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TRANSCRIPT OF INTERVIEW OF

JACK I. STONE

BY

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THOMAS G. WEISS: This is Tom Weiss interviewing Jack Stone, who has traveled to New York to The Graduate Center on Tuesday the 12th of February 2002. Jack, I wondered whether we might begin at the beginning, and whether you could tell me just a bit about your family's background, and how you think this was linked to your own subsequent interest in international affairs.

JACK I. STONE: Well, my parents were both born in the same small town in Russia—now Lithuania. They came to the United States separately. My father was a dozen years older than my mother, and he emigrated to the United States around 1900. She remembered him, as a little girl, in the old country. They met when she came to the United States early in—I was going to say this century, but I should say the last century. They met in St. Paul, where some relatives of each were. They married soon afterward, in 1916. My older brother was born in 1917, and I was born in 1920. My younger brother was born a year later, in 1921.

Now, my interest in international affairs really developed as part of my education. I, of course, was enormously stimulated to an intellectual career of some sort by the whole environment of Jewish second-generation immigrants, many of whose parents put an extremely high emphasis on academic excellence. The dramatic events in the 1930s in Europe were a constant reminder of the importance of international affairs. My parents placed academic achievement as the highest aspiration for their children—and in my father's case, well ahead of the pursuit of wealth or sports or social prominence. My father, an intermittently unsuccessful merchant in the 1920s, was religiously very devoted and pursued Talmudic studies throughout his life in preference to hustling for worldly success in business.

My mother was a strong driving force for academic effort by her children and was very proud of our achievements. She herself came from a line tracing back to some famous rabbinical scholars in seventeenth and eighteenth-century Lithuania. My older brother, Walter, got a Ph.D. in English at Harvard and went on to teach at Vassar, and was beginning to enjoy considerable success as a short story writer, essayist, and poet, when he met an untimely death at forty-two. He was a major influence, inspiration, and stimulus on my own intellectual development. My younger brother, Irving, went on to become a successful periodontist.

We lived in Minnesota until I was five. We moved to Seattle, Washington, from my age of five to thirteen. Then I was high-schooled in Kansas City, Missouri, in the depths of the Depression, actually. I went next to the Junior College of Kansas City, Missouri, which had a very fine academic reputation at the time. I took the scholarship exam, the national competitive exam, to go to the University of Chicago, which awarded me a full scholarship and which, at the time, was very prestigious.

So I went up to Chicago from 1939 to 1941, in the height of the Hutchins era, where I was intensely involved in a broad spectrum of intellectual interests—and where the grim early phases of the war formed a constant intensely followed backdrop to everything. My roommate at Chicago was Walter Pitts, a precocious genius in mathematical logic who later became famous at MIT (Massachusetts Institute of Technology) in writing pioneering papers on the logic of computers and on the functioning of the brain in visual perception. Among other undergraduates, I was friendly with Anthony Solomon, who later became undersecretary of the treasury in the [Jimmy] Carter administration, and then president of the New York Federal Reserve. One classmate, whom I did not meet at the time, was John Paul Stevens.

To go back to the beginning of my serious education, in 1932, at the age of twelve, I supported Herbert Hoover and believed those two-page graphic ads which said, “Don’t change horses in the middle of the stream.” My parents, of course, were rabid supporters of Franklin D. Roosevelt. However, I quickly became an ardent Democrat. In senior high school, I founded the Forum, a group which regularly discussed questions of economic and social policy and international relations. I was also much taken by muckraking books of the time, such as *100 Million Guinea Pigs*, or the exposés of the armament makers as a source of arms races and war. I looked to the New Deal solutions to most economic problems, but I recall being impressed by the earnest views of one woman teacher who espoused the Cooperative Movement as a panacea for economic and social problems, though it seemed somehow too weak a reed to go very far. John Gunther’s *Inside Europe* was a fascinating account of the looming Nazi threat and the hapless allied response in the mid-1930s. I was caught in the dilemma of the evils of warmongers and the all too slowly growing awareness of the onrush of totalitarian power.

At the university, I was interested in the social sciences. I had already been interested, very much so, at junior college where, for example, I had a brilliant sociology course taught by a famous local liberal, Professor Lewis. This included in-depth visits to a Missouri state insane asylum and to a Kansas state prison, and intense class discussions of all sorts of national and international issues—although, curiously, he explicitly avoided discussion of homosexuality or drug addiction.

I eventually took a degree in political science at Chicago, but I was strongly interested in economics when I discovered that all political policy questions were grounded in economics—or not all, but virtually all, or were related to it. So I did quite a lot of economics, even as an undergraduate at Chicago.

I was around Chicago for a year or so after I got my Bachelor's degree. I did have a reading course with Hans Morgenthau, which was interesting in that I had a challenging reading list, but I was essentially auditing it. And I didn't pursue the opportunity to get to know Morgenthau, which I regret. I actually took the Foreign Service exam in 1945 at the U.S. main post office in Chicago—that gigantic building, if you know Chicago. One of my classmates at Chicago, who took the exam at the same I did and had a meteoric career in the U.S. Foreign Service, was Dean Hinton, who was ambassador to all sorts of places. In fact, somebody told me the other day he may have been the longest-serving ambassador in recent times.

I went overseas, as a civilian in military government, early in 1946, and I took the oral exams for the Foreign Service in Germany. I remember the crucial question that they asked me, and which I perhaps naively answered, was, "What would you like to do with your career?" I told them, "I would like to get a doctorate in economics, eventually, but I wouldn't mind serving in the Foreign Service for a time first." Their recommendation to me was, "Go get the degree." Nevertheless, I did end up in a career which allowed me to retire as a Foreign Service reserve officer, ultimately, from U.S. government service.

Have I sufficiently answered?

TGW: Yes. I want to just go back for a moment. You mentioned being in school during the Depression. What do you recall from the Depression? And do you recall any specifics about the first experiment in international organization—the League—or any of its economic or political activities? Was this something that you talked about in school, or at the University of Chicago? Did this come up?

JIS: About the League of Nations? Well, one of the most moving things to me, when I finally did get to Europe, and to Geneva many years later, when I joined UNCTAD (UN

Conference on Trade and Development)—in fact, it was while I was in the OECD (Organisation for Economic Co-operation and Development) that I went on some missions to Geneva for meetings of UN bodies that the OECD was following. There for the first time I saw the *Palais des Nations*. It had an enormous impact on me because I remembered it from my high school civics text, you see. And there's nothing like seeing a building in real life that you had been impressed with just reading about it.

But in the 1930s, we did follow avidly reports on the debates in the League when it tried to stop [Benito] Mussolini's intrusion in Ethiopia. By the time I got to Chicago in 1939, World War II had already started, and plainly the League had utterly failed. Years later, at Harvard, I came to appreciate one aspect of the League when I studied under Gottfried Haberler—who produced *Prosperity and Depression*, a famous study of the business cycle, under League auspices—and also a course with Jan Tinbergen, who did pioneering econometric work on the world economies, also with the League.

The impact of the Depression is very strange. It was not easy to be ambitious, aside from academic pursuits, in the way that people now are because of the expectations in a thriving and vigorous economy. If you expressed an interest, there were people all around, adults who were extremely skeptical of any possibilities of this sort. And in particular, the idea of a business career was somewhat anathema. I remember one of the reasons I shifted to political science was that one of the requirements for an economics degree was a single course in accounting, and I thought that that would be extremely boring. I have subsequently learned that there is nothing quite like it, and in graduate school I did take a course in accounting.

But the Depression itself was a searing experience. I saw long, long bread lines in Seattle in 1932—men selling apples on street corners from pitiful piles, the pressure on my parents of

deep worries as unemployment came to us, the move to Missouri, where my mother's sister lived, in hope of work there, then my father reduced to a meager existence, away for months at a time, as an itinerate fundraiser for a Jewish charity. Things got better two or three years later, when my father got a steady, though low-paying, job keeping books in a meat market. My passion for global poverty eradication and for easing the impact of any economic crisis on the poor reflects these experiences.

These were some of the leftovers of the Depression. I tried to tell Daniel, my son, what that was like. I once dictated a tape for him when he was doing an oral history project in high school, and I made the same points. I presume he didn't flunk the course.

TGW: What do you recall at the end of the war, when the next experiment in international organization was underway, both the Keynesian-based Bretton Woods group, as well as the United Nations and the United Nations system? Do you recall any personal excitement about this activity?

JIS: Well, of course, as an undergraduate at Chicago I had heard all about [John Maynard] Keynes. And Chicago was very much in flux then. There was an occasion, perhaps in 1939, when a man named Friedrich Hayek showed up and gave a lecture at the University of Chicago in which he purported to torpedo Keynes, you see, with numerical examples. Of course, everyone around was very skeptical and pro-Keynes at that time. But Hayek later achieved a vast reputation at Chicago—and a Nobel Prize—although he was never in Chicago's economics department, but rather, I believe, in the Committee on Social Thought.

I certainly followed the news of the creation of the UN system, and I remember thinking what an odd stiff name "United Nations" was for an institution to replace the more romantically labeled League of Nations. It had been used during the war as a replacement for the World War

I term “Allied Powers.” In 1945, it seemed manufactured in the new usage, though no longer—the same reaction I have now, and will no doubt get over in time, about the use of “Homeland Security,” in place of the more traditional “home front,” or “internal,” or “domestic,” though I see the new, more patriotic term has real roots in the language. The origin of the new United Nations was the subject of lively, enthusiastic, and hopeful interest by everybody who followed the war and politics, as we all did, and the San Francisco conference received a huge amount of publicity. I do not now recall observing the Bretton Woods developments as they occurred.

TGW: And how were you recruited by the Marshall Plan agency of the secretariat?

Well, I had been working on my Bachelor’s degree at Chicago. Immediately when I had my Bachelor’s degree—this was in June of 1941—I was recruited on the recommendation of people in our political science department, by Henry McCarthy, who was head of the Social Security Administration’s regional office in Chicago, and who, after the war, formed a liberal lobbying organization similar to what is now Common Cause. The personnel office in charge of the project was Ivan Baker.

So a group of three of us were recruited as political science majors with some training in public administration to work in the Cook County Civil Service Commission to install the first civil service exam for social workers to carry out the Social Security Act. We devised a method for scoring training and experience of applicants into a single weighted number. I served there for, I guess, nine months, when there was a row that ended the project. We had essentially finished it, anyhow. We had been writing up the results, and I discovered that someone in the old Kelly machine at the Cook County Civil Service Commission had been fudging the results that we put in. Someone had changed the scores for the leading competitors for the top civil

service positions. I made the mistake of taking the paper which had been altered out of the office to show to the members of the Board of Advisors for the project, which was made up of very senior social work experts from the Chicago community. The old line office apparently tried to say that I had illegally removed papers. I was interviewed by someone at the district attorney's office who understood immediately what was going on. The actual perpetrator of the fraud was apparently never identified.

Later, after working with the famous Chicago sociologist, Louis Wirth, at the Illinois Post-War Planning Commission in Chicago, I worked for the Federal Security Agency in Chicago and then found myself, at the end of the war. I discovered that people were recruiting for military government service. I was recruited, in fact, by Colonel Ivan Baker, with whom I had worked closely in my earlier job and who was organizing the recruitment of civilians for military government service in Germany.

I went over in March of 1946 to Berlin and worked as an organization analyst there and shifted into work on economic policy. I produced something called the *Military Governor's Handbook*, which was an attempt to give General [Lucius] Clay weekly annotated graphic updates in key areas of economic and social policy.

But subsequent to that, in 1949, we all moved from Berlin to Frankfurt because of the new structure of military government. It was the High Commission for Germany, now under John J. McCloy as the U.S. High Commissioner, having replaced General Clay. And the Marshall Plan was under way. And then we moved to Bonn, in 1951, where [James] Conant became the first U.S. ambassador, because the Federal Republic had been set up. So there I was, from 1949 onwards, effectively part of the Marshall Plan staff in West Germany, doing overall economic reporting and analysis.

TGW: Do you recall your own reaction when you saw postwar Germany up close?

JIS: Well, I had a hobby of taking photographs. I had in mind that it would be great some day to take photographs of the ruins, which were everywhere in Berlin, which we view as a symbol of the collapse of German civilization in ruin, and so on, and compare them with the ruins of Greece and Rome and other places, which we view in an opposite way, revering them as the evidence of the civilization that was there. I have those photos in several boxes in the basement, but I haven't yet used this material. And perhaps it's a little stale now. We were quite certain that it would take at least twenty years to clear up the ruins, and that seemed like an infinite length of time to someone in his mid-twenties.

