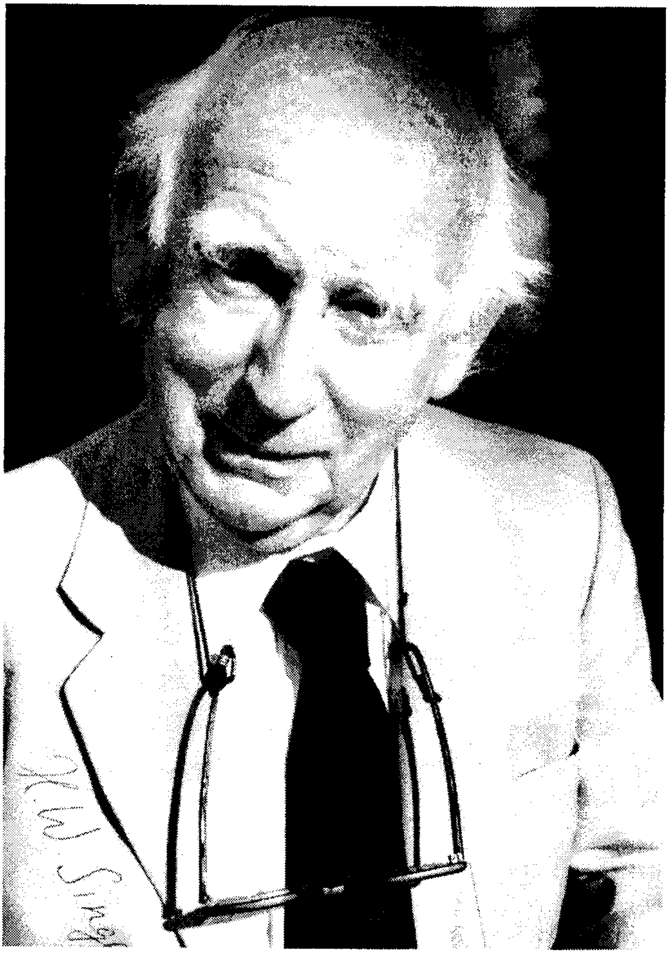

Sir Hans W. Singer

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PROFILE

Sir H. W. Singer: First Among the Few in Development Economics

Note: The profile is a result of contributor's long association with Sir W. Singer and is composed from published and unpublished material provided by Sir Hans. Some personal communications have also helped in drafting the profile.

The following text has partialy been used at the University of Innsbruck (Austria) on the eve of the *honoris causa* doctoral degree award to Professor Singer.

Hans W. Singer, Professor Emeritus is among the few world famous economists who have contributed for over 50 years to develoment thought. He is a pioneer in development economics.

> 'Pioneers - in any field - are creative and courageous people. Were they not, they would not have risked reaching out to break new ground and to seek new solutions. They are rarely content to stay put with the conventional, or to stand pat on the obvious. They are fired by an insistent curiosity that drives them to burrow deeper and ferret out the unexpected'.
> 'That is why it is worthwhile to get to know them'.
> 'In the complex arena of international development economics... here are ten pioneers of that difficult discipline, who have helped define the debate over development issues during the past fifty years. They have been not only dedicated teachers and scholars, but active, responsible practitioners as well'.
> — A. W. Clausen, former President of the World Bank, in G.M. Meier and Dudley Seers (eds.) (1984).

In this particular context, the pioneers of development economics are those people whose articles, and books came to dominate thinking about theory and policy of economic development in the late 1940s. They shaped the subject by introducing concepts, deducing principles, and modelling the process of development. Hans W. Singer is one of such pioneers.

Hans Wolfgang Singer was born in November 1910 in Germany. He is a living legend in Economics. He was a favourite student of Schumpeter at Bonn. It was Schumpeter who recommended him to Keynes for his Ph.D. at Cambridge. He is a follower of Marshall and a very strong supporter of Keynes and his Bretton Woods system. He has worked for over a quarter century at the UN and its affiliated agencies. H. W. Singer not only coined economic theory of development, but also designed the early development policy for the developing nations. He is one of the ten pioneers of development[1] and has published some 20 books, and over 300 articles. His famous books are: *International Development* (New York: McGraw Hill, 1964); *Rich and Poor Countries* (London: Unwin and Hyman Ltd., 1988); *Food Aid: The Challenge and Opportunity* (Oxford: Clarendon Press, 1987); and *Growth, Development and Trade: The Selected Essays of Hans Singer*, (Cheltenham: Edward Elgar, 1999.). At 90 he is agile, fresh in his ideas. He travels, teaches and writes incessantly. He lives with his wife Ilse Lina Plaut in Brighton (England).

