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Chapter 15

The Origins and Early Years of the Centre: A Personal Perspective

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The creation of an OECD Development Centre was proposed by President Kennedy in an address to the Canadian Senate and House of Commons in May 1961. It was approved by the OECD Council in October 1962, and started to function in mid-1963. It was a significant element in the transition from OEEC to OECD. The old organisation was a co-operative endeavour by 16 West European countries to promote the recovery and expansion of their economies between 1948 and 1961. The new organisation added a commitment to foster growth in the “less developed” countries of Asia, Africa and Latin America by stimulating a bigger flow of financial resources (the responsibility of the Development Directorate), and providing advice on the formulation and implementation of economic policy (responsibility of the Centre). The membership of the new organisation was enlarged to include Canada, Japan and the United States (though the United States and Canada had been associate members of OEEC).

There were three main reasons for the changes. One was the realisation that European growth had been much faster in the 1950s than in the rest of the world. The already wide income gap between the rich countries and the rest was widening. The US government (which had provided a massive flow of aid to Europe in 1948–52) nudged the West European countries to increase or initiate aid to the Third World. It was also felt that OEEC experience in liberalising trade, promoting growth and allocating Marshall Aid was relevant to poorer countries. A second reason was that decolonisation of Asian and African countries was nearing completion. They wanted to broaden their international links, and it was felt that OECD member countries should encourage this process. A third consideration was the intensification of rivalry between Western nations and what was then called the Sino-Soviet bloc. There was increasing competition from the USSR and China to win friends and allies in the Third World by providing technical assistance, financial and military aid. Many newly independent countries joined the non-aligned group (led by Egypt, India, Indonesia, Mexico and Yugoslavia), which wanted to maintain a neutral posture between East and West.

At that time, private capital flows were small and NGOs were of marginal significance. This explains the heavy emphasis on government finance. At the initiative of the Eisenhower administration, a Development Assistance Group (DAG) was created to prepare the ground for the DAC (Development Assistance Committee) of the new organisation.

The DAG consisted of 12 European countries, Canada, Japan and the United States and held five meetings in Washington (March and October 1960), Bonn (July 1960), London (March 1961) and Tokyo (July 1961). I was the secretary of the DAG. The first task was to set up a comprehensive statistical reporting system to monitor the flow of different categories of financial resources to developing countries (official loans and grants, private credits, bond purchases, equity and direct investment, export credit guarantees etc.) from each of the countries which were deemed to be developed. Most countries had no comprehensive view of such flows. We could get a rough aggregate cross-check from balance of payments statistics but we had to go to central banks, finance ministries, export credit agencies, the World Bank and IMF to break down the different categories. The results were often unexpected, e.g. the flow from France was very much bigger proportionately than in the United States, but as expected the flows were relatively small from Germany, Japan and Scandinavia. The first survey, *The Flow of Financial Resources to Countries in the Course of Economic Development*, was carried out at breakneck speed and published in April 1961. It set the main guidelines which the Development Assistance Committee still uses for collecting data from its Member countries.

A second survey was submitted to the fifth DAG meeting in Tokyo in July 1961. This showed the various types of financial flows to 60 individual recipient countries together with indicators of their GDP growth and levels, domestic capital formation and saving, the burden of foreign public debt, export earnings, literacy rates and population. It was a major tool for analysing the role of aid and capital flows in economic development, though it obviously needed to be followed up by more detailed analysis of the efficiency of economic policy in allocating resources — a job which the founding fathers expected the Development Centre to undertake.

The third task of the DAG was to design a review procedure for assessing the adequacy and efficacy of the aid effort of donor countries.

The Development Centre was created in order better to understand the policies of developing countries and to act as an intellectual intermediary between them and OECD. Its mandate was “to bring together the knowledge and experience available in participating countries of both economic development and of the formulation and execution of general economic policies; to adapt them to the needs of countries or regions in the process of economic development and to place the results by appropriate means at the disposal of the countries concerned”.

The Kennedy administration's proposal to create the Centre was put to the DAG at its Tokyo meeting by Carl Kaysen from the White House staff. It originated with Edward Mason (1899–1992) who had created the Harvard advisory service and David Bell (1919–2000) who headed the first Harvard Group in Pakistan before becoming chief of AID (Aid for International Development) in Washington. The Secretary-General of OECD, Thorkil Kristensen (1899–1989), was very keen on the idea and set up an expert group (Roger Gregoire, Dr. P.S. Lokanathan, Edward Mason and Jan Tinbergen) to advise on the staff structure and research topics. Kristensen wanted a distinguished academic as president.

The first President was Robert Buron (1910–72), an MRP (Christian Democrat) politician with wide connections in the Third World. He held nine ministerial posts between 1950 and 1962 in the Fourth and Fifth Republics — notably Minister of Colonies (d'Outre Mer) for Mendès France (1954–55) and Minister of Transport 1958–62. He participated in the negotiations for the French withdrawals from Viet Nam and Algeria. His friends included Presidents Eduardo Frei of Chile, Felix Houphouët-Boigny of Côte d'Ivoire, Sekou Touré of Guinea, and Prime Minister Hoveida of Iran. Buron's main personal interest was in "mobile" seminars for ministers and senior officials in countries (Cameroon, Côte d'Ivoire, Guinea, Ecuador, Peru, Iran, Chile and Sri Lanka) where he had contacts and there was scope for a dialogue on development problems and policies. He was also keen to promote operational activities of a kind with which he was familiar as a result of long experience as President of the French National Productivity Centre. There were three main activities of this kind: a) creation of a pragmatic question and answer service "so designed that the authorities of each developing country will regard it as their own library, with a staff able to understand their needs and find the right answer quickly"; b) provision of advice to small and medium business on ways of increasing productivity; c) transfer of OECD experience on educational planning (in the Mediterranean Regional Project). Buron appointed Rostislaw Donn to run these operational activities. Rostislaw had worked (1945–56) in the French Embassy in Washington transferring American know-how to France and in the European Productivity Agency from 1957 onwards. He was in charge of these activities in the Centre until 1971.

