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"THE EMERGING NATIONS: POVERTY, HEALTH AND POLITICS"

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I would like to talk about several matters this evening and share with you some thoughts, some ideas, some perceptions about the world in which we live. But I must admit to some concern and anxiety. The fact is I do not know you. Indeed, except for some rather recent experiences I have know few physicians or scientists. Perhaps we see from different perspectives, reconcile conflicting priorities in a different fashion or are touched by disparate things. Some of my colleagues, reflecting their perception of the demands and expectations of an audience predominantly in the healing arts, suggested that my remarks be strictly limited to matters of science and health and perhaps to questions of social responsibility. My more pragmatic associates have suggested that I talk to you about the effects of rising insurance costs and how those costs are ultimately borne by the entire society. My more "aware" colleagues, with little regard to the hostility I might engender, suggested that I talk about the virtual absence of women in the highest administrative and managerial positions of the nation's medical schools and hospitals. My more insecure friends suggested I seek to impress you with the magnitude and scope of the World Bank operations: we will lend or grant credits this year to developing countries in excess of 10 billion U. S. dollars. The Bank, since its inception, has appraised and supervised the direct lending of over \$40 billion. Its staff consists of 2300 professionals and includes over 900

financial analysts and economists from over 100 different countries. We expect soon to earn profits of \$400 million a year. We have never suffered a loss on any of the 1600 loans made to developing countries since the formation of the Bank in 1946. My politically-preoccupied colleagues have suggested that I talk to you about oil, OPEC and inflation. My friends have suggested I talk to you about my recent double coronary bypass surgery and how a layman, international banker, lawyer goes about deciding whether to undergo such surgery, how he evaluates the Veterans Administration versus the Baylor Study, and ultimately how one goes about choosing a surgeon and hospital. My most perceptive friends simply comment on how the mere recitation of alternatives is proof enough of the most outrageous Type A behavior.

Thus, you and I could communicate with each other in the language of rising costs, or politics or even the relative advantages of the use of mammary versus vein grafts for coronary bypass surgery. You would observe, perhaps, that I as a layman had provided you with some useful anecdotal, though probably naive, comment on medical practice, surgery and research. This commentary, I assure you, and you would agree, would have been far more perceptively and elegantly reported by Drs. Loop, Braunwald, Mundth, Laurie, David, Read, Hullgren, McIntosh, Garcia, Murphy, Nolan, Preston and many others.

But these matters seem somewhat clinical - alas that is the best word I can find. They provide few insights into what uses the energy and occupies the thinking of my friends and associates. The fact is I would like to talk to you about matters with which you may not be familiar. In so doing I take a chance. But I believe we do have something important in common. Hopefully,

we agree that confronted with problems and dilemmas, rational people will ask questions and take those steps which ultimately will offer the most pleasure and the least pain, the most happiness and least anxiety; in the language of the economist - the most benefit at the least cost. Perhaps the Stanford Graduate School of Business owes more to Freud and Jung than it cares to admit. Fundamentally, therefore, I will talk about pain and the response to it; how people react to their environment and how we have responded to those people. It is on that basis that I seek to communicate with you.

I will speak first about a basic problem - poverty; second about how that poverty affects the least advantaged; third about the varied and disparate stages of development in the world, and finally about the response of the industrialized world.

The problem perhaps can best be defined by example: The poorest one billion people in the world have a Gross National Product per capita of less than \$200 per year. In the United States, the Gross National Product is 40 times as great. The poorest 40 percent in those countries with the poorest one billion people earn less than \$50 a year. The current increase in Gross National Product in the United States in one year equals all of India's annual Gross National Product.

Permit me to be more specific: The poorest one billion consume 40 percent fewer calories than do we. They have a caloric deficit of 250 calories a day. Almost 60% of the 2 billion people who live in the 90 developing countries, are malnourished. Malnutrition is either the primary or contributory cause of over 50% of all deaths of children at the ages between 1-4 years in developing countries.

Child mortality is 10 times greater in the poorest 35 countries than in Western Europe. There, the likelihood of dying before the age of 5 is 25 times greater than for those who live in the wealthiest countries.

