have any notion about . . .

**YUDELMAN:** Well, I think that the true revolution in India and Pakistan has come through tube wells. I think that a lot of people have missed that. There are something like five million tube wells in India and China, but, you know, this was—this was what made the tremendous change. And the whole problem of managing and administering this and doing it in a way that isn't environmentally detrimental is an important issue there.

I wasn't party to the, you know, the whole water issue, but I have written about it since then. I've written about irrigation. I wrote a piece for [both talking at once]

**LEWIS:** Yes, for the *[H. Jeffrey]* Leonard volume.

**YUDELMAN:** Yeah. And I think we rushed into irrigation. But what the Bank did in support of the green revolution was, basically was through irrigation. You see, the lending for irrigation

went up enormously.

**LEWIS:** Of course you've got programs through this diplomatic foray by [*Eugene R.*] Black and . .

**YUDELMAN:** Yeah, well, that was before my time. I understood what happened full well . .

**LEWIS:** Yeah, yeah, yeah.

**YUDELMAN:** . . and, you know, this was important contribution to sort of save the new nations.

**LEWIS:** Yeah, absolutely, but, but it may have twisted, distorted the work of the Bank for a . .

**YUDELMAN:** I think so. I think so.

**LEWIS:** . . long time to follow.

**YUDELMAN:** And of course the whole drainage question is still an issue that rankles.

**LEWIS:** Yeah, yeah.

**KAPUR:** Is it that the project methodology--some people we've been talking to on the methodology itself say that the drainage subcomponents of irrigation projects, there would be almost a natural bias arising, I mean, say [*inaudible*] tropics something . .

**YUDELMAN:** Absolutely.

**KAPUR:** . . because of the way one can't be [all talking at once] benefits down the road.

**YUDELMAN:** Absolutely. Because the probabilities for needing drainage are sometimes an open question, so you don't want to hedge, put in an expensive hedge if it means that the economic rate of return of your project going to get [*inaudible*] That's what it boils down to.

**LEWIS:** Yeah, right, and you can't come a cropper beyond the time horizon.

**YUDELMAN:** That's right; that's exactly right. But the irrigation advisors, at least my irrigation advisor, used to say--well, his view was, you know, that this problem can be dealt with in due course.

**KAPUR:** Yeah, the other thing other than irrigation and drainage that the Bank, I guess the second and largest, has also been--not really controversial but, you know, it's sort of, is agriculture credit.

**YUDELMAN:** Yeah.

**KAPUR:** This whole thing of . . .

**YUDELMAN:** Plenty of controversy! *[Laughter]*

**KAPUR:** And a lot of it: who gets the money. And especially now--in fact, a few months back the Board was very split, although it came on a paper on financial sector operations, but now it's sort of going down.

**LEWIS:** Who's the guy who went back to—*[Avishay]* Braverman, went back to . . .

**KAPUR:** Braverman.

**LEWIS:** . . . Israel. He had a paper that almost damned the whole of agriculture credit, didn't he?

**KAPUR:** Yeah. *[J. Luis]* Guasch and Braverman.

**YUDELMAN:** And *[John]* von Pischke and so on, but their criticism was largely that a credit--not because of the supply side but simply because the credit systems the Bank supported didn't mobilize local resources.

**KAPUR:** Right.

**YUDELMAN:** This was not *[inaudible]*

**LEWIS:** I see, I see.

**YUDELMAN:** I thought it was just--but that's a different matter. The other issue was who was getting the credit and did credit make a difference. Couldn't the local--couldn't the informal sector provide the credits *[inaudible]*

**KAPUR:** And the other thing was to do with the interest rate . . .

**YUDELMAN:** Interest rates, sure.

**KAPUR:** . . . which is very . . .

**YUDELMAN:** Well, when I was at the Bank we did—we made huge loans to India for rural credit in support of the green revolution. And I think what--there were problems. And one of the problems was the slow--well, there were the problems of corruption and so forth--but I think that, we started in Bombay with the nerve center of the system. Bob Picciotto did this, *[inaudible]* whatever the name, and worked with the Indian authorities to develop modalities for assessing loans and so forth. But I think the problems that emerged eventually were the repayment rates, and these became political issues. But also repayment rates became issues during drought periods. They were not repaying and then having huge arrears, and when does an arrear become a bad debt, and do you forgive them and so forth. So it was very hard to have the

kind of discipline in the system that some people wanted to make it effective, and it became subsidies for small farmers.

**LEWIS:** Yeah, that's--boy, there's no way to credit . .

**YUDELMAN:** In Mexico, too.

**LEWIS:** . . the credit system can be totally demolished by this kind of mindless forgiveness. I've seen it in Senegal and then this regime recently in India. That's one thing--it's so mindless that I should think that a donor should be able somehow to write in a term.