Raymond Goldsmith (1904–88) was Vice-President for the first two years. He was a professor at Yale who had made pioneering theoretical contributions to the study of capital and wealth, analysis of savings and financial flows and produced a massive flow of comparative empirical studies in these fields. He was very much a loner. He did not create a research team but got on with his own work, and let the fellows pick their own topics, insisting only that they be related in some way to foreign aid. He was an ardent bibliophile and helped ensure that the Centre's library played an active role in serving the needs of officials and economists in the Third World. Our librarian, Billie Salter, did an excellent job in

facilitating our research and that of many others throughout the world. She left in 1967 to be librarian of the Yale Growth Centre. Goldsmith's two studies for the Centre were published in 1966 — *The Determinants of Financial Structure*, and *The Financial Development of Mexico*.

Goldsmith was responsible for creating the Research Division. It established contact with statistical offices throughout the Third World to produce standardised national accounts. These were an essential tool of research on comparative economic performance. The first large volume, *National Accounts of Less Developed Countries, 1950–66*, appeared in 1968². It was followed by 23 annual volumes until 1991. In the course of my travels for the Centre I made a habit of visiting national statistical offices to explain what we were doing, discussing adjustments necessary for international comparability of GDP and investment rates, and bringing back as much documentation as I could get. I did this in Iran, Japan, Pakistan, the Philippines, Thailand, Argentina, Brazil, Mexico and the USSR. In April 1965, I organised a Development Centre workshop on international comparison of real income levels and variations in the purchasing power of currencies. This was a field which OEEC had pioneered (Gilbert and Kravis, 1954; Paige and Bombach, 1959) and Irving Kravis wanted to extend the analysis to lower income countries. Wilfred Beckerman prepared a paper on short-cut methods which might be used pending the results of more fundamental studies (*International Comparisons of Real Incomes*, 1966), but we failed to rekindle OECD interest. Kravis eventually got a large grant from the Ford Foundation, set up his project in the University of Pennsylvania in co-operation with the UN statistical office, and produced three fundamental studies. His colleagues, Alan Heston and Robert Summers created the Penn World Tables and OECD restarted its work in this field in 1982. As a result it is now possible to measure real income levels on a comparable basis, more or less worldwide.

There were five “fellows” who constituted the senior staff of the Centre. Herbert Giersch was a distinguished liberal economist, who in 1948–51 had been head of the OEEC division dealing with liberalisation of European trade and payments and a professor in the University of the Saar. He was later President of the Kiel Institut für Weltwirtschaft for many years, an advisor on economic policy to the German government and a prominent member of the Mont Pelerin Society. His research project was a comparison of the efficiency of three Indian steel plants. Two were government-owned and supported by foreign aid and technical assistance. Rourkela got help from Germany, Durgapur from the United Kingdom. The third was the privately owned Tata plant at Jamshedpur. Giersch went to India in April 1964 to start the project but was unable to complete it as he was appointed to the Wissenschaftliches Beirat (the German government's Council of Economic Advisors).

Edmond Janssens was a Belgian economist, also trained in law and philology, who had worked for the United Nations in New York, Turkey, Mexico, Guinea and Ruanda–Burundi on technical assistance assignments. His linguistic ability

was astounding. He could speak most West European languages, Chinese, Russian and Turkish. He had operational responsibility for some of the mobile seminars and compiled a *Global Directory of Development Finance Institutions*, 1967.

Nino Novacco was a regional planner who was executive secretary of SVIMEZ. This was a brains trust of the Italian government agency promoting economic development in southern Italy (Cassa per il Mezzogiorno). He participated in the preparation of Italy's first five year plan (1956–61) and did a similar job (with Professor Saraceno) for the Karamanlis government in Greece.

Göran Ohlin (1926–97) was an economic historian of great distinction. He had translated Hecksher's *Economic History of Sweden* into English in 1954, and had written a brilliant Harvard PhD thesis in 1955 on European demographic experience from the middle ages to the 18th century. This was widely cited but not published until 1981. Göran was a meticulous scholar, and had great literary talent, but he applied such exacting standards to himself that he had published very little. Being in the Centre was good for Göran. The pressure to publish unleashed his talent, and inspired a life-long commitment to development issues. He wrote three studies for the Centre: *Foreign Aid Policies Reconsidered*, *Aid and Indebtedness*, and *Population Control and Economic Development*. After he left, he joined the staff of the Pearson Commission on International Development 1967–69, was secretary to a similar commission headed by Willy Brandt in the 1980s, and after a period as professor in Uppsala became Assistant Secretary General of the United Nations.