And of course, by the time I came back—I left Germany in 1954, and when I came back to Europe in 1966 and got up to Berlin in, I guess, 1976, the place was completely reconstructed. There were things like the *Gedächtniskirche*¹ left in ruins as symbols. But the times when I first arrived in Germany were quite amazing. Here you had this strange economy that was, from the point of view of the GI (“Government Issue,” referring to the ordinary infantryman) there, or the military government person, extremely corrupt. The black market was everywhere. I remember a military government officer—Colonel Onthank was his name—who went to get his car fixed at a local Berlin garage. He carefully explained to the garage man—I believe the name was Kutscheit—that he could charge him whatever he wanted, but that he didn't deal in the black market. So Mr. Kutscheit charged him only the official price in marks, which of course was about one-one hundredth of the black market price—usually paid in cigarettes—which I thought was a very interesting little touch of respect.

The whole experience was quite fascinating. There were moral dilemmas all over the place, like the semi-official legal barter market that General Clay's wife was associated with, and

where Germans who were living on their stored-up capital, like Leica cameras, or good binoculars, or all the way up to Bechstein pianos, were able to sell at an official barter market price that was somewhere in between the going regular black market price for this kind of stuff and a normal world market price. There were criticisms, of course, and yet the people who were selling this stuff got a better—in fact, a considerably better—deal than on the regular black market, even though the Americans with their cheap imported cigarettes still got huge and legal bargains. These are some of the things that I recall.

But the currency reform which occurred in June 1948 led to the almost immediate collapse of the black market and the beginning of a very rapid long-sustained recovery of West German production from the abysmal lows it had sunk to and languished at for the first three years of the postwar era. At first, official unemployment figures soared, but they came down over the next few years. This currency reform also led directly to the Berlin blockade and the airlift which broke its back. Curiously, the clandestine networks of black market business flows up to June 1948 may have provided smuggling opportunities and contacts which may have helped ease the blockade.

TGW: It seems that ever since the establishment of the Marshall Plan, the term “Marshall Plan for X”—for example, today’s op-ed: “Marshall Plan for an Anti-Terrorist Campaign”—has been an image that dominates the development literature. Do you think this is merited?

JIS: Yes I do, personally, even though I was amused to see that when I went to the fiftieth anniversary of the Marshall Plan, there was a to-do at Harvard. You had present a lot of the key figures from the Marshall Plan days. Many of them who are still quite articulate—Charlie Kindleberger and Linc Gordon, and several others. They also had a

¹The Kaiser Wilhelm Memorial Church.

revisionist historian, a relatively younger man, who was claiming that the Marshall Plan impact in Europe was not all that great, really, in economic terms, but rather was important in morale and in political terms. I think all of us who had seen that era didn't buy into that and felt that the huge infusion of aid was extremely key to the rapid recovery. This was my reaction and the reaction of others present, based on the brief oral summary of the revisionist thesis. But I haven't yet read his detailed argument.

I still think that, among other things, if you want to get something done, you have to have a big push. Those that say money alone doesn't do it—of course it doesn't do it, but, for example, without money what kind of an education program can you get if you don't equalize, or at least establish a high minimum for, school districts in any one country or around the world?

TGW: Do you recall any thought being given to running part of this huge quantity of resources through the United Nations? There was a plan early on to let the ECE (Economic Commission for Europe), for example, do part of this. Was this ever on anyone's policy radar screen?

JIS: I am not aware of that. But they had already internationalized it to precisely the countries that were concerned. The Marshall Plan, after all, was focused on the Western European allies—not all that different from what became EFTA (European Free Trade Association) plus the Common Market, or the EU (European Union), or whatever. I guess Switzerland wasn't in, because it wasn't a belligerent. So you had this huge amount of funds from one source. There were no other donors present. And as a unique part of the Marshall Plan's success, in addition to the unprecedented big push, the recipients themselves allocated the resources and cross-examined each other about their policies and progress.

The ECE achieved some interesting stature under [Gunnar] Myrdal, but I'm not sure when his regime began. But he did independent analyses that were innovative and of considerable gravitas. Nevertheless, among the limited number of members in the UN then, none, except perhaps Canada, would have been in a position to provide funds. Thus, this was not a burden sharing exercise, not a 25 percent for the U.S. formula. This was the whole thing from one donor, and in percentage terms of U.S. GNP (gross national product) was quite high. It came to 1 or 2 percent, I think, at the peak, which in present terms would be—I think the word is “awesome,” isn't it? But, of course, once [Joseph] Stalin opted out of the Marshall Plan—if indeed the U.S. offer was ever made in a way that might have been accepted given the already intense stresses of the early Cold War—then it would not have been feasible to use the ECE. Indeed, the differences in how to treat Germany between Stalin and the West became insurmountable, and the split of Germany into two completely separate parts soon became a total reality.

To get back to the idea of a Marshall Plan big push, it is admittedly a standard panacea. I see [James] Wolfensohn of the World Bank talks about doubling aid. But even though doubling would merely restore earlier orders of magnitude of aid, given recent sharp declines in aid, the big argument is whether, without the aid, things would be even worse, or whether there would be a strong jolt to the nervous system of the welfare recipients, if you want. It's not easy to establish that. But of course, if the infusions of aid have merely subsidized capital flight, that's a pretty unfortunate set of circumstances. So this argument, triggered ages ago by Peter Bauer, continues and hasn't been resolved. But if you really want to change something, you have to do something dramatic. This seems to me very true.

And, of course, you get into the same thing about who almost lost Russia, or something like that—which I'm sure you're familiar with—where there is still the hot argument about whether sufficient support was given. But of course, whether any reasonable minimum policy of support ever really came forward is perhaps to be doubted. But the creation of a new class of owners by the crazy process of self-selection of the existing people with a claim on the assets of any sort, is a great tragedy, it seems to me, and a huge missed opportunity. But maybe any alternative never was a realistic one. I don't know.

TGW: You got back to pursuing the answer to your interview question from 1945 in the 1950s. You went back to do a Ph.D. in economics at Harvard. How did you actually get there? And who were the people with whom you worked? And what were the ideas that were circulating concerning international finance and development?

JIS: Well, in international finance and development, as I indicated earlier, I was exposed to Gottfried Haberler, and to Jan Tinbergen, who was there one year on a sabbatical. Both had done significant and distinguished work at the League of Nations in the 1930s on business cycles, and Haberler on international trade as well. Haberler, in his lectures at Harvard, had a straw man that he would put up, and that was Raúl Prebisch, who was a leading Latin American economist who later, in 1964, was the founder of UNCTAD. He would decry Prebisch's argument that there was a long-term tendency for the terms of trade to deteriorate for commodity-producing countries. Although, on technological grounds, there now seems to be a stronger case for this today than there was back then.

Other than that, in international trade I was a student of Robert Baldwin, who later went to Wisconsin and was prominent in the trade field. I had been a student of Jacob Viner, a famous trade economist at Chicago, even as an undergraduate. I also, while still at Chicago, in 1945,

was taking a graduate course in economic theory involving international trade, among other things, from Oscar Lange, the refugee Polish theorist. I was in the class when he announced, early in 1945, that he was going to suspend the class for two weeks because he had to go away on a trip. It later turned out that he went to see Joseph Stalin, who paved the way for him to become the prime minister of Poland in the regime that Stalin was able to force on the Poles, instead of the anticommunist group in London that had hoped to come to power. Poor Oscar Lange in time fell out of favor, and I think eventually earned the rest of his retirement from the Polish state by teaching secondary school later on. But he was a very innovative economist, and he was trying to play with models where you could get market socialism. But he also foretold some of the later fancy theories about the role of expectations in economics that were later developed.

At Harvard, among some of the other economists that were influential, Wassily Leontief was enormously so in input-output theory and in trade theory, among many areas. Later, if you'll recall, Tom, in UNCTAD we had some funding of a program on environment and development, which Vladimir Kolontai was involved with. There was a big expert meeting on this at Cocoyoc, Mexico, in the mid-1970s, which I attended, and which was run by Barbara Ward, the former head of *The Economist*. Leontief was there. And you had a number of socialists of one sort or another, from Barbara Ward to some well-known Norwegian sociologist, and a bunch of Third World intellectuals. And they came up with a Cocoyoc Declaration, which was drafted somewhat in the style of the *Communist Manifesto*. In other words, it called on students, workers, et cetera, to join together to push for the environment and against those who would despoil it.

Leontief got up in the course of the meeting. He indicated that he had a very liberal record, but that you can't just throw out the market. That was quite interesting. And of course, Leontief stayed active in the disarmament movement, and so on, in the UN, until very recently when he passed away.

TGW: You mentioned actually having encountered Ralph Bunche.

JIS: Yes. That brings me to how I came to study at Harvard. I had come back to the U.S. after eight years of service in Germany, in military government, and ultimately in the Marshall Plan. I left Bonn early in 1954, and I took about three months traveling around Southern Europe, and came back in time for the Army-McCarthy hearings, which were something that kept one glued to one's television for several weeks, actually, at my parents' home in Chicago. I was considering my next step. I went to the American Political Science Association (APSA) meeting in September of 1954, which conveniently took place in Chicago. And I met there Arthur Maas, assistant dean, and Gertrude Mansley, registrar, from the Littauer School at Harvard, the Graduate School of Public Administration, and they were interested in giving me one of their Littauer fellowships, which was for mid-career people, if you could count eight years in Germany as mid-career, which they did.

Three weeks later, I was enrolled and present in Cambridge. But, of course, I heard Ralph Bunche on that occasion in early September 1954, when he gave his presidential address to the American Political Science Association meeting in Chicago. I would perhaps recognize it if I were to resurrect the text. It was a good speech, but I don't recall the topic, unfortunately. But I did listen.

TGW: You left Harvard to go to Puerto Rico, but before you finished your dissertation?

JIS: I didn't finish my dissertation.

TGW: Why?

JIS: I regret that I didn't. I'm still all-but-dissertation (ABD), and I may in effect still do it. I have several things in the fire. But I had expected—when I left Harvard in 1959 and I went down to Puerto Rico—I had hoped to write a dissertation using material down there. But I'm afraid I was in the position of commuting too often to the United States because I was pursuing Jane, my wife, and in memory a very happy occasion. But I know one of [John Kenneth] Galbraith's students, a young lady, did in fact do a dissertation on U.S. investors' decisions to set up manufacturing ventures in Puerto Rico. Galbraith himself had done a study statistically analyzing the sharp decline of the tiny little groceries in the back country of Puerto Rico with the arrival of two supermarket chains.

TGW: I want to just go back for a minute to what was preoccupying in the students' union, or in bars, or what have you, in the late 1950s. I have in mind, in particular, how it looked from the United States, what was going on in what is sometimes called the South, or the Third World—the first meeting in Bandung (Asian-African Conference), the rash of newly independent countries. How did this appear from Cambridge?

JIS: It did not make a deep impression. The rash of newly independent countries happened a year or two after I left Cambridge. Cambridge in the 1950s, when I was there, was a far less polemic place than, say, Chicago was when I was an undergraduate. In Chicago, there was this vivid clash of political cultures. There was a guy with red hair, known as Red Peterson, who was head of the communist student group there. In constant conflict with him there was another young political science student, named Ithiel de Sola Poole, who headed the Trotskyites at Chicago, and later had a very distinguished career at MIT as a political scientist and a communications specialist. Of course, there were other opponents of Stalin. For example, the

person with whom I was most *simpatico* as a political scientist was Nathan Leites, who was on the faculty at Chicago, and who had this love/hate affair with Freudian theories in interpreting political characters—experiments which Harold Lasswell had started at Chicago—and then had gone on to Yale, and then, in the course of the move, suffered the blow of all of his files burning up, which left him bereft of his own intellectual product and work in progress, which may have damaged the tail end of his career.

But Leites, in 1941, spoke very eloquently, on the basis of his own careful perusal of materials from the Soviet Union, about Stalin's tyranny, which Leites felt was not widely reported or understood. He talked about the cult of personality that Stalin constantly promoted with incessant repetition of the term "Great Leader" in most references to Stalin within the Soviet Union. Then, of course, he speculated about the interpretations of why people confessed, and so on, and reports about the murders. So it was difficult for me, in the light of this, to understand even the limited popularity of the red cause.

