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ADDRESS BY
THE HONORABLE GEORGE W. BALL,
UNDER SECRETARY OF STATE,
BEFORE THE TWENTY-FIRST ANNUAL MEETING OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
WASHINGTON, D.C.
THURSDAY, SEPTEMBER 29, 1966

Last Monday in this hall, the President of the World Bank made a forceful but disturbing speech. He pointed out that development, instead of proceeding at the faster pace at which it was capable, was "threatened by a serious loss of momentum". Assistance from public sources as a proportion of the income of the industrialized countries had, he noted, continued to decline for the fifth successive year.

This was a warning we should all take to heart. During the past few years not all trends have been favorable. While some of the developing nations have made great and heartening progress, others have lagged. Overall, the rate of economic growth is relatively high -- but not high enough to meet the vast needs of the developing countries or to fulfill the objectives to which we are all committed. A kind of pause approaching a malaise has set in. Yet our economic and technological capacity to promote development has never been as high.

One can argue, on the basis of historical experience, that we are not doing too badly when national output among the rich and poor countries alike is growing at an average rate of between four and five percent a year. Sustained growth -- let alone growth of this magnitude -- is a relatively recent phenomenon. It was not until the time of Louis XIV that some West European countries succeeded in breaking through the limitations of a static productivity. And it was not until the industrial revolution in the 1800's that nations began to achieve consistent increases in their _per capita_ income.

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Even in highly industrialized countries, the growth rate during the hundred years before the Second World War averaged no more than three per-cent a year. It was half that in per capita terms after taking into account the population increase. At this relatively low level moreover economic growth was an uncertain, and to some extent, a haphazard process.

But this is no longer very relevant, for a qualitative change has taken place over the past two decades. Today virtually every country is committed to economic growth as a major goal of national policy, and the resources of science, of government, and of research are put to its service. For many countries, and especially those newly emerged into statehood, economic growth has become the critical measure of national worth and performance.

This systematic approach to economic development has been one element contributing to the higher increases in national output that we see today. Another has been an awakened sense of responsibility on the part of the industrialized nations. Yet we seem now to have reached a new plateau that is not high enough. We must prepare for more extensive efforts in the years ahead.

During these proceedings and in past meetings of the Bank, the main impediments to development have been quite thoroughly canvassed. There is a shortage of resources in a real sense and not merely in theoretical terms. More investment capital -- both external and internal -- could be put to effective use in the developing countries. Accumulated external debt and rising external service charges are holding back many developing countries. Trade policy and development prospects are closely interrelated and progress must be made on both fronts. Demography is a brooding omnipresence over the whole development process; we must get on with initiatives to reduce population growth and we must put heavier emphasis on food and agricultural development.

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All these points are valid and central to the problem, and, if I do not dwell on them, it is because they have already received substantial notice in our discussions.

II.

Today I shall touch briefly on a less familiar issue -- the relation between technology and development. The significance of this relation is well enough known but its practical consequences are largely uncharted territory. Yet the possibilities for economic growth are almost unlimited if we have the wit, the reason and the resolution to put the new science to its service. For in every scientific field -- in pure mathematics, physics, in biology -- progress is moving at a geometric ratio.

Most important perhaps for economic development is the progress in computers. The revolution in the design and use of these new instruments is only in its infancy. Yet its effects may prove as profound as those of the industrial revolution.

The industrial revolution extended the reach of the human hand. The computer extends the reach of the human brain. It can store vast quantities of information for ready retrieval. It can organize that information, correlate it, and generalize from it. It can absorb data as events occur, monitor those events, and control them. It can govern chemical plants, program the precise motions that a cutting instrument must follow to produce complex machine tools. It operates with fantastic speed.

The computer can hold within its grasp the model of an entire economy, and it can follow through the implications of proposed policy changes. It is a powerful tool for science, for government, for business, and for research in every field. Moreover, it interacts with man. It stretches human reason and intuition much as microscopes and telescopes extend human vision. New concepts are born because nothing is too complicated to think about.

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III.

The implications of this revolution are clear. The rate of scientific and technological advance is accelerating; the rate of economic growth could accelerate with it. Mastery of the computer will greatly enhance the pace, the prospects, and the scope of technological change.

What can we then do to bring the developing countries more rapidly into the technological revolution that is already at hand.

It is neither necessary nor desirable that developing countries should become technological facsimiles of the advanced countries. But it is both necessary and desirable for them to begin now to train men and women to understand, to operate, and to adapt the powerful and revolutionary tools of our new era. For these new tools have many uses relevant to development. They can be used in planning transportation systems, in reducing cost and increasing output, in weather and crop forecasting, in medical diagnosis, in education, indeed in every facet of what we may call the programming of economic development.

Far more is at stake than training, or research, or better technical services--important and worthwhile as each of these objectives are. We must make it possible for the developing countries to become partners themselves in the interaction of ideas and innovations. This process knows no national boundaries, and the membership in the club should be made as wide as possible. The participation of the developing countries will vitally affect their ability to manage their own economic destiny and to maintain their economic freedom. Their partnership may become increasingly essential to the development of a politically healthy community of nations.

I hope that the Bank, which has never been afraid of new ideas, can give special attention to this problem. It may be possible to organize computer centers on a regional basis to provide both training and service.

