TRANSCRIPT OF INTERVIEW WITH

ARON BROCHES

APRIL 18, 1984

BY: ROBERT E. ASHER
ASHER: Today is April 18, 1984. My name is Robert Asher. I have with me here at the headquarters of the World Bank Mr. Aron Broches, an international lawyer and a national of the Netherlands whose association with the World Bank dates back to the Bretton Woods Conference in the summer of 1944. Mr. Broches got his law degree from the University of Amsterdam in 1939 and an American law degree from Fordham University in 1942. From 1942 to 1946 he was a legal adviser to the Netherlands Government and to its Economic Mission in the United States. He joined the World Bank in 1946, became its General Counsel in 1959 and assumed the additional title of Vice-President in 1972. He retired in 1979. From 1967 to 1980 he also wore a third hat—that of Secretary General of the International Centre for the Settlement of Investment Disputes—ICSID. Mr. Broches has written and lectured with distinction on international legal issues, and has been in the private practice of law since leaving the Bank for retirement, supposedly. As an old friend who has been addressing Mr. Broches as Ronnie for many years, I shall continue to do so during this informal interview.

Ronnie, at the time of the Bretton Woods Conference, World War II was still being fought, and the Netherlands Government was one of the governments in exile in London. How did you happen to become Secretary of the Netherlands delegation to the Conference, and what did the job involve?

BROCHES: Well, at that time I was working in the Netherlands Embassy—let me see this was in 1944—yes, as Legal Adviser in the office of the Financial Counsellor.

And at the time I was working there a number of international conferences were being organized, all under the leadership of the United States, which was the only country that was able to do this, and one of them was the Bretton Woods Conference. The secretaries of the Dutch delegations were picked by a form of rotation among junior officers, and not for particular skills in the substantive fields of those conferences. I doubt that otherwise I would have gone there. But my name came up, and while the monetary field was totally strange to me, I went.
The official task of the Secretary was most uninteresting. Very briefly, keeping minutes, keeping the delegation in order, to the extent that there were any social activities to take care of those, and I suppose to be a general dog's body. The head of the Dutch delegation was a very interesting man, J.W. Beyen—who was also later the first Dutch Executive Director of the World Bank until 1952, when he became Foreign Minister of The Netherlands. He thought that this was all nonsense and infra dig, and so after two days he made me a de facto member of the delegation and assigned me to the drafting committee of Commission I, which dealt with the Fund.

There were two drafting committees, one for the Fund Articles and one for the Bank Articles. I worked very actively on the Fund Articles draft, with the result that, at the end of the conference, I was very knowledgeable about everything that went on in drafting the Articles of the Fund, but knowing much less about the history of the Articles of the Bank.

The technical organization of the conference was very poor. There were no proper records of the proceedings. There were documents but there were no minutes, which might have explained why a particular provision was adopted or changed. The Fund did have some minutes about some meetings which may still exist. Some draft minutes are said to have been destroyed because there were such gaps that they were regarded as more harmful than helpful. On the Bank there's nothing except documents. So the fact that one worked on the drafting committee of one institution really made a lot of difference. This was knowledge that couldn't be obtained otherwise.

It was a fascinating experience. The conference started less than one month after the Normandy landings, and there was a general spirit of optimism and solidarity, which incidentally I think made it possible for this conference to end successfully—in a very constructive spirit.

ASHER: What were the principal objectives and problems of the Dutch delegation, as they were seen at the time?
BROCHES: Well, in a way what is maybe most striking is that they were only, as I look back on them now, to a very limited extent dictated by the special position of Holland as an occupied country. That category is well defined. It was recognized. We didn't have to make a special case for it. I assume that we are now talking about the Bank. Most of the policies advocated or proposals advanced or supported by the Dutch delegation fitted typically into the classical mold of people who feel that a bank ought to be a serious institution if its guarantee, which was then regarded as the principal way in which the Bank would be operating, is to be trusted and if it is to have credit. The institution itself must be sound. This led to a number of proposals including a limitation, the famous lending limit, which is so low as a result of a Dutch proposal that was exaggerating on the conservative side.

ASHER: Well that was not an Anglo-American agreed proposal ...?

BROCHES: Oh no, not at all. If I may deviate for a moment, I'll get to that point. There was a provision in the Articles, in the draft Articles, and in the joint statement which was agreed by the British and the Americans—or sometimes just two texts indicating the origin, British or American—which said that the total of loans outstanding could not be more than blank percent of the unimpaired capital of the Bank and reserves. So that number had to be filled in. I don't know whether it was Poland or Czechoslovakia, but one of the occupied countries from Central Europe wanted to put in 300 percent. So you could lend three times your capital. The U.S was in favor of 150 percent.

Experts on the Dutch delegation—not including my good friend J.J. Polak who would never have done this—but two private bankers who were on the delegation made a little calculation realizing that the callable capital obligations of members were likely to be in part paralleled by obligations of these members to pay back loans. So by doing a double count, in that sense, they thought that those who wouldn't pay their loans would also not live up to their guarantee obligations, callable capital obligations, or be able or be willing to live up to these obligations, as a result of which, without the use of a computer, they came to a prudent figure of 75 percent. Amendments had to be in by 8:00 p.m. on the first Sunday, so on Sunday afternoon they, without checking with the Chairman of the delegation, who was furious later, put in an amendment on behalf of the Dutch delegation saying that the
lending limit should be 75 percent of capital. Although embarrassing, this came in very handy later. Incidentally, the conservative position was supported by the British, not by the U.S., and by the Peruvians, Canadians, as I recall, and the Belgians, maybe not yet openly but in conversation.

Now, at the end of the discussion of the various lending limit proposals the Chairman—-I guess it was Harry White but I'm not sure—the Chairman said, "We have to get through with this. Why don't we take an intermediate position and have a compromise. If the Dutch go up one-third and the others go down one-third, we get to 100 percent." And that was called taking the middle road.

There's also a tough-sounding provision on the investment of the special reserve funds. Now, since the special reserve hasn't been added to for some thirty years, the fund is small and doesn't matter. But there again, since that fund was intended to enable the Bank to pay off guaranteed loans that were defaulted, or to take care of its own loan service, debt service, the funds had to be liquid. And the Dutch were very insistent on that as a basic principle of good housekeeping in banks. I don't off hand remember any other issue on the financial side.

Well, of course, there's a different issue and one which was typical for a country in the position in which Holland expected to find itself, and did find itself after the war, and that was a strong emphasis on the right of a country to control use of its paid-in capital, the part of the capital that was paid in local currency. I remember that in cabling to London the Dutch delegation said: In this way, with the provision that the funds can only be used with the consent of the member—that's Article IV, Section 4(a) of the Articles—we can be sure that, to the extent that we release money we shall sell goods. This was a safeguard which was considered very important. Of course, later one became more sophisticated, and the Bank succeeded in obtaining the so-called convertible releases which were of a different kind.

Then, there was considerable doubt on the part of the ultra-sophisticated head of the Dutch delegation, who had been President of the BIS [Bank for International Settlements] in the
thirties, about the provision against loans of foreign exchange for local currency needs. He thought it was absolute nonsense, reflecting a total misunderstanding of the past. The provision was, as I recall, particularly valued by the U.S. One finds it already in some of these early U.S. Treasury publications, such as Questions and Answers, documents that appeared before the conference. Now, various reasons were given in support of the provision. One reason, and the one that Beyen was particularly indignant about, was that it was unsound per se to lend foreign exchange for something that wouldn't produce foreign exchange. It was in fact the main reason why the proponents wanted that provision in. Another reason was that the Bank should not compete with local banks. Well, I should have such worries, you know. You're an economist and I'm not. You may want to take a position on the issue.

ASHER: Well, I'll take one, that it was a retrogressive step. The Argentine railroads and so on never would have been built on that premise.

BROCHES: Well, that's one thing, and another was the point that the loans that went sour in the thirties, of loans in Germany and in Latin America. Well, my leader said the loans in Latin America went sour because the money was stolen in large part, and in Germany because the money went for social amenities--swimming pools, etcetera--unproductive projects.

Well, those are things that I remember on the Bank side that the Dutch delegation got reasonably hotted up about. Although on this issue we finally said, "Well, what does it matter, let's forget it. We won't be able to win."

Now on the more self-interested side, there was the question of the Dutch quotas in the Fund which would determine the Dutch subscription in the Bank, and the great concern of Holland to be make that it would always be on the Board, together with Belgium.

ASHER: On the Board?
BROCHES: The Articles provided for seven—in initially—seven elected Directors, and we wanted to make sure that the quotas of Holland and Belgium and Luxembourg were enough so that that group, Benelux, would always have a seat on the Board.

ASHER: Now, the so-called inaugural meeting of Bank and Fund took place in Savannah in March 1946, and you were there again as a member of the Dutch delegation. I understand the meeting was considerably more controversial than it was expected to be. Were you involved in any of those controversies? If so, which ones?

BROCHES: Well, my involvement was mostly that of an observer and as a listener to gossip and the bar talk of people who came in a state of great excitement out of caucuses and what not. This is in particular true of the fight between Lord Keynes and [Fred M.] Vinson about the location of the Fund and the Bank. And, mind you, in those days when it was called the Fund/Bank it was still an unseparated Siamese twin. Apparently it had not been expected that the U.S. would want the institutions in Washington. I say "apparently" in part because in my own case I'd just bought a house near New York since, with the war over, it seemed that one could do long-term planning. I was planning to stay another two years with the Dutch Embassy whose financial services, like those of the other European allies, were operating from New York. New York therefore seemed like the logical place for the twins. The news that the U.S. wanted the institutions in Washington came as totally unexpected.

