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The World Bank's Early Reflections on Development: a Development Institution or a Bank?

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Abstract

Until the late 1960s, the World Bank presented itself as an institution devoted to sound and directly productive project loans. Yet, during its very early years, some discussions developed inside the Bank regarding the possibility of issuing different types of loans, namely loans which – albeit sound – were aimed at tackling social issues («social loans»), or not directly project-related needs for foreign currencies («impact loans»).

This paper analyzes the housing issue as a good case in point. The analysis reveals that the Bank was unwilling to lend for housing programs not because these were not sound – in fact, they were – but because they appeared to be too social-biased and not directly linked to productive investment projects, such as dams, power stations, and railroads.

This early decision had a significant impact on the subsequent development of the Bank's view of policy making. In fact, it locked the institution into a particular lending pattern, and deprived it of important intellectual resources. It was not until the late 1960s that the Bank began to take social issues into consideration, rather late as opposed to other multilateral institutions.

1. Introduction

The International Bank for Reconstruction and Development (IBRD) – since its beginnings known as the World Bank – was instituted at the 1944 Bretton Woods Conference with the principal purpose of aiding European reconstruction after World War II. The abrupt deterioration of international relations, the onset of the Cold War and the concomitant direct intervention by the US in European reconstruction with the Marshall Plan, made the World Bank loans to European countries redundant – in fact useless – principally because of the much greater magnitude of the US commitment: while the Bank's loans in 1947 totalled less than half a million dollars, the Marshall Plan brought to Europe around four billions dollars per year (Kapur *et al.* 1997).

The World Bank thus switched – much earlier than expected – to its second mission: promoting the development of backward member countries. As the World Bank's President John McCloy stated at a November 1947

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meeting of the Bank's Executive Directors: «I think we are going to be driven into a very different field sooner than I thought, into the development field»[1]. The problem was that there were no experts on development issues in the US or in Europe at that time, let alone in more backward countries: the lack of interest in such matters on the part of academia, and the virtual non-existence of most backward countries in the late 1940s – they were still dominions or colonies and had been studied only in respect to the metropolitan economies (Meier and Seers 1984) – meant that development issues were unknown terrain.

Throughout 1948 and part of 1949 the Bank almost entirely ceased issuing loans, and its personnel and officials undertook an intense programme of study and missions to backward member countries in order to collect data and information.

Recollections of those years – also by the Bank's officials who took part in those events (Knapp 1975; Sommers 1989) – give rather cursory treatment to this transitional period, concentrating on the result of the transition itself: the Bank as an institution devoted to strictly productive project loans.

Yet the transitional period itself is worth analysing. Leonard Rist – at that time the head of the Economic Department – pointed out many years later that the Bank's policy «was not *formulated*. It was formed. It evolved. It resulted from events. And it changed with different loans. […] Policy formulation have been extremely rare» (Rist 1961, p. 47). It is thus interesting to examine the internal debate whereby these policies were formed, and to determine whether there were alternative policies which in fact lost out in the confrontation. As will become evident, alternative policies were explicitly discussed at the Bank, but they were set aside for a variety of reasons. The *modus operandi* which emerged conditioned the subsequent behaviour of the Bank.

Analyzing such a complex issue in its entirety would be beyond the scope of this paper. It therefore presents a preliminary survey of some of the World Bank's documents from those years, which testifies to the presence of proposals which were not implemented during the long Black presidency[2], and explains why this happened. These documents concern the "housing issue".

The paper is organized as follows. The next section will discuss the Bank's first encounter with housing and urban development issues. Section 3 will review the Bank's internal reflections on these issues and their eventual practical outcomes. Section 4 will consider the usefulness of focusing on the early years of an institution's life for understanding of its subsequent path of development. Finally, Section 5 will propose some concluding remarks.

2. The ILO and the Housing Issue at the World Bank

The idea that the World Bank would offer loans for urban development and housing had arisen within the Bank itself – more precisely, as will be shown below, within its early missions to backward member countries. But as a matter of fact, the institution which first sponsored the issue was not the World Bank, but the International Labour Organization.