**YUDELMAN:** Yeah, they did. There were clauses in the agreements. These were honored in the breach more than . . .

**LEWIS:** That's an interesting thing, and it's, I guess, given the whole complex of transactions with a country, it's not enough to trigger severe response on the part of the donor, is it?

**YUDELMAN:** Well, that leads you to technical questions like when does an arrear become a failure? How long do you carry it on your books? You've got this in the savings and loan problem. So that those were issues. The Banco Real in Mexico is another one. It was set up to help the small farmers. The Bank poured hundreds of millions of dollars into the Banco Real, and arrears just piled up. Money was distributed. There was a lot of suspicion about who got it, what the overheads were and so forth.

**LEWIS:** Sounds like a bad line of business for the Bank, doesn't it, really?

**YUDELMAN:** Well, it was an important line.

**LEWIS:** Yeah.

**YUDELMAN:** I don't know if it is a bad line. You'd have to look at the evaluations, but it was seen in the context--you see, there was a model, there was a, rather a vision of what was required for agricultural development by the early 1970s or late 1960s, and that was technology and then the means of getting the technology to the farmers and then the ability of the farmers to acquire the technology and the marketing side. You know there was a sort of . .

**LEWIS:** Oh, sure.

**YUDELMAN:** . . you knew, you knew what was required, and in there was the credit component . .

**LEWIS:** Oh, sure.

**YUDELMAN:** . . because the assumption was that farmers didn't have the means of acquiring it, and you had to make sure that they could acquire it.

**LEWIS:** Also, there was the issue of how you--I mean, it was a good--if you wanted to put local cost financing into a country this was a good place to do it.

**YUDELMAN:** Right, right. And then a lot of the banks were upset with the World Bank because, when it insisted that they lend to small farmers, the overheads of lending to small farmers became quite high for them. So they tried to subsidize that through the interest rates. Some did. Others didn't. Instead of--but there was never--what I would like to have seen was to say, "Look, if you're going to lend to small farmers and the overheads are going to be high, initially why don't we start with an experimental program where you subsidize the management of the program, not work through the farmers. Say that the costs of running this program are high; therefore, we're going to make a special provision for the costs of running the program because you are going to have to need more field people, you've got more, you know, surveys, more interviews, more forms to be filled in," all the kinds of things that people complained about, the transaction costs are high.

**LEWIS:** I've learned a lot. *[Laughter]*

**YUDELMAN:** I'm going to write a book when I finish my current assignment, and it's going to be called "The Reflections of the Lord of Poverty." *[Laughter]*

**LEWIS:** Oh, great!

**YUDELMAN:** You know, I've been in this game a long time and I've been thinking--when I was walking down here I was thinking, "Jesus, you know, is there anything we have learned? What about some of these experiences?" I've just done this review of this program in Ghana, the Sasakawa Global 2000.

**LEWIS:** Oh, really? Yeah, yeah, yeah.

**YUDELMAN:** You know, Norman Borlaug with the--Sasakawa through the *[Jimmy]* Carter Center gave them 5 million dollars and said do something about small farmers in Ghana.

**LEWIS:** Yeah, yes, the Carter group was kind of euphoric about it.

**YUDELMAN:** Yeah, well, they shouldn't have been.

**LEWIS:** Yeah.

**YUDELMAN:** I did the review of it. It isn't working. The thing ran away from them.

See, it's one of the problems the Bank faces, the kind of problem, the scaling up problem. It started with a small number of farmers, and when Norman Borlaug went in there, he took the Indian model and said but, you know--he said there was a technology available in Ghana, especially in corn, because CIMMYT *[International Maize and Wheat Improvement Center]* had been working there for about ten years, I think, helped develop the Ghanaian researchers, and they developed suitable corn varieties and so forth which flourished with fertilizer. Borlaug saw

this and said, “Well, we've got the technology. The problem is getting it out.” And so he brought in four or five expatriates who'd worked with him in various parts of rural Latin America mainly. And they started--they looked around and they found a district where they found 40 farmers who were prepared to try the new varieties and use fertilizers on them. And they arranged for them to get the fertilizer, get the seed, and the results were phenomenal. These people got yields five times higher than anything they had ever received. So then 1,500 farmers signed up, and they arranged for them to get the fertilizer and the seed, and this was successful. In year three something like 8,000 farmers signed up; in year four 15,000; in year five 85,000. And the minister of agriculture was absolutely in the clouds about this, saying, “Well, we're going to solve our food problem. I want to have 200,000 farmers benefiting from this.”