Now the British were very strongly in favor of New York, and of even being close to the UN, anything to be away from the U.S. Treasury and the Congress. For about the first thirty years the proximity to those two wasn't so serious, in my view. In view of later developments Washington has proved to be an uncomfortable location, but New York was bad too. And you can't sit in the hills somewhere. However that may be, Keynes became extremely incensed, and Vinson didn't like the criticism. There was an exchange in which, according to my recollection, Vinson said, "I don't understand you. I think you're going very far. Here you're coming as my guest, a guest of my country, and you don't want to accept the guest room we're offering you." And Keynes said "You're wrong. I'm not coming as your guest. You forced me screaming into your house and you don't even let me choose the room." That was about the nature of their exchange. So that was one issue.
The other issue was the role of the Executive Directors, permanent officials versus persons coming from capitals. That issue had of course been debated in Bretton Woods, mostly in connection with the Fund, and that I followed closely because, apart from my night work as a member of the drafting committee, I sat in on Committee 3, Organization and Management, which dealt with the Board. And there was a clear distinction between those who wanted a permanent Board, the U.S. among others, and the Canadians and the British, supported also by the Dutch, who felt that the Fund—and the focus was mainly on the Fund—that the Fund would be better served by people coming from capitals who would be in touch with the thinking of the day, who would probably, if they didn’t meet for too long a period, be very high officials, and that that was the right way to do it. Now, you know how one solves this by ambiguous language, "...they shall function in continuous session and shall meet as often as required..." which, if it didn’t satisfy everyone, certainly made it possible to go to the next article and continue the discussions. Well, that provision wasn’t re-argued in Savannah. It obviously couldn’t be re-argued at the inaugural meeting and the first meeting of the Board of Governors. The issue was nevertheless re-argued, not in terms of Articles of Agreement but in terms of the implications for pay, when the Board of Governors took up the By-Laws, in which the salaries and emoluments of the Executive Directors were determined.

ASHER: Did the Dutch delegation get caught in the middle, as it was an Anglo-American battle?

BROCHES: Not particularly. At Bretton Woods Beyen in particular felt, on the basis of his BIS experience, that it was important that the Board be composed of, for instance, Governors of central banks. So Beyen was in favor of a non-full-time Board, but bought the compromise, as everybody else did. In the meantime, almost two years had passed between Bretton Woods and Savannah, and both he and another member of the Dutch delegation expected to be elected Executive Directors. Now, Beyen was not the head of the delegation at Savannah. Lieftinck was the head of the delegation. Lieftinck was Minister of Finance. But Beyen was the expert, since he had been the leader of the delegation at Bretton Woods. My recollection is that the Dutch delegation kept a low profile. The elections were going to be held right there. Full-time versus part-time was no longer theory. People talked about the money that they expected to get if they were elected the next day.
ASHER: But you did not know then who the appointed E.D.s would be, because they would be named by their governments, so it was just the elected ones.

BROCHES: It was the elected ones. Incidentally, under the election system of the Articles there were questions of combinations—they're now called constituencies. And one of the things that happened was that Holland and Belgium did not go together. Different combinations sufficed because there were so few members, and since the Soviets had not joined, India moved into the appointed class, so that the number of votes cast by electors was reduced, and you needed fewer votes to be elected. Holland and Belgium had separate seats.

I don't off hand know of anything else of importance at Savannah.

ASHER: You didn't know at that time who the President of the World Bank would be. He was named just before the Bank opened its doors in June 1946. But very soon thereafter you were on the staff of the Bank. How did that come about?

BROCHES: Well, I was "asked for" by the Chief Legal Advisor of the U.S. Bretton Woods delegation, who felt that he was responsible for trying to get some lawyers on the staff.

ASHER: Do you remember his name?

BROCHES: Yes, Ansel [F.] Luxford, known as "Lux". He left the Bank in 1951. As a matter of fact, I succeeded him. He then went into private practice, but died fairly young, a good many years ago. Luxford approached Beyen, the head of the Dutch delegation at Bretton Woods, and asked him whether he thought ...

ASHER: But Lieftinck was head in Savannah, wasn't he?

BROCHES: Yes.

ASHER: I see.
BROCHES: I had met Lieftinck, and I was, technically speaking, working for him since I was still in the Office of the Financial Counsellor in Washington, and the Financial Counsellor reported to the Ministry of Finance, so I was one of his people. But Luxford didn't know him, and so he approached Beyen and said "Do you think we can get this fellow for the Bank? Can you get him released from the Embassy? He must have known that I had agreed to stay on for a number of years at the Embassy. Two years, I think. Beyen then talked to Lieftinck and said, "It's very important that we can get somebody in in the beginning." The U.S. would have to do the recruiting job. Nobody else was able to do it, and of course if they found some non-Americans whom they deemed suitable, they were particularly keen to get them in, because the supply was very small. Lieftinck then agreed that I might go to the Bank if I wanted to, and then, later in the summer, I talked to the General Counsel, who in the meantime had been appointed. That was not Luxford. Luxford was acting and then he became the number two, and the number one was a Wall Street lawyer, Chester McLain, who had come from the Cravath firm, where he had been a partner for many years. I went on the staff in September, which to some people who were then around made me a johnny-come-lately, but looking back, I think my staff number was 70, and more than half must have been support staff.

ASHER: But you didn't realize that Meyer was halfway through his service as President when you came in September. He resigned after six months.

BROCHES: No, I didn't.

ASHER: Do you want to make any kind of retrospective appraisal of the Meyer presidency? His resignation was a complete surprise, wasn't it?

BROCHES: That wouldn't be fair because my information about Meyer all came from others. I was not attending Board meetings. I was a senior member of the Legal Department, but in those days Board attendance was very limited. It's different from what it is now with a full agenda of loans and other operations. So I did not observe Meyer directly. Sure, I went to his office to be introduced and chatted with him at a party at his house after the first Annual Meeting, but that's all. I do remember, however, that Beyen, the former head of the Dutch delegation, then Executive Director--and because of his background one of the most influential ones--didn't have a very high opinion of Meyer.
[BROCHES]
Or rather, he thought that Meyer's time had passsed. Beyen had been a commercial banker, and a central banker as head of the central banks' bank, the BIS, as he never forgot to mention.

And when Meyer went to New York.... You see, these trips to New York by the President tended to be mysterious to the Directors. The President would say, "I'm going to New York to test the market and talk to my friends." Beyen said, "You know, when he talks to his friends, they're between 75 and 80 years old. They must know exactly how you did a bond issue in 1913." He didn't question Meyer's intellectual capabilities, but Meyer was just of a different time. And he had by common--I can't say common consent--but common belief, he had been dragooned into the job by Jimmy [James] Byrnes, who was then U.S. Secretary of State, and is reported to have been told that he would have a very capable staff, so that he only needed to come in a couple of hours a day and that would do it. Meyer said that the first thing to do was to make a loan to France, which is in fact what the Bank did a year later. Obviously, when a President shows no initiative, doesn't give any strong push, the Board will try to fill the vacuum, and then there was the very dynamic U.S. Director, Mr. [Emilio] Collado, whom you probably know better than I.

ASHER: I know him, yes.

BROCHES: Collado wanted to fill that vacuum and started pushing. Then Meyer felt sat upon, and he resigned in December.

ASHER: Well, then after his resignation, I understand there was a pretty tense interregnum before [John J.] McCloy, [Robert L.] Garner and [Eugene R.] Black arrived. Was this tension regarded by the Netherlands people as sort of a debate between warring Americans, or did you see it as having important principles at stake, as to who would run the Bank, and how?

BROCHES: No, as I recall, relying again on the reports at the time from Beyen, who was then a member of a committee of the Directors that talked to the U.S., the non-Americans regarded the decision as an intra-American matter. Their fight with the U.S. was over its failure to produce
a body. Since it had been agreed that the President was to be an American the United States had a responsibility to propose a candidate. There was something else as well. There was a Vice President, who was also an American. This was not part of the deal, it was an open issue.

ASHER: That was Harold Smith.

BROCHES: That was Harold Smith, the former Budget Director.

ASHER: Did he die during the interregnum?

BROCHES: Yes. One of the questions is post hoc or propter hoc. There was a question whether he died of a broken heart because it had been made obvious to him that the Board wouldn't accept him.

Now, jumping ahead, after McCloy resigned in order to go to Germany, Garner was also told that the Board would not take him, and the U.S. was told: "Anybody except Garner." Now he did not die, I mean, not then, and not for a long time afterward.

ASHER: And it didn't break his heart.

BROCHES: No, it didn't break his heart.

ASHER: It was a sort of collective view of the Executive Directors that they would not accept Garner as a successor?

BROCHES: Yes. That was in 1949. But let me go back. When there was this interregnum, when Meyer resigned, and Smith had died, who was going to preside over the Board meetings was one question, and who was going to be the executive head of the Bank was another. There were no provisions covering this anywhere, not in the By-Laws, not in the Articles. And Collado said that the answer to both was very simple: the Director representing the largest shareholder. McLain said, "Absolutely not. You can chair the meeting, but an Executive Director cannot be head of the Bank." Collado insisted, whereupon McLain submitted his resignation.
ASHER: But to whom, if I may ask, could he submit a resignation?

BROCHES: You're right. He couldn't. But he announced that he was walking out. That you could always say and do. The doors were open and he was going to walk out. And he announced that to his tiny legal staff, six or seven people, I think, whereupon Davidson Sommers, who with me and Lester Nurick occupied a room about this size on the eighth floor of the A building, said, "Well, somebody said I should come here but I'm not sure I like this place." And he said he wanted to leave.