ILO's Building, Civil Engineering and Public Works Committee had met for its Second Session in Rome from March 16 to March 25, 1949. On that occasion, the Italian employers' delegate[3] – Mr. Gadola – suggested that the ILO investigate the possibility of establishing a completely new institution – the International Institute for Building Loans – under the control of the two Bretton Woods institutions, IBRD and the IMF. According to a subcommittee's minutes, «the function of the proposed institute would be to collect private savings by the issue of bonds in countries where such savings exist, with a view to making mortgage loans for housing construction, especially for the lower-income groups» (ILO 1949a, p. 9). The main purpose of this proposal was to sustain and stabilise employment, firstly by stimulating a typical labour-demanding activity, and secondly by promoting a better distribution of labour among countries. As regards this latter point, it was stressed that the project would favour migration from countries with surpluses of population to those with deficits[4] (ILO 1949a, p. 10).

The Resolution was adopted on 25 March, and the ILO Governing Body was invited to contact IBRD (ILO 1949c). This it did one month after Eugene R. Black, formerly the Bank's US Executive Director, had become the third IBRD President[5]. The matter was thus immediately passed to the Bank's Economic Department for preliminary examination.

The Economic Department, under the direction of Leonard Rist, discussed two separate matters: (i) whether housing could be considered a sufficiently "productive" project, as required by the Bank's Articles of Agreement[6], and (ii) whether the Bank could contribute with loans, which would principally be in US currency, to projects whose outlays would principally be in local currency, hence financing only "indirectly" needed foreign currency[7].

As for the first issue, the answer was quite clear: definitely it would not be the case for every country, «but no doubt, there are areas where the housing shortage seriously hampers the development of new resources and industries, so that financing of new houses would in those areas be directly productive even within a narrow understanding of that term»[8].

As for the second point, the analysis was more complicated, not least because it was impossible to understand – at that very preliminary stage of communication – what possibilities were being considered by the ILO. The Bank focused on three: (i) a new Institute selling bonds which would be formally guaranteed by the IBRD, (ii) a new Institute selling bonds, with the Bank guaranteeing not the bonds themselves, but the monetary policy of the government hosting the building investment, and (iii) a new Institute, with the Bank simply acting as a sponsor without any formal commitment.

The possibility considered most likely by the Economic Department was that the Institute for Building Loans would sell bonds in the private markets of capital-exporting countries, under guarantees by the IBRD. In this case, the problem would arise that the proceeds were mostly in US currency, which was inconsistent with the main needs of housing projects, which mostly required local currency. The Economic Department thus assumed that this extra US currency would be added to the general foreign currency resources of the borrowing country as a supplement «necessary to absorb the inflationary pressure created by increased construction activity»[9].

Alternatively, the possibility was considered that the Bank's intervention had been asked to persuade potential *local* investors to buy the proposed Institute's bonds in the local market, offering a guarantee by the IBRD against losses due to devaluations of the local currency. The underlying idea was that the Bank's direct involvement – that is, its authority and control – would «keep the local government in line»[10].

A less likely possibility considered was that the Bank would participate merely by lending its prestige and experience, without any formal guarantees on the Institute's bonds.

Although these three scenarios – and principally the first of them – were at odds with the Bank's previous loan policy, which had principally consisted of directly needed foreign currency for reconstruction programs, the possibility of loans for "indirectly" needed foreign currency was explicitly envisaged by the Articles of Agreement[11]. The Economic Department thus advised that the matter should be investigated further, asking the ILO to specify the nature of the involvement required from the Bank[12].

3. The World Bank's Internal Reflections on the Housing Issue

3.1. Bank's disengagement

Contacts between the ILO and the Bank continued for a while, but the Institute for Building Loans never came into being. This was partly due to conflicts within the ILO itself, principally among country representatives on the one side, and the internal technical staff on the other[13]. The ILO staff, in fact, was highly sceptical that such a huge new institution was feasible, or that it could find resources with which to finance housing projects, or that the Bank could sponsor it on the basis of the ILO Committee's resolution.

The country representatives, by contrast, expressed the need of many governments to cope with reconstruction or social problems, or both, and saw a new institution headed by the IBRD as a means to channel resources into the housing sector. The "housing shortage" was a widely discussed problem, and many proposals for programs or institutions to finance housing were put forward at least until the mid-1950s[14].

