

POLITICS AND PUBLIC POLICY

LDCs are under great political pressure and will be under increasing pressure to limit their transfers of wealth from their countries to Western and Japanese banks. Their negotiations with Western financial institutions cannot be perceived domestically in their countries as less tough than their neighboring countries. The fact is the developing world knows that the annual increased lending from banks does not nearly approach the interest they pay out. That is not a sustainable situation for them or us. Second, our financial institutions, pressured by regulatory agencies and stockholders, and given the alternative investment opportunities and the lessons from past experience understandably are reluctant to lend more. Third, given the interdependence of economies between the developed and underdeveloped world, a lack of new external funds means minimal or negative growth, leading in turn to a contraction of trade and an inability of indebted countries to earn the dollars needed to service debt -- a problem yet further compounded by protectionist measures which defeat their export potential and capacity to earn dollars.

And, all of this is a vulnerable political environment. You know the old standby that economic development is necessary for political stability. You also know, however, the truth that economic development can be a destabilizing phenomenon itself, that countries,

of all sorts -- fragile democracies, and dictatorships, military regimes, corrupt societies, bureaucratic nightmares, go through a variety of stages in their political development as they cope with rising expectations, ineffective management, and increased demands on government. So perhaps we can be more precise. While there is no recipe for political stability, there is, however, an open invitation to instability -- if we cut off hope in a life time, let people think their children will have no more than they have, freeze privilege and opportunity in small pockets of the society. Then, most assuredly, we will have unstable regimes and unliberal political outcomes.

There is, therefore, great vulnerability at every level but little public policy response. There is little integration or recognition of links; little awareness of how vulnerable is the financial system, which in turn is now hostage to the stability of LDCs. And public service and public policy have a bad name. But we are in a high risk business with lots at stake. We must learn about finance, political economy, social historical trends, and must know how to recommend, act, and implement. There will be little use for "should" thinking. The world should get along, spend less on defense, protect human rights, reduce poverty, not support dictatorships of left or right, reduce nuclear weapons, facilitate trade, not crush it. Not because these may not be fine goals, but because they take you just a short way, if at all, on how to do it.

And to know how to make better policy, one must have a position of responsibility authority and knowledge of how the world actually works, what can be done by whom and how fast, and how much cannot be done. And it involves a knowledge of what one does not know, and the implications of mistakes -- an awareness of our own fallibility and uncertainty. That is the subject of public policy -- a life of excitement and challenge.