But at least this was vibrantly visible. At Harvard, in the last half of the 1950s, I didn't personally feel the pressure of international tensions. It may be because I was associating then with economist-types. But there were some very interesting people at the Littauer School. There was the guy who invented linear programming, who was a student there on a year's sabbatical. There were many interesting people from the military, and so on, and in the economics department, a dozen now very eminent economists. The dean of the Littauer School, Ed Mason, had in the 1950s shifted his interests toward development economics, establishing the Harvard Advisory Services for developing countries. And he offered me the opportunity to join their planning project in Lahore, Pakistan, in 1957—which, though tempted, I finally turned down.

TGW: The Treaty of Rome, or Bandung, international events in which the United States was not directly involved—these were not on the front burner? Presumably, the invasion of Hungary was.

JIS: Yes, it was indeed, as was the parallel Suez crisis. But as for the Treaty of Rome, there of course I had observed its antecedents directly already when the European Coal and Steel Community was rammed through the parliament in the *Bundestag*. That would have been in 1952 or 1953. The *Bundestag* had just only recently been completed—the brand new building in Bonn. I was fortunate enough to be at the session of the *Bundestag* when the final debate took place, and the vote which [Konrad] Adenauer was able to carry. And the Communists were still in there and led by another redhead who was bitterly opposing the treaty. Of course, later they fell below the 5 percent threshold for gaining any seats in the *Bundestag* and disappeared from the scene—and haven't returned since. But that was very exciting. But that was in Germany. In the United States, I guess I viewed the Treaty of Rome as a continuing and welcome development.

My impression of a couple of other international issues at that time may be worth relating. At a luncheon for Littauer students, I believe in 1956, Arthur Maas, who was a specialist in Algeria, felt that the French had missed the opportunity to hold on to Algiers and would be forced to give it up. This was a very early prediction, surprising to his listeners, which of course turned out to be accurate.

Then there was Sputnik in the fall of 1957 and the enormous to-do this created. I recall on several occasions in the earliest days of this new phenomenon going over to the Harvard observatory grounds in the middle of the night to participate, along with many other volunteers, in naked-eye observations with a crude aligning device to record the exact time of the beginning

and ending of a particular hourly transit—data which were used to pinpoint more exactly the orbit of the easily visible satellite. Shortly thereafter I happened to take a week-long course in a new version of Fortran programming at MIT, taught by an Italian physicist who was responsible for plotting the orbit of Sputnik and refining it with more and more current observations.

TGW: In going to Puerto Rico, which I suppose was your first encounter with "developing" countries, even though it was part of the United States, what do you recall from your personal reaction to what I presume was a fairly simple, if not poverty-ridden, place?

JIS: Curiously, at Harvard, the year before, or some months before I came to Puerto Rico, Luis Muñoz Marín, the much revered governor of Puerto Rico, had given a series of public lectures—I believe the annual Goddard lectures. It's a famous lecture series. Anyhow, he gave a stirring and well-thought-out speech about commonwealth as an in-between solution between independence and total affiliation. Of course, he was at the height of his power then. Teodoro Moscoso was his economic genius. They had started Operation Bootstrap a year or two earlier. I was recruited because an old friend of mine had gone down a couple of years earlier—Morris Moses—who had worked on promoting plants to come down and settle in Puerto Rico. This was when Puerto Rico became the brassiere capital of the world. Of course, nobody can afford to make a brassiere in Puerto Rico these days, as over the decades since, the U.S. minimum wage laws have pushed Puerto Rico's exports into more sophisticated lines.

Then there was a remarkable man, Hugh Barton, who ran the research division at *Fomento Económico*. He is the one who recruited me. I think I met him at the Royalton Hotel here in New York, and he brought me down. I mainly worked on two major surveys. And I discovered that if you want a consulting company to do what you want, you have to work very closely with them so that they understand. Otherwise, they will cut corners. The first of the

surveys was carried out by Arthur D. Little, which had an ongoing working arrangement with *Fomento*. They did interviews with plant owners who had decided to come to Puerto Rico and those who had considered it and not come. In the end, they asked the right questions and contacted the right people.

Another one was a telephone survey done by a brilliant sociologist, who was then with Social Research Incorporated (SRI), Lee Rainwater, who had written a book, *And the Poor Have Children*, a book about the poor in Puerto Rico. He is still on the faculty at Harvard as a sociologist. And there was an anthropologist too. What they did, with my help, was design a questionnaire, which they used in a telephone survey of the eight or nine major metropolitan areas of the United States to determine the interest in Puerto Rico of about 1,000 potential manufacturers who might move down or create branch plants in Puerto Rico. They followed it up, in the best anthropological tradition, with, I think, at least 100 in-depth interviews with some of these people scattered around. That worked out as a very interesting survey. In fact, Barton later told me that Puerto Rico used those two surveys by Little and SRI for the next decade in constructing their advertising campaigns to attract investors. Puerto Rico had, under U.S. law, all of the tax on its rum sold in the U.S. remitted to it, which it used in its advertising campaigns, interestingly. There are all sorts of subsidies in the U.S.-Puerto Rico relationship, but nothing like the subsidies that Guadeloupe and Martinique get from France, I have subsequently discovered.

But where were we on this Puerto Rico thing?

TGW: Your reaction to this first encounter with poverty in a developing country of the kind that would become your focus much later on.

JIS: As a matter of fact, it was a curious observation. It reminded me of tiny stores that you would see in the United States, but twenty years earlier, during the Depression still, before big stores were there. There were still a lot of little shops. Yet there were already a few supermarkets in Puerto Rico. You would see the poverty if you went into the back country. And the unemployment rate was, and still is, very high—about 20 percent. On the other hand, if you have to be poor, there were worse places to be poor.

TGW: Do you recall, either in your consulting work there, or in discussions at Harvard, reference to any UN documents or UN debates, or was this something you stumbled upon later?

JLS: Of course, Puerto Rico, as a commonwealth associated with the United States, would not have had direct relations with the UN or with the Bretton Woods institutions, except possibly with the Trusteeship Council of the UN, where its status might have been obliquely referred to from time-to-time. But Puerto Rico's successes with Operation Bootstrap were often showcased as a model of development. And particularly *Fomento Economico* was frequently visited by international study missions, sometimes involving UN agencies studying a wide range of economic, social, and political innovations on the island, as well as techniques for investment promotion.

As I told you, Haberler, when I was at Harvard, made it a point of shooting down Prebisch, still in his pre-UNCTAD days, on theoretical grounds. In fact, later, Heinrich Houthaker, a conservative Harvard professor, also wanted to torpedo the terms of trade argument pioneered by Prebisch and was brought to an expert group that Bernard Chidzero organized in the commodities division of UNCTAD. And there was a lively debate as to whether or not UNCTAD had, in some sense, admitted that the terms of trade hadn't deteriorated over time.

Anyhow, Houthaker got very hot under the collar about it. So there was this kind of tension. But that was considerably later than my time at Harvard.

You know, Mordicair Kreinin, who was a consultant for me in preparing for UNCTAD II in 1972, later wrote a textbook on international economic institutions—and probably made a great deal of money, since it is now in its umpteenth edition. I don't recall reading any such book in my own training at Harvard. But then I had sufficient exposure from my work in Germany, so that I would follow UN developments in the press.

TGW: From Puerto Rico, you went back to the University of Minnesota, which presumably made seeing Jane a little easier with less flying back and forth. Were you tempted to remain, or go back to the academy? Or were you more concerned with applied and practical work?

JIS: I actually taught a course in government and industry—business and government—as a lecturer in economics at Minnesota. I had been a teaching fellow at Harvard for Carl Kaysen in this area. I enjoyed the inner workings of the very diverse faculty that was there. There were some very impressive people, including Leonid Hurwicz, whom I had known back at Chicago, and who was a major figure in the Cowles Commission's development of econometrics. And of course, Anne Krueger was there, who is now the deputy-managing-director of the IMF (International Monetary Fund) and has held all sorts of prestigious quasi-academic posts, including the vice president for research of the World Bank before Joe Stiglitz came in, and now somebody else. Jim Henderson, whom I had known at Harvard, was heading the Upper-Midwest Economic Study (UMES) as research director, and he brought me to Minnesota as deputy research director of UMES. He later married Anne Krueger. Unfortunately, he died a few years ago. Chipman was there, another brilliant theorist. Since my

time, [Thomas] Sargent has been there, who is a member of the Chicago School of economics. But, of course, I had never heard about the Chicago School when I was at Chicago, but when I went to Harvard and everyone there was shooting it down, or trying to.

I left Minnesota because the project was ending, as far as its funding. I talked to Hollis Chenery at USAID (U.S. Agency for International Development), who offered me a job, given my background, immediately. I joined them the day after [John F.] Kennedy was shot, actually. In fact, in between, I had a brief assignment with something called the North Star Research and Development Institute, which was a new research institute in Minneapolis modeled after the Midwest Research Institute and the Stanford Research Institute. We had a month or two to develop some materials for the Midwest Governors Conference, which covered the twelve midwestern states. We used some of the National Planning Association's state projections of GNP and came up with some sub-projections for the region, which we were presenting at the conference in Omaha, which was being chaired by Governor Kerner of Illinois, when word came that Kennedy had been shot. So our presentation was interrupted.

Now as to your question about my career preferences—the academy versus applied and practical work. While I have enjoyed lecturing, I have found grading student work quite burdensome if done conscientiously. On the other hand, I do particularly enjoy creative research work on issues of real public significance. I have managed in my career to maintain a continuing foothold in academic economics, following the literature, absorbing some of the new econometrics, and having attended almost every annual meeting of the American Economic Association since the late 1950s—even while working in Europe. I have also enjoyed the contrasting insights of seeing bureaucracies function and fail to function at local, state, national, and international levels, and as both an employee and a manager. As a long-time manager of

staff, I have enjoyed seeing young and sometimes bumbling and inept beginners, of many nationalities, over the years, often turn into quite effective performers and leaders when ultimately given the challenge of large responsibilities. I have found that persistent efforts, long maintained, in international negotiations can pay off, if only slowly. So the challenge of work on development in both its economic and political dimensions continues to be the focus of my career.

TGW: What was Kennedy's legacy at USAID? The Alliance for Progress, of course, had been launched along with the First Development Decade. Was USAID at all geared toward these international considerations, or was it still driven by exclusively anticommunist foreign aid policy?

JIS: Well now, the aid people in the Kennedy and early [Lyndon B.] Johnson administrations were very much aid-motivated, as against the security motivation—certainly the crowd I was associated with in Chenery's shop, but also throughout AID. This was in sharp contrast to the predecessor agency to AID, the Mutual Security Administration, which was apparently predominantly security oriented. There had been a renaissance of interest in aid-giving under Kennedy and the Alliance for Progress. You have to recall that the U.S. was still a leader among donor countries when the OECD established its Development Assistance Committee (DAC) in the early 1960s, with the U.S. providing the largest amount of aid—but a relatively shrinking percent of U.S. GDP (gross domestic product) as time went on. The U.S. role included the provision in U.S. law, since 1960, for payment for a full-time DAC chairman, who has since always been a U.S. citizen until the last year or so, when a French citizen has taken over the job. The role of the DAC chairman made sense when the U.S. was the dominant

aid force, but had become increasingly hypocritical with its shrinking performance compared to other DAC countries over the last several decades.

When I joined AID, Chenery was pushing for program-lending, as against project-lending, for real attempts to get criteria measuring progress so that there would be a systematic review of the whole program in each country, with the aim of affecting the whole economic policy framework of a developing country. It is the sort of thing that continues to become new and popular under various headings, like the Poverty Reduction Plan at the World Bank. And then, of course, the whole theme of using the leverage of aid to get policy changes was pioneered at AID. Dave Bell was eager to try to pursue that. He was, I thought, a brilliant administrator of USAID, and Chenery was an important guy as his director of Policy, Planning, and Programs, which coordinated all AID programs and its budget.

They had some very able academics that would attend AID weekly senior staff meetings—Theodore Schultz from Chicago and a few others. Chenery always had a senior economic advisor from academia on his staff. Bob Aliber was there for a time. But before him was Francis Bator, who may still be on the faculty at Harvard's Kennedy School. When Chenery went to the World Bank, he was succeeded by Gus Ranis, a brilliant development economist from Yale.

TGW: How were multilateral institutions viewed from the vantage point of USAID? Were they seen as competitors? Were they seen as inhabiting a totally different universe? How, precisely, did you relate to the UN system versus the Washington-based institutions?