The International Bank, for its part, managed to avoid any commitment to housing projects[15]. As the Bank's president Eugene Black explained to his ILO counterpart, David Morse, it was a strict rule of the Bank that loans in foreign currency should be used only to finance the cost of imported goods and services, and they could not be diverted to the financing of local expenditures[16]. Moreover, a more general rule was that the Bank's loans should be for directly productive purposes. As Richard Demuth – then head of the Technical Assistance and Liaison Staff Office – put it: «the first test of any project to be financed by the Bank is its productivity», and housing's relation to productivity seemed too remote[17].

Hence, the Bank granted no loans to finance activities in the fields of housing, town planning and building materials. Only two loans concerned, among other things, building activities. In the case of a "reconstruction" loan made to the Netherlands in 1947, some resources were used to finance the importing of materials used for housing. In the Netherlands, in fact, replacement of workmen's houses destroyed during the war «was a step necessary for the rehabilitation of Dutch industries essential to the national economy»[18]. In the case of a loan made in 1952 to improve Iceland's agricultural production, some resources were used for the construction of farm buildings (IBRD 1952a). However, since Iceland had to import almost all its building materials, this loan was considered consistent with the rule that only the foreign exchange requirements of a project could be financed[19]. With the exception of these two loans, building activities were in practice ruled out of consideration by the Bank, except residually, as for example in the case of the settling of a construction camp at the site of a dam project.

3.2. Internal discussions at the Bank: "impact loans" and "social loans"

Nevertheless, discussion on the issue had not ceased at the Bank. In fact, it concentrated on two different proposals: for so-called "impact loans", and for "social loans".

The first internal discussion focused on what the Economic Department had already argued regarding the ILO proposal: that even in the case of mainly local currency needs, a hard currency loan (i.e. in dollars) could prove useful in tackling balance of payments pressures deriving from local expenditures.

This was what came to be called an "impact loan": that is, a loan made to sustain, not a specific project, but the subsequent (inflationary) impact of this project on the entire country's economy.

This effect had been fully acknowledged by the Bank's Fifth Annual Report (IBRD 1950). This document discussed at length the possibility that local expenditure on labour or on domestically produced equipment could give rise to increased demand for imported consumer goods or raw materials, or, in the Report's terms, to «foreign exchange requirements indirectly resulting from expenditures in local currency» (IBRD 1950, p. 10). In this case, a loan from the Bank would be perfectly legitimate if was intended to tide a country over a period of expansion without inflation.

This analysis was based on ideas arising from the work of Paul Rosenstein-Rodan – then a member of the Bank's Economic Department – on the loan application submitted by the Italian government to the Bank at the end of 1948 for the development of Southern Italy. The Italian government, in fact, had the means to undertake an investment program whose capital equipment would be provided out of domestic sources, but it lacked large reserves of foreign currency. In that situation – Rosenstein-Rodan predicted – the increased income resulting from the investment program would generate increased demand. This would either create additional demand for imports or a reduced supply for exports. In both cases, the country would be subject to inflationary pressure and would need a greater amount of foreign currency. Making this additional foreign currency available should be the Bank's task. The loans would thus «finance the *impact* of an investment program which the Italian government undertakes» (Rosenstein-Rodan 1961, p. 14).

The loan to Italy proved successful, but it was not repeated: «it was contrary to many people's thinking, notably to […] the most conservative business thinking in the Bank» (Rosenstein-Rodan 1961, p. 13).

The second discussion, complementary to the first, developed from the experience of the first comprehensive survey missions undertaken in backward member countries. These missions recognized from first-hand observation of the social and economic conditions of the countries visited that not only directly *productive*, but even directly *social*, interventions were indispensable for a sustained process of development. This process would change sectoral growth rates, the structures of demand and supply, and the growth rates of urban and rural populations, thus placing the social structure of countries already facing profound social hardship under great strain.

The Cuba mission of 1950, for example, recommended that urgent action be taken to greatly increase the supply of drinking water to the city of Santiago, which was at risk of humanitarian disaster (IBRD 1951). The Jamaica mission urged the replacement of almost 30 per cent of the houses on the island (IBRD 1952b), while the Nicaragua mission opened its final report by declaring that «expenditures to improve sanitation, education and public health should, without question, be given first priority [for] the development of the Nicaraguan economy» (IBRD 1953, p. 22).

