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A Star Is Born

This essay is on development economics, viewed through a lens created by the World Bank in 1978. That was the year when the first *World Development Report* (*WDR*) was released. The slender report proved to be an instant success and attracted widespread attention. Almost overnight and quite unexpectedly, a brand crystallized, a reputation was forged, a worldwide readership was created, and expectations were generated. A second *WDR* appeared a year later and then a third. The prestige of the publication grew, and among members of the international development community it quickly achieved iconic status. Imitators followed, and the bandwagon launched more than three decades ago is crowded with reports, all inspired by the *WDR*. If imitation is the sincerest form of flattery, then the *World Development Report* has certainly received more than any serial publication in the annals of development. Other reports have carved out niches for themselves and have built their own brand names,[1] but the *WDR* remains

1. Among them, I would include the United Nation's *Human Development Report*, the Asian Development Bank's *Asian Development Outlook*, the United Nations Conference on Trade's *World Investment Report*, the Inter-American Development Bank's *Economic and Social Progress Report*, and the United Nations Industrial Development Organization's *Industrial Development Report*.

the towering oak in the forest that has sprouted on all sides. It provides a unique perspective on the evolution of thinking, policy making, and practice in the field of development. It tracks the waxing and waning of policy concerns and the cycling of policy fashions as perceived by the World Bank. And the *WDR* reveals the beliefs and ideological leanings of the Bank's management and principal shareholders—beliefs that filter perceptions of development, that modulate policy advice, and that overtly or subliminally shape the operational activities of the Bank.

The *WDR* has become such a fixture that it is easy to forget the circumstances under which it was born and the Bank's motivation for producing such a report at that time. In the first chapter of this essay, I provide a brief background on the circumstances of newly independent developing countries and summarize some of the main strands of the emerging field of development economics. This backdrop to the genesis of the *World Development Report* accounts for the orientation of the earlier reports. The thinking on development in the 1960s and 1970s also provides a baseline from which to view the evolution that has occurred since. From the coverage in chapter 2, I isolate a number of key issues common to several or all of the *WDR*s, and I examine these issues individually at greater length in chapter 3.[2] The discussion in chapter 3, which builds on the material in the *WDR*s, presents some views about how far development thinking and, relatedly, policy making have advanced relative to 30 years ago. It asks whether promoting growth, building institutions, tackling inequality and poverty, making aid effective, and defining the role of the state have been rendered more tractable policywise by the knowledge encapsulated in the *WDR*s. Chapter 4 looks ahead and points to some of the big challenges that the Bank might explore through future *WDR*s and the value it can add through the knowledge acquired from its cross-country operations and research.

A Postbellum World

In the middle of the 20th century, the world economy was struggling to find its feet after a hugely destructive conflict that had followed on the heels of

2. See appendix A for a listing of all 30 *WDR*s and their directors.

the severest economic depression in memory.[3] The Great Depression had eroded faith in the ability of markets to equilibrate supply and demand and to sustain economic activities at a high enough level of employment in the industrial countries. Fears of secular stagnation from a closing of the economic frontier, from flagging innovation, and from declining population growth came to be debated (Fogel 2005; Hansen 1939). There was greater receptivity to Keynesianism, and the Depression certainly did nothing to undermine the attractions of socialism.[4] The war effort elaborated and entrenched planning and controls everywhere, vastly expanding the role of the state. An increasingly self-confident Soviet Union, which was able to draw much of Eastern Europe into its orbit, and the coming of a communist regime in China in 1949 lent additional support to the case for detailed planning undergirded by state ownership of substantial segments of the economy. This recovery, particularly in Europe and later also in China and Japan, proceeded under strong state tutelage. The hand of the state plucked most of the economic strings, and state entities were responsible for half or more of total production in mixed economies and up to 90 percent in communist countries. Much to the surprise of the pessimists, post–World War II reconstruction progressed smoothly, and the rebound in economic activity was remarkably swift, with communist countries showing production gains as significant if not greater than those of the predominantly capitalist economies. The great industrial resurgence, which gathered momentum in the 1950s, was state directed, disciplined by targets, and frequently led by the public sector. It tended to be autarchic or quasi-mercantilist and was buttressed by a multitude of import restrictions. The retreat from the first globalization, which began in 1914,[5] entered a new phase as capitalist and socialist economies

3. When one looks at the Great Depression using time-series data on per capita income growth, it is remarkable how quickly even the most damaging shocks fade out. The great influenza epidemic is another example, and very likely the most recent shocks will also be smoothed over fairly rapidly.

4. However, the reflationary measures introduced from 1933 by President Franklin D. Roosevelt through the New Deal were rooted in his effort to help the "forgotten man"—the "one-third of the nation ill housed, ill clad, ill nourished." John Maynard Keynes's ideas did not motivate the first New Deal. In fact, after their first meeting in 1934, Roosevelt was impressed by Keynes but baffled by his economics (Cord 2007, Stein 1969).