When the Second World War ended, economists were challenged by the urgent problems of development. During the next decade a few central articles, official reports, and books came to dominate the thinking about development. The authors of these studies were the pioneers who initially shaped the subject by introducing concepts, deducting principles and modelling process of development. Some of the pioneers were stimulated to analyse the development problems by their previous academic interests, some by their experience in related policy making activities, some out of idealism, and others by a basic intellectual curiosity.

The President of the World Bank, invited Sir Hans and others to Washington in 1984 to reflect on why they said what they did some forty years ago and reassess economic development theory and policy in the light of subsequent evolution of economics. The group consisted some of the greatest names in Economics of this century and these were: Lord Peter Bauer, Nobel Laureate Colin Clark, Albert O. Hirschman, Nobel Laureate Sir Arthur Lewis, Nobel Laureate Gunnar Myrdal, Raul Prebisch, Paul N. Rosenstein-Rodan, Walt W. Rostow, and Nobel Laureate Jan Tinbergen. Hans Singer was one of these invitees presumably because of his long association with the two giants of Economics of the XX century i.e. Schumpeter and Keynes; or perhaps because he worked for long on advising and formulating development policy at the UN.

Hans Singer was invited to join the United Nations in 1946. In April 1947 he arrived at the UN Division of Economic and Social Affairs, and after a long stay at various agencies in 1969, he resigned from the post of Director of Economics Division of the UNIDO.

During this period (1947-1969), Hans had occupied many high positions at the UN. To mention a few important ones besides the last post he held at the UNIDO; the Directorship of the United Nations Research Institute for Social Development; Special Adviser to the UN Under-Secretary for Economic and Social Affairs; Director of Policies and Programming Division of the UN Industrial Development Commission for Africa; Senior Adviser on Interregional Development in Asia and Africa (Head of the Development Mission to Thailand; Head of the UNDP/ILO Mission to Kenya); Chairman Experts Group for the Establishment of UN World Food Programme; responsible person in the UN Secretariat for creating the African Development Bank at Addis Ababa (and later its Director for Policy and Programming Division) and the World Food Programme at Rome.

What brought Hans Singer to the UN is perhaps the fact that he had always been greatly interested in the problems of the 'depressed areas' in the UK and published his first book *Men Without Work* (Cambridge University Press, 1937). He had lived in the depressed area among unemployed people and thus been able to make proposals for policy based on more than purely academic study of unemployment policy. He produced his second book *Unemployment and the Unemployed* in 1939 (London: Allen and Unwin). He continued this interest during his career at the Universities at Manchester and Glasgow. The results of his early research on 'vicious circle' and 'poverty traps' have appeared in the *Journal of Royal Statistical Society* (London, 1950). Clearly this work on depressed areas and unemployment was the forerunner to the work on developing countries. This very experience was very useful through out his work but particularly in *Employment, Incomes and Equality in Kenya* (Geneva: ILO, 1972) during his assignment with the Kenya Employment Mission.

During all his UN years, along with the administrative and other duties, such as travelling to various countries, Singer kept on writing books, articles, monographs and reports. He had been advising not only the UN bodies but also the various national governments, young experts and so on.

After receiving his Ph.D. from Cambridge in 1936, Hans Singer worked briefly for the Pilgrim Trust (1936-38), joined the University of Manchester as Assistant Lecturer (1938-44). For a short while he worked at the Ministry of Country and Town Planning in London (1944-46). He went to the University of Glasgow as Lecturer in 1946 from where he left for the UN.

After leaving the UN he took the Professorship at the University of Sussex at Brighton from where he retired in 1969. Since then, he is working as a Professorial Fellow at the Institute of Development Studies.