Particularly interesting for this paper is the rehabilitation program for the slums of the city of Barranquilla, Colombia, proposed to IBRD in 1952 by the former head of the Bank's 1949 comprehensive survey mission to that country – Lauchlin B. Currie, in 1952 economic advisor to the Colombian government.

In the case of Barranquilla, the bulk of the program consisted in a housing program with two purposes: to upgrade living conditions in the Barranquilla area called the "Zona Negra", «probably the worst slum in Colombia»[20], and to stimulate economic growth through an investment program in a sector – building – which could expand largely without depressive effects[21].

Lauchlin Currie would propose his "Leading Sector" model only in the 1970s – significantly proposing building as one such leading sector – but it is clear that the mechanism, if not the label, was already operative in the Barranquilla housing program. It is thus not anachronistic to quote from Currie's reflections on the building sector in his 1974 paper:

> The import component is low. The unskilled labour component is relatively high. The need it serves is so compelling that in the United States and Canada, despite the high level of incomes, "home operations" still capture about 30% of disposable income. The stock of houses is so large that a relatively small addition should have little effects on prices […]. It is true that the stock is not so great in a developing country but this is more than offset by the high growth rate of urban population and the desirability of replacing extensive slum areas. (Currie 1974, p. 7)

Currie was not satisfied by explanations of poverty and the vicious circle of poverty in backward countries couched in terms of a general "scarcity" of capital, nor by solutions which relied on a general or aggregate growth of many sectors such to move the entire economy upward. Rather, he proposed removing obstacles to sectors whose demand could be estimated as large but latent and which could achieve sustained growth «independently of the overall rate of growth of the economy» (Currie 1974, p. 6). These two conditions identified a sector which could transmit its own independent upward movement to other sectors, thus "leading" the economy through a process of sustained growth.

Moreover, this process could be triggered and driven by addressing social items on the development agenda as well, for example dwelling renewal. In his Colombian economic advice, Lauchlin Currie was reviving his pre-war endeavour to reconcile «the humanitarian and social aims of the New Deal [with] sound economics».[22]

3.3. The Bank's rejection of "impact" and "social" loans

However, neither the concept of "impact loan", nor the possibility of matching social aims with sound economics, changed the Bank's position. The social prescriptions advanced by the missions to Cuba, Jamaica, and Nicaragua were ignored by the Bank, nor did it participate in the Barranquilla program.

This was for three main reasons. The first was that it was necessary to convince U.S. investors that the Bank was creditworthy, and that its bonds –

its main source of funds – were sound (Oliver 1995). This was an exogenous and compelling reason that goes some way towards explaining the propensity to manage the institution cautiously. Yet, it is not sufficient to explain why possibly sound investments were avoided (housing, for example), and more in general why no consideration was made of solutions that, within the frame of a general “soundness principle”, could tackle both economic *and* social issues.

Therefore, one must also consider a second reason, namely that the top management of the Bank – the Presidents and their closest staff – came from the financial community of Wall Street (Kraske 1996), and it was in the culture and in the interests of their social milieu to conceive the Bank as strictly a bank: that is, a sound conservative institution whose investments should «yield the greatest and quickest increase in output and productivity»[23].

The third reason was that the first development loans proved very successful in that they were completely repaid. Hence there was no reason, from the point of view of conservative bankers at least, to change policy.

4. How Early Decisions Affect the Future History of an Institution

This brief historical reconstruction has shown that the World Bank concerned itself with the housing problem from very early on in its history. It was involved in analysis of the issue conducted externally by the ILO Committee, and internally both by the Economic Department, which devised a loan pattern that would include housing loans, and by the missions to backward countries, which proposed that traditionally bankable loans should be linked with social loans.

However, the Bank did not take up those proposals, and decided to grant loans only for directly productive purposes. Since this policy yielded high returns, it seems coherent to propose a functionalist explanation for what happened: there was a well-defined situation with certain constraints (fund raising, for example), and the institution developed a perfectly efficient solution for it.

The paper has provided evidence that this kind of explanation is due to a perspective mistake. In actual fact, there was more than one option, and none of them was intrinsically in conflict with the others. For reasons that were not exclusively economic, the institution opted for one particular solution to the exclusion of the others, thus establishing a pattern that would be pursued long afterwards.