5. Scattered evidence of global integration as a result of advances in shipbuilding and the growth of trade begins accumulating from the 15th century onward (on "archaic" globalization, see Bayly 2002). One scholar maintains that the Roman Empire was a major globalizing force because it expanded markets; imposed peace; and integrated culture, technologies, and ideas (Hitchner 2008).

and newly independent colonies embraced inward-looking growth policies (Findlay and O'Rourke 2008).

Development Becomes a Discipline and a Crusade

Decolonization, which largely created the universe of developing countries, started in the late 1940s, with Indonesia becoming the first country to claim independence in 1945 (and to secure full independence four tumultuous years later), followed by India and Pakistan, which gained independence in 1947 (Low 1993). In the majority of cases, it was a hurried process. The colonial powers had not the resources,[6] nor the patience, nor the foresight to carve out viable states with due attention to history, ethnic composition, and economic potential[7] or to attend to the precise and well-conceived delineation of boundaries that would ensure a fair division of resources and minimize the disruption of regional economic and trading relations. In several instances, local insurgencies in colonies and battle fatigue on the home front precipitated hasty withdrawals.[8] Most new states came into existence with backward, frequently impoverished, predominantly agrarian economies; the bare bones of a physical infrastructure; and minimal

However, the first round of globalization, as scholars generally perceive it, occurred between 1880 and 1914 and is searchingly examined by O'Rourke and Williamson (2001) and Osterhammel and Petersson (2005). A many-sided examination of globalization is provided by the contributors to Ritzer (2007).

6. Ferguson (2002, chapter 6) traces the dismantling of the British Empire back to the huge costs of the World War I in terms of matériel and lives. American opposition to Britain maintaining its empire after the World War II sealed the empire's fate. Clarke (2008) and Zakaria (2008) are of the view that financial and other commitments during and immediately after the World War II drove the final nail into the coffin of imperial power.

7. Alesina, Easterly, and Matuszeski (2006: 2) state that, "former colonizers, newly independent nations, or post war agreement among winners regarding borders have often created monstrosities in which ethnic or religious or linguistic groups were thrown together without any respect for people's aspirations. Eighty percent of African borders follow latitudinal or longitudinal lines, and many scholars believe that such artificial borders … are at the roots of Africa's economic tragedy." Judt (1996: 56) makes similar observations regarding the countries of Eastern Europe "born from the collapse of empires … a process that is still incomplete.… This is the great misfortune of the eastern half of Europe: that its division into states came late and all at once." The ways new states came into being and the strategic interests of the great powers in the second half of the 20th century have also shaped the governance of these states and caused the flaring of civil wars that have smoldered for years, especially in Africa. (Hironaka 2005).

8. The hurried dismantling of the British Raj in India, the "shameful flight," and the mayhem that followed is a story well told by Wolpert (2006). According to Hill and others (2008), the population losses in the Punjab amounted to between 2.3 million and 3.2 million from deaths and unrecorded migration.

organizational and technical skills. Some were scarred by the conflicts and uprooting of populations that preceded independence. For the most part, they were almost devoid of the institutions that are part and parcel of functioning market economies. There were exceptions, such as India, but they were few. Even in India, the industrial base was pitifully narrow,[9] the infrastructure was threadbare, the stock of modern technical skills was exceedingly limited, and the administrative and legal institutions were just adequate for a largely agrarian economy. The division of the subcontinent into two countries—one of them Pakistan—added to administrative costs and complexities and further undercut even these limited capabilities.

Newly created countries, unlike the established states of industrial Europe, were wholly unprepared for the poorly understood task of development. But their emergent leaders—nascent elites and fledgling governments—frequently sought to legitimize their power and improve the welfare of the people by immediately embracing ambitious economic goals. By borrowing from their former colonial masters and by observing the prowess of the Soviet Union, they variously adapted three major precepts of development.[10] Foremost was the need (a) to maximize economic growth, (b) to do so by dint of rapid industrialization,[11] and (c) to emphasize the production of capital goods because the autarchic frame of mind

9. Being a part of colonial empires promoted countries' participation in trade and the global integration of Africa and Asia, but it also slowed or stifled industrialization (most notably in India) and created institutions and economic systems favoring natural resource–based activities. Lucas (2003) in commenting on Niall Ferguson, observes that the per capita incomes of regions subject to British colonial rule stagnated. See also Mitchener and Weidenmier (2008) on the effects of colonial rule on Indian industry, and Chaudhury (1995) on the decline of the Bengali economy in the 18th century. Galor and Mountford (2008) add that though trade promoted specialization and induced the accumulation of human capital and the deepening of skills in industrializing economies, in nonindustrial economies the gains from trade stimulated population growth, which by arresting the increase in per capita incomes contributed to the Great Divergence.