I became a fellow in January 1964 and stayed three years³. I had already been in OEEC for 11 years. From January 1953 I worked in the Economics directorate where I was head of the division responsible for writing the annual economic survey of the Western economies and servicing the Group of Economic Experts (chief policy advisors of the five biggest European countries and the United States). In these 11 years, I learned a great deal about economic policy analysis. My boss was Milton Gilbert, an economist and statistician of the highest calibre. When we prepared discussion papers for the experts we would spend hours over the draft trying to get a document that was lucid and creatively pungent with regard to policy options. Milton had an eagle eye for tables, making sure they were the most appropriate we could produce, and elegantly presented. He had organised and defined the scope of the official US national accounts in the 1940s and played a major role in standardising the macroeconomic accounts of OEEC countries in the 1950s. He also inaugurated a series of pathbreaking comparisons of the purchasing power of currencies and comparability of real product levels. As a result we had a steel frame for our assessments of policy effectiveness over time and across countries. The discussions in the Expert Group were a great educational experience because of the wide range of views. Tinbergen was a social engineer and model builder. Etienne Hirsch, the head of the French Plan, was very flexible and free of statist prejudice. Otmar Emminger, the chief economist

of the Bundesbank, was the most articulate. He was primarily concerned with financial stability and payments equilibrium. He was not interested in microeconomic questions which were to be solved by market mechanisms set in train by macro-policy. Arthur Burns was the least concerned with employment and growth. He pushed the US government away from Keynesian activism in favour of price stability and budget balance. Nevertheless he was interested in close monitoring of the performance of the leading economies and their mutual interaction. Sir Robert Hall was a pragmatic Keynesian of great wisdom and professional competence. He was an excellent chairman, judicious, slow-speaking and master of the meaningful grunt. He kept the proceedings articulate and effective. The quality of these confrontations on policy issues, and the fact that the European economy had shown such extraordinary growth, gave me the exhilarating impression that OEEC was largely responsible for making capitalism work⁴.

From the beginning of 1960 to mid-1962 our workload increased tremendously and Milton left. The Kennedy administration added new excitement to our economic policy work by sending a wave of brilliant economists to our meetings (Walter Heller, Jim Tobin, Bob Solow, Robert Roosa and Richard Cooper). We also had the main responsibility for servicing the new development initiatives. My main colleagues in the development work were Bill Parsons and Helmut Führer (who became directors of the Development Department in 1966-69 and 1975-93 respectively) and Friedrich Kahnert (later director in the Development Centre).

The pressure eased in mid-1962, so I took leave of absence for six months to write *Economic Growth in the West* (1964) where I tried to explain the postwar acceleration of growth in Western Europe, and the greater stability of the growth path. I pushed the historical perspective back to 1870, using the same type of quantitative national accounting evidence we had been using in OEEC for the postwar period.

At the end of 1962 I was a member of a United Nations Expert group on techniques of long-term economic projection, which met in Bangkok. The group included leading Asian economists associated with policy problems (Mahbub ul Haq, K.S. Krishnaswamy, Tsunehiko Watanabe), as well as Raymond Goldsmith and myself. This was a useful introduction to a wide array of policy concerns very different from those which OEEC countries faced.

When I came back in January 1963, I moved to the Development Directorate for a year as Director of Technical Co-operation. The main job was to provide technical assistance (including advice on economic policy analysis) to Greece, Portugal, Spain, Turkey and Yugoslavia plus a number of activities carried over from the European Productivity Agency. One of these was to help support the Mediterranean Regional Project on Educational Planning in Greece, Italy, Portugal, Spain, Turkey and Yugoslavia⁵. Another was the annual meeting of Directors of Development Research and Training Institutes. The last meeting, prior to its transfer to the Centre, was in Berlin in September 1963. The programme reflected what I

hoped would be a significant activity in the Centre. It was an exchange of views on macroeconomic policy problems in Africa, Brazil, France, India, Japan, Pakistan, Yugoslavia between top policy officials (including Roberto Campos, François Leguay, Hari Krishna Paranjape, Saburo Okita and Branko Horvat). It also included an illuminating exchange between these experts and Buron and Goldsmith who outlined their hopes for the Centre⁶.

My initial research for the Centre was concentrated on the role of skills and education in development. In the early 1960s, the role of education in economic growth attracted wide attention amongst economists thanks to the pioneering work of Ted Schultz and Ed Denison. When I was running OECD's aid programmes for Southern Europe it was very clear that skill shortages and poor education were a significant obstacle to faster economic growth. I had already started a review of the Greek case. This was a very detailed survey of foreign aid received in the postwar period, the characteristics of the education system, and an analysis of the strategy of Greek development (*Foreign Skills and Technical Assistance in Greek Development*, 1966). A second comparative survey of human capital and the transfer of skills covered Brazil, Mexico, Pakistan and Guinea (*Foreign Skills in Economic Development*, 1965).

I finished writing these books in mid-1965, at which stage Goldsmith, Giersch and Novacco left. The new Vice President, Ian Little, and the two new fellows, Maurice Scott and Tibor Scitovsky, decided to work as a team on industrialisation and trade. Ian also published a major study on industrial project analysis (with Jim Mirrlees), and brought in two Indian economists, Jagdish Bhagwati and Padma Desai which added welcome variety to our overly Western profile.

I also redirected my research. My first instinct was to make a general survey of development experience in quantitative and historical perspective as I had done in *Economic Growth in the West* for the advanced capitalist countries, but the developing world was much more heterogeneous than OECD countries in institutions, ideologies, policy objectives and weaponry, cultural and political heritage, social structure and level of real income. Given the huge range of these countries and my relative ignorance of them, it seemed sensible to postpone this ambitious project and concentrate on a case study of Japanese and Soviet development experience⁷. Both these countries had attempted with some degree of success to catch up with the advanced countries, so it seemed worthwhile to scrutinise their policies and performance, looking at their history and institutions as well as the more proximate causality one can measure with growth accounts.