These considerations match Mark Granovetter’s thesis that organizational forms acquire a particular shape for reasons that are not only rational – Granovetter stresses networks – and that their further evolution depends on that particular shape (Granovetter 1990). It is for this reason that the formative periods of institutions – and by extension the turning points in their history – are so important: because it is exactly then that there arises from an uncertain situation a shape that progressively acquires solidity and becomes less subject to mutations, influencing the subsequent institutional development and thus determining a sort of institutional path dependence – in the words of Paul David, the «persisting consequences of some aleatory and transient conditions that prevailed early in the history of the process» (David 1994, p. 208).

In the case of the World Bank, the early exclusion of "impact loans" and "social loans" from the range of its possible interventions, and strict adherence to the features typical of a "bank" with no concession made to more flexible patterns of lending, affected the institution's subsequent development and characteristics, eventually preventing it from taking further steps in comprehension of the mechanisms and of the many facets of the modernization process in developing countries. When, during the 1960s, the entire community of development scholars and practitioners began to criticise the development creed hitherto followed, the World Bank was lagging behind. While, at the beginning of the 1970s, David Morse – still head of ILO – spoke of «dethronement of the GNP» (1971, p. 7), referring to what was by then the widespread belief that reliance on economic growth alone was not sufficient to achieve real and effective development, and on various occasions had even led to unexpected negative results (see for example Singer 1965, Seers 1969, ul Haq 1971), a World Bank official had to admit that «we [at the Bank] know more about the cost effectiveness of alternate production techniques of motor boats than we do of teaching reading or delivering prenatal care» (Simmons 1974, p. 50).

Somewhat paradoxically, the World Bank was paying for having precociously found an internal equilibrium, with a rather conservative top management which had successfully ruled the Bank as strictly a bank, while dissenting opinions were reduced to silence. Lauchlin Currie had been economic advisor to the Colombian government since 1950 (Sandilands 1990); in 1953 Paul Rosenstein-Rodan had gone to MIT, «to the academic world, where – in the words of the Bank's vice-president Robert Garner – […] his talents lie» (Garner 1961, p. 98); and even more significantly the Economic Department headed by Leonard Rist had been disbanded in 1952 (Oliver 1975). In the high management's opinion, «the Bank was not the place for the development of broad economic policies or studies» (Garner 1961, p. 98).

As a consequence, when in the late 1960s the development field was subjected to broad discussions and renewal, the Bank lacked the faculty to participate in this new course of action. It was no accident that McNamara's attempt to give the institution a new direction involved criticism of the previous creed – «of course it would be comforting to continue to believe that there is no conflict between rapid overall growth and comparable improvement in the incomes of the poor. But, unfortunately, in the real world in which we live, the evidence suggests that there is» (McNamara

1972, p. 219) – and the cooptation and enhancement of a new generation of development scholars: *in primis* Hollis Chenery, and then Mahbub ul Haq, Frances Stewart, Paul Streeten, Shahid Burki, Norman Hicks, and others.

Chenery revived the Bank's Economic Department, and established collaboration between the Bank and the Institute for Development Studies of Sussex University, whose analyses were collected in the volume *Redistribution with Growth* (Chenery *et al.* 1974). The group which gathered around Paul Streeten began to work with ILO, importing from it the stimulus to study the basic needs approach[24] and proposing its own original contributions (see the collected volume Streeten *et al.* 1981, or the various studies, partly included in the 1982 volume, by Hicks 1979; 1982; Hicks and Streeten 1979; Burki and ul Haq 1981; Stewart 1985)[25]. In the meantime, McNamara had further widened the Bank's agenda by providing it with an Urban Projects Department and an Urban Poverty Task Group, both headed by Edward Jaycox[26].

5. Concluding Remarks

The Bank was eventually able to join the frontiers of the development debate, at least with some outstanding scholars recruited by McNamara, but it must not be forgotten that at the outbreak of the debate, during the 1960s, the Bank it was at the rear of it.

Reflections which, from the housing issue onwards, had developed inside the institution between the 1940s and the 1950s, show that from the very beginning of its development commitment the Bank could have cultivated a broader view on development issues than actually did during the 1950s and most of the 1960s.

Instead, the Bank consciously refused to adopt different perspectives on development, or – in the words of its vice-president – to consider «broad economic policies or studies». While on the one hand this decision, gave the institution strong stability, on the other hand it stripped it of the ability to understand the change that had come about in the development field during the 1960s. What McNamara tried to do was recover suggestions made very early in the life of the Bank, but which had neither been taken up nor – perhaps most importantly – incorporated into the institution's cultural heritage.