Almost half of the deaths in Egypt occur before a child is 5 years old. In Pakistan, the 1-4 year old death rate is 40 times the rate in Japan. For 1-2 year olds, it is 100 times that in Sweden. In the mid-1970's life expectancy for the average industrialized country was over 70 years; for middle income countries 58 years; for the poorest 35 countries with one billion population, 44 years. And all of these data represent a substantial improvement from conditions 15-20 years ago.

In industrialized countries, the ratio of physicians to service the needs of the population range from 1 in 500 to 1 in 900. In the poorest 35 countries the range is from 1 in 4,000 to 1 in 69,000. By comparison, in France there was one physician for every 680 people in the mid 1970's.

In Ethiopia only 8% of the population has access to safe water; in Indonesia 11%, in Haiti 12%, in Paraguay 13%, in Thailand 25%. Safe water is not available to 75% of the entire developing world's rural population.

The adult literacy rate for the 90 poorest countries is about 50%. It is 7% in Ethiopia, 15% in Zaire, 21% in Pakistan, 23% in Bangladesh, 35% in Algeria. In the mid 1970's only 25% of Latin America's young people attended a secondary school, 20% in Asia. The proportion is 1 in 10 in Africa. And the education received by those in school is often poor in quality and unrelated to the needs of the student and the country in which he lives. The number of illiterates is estimated to double from one billion in 1970 to over two billion by the year 2000. Though the number of schools has more than doubled in the last 10-12 years, in developing countries, there are no schools at all for 300 million children. Consider, in the

context of rising populations what this means when the world has over two billion people who cannot read or write in the year 2000. They will be illiterate, not unwise, not without sense, not without guile or wile or feelings of anger and hostility. Just illiterate.

The population of the world in 1975 was about 4 billion people. In the year 2000 it will be about 6 billion. Half of the increase in population will come from countries whose per capita income is now below \$400 per year. Large cities are doubling in size every decade. Shanty towns are typical. Twenty five years ago there were 16 cities in poor countries with populations of 1 million. Now there are 60. In 25 years there will be 200. In cities alone in developing countries, 42% of their population will live in cities and towns as compared to 29% in 1950, reflecting their migration from rural communities.

In India, the labor force will grow by 48 million people in 10 years from 1970-1980. That incremental growth is approximately equal to the combined labor force of Great Britain and Germany. And there are scarce work opportunities throughout developing countries, particularly in the industrial and urban sector. Migration to urban areas has put great pressure on these centers to provide for badly needed services.

Almost everywhere the rural underemployment problem is worse and, since it involves the poorest of a developing society, it is even more tragic with over 80% of the working population in the poorest countries working in the agricultural sector. Typically it results in large families sharing the little work provided by tiny farms, or landless laborers who find jobs only at peak seasons of the year. The result is an immense waste of potentially

productive resources. Such massive unemployment among youth carries the lost opportunity to acquire productive skills and steady work habits at the most receptive age, plus a corrosive social frustration.

Industrialization in many countries is slow and difficult. A reasonable measure of the level of industrialization in a country is its per capita consumption of energy (e.g. measured in kilograms of coal equivalent). The annual energy consumption in industrialized countries ranges from 3,000 to 11,000 kilograms per capita. Annual energy consumption per capita for Zaire is 78 kilograms, for Indonesia 178, for Pakistan 183. It is 4000 kilograms per capita in France.

And although the collection of statistics on income distribution within the developing world is a relatively recent effort, and is still quite incomplete, the data point to what is happening. In the mid 1970's among 40 developing countries for which data were available, the upper 20 percent of the population received 55 percent of national income in the typical country, while the lowest 20 percent of the population received only 5 percent. That is a more uneven distribution than in most industrialized countries. In India 12 percent of the rural families controlled more than one-half of the cultivated land, and in Brazil fewer than 10 percent of the families controlled 75 percent of the land in the mid 1970's.