ASHER: Dave did?

BROCHES: Yes, Dave Sommers went to see McLain. And McLain tried to dissuade him. Well then Dave came back and said, "You know, Chester wants us all to stay, but I don't like this one little bit." I said that this was still a time when I could do a lot of other things, and I went to McLain and told him that I was thinking of leaving, too. And he said, "Oh no, don't leave the ship." He said, "In my case I have to do it because I've taken a position, and if that fellow doesn't accept it I have to leave. I'll go back to Cravath in New York." Then Collado caved in. So there was no resignation, and Collado left.

ASHER: He must have caved in because somebody got to the State Department...

BROCHES: I guess so, I guess so .... And also McLain was a very tough guy. In the meantime there was a sort of Comite de Salut Public consisting of McClain, [Daniel] Crena de Jongh, capable and a gentleman, but a weak person, who was the Dutch Treasurer, and [Morton M.] Mendels, the Canadian Secretary. The three of them were running the Bank, such as it was.

The U.S. had had difficulty finding somebody prepared to accept the presidency of the Bank in May 1946, so you can understand that the Meyer episode didn't make it any easier to find one in February 1947. To my recollection, this was initially not seen as a U.S. versus non-U.S. fight at all. It didn't start that way. Unfortunately the press, and to a certain extent McCloy, presented it as such. I remember that returning from Europe the 28th of February, on the Queen Elizabeth, I bought
the Financial Times, which ascribed to McCloy a statement that he didn't want a bunch of chatterboxes around--that was supposed to be the Board--which made the Belgian Director at the time, who seldom opened his mouth at Board meetings, say to his Dutch colleague, "I think that's greatly unfair. He can't call me a chatterbox." It may be that McCloy said what he did in order not to accentuate a disagreement with the U.S. or with the former U.S. Director. I don't know, but it is a fact that in the press the impression was given that the Board was a bunch of debtor countries, or prospective debtor countries, which were trying to run the institution. I don't think that that was the issue at the time, or that the U.S. thought it was.

But then McCloy did make, did drive that hard deal--I don't need to talk about that, it's all in the record--the memorandum on relations between the President and the Executive Directors, which was the basis on which he accepted the presidency. He got Garner with him, whom he didn't know--I don't know who produced Garner--and I'm not sure whether he knew Black. In saying that he didn't want the Directors to try and run the Bank he included the U.S. Director, saying that the fact that he was U.S. was enough.

ASHER: Well, under McCloy the Bank's first loans were made.

BROCHES: Right.

ASHER: They were for European reconstruction, they were general purpose rather than specific project loans. Was there any legal controversy within the Bank about its ability to make general purpose loans for European reconstruction?

BROCHES: No, not when these loans were proposed. You must remember that during the discussion in Congress of what became the Bretton Woods Agreement Act, the question was raised whether the Fund was not in danger of losing its substance as a result of money being drained off by way of stabilization loans for the U.K., even though the Articles said that the Fund was not to finance a sustained outflow of funds and was not to refinance the sterling balances. This was part of a fairly strong opposition to the Monetary Fund. The Committee for Economic Development was against it. The opponents had a respectable case for arguing that it was too early for the establishment of the
Fund, and it was too early. The Fund was established, it did very little but it did not lose its substance, so you can say it all came out all right.

In the difficult legislative process the managers on the U.S. Administration side had a great idea. They said that there was no danger of a drain on Fund assets at all, because if a stabilization loan were necessary, the Bank would make it. And the Bank would make it under the provision in Article III, "General Conditions for Making Loans," which says that: "except in special circumstances, loans made or guaranteed by the Bank shall be for specific projects or programs of reconstruction and development." It said, "except in special circumstances." Thus, if there are special circumstances the Bank can make loans for non-project, non-program purposes.

Well, does that include stabilization? At Bretton Woods the British had wanted very much to make it clear that such loans were possible. The U.S. was clearly opposed to this and so, as usual, you get compromise language, such as "except in special circumstances." When the legislation was in trouble in Congress there was a complete turn around, and the U.S.--I think it was Luxford--said, "What do you mean? No problem at all. Can't you read this language? It says clearly that you can do these things." Well, Congress said, "You better make sure. The Bank Articles have provision for interpretation by the Executive Directors, so we'll instruct the U.S. Governor to ask for an interpretation, an interpretation whether that particular provision, that sub-paragraph, authorizes stabilization loans." Now there are two possibilities. Either they'll say yes and that's fine. If not, then the U.S. Governor is instructed to move an amendment to the Articles to make it clear that this can be done.

In the light of the discussions at Bretton Woods, I still chuckle when I hear it. It took a certain nerve to switch the position that way. But it worked, and the Bretton Woods Agreement Act was passed. As a result, and it was even months before I arrived, the first item of business was a letter from the U.S. Governor to the Directors saying we raise this question. The Committee on Interpretation was established, and they came out with a long document in which they say yes ....
ASHER: But at that stage of Bank history would that kind of interpretation have been drafted by the Legal Department of the Bank, or was it really the product of a committee of Executive Directors?

BROCHES: Luxford, who was then the Acting General Counsel, and who had been the head of the U.S. delegation, who had been in on the drafting of the provision, and also on the defense of the almost opposite position in Congress, wrote a number of memoranda, but they were looked at critically by the committee. The head of that committee was the respected Greek central banker, [Kyriakos] Varvaressos, who took these things very seriously. And the General Counsel certainly did. The memories of Bretton Woods were still so fresh that I would say that participation at Bretton Woods was even more important than the views of the General Counsel. Varvaressos and Luxford had both been at Bretton Woods, and the interpretation was in fact made by those who had been present at the creation.

ASHER: But was it necessary to reinterpret the term in order to make the general purpose loan that the Netherlands, among other European countries, got in those initial years of reconstruction?

BROCHES: No, no, because these were not stabilization loans. But it helped. I mean, if you could even make stabilization loans, if you can go that far, then there shouldn't be--and there wasn't--any problem in saying that clearly there were special circumstances justifying general purpose loans, or program loans, as non-project loans were subsequently called. The provision doesn't even say "exceptional," it says "special," unlike the local expenditure provision, which says "exceptional," and some people make a distinction between the two and think that special is less strong than exceptional. No, those loans were justified on the grounds that the countries concerned needed specific groups of commodities, goods, equipment, which were going to be fitted into a plan, a program, and that these countries had programs and the people capable of carrying them out.

ASHER: And the programs were reconstruction programs.

BROCHES: These were reconstruction programs, there was no problem about that, the purposes were clear and the countries needed a general supply of goods, and were capable of integrating those, using them for the programs, and the Bank thought that it could monitor the use of those goods.
ASHER: Was this regarded as a kind of favoring of European countries when you came to make your first loans to the developing countries and were very strict about the specific project provision?

BROCHES: At some time, yes. I don't think in the beginning, because in the beginning the developing countries were looking for guidance. After all, our later economic survey missions arose from the loan applications of Colombia in 1948 for three projects. And the question was asked, well, why those three projects? Well, they had those three projects. How do they fit into the plan? There was no plan. And as a reaction to a number of searching questions by Bank staff the Colombians said, "Well, if you fellows know so much, why don't you come here, and tell us what our plan should be, what our priorities should be, etcetera." And that was the origin of the Currie mission, the first Bank mission, which led to a long program of general survey missions.

ASHER: Well, before that, the Bank got busy drafting its standard loan and guarantee agreements, didn't it, and were there questions as to whether those should be drafted in accordance with international law, or with the relevant national law, probably U.S. in this case?

BROCHES: Yes, I can't say there was a great controversy, but in the peaceful months of October, after the first Annual Meeting, October, November, December of 1946, when the Meyer resignation explosion had not yet taken place, and, I believe, was not even expected, we went through various policy and technical issues regarding the kind of agreements we should have. McLain brought some of his materials from New York on old government loans and other foreign loans. And this was a very open discussion.

As to applicable law, I could see that in a way it would be convenient to use U.S. law, probably New York law—not District of Columbia law, the District was then not a great financial center. But I thought it would be a mistake for an international institution to do so. The other questioned concerned the forum for settlement of disputes. Both had both legal and policy aspects. I was strongly in favor, and argued strongly in favor of, international law as applicable law and international forum for dispute settlement. But I don't remember that I had to fight very hard at all.
ASHER: Well was this partly because the international provisions were somewhat vaguer and less detailed and therefore it was advantageous to the Bank or ...?

BROCHES: No, no. On the contrary. I think the one concern about saying, for instance, 'This agreement will be governed by international law' was the vagueness. We don't say it and we have never said it. I may have suggested it in the beginning, but we adopted another formula, which avoids certain dangers to which I may or may not come back in a minute.

But the concern was the vagueness. As a creditor you don't want to be vague. As a debtor you may want to be vague. And also, the Bank after all was a cooperative international institution. It was therefore particularly important to avoid disputes, and one of the first requirements is to be clear about what the agreement provides. Now there are two possible approaches. The one is to fit it into an existing legal system, which will fill some gaps. If I say to you I'll lend you ten dollars, period, and a certain consequence follows, namely, that you will have to repay me. But it doesn't settle rate of interest or even the question of interest or the time of repayment. You have to say more than those few words. Nevertheless, when you operate in the framework of a particular legal system, you probably find law intended to fill gaps.