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[1] Quoted in Kapur *et al.* 1997, p. 83.
[2] Eugene R. Black, former the Bank's US Executive Director under McCloy's presidency, became the Bank's third president in 1949, holding that position until 1963.
[3] With the support of the French and the Italian Governments' delegates – Messrs. Guerard and Visentini respectively.
[4] Government delegates from East-European countries opposed the proposal, thus provoking a split among trade-unions' delegates: those representing Communist trade-unions opposed the proposal or abstained, while those representing Catholic or otherwise «Atlantic seaboard» trade-unions – this being the expression used by the Belgian Workers' delegate, Mr. Smets (ILO 1949a, p. 6) – were in favour (ILO 1949b).
[5] David A. Morse to Eugene R. Black, 12 August 1949, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[6] Article I, (i).
[7] Svend Andersen, Economic Department, General Studies, "An International Institute for Building Loans", 26 August 1949, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[8] *Ibid*.
[9] *Ibid*.
[10] *Ibid*.
[11] Article IV, Section 3 (c).
[12] Svend Andersen to Leonard B. Rist, "ILO – Proposal for an International Institute for Building Loans, 25 August 1949, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[13] Walter Hill to Robert L. Garner, Report H 105, "Conversation with ILO Staff in Geneva Relating to the Suggested Creation, under the Control of IBRD, of an International Institute for Building Loans", Paris, October 17, 1949, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[14] For example an International Loan Bank for Building, by the International Federation of Building Trade Employers and Civil Engineering Contractors in October 1951; a European Credit Institute for Housing, by the Council of Europe's Consultative Assembly in December 1951; a report by the United Nations Economic Commission for Europe on methods and techniques of financing housing in various European countries, which aroused interest in the other two UN regional Economic Commissions, namely ECLA and ECAFE; see Ernest Weissmann to Davidson Sommers, 9 January 1952, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[15] See, for example, Walter Hill to Leonard B. Rist, January 17, 1951, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[16] Eugene R. Black to David A. Morse, December 13, 1949, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[17] Richard H. Demuth, "Financing of Housing", May 22, 1952, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[18] A. S. G. Hoar to Jacob L. Crane, April 21, 1952, Housing and Urban Development vol. 1, Central Files, Fonds 2, World Bank Group Archives.
[19] *Ibid*.
[20] Emilio Toro to Robert L. Garner, April 7, 1953, in Lauchlin Bernard Currie Papers, Rare Book, Manuscripts, and Special Collections Library, Duke University, Durham, N.C.
[21] For more thorough discussion of the Barranquilla case, see Alacevich 2005.
[22] Lauchlin B. Currie to Franklin D. Roosevelt, "Memorandum on Full Employment", March 18, 1940, Franklin D. Roosevelt Presidential Library, Hyde Park, New York, quoted in Barber (1996, p. 130). This is the principal reason why Lauchlin Currie has been considered a pioneer by many of the economists who proposed, in the 1960s-1970s, a shift

from the idea of development as maximization of economic growth to the inclusion of social issues, such as basic needs or redistribution policies. Paul Streeten, editor of *World Development*, in 1978 asked Currie to write a paper on his pioneering ideas (Currie 1978).

[23] Robert L. Garner to Emilio Toro, April 21, 1953, in Lauchlin Bernard Currie Papers, Rare Book, Manuscripts, and Special Collections Library, Duke University, Durham, N.C. The broader scenario for this point, which merits much closer attention than is possible here, is the resumption of direct political responsibilities (because of the needs of the war economy) by the U.S. business community, which had been relegated to peripheral positions during the years of the New Deal (Maier 1977).

[24] The proposal for a new approach based on «basic human needs» came from an ILO conference held in Geneva in 1976 (ILO 1976; 1977).

[25] It is worth noting that communication between ILO and the World Bank on basic needs resulted in a number of joint missions (ul Haq 1981; Kapur, Lewis and Webb 1997, p. 255).

[26] Here I am concerned only with the change in perspective of the McNamara years. The question whether – and how – McNamara actually achieved positive results in poverty reduction would be beyond the scope of the present discussion.