In 1964 I visited Moscow and Leningrad to see what material I could collect on Soviet growth. I contacted IMEMO (the Institute for World Politics and Economics) in Moscow (which was the main institute of the Academy of Sciences for studying western economies), and found myself unexpectedly welcome as their Deputy Director, Manoukian, had just translated *Economic Growth in the West*. The most outspoken and interesting of their economists was Stanislav

Menshikov. It was more difficult to meet economists working on the Soviet economy, but with some difficulty I got the telephone number of Gosplan and contacted Valentin Kudrov who had translated the OEEC real income studies into Russian and made comparative studies of Soviet/US performance. Kudrov came, with a minder, to meet me at the Metropole Hotel. In his halting English and my very limited Russian, we discussed the work of leading US Kremlinologists and Soviet Americanologists, and exchanged views on problems of measuring real product and growth which we still continue. I also managed to take in something of the flavour of Soviet society, looking at museums, being accosted by people wanting Beatles records, watching the May Day parade in Red Square, with Krushev, Ben Bella and Oginga Odinga on Lenin's tomb.

In 1965, I made a second visit to Japan for a few weeks to collect material on Japanese growth. Here it was possible to have a much deeper dialogue than in Moscow, and most government statistical information was available with headings in English as well as Japanese. I already had friends in Hitotsubashi University, particularly Kazushi Ohkawa, who was starting to publish 13 volumes on Japanese quantitative economic history. Saburo Okita opened the doors of government agencies such as the Bank of Japan, the Economic Planning Agency, the Ministry of Agriculture, and the Ministry of Education where one could often find ten economists in a room all fresh and eager to talk after their morning callisthenics. Apart from the sophistication of these people I was struck by the strong discipline and an organisation that operated like clockwork. I had had the same impression about Japanese industry on my first trip in 1961 when I had visited the Sony radio factory, and found the foremen had Ph.Ds and all the operatives had high school education. On the way back, I spent two weeks in China, but did not manage to contact any Chinese economists, and there were no believable statistics, so my impressions were based almost entirely on visual inspection with all the risks that flow from lack of documentation. In terms of clothing, bicycles, cameras, watches and housing, living standards in Canton and Peking were better than I had expected and were certainly higher than in India. The people's commune I visited specialised in raising ducks and had some industrial activity, but was clearly an official showcase. I went with a young Englishman who had inherited a large farm in East Anglia which he ran with seven people. The Chinese farm was not much bigger in area, but had hundreds of people working on it.

During 1966, when I was writing the Japan–Russia study, I was fortunate in having fairly frequent contact with Arthur Lewis. He spent six weeks in the Centre in the summer of 1966 writing *Reflections on Nigeria's Economic Growth* (1967). Arthur (1915–1991) was probably the brightest economist to work on development and as a West Indian, had a lifetime familiarity with the problems. He had been economic advisor to Nkrumah in Ghana when it first gained independence, and to Sekou Touré in Guinea. I profited greatly from contact with him, both in our daily luncheon sessions in Paris, and from his written

comments on my drafts which were always forthright, penetrating and enlightening. In fact, they were so persuasive that I rewrote the book completely. *Economic Growth in Japan and the USSR* was published in 1969, by Norton, New York.

It is perhaps worthwhile to give an impression of the situation I found in countries I visited for the Centre. Intercountry differences in policy and institutions were very wide and often neglected by economists who tried to make general models of development.

Greece

The study on Greece was done in co-operation with Ben Higgins (1912–2001), one of the pioneers of development economics, and Alexander Stavrianopoulos, the chief civil servant in the Greek Ministry of Co-ordination (the economics ministry). At that time Andreas Papandreou was the minister and his father, George, was Prime Minister. I already knew him and Ben Higgins was an old colleague of his, so our project had political blessing. We also had a good rapport with the Bank of Greece where my friend from Cambridge days, John Pezmazoglou, was Deputy Governor. Xenophon Zolotas, the Governor, was also interested and very helpful in what we were doing. Other people involved were Constantine Doxiadis, an urban planner and architect with great breadth of vision and powers of organisation, who had founded his Institute of Ekistics in Athens, and Ingvar Svernilson who was an OECD consultant on Greek education.

It did not seem to me that human capital had been a constraint on Greek development, as there was a huge range of skills and entrepreneurship in the worldwide Greek diaspora to supplement domestic resources. Nevertheless there was a large inflow of technical assistance and a large outflow of students to foreign universities because of weaknesses in Greek higher education. A major recommendation of our report was to reduce dependence on technical assistance by creating a third, new-style university. Doxiadis pressed strongly for a private university in Sounion, as he feared political interference if it was a state institution. In fact the new university was a state institution in Patras, and Doxiadis' fears turned out to have some foundation, but a private university did not seem a practical proposition.