Now that is not simple in international law. And that was the reason why there was some concern that a flat statement about international law would not be so good. Instead of referring to international law, we found another formulation. The main purpose of having international law apply was to make sure that the other party, which was always going to be a state, whether it was a guarantor or whether it was a borrower, could not hide behind its own law to nullify its obligations. It is an accepted principle of international law that you cannot plead your own law as an excuse for non-performance of an international obligation. This was very essential. That is why I'm concerned about some of the things I hear now about plans for the "Bank's bank" and some of the B-loans. I think one should be very careful not to give up that very essential aspect of having an international obligation, namely, the fact that you exclude excuses based on alleged inability to perform because of exchange control, or this, that or the other provision of newly enacted legislation.
You can see that the inviolability of the operation is something that would attract a lender's lawyer and attracted Chester McLain, who was a first class Wall Street lawyer. He thought that was fine. He was not only tough and a good lender's lawyer, he was also a statesman, and he was very intelligent and very smart. I don’t always consider the word "smart" to be a compliment, but in his case he was, at a high level, smart.

I come to the next question: What international forum should decide disputes? Where do you go, to which court? The decision was to provide for arbitration.

And the next question: What do you do if you have an award, and the other party doesn’t comply, doesn’t pay? Should you be able to go after his assets? Mind you, in most cases the other party would be a sovereign state. McLain had a very clear view on that. He said, “What we don’t want is to have the right to seize sovereign assets, because I can see exactly what is likely to happen in New York. The flagship of some state-owned line will be in New York, and the state in question hasn’t paid the award, and we’ll be sued by a bondholder to force us to seize that ship. We want to protect ourselves against that nonsense.” And that is all reflected in the provision on waiver of sovereign immunity of what was then, I think, Loan Regulation 1 or 2, and is now part of the General Conditions.

In the provision regarding applicable law one thing was done which we shortly thereafter, a few years thereafter, abandoned. There was a statement that the agreement would be interpreted in accordance with the law of New York. While we were happy to rely on international law for such principles as good faith and binding force of contracts, we felt it would help, since we were likely to use technical expressions, to have a reference to the law of New York. That was misunderstood by some authors and commentators as meaning that the agreements were governed by New York law. Now we said no, they are not governed by New York law, but if you use a certain expression and look for the meaning they are interpreted in accordance with New York law. After a few years we dropped that provision, since it seemed to cause confusion instead of clarification.

I should like to make a further comment on international arbitration. There was a standard arbitration provision in the Loan Regulations--now General Conditions--which sometimes
has to be varied depending on the number of parties, and an important part of that provision reflected the self-denying ordinance on taking execution measures that I mentioned a minute ago. If there is an award against the Bank, the successful party--borrower or guarantor--may take it to court and enforce it against the Bank. If it’s against the state, the Bank cannot do that except to the extent that the law of that state permits it. That is a very wise provision, which you also find in the ICSID Convention. In other words, we didn’t want to obtain a contractual waiver of immunity from the state. At that time, and we are now talking of about forty years ago, in the United States and many other countries, an agreement by a state not to claim immunity would not stand up in court, it was believed, except if, on being sued, the sovereign entity said yes, I’m willing to be sued. Even a commitment to waive immunity was probably not binding, and no prudent person trusted it to be binding.

However, the Bank’s position was different. Being itself an international legal person, it was capable of concluding a binding agreement with a state, binding under international law. But, as I said, we decided to pass up that opportunity.

ASHER: Now, were there serious differences of opinion within the Bank about the propriety of registering Bank agreements with the United Nations?

BROCHES: Oh, that was a secondary issue. I’m not sure that the Board got very much involved in the discussions. I’m not so sure that it went much outside the Legal Department. The arguments pro and con were pretty clear. There is a provision in the UN Charter, Article 102, which says that international agreements shall be registered with the Secretary General, and that agreements that should be registered and but not registered cannot be invoked before any UN organ. Now that was a rewording of Article 18 of the Covenant of the League of Nations, which was a Wilsonian provision about open covenants openly arrived at. It went farther than the UN Charter. Article 18 said that international agreements had to be registered, and if they weren’t registered they were void.
Now, what were the issues pro and con registration? I was, I think, the only one who was strongly in favor of registration. I thought that since we wanted these agreements to be recognized as agreements governed by public international law we should do everything that would be consistent with that. And if they were governed by public international law, then they should be registered. Now it is a fact that it was a bit of a boot strap operation, since the fact that you register an agreement with the Secretary General, and he doesn’t reject it saying that it is a private law agreement, doesn’t prove that it’s governed by international law. But it helps.

The argument on the other side was that, while a failure to register an agreement with the UN didn’t carry the same risk as an alleged violation of the League Covenant, still, if we wanted to invoke it somewhere in the UN system and we’d forgotten to register, or the registration was not complete, we might be in trouble. Mr. McLain said—I don’t know whether he was serious about it—he said someday we may want to make a secret agreement, to which the answer was, well, if we make a secret agreement we take the risk.

There was another argument, namely, that even under the League regime it wasn’t clear whether financial agreements were included, even if they were governed by international law, whether it was the kind of agreement that was intended to be registered. Now the Charter didn’t clarify this, the Regulations issued by the General Assembly didn’t, and so we could have decided not to register but to file a statement with the Secretary General stating that our agreements were open to inspection but that we didn’t think they ought to be registered. The decision went the other way. We did register them. I thought that this gave us a political advantage as well. Banks are likely to be suspected of special deals. We were perfectly willing to publish our agreements. The Bank is, incidentally, the only public international lending institution that publishes its agreements.

ASHER: You mean the example was not followed by the regional banks?

BROCHES: No, they do not publish their agreements. The question of registration is a bit complicated. The UN Charter only imposes obligations on members. Strictly speaking, therefore, the Bank was not obligated to register, but unless the UN member state with which the Bank had
concluded an agreement registered it, the sanction of not being able to invoke it would apply. We could register ourselves because the General Assembly Regulations permitted registration by a specialized agency. Regional banks are not specialized agencies, so in their case the task of registering would have fallen to the members. Some members might register, while others might forget or refuse to do so, a messy situation. In any event, I don't think the regional banks were interested. But to get back to the World Bank, at a given point the UN Secretariat, which was already five years behind with printing the United Nations Treaty Series, suggested that reference to the agreements might be adequate, coupled with a statement that they can be examined at the Secretariat, where the Bank would have deposited them.

ASHER: But the registered part was not really complete, was it, in the sense that you did have further letters of understanding and provisions with borrowers? Was there a difficult job of interpretation as to what ... ?

BROCHES: Yes, there was. What do we send, what don't we send? The principle was clear, but its application to the many bits and pieces that began to accompany the growing number of agreements was a time-consuming business. The general guideline was that if the document recorded an obligation it was to be registered, but that letters or other documents recording a representation or statement of intention would not be registered. In general, the decision whether to register did not interest the member state. But in one case I remember the member state was willing to agree that assets of its central bank would be covered by the negative pledge clause, provided that the statement would not appear in the loan or guarantee agreement but in a separate letter that would not be registered. We refused to accept that condition and we registered the letter notwithstanding the objections of the government in question.

To get back to the UN Secretariat's problem, with thousands of agreements publication would not even be of benefit to scholars. Moreover, in the beginning we made loans to governments, later it became mostly guaranteed loans. Now, the agreement that is registerable in those cases is the guarantee agreement between the Bank and the member, not the loan agreement. But the guarantee agreement is meaningless if you don't see the loan agreement, so that we always included the
loan agreement as an annex. The publication of all these documents was putting an unreasonable budgetary burden on the UN. We were even asked informally whether we would be willing to finance the publication of our agreements. I understand that the Bank has made an agreement with the UN, the exact contents of which I'm not even sure of, that was incomplete when I left, but that was supposed to provide that the Bank's agreements would be identified in the UN Treaty Series, coupled with a statement that they are available for examination.

ASHER: The Bank's early difficulties with Poland and Czechoslovakia, allegedly economic, had strong political overtones. With the wisdom of hindsight can you shed any fresh light on the legal, moral and political issues that resulted eventually in the Polish and Czech withdrawals from the Bank, and the consequences of those withdrawals?

BROCHES: Well, I would make a formal distinction between the two, because the Poles withdrew and the Czechs were suspended from membership, and then automatically ceased to be members a year later under the Articles of Agreement. The Poles withdrew, I think, on March 15, 1950, and they withdrew because they felt that the Bank wasn't treating them fairly, that the Bank was withholding loans from them, on political grounds. The background of that was an application by Poland and a proposal being considered in the Bank for a major loan to Poland to rehabilitate the coal mines in the western part of Poland. This looked like a self-liquidating project, since the coal was going to be sold to occupied Germany, Western occupied Germany, and would be paid for in dollars by the U.S. So that was all fine. However, this was on the obvious assumption that Poland would be free to sell to the West. It was also on the assumption, or in the belief, that Poland would become part of the Marshall Plan, the shape of which was not entirely clear, but the principle of it was very clear. Well, neither of these things happened. The Poles were not allowed to join the other European countries in what became the Marshall Plan, and they made barter agreements with the Soviet Union, which also needed coal. So there was no assured source of convertible currency to service the loan. The proposal dragged along for some time, and finally the Bank said it wouldn't make the loan. I'm not sure whether the statement to the Poles was preceded by a discussion in the Board.
ASHER: I remember that McCloy had made a trip to Poland, and that there was, in my recollection, really more opposition in the U.S. Government than there was in the Bank.

BROCHES: Oh yes, no doubt about that.

ASHER: And they weren't silent about their objections.

BROCHES: Right. Getting back to the Poles, they already voiced unhappiness during the Second Annual Meeting of the Bank in London in 1947. After that meeting McCloy went to Poland. McCloy may have been twice in Poland. Once he came back with a piece of coal in the shape of a mineworker which was displayed prominently in his office. So there must have been a good visit and a bad visit, or a visit that was not known to be bad while he was there. In any event, the idea of a loan to Poland was given up in 1948, I believe, and Poland did not withdraw from the Bank until 1950.