Hans had always loved the teaching profession. The UN years had provided him an opportunity for research and applying theory to practice. He had always wanted to convey the results of research and experience to younger generations. His appointment—simultaneously with the UN post—as a member of the Graduate Faculty of the New School for Social Research, New York (1947-69) resulted in regular evening teaching and forced him to place his thinking about development into a more systematic framework. The underlying theory of development for which he stood at the New School was based partly on the importance of 'infrastructure' which drew on the earlier work of Paul Rosenstein-Rodan and Thomas Balogh—and partly on the idea of the need for a 'balanced growth', where he was most influenced by Ragnar Nurkse and partly on the ideas of Nobel Laureate Gunnar Myrdal, with his emphasis on 'cumulative causation' and 'vicious circles'. But the main components of Singer's lectures at New York were international trade problems on which he did some work at the UN. Further, he was also a Visiting Professor at the famous Williams College, Massachusetts (1965).

Today, Hans regularly travels to deliver occasional lectures at various universities in the UK and around the world. He has long been lecturing at the FAO training courses in Rome and Buenos Aires, and WHO course on Health Economics in Geneva.

Singer has always been interested in problems of unemployment. As part of his concern with unemployment problems he felt involved in the development of a social welfare state immediately after the II War. He was an admirer of Sir William Beveridge and an ardent propagator of the Beveridge Report (1942), and wrote a pamphlet *Can We Afford Beveridge?* for the British Fabian Society (1943). Obviously, a partisan of the social welfare state would be attracted by the thought and possibilities of a global welfare state represented by the UN in those hopeful first days of naive utopianism.

There was also a more intellectual link. As his fellow 'pioneer' Albert Hirschman has pointed out (*Essays in Trespassing,* New York: Cambridge University Press, 1981), that in some sense Keynes was the real creator of development economics insofar as he (Keynes) broke with 'monoeconomics' (the view that Economics consists of a body of universal truth applicable in all countries and all conditions). Keynes showed that, on the contrary, the rules of the game applicable to a condition of unemployment are not the same as those of classical full employment economics. It was a natural step to apply this view of different rules of the game to countries at different stages of development.

As a student of Keynes during the formative years of the *General Theory* (1934-36) in Cambridge, Hans was certainly intellectually preconditioned to think in terms of different rules of the game applying to developing countries, and the idea of non-orthodox policies in relation to them. Only a few years later, in 1954, Arthur

Lewis, published his paper, *Economic Development with Unlimited Supplies of Labour* (Manchester School of Economics and Social Studies, May 1954), which not only carried the analogy between the existence of unemployment in an industrial country and existence of surplus labour in a developing country, but also brought him later the Nobel Prize, represented a decisive step further.

Hans Singer's teacher before Keynes was another intellectual giant Joseph A. Schumpeter, under whom he had studied at Bonn. Thus he had been taught economic development from his first student days. Through Schumpetar he had acquired a lasting interest in problems of technical progress and technical innovation as well as long run economics. This interest in long run trends and technical progress was fostered in Cambridge by his Ph.D. supervisor Nobel Laureate Colin Clark, to whom he owes a great debt. Even in Keynes's work, Hans had always been particularly interested in some of the long run aspects, and was never happy with his dictum that 'in the long run we are all dead'. Hans considers that this interest in the long run, in technical progress, was another ingredient and guide toward his work on long-term trends in terms of trade.

Keynes, and Beveridge were both proponents of active state intervention. This preconditioned Hans to take a direct interest in the problems of development planning, much in vogue in the immediate post-war era with a special focus on India. By 1950 the famous Indian economist P.C. Mahalanobis had become the 'guru' in development economics, and his association with him influenced Hans's views.

Name of Hans W. Singer is best known for the so called P(rebisch)—S(inger) thesis which he calls as an 'old wine' (See his 'Terms of Trade: New Wine and New Bottles', *Development Policy Review*, SAGE, London, 1991). In 1943 Charls Kindelberger published an article in *American Economic Review* pointing out that the operation of Engel's law would create a presumption of deterioration for the terms of trade of primary commodity exporters. Singer notes that one can go back to 1776—Adam Smith and his *Wealth of Nations*. In fact, although superficially, the P-S thesis is in contradiction to Adam Smith and the classics who forecast improving barter terms of trade of primary commodities against manufactures—and is usually so described in the text books. He considers P-S thesis to be in logical line of development of the classical view. He explains:

> 'The classical view does not argue improving factorial terms of trade of primary producers. The improvement in barter terms of trade is due to the diminishing productivity in the production of primary commodities because of limitations of land, natural resources and other causes of diminishing returns. Thus Adam Smith and the classics do not in any way argue that producers of primary commodities get a better share of the benefits from trade than producers of manufactured goods; quite the contrary. It is the countries

specialising in manufactures which reap the main benefits of the increasing returns, improvements in skills, technological innovations, etc. which are associated with manufacturing. The policy conclusion of P-S, i.e. advising developing countries to seek their future in industrialisation rather than export of primary commodities, would be fully approved by Adam Smith, David Ricardo, Malthus, John Stuart Mill et al.'