Brazil

Brazil was the country where I developed the widest range of contacts and saw most of the policy-making process. I went to Rio in October 1964 at the invitation of Roberto Campos, Minister of Planning in the military regime which had just overthrown the populist government of Goulart. Campos (1917–2001) was an economist-diplomat with a very wide range of experience. He was born

in a monastery in the backwoods of Mato Grosso and was a seminarist before he joined the Foreign Ministry in 1939 as a junior consul. On his way up, he got a Ph.D in economics from Columbia University, was one of the Brazilian delegates to Bretton Woods and helped make the development plan of President Kubitschek. He became head of the Brazilian Development Bank and Ambassador to the United States. Campos was by far the most powerful minister, strongly supported by Octavio Bulhões as Minister of Finance. Campos had a team of outstanding young economists in his ministry, including Mario Simenson and João Paulo dos Reis Velloso who later became ministers. The mentor of both Campos and Bulhões was Eugenio Gudín (1886–1986), a *laissez-faire* liberal, who had founded the academic study of economics in Brazil after a career as an engineer.

The main preoccupation of the economic team was a stabilisation exercise to put a halt to hyperinflation, reduce the budget deficit, reform the tax system, get rid of a distorted set of price controls and subsidies, liberalise foreign trade, create a new exchange rate mechanism and reform financial institutions. The stabilisation exercise was an outstanding success in laying the foundations for a subsequent decade of very fast economic growth and it was carried out in gradualist fashion in 1964–67, without pushing Brazil into recession. I was able to observe this operation at close quarters in the research department of the Planning Ministry where I was a consultant on education. I also had contact with the research group in the Vargas Foundation, which performed some of the functions of a statistical office, producing both the national accounts and the price indices as well as providing short term business cycle analysis in its journal *Conjuntura*. I went to Brazil four times in 1964–66, visited a good many parts of the country, acquired some modest competence in Portuguese, as well as learning the samba and bossa nova.

A striking feature of Brazil is the vigour and originality of its intellectual life. The population has cosmopolitan roots, with significant immigration of Italians, Germans, Japanese, Lebanese as well as the original mix of Portuguese settlers and African slaves. It is a big country with several very large cities, so its intellectual life is multipolar. It has been blessed with much gentler political transitions than most of Latin America, so the tone of intellectual life was less bitter than in some other places. It was a frontier country with a high degree of self confidence without a chip-on-the-shoulder feeling of exploitation by powerful neighbours. Added to this was the fascination of the economic problems they were tackling, because I had had no previous experience of such an inflationary economy, such boldness in institutional innovation, or such an elaborate set of institutions for coexistence with inflation. The approach to these problems was basically liberal and (except for its gradualism) not too different from that of the World Bank and IMF in the 1980s, but at that time it went counter to the prevailing policy views in other Latin American countries.

The most disconcerting thing about Brazil was the very high degree of inequality. Regional variance in per capita income in the 20 states ranged from nine to one, and the horizontal variation of income was also very sharp and noticeable, particularly in Rio with its impoverished ramshackle *favelas* poised on slippery hillsides behind luxurious beachfront apartments. It was also very noticeable that the black population was completely absent from the seats of power or any well-paid activity except sport and entertainment⁸.

Guinea

In January 1965, four of the Development Centre fellows, Edmond Janssens, Nino Novacco, Göran Ohlin and I, went to Conakry for a month with Buron and Goldsmith. In the first week, we talked to Sekou Touré, the President, Ismael Touré his brother, who was Economic Development Minister, Siafoulaye Diallo, the Minister of Finance and Planning, who appeared to be second man in the regime, and Keita Fodeba, a professional dancer and founder of the national ballet, who had become a highly original Minister of Defence. Buron made a speech to the national assembly and then we had all the senior economic officials and the Director of Planning (a veterinarian) in a seminar for three weeks.

In the colonial period, Sekou Touré, who started life as a postal worker, had been a Communist (CGT) trade union leader and a member of the French parliament. He was a great grandson of a warrior chief, Samory, who fought the French between 1879 and 1898. In the 1950s, he went to Czechoslovakia to a school for party cadres. In Guinea he had organised political life on a single party basis. Virtually all adults were expected to join. The party had nearly 8 000 committees and when we visited outlying regions we found roomfuls of villagers who had come to palaver — often with very searching questions. One of the functions of the party was to reduce the significance of ethnic divisions which were physically very marked. Sekou was a very dark skinned stocky Malinke, whereas Saifoulaye was a tall lanky Peul with light brown skin and semitic features.

The Guinean situation was unique in Africa as the French had abandoned the country when it opted for independence in 1958. There was no neocolonial apprenticeship as there was elsewhere in French Africa which became independent in 1960. In a population of 3 million, there were less than 50 Guineans with higher education. There had been 600 Frenchmen in government service, several thousand French soldiers, and about 2 500 expatriates in productive and service enterprises who all left abruptly. As a result, the administration, health services and modern economy had collapsed. The country was excluded from the franc area to which its neighbours belonged. Ministers (virtually all without higher education) had had to improvise an administration

from scratch, getting technical assistance from wherever they could. The radio, (La Voix de la Révolution) was run by a beautiful Hungarian lady. The only newspaper, *Horoya*, had a circulation of 8 000 every two or three days but the East Germans had built the Patrice Lumumba printing plant with a capacity of several hundred thousand newspapers a day. Military advice and incompatible equipment came from China, Czechoslovakia, and the German Democratic Republic. The military effectiveness of the army seemed doubtful, but they did useful work on development projects. They made shoes, clothing and suitcases, mended roads and trained rural *animateurs*. The Defence Minister was also responsible for security and police. There was a crack unit of glamorous ladies who served as traffic police in Conakry and doubled as a night club orchestra. Before we came, the army had had a visit from Franz Joseph Strauss, the German Defence Minister, and when we were there they had another from Che Guevara, the Cuban specialist on guerilla warfare.