ASHER: And Czechoslovakia you said was quite different.

BROCHES: Yes, that was different, but just to get back once more to Poland, I have not been able to track down the exact place where he said it--a quotation which I wanted for another purpose--but I recall McCloy having answered the accusation that the Bank had acted politically in withholding a loan, or loans, from Poland by saying that the Bank's action was not politically motivated, although based on the political situation. There was nothing to prevent the Bank from taking into account the economic consequences of a political situation.

ASHER: You can find a reference to that in our book.

BROCHES: Is it that?

BROCHES: Through its life the Bank has had to meet the argument that withholding or not withholding loans from a country was inconsistent with Article IV, Section 10 which prohibits political action and provides that the Bank shall be guided only by economic considerations.

ASHER: Well, even in the days when you had a smaller economic staff, you could find people who would say the country wasn’t creditworthy, couldn’t you?

BROCHES: Right. Not creditworthy because of inflation for example, and not because of being friendly with the Russians. But I don’t want to sound cynical. Although we didn’t consider ourselves obliged or entitled to act on political recommendations of the UN—a subject which you have discussed at length in your book—for a while we did not lend to Portugal because, as a result of the Government accumulating reserves for the colonial war it expected to have to fight, the economy was stagnating.

Now, Czechoslovakia was different in this sense. While after 1948 it was clear that the Bank would not be making loans to Czechoslovakia for reasons that were political, and we expected Czechoslovakia to follow Poland’s example and to withdraw from the Bank at the Annual Meeting in Paris in 1950, this did not happen. What did happen was that Czechoslovakia had disputes with both the Fund and the Bank. The issue at the Fund was, I remember, on supply of information, and Czechoslovakia was accused of violating the Articles. The Fund has become a lot more flexible with Romania and China I’m sure.

With the Bank there was another problem. The Articles, as you know, permitted occupied countries, or formerly occupied countries, to postpone for five years one-fourth of the amount of their subscription which was payable in gold or dollars. And the Czechs had availed themselves of that, as many others had. China did. But then the five years were over, and the Czechs still didn’t pay, nor did China.

In the meantime Chiang Kai-Shek had moved to Taiwan, after the Peoples’ Republic of China had been established in 1949. The way these defaults were handled was determined by U.S. policy. The Czechs said that they wouldn’t pay because the U.S. was holding on to their gold. There was some gold which probably the U.S. had taken from the Germans, Czech gold, and was holding as security for
expropriated American property. And therefore the Czechs said they couldn't pay the Bank because the U.S. was withholding their gold. To which the Bank answered that that was a problem between Czechoslovakia and the U.S., and that the Bank was not responsible for the U.S. action.

Well, the Czechs didn't pay, and they were suspended, under heavy U.S. pressure. They were suspended from membership and automatically ceased to be members on year later. A distinction had to be made between Czechoslovakia and China, because China wasn't paying either. China claimed that it was unable to pay because of the loss of the mainland, and paid wholly insignificant amounts as token payments on the $2 million that had become due in 1951.

ASHER: The Czechs didn't deny that they owed it, did they?

BROCHES: Well, they said in the circumstances they were not obliged to pay, because they couldn't get access to their gold, which of course was a bad argument to use against the Bank, and nobody advised them to follow the Chinese example and avoid suspension. It was clear that the United States was delighted to be able to expel Czechoslovakia. It could have made a better case if it had told the Chiang Kai-Shek Government, which was U.S. financed, to pay the $2 million, but it did not even bother to do that.

I felt that the different treatment was clearly politically motivated and had no other justification. I told the General Counsel that I would not work on the memorandum which was supposed to justify the suspension.

The bitterness on both sides engendered by the suspension did not prevent the settlement of accounts to be negotiated in a correct and almost friendly manner. The same thing was true of the settlement with the Poles and later with the Cubans. All three countries were pleasantly surprised at the way in which the Legal and Treasurer's Departments handled this.
ASHER: Does this apply to all withdrawing members, those with whom Bank economic relations were really suspended, such as Indonesia and Ghana?

BROCHES: Ghana was never really suspended from membership. Indonesia was out for awhile. It withdrew and later came back. It was technically very complicated. But when Cuba withdrew it was a voluntary withdrawal, we decided to pay in such a way that the U.S. couldn't seize their money. I was General Counsel at the time.

ASHER: Well, what did you have to pay? You mean repay their subscription?

BROCHES: Yes, the 20 percent paid-in portion of their subscription. Part of it was held in local currency or in notes by the Cuban central bank. We just transferred the local currency and cancelled the notes. That was not the issue. But two percent of the subscription had been paid in dollars or gold, and had to be repaid the same way.

ASHER: It must have been a negligible sum, though.

BROCHES: It was maybe five hundred thousand dollars, not negligible in the circumstances. Now, there were two outside claimants to that money, the Fund and the United States. Cuba withdrew from the Bank, but not from the Fund. As someone jokingly said, "They would not take away their overdraft from such a nice institution." They owed money to the Fund, and the Fund, probably under U.S. pressure, thought that Cuba's claim on the Bank should be made to serve to reduce the Fund's claim on Cuba. Then there was the U.S., which expected to seize the dollars in partial compensation for its claims against Cuba. We said no to both. As a bank, we expected our members to meet their financial obligations to us, and we felt that we had the same obligations towards our members. We would not let politics interfere. We made our U.S. dollar payment to Cuba's account in Canada. The U.S. was annoyed about it. I remember telling the Treasury lawyers that it was really also in the interests of the United States not to mix financial obligations and political actions, and to set a bad precedent. Also, the amounts were not substantial.

The Fund's claim was nothing short of outrageous. They wanted to set off their claim on Cuba against Cuba's claim on the Bank, as if the Bank and Fund weren't separate institutions! But all these things take a lot of time, you know.
ASHER: In retrospect, do you, or does the Bank generally regret the fact that Poland and
Czechoslovakia were encouraged or allowed to withdraw in the early days of the Bank, especially now
that you have other Eastern European members?

BROCHES: I can only speak for myself and I can see no reason why one can't let bygones be bygones.
I suppose that these two countries could, if they wanted, rejoin the Bretton Woods institutions. I can't
imagine that the U.S. would try to prevent that. Now, as to Poland again, it was not the same case as
Czechoslovakia. I don't know whether we could have done much, whether it would have been possible
to work out something in Poland. I just don't know. I haven't heard it said that it could have been
done. I don't recall. You know, the amounts were very substantial....

ASHER: Yes, it was intended to be a big loan, wasn't it, and then it kept getting chiselled down; that
was another, different irritation of Poland's.

BROCHES: Sure. Now maybe the Bank could have done a small loan, but in the climate then, in the
political situation with the uncertainties that were so vastly greater than those facing, say, Denmark,
Luxembourg, Holland, or France, I don't know whether the Bank would have been able to work out a
deal with Poland that would have brought the loan within reasonably prudent limits. But it's so long
ago, and the lawyers weren't directly involved on the lending side. Of course the U.S. was dead set
against it.

ASHER: Well, having started with a five hundred million dollar request they probably would have
been very reluctant to accept a twenty five million dollar loan, or something like that.

BROCHES: I daresay that the Bank didn't try very hard. Now, whether, if it had tried very hard,
something could have been worked out, I don't know. I think with Czechoslovakia we would have
found, we should have found, some way to work with them. In the meantime of course Czechoslovakia
had changed. I know there were missions there, I believe even after the Communist takeover. But
there again the U.S. forced it on the issue of the gold or dollar payment. You know, we could have
improvised, and said we'll wait, we'll give you some extra time and in the meantime try to convince
them. We had a similar problem with Yugoslavia earlier on when the Yugoslavs said that they
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[couldn't pay because the U.S. was holding their gold. After a perfectly rational discussion--it was handled by correspondence as I recall--we convinced the Yugoslavs that the Bank should not be held responsible for actions of the U.S., whether legal or illegal. And the Yugoslavs paid.

ASHER: Now at about this same time the Bank got involved in its first foray into the field of international mediation, namely, the Anglo-Iranian oil dispute. Did it require a legal opinion to justify the Bank's involvement in that dispute as a mediator?

BROCHES: I was in the somewhat nerve-wracking position of Acting General Counsel at that time, because Dave Sommers had been borrowed by the U.S. Government at its insistent request to negotiate bases for the U.S. in Iceland. So Sommerse was away when this thing was dumped on me by Garner, the Bank's Vice President. Garner and "Cap" [Torkild] Rieber, a well-known oil man, had some ideas. Then McLain was brought back as a consultant. He was no longer in Germany. McLain was back in private practice in New York and he was brought in as a consultant. I think he was as worried as I about the risks of the Garner-Rieber plan, and about the internal legal issues. But he didn't say much, pointing out with a mischievous grin that I was the Acting General Counsel and that he was just a consultant.

The role--I realize that I've still not answered your question--but I want you to know what role the Bank was supposed to play. The role went far beyond mediation. We would have ended up running the Abadan refinery, as trustee.

ASHER: But this was known early in the thing?

BROCHES: I think so.

ASHER: I mean, by the time the question of the Bank's involvement came up, it was the shape of what might happen, wasn't it?
BROCHES: Yes, because I remember that in reviewing some of the horrible risks that the Bank would have to try and protect itself against we looked at the contingency of a KLM airplane, financed by us and to which we had a security title, crashing into the Abadan refinery, of which, as a trustee, we would probably be regarded as legal title holders as well.