'Speaking of the S part of the P-S, I would point out that my 1950 article was entitled '*Distribution of Gains between Investing and Borrowing Countries*' (presented at the annual meeting of the American Economics Association in 1949 and later published in *American Economic Review*, Vol. 40, 1950). The gains from trade are determined by factoral rather than barter terms of trade. Both Prebisch and I talked specifically about the importance of different rates of technological progress and mechanism for the distributive fruits of technical progress - a theme developed so effectively only two years later by Nobel Laureate Arthur Lewis. I have never questioned the fact that international trade can benefit both partners, even the one whose barter terms of trade deteriorate. Unequal distribution of benefits does not necessarily involve anybody actually losing. Trade is a 'positive sum game' (Singer, 1991).

Referring to the Jacob Viner and Gottfried Haberler debate and the latest discussions by MIT economist Rudigar Dornbusch and many others that the developing countries have an interest not only in growth in industrialised countries, but also in distribution of growth between areas and in the policy mix, both of which affect the value of Dollar and thus terms of trade, Hans argues that this debate has been going on ever since and might continue in future. Today, the important implication arising this debate is the 'new wine' in 'new bottles'. In his own words:

'I have never quarrelled with the arguments produced, allegedly in opposition to P-S, that trade is itself spur to the efficiency and competitiveness, quite apart from the increasing returns due to specialisation and increased division of labour. My reaction to this was the 'vent for surplus' with the possibility that the opportunity costs of additional exports can be zero or close to zero.'

'I would rather say on second thought that the continuing debate on the statistical trends of barter terms of trade is only the 'old wine' of 1950s which Prebisch and I 'capped' emphasising technological trends leading to substitution of primary commodities by synthetics or increased efficiency in the use of primary commodities. I would be inclined, however, to see this newly re-emerging subject as something different kind from the old technological debate. So perhaps there are still new 'vineyards' waiting to be cultivated!'(Singer, 1991).

In retrospect Hans sees a number of reasons why he selected the problems of distribution of gains from trade and investment as a principal area of study. When Singer arrived at the UN in 1947, the negotiations for the creation of an International Trade Organisation—ITO were proceeding in Havana. Keynes at Bretton Woods had considered the creation of such an organisation to increase and stabilise primary commodity prices; it would have been the third pillar, in addition to the World Bank - IBRD, and the International Monetary Fund - IMF. As early as 1938, Keynes had advocated buffer stocks for primary commodities, and he came back to the idea when he started thinking in 1941 about post war reconstruction. Keynes shared the idea that primary commodity prices would have long-run downward trend, and that industrial countries like Britain, therefore, had nothing to worry about in reducing instability and fluctuations around the trend. Nobel Laureate James Meade played a big part in helping Keynes develop ideas which 'contributed notably to the charter of the ITO'. Keynes proposals for a Clearing Union (subsequently the IMF) included the functions of what later became the UNCTAD, Common Fund, i.e., financing buffer stocks. But this British initiative was shelved in 1942 in view of the American resistance, only to be revived in the Havana charter of the ITO.

Perhaps frequent discussions with economists who were at the staff of the UN, must have also driven Hans's attention to the problems of terms of trade. It was natural for Singer to link development work (a new field) with the well established and much more highly advanced work proceeding in the field of trade analysis. Through Hilgerdt's work and through his association with Nobel Laureate Gunnar Myrdal, Hans became familiar with the possibility of 'back-wash effects' of conditions in industrial countries, certainly cyclical (Hilgeredt and Wrigt) but possibly also structural (Myrdal), on the trade of primary exporting countries, with prices and terms of trade acting as a mechanism of transmission. Even though Raul Prebisch's terminology of 'centre', 'periphery' and 'dependency' was not specifically known to him at that time, the essence of such concepts certainly was in his mind, albeit less articulately.