The Guinean ministers and civil servants were friendly, without guile, ready to answer all questions, and several of them dressed in traditional Muslim robes. We visited the big bauxite and aluminium operation in Fria, a banana and pineapple plantation, a matchstick factory and a model state farm run by a group of ministers. The farm was littered with Soviet tractors and other machinery, but had no visible output. When I asked the Minister of Planning about the output, he replied “Tu sais, j’ai pas la tête pour les chiffres” (I have no head for figures). The state trading organisation had taken over French shops, which were almost completely empty, and plantation agriculture was faltering. In spite of the chaos, it was a lively and interesting place. It survived by virtue of a robust subsistence economy, widespread smuggling by ethnic groups with relatives in neighbouring countries, and rich deposits of bauxite and iron ore which attracted foreign investment. The mixed bag of foreign aid was quite sizeable, and, on balance, was probably helpful but some of the projects seemed very dubious, e.g. the Chinese matchstick factory imported huge Chinese trees to provide its raw material.

Iran

In July 1965 there was a seminar on supposedly similar lines in Teheran, but it was totally different from Guinea. We met elegant officials and junior ministers with sleeked hair and expensive suits, who listened politely and said little. Hoveida (later executed by Khomeini) was the only interesting one, but we did not learn much about the country. When I tried to discuss the oppressive atmosphere of the place with Buron, he shut me up, as he suspected that his chauffeur might understand and report our conversation.

Pakistan

In May 1965, I went to Pakistan for a month to advise on manpower budgeting (education and use of foreign skills) for the third five-year plan. The visit to Karachi and Lahore was financed by the Harvard Advisory Service, at the initiative of Mahbub ul Haq (1934–98), the chief economist to the Planning Commission.

The Planning Commission was the central agency co-ordinating economic policy and foreign aid. It was part of the Presidential Secretariat, as the President was also head of the Commission.

The 1965 visit was rather brief, but I returned for a year in 1969–70, with the Harvard Advisory Group to work on the social chapters of the fourth five-year plan.

From 1958 to 1969, the military government of Ayub Khan had a strategy of functional inequality. In Mahbub's words, "the underdeveloped countries must consciously accept a philosophy of growth and shelve for the distant future all ideas of equitable distribution and welfare state. It should be recognised that these are luxuries which only developed countries can afford".

Ayub was toppled in March 1969 by workers and students in a climate of social unrest. Political opposition was gathering strength in East Pakistan because of the uneven allocation of foreign aid and the fruits of development. The new military dictator, Yahya Khan, took a number of measures to appease discontent, suspending 15 per cent of high level civil servants for corruption, raising the minimum wage, chastising business tax evaders, promising more resources to education and to East Pakistan. There was also greater emphasis on social policy in the fourth plan than there had been earlier.

In the Planning Commission my main job was to scrutinise policy proposals for education, health, housing, urban water supply, and family planning that came to the Commission from the relevant ministries and the regional planning agencies in Dacca and Karachi. I had to get a perspective of what was feasible from whatever documentary evidence I could collect, cross-examining my colleagues, and occasional visits to hospitals or public works projects.

Pakistan's social structure was still strongly influenced by the heritage of the British raj. The nationalist forces which created the country had no commitment to social reform as in India, nor were they particularly religious. At that time, the religious content was primarily anti-Hindu and certainly not Islamic in any fundamentalist sense. The Pakistan Jinnah created was Vice-regal and the primary locus of power was the bureaucratic-military elite. The organisational framework of this group was still the one created by the British and their working language

was English. Their houses, clubs, cantonments, life style and idioms were British colonial. The group was much bigger than in colonial days. The armed forces numbered 300 000 with 7 000 officers compared with 100 Muslim officers in the smaller Indian army of the British period. There were 500 members in the elite civil service (CSP) and about 1 150 Class I officers under them. This was more than ten times the number of top Muslim officials under the British. These people got the major benefits of government housing expenditure. Urban improvements were concentrated in their cantonment areas. They benefited substantially from expenditure on secondary and higher education. The new class of businessmen got subsidised loans, licences to import scarce goods and other perquisites. The traditional landlord elite was virtually untouched by land reform except in East Pakistan where most landlords had been Hindus. Landlords in West Pakistan were major beneficiaries of government expenditure on irrigation, particularly the new waters that became available after the construction of the Tarbela dam on the Indus river — a World Bank project intended to replace potential water losses to the Indian Punjab.

The bulk of the population was extremely poor. The average weight of an adult Pakistani was 120 lbs, i.e. about 30 lbs less than the average European. Their average haemoglobin count was two-thirds of that in Europe, and in this anaemic state they were readily prone to tuberculosis, pneumonia and influenza. At any one time, a third of the population suffered from intestinal disorders, the rural population was infected by hookworm, and prone to typhoid. Eighty-five per cent of the population were illiterate and most women had a very low status, hidden behind veils with very few opportunities to get a job.

Most social policy action bypassed these people, i.e. major expansions in secondary and higher education, medical training for doctors who emigrated on graduation, housing and urban facilities for the bureaucracy and military. There had been progress in areas where welfare gains were cheap. Malaria, dysentery, and smallpox eradication programmes, together with access to simple drugs had prolonged average life expectation from 30 to 50 years in the two decades since independence, and there was plenty of scope for further cheap gains by expanding and improving primary education, better water and sewerage, birth control programmes, better trained teachers and nurses, better rural health centres.