JIS: Well, for example, in 1964, Francis Bator headed the task force within USAID and represented AID in the U.S. interagency coordinating group, dealing with U.S. government policy preparations for the first UN Conference on Trade and Development, which became

UNCTAD. AID, State, and Treasury were the main actors in interagency coordination, with Treasury often frowning and AID promoting many innovations in favor of developing countries. Thus, there were intense rivalries among U.S. agencies.

I remember Reed Irvine, who has in recent years been running the conservative “Accuracy in Media,” which harshly criticizes the so-called liberal media. He worked for Treasury at that time and was on the interagency review committees for various AID proposed loans, or for proposed new AID policies, and was thus often a stumbling bloc to the approval of AID projects.

So you had interagency disputes in forming U.S. government policy affecting AID. Now Bator produced a set of documents that were at least a foot high, covering probably every single topic that I’ve ever heard of that has ever come up in the context of UNCTAD. That’s pretty wide. And there were these little blue-on-white ditto machine papers that are hard to read. But I’m sure there was one on the least developed among the developing countries (much later referred to as LDCs). It would have been two or three pages. And there would have been stuff on commodity stabilization—each of the very precise gimmicks that have been on the international stage for a long time. Also, no doubt there would be papers on loan terms, aid tying, and perhaps also exchange rate regimens, special drawing rights, conditionality, export credits, guarantees, exchange controls, tariff reforms, et cetera.

So a policy brief was there on the issues already well known in the claims of the growing Third World. These briefs were used in the debates that occurred in Geneva during UNCTAD I, which I did not follow, and probably also in discussions in the OECD to coordinate U.S. positions with other donors. But I observed this internal process in AID, and of course they were very much interested in facing up to this new international debating forum.

TGW: So it was a kind of UNCTAD fifth column?

JIS: No. I think the AID people appraised these issues as development economists and as matters of feasible U.S. economic policy in a world where Cold War considerations were, of course, of great importance. Their radicalism, if any, was in willingness to discuss these various possibilities, given the constraints of powerful congressional opponents, for example. But in the end, since the early 1960s, the U.S. has never been able to be very forthcoming with new aid initiatives. Even in one of the prepcoms for the recent least developed conference, there was a USAID guy who was quoting David Dollar's paper at the World Bank as proving that aid does no good unless certain policies are followed. I pointed out that you have the dilemma, in the case of the least developed countries, or some of them, which are highly dependent on aid, that without this aid, their performance, in some cases at least, would be more dismal or worse than the actual mediocre performance. So it's not that simple a thing. I've talked to Dollar about it, and he agreed with me. I ran into him in Brussels in May 2001 at the LDC III Conference.

TGW: From the perspective of the early mid-1960s, by this point almost all developing countries had become independent. This huge new clientele for USAID—

JIS: Well, they hadn't yet all become—it's the Portuguese that were tardy.

TGW: But virtually everyone else. Was this seen as a huge black hole? Was it seen as a target of opportunity? Was it seen as a client for U.S. welfare? Were there any dominant figures floating around within AID?

JIS: Actually, the impression I have is that when AID came in with the Kennedy administration, following the adoption of the Foreign Assistance Act of 1960 and followed soon by the Alliance for Progress, there was a very strong renewed thrust to try to do something that was much more ambitious than the aid efforts of the Mutual Security Agency or its predecessor,

the Economic Cooperation Administration, which carried out the Marshall Plan, and had not yet become very involved with developing countries, most of whom had not yet achieved independence. So there was a great *esprit* about all this. It was only later when they began to run into increasingly tight budgetary constraints, and you began to amalgamate programs and reduce the presence of missions in the field and so on. But during the period I was there, the *esprit* was still very high in AID, as I recall it.

TGW: What about the debate concerning the location of a special window, or a special fund for development that had grown up in New York, and eventually resulted in IDA (International Development Association). There was a back and forth: should it be UN or should it be World Bank? Do you recall the U.S. government's position on that?

JIS: I don't.

TGW: It wasn't that front and center?

JIS: Let's see. The IDA—I understand it was instituted in September 1960, when I was still in Puerto Rico. This special fund debate in regard to UN technical assistance would have been what year?

TGW: UNDP (UN Development Programme) was created in 1965/1966.

JIS: SUNFED (Special UN Fund for Economic Development) and the Expanded Program of Technical Assistance (EPTA) were amalgamated.

TGW: That's right.

JIS: And Paul Hoffman inherited the combined thing, finally. Didn't he?

TGW: Right.

JIS: Well, I didn't follow the debate on technical assistance funds when I was in AID, but later at UNCTAD III in Santiago in 1972, special funds, of course, were considered a key

target for developing country efforts. I guess what's interesting about that is that a lot of the developing country delegates I think recognized that the only thing they could really expect to get from the developed countries was aid. Yes, sure, serious trade benefits would have been welcome, but were not in the cards in 1972. But some amazing progress has been made subsequently, perhaps even now, in the form of the European Union talk about what they are going to give to the least developed countries—completely free access for almost all products. I don't know where that exactly now stands.

TGW: Were the targets of the First Development Decade taken seriously by AID?

JIS: In AID probably not, because they would tend to set their own goals in consultation with particular developing countries. They tended not to notice the very general first decade targets, such as 5 percent national income growth for developing countries as a whole, I believe. No doubt some developing countries would cite such targets in their own briefs for aid. I think there has been some progress in recent years through the OECD on this, so that there are some very broad targets that are now generally recognized by donors, and included in UN resolutions. Some of them are so broad they make one quite queasy, such as reduce poverty—a quite sweeping one—by 50 percent by the year 2010 or 2015, I believe. And it doesn't say how you would allocate this among individual developing countries. So it leaves it wide open as to who will implement and so on.²

Such targets were given full lip service in the program of action on the least developed countries and probably also in the UNCTAD X thing a year ago. I noticed that they were pushed forward by Richard Carey from the DAC a year or two ago when they were preparing for the third least developed conference.

² Note from Jack I. Stone: "I have looked into this subsequently, and apparently these Millennium Conference targets are supposed to apply to each developing country."

TGW: Well, you began actually working in OECD in 1966. How was that bureaucracy different from the AID one? Do you recall finding it a good place to do research?

JIS: You see, in the AID bureaucracy, I was sort of off in a corner. I was put to work studying capital flows in the broadest sense. Then I got involved in work on debt. I did a study on loan terms, called "Loan Terms, Debt Burden, and Development," which went to the Congress and was actually fairly influential in keeping the soft terms that AID had on the majority of its lending to the poorest countries. I later did much more work on debt in the OECD. Other than that, in AID proper, I was involved in the budgetary process. This is quite fascinating because you talk about funding and you see the great dilemma of funding there. I observed this at least over two cycles. That is the extreme pressure to obligate the funds. You can't go back to the Congress for new funds if you haven't obligated all your old funds by the end of your fiscal year.

I was in that budget team and exercise, and I saw how hard everybody worked at this. And things would pile up, getting ready for final action in June, you see, because that's when the budget date was back then. It was extremely difficult to change this bunching cycle. So while there wasn't really enough money to meet all the real needs of recipients, they had to really hustle to get what money there was properly obligated because of the complex preconditions and so on. That was an interesting thing to watch. And that continues to be the nature of these programs in all agencies. They are all subject to that.

TGW: But in OECD, then, this was more research.

JIS: When I came to OECD, I was there when Sherwood Fine was the head of the development department that also constituted the DAC secretariat. There were two divisions within the set-up. One was run by Helmut Fuhrer, who later became the top man until his

retirement a few years ago. And the other was Philip Hayes, who had been head of the Development Department in the World Bank before he joined OECD. Now I eventually became head of the Financial Policies Division, which covered debt problems and financial flows, the terms of aid, and the statistical operations there. But first I was involved in some debt reorganization exercises, including observing the Paris Club in operation, which was very interesting.

I discovered on my recent trip to Europe when I talked to Francis Wells, who was a colleague of mine in OECD, and still does technical translations, and gives advice to some French publications on their economic views—he reminds me that one of the DAC committees, the Committee on Assistance Levels, was run by a Frenchman named Monsieur Blanc, who was cantankerous and somewhat resentful of the U.S. DAC chairman. Anyhow, to embellish this story, it turns out that the deputy to Monsieur Blanc on that committee was a young man named Lionel Jospin—the recently defeated prime minister of France!

I hadn't realized that. His first effort in that committee was to avoid the desire of the DAC bureaucrats to clean up the aid figures by leaving out subsidies to Guadalupe and Martinique and similar areas which are departments of France. Jospin won the day. I think they have finally bypassed this by elevating these areas to what is called "Class II" status, which means they are no longer considered aid worthy because of relatively high income levels.

But I did a study on the debt structure of India which took into account the flow of repayments required and when they would occur in time, and raised the question of whether these would pose an unmanageable burden as a percent of projected export earnings. The World Bank was very much interested in that study because they hadn't been doing dynamic projecting

then. They do now all the time. Everybody does, as they should, but ours was the first such exercise as far as I know.

I also did an exercise on Ghana. I went to Ghana, and there was a very able economics minister who was trying to get more money out of the consortium that was handling relief for the debt problems of Ghana. Merwin of the IMF was chairman of that and ran a good little show. It's the only consortium I've seen the IMF manage, but they happened to inherit that at the time. This was, I believe, in 1968, not too long after [Kwame] Nkrumah had left power. Was he arrested then, or had he died? Anyhow, we drove up to see his place and didn't get far. The public relations guy from the Ghanaian government suddenly said—the car had stopped—that there was a guy with a rifle in the distance. And all you could see is this little hole there pointed at us. We turned around and got the hell out of there.

But the most interesting exercise was the debt restructuring of Indonesia, for which I presented dynamic projections at meetings in Amsterdam. The end result was by far the most generous debt rescheduling in the postwar era. It was called the "Abs Plan," named after the head of the Deutsche Bank, who eventually negotiated the arrangement. The gimmick that made this work was the very special circumstances of this debt. Sukarno was out and Suharto had come in. Sukarno had run up this huge debt, mainly from military supplies from the Soviet Union (USSR), but considerable amounts of supplier credits from the West also. So you had the situation that the West wanted to inject massive amounts of aid to Indonesia, but they could only do that if there was a rescheduling of debt on both sides. Otherwise the aid would go simply to repay the Soviets for their military credits. They eventually engineered this two-sided rescheduling. It was a very complex game. The rescheduling was for thirty years at zero interest with a fifteen year grace period. So that worked out very well, and is the most generous

rescheduling of private guaranteed supplier credits in the postwar period. In fact, Indonesia subsequently had a boom which would have merited less generous terms. But they've had trouble subsequently.

TGW: What happened in the OECD secretariat when ideas, or claims, or recommendations, or suggestions were made in a UN context—aid targets, debt forgiveness? How did the OECD secretariat process these ideas emanating from parts of the UN system?

JIS: I was there when it came time for preparation for UNCTAD II in 1968, to be held in New Delhi, India. There were elaborate exercises to establish a common Group B (i.e., donor country) position on various issues—what could they be forthcoming on and what couldn't they be? The internal progress on aid had been going on in the committee structure of the OECD, with the DAC chairman pressing member delegates to adopt more liberal policies, and with some of the DAC working party chairmen pressing even harder.

Bob Everts, of the Netherlands, knew how to run a committee because he had six or eight kids. I think he had taken two Jewish refugees during the war and raised them in his own family, so he knew how to handle a big group. He was always the persuading father figure, you see. And he pressed DAC delegates and succeeded, ultimately, in getting through the first DAC terms recommendations, which called for considerable softening of terms for development loans and for a definition of official development assistance that required certain minimum standards. There was a minimum grant element that had to be included in it.

That was a real step forward and people were prodded to go along with that. Governments, it turned out, were willing, sometimes reluctantly or with reservations. It's a model of subsequent agreements in a lot of areas, including, fairly recently, on aid tying, though I haven't looked carefully into the substance of how forthcoming the agreement is. And they've

done it on all sorts of other standards for aid giving. OECD has done it also in other areas, like modifying competition on export credits, which has been a major sore among donors. That would have been done in the Trade Committee. But the DAC and OECD were very much aware of the forthcoming debating areas and tried to synchronize member positions. I don't know that that has changed all that much in recent times, even though the European Union tries to do the same thing. I was asking about that last week. The impression I have is that the DAC and OECD secretariat people still think they have a job to do, and they probably do.

TGW: As a western secretariat, you mean?

JIS: Of course, yes.

TGW: Is there a disadvantage in there being no Third World secretariat?

JIS: Well, isn't there one? There's a Third World secretariat in the form of the South Centre. And then you have this Group of 24 (G-24) which does stuff for—

TGW: The IMF and World Bank.