While mainstream economics concentrated on the problems of allocation of efficiency, Hans's interest was from the beginning more in direction of distributive justice, or rather distributive efficiency, as he was a follower of Alfred Marshall. It seemed to him that to think of distribution of gains in terms of only the amount of labour saved by specialisation in impartial 'fair' markets seemed to conflict with the facts of unequal market and technological power. The dice were loaded against one of the trade partners. It should also be remembered that the general assumption around 1946-48 was that the II World War would be followed by a period of recession and unemployment, just like after the I World War, with expected repercussions on primary commodity prices. Here was a basic pessimism about primary commodity prices in spite of the rise which had taken place during the war and immediate after.

Anticipating some of the subsequent argument, those who were sceptical about the future underlying trend of primary commodity prices from 1948-49 levels onward can perhaps claim that their projection was *a fortiori* justified, since it held even though the industrial countries entered in an unprecedented period of twenty-five years of full employment and steady growth. The stagnation of later 1970s corresponded more to the broad assumption of 1946-48 as to what would happen, at least periodically, in industrial countries; and this certainly had depressing effect on the terms of trade on non-oil producing primary product exporters among the developing countries. It should be emphasised, that Singer's interest was always in structural differences between the industrial countries exporting manufactures and exporters of primary commodities. Singer's works in 1950s (another earlier paper *'Relative Prices of Exports and Imports of Underdeveloped Countries'*, UN, 1949) suggested that such structural differences in countries and markets would set up a tendency for primary commodity prices to decline relative to those of manufactured goods, and for asymmetrical changes in demand and volume. The effects would be for the benefits from trade and investment to be increasingly unequally distributed between the two groups of countries, more or less regardless of the state of activity in the industrial countries or the coming and going of trade cycles, short-term or Kondratieffs.

Arthur Lewis, in his Nobel lecture, with his long term perspective on growth and fluctuations since 1870, draws attention to two relevant features: that the coefficient linking primary commodity trade with industrial production in the developed countries has consistently been 0.87; and that he expected favourable cyclical effects on the terms of trade of primary exports from high levels of activities in the developed countries but it 'did not happen this time'. Both these statements clearly are in line with his thinking.

Professor Paul Streeten contends that

> 'the debate over the course of the terms of trade has been shunted into the wrong track. The relevant question is not what are the terms of trade compared with what they were, but what are they compared with what they should and could be'. ('Approaches to a New International Order', *World Development*, Vol X., No. 1, 1982).

Moreover, Streeten suggests that direct action to improve terms of trade by producers associations 'are notorious for their instability, for the more successful the agreement is in raising the price, the stronger the incentive for individual members to defect' (ibid).

If such direct action is difficult, we are driven back to other possible alternatives such as: changing the underlying bargaining relations; emphasising collective self-reliance by more intra-LDC trade and investments; national de-linking; export substitution; volume increase; and financial transfers or aid.

Being in important positions at the UN, Hans's influence on the shaping of world body's development policy towards the developing countries was unchallenged. He emerged as one of the staunchest advocates of 'soft-financing' or generous aid for the developing countries.

The aid can be in the form of investment by multinational corporations, bank lending or the official development assistance (ODA). To rely on multinational investments runs the risk of introducing cumulative elements into trade imbalances, if transfer pricing, export restrictions, lack of local training and local capacity for research and development of products, and repatriation of profits are not controlled by codes of conduct, countervailing power or enlightened policies. The cumulative factor arises when trade imbalance makes the resources of the multinationals attractive, but multinational activities may then contribute to new trade imbalances. Commercial bank lending leads to national indebtedness like the one of 1980s (which made practically one fourth export earnings in the developing countries unavailable for imports). Hence, bank lending, like direct foreign investment, when considered as a remedy for poor terms of trade can be self-defeating. This leaves the ODA or aid, which was in fact the natural avenue to the interest of the UN and his own with it, turned in those years as a result of trade pessimism.

Hence, the idea of the need for 'soft-financing' for development was born and developed at the same time as the work on terms of trade, and with a clear intellectual link between the two. Hans stresses that 'it is very difficult to realise today, how revolutionary, almost subversive, this idea was considered at the time (as these were the McCarthy years). The near-commercial operations of the World Bank were the most that could be permitted because they came from Western controlled respectable banking institution. By contrast, the UN appeared as a hotbed of irresponsible wild men, radical utopians. The official policy during President Truman was 'Trade Not Aid'.' (Meier and Seers, 1984, p. 296).

