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World Bank's treasurer knows where oil bucks are

The most unexpected feature of Eugene H. Rotberg's visit to campus earlier this semester was his impassioned rendition of quotations, particularly when he read a meditation by the poet John Donne. After all, a reading of the imaginative word, however sensitive, was not what audiences had come to hear from the vice president and treasurer of the World Bank, whose talks were billed as "Petro-Dollar$, O.P.E.C., and the World Financial Markets."

Rotberg, whose visit was sponsored by the Wharton Entrepreneurial Center, spoke twice—to students in the afternoon and, later, to executives at a dinner meeting. In introducing him, Dr. Edward B. Shils, George W. Taylor Professor of Entrepreneurial Studies and director of the center, mentioned that Rotberg had had no formal courses in international finance or banking, although he is now responsible for lending $8 billion in 20 currencies.

Rotberg had majored in English and history as an undergraduate at Temple University, and after graduating from the Penn Law School in 1954, he worked for the Securities and Exchange Commission; then he joined the World Bank. When he said that he picked up what banking he needed on the job, one of the students shook his head and said, "*I* have a hard time picking it up from lectures and books."

Rotberg's message—his talk was essentially the same to both audiences—had to do with, as he put it, "interdependence" among developed and developing countries (his selection from Donne included the expression "no man is an island"). If industrialized countries, with the potential to lend money for economic growth to poorer countries, turn niggardly, he suggested, the slow development in the poorer countries will get even slower and contribute to political instability—instability that developed countries may regret.

He compared the haves and the have-nots. The poorest billion people in the world have a gross national product of 50 cents each a day (it is 50 times that for Americans). The poorest 35 countries have one doctor for every 4,000 to every 69,000 people; the United States has one for every 700. Safe water is available to only 11 per cent of the people in Indonesia

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Eugene Rotberg: *Interdependence is here.*

("a country which exports oil"), and it is "unavailable at all to 75% of the world's rural population." In the 90 poorest countries, half of the people are illiterate; by the year 2000, the world population is expected to be six billion, of whom two billion will be illiterate. "They're going to be just illiterate—that's about all," he said. "They're not going to be unwise. They're not going to be without sense or wile or guile or feelings of tremendous anger or hostility or anxiety."

It was into such words as these—he called them "human terms"—that Rotberg quickly translated the statistics. People in poor countries "sense, in fact, their absence of power," he said, and they react by staging everything from "slowdowns [and] strikes" to "war, insurrection, coups, fighting, assassination—obviously, self-destruction." (Complimented later on his absence of economic jargon, he replied, "Most economists are good behavioral psychologists. But they have to have the jargon—God forbid that they talk about human beings.")

When he had to, he spoke in what he called "traditional, old-fashioned financial terms." He recited the oil bill for developing countries: $6.8 billion in 1973, $30 billion in 1978, and a likely $60 billion in 1980. At the same time, the current account deficits of those countries—"deficits that have got to be financed outside their own borders"—rose from $6 billion in 1973 to an estimated $75 billion in 1980.

Commercial banks did most of the lending in the early 1970s, he said, but there is less profit in it now to attract them. Developing countries "need direct access to markets, more resources, access to such institutions as the World Bank or the International Monetary Fund—or they will be faced with . . . slower growth, increased economic problems, and with that slower growth, a deterioration in their current standard of living, and therefore increased political vulnerability.

"If that's the dilemma," he asked, "how does it affect us?" Once again, he used statistics and "human terms." He said that developing countries provide the United States with all of its natural rubber, cocoa, coffee, bananas, 90% of its bauxite, 85% of its tin, 60% of its zinc, 45% of its oil, and 35% of its iron ore. He described the oil-producing nations largely as "undeveloped countries [whose people] are politically vulnerable and who have for the most part few ties, in a historic, social, political, ethnic, or cultural sense, with people in this room. And they know, I would suggest, what we—you—think of them."

Americans are ignorant about them, he implied. He said he heard a Presidential candidate speak of the oil which, the candidate claimed, Iran was shipping to Israel. "I asked myself: is that the only confusion?"

Rotberg went on to describe American perceptions as a combination of social condescension, covetousness, and resentment: Developing countries are "neither elegant enough for us, or they're too productive, or they subsidize their domestic industry, or they're too pushy. They're raising prices. They form cartels. They're getting into wars; they're getting *us* into wars. They have coups, they have assassinations, they kill presidents. They also have oil and copper and bauxite and tin, and they build some awfully good ships. They also are sovereign states. They vote in the United Nations, and we don't like the way they vote. But they still have the copper and oil and a lot of other stuff.

"They talk too much, and we don't look on them as rather faithful allies. By *we*, I mean the United States, or indeed, most

continued

of Western Europe. Some say that they are weak or undemocratic. A few will argue that they are corrupt. [They are] clearly of a different religion, or religious basis. They have few cultural ties with us. They threaten our sense of superiority, in part because they are much poorer than us, and we can't quite figure it out."

What should the United States do about such "ambivalent feelings"? Get them "out on the table," he replied to his own question. Then, he suggested, the United States should do "the right thing" both in an "ethical" sense and "in terms of our self-interest." And *that*, he explained, means providing economic assistance by extending loans and by opening American markets to them, not by giving "quick injections of military aid" or by becoming protectionist.

Self-interest also means "providing investment opportunities in a strong dollar" to countries with a financial surplus; "I mean specifically O.P.E.C.," he said. (When Rotberg began his talk to the students, he asked if they knew where the Organization of Petroleum Exporting Countries puts its money. A few indicated United States Government bonds; some real estate; others, gold. O.P.E.C.'s money he told them subsequently, is chiefly in American bank deposits and short-term treasury bills. O.P.E.C. "is not an equity investor," he said. "You hear people talking about our dollars going somewhere else: 'O.P.E.C. has our dollars.' I would suggest that O.P.E.C. does not have our dollars—Chase Manhattan Bank has *their* dollars.")

Finally, he suggested that Americans "stop looking for scapegoats." Oil "is priced as it is because the marginal price of gasohol or energy through nuclear systems or coal or solar [sources] exceeds the price of oil," he said. "Both we and they set the price, not just they." By blaming O.P.E.C., he said, Americans relieve themselves of the responsibility to find alternative energy sources.

Rotberg said that he is "bitter" about restrictions which congressmen try to impose on the World Bank—prohibiting loans to Iran, for example. Although the World Bank has not lent money to Iran for five years and has no plans to lend it any "in the foreseeable future," he said, some politicians introduce legislation to restrict the bank's activities and then tell their constituents something like "I kept the World Bank from lending to Iran."

When he was on a debating team in high school, Rotberg said, he always argued that the countries of the world made up an interdependent world. He always lost the debates. The reason he lost, he said, was "because it simply wasn't true." Now, however, it is true, he said, adding "I would suggest that an awful lot of political decisions and economic decisions reflect the lag in our perception."