10. About the consequences of World War II for planning and welfare in Europe, Judt (1996: 25), notes, "Everywhere the organization of society for war paved the way for a presumption that in peacetime there would be comparably high levels of state involvement in everything from social welfare to economic planning. This presumption in favor of centralized economic and social organization, shared to a greater or lesser degree by all major political groupings in every major European community, was a crucial factor in facilitating postwar reconstruction, domestic and international alike." Some of those who later put on the garb of freedom fighters were earlier seduced by Fabian socialism during a sojourn in the United Kingdom. Jawaharlal Nehru, for example, became wedded to the statist model after he was drawn to a pragmatic Fabianism in the 1930s (Smith 1959).

11. Policy makers in developing countries were searching for a second industrial revolution, and to them development was synonymous with industrialization (Ranis 2004b).

assigned primacy to heavy industry (Allen 2001; Bideleux 1985; Ellman 1979). After all, the reasoning went, producing anything required steel and machinery. The shortest route to industrialization for most states was through planning by newly empowered ministries, with the implementation being left to freshly minted public enterprises. For these embryonic industrial engines to have a chance to achieve industrial traction, they had to be protected from import competition.[12] Meeting foreign exchange needs often called for subsidies in various forms to promote exports of manufactures, when the exports of primary products generated insufficient foreign revenue.[13]

Rapid growth through industrialization that was planned and partially—or wholly—executed by government agencies and buffered by import and exchange controls was the model of development that the new nations adapted from the industrial West and from the then-resurgent communist bloc.[14] Late-starting economies tailored the mix depending on leadership, ideology, composition of elites, comparative advantages, and organizational and institutional realities. Inevitably, the borrowing from the West and from the Soviet bloc was a haphazard process, as was its translation into practice across the developing world. But under the circumstances and given the state of knowledge, it could hardly have been otherwise.

A Discipline in the Making

What was the contribution of development economics to this approach? A rereading of the sparse literature from a half century back,[15] reminds

12. Every country, whether developed or developing, has used infant-industry protection at some point; hence, the approach adopted in the 1950s and 1960s followed accepted practice (Ranis 2004b).

13. The volatility of raw material prices and the downward trend in these prices overall put a brake on development in the 19th and 20th centuries (J. G. Williamson 2008).

14. Latin American countries adopted a protectionist regime in the late 19th century to raise revenue from tariffs and duties and to develop local industry. However, tariff rates were in the 20 to 40 percent range, few nontariff barriers existed, and—at least until the early 20th century—many Latin American countries were fairly tightly linked to the global economy and sustained large imports (Rubio 2006).

15. Meier (2005: 53) observed that the first edition (published in 1948) of Paul Samuelson's introductory textbook on economics had only three passing references to issues pertaining to development. Meier goes on to note that quantitative analysis was in short supply because the experience

one that countries could choose the path being traced by the socialist economies or they could opt for a variant of the mixed capitalist model, with a greater or lesser dose of planning. The geopolitics of that time left scant room for bold departures and innovative new paradigms.[16] Inevitably, given the youthfulness of the discipline, development economics was empirically thin, and the articulation of theories was at an early stage.[17] In pursuit of growth—which was the Holy Grail then, as it arguably is now—capital was the kingpin, and the conceptual apparatus underlying much of the reasoning was loosely related to the Harrod-Domar model. The fulcrum provided by this model was the capital-output ratio. How much growth a country derives from each incremental unit of capital is a function of this conversion factor. An economy's growth hinged, therefore, on capital accumulation and the efficiency with which such accumulation was combined with labor to produce goods and services.[18] With most developing countries viewed as having elastic supplies of labor in rural areas available at subsistence wages for expanding industrial production—a notion certified by the Lewis model, as well as the Ranis and Fei models—capital emerged as the principal determinant of growth.[19] Under conditions of autarchy, countries that saved more and judiciously accumulated industrial capital grew faster—in Walt

with development was much too scanty to allow economists to come to analytical grips with the subject matter (Meier 2005: 78).

16. Yugoslavia, with its self-managed enterprises, exploited its strategic location between the Western and Soviet blocs to experiment with some exotic ideas; on the whole, however, few countries strayed far from the dominant models.

17. By the 1960s, Simon Kuznets's (1966) work was providing the foundations for the empirical research on modern economic growth (see also Fogel 2000).

18. Domar (1946) and Harrod (1939) put the spotlight on capital, and more refined modeling by Cass (1965), M. Frankel (1962), and Solow (1956) later maintained the centrality of this factor.

19. Arthur Lewis's point of departure was the classical tradition, but he saw the developing economy moving from a dualistic framework to the stage of modern economic growth focused on the urban industrial sector (Ranis 2004a). Rozenzweig (1988) has questioned whether the elastic supply of labor Lewis envisioned is empirically valid and showed that even in thickly populated economies, labor supply curves were upward sloping. Many observers believe that Chinese industry will reap the advantages of an elastic supply or workers from the rural sector, but since about 2003, employers in coastal cities have complained of labor shortages and are having to pay steadily higher wages. The upward tilt acquired by the supply curve even though a large pool of workers remains employed in agriculture, is the outcome of a several factors: the numbers of the most eligible young workers are shrinking rapidly after two decades of emigration, those left behind are older and more reluctant to emigrate, many more young people are going to secondary schools or seeking tertiary education, the labor market is segmented, and expectations have changed with a concomitant upward drift in the reservation wage (Cai and Wang 2008; "China: Labor Shortages" 2008).

