


World Development Report, 1978

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**World
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Report
1978**

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Foreword

The *World Development Report, 1978*, along with its statistical annex, is the first of what we expect will be a series of annual reports providing a comprehensive assessment of the global development issues. This first report deals with a number of fundamental problems confronting the developing countries, and explores their relationship to the underlying trends in the international economy. Since it is not possible to address every major question in this initial volume, the analysis will be extended to other aspects of development in subsequent years.

The past quarter century has been a period of unprecedented change and progress in the developing world. And yet despite this impressive record, some 800 million individuals continue to be trapped in what I have termed absolute poverty: a condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency.

Absolute poverty on so massive a scale is already a cruel anachronism. But unless economic growth in the developing countries can be substantially accelerated, the now inevitable increases in population will mean that the numbers of the absolute poor will remain unacceptably high even at the end of the century.

The twin objectives of development, then, are to accelerate economic growth and to reduce poverty.

Greater progress toward these goals will require an immense effort by the developing countries; an effort that must be matched by a more realistic level of support from the industrialized nations. It is a fact that the international economy is growing more interdependent. That evolution can and should benefit developing and developed countries alike, but if it is to do so there must be adjustments in the global


patterns of trade to reflect shifts in comparative advantage.

These adjustments will not be easy, but the alternative to a more rational economic framework can only mean, in the end, greater penalties for all.

In the meantime, whatever the uncertainties of the future, governments have to act. They are faced with the necessity of daily decisions. And hence the quality of the information, and the range of available choices on which those decisions will have to be made become critically important.

That is why we have undertaken this analysis. The World Bank, with its broad-based membership, its long experience, and its daily involvement with the development problems of its members is in a unique position to analyze the interrelationships between the principal components of the development process. To the extent that these are more clearly understood, the institution itself, and all of its member governments individually, will be able to cooperate more effectively in accelerating economic growth, and reducing the intolerable deprivations of massive poverty.

This initial volume represents the work of many expert and dedicated colleagues of mine in the Bank. The judgments expressed, of course, do not necessarily reflect the views of our Board of Directors or the governments they represent. The report has been produced under the direction of Ernest Stern; D. C. Rao was its principal author. To them and to all who have contributed to it, the institution is deeply indebted.



Robert S. McNamara

WORLD DEVELOPMENT REPORT, 1978

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Definitions

Country Groups in this report are defined as follows.

Developing Countries are divided, on the basis of 1976 Gross National Product (GNP) per person, into:

Low Income Countries—with income per person of US\$250 and below.

Middle Income Countries—with income per person above US\$250.

Capital Surplus Oil Exporters: Kuwait, Libya, Oman, Qatar, Saudi Arabia, and United Arab Emirates are identified as a separate group. Other major exporters of oil are grouped among the developing countries.

Industrialized Countries are the members of the Organisation for Economic Co-operation and Development, apart from Greece, Portugal, Spain, and Turkey, which are included among the Middle Income Developing Countries.

Centrally Planned Economies (CPEs) are Albania, Bulgaria, the People's Republic of China, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, the Democratic Republic of Korea, Mongolia, Poland, Romania, and the USSR.

Organisation for Economic Co-operation and Development (OECD) members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

The *Development Assistance Committee (DAC)* of OECD comprises Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Community.

The *Organization of Petroleum Exporting Countries (OPEC)* comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

Manufactured goods refers to commodities in the Standard International Trade Classification (Revised) (SITC), Sections 5 through 9 minus Division 68: chemicals and related products; iron and steel; manufactured articles, including textiles and products based on leather, rubber, wood, metals, and minerals; machinery and transport equipment; building fixtures and fittings; furniture, clothing, footwear, professional and scientific instruments, photographic and optical goods, watches and clocks, and miscellaneous articles not classified elsewhere in the SITC.

Primary commodities comprise SITC Sections 0 through 4: food and live animals; beverages and tobacco; inedible crude materials; fuels, including coal, petroleum and petroleum products, natural and manufactured gas, and electric current; animal and vegetable oils, fats, and waxes; and the non-ferrous metals of SITC Division 68.

Billion is 1,000 million.