These facts are not comfortable. But they are facts. They symbolize the lives of much of the human race. Robert S. McNamara, President of the World Bank, summarized it this way: "Hunger and malnutrition are sapping energy, stunting bodies, and slowing minds. Illiteracy is locking out learning and paralyzing opportunity. Unemployment is not only robbing men of the minimal means to make their way, but leaving their pride broken

and their ambition atrophied. Wholly preventable diseases are injuring infants, and aging adults long before their time. It is not a scene that any one of us here -- so favored, so fortunate, so surrounded in our personal lives by privilege and advantage can contemplate without compassion and resolve. The blunt truth is that absolute poverty today is a function of neglect -- and of our neglect as much as of anyone's."

In sum, hundreds of millions of individual human lives -- with all their inherent potential -- are being threatened, narrowed, eroded, shortened, and finally terminated by a pervasive poverty that degrades and destroys all that it touches.

And yet as dismal as are these facts, they represent a substantial improvement over conditions 20 or even 10 years ago. Private flows of capital and concessional assistance have in fact helped alleviate even worse conditions. Improvements have been made. But much remains yet to be done if the gains are not lost to the effects of a still continuing life-style of poverty. What are the effects? The cumulative effects of these problems are obvious. As he begins to build a family, the conditions of his lifestyle point only to a repetition of the same cycle for his children. His life becomes one of boredom or despair, or sadness or frustration or violence. Unlike his ancestors he knows - he sees - he hears how others live, though his response is varied and not easily predictable. For some, clearly the binding and consuming attachment to children and family inhibits mobility and possibly even politicization. For some few perhaps, a relaxed resignation characterizes their life - a life slipping into lethargy, basically unproductive and exploitable. For

many others, however, events do not change fast enough. And the absence of any perceived change is destructive to the societies in which they live and to their peoples. You may ask why, in view of the rather extraordinary advances in many developing countries, there should remain an underlying pessimism or frustration. The point is simply that the recent advances have not touched many in a meaningful way. Hundreds of millions have not participated in the growth of the last decade or they have not perceived the growth. They know their lives are short. It may take decades to provide for agricultural extension services, generations to educate, years to build roads and dams. It takes time to accumulate leisure time. Change is almost invisible. It moves by unseen increments, scarcely observed. It matters little that Central Bank reserves may rise from \$1 billion to \$4 billion or \$14 billion in a few short years. It is an intangible and often does not touch the lives of the poor. Certainly there may be more cloverleaf overpasses, more dust, more building, but often, for the poor or near poor, there is no access to the rooms within the buildings.

And, change is often far overshadowed by greater expectations. These expectations often cannot be realized; even when realized they sometimes appear hollow and meaningless. The benefits are often made to seem more alluring and satisfying than they ultimately are or can ever be.

And there are those who are excluded from access to society by language, by speech, by education. They have minimal physical mobility and little access socially. They sense their absence of power - their lack of access to it - and perhaps its absence is the underpinning beneath



the patent frustration of the poor. Is it not the lack of access that weakens the sense of conscience, which restrains anti-thetical behavior?

There is, too, the frustration born simply of the awareness that others are different. There is the sense of frustration over energy and elegance; there is that awareness not only of what they do not have but what you and we have -- an ability to run and work hard and play hard without exhaustion. They are, too, aware of that vague uneasiness that those fortunate few of us feel when confronted by them. Charles Lamb, the essayist, called the poor "a stain in [our] blood" ... "a death's head at [our] banquet" ... "a rent in [our] garment ... the ounce of sour in a pound of sweet." They know we are ill at ease and, alas, I suspect they think it is of their own ill-doing.

For those with little hope, the reactions may range from a sort of catatonia, to a holding on to family or children, to a violence born of frustration and anger which accelerates as expectations and education just begin to impinge on their lives. And there develops, inexorably, that hostility between those who work with their hands and those who do not, between those who work and those who do not or cannot or will not, between those who are born to lead and are comfortable with it and those who have no choice but to compete and be lead, between those who own or are owned and between those who have moved -- upwards, toward the class from which they have but recently moved.