Now, finally coming to an answer to your question, while I don't think that a normal case of mediation, involving no more than an attempt to bring disagreeing parties together, would have called for a formal interpretation by the General Counsel and confirmation by the Executive Directors, the Anglo-Iranian case was totally different and an interpretation by the Executive Directors would have been required, holding that the Bank had power to embark on that operation.

The Garner-Rieber scheme never came close enough to reality--I think it was a hare-brained plan--so that we had to prepare an opinion. However, the view of successive General Counsels, first McLain, then Sommers, who was the General Counsel at the time we're speaking of, and subsequently I myself, was that the Board has power to do everything that is stated in the Articles of Agreement and anything else that clearly supports the purposes of the Bank, and is not prohibited by or inconsistent with any of the provisions of the Articles. And I think that this would have been in the latter category. If the Bank could protect its assets against liability, I think if acting as a trustee for the refinery was a central element--and I'm giving the opinion now as I would give it today--if that was an essential condition for achieving the reestablishment of orderly conditions in that industry, which was so important at that time, primarily for Iran and secondarily for the companies, then I would say that was something we could properly do.

ASHER: Was the Anglo-Iranian dispute in any sense, in your mind, a sort of forerunner that rang the bells that started you thinking about ICSID?

BROCHES: No, no. The forerunners for that were rather Black's conciliation role in connection with the City of Tokyo bonds, and the Bank's mediation between the Suez Canal Company and Egypt. I think the Anglo-Iranian business was a Garner project. I don't think that Black was so active in it. Did you research that?
ASHER: That's right. No, it was.

BROCHES: That was a Garner project. And they sat there with Mossadegh, and my colleague Ellsworth Clark sat on Mossadegh's bed, because Mossadegh was always sick, and started to cry when he talked about the "former" company, and the whole thing struck me as a romantic story far removed from ... 

ASHER: Well he was 91 years old, wasn't he?

BROCHES: Something like that.

ASHER: Mossadegh, I'm referring to. You've referred a number of times to Dave Sommers, who was General Counsel of the Bank for a decade before he left to become a high official of The Equitable Life Assurance Society. You then succeeded him as General Counsel. Would you care to comment on his contributions to the Bank?

BROCHES: You also know him quite well, but I think one ought to try and see him as he is seen by people who have no close personal ties with him. I think the most typical thing about Dave is that he inspires confidence immediately in everyone.

ASHER: I agree.

BROCHES: It was true in the Bank and, judging by his own self-deprecating funny stories, it must have been true at the Pentagon, where he worked for McCloy, who was an Assistant Secretary of War. After he got out of the Pentagon he could have gone back to his law firm, but it didn't attract him. And then I think it was McCloy who suggested that he look at the World Bank.

Dave came here, and after the Collado incident he stayed, and he worked very closely with McLain, who left after 2 1/2 years in order to go to Germany with McCloy, because he felt that McCloy needed a lawyer—McCloy had been a younger partner of his in New York! At that time we all wondered what would happen to Dave and the traditional wisdom in the Bank said that the Bank would look for someone from a large Wall Street firm. But these people had not counted with
Black, who succeeded McCloy as President. Black knew Wall Street. McCloy was always looking at Wall Street, looking at what Wall Street might say. Black had grown up in Wall Street and was not particularly impressed. He liked Dave Sommers and so appointed him General Counsel.

I was on a very long home leave, but then called to London where Black showed up, who had just been elected President. And Black said, "Say, I've got good news for you. Do you know who your new boss is going to be?" He said, "Dave Sommers." And it was also known that we were very close--I mean everybody in the Legal Department--he said, "Everybody's delighted."

Dave has distinguished himself all the way through, also while McLain was still General Counsel, by wisdom. He could have strong feelings about things, but combined a very protective attitude towards the client--which is typical, I find, of the American bar, or maybe it's just that I'm less protective, I find that the client must also behave reasonably, rationally, and I tell him so--with solutions that could be defended on their merits. I was very close to him, and our views generally coincided. There were, of course, exceptions. He felt too much that we ought to follow what was in effect the U.S. line on Czechoslovakia. After Poland withdrew and became entitled to a share of the profits he devised a scheme to avoid there being any profits that could be taken out in the future. We were going to accrue reserves every day so that if a member left there would be only one day's undivided profits.

I think those two examples come under the heading of extreme protection for the client in accordance with the views of the majority shareholder. But on general Bank strategy, on the great outlines of lending policy, on practically every issue that came up he always had either something new to say, or could translate ideas into a rational, consistent whole. Or if it wasn't consistent, he would know why it wasn't consistent, but then it was rationally inconsistent.

ASHER: But you're not Dave Sommers. You succeeded him. What differences were there in the role of the General Counsel and the functioning of the Legal Department after 1959, when you succeeded him?
BROCHES: Well, I succeeded him by stages. In 1956 he left the Legal Department and was appointed a Vice President, but retained the title of General Counsel for another three years.

ASHER: There were only three Vice Presidents at that time.

BROCHES: There were only three. He was responsible as a Vice President for law, finance, personnel, public relations and the like. Not for loans, not for economics, not for ....

ASHER: Projects.

BROCHES: It is difficult to say what difference there has been in the role of the General Counsel since 1959 because Black was the only President under whom Dave and I both served, so there is not much of a basis for comparison. There is one thing I can say, and that is that because of age, experience, common acquainances and, very important, a common background as Americans, he had with Black--and I think he would have with Woods and McNamara--an easier relationship than I had. But that is not a measure of influence. As Dave himself has said to me, McNamara, who had asked him to be a consultant to the Bank on general policy problems, including personnel problems and organization and management, but excluding legal matters, used to ask his advice all the time, but he never accepted a single recommendation. If there is a difference in the role of the General Counsel, as distinguished from relations with individual Presidents, it is a reflection of our respective interests. Dave's interest in legal matters is secondary to his interest in matters of personnel and administration, and in very general aspects of operational policy. My priorities are the reverse.

Getting back to our respective roles with Black, for general advice he relied primarily on Dave, and yet Dave left the Bank for the very reason that he felt that he no longer fulfilled a useful role.

ASHER: Wasn't the attraction of this huge job in New York a factor?
BROCHES: The money was not a factor at all, but the intellectual challenge must have been. The Equitable had been through rough times and was looking for a "long hair" Vice President and General Counsel. For another thing, he thought that it might—obviously I'm here quoting Dave—that a move to New York would be good for his wife, who was not well and disliked Washington.

ASHER: And who was handicapped then?

BROCHES: Oh, yes. She was ill. She had already been ill for years.

You also asked about the functioning of the Legal Department. It has of course changed with the broadening of the Bank's activities and the rise of operations which have required organizational changes. Many of us regretted the increase in size which put an end to easy communication within the Department. On the other hand, when during the McKinsey exercise some ideas were floated to regionalize the Legal Department, I was successful in nipping this in the bud. Regionalization would have destroyed the integrity of the legal operation and would have undermined the position of the General Counsel, whose staff would have felt themselves beholden to him as well as to the Region to which they were assigned.

ASHER: Let me ask another question, because my recollection is fuzzy now. Was Burke Knapp at that time called Senior Vice President?

BROCHES: No. The senior Vice President—nobody was called Senior Vice President—but the senior Vice President was Bill [Sir William A.B.] Iliff.

ASHER: Oh, yes.

BROCHES: So when Black wasn't there, Bill was in charge of relations with the Board, and Chairman of the Board. And Dave was number two. Burke was number three for that. This was also based on their personal acceptability, I think. Burke was never very popular with the Board. Not till the last day he was there.
ASHER: You’ve mentioned various male colleagues of yours in the Legal Department. Would you say that the Legal Department was a leader, a follower, or an also-ran in the employment of professional women?

BROCHES: Also-ran or less.

ASHER: Also-ran or less. I don’t know of any.

BROCHES: Oh, well, we had early in 1947 Virginia Morsey, who has since married two generals.

ASHER: Successively, I trust?

BROCHES: Successively, yes. After the one died she married the other. She was the wife of “Spec” [General Raymond A.] Wheeler. After she left the Bank, she was involved in many of his ventures, such as the Mekong Valley. She was a much respected and appreciated lawyer. But for a long time she was the only woman lawyer. I tried several times to get Shirley Boskey into the Legal Department, but she remained loyal to Dick [Richard H. Demuth].

ASHER: Who was a lawyer.

BROCHES: Who was a lawyer.

ASHER: But he wasn’t operating as a lawyer.

BROCHES: No, he wasn’t operating as a lawyer. I thought that for a long time Shirley didn’t have the position that she should have had.

ASHER: Oh, I think that’s true.

You’ve mentioned that, insofar as the interpretation of the Articles of Agreement is concerned, the Executive Directors or the Board of Governors are the final authority.
BROCHES: Right.

ASHER: How unusual is that kind of arrangement? It seems to me that the Bank can do anything, really, that its Executive Directors or Board of Governors says it can do without getting hauled into court.

BROCHES: There's no court into which they can be hauled for a matter of this kind. It was unusual. It has been copied in a number of institutions that have been shaped in the image of the Bank: the regional banks and maybe other organizations. At the time it was new and unusual.

ASHER: Is it in the Fund Articles too?