JIS: In the old days they would have said that the UNCTAD secretariat played that role. But the UNCTAD secretariat—it's more a technical assistance house now. They do analyses and raise issues, but they have come a long way. I don't get any great feeling of confrontation from the Group of 77 (G-77) the way it used to be, but maybe I'm wrong.

TGW: I'm curious. Toward the end of this period, the first of the so-called blockbuster reports was released in 1969—the Pearson report (*Partners in Development*). And since then, there have been a whole series of them.

JIS: Well, the second one was done by [Dragoslav] Avramovic. And who was his partner?

TGW: You meant the Brandt Commission? Dharam Ghai.

JIS: That was the Brandt Commission, yes.

TGW: What is your impression about the impact or the role of these outside reports on development thinking or the promulgation of ideas? How are they seen? Are they useful?

JIS: I had the impression that they had great impact and that they would be searched through and quoted and so on.

TGW: By secretariats? By governments?

JIS: By secretariats. And governments would find it useful in debate and so on. So I think this kind of review is probably very influential. But I must say that this is just an impression. It could be that it can't be sustained if one looks carefully at it.

TGW: Actually, no one has looked at it—

JIS: It's an interesting question. I mean, one could count quotes, the way academics do and so on.

TGW: How did you get from Paris to Geneva? What happened?

JIS: For the last years that I was in Paris, I became head of the Financial Policies Division, which covered the statistical operation, and the debt negotiations, and the committee that dealt with terms of aid, and so on. Under DAC chairman Ed Martin, we put forward an analysis of the debt problem in his chairman's report for—the one that came out early in 1970, which used work that had been done extensively in the division I was running and that I mainly worked on.

The problem was that UNCTAD, being a UN agency, had posts with nationality claims on them. UNCTAD secretary-general [Manuel] Perez-Guerrero (PG) was looking for an American to head the Research Division. Harry Bell, a U.S. foreign service officer, had been the first head of that division. I saw him and had dinner with him last week or the week before.

Harry left and, temporarily, Said El-Naggar ran the division. But as an Egyptian, he couldn't be moved into that post since it was reserved for a senior American. Nat Groby, PG's director of administration—you remember Groby—called and asked if I would be interested in that job. So it was arranged for me to come and talk to PG. PG had various names of Americans pushed his way, but they were largely from Washington, or they were people who were representing the U.S., like Bob Brungart in the U.S. mission. He was particularly struck by the fact that I had had extensive work as an international bureaucrat through four years in the OECD and had been involved in negotiations. So he thought that would be far better. And it worked out, and I came aboard as a regular UN staff member at the D-2 level, and thus became the senior American national on PG's staff.

TGW: How would you characterize the main differences, intellectually and culturally, between the OECD and the secretariat of UNCTAD? In terms of the caliber of the people and the caliber of ideas, which was more fun, which was more stimulating, and why?

JIS: I think, in the long run, the governing bodies were very stingy about the way they treated the OECD staff. That remains the case. The avenues of promotion are more limited. People have very long careers in the same place. The various directorates are different enough that it would be unlikely to have a major transfer at a senior level from the Development, say, to the Economics Directorate. In the UN, it's a broader thing. I certainly have observed, in the UN process that anybody wet behind the ears and not necessarily a professional can end up as a D-2. But there still has to be merit. Jean Gurunlian is a very talented guy, even though some of the secretaries there tend to denigrate him because he doesn't have an academic degree. He's an autodidact, and he started as a general service guy who learned computer programming. He is, in fact, a remarkable entrepreneur with considerable skill. So there is that difference.

There have been some superb people in the OECD, very dedicated. They have made it their career. Helmut Fuehrer, long-time director of the Development Directorate, is a remarkable and tenacious guy, very cautious in some respects, but a good bureaucrat. Some of the other people were pretty talented. Some of the people in the Economics Directorate were first class.

As an aside, the thing that the OEEC (Organisation for European Economic Co-operation) pioneered was country reviews by your peers. That the OECD continues to do, and that's one of its strong suits, it seems to me. The UN has never successfully even attempted that kind of review. But it remains there as a potential model under the right circumstances.

TGW: Would it be possible to characterize the typical staff member in the OECD versus the typical staff member in UNCTAD or elsewhere in the UN system? I guess I have in mind something you mentioned earlier, namely the tying of promotions and recruitment and other kinds of things to geographical quotas.

JIS: I suppose that that was less so in the OECD because you started with a much smaller pool of countries. I guess one of the problems would have been that, given that it's in Paris, the French would have had, no doubt, a problem of oversupplying the place. So there may have been constraints on the French, but I never observed this myself. They had a pool of superb secretaries—British secretaries—in the OECD, really first class. But to a certain extent, the UN does too. You know, people like Sanda Harting can be gung ho on the job. But that was certainly true of many in the OECD.

I didn't feel any nationality pressure in the OECD. I did some recruiting. I remember recruiting a German and a Frenchman, but I could have recruited any OECD national.

On the other hand nationality quota constraints were a constant problem in the UN, which made it difficult to recruit Indians or some small-country nationals that were already fully

represented up to a low quota. In those days, recruitment from Soviet bloc countries was a Byzantine process negotiated through the personnel office and the East bloc or Chinese delegations. In most other cases country delegations didn't get involved in pushing candidates for recruitment, although some candidates seeking posts might enlist or seek the endorsement of their national delegations. I do recall one instance in which a prospective Latin American candidate I had put forward for a post was effectively blocked by his country delegation, ostensibly because they considered him an expatriate since he worked in Washington for the Inter-American Development Bank. In my service on promotion panels, nationality was never a consideration as far as I observed the matter. The reservation of certain senior posts for particular nationalities was of course another matter which I believe did not affect posts below the D-2 level.

Now the promotion system at the OECD—there were no outside pressures, and I was free to make my own choice. When I took over as head of the division I was in, there was one promotion to be made, and I think I made an error in the guy that I appointed to that. I subsequently decided that there were two or three people that would have been far better. Though making a good initial impression, the guy I picked turned out to be a bit immature. But he had been pushed by a German colleague of mine. Anyhow, for whatever the reason, I think I made a mistake there. But in the long run, they all did fairly well. This then rather immature guy is now a successful German banker, I'm told. The Turkish guy I should have put in is also now a successful Turkish banker.

To stray somewhat from the subject, I see that Angus Madison has got another book out, which the OECD has published, on the long-run profile of economic growth in the developing world in past centuries. Did you ever meet him?

TGW: I met him, but didn't know him.

JIS: Well, he was the wildest party man I ever saw—that is, in the sense of social parties—but a very solid researcher with a well-deserved international reputation.

TGW: What about the quality of research?

JIS: It varies. In the OECD, the most remarkable guy there was Michael Emerson, who was a young Britisher who, on his own, was pulling together a data series. He was trained as an accountant, and the data was on private investment in developing countries—a series that was unique. There have been several more successful attempts later. But he pioneered that on his own. He went on to the bureaucracy of the European Community in Brussels, and he ended up as the director of policy analysis, or something like that. Then later he was the ambassador of the European Union to the Soviet Union. Then he got into some scandal because he was about to retire and he prematurely negotiated something or other for his post-retirement career. Anyhow, he was a very able guy.

Francis Wells was also very able, as was Pierre Labouerie. These are both people that I contacted when I was there last week. There have been many others. Beven Stein served there for thirty years with great dedication and improved their statistical operation. Just to drop some names, the reputation of some of the people on the economic side is quite good. John Fay was extremely able as the head of the Economic Directorate, and then Robin Maris and so on—all well-known academic economists subsequently and previously.

In the UN, there are some good people, as you probably know. As former academic economists, when I first came to the UN there was a colleague of Leo Hurwicz who had also been an assistant to Oscar Lange at Chicago—Henri Simone Bloc—who was an assistant or under-secretary-general, I think, in the finance area. He became quite well-known and then

retired into investment banking. Then there was Jacob Mosak, who was very impressive and had been my teacher as an undergraduate at Chicago, along with Greg Lewis, in the basic economics course for juniors. Mosak carried on for years at the UN and did very solid econometric and analytic work. Doug Walker, who may be retiring now in New York from the UN, is a good analytic and theoretical economist.

In the UN house on the other side of the ocean, in Geneva, I have the impression that Charles Gore is quite good. He is getting out the least developed report now. He seems to be a very able economist. The guy that you have working, a Britisher I believe, on this intellectual history project, who had been heading the main economic analysis division in UNCTAD—John Toye—seemed to be very able. And the Turkish economist, now temporarily or maybe permanently running it, I am told is good. But I don't know him. In the more junior staff, Gunter Fischer is a very talented guy. He used to be working on the least developed picture, but I believe has now been shifted to other duties. Far more alarming, of course, is the current political situation of the least developed program. Are you familiar with that?

TGW: Well, before we get to that, just one question before we get to the end of this tape. What is your impression about the impact of the group system, which was peculiar to UNCTAD and then spread to the rest of the system? What is the impact of this particular process on the creation or massaging or dissemination of ideas—research ideas? Was the confrontation of the early years useful?

JIS: The technical studies of new problems and old problems that are done within the UN can be very useful. For example, the kind of thing that Andrew Conford, a very able financial economist, does in UNCTAD's global analysis division. The analytical studies can be very, very good and can open up new topics or new insights on basic topics. The synoptic view

and regular review of some problems also, I think, can be very good. The overview that you get in the *Trade and Development Report* is very competently done and is a very useful addition to the similar overviews that you get from the IMF, the World Bank, the OECD, and so on. But the UN is a crazy outfit. One country, one vote is an amazing phenomena, as you know. And the fact that it is made to work in at least some matters, essentially by consensus, is quite fascinating.

The professional researchers are somewhat guided by institutional emphases as to the mission of the various UN bodies, but their work, if anything, has grown in objectivity. The emphases were not created by blocs. The missions and goals preceded the political blocs. So the institutional culture through staff building and maintenance is important—perhaps like the development of faculties in some academic departments in universities which can grow to differ substantially from one another in their outlook, at least outside the hard sciences. In the UN, the process is no doubt affected by broader global political developments such as the so-called Washington consensus after the Cold War, or the growth of stronger regional economic and political cooperation arrangements, which of course also affected the nature and objectives of the blocs within the UN system. The choice of who will be UNCTAD secretary-general, and his choice of senior staff, and how they try to shape their own guidelines, and how they respond to changes thrust upon them by their governing bodies has, of course, involved close interaction with delegations and regional groups. The spread of the group system in the UN has some similarity to the invention of political parties in early U.S. history—neither were contemplated in their founding charters, but both flourish.

The bloc system—I don't know how strong it is now in the concerting of, say, the developed country positions, the old group B. The European Union somewhat upsets the apple cart. It's a little awkward—some split-personality stuff. The role of, say, a Dutch diplomat must

be very interesting, because he is constrained to follow the EU alignment, if any. He may have an independent agenda, and certainly he can run around and talk to delegates on all that. And I don't know the role now of what used to be the Nordic bloc. They were the arch-liberals on establishing targets for overall aid as a percent of GDP and support targets for the least developed as well, and that sort of thing. But I don't think the EU squelches its more ambitious members. They may have a lowest-common-denominator, but they don't stop anybody from elevating that on their own for their own performance.

I don't know if the Group of 77 is still a significant major force. Nobody seemed to object to the concerting of views of the least developed countries in Brussels, except quietly on some issues. I think the Indians and Pakistanis, and so on, were watching. They have sort of become accustomed to the fact that this kind of discrimination doesn't work all that well against them anyhow, so why fight it? I'm afraid that's the case. Of course, the old East bloc—Group D—is buried among aspiring new candidates for NATO (North Atlantic Treaty Organization) and EU membership.

TGW: This is actually the end of tape number one. We'll stop here for a moment.

TGW: This is the beginning of tape number two, Tom Weiss interviewing Jack Stone on the 12th of February, 2002. Well, we were at UNCTAD. I was curious about two things: the role of the secretary-general of an organization in giving it an intellectual impetus—basically the role of leadership. And the second part of the question is how do ideas move around in the secretariat? Do some of these come from outside? Do they come from inside? How do they travel? What is the trajectory of ideas within a secretariat?

JIS: I assume that it varies from secretary-general to secretary-general. If you mean of an organization like UNCTAD, Perez-Guerrero was not an innovator of ideas, but he had idea

men on his staff, and he went along with them. Perhaps I'm not giving him sufficient credit. After all, the man invented OPEC, or was instrumental in organizing it. I'm not suggesting that it was his idea, but I don't know that history.