The attempt to create a major soft aid mechanism within the UN centred around Hans's proposal to create a special UN fund for economic development, which he first presented before the American Economic Association in 1949. The US and UK from the beginning were hostile to the idea of creating an agency for 'soft-financing' rival to the World Bank, but later, the two abandoned the opposition to the principle of 'soft-lending', and maintained the opposition to the creation of an UN agency. In 1951, there came a similar idea of creation of a UN Economic Development Agency from a group led by V.K.R.V. Rao (India) and Hernan Santa Cruz (Chile). It was only in 1956 that under the chairmanship of U Thant (then Burmese delegate and a friend of Hans Singer from his past associations with him from his visits to Burma), the idea of SUNFED was revived. The decisive break was the proposal by Paul Hoffman, later Managing Director of the UN Special Fund in *New York Times Magazine* for creation of UN experimental fund of $100 billion for surveys of natural resources and pilot projects. This represented an emphasis on the borderland between technical assistance and investment, and on this basis Hans helped develop the concept of pre-investment activities ('An Example of the New Pragmatism: Toward a Theory of Pre-investment', in *Essays in World Economics,* Oxford University Press, 1959).

As far as the US policy of the 1980s on trade and aid is concerned, as Singer sees it, the opposition to 'soft-financing' is a consistent pattern. It has mellowed down only in certain years (particularly when the Democrats were in power at the Capital Hill and in the White House). 1980s were dominated by a conservative economic policy not only in the US but in Britain as well. This primarily resulted from the lack of growth and employment at home and abroad combined with the oil crisis of 1970s and financial inability of the third world countries to repay their debts due to adverse terms of trade for them. The result was a major international debt crisis for the West and the lost decade of development for the South ('Lessons of Post-war Development Experience: 1945-1988 ', in Sharma, *Development Policy,* London: Mcmillan, 1992).

Singer stresses that while the US opposition to UN 'soft-aid' policy in the 1960s was based primarily on the political argument of 'opposing every thing that might weaken the western alliance'; the reluctance of 1980s was exclusively due to the structural weakness of US economy, sluggish growth of GNP and employment, increased budget deficits, imbalance in trade with the rest of the world and political conservatism.

For long now, Hans has advocated the multilateral ODA including Food Aid as an instrument of development. He has always been in favour of multilateral ODA as distinct from bilateral ODA. This being so right from 1950s when he suggested the creation of SUNFED to this day when he still supports the distribution of aid through UN agencies like World Bank, UNDP, World Food Programme, UNICEF. The second ring of multilateral institutions would include Asian, Inter-American, Caribbean, African and European Development Banks. Regional activities of European Community, Arab and OPEC funds could be considered the third ring of such institutions. Any ODA outside these institutions is generally considered as bilateral and conventionally labelled as 'politically motivated'. In some cases this is not so. Multilateral aid, in relation to the investment needs, however, remains only a small proportion for certain developing countries. Thus, bilateral ODA and commercial loans are required to cover the gap. As the world surplus resources are only limited in scale, particularly in view of the emerging development needs of Russia, and East European countries combined with already existing need for larger funds for the developing countries in Africa and Latin America, Hans is a strong supporter of food aid. (See H.W. Singer et al. *Food Aid: The Challenge and the Opportunity,* Clarendon Press, Oxford, 1987).

Singer has long supported the use of US PL-480 type of food aid programme for the poor countries. Not only this, the food aid could help even the middle income countries to survive the natural and even men-made disasters (floods and famine in Latin America and Sub-Saharan Africa or the wars in Bosnia, Croatia and Central Asia). Food aid has many charms for both - the donors and the recipients. From donor's point of view, releasing stock piles of food supplies helps not only to dispose it but also to create space for the new buffer stocks, reduces the costs of storage etc. but from the recipient's angel it meets not only the immediate need of food supply but helps in diverting otherwise would be used funds for development purpose.

There has often been some criticism of the food aid programmes. It has even been termed as 'inferior-aid'. Hans reaction to such criticism is that there are some very good reasons to believe that in fact food aid is at least partly additional to financial aid. In many countries of Europe and the US, food aid has greater political appeal than financial aid. It is no accident that acceptance of principle of soft aid in the UN framework by the establishment of IDA in 1959 was preceded by the establishment in 1954 of the PL-480 with its subsequent multilateral offshoot—the World Food Programme. There are other indicators that food aid has more support than financial aid. The UN target of total aid 0.7 per cent of the GNP of donor countries has never been reached, whereas the food aid target of 10 million tons of cereals has been exceeded. Not only that the donor have paid in their minimum quotas which have rarely been met in case of financial aid.