Whitman Rostow's deathless phrase, they "took off." If they persevered year after year, these countries were expected to achieve the nirvana of self-sustaining growth.

This idea came in a number of flavors. Rosenstein-Rodan (1943) and Gerschenkron (1962) argued for a Big Push[20] or a Great Spurt[21] of investment-led growth that would enable an economy to loosen multiple constraints, realize scale economies, and generate the needed demand. Leibenstein (1957) put forward the notion of a "critical minimum effort" that economies needed to make to escape from what Nelson (1956) called the "low-level equilibrium trap." The related conceptualization of balanced growth by Nurkse (1959) visualized a mutually supporting advance across a broad range of sectors, through a coordinated investment strategy that would propel the economy out of the rut of poverty. Hirschman (1958) countered with a plea for unbalanced growth, maintaining that leading sectors should emerge that would stimulate the rest of the economy, with the help of profitable forward and backward links. All parties subscribed to the need for industrialization and the gradual shifting of the economy's center of gravity from agriculture to the industrial sector. Most of the participants were partial to the notion of export-elasticity pessimism first voiced by Prebisch (1962) and Singer (1950). They tacitly or otherwise acknowledged that, because the terms of trade for primary products were declining, longer-term growth could not be hitched to the export of primary commodities alone. Countries had to develop the manufacturing sector to meet domestic demand and, where possible, generate revenues from exports to earn enough foreign exchange.

Although the primacy of investment and of industrialization was widely accepted, one school opted for import-substituting industrialization behind high barriers to trade, and another school began championing

20. The Big Push was justified then, as it is now by Jeff Sachs and others, with reference to relatively inflexible complementarities. For countries to move to a higher-growth path, all constraints that could become binding needed to be eased more or less simultaneously, which required investment in many different areas (C. Jones 2008; Murphy, Schleifer, and Vishny 1989; Sachs 2005). This explanation echoes the notion put forward by Kremer (1993) that in complex systems the failure or nonperformance of even very minor components (the "O-ring") can precipitate the failure of the entire system. Jones (2007) differentiates his analysis from that of Kremer by noting that the latter arrives at large changes in incomes by assuming strong scale economies.

21. In Gerschenkron's (1962) schema, economic backwardness could be turned to the advantage of late-starting economies by means of institutional innovations that enabled them to surmount barriers and to exploit the potential inherent in catching up (see also Mathews 2005).

the advantages of nurturing export-oriented industrialization once a few countries showed what could be achieved.[22] Both sides embraced—or at least acquiesced—to a dirigiste approach to development, complete with five-year plans and an array of tax incentives, subsidies, exchange rate policies, tariffs, and directed credit, to help new industries germinate and grow a generation of public and private entrepreneurs.

Although many developing countries struggled to accumulate enough capital through domestic savings, economists invented theories to explain savings (or consumption) behavior and tried (somewhat ineffectually) to identify instruments for enhancing saving propensities so as to close the gap between a desired investment rate and the rate of domestic savings. It soon became apparent that growth would be constrained not only by the scarcity of domestic capital but also by the paucity of foreign exchange to finance purchases of capital goods and other needed intermediate and consumption goods. The two-gap model, which formalized and linked the domestic and foreign resource needs, in a sense closed this circle of development thinking.[23]

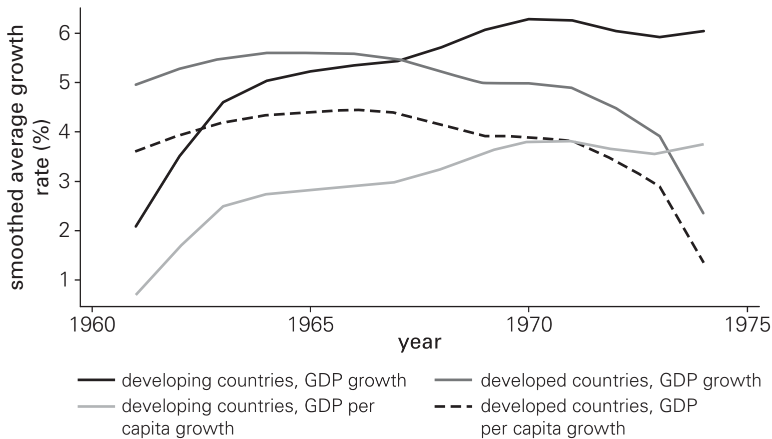
Throughout the 1960s, development economics helped to dignify and to impart greater apparent rigor to the efforts of planners and policy makers of all stripes throughout the developing world. In virtually every planning ministry (and countless World Bank country reports), the stated objective was to raise growth rates—preferably to 7 percent per year, so as to double gross domestic product (GDP) in 10 years—by dint of industrialization and to do so by using a combination of measures that promoted domestic resource mobilization and foreign exchange earnings or, alternatively, in the case of relatively closed economies such as China, by minimizing reliance on imports and reducing the need for foreign exchange.