But he had, on the idea side, Sidney Dell, who was a formidable man, and I regret that you can't interview him. His contribution of the initial direction of UNCTAD, I presume in cooperation with Prebisch, whose era I only know about secondhand—there is that—but then Dell, in order to stay in New York, quit UNCTAD and founded the UN Centre for Transnational Corporations (UNCTNC), which I think is a real contribution. And of course, its independence was later canceled, and it was assigned to UNCTAD and lost its separate governing body. I don't know whether that's good or bad. It may not have made much difference.

[Gamani] Corea had a good deal of eloquence. I don't know that he was necessarily all that innovative. He certainly expended an enormous amount of effort at UNCTAD IV in Nairobi on a Special Fund for Commodities, which I gather now exists. I'm not sure how large or effective a role it plays. And there have been some other spin-offs. I don't think that Ken Dadzie was particularly innovative. Maybe he was a solid but cautious bureaucrat. Then you have Alister McIntyre and his interregnum. He didn't rock the boat. Well, I just don't know enough about the current regime, other than the present dilemma on the organizational arrangements for the least developed. And I gather there is also some other reorganization going on. I don't know whether that's [Rubens] Ricupero's responsibility, or the result of his policy, or lack thereof, or not. But I assume we will get to that ultimately. But Ricupero presided over the major restructuring of UNCTAD after Cartagena and its shift to more of an analysis and technical assistance house, and less of a forum for North-South confrontation.

Actually, a really dynamic guy, if he has a bee in his bonnet, can push it as secretary-general. Certainly Prebisch did. The one time I had any talk at any length with Prebisch was at a cocktail party at Said El-Naggar's home in Washington. He made it clear that it was time, the old ideas having been tried, to go on to other things. He was open-minded in that respect and recognized that a new cycle of ideas was in order. But this was already in the early 1990s, some twenty years or more after his retirement from UNCTAD.

TGW: Some of the interviews on Latin America have claimed that Prebisch's ideas actually lived on long beyond him, which was one of the problems—import substitutions, in particular, and protecting infant industries, and these kinds of things that, in fact, made Latin America less competitive over the long run. And that his ideas had a life of their own beyond him.

JIS: Well, if you're going to claim that recent Argentine policy is Prebischian, I don't know. But it's the whole complex together. If you want to pull import-substitution, it has to be accompanied by constraints and limited in duration so that you get the positive benefit from it without foundering the whole damn thing.

TGW: Earlier I had asked you about your thoughts about major independent reports, and you had indicated that you thought they played some role in the creation and proliferation of ideas. What about global ad hoc conferences? We'll get to the least developed ones. But I'm trying to think what happened within UNCTAD in 1972, when Stockholm and the environment conference (UN Conference on the Human Environment) hit, or what happened in 1975 after the first conference on women (UN World Conference of the International Women's Year)? How did these events spark a debate within UNCTAD about preparing a report for the conference or

reacting to what was coming out in action programs? How do these conferences help or hinder research in other parts of the UN?

JIS: Certainly on the environment thing, the fact that there was a UN agency on the environment (UN Environment Programme), which led to some funding of research on the environment, led to some work opening up the field of environment and development, which I think was of some use and was in some ways a precursor of what was far more dramatically brought out in the later conference, specifically on environment and development.

TGW: Rio (UN Conference on Environment and Development).

JIS: Yes, which totally changed the perspective on environment and made it far more important in the whole system. The preliminaries of that were already being kicked around in the Cocoyoc conference in the mid-1970s and in the predecessor one that was at Founex, back in—

TGW: In 1971.

JIS: Yes, that's right. So the intellectual problem was posed and work was done. You know, there are fashions in all of this. That's one of the most remarkable things about this. You have to adjust your vocabulary every decade to the new buzzwords. The ideas may not be new, but whatever the new words are—stakeholders, governance—there are a whole host of them. You know them better than I do. I think one way of getting renewed energy in the whole process is to have a feeling that maybe there's something new here to press on, and that these new slogans are helpful in that way. And maybe some of them are really new. But things don't have to be new; they have to be apt and helpful. But that's not in response to what you were now opening up, which if you'll repeat, I'll recall.

TGW: The impact of these ad hoc conferences in terms of determining a work program for secretariats, forcing new ideas upon reluctant research divisions and secretaries-general of various institutions. What exactly is their role in the ideas industry?

JIS: Well, they lead to an enormous amount of work and effort. It's like the basic proposition in the search for scientific truth. The one non-scientific part of it is where you decide to apply your effort and what you call important. There is no scientific definition of this. That's why you can use the light word "fad," but these conferences are of crucial significance as to how the whole thing develops. So one wants the fads to be the right fads, and to push things in the way you would really like to see them go. Now the way this works out is through the effort that is generated and the expectation that a program that comes out will actually affect the behavior of governments and of private entities. Slowly some of these things come about. There is some progress.

The one I would like to look into, or to see looked into more deeply, and now is beginning to be looked into, is the implication of the remarkable growth in China and India for the reduction of the real poverty problem in the world. The dimensions are mind-boggling. That's what always was there to be done if you were going to get major progress globally. The fact is that you have these huge countries as single entities which can only be affected in major ways from the inside. You can't help from the outside very much with aid. It's only small countries that you can expect to be able to change in major ways with outside aid.

TGW: We'll certainly talk at dinner about this. But my impression after two weeks in China is that the largest poverty reduction program ever is a quadrupling of GDP in fifteen years.

JIS: Of course. It's absolutely staggering. But it's not the end of the problem. It is precisely the rest of the world that this hasn't spread to.

TGW: What about the impact of shocks? During your early period as director of research—I'm thinking about the end of the gold standard, the Bretton Woods system as we knew it, and then the oil crisis of 1973/1974.

JIS: That was the dramatic one.

TGW: What happens to work programs, discussions within the secretariat? How does this force people to think in ways that they might not have otherwise?

JIS: The oil shock—I don't think that I was particularly awed in the short run by the impact of the Bretton Woods collapse, which nevertheless had great significance in the longer term. I think I missed the full significance of this at the time and didn't stress it adequately. Or maybe the immediate impact on development and on growth and so on, wasn't all that obvious. But as I recollect now, not all that much was made of it at the time by us or by my colleagues. But the oil price shock—that was a different story. That bowled everybody over.

I was talking to Max Cordon, who did a brilliant little paper on the impact at the time. I told him it was very important, and he did agree it may have helped general understanding of the problem. That was a small thing, I suppose. But the oil shock really rocked the world economy, and all the parts of it, in a dramatic way, and we tried to follow it and its implications for developing countries. There were a couple of very able economists who helped us at the time in some special analyses for the TDB (Trade and Development Board) and UNCTAD V, I believe. I have forgotten their names, but they had been prominent in the OECD Economics Directorate. But those shocks—it's amazing, indeed, that there was a second oil shock not all that many years later, four or five years later. In some ways it was even bigger. And of course, that led to the whole Latin American debt crisis, in part, immediately after.

I suppose the problem that bothers me as much as any is, for all the talk, how do you cushion the shock so that you don't have to make the cure worse than the initial disease? It's there particularly to be seen in what happened to the Soviet Union after its break-up and in the 1997-1998 Asian crisis. Probably also in the various Latin American crises, but I am less familiar with the details of that. But the nostrums haven't sufficiently addressed how you gradualize a shift that has to be taken, rather than shooting and over-shooting. Why drag the unemployment rate way up if there is some way that you can bring about the needed change while cushioning that? It's a problem that I think is very important. There's a huge waste of resources. It's very difficult to do, but somebody ought to be trying to find some formula you can apply. It's far more difficult to find, but it's very important. And we see the problem again in late 2002, in the acute Argentine crisis.

TGW: I'm interested in tensions between organizations as a possible source of ideas, or as a possible stimulus to ideas. I'm thinking here of the UNCTAD/Bretton Woods group rivalry, or even within Geneva—the UNCTAD/GATT (General Agreement on Tariffs and Trade)/ITC (International Trade Centre) nexus. To what extent does a sort of one-upmanship, trying to be ahead of other people, or to respond in kind to other people, help to produce research policy ideas or movement within the negotiating machinery?

JIS: I am not sure that this tension has been all that productive in terms of policy ideas. I mean, it's more staking out claims to turf, and elaboration of machinery that may not lead to ideas. The response to the WTO (World Trade Organization) on the least developed has led to a huge proliferation of committee devices, and so on, and analyses that were very elaborate. There was talk of cooperation, but the priorities of these organizations differ. It's not that easy to harmonize. The WTO, for example, rightly wants to ease the way that potential members go

about qualifying under all of the vast hierarchy of developments that are needed—often very sophisticated, and often the last thing that a very poor country should be stressing as a number one priority. That's one of the dilemmas—the order in which these things are done.

Occasionally, people will say that. But what they come in and agree on is that they will go through these exercises. And then the exercises don't get done, or maybe they're not all that productive when they are done. But there may be some useful product of them. I'm not so sure. It depends on the actual circumstance.

TGW: I think I would agree. Actually, one of the other devices within secretariats happens to be expert groups. I'd like to go back to your original comment on being a consultant. That is, that you had to understand the consulting firm to be effective.

JIS: That's right.

TGW: Box Cox, in his interview, basically said that expert groups and consultants are brought in to say what you want them to say. You rarely get people to come up with new and breathtaking things because they're all your friends and they know what you want to hear. Do you agree?

JIS: I found expert groups to be extremely helpful in focusing a problem. I found that the second expert group—the first had taken place before I arrived at UNCTAD—on the landlocked countries did a brilliant job, because it brought together [Edward] Jaycox, who was then head of the transport division in the World Bank, who later became vice president for most of Africa. I guess he's retired now. Then there was the deputy head of Robert Nathan Associates—Franz Wolf, I believe. He's now about 100 years old and living in Washington on his own. Then there was Ezra Bennathan. This was before you came on board.

TGW: But Ezra hung around afterwards.

JIS: The emphasis of this group on looking at particular transit corridors and trying to decompose the problems to find out where the biggest payoffs were—it seemed to me absolutely right. The stress on that was very useful. It's occasionally been followed—not nearly sufficiently. There is a renewal of interest in this now at the World Bank. They have actually done some very systematic costing studies recently. I, in fact, may well be assisting Robin Carruthers at the World Bank in reviewing a big Asian project—on transport, trade, and poverty, including some landlocked countries in Asia, which could be very interesting. Anyhow, now at the World Bank, Simon Thomas had done pioneering work for us in UNCTAD, following the expert group recommendations on the transit corridors between Nepal and ports in India. He still thinks—I had lunch with him now too long ago, he is still very much around—in retrospect that the work they had done on India was particularly helpful at the time and remains a model.

Now, last summer I did a paper—I'll show it to you here. I have a few of these old papers around here, which I should have given you earlier. If there are any you would like to look at, you can photocopy them. Anyhow, that landlocked expert group I thought was very useful. I also thought so of the one we did on trade, in 1973 or 1974. But I agree that it was a vehicle whereby my own ideas were projected into the meeting. And the report that was written up—for all my roping Gerry Helleiner in as rapporteur, he wasn't sure what we wanted. So I ended up injecting a great deal into the report. Nevertheless, I thought it was useful.

Now a first expert group on island developing countries also broke some interesting new ground and opened up a fresh field of inquiry, but stressing the special problems of the smaller, more remote island countries. Percy Selwyn, from Sussex University in the UK, chaired the group, which turned out to be a very useful exercise. And of course they have gone on now to hold a number of other expert meetings. And there are specialists like Ed Dommen, who had

done a lot of island work, and Pierre Encontre, in UNCTAD now, who is married to a British Virgin Islander and has spent time in the Pacific Islands. They know these areas and they are peculiar, difficult, and unstable little places. They've done some useful work on that.

But again, to get what you want out of an expert group requires very careful preparation. I was very pleasantly surprised that some of the experts in the area on the landlocked one came through. I was enormously impressed. I never had reason to change that view, subsequently. But there have been some minor expert groups on islands that weren't all that helpful later. But I don't know what your own experience is.

TGW: I'm going to keep me out of this. This is your chance. I'd like to actually spend some time now on what occupied the end of your UN career—least developed countries. I wondered whether, in your own words, you could recount the creation of this category. Who was pushing it? Why? What were the debates? And how were they resolved?