BROCHES: Oh, and how! It started in the Fund. Now, it may have been unusual, but it was not done casually. It was done for what were regarded as good and valid reasons. This was a U.S. proposal, I think, but I don't remember any debates about it. Certainly the defense that I'm going to paraphrase sounds to me as if it comes out of some U.S. document. The reason was that the operations were so unusual—and this is again the Fund—and so technical, and so unpredictable—all of which turned out to be true—that nobody would really be competent to resolve issues except the people who were working in it. So, although one might not like the idea of somebody being a party and a judge or a judge in his own case, that was the most satisfactory way of handling the situation. Now, for the U.S. it was also acceptable, because it had a lot of votes, and, together with fairly reliable allies, there was no danger of its being outvoted on a question of interpretation. Things became different when, or are different now, when a dispute arose about the valuation of the Bank's capital and the U.S. was in a minority position...

ASHER: Are you referring to the period after the Fund went on the SDR standard?

BROCHES: Right. It was my opinion that the provisions in the Bank's Articles of Agreement relating to the 1944 dollar should be read as referring to the SDR. Out of 21 Directors in the Bank, 19 accepted my opinion at the time, or would be willing to accept it. The British were on the fence, and the U.S. was absolutely opposed.
ASHER: And the U.S. remained opposed?

BROCHES: The U.S. remained opposed, and is still, I understand, opposed five years later, and is going through all sorts of hoops in order to avoid that interpretation. I don't know exactly what the reasons are. At one time it would have cost them money. Now it would give them money, but in any case they are unalterably opposed, and said that this was not a proper issue of interpretation. The U.S. said that my opinion was not an interpretation but an amendment. I found this a wholly untenable position. The Articles contain language which has become meaningless. The reference to the 1944 gold dollar has become meaningless because the Par Value Modification Act has abolished, not just changed, any relation between dollars and gold. The article's provision is meaningless as it stands, and has to be given a meaning.

Now, when the U.S. says the best interpretation would be to take the last known par value, I disagree as a legal matter. But I think that the Executive directors could lawfully adopt this interpretation, and I said so in my legal opinion. By the same token, they could accept my interpretation. And the question whether something is a question of interpretation is a question of interpretation which the Board is competent to decide. The U.S. answer at that point was wholly unrelated to the merits. It was that Congress wouldn't like the interpretation and that it would erode support for IDA. Soon, unfortunately, that argument will no longer be capable of being used. There's no support at all. And the issue of valuation has not yet been resolved.

But there's another occasion where the issue of interpretation came up and the U.S. had second thoughts, and that was in relation to the Fund. The French, who had been in favor of giving the institution the power of interpretation, considered that they would always be in the minority.

ASHER: You mean they assumed they'd be on the opposite side of the U.S.?

BROCHES: Yes, of the U.S. and of the Anglo-Saxons generally. When the Fund Articles were amended, I believe in 1969, to introduce the SDR, the French exacted as a price an amendment of the Fund's interpretation provision. Under the then-existing provision, which was identical to what is
still the Bank interpretation provision, an appeal from the Directors to the Governors would normally lead to exactly the same result. Not mathematically, because some Directors represent sixteen members but then they're generally not the biggest, so that you can assume that, apart from the fact that you can reargue the case, it's not a big thing to appeal from the Directors to the Governors. And as you know, it has never been done, presumably for that reason.

The French wanted to change that, and under the amendment, if a decision of the Fund Directors is appealed to the Board of Governors, then an ad hoc committee of three or five Governors will be appointed which has to examine the appeal, and its decision can only be upset by an 85 percent vote, or—I don't remember exactly--its decision must be upheld by an 85 percent vote. In any event, the French had now carved out a veto, much to the dislike of the U.S. The new system has not become operational because the composition of the ad hoc committee has not been determined. And in fact there haven't been many great issues. There is that capital valuation issue. On the question of transfers of Bank profits to IDA nobody who was in favor of the transfer, except my friend Lieftinck, saw constitutional objections.

ASHER: This is the question of the Bank's authority to make a grant to IDA which...

BROCHES: Went out of profits.

ASHER: Ah, yes. And the implication being that otherwise the profits would have been distributed to shareholders?

BROCHES: Or kept in the ...

ASHER: Or kept as a reserve?

BROCHES: Of course the Bank had been making grants for many years out of gross income. We met every non-reimbursable technical assistance expenditure as a grant.
ASHER: Do you mean the country survey missions?

BROCHES: No, I don't think we called them technical assistance. No, rather a grants for studies.

ASHER: I thought they tried to wrap that up mostly in loans.

BROCHES: That's the way it was done later, but not in the beginning. While Garner was still there, we had a plan for education grants. Well, that's the wrong word. Grants in connection with education projects, which were not regarded as an operational expense. It was regarded as something special, and I remember the French Director saying across the table, "General Counsel, can we do that?" And I said yes. That's the way legal opinions were sometimes asked for.

ASHER: And that question was asked apropos of a grant to IDA?

BROCHES: No, it concerned only the grant for these education projects. We were settling aside five million dollars for Vanderbilt University, for a program designed by Professor Branscomb, but I don't think any part of it was spent. Now, we'd been making smaller expenditures that you could consider grants, and I just said yes. But these were grants out of gross income, and the question was how did we legally justify grants to IDA, where the grant was clearly to be determined in the light of income, reserve requirements, liquidity requirements and so forth; that is where the grant was an alternative to a dividend, or addition to reserves.

ASHER: But you had to give an opinion on the IDA situation even though there had been these smaller precedents?

BROCHES: Yes, because those precedents were precedents of expenditures out of gross income, not related to net income. Sure, if the Bank had been at great difficulty making ends meet these other grants would not have been made. But you couldn't say that they constituted a disposition of net income.
ASHER: But the Netherlands was uneasy about ...

BROCHES: Yes, Lieftinck was uneasy about... He might have thought it wasn't legal. On other grounds he should have been very favorable, because of what were the policy issues... But, now let me finish the legal issues. And I'm not very proud of that chapter because I tried to approach the solution in various ways. Mind you, I thought that basically it was entirely proper, and also that it was a good thing. That it was a good thing didn't influence me. That it was essentially proper did influence me in taking a milder view of what might be called prohibitions in relation to distribution of net income.

At one time I sent a paper to the Board which tried to find a solution through construing the grants as related to gross income, as I remember. That paper was withdrawn, and in the end we decided, after the policy issues had been decided, that we'd have an interpretation, approved by the Directors, and one without much of a back-up memorandum.

The British Executive Director, Eric Roll--now Lord Roll of Ipsden--said that he was willing to ask the question in order to establish an issue of interpretation. We had agreed on the conditions under which transfers would be proper. Those conditions are that the money was not necessary to be retained in the Bank, either for reserves or for any other purpose, and therefore was available to be paid out of the dividends. And it was money earned during the year in respect of which the grant was going to be made. It was not dipping into old reserves. It was current income, and the choice was to leave it there, to pay it out as dividends, or transfer it to IDA.

Now, in those cases, Roll asked if it would be proper for the members to decide that they thought it was more useful to give the funds to IDA than to pay them out as dividends. And since IDA was really an extension of the Bank and anything done for IDA furthered the purposes of the Bank, there was no reason why the shareholders shouldn't be able to give the money away for that purpose. Therefore the question was answered yes, under those conditions, and only under those conditions, grants could be made.
The interpretation was not appealed, but was noted by the Board of Governors at the 1964 Annual Meeting in Tokyo, which exercised for the first time the power to make grants pursuant to the Directors' interpretation.

ASHER: Was there further difference in economic philosophy between Woods, under whom this was done, and Black who, at least in the initial years of IDA, was very anxious to keep it totally separate from the Bank, for fear that the Bank would be harmed on Wall Street?

BROCHES: Because of fuzzy financial relations between the two institutions. But Black was no longer worried. Woods told me—I don't think that Black told me himself—but Woods told me that Black had said to him, "George, I'm not going to attack you or criticize you for Bank grants to IDA. I couldn't do it because I had said there'll never be a penny moving between those two. So I knew that as long as I was there, and I was quite comfortable with it, I'd just as lief not face that issue. Or rather I faced it, and said no, we won't do it." He said, "You're a new man, you're not bound by what I said. If you have a justification, you go ahead. You won't hear any criticism from me." And there hasn't been any criticism, either from him or otherwise.

Let me say a few words about the policy issues raised by the proposal of grants to IDA, which were more controversial than the legal issues. By that time—and I'm talking about 1964, four years after the creation of IDA—it was clear that a number of countries which wanted IDA aid were not going to get it, in particular the Latin American countries, the middle income countries, if you will. In Latin America I think there were only Honduras, Haiti and maybe Bolivia who were at that time regarded as potential recipients. The Latin Americans took a dim view of the proposal, which they saw as giving their money away to a place where they would never see it again. As a result, the Bank would have less money, which meant that the cost of money to the Latin Americans would be higher, and part of the interest-free money would be disappearing. That meant that the lending rate either would go up, or wouldn't go down as much as it could otherwise go. That was one side.
Then there were the Indians, who said that the entire net income should go to IDA because the Bank was not so interesting to them, and their access to the Bank was limited by their creditworthiness. Then at times both the U.S. and Germany were flirting with the idea of dipping into old reserves, because they could see IDA replenishments coming, and wondered why one should go through all the pain and suffering of a replenishment if you could take the money out from the Bank? And that is why in Tokyo the Board of Governors adopted a policy statement which said that grants could only be made out of current income. That was the policy statement. I don't think it is easy to get away from that even though it was twenty years ago. And that, of course, was protection, and in fact, as you know, the Bank has not been particularly generous in what they did for IDA. And one year you had this crazy proposal of a $10 million grant which led to the angriest Board discussion I can remember.

ASHER: But was that a year of particularly limited income?