Looking back over the period from the mid 1950s to the early 1970s, one notes that the pace of growth quickened in many developing (and

22. Latin American countries were among those to pursue import-substituting industrialization most vigorously, perhaps because of a long tradition of protectionism. From the middle of the 19th century, Latin American governments had begun relying on tariffs to generate revenues and protect special interests. The raising of import barriers after the World War I to develop industry was a natural outgrowth of past policies (Coatsworth and Williamson 2002).

23. Hollis Chenery, the World Bank's chief economist from 1972 to 1982, was one of the architects of the two-gap model and was responsible for embedding it into mainstream discourse. See Chenery and Bruno (1962).

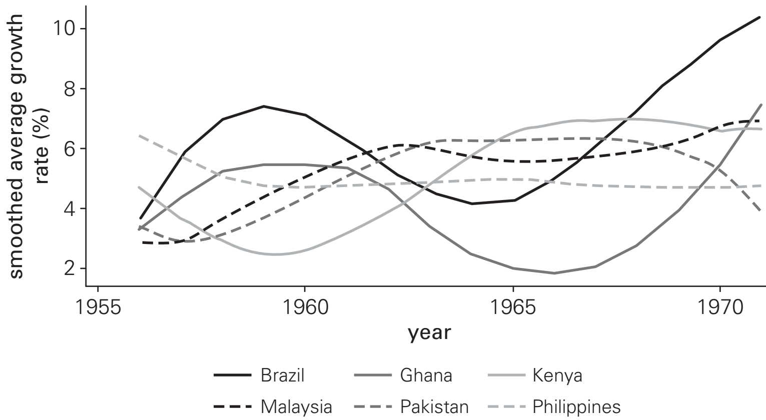
Figure 1.1: Growth Rates of Developing and Developed Countries, 1961–74



Source: World Development Indicators database.

developed) countries, all of which were starting from very low bases (see figure 1.1). After some initial floundering, a frequently messy sorting out of leadership issues (as the torch was transferred from a first to a second generation of political bosses), and a measure of success at achieving a semblance of national identity, countries such as Brazil, Ghana, Kenya, Malaysia, Pakistan, and the Philippines, as well as many others, began registering respectable growth rates as new manufacturing industries came on stream and as the performance of the agricultural sector improved (see figure 1.2). Much of this growth was the result of catching up, in the same way as European countries were closing the gap with the United States, except that developing countries recently exiting from colonial tutelage had a lot more ground to cover. Even adding a little industry and expanding the scope of commercial agriculture made a large difference to their performance. It did not matter that the five-year plans were often little more than formulaic statements of intention and that the policy makers were inexperienced and generally innocent of technical skills. As long as the broad objectives were reasonably clear, the government was moderately committed to achieving them, and the policy measures were coherent (or innocuous) by the standards of those times, economies expanded. The only direction was up. The economies that did not grow were victims of extreme predation by dictatorial regimes; civil unrest,

Figure 1.2: Growth Rates of Six Developing Countries, 1956–71



Source: Maddison 2007.

which stifled economic activity; or extraordinary incompetence on the part of inexperienced and rapacious ruling elites.[24]

It is impossible to say whether the concepts, techniques, tools, and metaphors of the development economics of those two decades made any difference. If they did, it was very much on the margin. The "science" of planning was a "god that failed."[25] The input-output (I-O) techniques using flimsy data that were pressed into use to lend glamour and a measure of exactitude to planning, at best, did no harm.[26] At worst, they created a corset of targets, controls, and regulations, which slowly began stifling economies where planning was king, as in the Soviet Union and its satellite states, but also in countries such as India, which endured a "Hindu rate of growth" for almost 40 years.

24. Some "stationary bandits" or leaders who established dictatorial regimes achieved success, but they were the exceptions (Olson 2000). Bates (2008: 20) describes them as specialists in violence and proposes that such specialists maintained political order or behaved in a predatory manner depending on the level of public revenues, the rate of discount, and the gains from predation.

25. This failure is reminiscent of that expressed against communism by the contributors to Crossman's (1950) famous book.

26. In fact, the Bank was in the forefront of the I-O and social accounting matrix programming exercises. It built some of the largest I-O models in the 1970s and contributed to the writing of the software such as GAMS (General Algebraic Modeling System) to run these models (see Kendrick 2003). As Stern and Ferreira (1997: 556) remark, "At one point it seemed as if the solutions to the problems of the world were perceived as lying in ever more disaggregated linear programming models."