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Such computer centers could be linked to existing regional institutes of research and technology. Alternatively they might become the core around which regional research institutes and other regional economic activities could develop. If the Bank should develop a program in this field, the United States Government would be prepared to cooperate through its own aid program in support of this effort.

IV.

We turn naturally to the Bank with proposals of this kind since innovation is central to the Bank's business. The Bank has had two decades of experience in development during which it has acquired valuable skills and insights. It has worked in every area of development. It has pioneered in many. It has created two affiliates, established an economic development institute, sent missions throughout the developing world, brought donor countries and assistance programs in consortia, consultative groups, and coordinating groups, helped to organize regional banks, and it is currently inaugurating the Center for the Settlement of Investment Disputes.

The Bank has taken those initiatives to meet new and emerging needs. And my Government is prepared more and more to coordinate its own programs with those developed by the Bank. About 85% of United States development lending to Asia and Africa now moves under programs coordinated by the Bank through consortia and consultative groups.

We look to the Bank to flash danger signals and bring the critical issues into sharp focus. As we learn more about the development process we will need the Bank's guidance and prodding to shift development priorities and to use new methods and new approaches.

We look to the Bank, for example, to provide leadership in the field of agriculture and rural development. It is essential to make up for past years of neglect by placing special emphasis on agriculture if

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we are to avert famine in the developing world. And there is growing evidence that greater investment in the rural sector--unorthodox as some of these investments may be--can make most effective use of idle resources, provide an area of rational import saving, and, in general, increase the overall rate of growth.

We look to the Bank to encourage the developing countries to establish regional and subregional organizations that can lead over time to more extensive soundly based economic integration. They need the economies of scale, the benefits of specialization, and the spur of competition that larger markets make possible. The tentative efforts being made in this direction on every continent need the encouragement and support of the regional banks and the World Bank Group. Here again we should not be afraid of unorthodox methods if they are based on sound economic principles.

We look to the Bank to help the developing countries expand their export receipts and diversify their economies so as to free themselves from excessive dependence on commodities in chronic oversupply. The Bank's participation is essential to the coffee diversification studies now under way. Its help will be equally critical to encourage the new diversification and development features now being built into the International Coffee Agreement. This also is pioneer territory of great potential significance to the overall development effort.

V.

The Bank has accumulated unique skills in the development field; but, as President Woods has pointed out, it must have access to the financial resources necessary to use them. The Bank staff and management have the talent and the imagination to do the job but the donor countries must provide the necessary financial resources. They must widen their capital markets to accommodate the Bank's regular bond issues and they must contribute resources for the IDA.

Last July the President of the Bank sent each of the Part I countries a memorandum outlining his proposal for the replenishment of IDA at a new and significantly higher level than in the first replenishment. These resources are needed for many reasons--the heavy burden of debt service in the developing countries, the pressure of population growth, the uncertainties in the growth of their export earnings, the leveling off of bilateral aid, and the hardening of aid terms as interest rates rise.

Nor can there be any doubt regarding the effective use of this development capital. The same exacting standards of self-help and performance that have for 20 years governed Bank loans are applicable equally to IDA loans.

The industrial countries--by virtue of the size and vigorous growth of their economies--have the capacity for a positive response to this need. What is required is the will.

Yet I must say one word at this point concerning the balance of payments of donor countries and its effect on aid transfer arrangements. Certainly it would be unwise to add to the mounting debt burden of borrowing countries; but it could be equally unwise to increase the balance of payments drain on donor nations in external deficit.

Such nations can be expected to transfer real resources--the industrial materials, the capital equipment and the services that the developing countries need; and they can be expected to effect an increased part of this transfer through the World Bank Group. But no nation when it is confronted with a serious balance of payments deficit can afford to see the funds it transfers work their way through the international monetary circuit and end up in a gold drain, an increase in its payments deficit--and ultimately pressure to adopt restrictive domestic policies.

Surely aid transfers should not be so managed as to result in contraction of world liquidity and world output. The contrary should be the case. It should be possible -- and indeed it is essential -- to devise satisfactory arrangements that will permit donors in balance of payments deficit to make their proper contributions to IDA without further unbalancing their external accounts.

This point is critical to the position of my country. The United States is prepared to increase its contribution to IDA substantially provided that other Part I members agree to carry an appropriate share of the burden of replenishment. But we must be assured of suitable arrangements to deal with the transfer problem. We look to the Bank to take the lead in shaping proposals to this end.

VI.

We celebrate this year two decades of work by the Bank. They have been decades of steady accumulation of skill and experience. They have been experimental decades marked by great changes in development priorities and by solidly based pioneering work.

At the close of its first ten years, almost half the Bank's portfolio consisted of outstanding loans to industrial countries. This year the portfolio testifies to the Bank's almost exclusive and proper concern with the developing countries. And it vindicates the wisdom of the process for it shows the extent to which the Bank's one-time borrowers have become its full-fledged lenders.

During the first decade, the Bank's funds went almost entirely to infra-structure investments -- power, railroads, and port facilities. Now the use of these funds is more diversified and includes investments in agriculture, education, and technology.

The Bank family has reached the point where it is able to invest over one billion dollars a year -- more than three times the level of a decade

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ago. It is a thoroughly professional operation that accords with 20th Century concepts of human dignity and human betterment.

Over the next decade we will depend more and more on the Bank's expert knowledge, its ideas, and its capital. The Bank has demonstrated that it has the competence to respond to these needs. It is for all of us to make sure that it has the resources to do so.

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