So, even if it were true that food aid is 'inferior', it is still almost certain that such a direct comparison would be misleading since food aid is at least partly additional. Hans considers the food aid as 'superior', because: (i) the terms of food aid are 'softer'; (ii) it is primarily concentrated on the poorest and least developed; (iii) it lends itself to 'triangular transactions' allowing donor (e.g. Japan) to buy the available surpluses from food exporting developing country (e.g. Thailand) and transfer to deficient country (e.g. Bangladesh); (iv) it is concentrated on the most needy in the recipient country; (v) it is most adaptive to promote human resources by improved nutrition and health for young children, expectant mothers and so on; and (vi) evidently, in emergencies caused by disasters financial aid would be useless.

Hans Singer has for long worked on ideas of Keynes for the Bretton Woods system from the 'back-benches'. During the 1980s and 1990s, there was much of criticism of policies of the IMF and World Bank—the so called 'pillars of the Bretton

Woods system'. Hans reflects through the origin of the Bretton Woods system . Back in 1942 Keynes, prepared the three famous memos on International Clearing Union, on Commodity Buffer Stocks and Plans for Relief and Reconstruction. To these, we may add the Beveridge Report in which Keynes took great interest. The Great Depression of 1930s had shown that in the absence of multilateral agreements and multilateral institutions the economic system was in danger of degenerating into 'beggar-my-neighbour' policies. The World Economic Conference in 1933 had been a first attempt to create an international economic order. Although, this attempt ended in failure but the ideas then brought forward had continued to reverberate in Keynes's mind.

Later, the structure envisaged by Keynes to counter the German proposal of 1940 for a 'new order' arising from his belief in the possibility and sustainability of full employment through active government policy—later expanded by Roy Harrod and Evsey Domar to full employment growth—and embodied in the 1942, memo rested on four 'pillars'.

The first pillar was that of global macroeconomic monetary and financial management. The original bold idea was of world central bank which would maintain full employment equilibrium and provide the liquidity required for this purpose by expanding the supply of 'bancor' (his proposed currency). This would mainly serve to finance the balance of payments deficits countries. The balance of payment equilibrium or surpluses to Keynes was a symptom of vice and deficits a result of virtue. Some traces of this original vision are still visible in the so called 'surveillance' of industrial countries by the IMF as well as demands that 'structural adjustment' enforced by Bretton Woods institutions should be more 'symmetrical'. In essence, however, the task global macroeconomic management has been removed from the multilateral system and is now undertaken by the G7 in combination with the 'privatised liquidity creation' through the commercial banks. Keynes had given much thought to what has emerged as a major controversy surrounding the IMF, i.e. the question of conditionality. He proposed a very large Fund (equal to half of annual world imports), and on that basis was willing to accept the conditionalities. Today's fund is only 2 per cent of his proposal.

The second pillar was what ultimately emerged as the World Bank. The reconstruction task of the Bank proved to be less important than what was visualised by him in 1942, partly because of the Marshall Plan and the large US loan to the UK negotiated by Keynes towards the end of his life, and partly because some of the functions that were taken over by UNRRA. On the other hand, the development function for poor countries was given additional emphasis at Bretton Woods. It would be fair to say that British side—in other words Keynes—was much more interested in the Fund than in the Bank. By contrast, the US side had shown much more interest in what became the Bank. By 1944 the interests have been reversed.

interested in the Fund than in the Bank. By contrast, the US side had shown much more interest in what became the Bank. By 1944 the interests have been reversed.

The World Bank was set up on a project basis without a mandate to make lending conditional on the over all macroeconomic policies of the recipient government, nor even on its general micro or supply side policies. However, in so far as more general policies or quality of government affected the rate of return from projects, this was of course a legitimate factor in World Bank lending; so it entered in this indirect way. The limitation to project lending was not considered to be a serious constraint. It was assumed that, given the scarcity of capital in poor countries, the marginal productivity of capital there must be high; it was also assumed that there must be an abundance of potential high-yielding projects only waiting to be designed, finance and implemented. Why then Bank moved into programme lending and adopt policy conditionality? There are a number of reasons (to which we might not go into now).