Despite the muddle-headed trade and exchange rate policies, the millions wasted on (heavy) industrial white elephants,[27] the inability of most countries to raise domestic savings and investment to the levels reached by the Soviets and the Chinese, and the endemic corruption, this initial stage of development is remembered as a golden age for the industrial world and for newly developing countries. At no time in past centuries had the world economy achieved such a rate of growth, and at no time in the past had the leading industrial economies and a few industrializing ones expanded at such spectacular rates for almost two decades (see figures 1.3 and 1.4). These were heady times for development economics, even though its contribution to this prosperity was arguably trivial. I-O models, turnpike models, "golden rule" models, and other dynamic optimizing models employing mathematical techniques that were borrowed from the engineering sciences[28] and topology celebrated the high growth rates and attributed these rates to advances in economic thinking (see, for instance, Bardhan 1970; Kendrick 1981; Kendrick and Stoutjesdijk 1978; Phelps 1966). Greater access to computers, coupled with progress in econometrics and in software, brought with it a flood of simulation results, which appeared to light the way forward.[29]

The worth of this modeling and simulation is now debatable. Although the Harrod-Domar model lies at the root of the AK models, the current development literature has little use for turnpikes or golden rules or I-O-based planning. Neither does it have use for the large econometric models that attempted to represent the workings of economies, although computable general equilibrium models remain in use.[30] The findings of the empirical literature from that era were equally ephemeral.

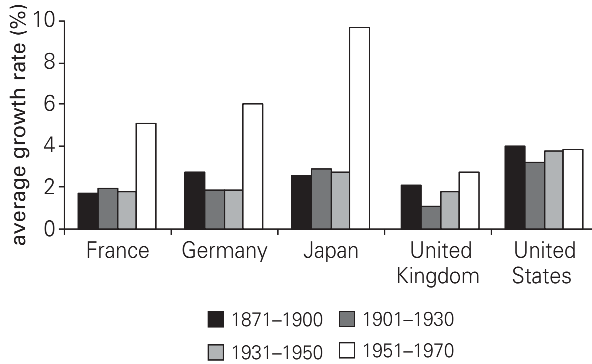
27. A *white elephant* is a project generating negative social surplus. The survival of this exotic species is ascribed by Robinson and Torvik (2002) to its utility in facilitating exchanges between politicians and voters. Politicians who can credibly commit to build patently indefensible projects are better able to convince their supporters that they have the capacity to follow through with promised rewards.

28. Hollis Chenery's (1950) Harvard PhD dissertation under Wassily Leontief on "The Engineering Bases of Economic Analysis" was one of the earliest contributions to this genre.

29. It is impossible to avoid the temptation to note that financial innovations such as derivatives, options, and swaps, whose near impenetrable complexity underlies the seriousness of the financial crisis of 2007 and 2008, owe their spread and progressive sophistication to computer power and to the many rocket scientists who have lent their skills to Wall Street.

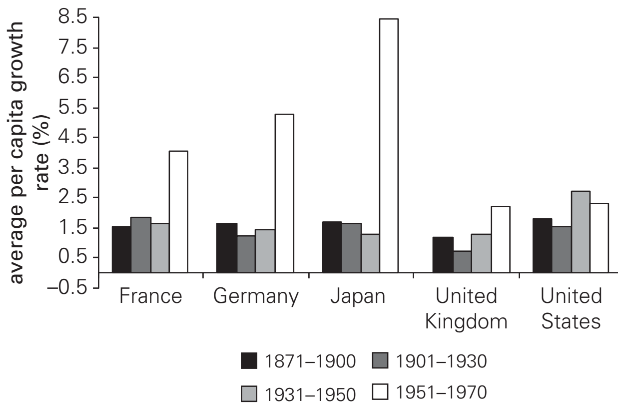
30. Blanchard (2008) observes that dynamic stochastic general equilibrium models are widely used to forecast and to evaluate policy rules. As computers have become more powerful, the number of structural parameters of these models has steadily increased.

Figure 1.3: Average Growth Rates of Five Industrial Countries, 1871–1970



Source: Maddison 2007.

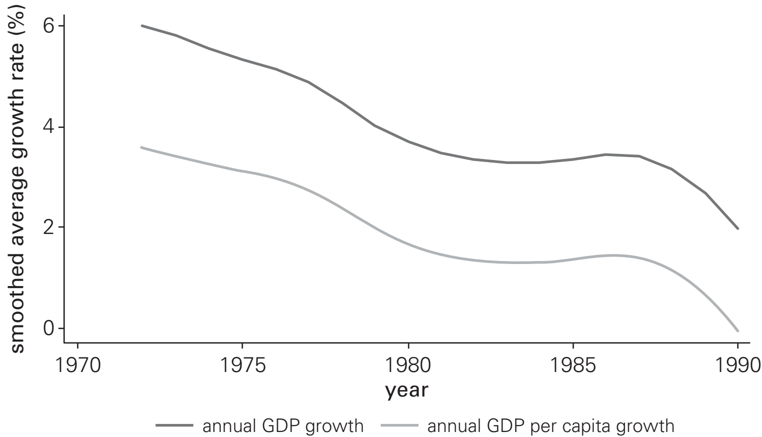
Figure 1.4: Per Capita Average Growth Rates of Five Industrial Countries, 1871–1970



Source: Maddison 2007.