But several things happened in the meantime. One was—you know, the tightly-controlled program where they measured yields very carefully and the quantities of fertilizer used started to slip away because the numbers got too large. Secondly, contrary to anything in the T and V, the retailing function--when they looked at the country, they said, “Well, look, you've got an extension service of 3,000 people who are grossly underemployed. We'll use them. They'll distribute the fertilizer, and they'll arrange for these people to get credit and all the rest of it, and they'll see, you know, they'll nominate the farmers who should receive them.” So the extension service became heavily involved in the distribution of fertilizer and seed, and the number of extension service became overwhelmed fairly quickly. In addition to which, if you had access to credit and you could get the seed and fertilizer in a tight situation, this gave you wealth.

**LEWIS:** Sure.

**YUDELMAN:** So the problems of abuse of power in the extension service soon became apparent.

But the most important thing that happened was the following--and this is—this should be talked about right at the beginning about agricultural scientists and others. The Bank had introduced a structural adjustment program, and in the four, five years of the program that was underway there was a tremendous devaluation, and all subsidies were removed, and marketing was privatized. So the main input was fertilizer. The cost of fertilizer went up about five times, but the prices received for corn and sorghum never moved at all or even declined a little bit. And so the whole economics of the package turned around. So in the year in which 85,000 farmers were given fertilizer and seed, two criteria were used to test the program: one was the impact on yields, which was very good up until then but they couldn't cope with measuring the yields of 85,000 farmers, and the second was repayment rates for the loans, and whereas in the first three years the repayment rates were near 100 percent, the fourth and fifth year they dropped down to about 30 percent because it was no longer profitable. And that's in a nutshell one of the problems, one of the things that happened.

**LEWIS:** That shows the problems of enclaved approaches, doesn't it?

**YUDELMAN:** Yeah, right, yeah.

**KAPUR:** But also, I mean I've been looking at Ghana, and it's a very interesting business with

the Bank trying to make one country successful, but the whole thing is so much, you know, on the macro.

**YUDELMAN:** Well, right, and then when I was in Ghana, of course, what my impression was--and this is just an impression--was the Bank had worked very hard to get the supply conditions right, the conditions right to attract investment, but I don't think investment was forthcoming. And this is another thing Mr. John Lewis is famous for saying, "You know, you guys are so sure you've got the answers!" *[Laughter]* You see, because you know, on paper, you know, the devaluation, the taxes had been changed, and this had been changed, that had been changed, but foreigners, outside of one or two investments in gold and things like that, external investment is very limited and the Ghanaians seem very itchy, very nervous.

**LEWIS:** Yeah, yeah.

**YUDELMAN:** But that's, that's--in a very modest way, that's the scaling-up problem, and that's the problem of NGOs *[non-governmental organizations]*.

And just turn this over. I want to tell you a story about this.

*[Interruption]*

You're still spreading the message of the Indian model, you know, the fertilizer/seed--the biological/chemical revolution, which is fine, but look how the circumstances have changed. When this started we were encouraging governments to subsidize fertilizer. We used to promote technological change. I said, "You know, now the costs have changed so much"--and this is coming back to your point about do you pay attention to costs and prices. Obviously you have to.

**KAPUR:** Right.

**LEWIS:** But the Bank has gotten into a sort of knee-jerk posture with respect to subsidies. It's against any and all subsidies of all kinds.

**YUDELMAN:** Yeah, well, I think that's a mistake.

**LEWIS:** Oh, yeah, I think so.

**KAPUR:** There's a very sharp rift. In fact, the exchanges between the U.S. and Japanese EDs *[Executive Directors]* a few months back were amazing on this, although this was on subsidies to industrial, but the principle of, you know, the industrial is not very different from sort of philosophical underpinnings in agriculture. And completely different.

**YUDELMAN:** Would you like to know what I think was the most successful, some of the most successful projects in agriculture?

**LEWIS:** Please! Yes.

**YUDELMAN:** I think in terms of the Bank's original criteria the most successful project was Malaysia, the Jengka Triangle, where they were growing high unit value products, rubber and oil palm and, you know, where there was infrastructure, where the Bank came with infrastructure, there was good market [*inaudible*], and good technology provided by the plantations. I think that's one of the most successful. This is the kind of thing that lends itself to this pattern of development, you know, where capital is really the missing issue, where the Bank was simply providing the capital. Those are the kinds of projects, where everything's in place except the capital, and that's what makes it a good--the most difficult projects are where you are trying to change, you know, the whole structure. This is what happened in Tanzania and elsewhere. But where things were in place, the money made a difference.