BROCHES: Not even. I daresay that it was based on a view of the market being difficult. Expectation of difficulties in going to the market is a reason for holding on to funds, but it was laughable to talk about $10 million. In any case the Bank's liquidity policy is supposed to take care of the market problems. Moreover, as you know, IDA generally gets money last. I don't know whether it's been changed now. So the grants to IDA show up as a debt on the Bank’s books, but they’re not immediately paid over.

ASHER: And the Bank gets the interest meanwhile?

BROCHES: And there's an argument about that. I'm sure it's still going on.

ASHER: We've touched on the subject of E.D.s in connection with interpretation and so on. Some E.D.s have previously been Bank employees, some Bank employees later become E.D.s. Does the cross-over involve a substantial difference in outlook and interpretation of what is appropriate for the Bank to do?
BROCHES: I'm not sure. There haven't been that many cases, have there? Well the dean of the Board, [Andre] van Campenhout, had been a General Counsel at the Fund, and then he became an E.D. in the Fund and the Bank. No, I don't think that he saw things very differently. I would say the same of Ernesto Franco-Holguin, a Colombian, who had been the Bank's UN representative and became a Board member. More recently, Bruce [M.] Cheek, an Australian went from the staff to the Board, and brought his staff experience and his views on development issues to the Board table. He died, unfortunately, not too long after.

There is no reason why former staff members would have a different outlook, although they may have to act on instructions representing views that they might not share. I think that the different outlook is rather a concomitant of moves in the other direction, from Board to staff. Geoffrey Wilson, a Briton who had been an Alternate Executive Director, became first a department director, and then Vice President of the Bank on extremely bad terms with George Woods. He said that he couldn't have imagined while he was on the Board that the Bank was the institution that he came to know as a staff member. He was quite disoriented. It was a different institution.

ASHER: The access to information?

BROCHES: Well, the way things are looked at. I find it strange, although I must say if you read reports without having the key to what certain words mean, there can be wide gap between input and output. The situation should have improved with the creation of the Operations Evaluation Department and its completion and evaluation reports. Taken together with the President's reports and the project reports, Board members are able to gain an insight into how the Bank works, at least in retrospect. And Directors have for some time had technical assistants, which was not the case twenty years ago.

ASHER: And the tenure in office, I suppose, because the turnover has gotten much more rapid than it was initially.

BROCHES: The quality has not necessarily always improved.
ASHER: You accepted a non-legal post in the 1950's when you became head of one of those general survey missions to Nigeria. How did you get the job? Did you have to campaign for it?

BROCHES: You seem to be interested in the successes I've had by default. I didn't campaign for it at all. What had happened is that in 1953 the Bank was mounting the largest survey mission ever to the largest remaining dependency of the U.K., and had appointed a Canadian Deputy Minister of Economic Affairs as mission chief. When the Canadian Government learned that the appointment involved not just a three-month stay in the country concerned, but a continuing oversight and maybe active oversight for an indefinite number of months, maybe nine, optimistically, which it would take to put out a report, it withdrew its approval. This happened at a moment when all experts had been appointed, some six weeks before the mission was to leave.

Dick Demuth, who was in charge of organizing these missions, and the recruiter sent off frantic signals to Scandinavia. The mission chief couldn't be a British national, but it couldn't be an American either, since that would have been too obvious. As regards nationality, a Canadian had been perfect. All Scandinavian potential mission chiefs had been booked for other performances, and the clock ticked and it became August. The mission had to start in the middle of September, so then Demuth started looking around the Bank.

Now, how far he looked in the Bank, I don't know, but I do know that he came to me to ask me to take the job and said, "The fact that you may be the twenty-seventh to be asked doesn't mean that you're not the best man for the job." I said, "Dick, I don't think I want it, but I want to tell you one thing: if I do accept it then I am the best man for the job." My reason for saying this was that, sitting with Demuth on a review committee of mission reports, I had found myself in frequent disagreement with the way in which he was seeking to "manage" mission chiefs, even though the mission reports were expressly stated to be the sole responsibility of the mission.

It so happened that at that time the Legal Department did not have much on its plate or on the horizon that required the attention of a General Counsel and an Assistant General Counsel,
especially since we had people like Lester Nurick--who became later my deputy--and Ellsworth Clark. Davidson Sommers therefore agreed to what might become in practice a year's leave of absence, although while in Washington I would be able to devote some time to legal work. Then Demuth went to Black. And this is first-hand information, I mean coming from Dick. Black liked solutions, he didn't like problems. So when Dick asked him whether he thought that I could do the job, Black said, "Why not? Of course, great."

I told Demuth that I didn't think I wanted to do it because I was not an economist, and I'd never been to a developing country. Moreover, I had been aware of all the conflicts that always seemed to arise with mission chiefs, and I was not going to have any of that. My wife and I talked it over, and she convinced me that the fact that I would have to operate in a field that was wholly unfamiliar to me was a plus rather than a minus, and that I should accept the challenge, which I did. Then John Adler was brought in as chief economist and deputy chief of mission.

ASHER: He was a very able economist.

BROCHES: Oh, yes. But he was American and he couldn't have been the chief of mission.

I did not have much time to prepare myself, and during the early part of the three-month mission I was quite tense, but I soon began to feel comfortable in the role of a generalist leader of a group of specialists, some 15 of them, I believe. The major policy issues and the answers seemed pretty clear to me, and I took an active part in writing those parts of the report.

ASHER: Did that experience give you a very different insight in the Bank - borrowing government relations or the politics or the economics of development?

BROCHES: Nigeria was still a colony, and had reserves of hundreds of millions of pounds. Nigeria had not borrowed from the Bank, and we did not contemplate any such borrowing, which of course would have required a U.K. Government guarantee. In fact, our mission felt that Nigeria should
use these reserves in a prudent way to finance development projects, rather than keeping them invested in Australian tramway loans. Adler and I gave full support to the creation of a central bank to replace the currency board system, which created a great deal of unhappiness on the part of the British banks doing business in Nigeria, although not with the Treasury and the Bank of England, which knew that this was unavoidable, and found it easier to accept our recommendations than to be seen yielding to local demands, especially from the Western Region.

I found it fascinating and instructive to get a close view of the tensions in a pre-independence period—I should state that our report was to lay the foundations for the last pre-independence five-year development program—between the impatient local people and the colonial administrators. I talked to both sides, and the last one you talked to always seemed to be the worst. One day you gave up hope on the Nigerians for making totally unrealistic demands, and not knowing their own limitations, and it was only enough then to listen to some British officials to find them ignorant, arrogant and racist. So you came out as a good international civil servant with a totally balanced view, but not necessarily one full of hope.

ASHER: Did it give you a feeling of the value of those general survey missions? In this period they sent an awful lot of them, and then they abandoned the practice.

BROCHES: Well they abandoned it because, by that time, they wanted to go deeper. These were get-acquainted missions, and I think as such—I’m somewhat biased, but supported by evidence of others—my mission was very successful, and I think one of the reasons was that we abstained from detailed recommendations, for which outsiders are not really qualified. The mission made a valuable inventory of reports that were already available, but had been forgotten. Maybe most importantly, we listened to both sides and, we had a mid-mission discussion in order to ensure that our ideas were stated in such a way as to be most persuasive. It was not a question of clearing our views, but to make sure that we had correctly understood the opposing views.

ASHER: After you came back?
BROCHES: Yes, and after we had a complete first draft.

ASHER: With whom was this?

BROCHES: It was with the Development Secretary, now the Lord Grey of Naunton, who was the Development Secretary in those days in Nigeria, a New Zealander by origin, who also became a great friend later. John and I had a meeting with him at the Bank's Paris Office, and we went over the draft of the report. That was my idea. I introduced a number of innovations, and this was one of them. I wanted to be absolutely certain that the report would not contain factual inaccuracies, or fail to describe correctly policies with which we were in disagreement. Our report was bound to be controversial, and I wanted to guard against criticism based on alleged unfamiliarity with the country and its problems. With some exaggeration--of which I am all too often guilty--an opponent could say that if the mission misspelled the name of a local institution, its estimate of national income was probably wrong, too. It's my own reaction when I find glaring errors of fact on minor points in articles about a subject with which I am familiar. At that stage we also went to London to discuss our recommendation for a central bank with the Bank of England.

The Nigerian colonial administration was unhappy about our recommendations for the creation of an oil extracting industry in the North. During the Paris meeting we listened again to the arguments against, but we did not change our mind. The administration's argument was that the industry would be in the hands of the Lebanese and the Syrians, rather than the Nigerians. Sure, there were Lebanese and Syrians, but that was no reason to let Unilever--in which I'm a shareholder, and I was then--do it in Denmark, and in Holland, and in England. There were a number of issues of this kind on which we took, in polite terms, a pretty strong view, which was not welcome. But it did not affect relations between the administration and the mission.

ASHER: Pro the area that you were supposed to ...

BROCHES: Pro the area, yes, pro the area. So it was not pro or con this or that group, but in the interest of the country itself.
I just remembered something that may be relevant to your question about the politics or economics of development. I showed the Governor a draft of the statement that I would make to the Council of Ministers at the end of our stay. In which I'd said how impressed we were, not just by the Ijora B power station and by other large projects, such as the dredging of Lagos harbor and the addition of wharves, but also and even more so by the work on the village level on markets, schools and other community projects.

The Governor was rather upset that we were not giving greater praise to these prestigious and in fact essential large projects. It took me a while to explain to him that we were impressed by these projects, but that they represented investments which the country could well afford to purchase and have installed and run by foreigners.

But you don't buy the markets, the stalls, you don't buy the schools which are built in the East by self-help. Small entrepreneurship and community projects showeds the vitality of the country. And he said, "I guess so."

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