The long boom of the 1960s came to an end with a whimper in the early 1970s (see figure 1.5). Growth began slowing in many developing countries as policy induced distortions and inefficiencies took their toll. The shock inflicted by the oil crisis of 1973 was enough to precipitate a downturn by curtailing the demand for primary commodities and light manufactures from the industrial countries, which were hard hit, and by sharply raising the price of energy. As is apparent from figure 1.5, growth and development slowed in many countries and went into reverse in some.

Figure 1.5: Growth Rates of Developing Countries, 1972–90



Source: World Development Indicators database.

Countries in Sub-Saharan Africa were affected the most, not just by economic hardships, but also by a parallel upsurge in political turbulence and civil conflicts, which were exacerbated (or caused) by the rivalries of the Great Powers locked in the lengthening Cold War.

The 1970s, coming on the heels of a golden age, were a period of mounting frustration tinged with helplessness (Marglin 1992). Seemingly unstoppable economic progress suddenly stalled in the industrial West and across most of the developing world (Ben-David and Papell 1997). Even the communist powerhouses, such as China, were enfeebled by political turmoil, which fanned economic uncertainty and severely undermined the effectiveness of the command system. The models and policies that had appeared so potent in the 1960s were found to be ineffectual once the momentum was broken, and countries—hitherto buoyed by virtuous spirals—began to drift into vicious cycles (Krueger 1993). Mounting economic pressures were worsened by the unraveling of the often provisional political arrangements, which had been stitched together by a generation of leaders who came to power following decolonization. By the 1970s, this generation was fading fast, and in the absence of tested political institutions, accepted modes of political succession, and rules for sharing of power and wealth among the heterogeneous groups, many of the new nations became battlegrounds for rivalries between factions, between elites, and between ethnic groups and

tribes.[31] Inevitably, economic management weakened; economic activity suffered as risks multiplied; and in the face of rising populations, the worldwide poverty headcount increased from 1.9 billion in 1970 to 2.2 billion in 1980 and to 2.4 billion in 1990 (Bourguignon and Morrison 2002).

A War on Poverty and the Making of the *World Development Report*

In his state of the union message in January 1964, President Lyndon B. Johnson had declared a war on poverty in the United States. In time, the necessity for waging such a conflict worldwide against an unseen enemy by harnessing the firepower of social programs seeped through osmosis into the World Bank (Kapur, Lewis, and Webb 1997). The opening shot was fired in 1973 by Robert McNamara, then president of the World Bank, at a speech delivered during the Bank's Annual Meetings held in Nairobi. Although the war on poverty had been ongoing in the United States for a decade, the economic profession had little to offer by way of solutions for industrial or developing countries. McNamara (1973: 10) warned that "growth is not equitably reaching the poor. And the poor are not significantly contributing to growth." He added further that "800 million individuals—40 percent of a total of 2 billion—survive on incomes estimated (in U.S. purchasing power) of 30 cents per day. They are suffering poverty in the absolute sense." At the close of his speech, McNamara called for an eradication of absolute poverty by the end of the 20th century, and he indicated that essential to accomplishing this goal would be an increase in the productivity of small-scale agriculture. There was no dearth of research, but nothing remotely resembling the sought after silver bullet was forthcoming.[32]

31. Ethnic conflicts and the degree of ethnic fractionalization of societies are associated with political turmoil and weak economic performance (see Alesina and La Ferrara 2004; Caselli and Coleman 2006). However, Bates (2008) cannot find a systematic relationship linking ethnicity with political disorder. Nor can he find a relationship between civil wars in Africa and a country's endowment of natural resources, which were also viewed as a source of instability. Brunnschweiler and Bulte (2008) also fail to reproduce a relationship running from resource endowment to slow growth and conflict, because so much hangs on how resource endowment is measured and how endogeneity issues are tackled. If the discounted value of expected resource rents is used, the effect of resource wealth on income growth is positive. "Resource dependence appears as a symptom rather than a cause of underdevelopment," they write (Brunnschweiler and Bulte 2008: 617).

32. Following McNamara's speech, the Bank issued a book titled *Redistribution with Growth* (Chenery and others 1974, not to be confused with Chenery's earlier paper), which attempted to

International aid and development programs lacked sound and tested instruments, and they lacked country role models. The conditions were ripe for a world development report to reinvigorate thinking on objectives, policies, and implementation.

The economic environment of the 1970s offered the World Bank, under a dynamic president, the opportunity to assume a leadership role and to craft a widely shared understanding of how growth could be resumed by stimulating a fresh round of thinking and development policies, how it could be made to benefit the poorest segments of societies, and what a desirable scale of development would entail by way of resource transfers from industrial to developing countries. The intense interest aroused by a paper on global trends and the prospects for developing countries issued in 1974 by Hollis Chenery, the Bank's chief economist, encouraged McNamara to pursue the idea of an annual publication that took the pulse of the international economy, that stimulated the search for answers, and that synthesized the "truth" as it was revealed. Such a book could become a vehicle for the Bank to lead, to propagate its ideas, to mobilize official development assistance, and to win adherence for a renewed push to develop. Hence, in 1977, McNamara entrusted Chenery with the task of preparing a flagship report.[33] A team comprising the Bank's best and brightest was assigned the task of assessing the state of the world economy and, in broad strokes, indicating the essentials of a strategy for growth that was equitably shared.