By the beginning of 1970, it was clear that the government was incapable of bringing any significant social change, political unrest increased, particularly in East Pakistan, and it seemed likely that the country would break up. In mid-1970, the Harvard Advisory Group's work was discontinued.

Mongolia

On my terminal leave from the Centre in January and early February 1967 I undertook a bizarre and picaresque mission for my friend Herbert Philips in UNESCO. I visited Outer Mongolia and Cambodia to investigate the role of science in economic development. I was mainly interested in the Mongol part of the trip, as I had taken a course on Mongol history at Johns Hopkins, where Owen Lattimore had a project including the exiled head of the Mongolian buddhists, the Gegen Dilowa Hutuktu, and two Mongol princes. My companion on the trip was Ratchik Avakov, a Soviet Armenian who had worked in IMEMO in Moscow and who was then working in UNESCO. At first he was a bit suspicious of me but after a month together and 30 000 miles of travel in climates ranging from 30 degrees below zero to about 80 above, we ended up like brothers.

I began to realise Ratchik's value in Moscow when he got the Mongol ambassador out of bed early in the morning and demanded that he give me a visa. That way we got an Aeroflot plane the same day that landed at Omsk and Tomsk and finally deposited us in Irkutsk, where we waited a long time for the two-engined Antonov of Mongol Air. By mistake I picked up what I thought was the only British passport in Irkutsk and met its owner, the wife of the British ambassador to Mongolia, who was on the same plane.

There was only one hotel in Ulan Bataar, a city where a large proportion of the population still lived in *yurts* (felt tents). Most of the adult inhabitants had deeply lined faces from constant exposure to the extreme climate. A large proportion were bow-legged — they spent a good deal of their lives in the saddle in a country with two and a half million horses and only a million people. They drank fermented mare's milk (*kumiss*) which they boiled with tea, and they ate a good deal of horsemeat, often steaks sliced off the haunch of a living animal. The food in the hotel was abysmal. The Yugoslav cook had gone insane trying to improve the local diet. There had been a big expansion in cereal output, so he had put bread on the menu, but it came in damp, heavy, unsliceable chunks. Fortunately, Heath Mason, the British Ambassador, invited me to dinner a couple of times. The Embassy was in the hotel, and he got a regular monthly supply of tinned Yorkshire steak and kidney puddings, delivered in the diplomatic pouch by two Queen's messengers who helped eat them. Mason seemed to me a very good ambassador. He spoke Russian (as all Mongol officials did), went hunting with the locals, and idiosyncratically, wore tropical khaki shorts indoors, amortising an outfit from his previous posting in the Congo!

The country had broken away from Chinese rule in the early 20th century and had been in the Soviet sphere of influence since the 1920s as a buffer state. The old princely class, and the large population of Lamaistic Buddhist monks had been obliterated. The old cursive script, written in vertical columns was replaced by a Cyrillic script, written horizontally. The political system was reorganised on the Soviet model, and there were large amounts of Soviet aid and technical assistance. In particular there was a large Soviet military input. In the Summer of 1939 a Japanese invasion had been repulsed by the Soviet army in the battle of Khalkhin–Gol.

Chirendev, the head of the Academy of Sciences, was an atomic physicist and told us about its major research projects. The biggest was on agriculture, a second on mathematical and natural sciences, with a much smaller commitment to social sciences. There was also research activity in the University of Ulan Bataar and in the geological institute. In all, there were 9 000 people with higher education (540 times the Guinean ratio to population) and 1 000 of these were in research institutes. We also talked to the ministers of labour and education, the rector of the university, the planning ministry and the statistical office. It was difficult to assess the impact of science and technical change on growth, but there had clearly been large changes over the previous 40 years. Communication was sometimes a bit difficult. I asked Mrs. Lchamsoryn, the president of the State Commission on Labour and Wages, how many people were unemployed. The interpreter told me it was a silly question. I persisted, and was told that “under socialism there can be no unemployment”.

We made a field trip about 30 kilometres out of Ulan Bataar to a collective farm where yurts were huddled together and surrounded by wooden fences to mitigate the cold wind. Here as elsewhere, there were hundreds of horses. We went to an outlying brigade, a kilometre or so from the farm headquarters, to have boiled tea and interview an old peasant. I asked him what difference socialism had brought, and he said, echoing Lenin, that socialism meant electricity. It was only then that I noticed an electric wire from the main camp to his yurt. As Mongols move their herds and yurts around to different pasture in the course of the year, I wondered if the electricity moved with them.

What Might Have Been

Before I went to the Centre, I spent more than a decade on the policy problems of advanced capitalist countries, assessing their growth potential. Generally the results exceeded my expectations. I felt that OEEC’s efforts in reducing trade barriers and promoting articulate exchange of views on policy options contributed greatly to the euphoric performance of the 1950s and 1960s.

The Centre's activities were devoted to a "Third" world which then had a population of 1.5 billion compared with 650 million in OECD countries and a billion in the communist world. This Third World was much more heterogeneous in institutions and levels of income than OECD countries, with different policy problems and predilections and no experience of the type of co-operation which OEEC had developed. From my point of view the Development Centre was the ideal place to get to know this world, of which I was fairly ignorant. I was able to visit a wide range of countries, develop a new network of contacts and get some understanding of their problems. I enjoyed a great deal of freedom in my research topics and choice of countries I worked on. What worked for me was true for many others in the Centre.