JIS: Well, you can find, I believe, a reference to the "least among the less developed countries" at UNCTAD. I haven't recently looked it up myself. I know that when I came to the research division in March of 1970, I think Igor Karmiloff was in charge of the section that was dealing with the least developed countries. And Said El-Naggar, who had been running the Research Division and became my deputy for a year or so after I arrived, before he moved on to much higher things—I hope you are going to interview him, incidentally. Said was later head of the Middle East regional commission, which later became ESCWA (Economic and Social Commission for Western Asia). Then he went on to become executive-director at the World Bank, for several Middle Eastern countries. Then he was an initial member of the High Court of the WTO until he decided not to stay on last year. So he's had a very distinguished career. He knows all about the beginning of UNCTAD because he and Sidney Dell and Harry Bell were in

New York when UNCTAD was first formed under Prebisch, later in 1964, probably after the conference, following the two or three month founding conference in Geneva early in 1964.

Anyhow, the idea of identifying a specific list of countries as least developed had been pursued in 1969 under Said El-Naggar and his staff, who tried to use factor analysis in order to look at all of the attributes and see whether they clustered in such a way that they could select a few specific indicators to help identify who should be included in the category. I think essentially it didn't work out as an exercise. But that was one try. There had apparently been resistance from the beginning to efforts to specifically identify these countries, which had been put forward in UNCTAD I in 1964 as a category requiring special measures. It was said that every agency in the UN system and every division in UNCTAD should emphasize work on the least developed countries in their programs and give them special attention, and that they should provide for special measures for such countries—and yet without specifically or officially labeling a group of countries as least developed. Presumably, countries could put forward on their own their claims to have special measures apply to themselves.

Since such a system could only lead to merely paying lip service to the category without any meaningful action, the UN secretariat tried a few initiatives to identify a list, but without immediate success. Any specific proposals put forward were at best taken note of and sent back for further study. In the early days, the opposition to formal identification was mainly from India and some of the large Latin American countries, who were afraid specific identification would leave them out and divide the Group of 77 or provide a way for the Group B countries to shift development support from the other 77 to the LDCs. But eventually, later as the LDC group grew and got more political strength, the LDCs and the other 77 preached

accommodations—with the other 77 sometimes screening or monitoring proposed language in TDB or conference resolutions to see that special privileges did not go too far.

Somehow or other, in 1971, the mandate was given to the Committee for Development Planning (CDP), still under Tinbergen at that time, I believe, to attempt to identify a list of the least developed countries, or the least among the least developed countries. Omprakash Talwar, who was then probably in one of Mosak's sections in New York—I'm not sure exactly where he was—was seized with the problem of making a recommendation to the committee. He came up with a list of twenty-five least developed countries based on three criteria: a very low GNP per head (at that time, it would have been below \$150; it was perhaps even below \$100, with a little gray range); a low percentage of manufacturing in GNP (it was below 20 percent, or maybe even 10 percent); and a third criteria was a literacy rate below 20 percent. That was the starting list. Samoa was included on the list in part because, as a little note indicated, “the very fact that some of their main statistics are missing is itself proof that it is a least developed country,” or words to that effect.

The CDP studied the Talwar proposals and endorsed the criteria and the list. UNCTAD had an expert group on the least developed countries at the time which looked over these proposals and strongly endorsed the list and its identification criteria, which then went on to Santiago in time for the third UNCTAD conference in April-May, 1972, where the list was again endorsed and then forwarded to and endorsed by ECOSOC (Economic and Social Council) and finally adapted by the General Assembly in the fall of 1972. At last you had an official list of twenty-five countries of what we now abbreviate as LDCs.

Anyhow, I say twenty-five even though one of them was an autonomous area, Sikkim, ambiguously linked to India. Sometime thereafter, there was a difficulty involving the family of

the prince and head of the state. His wife got cantankerous, pressing for greater autonomy, and suddenly the Indians occupied the place and that was that. So nobody raised a fuss and said that the province of Sikkim in India was a least developed country. So the number thus became twenty-four. Then you had the phenomenon of Bangladesh as a major addition. So in the 1970s, you had several newly-independent countries joining the list. So the list went up. I think by the 1980s, it was up to forty-two. Then there were some further additions.

I have talked to Just Faaland, who had followed this over the years. He was recently the chairman of the revamped CDP—now called the Committee for Development Policy, I believe. He thinks that the list has expanded as the result of changes in the cut-off points for the GDP criteria as they have had to be modified because of inflation. So the original GDP criteria, in real terms, haven't changed very much, he thinks. Of course, the two non-income criteria become very complex. There were two large composite indices agreed on in 1990 to replace the earlier, very simple ones of Talwar. These had some major shortcomings, in my view. I wrote some very critical remarks about them, but the CDP went ahead and implemented them. But they were refined subsequently, as they had agreed they should seek to do in the light of such criticisms. They now, at least, are internally consistent. The major recent revision was to replace the so-called diversification index, which I think was badly faulted in conception, because it would imply that Saudi Arabia, at least on this one criteria, ought to be considered a least developed country because it has one single, overwhelmingly dominant, export industry.

They now have a vulnerability index to replace the diversification index, which has a number of components and makes some sense. My own impression is that, in addition to newly-independent countries which have been added to the list—that is, the ex-Portuguese colonies and a few small island countries—you have a number of backslid countries which have experienced

economic collapse because of war and other tortuous circumstances, including very bad policies, that originally you wouldn't have thought should be on the list, like Zambia or the Democratic Republic of Congo, or the other formerly successful exporting countries, like Liberia or Sierra Leone. All have been added to the list—even Angola, a major oil exporter, but a country nonetheless in miserable condition because of continuing war.

So you have the situation that the original list from the early 1970s over three decades has itself doubled in population. However, the growing total list of LDCs itself has doubled and redoubled in population. I think that reflects the addition of newly-independent countries and some genuine backsliding—countries that, in a sense, shouldn't have been on the list but have been run into the ground. I also think that there has definitely been some actual inflation of the cut-off points for the criteria. You have a continuum or several continua. But you reduce it to one continuum and you can cut that anywhere. I, at the time, in 1990, fought the expansion by the addition of Zambia and so on, on the ground that it would be better to keep the list small. On reflection, now I am sure, having gone to forty-eight or forty-nine, that the political power of that group is much stronger and, therefore, this higher cut off makes sense as a practical political matter.

I think within the group, however, there probably is a case to be made for looking at the really hardcore least developed countries. This is something that I hope to make some suggestions on in a project that I am putting forward. I have made a proposal on that, which I am now elaborating, that's an extension of a paper that I did back in 1990. But I have some ideas on how to make it more relevant now. Anyhow, the early days of the LDC program were extensively described in TDB/101, prepared for UNCTAD III in 1972. If you can get a hold of

that, it gives a detailed description of the development of the category up to 1972 and the disputes in its implementation. I think it is about thirty or forty pages long.

So now I think the top of the range goes almost, in fact, up to the IDA eligibility cut-off GDP per capita. I would have thought that maybe it ought to be somewhat lower. Now that it is established where it is, fine. I think the way out is to subdivide the group according to the dominant economic considerations, and among them identify a really hard core that has the most difficult development problems, and to sub-classify these as to the main sources of their problems.

TGW: I am interested in politics. The idea of differentiated treatment, that we're not all in the same boat, clearly was not something that coincided with the Group of 77 orthodoxy.

JIS: That's right.

TGW: Was it the power of the idea? The power of the politics? How did the idea overcome what would have been a significant amount of inertia in the G-77?

JIS: You had some very clever, bullheaded advocates right down the line in Santiago (UNCTAD III). To get back to an earlier theme about special funds, the whole ambition of the guys in the 77—and particularly Alula, the least developed advocate from Ethiopia, who was extraordinarily, even maddeningly, persistent as spokesman for the LDCs—was to get a special fund for LDCs. They thought that would be nirvana. The U.S. fought it. I think they ended up with some compromise language that they would agree to look into it, or something. But they didn't get it.

Now later on, there have been special funds again. There is now, within UNCTAD, a special fund for least developed countries, which is just another name for a pot that you can

deposit money in and earmark for least developed. So the fashion on special funds keeps shifting, as you know. But the basic question you were asking was—refresh my recollection.

TGW: The politics of differentiation, and how did it overcome what must have been a significant G-77—

JIS: Right. So Alula was very adroit in pushing this case. You had the Indians, who were watching very carefully as to who were included in the group. They were happy to keep it small. You can even argue that this was implicit in the view of Talwar, who first did it, although not necessarily. It was a small group, and the case was overpowering. Of course, when you got Bangladesh in, following its creation in 1972, you raised the issue of which among the other huge countries might be in this category. And the Committee for Development Planning eventually simply fell back on the stratagem that no country with more than 75 million population would be admitted unless they had already been admitted.³

TGW: Pure science.

JIS: That's right. But Bangladesh was in more extreme difficulty than any of the other very large developing countries. But classifications of this sort—where your cut off is arbitrary. But you can split, and you should. Now, the politics of this was picked up in Nairobi (UNCTAD IV), where there was a seemingly minor victory in Nairobi against the smooth, courteous, and

³ Addendum May 15, 2003, from Jack I. Stone: This may seem to be arbitrary—the exclusion of countries from the list on the basis of large size, per se. But there is a strong case for this. First of all, very large countries have very large and relatively sophisticated bureaucracies, generally giving them a substantial potential for managing development if it is properly used. Second, there are significant problems evaluating the really meaningful size of their GDP; the share of the internationally-traded goods sector in GDP, other things being equal, is lower in a very large country than in a smaller country. Where there is a great deal of surplus labor in the un-traded sector, then the resulting GDP per capita in dollar terms may appear to be lower than in smaller countries. Thirdly, Bangladesh (which remains grandfathered into the LDC category despite its size) has indeed been exceptional in that it has certainly had particularly severe problems due to natural disasters, and extremely low incomes for much of the population compared to other very large countries. With the recent boom in East and South Asia, Bangladesh has made impressive gains, and if they were to continue long enough there might be a reasonable case for graduation of Bangladesh from the LDC category, which would indeed be a singular triumph in the war against poverty. There is still a long way to go, and in any event, this might prove to be politically very difficult because of the longstanding and dominant role that Bangladesh has played in the politics of special measures for least developed countries.

determined negotiating powers of Henning Wegener, the German delegate who was later to be married to—

TGW: Geraldine del Drago.

JIS: Geraldine, yes. But they met at that conference in Nairobi.

And one of the recommendations finally agreed to, reluctantly, by Group B was that an intergovernmental group (IGGI) on the least developed be held as part of UNCTAD's work program. In other words, they would, for the first time, get a meeting that was focused entirely on this subject. It was at that IGGI meeting that they pushed for a substantial program of action. It was at that meeting that they agreed on language that was hard-fought. It was underlined: "Substantial New Program of Action" for the least developed countries for the 1980s. The wording was carefully chosen to avoid an acronym, which would have been SNAP. It was SNPA, because SNAP would have been too cute.

TGW: Too cute by half.

JIS: Anyhow, this was pushed by a Bangladeshi named Ahmed, who was strenuous and hard-working and insistent as spokesmen for the LDCs. This was the sort of thing—he wore down Group B so that they went along with this. Later, by Arusha, the Group of 77 meeting in preparation for UNCTAD V, the call for an SNPA was escalated into a call for a UN Conference on the Least Developed countries. Bernard Chidzero said to me, "Well, why don't you go for a UN conference?" I hadn't been that ambitious because I didn't think I could get it through my masters there in UNCTAD. But Chidzero had a very warm spot for the least developed countries. If you had a drink or two, he would get romantic about the idea. He felt this was very important, because he recognized that this was an effort to do something special for the poorest

of the African countries. He was from Zimbabwe, which wasn't one of the LDCs, but he felt strongly about it.

So on that basis, we pushed this. It was getting late already. It was not in the original papers that had gone to Arusha and Manila. But it was pushed through the G-77 by the Bangladeshis and some of the Africans in Arusha, so that the recommendation went forward from the 77 to Manila. It was agreed and went on, and was agreed by the General Assembly. So bang, bang—the preparation time was rather short, as you may recall. Nevertheless, it was generated.

But that's the politics of it. I don't know whether I missed anything or not. Well, yes, the later politics becomes interesting. At Cartagena—the LDC conference, UNCTAD IX, I believe—you had a new secretary-general, Rubens Ricupero from Brazil, who reorganized UNCTAD, changing the Special Programme on Least developed, Landlocked, and Island Countries into a coordinator for these activities, with many of the posts previously devoted to LDCs being scattered among the other divisions. The idea was that the coordinator would call on other divisions to provide inputs and pull all this together. This was, in a way, going back to the pre-Alula times, before UNCTAD III in 1972, where the thought was that every division should work on LDCs, and in which case nobody really did anything about it.