Perhaps, the more important in Keynes's thinking was the establishment of an international organisation to stabilise primary commodity prices. This was the third pillar of the system. Keynes had been a long term advocate of stabilising primary commodities (particularly in his article, 'The Policy of Government Storage of Food-Stuffs and Raw Materials', *The Economic Journal,* 1938). Predictably he incorporated this idea in Bretton Woods linking it with his memo on International Clearing Union, by suggesting a world currency 'bancor', based on average price of primary commodities instead gold or dollar or SDRs. The main idea was to prevent the collapse of primary commodity prices, which to Keynes, was a contributory factor of the Great Depression. Alas! the ITO never saw the light of the day as the US did not ratify the Havana Charter. Thus the Bretton Woods system was incomplete from the beginning. GATT did not fill the gap since it had no functions relating to the stabilisation of commodity prices or regulation of commodity markets. It is only towards the end of the century that WTO has been created but it is only a shadow of Keynes' vision of ITO.

The fourth pillar of the system was meant to be a soft aid programme linked more directly with the UN. The aid programme within the UN was meant to be different from World Bank lending in being on a grant or highly concessional basis, and so limited to projects. This was the vision of Keynes of the four pillars of the Bretton Woods institutions.

In practice, as Hans puts it, 'it has remained unfulfilled. Some pillars are missing altogether, and some are constructed in a quite different way. All the same, the system proved immensely good for full 25 years or so until its final collapse in 1973'.

The IMF and World Bank have been mostly criticised for their restrictive policies. Bank's 'conditionalities', 'structural adjustment programme' and IMF's policies of 'stabilisation', 'liberalisation' and 'debt settlement' have been under heavy attack. The cry is once again for 'a new Bretton Woods'. Hans for the last fifteen years or so has been very critical of the IMF policies. He has been writing on various subjects and drawing the attention to people at the top of these institution, but to his regret with little success.

He stresses that the decade of the 1970s saw the breakdown and disintegration of the Bretton Woods system. Suspension of the free convertibility of the US dollar into gold at fixed rate by President Nixon on 15 August 1971 marks the beginning of end of the system. This ended the era of fixed exchange rates and destroyed the very foundations of even the crippled Bretton Woods system which had emerged after the War. However, the breakdown of the system was immediately connected with the emerging payment imbalances in the industrial countries. The 1973 oil crisis was the final nail in the coffin.

In 1980s the attention of the IMF and World Bank shifted their attention towards goals such as debt settlements, stabilisation, structural adjustment, structural change, liberalisation, etc. often at the expense of every thing that had previously been understood as development, whether growth, employment, redistribution, basic needs or reduction of poverty. This shift was primarily associated with the neo-liberal ideologies—a shift in decision making on development strategy to creditors, donors and international financial institutions, and within the Bretton Woods system from the World Bank, which had traditionally stood for 'development', to the IMF which had traditionally come to stand for 'stabilisation'. Perhaps the most symbolic change is Bank's shift out of exclusive project lending to balance of payment support in the form of 'structural adjustment lending' and establishment of a largely IMF-determined 'cross-conditionalities.'

Hans states that in case of the LDCs, the very purpose of the creation of IMF and the World Bank have been defeated. Their policies of 'structural adjustment with human face', 'redistribution with growth' have led instead of 'the slowing down of the engine of growth' to 'negative growth' and 'structural adjustments' have only added to the 'human miseries' and 'increased poverty'. The road to XXI century through 1990s could lead us again close to 'redistribution and growth' and to a real Bretton Woods. In 1993 Hans attended anniversary celebrations at the Bretton Woods. The meeting was the recreation of the original meeting of 1944. The meeting lasted for three days and Hans Singer and Paul Streeten were given the task to draft the proposals for the reform of existing Bretton Woods system. About the meeting Singer remembers

> 'So much so that the representatives of participating countries were seated in the same very seats where Keynes and others sat then. Not only that he was placed to act as Keynes in his seat of chairing person, he was even put up in the same room where Keynes use to stay, which he considers as a great honour shown to him. At the meeting the task was to recreate a genuine system with

the same vision as shown in 1942-44. It would not of course be the same system: times have changed and we should have learned some lesson from the past experience; but all the same, the original ideas have still much to teach us if we can only recapture the spirit of Keynes'.

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