Disenchantment has many faces. It shows itself in violence born of hopelessness, in depression or sadness or despair, in sickness or in unproductivity, in migration across borders, in days off, in slowdowns,

in strikes, in protests, in terrorism, in guileness, in war, in insurrection, in coups, in riots and looting, and of course in self-destructiveness. And in disenchantment, the marginal man's latent propensity to damage himself and others quite overcomes his lethargy. He no longer can wait until someone, something offers hope for a better life. Percy Bysche Shelley wrote the refrain 170 years ago:---

"Rise, like lions after slumber,  
In unvanquishable number!  
Shake your chains to earth, like dew  
Which in sleep had fallen on you!  
Ye are many -- they are few."

We are the few.

Rising hostility, we all know, inevitably leads to counter-reaction. In some nation-states, authoritarian control is often achieved for decades -- for generations in the name of continuity, orderliness and efficiency. Resources are allocated and mobility is enforced, not achieved; dissent is stifled. In other societies (and not necessarily only in developing countries) visible and quick palliatives are sometimes designed to dissipate accumulated tension and frustration. You are familiar with the monumental actions or speeches or concepts unveiled to deflect the disenchanted and turn the eyes of the body politic elsewhere. For a while such steps are accommodated or welcomed.

The problem is compounded by the fact that change, modernity, productivity which is sought after, or demanded or needed is a mixed blessing. It is not a welcome visitor by all participants in society. For many, their own security, their ties to where they think they fit are

often threatened by change. Cultural traditions go deep. Change we know is resisted often from those who, on the surface, would appear to benefit the most -- at least in material terms. In recent times, we are familiar with governments of the left and right, democratic or demagogic, who have been unable to strike that delicate balance between the demands for change and the resistance to it.

This is not to say that all or even most societies populated with the poor and near poor fall apart or move drastically to the right or left or to anarchy or political mysticism or lethargy. In many developing countries, the incidence of great natural resources, primary products, raw materials, and independence offered an opportunity to make great advances in productivity.

Some countries joined cartels notably with respect to the pricing of oil, or otherwise priced simply according to the demand for their goods. In short, they made use of the techniques tested and refined by more industrialized societies. They exercised their power -- power derived from knowing that they had what we wanted. They were and are independent nation states.

For centuries, we must admit, these countries' raw materials and primary products were controlled outside the borders where they were physically located. This was no longer true after the Second World War. Leaders of emerging nations recognized that growth in the industrialized world in large part was attributed to cheap energy, inexpensive raw materials, and captive markets. And after the Second World War developing nations increased their exports to satisfy the almost insatiable demand for

consumer goods. Many resources were not and are not in abundant supply even in great industrial powers: in the middle 1970's the United States imported 90% of its bauxite, 35% of its iron ore, 85% of its tin, 60% of its zinc, all of its natural rubber. It imported almost 100% of its coffee, cocoa, banana and palm oil. It imported 30% of its tobacco and over 40% of its sugar. It now imports almost 45% of its oil. Jamaica, Guinea, Surinam and Guyana exported 70% of the world's bauxite; Chile, Zambia and Zaire 40% of its copper; Malaysia, Bolivia, Indonesia and Thailand over 70% of its tin. Over 80% of the world's natural rubber is exported from Malaysia, Indonesia, and Thailand, and 25% of its sugar is from Brazil, the Philippines, the Dominican Republic and India. The industrialized world's reliance on imported oil need only be noted here.

In other developing countries natural resources were scarce. These countries, however, had human resources and a sense of the potential advantages of a competitive labor force. They did not have bauxite, copper, natural gas, zinc or oil or, if they did have it, it was deep beneath the surface, not yet explored, for which they needed enormous inflows of external capital - and political stability. There were few elegant social programs. Mostly, they had populations who had to work. Their productivity and standard of living rose quickly. Their finished products have become increasingly complex. Significant advances were made as they sought to escape from the low productivity of earlier times. Many are now involved in the massive rearrangement of an international comparative advantage that started amongst what are now industrialized countries. Nine developing countries had annual exports in the mid-1970's

in excess of \$2 billion compared to only two but five years earlier. Their total current account deficits declined to the level of pre-oil price increases as a percentage of GNP. Korea is about at the stage of development where Japan was in 1960. Improvements were clear and unambiguous in many "middle income" countries.