In retrospect, there are two ways in which it might have been better:

- a) the senior staff of the Centre were all from OECD countries. Our work would have been enriched if some of them had been from the Third World. It was clear from my experience in Brazil, Mexico and Pakistan that there were extremely sophisticated people engaged in policy analysis in those countries. Their experience, insight and judgements would have been very useful to the Centre, and they would also have become more familiar with OECD. We did, of course have visits of a few weeks by Arthur Lewis and Jagdish Bhagwati, and some junior staff like Arjun Sengupta, But the Centre should have been able to invite a senior visiting fellow at least six months every year;
- b) the Centre could have played a bigger role in familiarising OECD with the macroeconomic performance, problems and policy weaponry of the Third World. This was not for want of trying. We did prepare a paper on these lines in the autumn of 1965, which we proposed to present to the Economic Policy Committee, but were rebuffed by its Secretariat. I think we should have persisted and produced an annual report on these lines for publication. Apart from its substantive value in analysing interactions between two major parts of the world economy, it would have been useful in orienting the Centre's research programme, which, in the early days, was kaleidoscopic in its range, and it would have been a public declaration of the Centre's role as an intermediary link between these two worlds. It could have been done by a handful of people, as was the case with the annual OEEC reports on the European economy, and the Centre had a better macroeconomic database at that time than the World Bank.

Notes

1. I am grateful for comments from Derek Blades, Michel Debeauvais, Rostislaw Donn, Giulio Fossi, Colm Foy, Ron Gass, Carl Kaysen, Ian Little, Helen Schneider, and Margaret Wolfson and for documentary material from Carl Kaysen and the OECD Archives Service.
2. The first head of the research division was Gerry Arsenis (later governor of the Bank of Greece and Finance Minister). Friedrich Kahnert (1929–2002) took over in July 1966 and stayed until 1977. He played a major role in reorienting the research activities of the Centre when it was restructured. In 1967 it was decided to discontinue the appointment of fellows and use the resources to create a much larger research division. In 1972, the post of vice president was abolished and Friedrich became the chief staff member under the President. Within the research division, systematic assembly of developing country national accounts was a major commitment. The work was started by Witold Marczewski (also from OEEC), who left in the 1980s and was succeeded by Michèle Fleury. In the 1970s the national accounts work intensified with the arrival of Derek Blades, who had been chief statistician in Malawi for eight years, and David Roberts who had had a similar appointment in Gambia. The Centre held a number of seminars for statisticians from Asia, Africa and Latin America, and published two large volumes, *National Accounts in Developing Countries of Asia*, 1972, and *National Accounts and Development Planning in Low Income Countries*, 1974. Derek Blades and David Roberts moved to the OECD Statistics Directorate and played a major role from 1982 onwards in reviving its former research on the purchasing power of currencies and comparative levels of real product. In the 1990s they were active in helping the successor states of the former USSR to create Western style national accounts.
3. When I came to the Centre, several people came with me from the Technical Co-operation directorate. They included Frank van Hoek, who organised the Centre's relations with Development Institutes; Giulio Fossi, who worked in the Question and Answer Service and acted as an aide to Novacco. Gisela Schade became Goldsmith's research assistant. George Fessou and Christiane Guymer came as administrators. Solange Bernadou worked as a statistical aide in the research division. Valerie di Giacomo and Hilary Georgeson had been my secretaries and also came to the Centre. The cheerful ambiance was further enhanced by the arrival of Ohlin's research assistant, Ardie Stoutjesdijk (later a Director in the World Bank and the

Bank's man in Moscow), and my research assistants, Arjun Sengupta (later economic advisor to Mrs. Gandhi, and Executive Director of the IMF), and Taky Thomopoulos (now Deputy Director of the Bank of Greece).

4. For a more detailed assessment of OEEC work on economic policy, see my autobiographical essay "Confessions of a Chiffrephile", *Banca Nazionale del Lavoro Quarterly Review*, June 1994.
5. The Mediterranean Regional Project (MRP) was probably the most successful operational activity of OECD. It was intended to help the six participating governments to improve educational resource allocation and analysis and to provide training opportunities and work experience to a large number of young "fellows in human resource development" (20 each year). Apart from the six country reports in 1965, there were several other publications on the role of education in growth and development. Most notable were the lectures given at the first training course at Frascati (*Planning Education for Economic and Social Development*, 1963) and seminal papers in *The Residual Factor in Economic Growth*, 1964 (by Ed Denison, Trygve Haavelmo, Harry Johnson, Nicholas Kaldor, John Kendrick, Eric Lundberg, Tibor Scitovsky, Amartya Sen, Jan Tinbergen and John Vaizey). The MRP approach was extended to Latin America and the Middle East in 1964–68 in a project financed by the Ford Foundation, and Michel Debeauvais came to the Development Centre in 1968 to follow up these activities. The MRP and most subsequent OECD educational activities were initiated by Ron Gass, the head of the Science and Technical Personnel Division in the European Productivity Agency and Director of Social Affairs, Manpower and Education in OECD. His imagination, vitality and organising ability were a major reason for their success
6. See *Development Plans and Programmes*, Development Centre, 1964.
7. I did this study after I left the Centre, see *Economic Progress and Policy in Developing Countries*, Allen and Unwin, London, and Norton. New York.
8. See Maddison, A. (1992), *The Political Economy of Poverty, Equity and Growth: Brazil and Mexico*, Oxford University Press.