The first *World Development Report*—a slim volume with just 68 pages of text—appeared in August 1978. In McNamara's words, the purpose of the *WDR* was to provide "a comprehensive assessment of the global development issues" (World Bank 1978: iii). It was a vehicle for dealing "with a number of fundamental problems confronting developing countries and explo[ring] their relationship to the underlying trends in the international economy." McNamara saw the Bank as ideally suited to undertake such an assessment because of "its broad-based membership,

show how growth could be achieved with equity, particularly by emphasizing rural development through multiple channels, including institutional reform, better water management, access to credit, public services, and extension.

33. It was around this time (1977) that the Brandt Commission was created.

its long experience, and its daily involvement with the development problems of its members."[34]

With the publication of the first of an annual series, the Bank took it upon itself to try to filter and systematize the knowledge on development so as to enhance the operational utility of such knowledge. In producing the *WDR*, the Bank was not seeking intellectual leadership or attempting to break new ground in the development field. Instead, the *WDR* was seen as a vehicle for persuading the Bank's member governments to broadly unite behind a strategy and to cooperate in making it succeed.

The first *WDR* was published at a time of considerable despondency as to the future of development. Progress appeared to be stalling. The optimism and intellectual excitement of the 1950s and 1960s was on the wane. The modest rates of growth achieved were being swallowed up by increases in population. *The Limits to Growth*, published by the Club of Rome in 1972 (Meadows and others 1972), had added to the gathering gloom by warning that the world risked running out of resources.[35] With the development enterprise beginning to drift, a hunger arose for practical solutions that the somewhat sterile and increasingly formal literature on economic growth of the preceding decade was signally unable to satisfy. The *WDR*—because it came from the premier development institution, which could draw on a wealth of country-specific experience and comparative analytic expertise—promised to break the impasse. It catalogued the substantial economic gains that had been achieved by developing

34. The Bank's advantage lies in providing a global public good—knowledge about sound and tested development policies. It uses its access to information on policy initiatives worldwide and to data, as well as the latitude it enjoys, to screen and adapt theories with an operational content that were developed by others (Gilbert, Powell, and Vines 2000).

35. *The Limits to Growth* (Meadows and others 1972) was the child of advances in computing power and software languages, which permitted the simulation of complex systems (using first-order differential equations) with multiple feedback loops (Ayres 1999). Although it represented only a minor elaboration of Forrester's (1971) *World Dynamics*, the 1972 book caused a sensation by claiming, on the basis of a mechanical modeling of five key global variables (with no causal structure or economic content), that the world risked overshooting its carrying capacity. *The Limits to Growth* and the writings of Barry Commoner and Rachel Carson helped to generate an awareness of rising environmental costs and stirred the notion of sustainable development into the discourse during the 1980s. Twenty years after the original volume was published, Meadows, Randers and Meadows (1993) came out with an update called *Beyond the Limits*. In 2004, they published a 30-year update emphasizing once again that the world economy was threatened by collapse because it remained in an overshoot mode.

countries, thus reviving flagging spirits; it acknowledged the existence of major hurdles but offered sober hope that they could be overcome; and it proposed plausible ways of making that happen.

Today, a new report from an international agency enters a crowded field and must struggle to be heard. In 1978, the *WDR* was the lone star. It was an instant hit, even though its offerings were relatively meager because the shelf of economic knowledge was not well stocked. Each succeeding *WDR* has added more information on the state of development and the state of the global economy, has showcased new research findings, has presented examples of successful economic initiatives and institutions, has attempted to sharpen the edge of existing policy tools, and has proposed modest additions to the toolkit. Perhaps most important, the *WDR*s have attempted to direct the attention of decision makers to priorities and to gather opinion around the principal objectives of development. Reading the successive *WDR*s, one can sense the shifting of attention as times changed, crises erupted, the Cold War ended, poverty as the defining goal lost ground (temporarily) to adjustment in its many incarnations, and faith in one set of "solutions" to the problems of development was partially superseded by conviction in another set of "solutions." The pile of *WDR*s has kept mounting, and recent *WDR*s are three and sometimes four times the length of the earliest reports. The first contained no references; the most recent ones come with hundreds. And from the third *WDR* onward, the content is organized around a specific theme. The earlier reports came with an opening section that looked out onto the state of the world economy. After 1986, this section was hived off into a separate annual publication called the *Global Economic Prospects*. The recent reports are certainly weightier, but fewer readers venture beyond lengthy executive summaries.

In the chapter that follows, I examine the coverage of the *WDR*s and explain the priorities as reflected in the topics addressed by individual reports. The topics not only provide a window on the Bank's perception of what mattered or matters in the sphere of development at a particular time, but also give an indicator of the current fashions in development economics that are attracting a significant amount of attention from researchers.