Industrialized societies were thus confronted with a variety of circumstances and reactions from developing countries in the 1960's and 1970's. In some there was civil war and violence which did not leave industrialized societies untouched. Industrialized societies were also confronted with higher raw material and primary commodity prices, higher energy costs, increased competition in finished goods and products, sophisticated product design and development, entry into basic industry such as steel production -- usually the prerogative only of the richest countries. And, new political, economic, and financial relationships - all pressed what we label "Western" societies to cope, in a very short time, with a bewildering array of new and emerging arrangements. The concept of a homogenous "Third World" rapidly became obsolete - if it ever had any meaning. It included such diverse countries as Korea, Mexico, Brazil, Nigeria and the Philippines, commodity rich countries in the Persian Gulf, and incredibly poor countries with minimal natural or human resources. It included countries with reasonable stability and others beset by violence. Some were democratic; others not at all.

Time does not permit any meaningful reference to how the industrialized world reacted to the changing political relationships between

developing countries and industrial states. Nor can I speak, other than to note here the great need for increased concessional assistance to the very poorest nations that have few resources and where concessional assistance must be blended with other forms of external resources in order to act as a catalyst for growth. I would like to focus, however, on the rather broad response of most industrialized countries to the increased exports of developing countries to industrialized societies. This response from industrialized countries, almost without exception, did not distinguish among the developing countries and paid scant regard to their stage in the development process, their trade balances, their need for foreign exchange and reliance on exports, the domestic political and financial options available to them, or indeed even their international political alternatives. Despite the tremendous advantages of the industrialized world, the developing countries were faced with a rising tide of protectionism, not competition, a protectionism which will do them great damage if it were to continue and which will also do considerable damage, I would suggest, to importing industrialized nations.

The protectionism takes a variety of forms, such as "orderly" market arrangements, quotas, price floors and countervailing duties. There are administrative and bureaucratic obstacles to imports, and subsidies to domestic industries which are designed to and have the effect of reducing imports from developing countries. And if the trend continues, a viable option for developing countries will be foreclosed. They would be punished for their productivity and quality,

which would be thwarted by measures which block their access to markets. The response of developing countries cannot yet be predicted because of their diverse circumstances and their capacity to fix prices, withhold or restrict raw materials or form new political/economic relationships. Certainly disenchantment and frustration will not diminish.

Developing countries must be given the opportunity to earn the foreign exchange, to enable them to pay for what they must import from industrial societies: energy, food, capital goods, and even those consumer goods which may reduce their tensions and offer some diversions from a degrading and debilitating lifestyle. And, of course, they must be given the opportunity to earn the foreign exchange needed to service their external debt to the industrialized world. In the mid 1970's industrialized societies, despite the recent advances of developing countries, exported \$125 billion of manufactured goods to them while importing only \$25 billion. They cannot pay for these imports if they cannot market their exports.

Nor will protectionist measures by industrialized societies even serve the purpose for which they are designed. Quite apart from the fact that developing countries must be able to earn the foreign exchange through exports to pay for their very much larger imports and their external debt, protectionist acts serve to delay structural change and mobility of labor in industrialized societies themselves. Labor costs inevitably will rise more than if greater labor mobility were encouraged by letting market forces work. Inflationary pressures also will increase in industrialized societies because of the indirect subsidy implicit in

such measures and because less expensive goods are foreclosed from the market. The effort in the short run is to keep weak and inefficient industries and sectors alive, rather than to design effective incentives for labor and capital to shift to more productive goods and services. Ironically, the point of the protectionism - the reduction of unemployment in particular sectors - is itself a dubious proposition. The impact of unemployment in industrialized societies from imports from developing countries is minimal. It is dwarfed by the unemployment resulting from economic slowdowns or technological changes in industrialized countries themselves. And what are we talking about in quantity?: the total finished goods produced and exported by developing countries accounts for only 2% of those consumed by industrialized countries. Even in textiles and clothing the proportion of imports is minimal compared to its total consumption: 2% in France, 4% in the United States, 4% in Japan, 5% in Canada, 8% in Germany. It indeed would be a sad anomaly if affluent societies who have preached to the poor the virtues of work, productivity and competition as a solution to their ills foreclosed developing countries from their markets through the use of techniques so inconsistent with free and open enterprise.