Nevertheless, the call for a third UN conference on LDCs came along in the late 1990s, with the full responsibility put on UNCTAD to organize it, as in the past. The resources had to be put up to do this. So the resources were deployed and the conference was prepared. The coordinator herself quit after the first prepcom (preparatory committee) in 2000, because she had quietly applied and been promoted to head of Habitat, which was a great promotion for her. So they had to improvise, and they put in John Cuddy, who was asked to do this in addition to his

other duties, which he reluctantly agreed to do. He appeared to be doing it effectively, as far as I could tell.

On the other hand, there was an old tension that one has seen over the years in many areas, having to do with the authority of the delegates in New York, as against the authority of the delegates in Geneva. The argument by the New Yorkers is that all forty-nine of the least developed have delegations in New York. Only a dozen or so have permanent delegations in Geneva, and the voice of these countries is therefore not always adequately heard at Geneva meetings. You also had a Bangladesh ambassador to the UN in New York who was eager to move this thing to New York. So there was also, unbeknownst to Rubens Ricupero, the officer in charge of UNCTAD's liaison office in New York, a very charming guy, Kahlil Rahman, whom you know, who was looking into the possibility of a recommendation at LDC III in Brussels that would establish, at the under-secretary-general level in New York, somebody to coordinate the work on LDCs of all agencies in the UN system. I don't know whether you have seen the papers.

This was bitterly fought at the conference in Brussels in May 2002. UNCTAD opposed it. I think Rubens Ricupero felt he had been blindsided, and indeed he had been. I was a little surprised that they were discussing this, but there you are. At any rate, some compromise language was adopted in Brussels. Essentially, it moved the thing to Kofi Annan's hands to resolve. Annan put forward the essence of a proposal later adopted by the General Assembly, which was a shift of some seven or eight posts from Geneva to this new establishment, which is being created now. The new under-secretary-general for LDCs was later appointed—I believe in March 2002—namely, former UN ambassador Chowdhury of Bangladesh.

But you have a split, that all of the old work continues in Geneva with greatly reduced resources. That means getting out this annual least developed report and also doing a substantial amount of technical assistance management in this area. And all of this is supposed to take place with reduced resources. John Burley thinks it's going to get squeezed. Obviously, he's a realist. Then that would leave in New York the promotion of the category, the coordination of the activities of the various parts of the UN system, all of the soft work. One wonders whether this will kill serious work on the category, or whether it can succeed in seriously increasing the system-wide attention and efforts for the least developed.

TGW: Cynics would argue that UN history, and certainly UN ideas, are ultimately designed to get somebody a promotion or a job.

JIS: I understand that. It's perfectly clear to me. I have seen up close at least three major occasions where this has happened over the course of my career—once in U.S. military government in Germany and at least twice in the UN.

TGW: I am pushed to ask the famous “so what” question. That is, we have seen the creation of the category, the creation of special programs, conferences, reports, positions, et cetera. So institutionally speaking, this idea has taken shape. It's embedded well in the UN system. But how would you evaluate the impact on government policy—donor policy? And how would you evaluate the impact of this idea on the countries that are in the category? Has it been important?

JIS: Occasionally. Well, let's ask the question in 1990 or so, when Zambia was about to be added. Why did Zambia want to be a least developed country? I was told by a young lady on the U.S. delegation that Zambia had been pushing to get into the category because of a little clause in U.S. law that said that the quotas for copper imports into the United States would be

waived in the case of least developed countries. So there was a practical benefit, which the Zambians went for and succeeded in getting by the roundabout route of getting themselves onto the list, thereby somewhat expanding the concept of the list—raising the level of the cut-off point for the list by a bit.

That's one example. The Nordic countries have consistently been biased toward allocating their aid to LDCs, up to the nominal 0.2 percent of GDP and even beyond. The share going to the least developed countries has thus been quite high, and in the Netherlands also. You also have the phenomenon that attention to these countries has clearly been much greater as a result of the emphasis on the least developed countries. The very idea that there had to be a roundtable for each of them at least potentially raised the possibility of greater international attention. So it is attention. It is some warping toward them. The UNDP has had a very complicated allocation formula, which has included a large allocation to the least developed. But there are so many layers on top of it that the actual tilt is probably not all that great.

Now you see new initiatives in the trade field, and you get hopeful, and yet a little worried, because something potentially major may be in the offing which could be a real breakthrough for some LDCs—including the African countries, which have been so backward in trade growth. You know that Ghana was designated as one of the least developed countries some years ago, and chose not to be on the list. It forcefully rejected it. Part of the criteria is that the country accept the classification, you see. Now the EU, in the context of efforts for LDCs, comes up with a waiver, with very favorable, approaching completely tariff-free and quota-free treatment, of textiles, garments, and similar LDC exports into the EU. Now I think myself that it would be potentially unfair to limit that only to those countries that happen to be on the least developed list, unless exceptions were made to cover adjacent countries with similar

export potential to the nominal LDCs. Can you discriminate against Ghana and Kenya and so on? It's a little worrisome when it comes to that sort of thing, and when the circumstances of neighbors aren't all that different. But nevertheless, you have to draw cut off points.⁴

But you talk about substantial programs. If this EU thing goes into effect, that would be a major benefit for least developed countries, and perhaps the first benefit seriously different from mere attention or greater funding. If there is some solid response to Wolfenson's claim for more aid resources, and if the anti-terrorism war itself leads to some increase in aid funding, the allocation question is still there. Every donor country handles it on its own, and some are particularly favorably disposed to give aid to people in the LDC category, if otherwise they qualify in terms of politics and their economic policy outlook. Certainly some of the countries in the LDC category have been avoided by donors—Afghanistan was in the LDC category when it was a pariah. And there are a lot of other pariahs in the list, as far as some donors are concerned.

Then, of course, you have the phenomena of this LDC category overlapping all sorts of other initiatives. That's enough to make one cynical, you can say. But I think there's nothing wrong with attention. And I think that, if the next phase looks at those countries within the least developed category that are especially in need, or especially meritorious because of good policies—and those may be different—it should be a way of focusing attention, because it's been, supposedly, an objective exercise looking at all parts of the world, and evaluating them all in terms of their needs, and presumably establishing a case for, in some sense, a really greater need and greater problems to overcome, and thus meriting all this special attention to LDCs.

Admittedly, all of these overlapping initiatives raise questions and require coordination, but may create opportunities for joint efforts. In addition, the new confusion of two different

⁴ Note from Jack I. Stone: "I have subsequently learned that the proposed EU benefits to all Sub-Saharan African countries in the ACP are as generous as the Doha WTO proposals for LDCs by the EU."

focal points of LDC effort in Geneva and New York is going to be hard to work out. But if this institutional initiative is made to succeed, it may help truly escalate the effort to at least bring lagging Africa, so especially war and disease ridden, into the epoch of dramatic poverty reduction which has given rise to so much hope in Asia.⁵ I'll be eager to find out how it works out.

TGW: As you look back, how would you describe changes in your own thinking about the development conundrum? What's changed since you thought about economics at the University of Chicago or in Cambridge? How are your views different today?

JIS: My work at Chicago, in Germany and European recovery with the Marshall Plan, and then at Cambridge, was largely centered on the economics and politics of the developed world, with the acute backdrop of major war and then postwar reconstruction, but with the backdrop also of the Depression and its lessons for the avoidance of stagnation and the elimination of unemployment and the reduction of poverty. All of this provided powerful raw material for my continued interest in growth and poverty reduction, both in the U.S.—in Puerto Rico and in the upper midwest—and then in AID, in the OECD, and in the UN at UNCTAD, as well as in the small Caribbean island countries. As to courses of particular later usefulness, as I shifted to working in development economics there was a marvelous survey of anthropology with Faye Cooper-Cole at Chicago and an economic history course at Harvard taught by Professor Habakkuk of Oxford, who concentrated brilliantly and exhaustively on the factors that led the industrial revolution to occur first in England.

My views have deepened as I have learned more. I have been dazzled by the computer revolution which I have watched from its infancy. I have been impressed with the spread of

⁵ Note from Jack I. Stone: "Before the 2003 evidence of some slowdown, political instabilities, and the SARS epidemic."

sophisticated economic gadgetry in increasing economic efficiency in microeconomic policies. I have treasured my long opportunity to work in Europe. And yet my basic, perhaps naïve, optimism that things can be improved remains strong and not really different from what it was when I left Cambridge.

I think that the more I study the problem of economic development, the more I see subtleties that a mere Marshall Plan, or Big-Bangitis, wouldn't have led me to. Certainly, it's clear that one needs to tailor policies to the capacities of these countries. Mere aid, not attenuated by some constraints, won't do. But nobody does provide aid, anyhow, without attaching these constraints. The problem now is to make them rational and to try to get some real results. The fact, of course, is that the amounts of aid have been deteriorating, even to the least developed countries. That is, to me, somewhat shocking.

I am hopeful that a real reinvigoration of a flow of aid can be better directed. I think we ought to be struggling to improve the techniques of that direction. I don't think there is any way around the conundrum of overlapping programs—not very easily. And of course, the whole purport of this new invigoration of efforts for LDCs through a new coordinating agency in New York is to greatly increase the pressure on everybody to do more in this regard. One would like to see a rational process, rather than a blind one. As I say, when it comes to new perks for LDCs, like the European Union may be giving through the WTO, I do worry about whether the beneficiaries shouldn't be somewhat expanded so as not to create artificial differentials, especially within contiguous sub-regions.

TGW: Let's look at the future for a moment. What would you see as the biggest, or one of the biggest, intellectual challenges facing the UN system? If you were the head of a foundation, or had substantial resources to invest in research, where would you invest it?

JIS: That's a good question.

TGW: I finally asked one.

JIS: Yes. No, they're all good. But I've come to one I don't have a good answer to. I'd have to think about that.

TGW: You can fill it in on the transcript.

JIS: Yes, I think I will.⁶ In many ways, it's a monstrous organization.

TGW: And a monstrous question.

JIS: No. And also, I'm curious to know. I'm not *au courant* on the things in the immediate offing on aid flows. Isn't there a big conference coming up?

TGW: Supposedly, yes.

JIS: Well, you're not sure if it's coming up.

TGW: I've heard this, but I haven't seen it confirmed.

JIS: And then I also have heard that there is some reorganization of UNCTAD. But do you see an expansion of the veto power in the UN?

TGW: A contraction or an expansion?

JIS: I'd rather see a contraction. I think I would. But I wouldn't want to see an expansion. No, I cannot see a contraction myself, without some major negotiation.

TGW: Is there something I should have asked you that you wished I had asked you?

JIS: No. I'll think of something when I get the transcript.

TGW: I have quite enjoyed going back over this, and we'll continue.

JIS: Let me show you some of these papers, if you wanted to do that. Can we do that?

TGW: Sure. Why don't we just end the tape right here?

⁶ Please see attached addendum.

Addendum by Jack I. Stone in November 2002, in answer to the question on intellectual challenges to the UN system and where a foundation might invest resources:

Here are a few challenges important to pursue:

1. Cushioning the adjustment process for actual or expected domestic or external crises:
I think back to [Joseph] Schumpeter's stressing the need for "creative destruction" in adapting to technological progress and to the conventional wisdom of the necessity of busts to cleanse the excesses of booms. As a society, we have all too often done poorly in distributing the impact and easing the burden on the poor and the weak in such adjustments. We have yet to find and implement ways to do this much more effectively in the real world of developing and transition countries—as was illustrated by the horrible overshooting in the transition countries in the early 1990s, or in the Asian crisis in 1997-1998, particularly in Indonesia—with unemployment rising and output declining far more sharply than should have been necessary. And now the same in Argentina. The study of what went wrong and what alternatives might have worked better, and what machinery could be built to limit and reverse such damage in the future is urgent and could benefit from some critical second guessing to help evaluate the nostrums and diagnoses that are currently being made. Can a higher priority be put on minimizing unemployment effects and lowering income losses for the poor? How can the necessary steps be funded?
2. The study of income inequality within developing countries and measures to improve it. Maybe there can be feedback to alleviation of the same problem in the developed world—and the United States itself.

3. The implications of declining populations in some countries and potential offsets, such as immigration; implications for world economic growth.
4. Privatization of public assets: past successes and failures, and prescriptions for future more equitable results. Can past blunders be corrected?

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