But then, you see, you're playing the role of a merchant bank, in a sense. You're just providing capital, but the real problems are where you've got to provide the whole package, you've got to change systems, you've got governments to change, you've got to change local institutions. That's where the greatest difficulties are, and that's what happened in the [*inaudible*] in Africa, in the difficult areas.

**LEWIS:** Yeah, yeah, yeah.

**YUDELMAN:** But I also think the Bank did play a big role in India in their increase in food production, and I'll tell you why. I think it's correct to say that when the president went to India after the Bell mission, the thing that he did--in fact, somebody told me this; it may have been the Indian minister himself--the big contribution that he made was he said, "We'll stand behind you, make sure that you have the resources you need, especially the foreign exchange, to push the big . . ."

**LEWIS:** I think that story is quoted—I want to talk to somebody a little bit to make sure I'm--at least test my own interpretation. I've been writing about this--on my own, not for this project--and going back and doing a lot of, looking at a lot of the documentation. Also, I did a lot of interviewing in India over the last four or five years. My impression is that the Bank over claims in, for example, in Bernie Bell's oral history and particularly in the IDA retrospective, and what you're quoting is a quotation from [*C. S.*] Subramaniam.

**YUDELMAN:** Yeah.

**LEWIS:** Now, he made that, I think, in a lecture that--Jack Crawford got him to Australia in 1979, and he gave a whole set of lectures in which he is deeply incensed at the Americans and very, very understandably so. He got, as all Indians did, totally infuriated by the treatment that LBJ [*Lyndon B. Johnson*] gave them in terms of short-tethering. And that was between '66 and '68, basically. But that this remark about George Woods saying that he would give them the money--of course he couldn't say. It was the consortium he was talking about, and he did promise them money in, when Asoka Mehta came and did his deal with Woods in the spring of 1966.

**YUDELMAN:** It was Woods, not . . .

**LEWIS:** It was Woods, not McNamara, and they did this deal which led to the devaluation and the whole liberalization effort on the part of the Indians. The deal was that there would be 900 million dollars of program money from the consortium, and the understanding--ours in Delhi--was that it was going to be for a series of years, at least three. It took a hell of a job to get it together one year, mostly because in the sense of Johnson and the Congress resisting, but then LBJ really welshed on the deal. And it never came through the second year or the third year, so that the assurance that they were going to have the money was not made good, and that was not about agriculture, anyhow: it was about liberalization. And it absolutely queered relations between the U.S. and India, and it made the Indians, I.G. Patel and company, very, very defensive in terms of macro fiscal policy. But meanwhile the green revolution was charging ahead, and the Bank then did play the role that you speak of precisely in the '70s, but it's because the U.S.--it wasn't that that broke the relations between the U.S. and India; it was what happened on the eastern side, the Bangladesh business. That fractured the relationship, and then IDA became the residual donor as against the U.S.

**YUDELMAN:** Sure.

**LEWIS:** And so then you, when you came, you were pushing big money into ag credit and whatnot that did really move the green revolution in that crucial period.

**YUDELMAN:** So I would say that in terms of overall perspective, in my period, the great successes were in Asia.

**LEWIS:** Yeah, I think that . . .

**YUDELMAN:** But they were in train, and the Bank supported these and where, you know, rode with them.

**LEWIS:** Yeah, yeah, yeah.

**KAPUR:** How about Indonesia and Bangladesh, the other two large . . .

**YUDELMAN:** Well, there were great and bloody fights over Indonesia in the Bank, by the way, over transmigration.

**KAPUR:** Right.

**YUDELMAN:** You know about that?

**KAPUR:** Yeah, well, we had this interesting thing with Bernie Bell.

**YUDELMAN:** Yeah, but there . . .

**KAPUR:** What was yours?

**YUDELMAN:** Well, one of the big fights was--well, let's start with transmigration. It was a—it took a long time for a clear understanding of what transmigration was. Some people saw it as a partial answer anyway to the population issue vis-à-vis jobs and so forth. Eventually it came to be seen as a settlement-type project on its own merits, settlement-type projects, but it was expensive. And the outer islands, the resources, soil resources, the natural resources, weren't as great as people thought they were. People didn't know much about them.

After the first project, when you looked at the numbers involved, it suddenly became apparent that it was very expensive and very costly to resettle a family the way we were doing it. And some of the early settlements were very good, but they were like urban development in the rural areas, you know, a house and a garden and roads and everything, and it was being done by consultants. Also, I'm sure there was quite a rake off involved, although we couldn't track it down, but it was costly for families.

The president was quite upset about this and said that he, you know, that he wanted to hold the costs down below a certain number. I've forgotten the exact number.

*[End Tape 1, Side B]*

*[End of interview]*