I do not mean to deprecate the problems faced by political leaders in industrialized societies. They know far better than do I the effects of protectionism on the efficiency and productivity of their society. They know the considerable costs. And certainly it would be naive not to recognize that leaders of industrialized societies are subject, during relatively short tenures in office, to the normal and considerable pressures of their constituents - pressures from farmers, textile workers,



tool manufacturers and steel producers. Admittedly, it is not easy to tell protesting constituents, whose unemployment ranks are rising and profits declining in the face of imports of less expensive goods, that wise economists say they should move to different locations or jobs. Often such flexibility is simply not possible. Few governments have concentrated on exactly how to rearrange their economies in the face of an interdependent and competitive world. And the problem is particularly difficult for democratic societies which do not and cannot tolerate steps which, in effect, would dictate where their citizens must live or work in order to allocate human resources in the most "efficient" manner.

The problem is compounded by the fact that the advantages of forgoing protectionist measures may be delayed and not visible for some time. The pleasure, the gains are reserved for the future through a more appropriate allocation of resources, but the unemployment, the initial and visible costs, may be painful. Political leaders, I understand, on occasion find it difficult to take steps which provide for future benefits for future constituencies and future leaders at the risk of immediate costs to those who have voted or tolerated them in office. They do not often encourage a dialogue with their constituencies to spell out the less visible costs of a protectionist stance; inflationary pressures, loss of markets, weakened political and economic flexibility.

If you accept the premise that protectionist measures will make intolerably difficult the drive in developing countries for food, better health conditions, access to clean and safe water, jobs, literacy, leisure

time and a sense of self-respect, and not incidentally to meet their obligations, then perhaps the case of a more accommodating stance might be more readily acceptable in industrialized societies.

Permit me to conclude with a final comment about the very poorest countries. If nothing is done to relieve the absolute poverty, it will double in twenty years. And for the poorest countries even those with rather minimal exports, they too, like middle income countries, would benefit from a reduction of those measures which limit their export potential. For them, however, an increased flow of private capital and concessional assistance is of course required - concessional assistance for projects with high economic returns and which are designed to increase food productivity, literacy and employment opportunities.

There remains a basic question. Beyond self interest and practical politics, why should we, people like those of us in this room, work to assure that the process of development be encouraged and sustained. Robert Kennedy wrote about the beauty of what rational man can do. I quote him:

"Think how our world would look to a visitor from another planet as he crossed the continents. He would find great cities and knowledge able to create enormous abundance from the materials of nature. He would witness exploration into understanding of the entire physical universe, from the particles of the atom to the secrets of life. He would see

billions of people separated by only a few hours of flight, communicating with the speed of light, sharing a common dependence on a thin layer of soil and a covering of air. He would also observe that most of mankind was living in misery and hunger, that some of the inhabitants of this tiny, crowded globe were killing others, that a few patches of land were pointing huge instruments of death and war at others. Since what he was seeing proved our intelligence, he would only wonder at our sanity. It is this monstrous absurdity that must be the target of the modern revolution".

But there is another perhaps more fundamental basis for our concern for our fellow man. The poet John Donne put it simply:

"No man is an Iland, intire of it selfe; every man is a peece of the Continent, a part of the maine; if a Clod bee washed away by the Sea, Europe is the lesse, as well as if a Promonterie were, as well as if a Mannor of they friends or of thine owne were; any mans death diminishes me, because I am involved in Mankinde; And therefore never send to know for whom the bell tolls; it tolls for thee."

Thank you for your courtesy.