THE WORLD BANK GROUP HISTORIAN'S OFFICE

ORAL HISTORY PROGRAM

Transcript of interview with

EDWARD V.K. JAYCOX

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Interview with Edward Jaycox
The World Bank
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Q: I'm Lou Galambos, of the Johns Hopkins University and the Business History Group.


Q: I'm Jochen Kraske, the Bank's Historian.

Q: And I'm David Milobsky, the Assistant to the Historian.

Q: I understand you went to Yale University. What was your class at Yale?

A: '59 and I went to Pearson College.

I majored in history. I took military history. I took probably diplomatic history.

Q: Sam "wave the flag" Beamis, was still a Professor of History?.

A: Right.

Q: My job was to stand at the back of the class and throw anyone out who smoked. Sam was of the old school, threw anybody out who smoked, and wouldn't let anyone come into the
lectures late. We had to intervene between Sam and the hundred students who would be taking this big lecture.

A: I didn't take that course. I was in Directed Studies, and later in this honors program in American Studies, which meant I could take anything I wanted in the university and it counted.

Q: So let's go back before Yale. Were there aspects of your family life that would be interesting.

A: My father was an executive with Firestone Tire and Rubber Company, and my mother was editor of a newspaper in the Knight-Ridder chain. We lived in Akron, Ohio, which was the headquarters of Firestone, and I was born in Cleveland. also--

Q: What year were you born?

A: 1938. My grandfather was also from Akron and we spent most of our times in the summers living on a farm which became gentrified over time. When I first went there it was pigs and cows and later it was lawns and flower gardens. It was a beautiful place on a lake. I have a sister a couple of years younger than I.

Q: You are the oldest one?
A: I am the oldest child and oldest grandchild in this extended family. The whole family lived there sort of on a compound, like an African extended family, I had six cousins and three aunts and uncles, three different families, and cousins and grandfather and grandmother, that was just a tribal kind of an existence.

Q: Since your mother was an editor the family gave a fair amount of emphasis to education. So you did well in school.

A: Not always. Finally, though, I did very well.

Q: It sounds a bit like me. So you were in mischief for a time?

A: I had an endearing nickname, Dynamite, which applied to my temper, that my grandfather thought up. This was a good environment because if you were in trouble in one house you sort of went over to the other place. You were taken in because you were family.

Q: Did you like sports?

A: I was a very good swimmer. And I also sailed and rode horses.

Q: You were in secondary school then, there?
A: My father was transferred from Ohio to Pennsylvania and we went to a little town called Pottstown, Pennsylvania, and that was the place where one of the best prep schools in the United States was located, the Hill School.

Q: Were there particular subjects, things you began to like at that point?

A: Well, I was very much into philosophy and history and literature. I was at the top of my class.

Q: Did you have any family ties to Yale University?

A: No. My father went to Columbia University and my mother went to Smith College. My grandfather only went to sixth grade. Q: That's the American story.

A: At Yale, I was in this Directed Studies program, basically a repeat of what I'd done. This was Literature I, History I, Philosophy I, Political Science I, Economics I, and the idea was all of these things were somehow coordinated, team-taught by the best professors in the university, for freshmen and sophomores. It was a two-year deal. And then after that you'd go into your major for two years. So I went from Directed Studies to Self-directed Studies, but they had
the same kind of coordination between subjects. I had an advisor who helped me with decisions.

I became very interested in Africa during this period. I was on an American campus when, in the late '50s, it was clear that Africa was moving toward independence, that practically nobody in the United States knew anything about Africa. I probably knew more than most because my father worked with Firestone in big black plantations in Nigeria, in Liberia, I had met Africans in Akron all the time. There were students in rubber chemistry, heads of state even would come to Akron and would visit my house. I was a naive person, and had all kinds of ideas about colonialism and the potential of Africa, which had been bottled up as a result of colonialism. We were getting steamed up about the colonial process and looking forward to the end of the colonial period. I was very idealistic at the time. How many people knew anything about Africa in all of North America? I had this idea that I would be involved in the opening up of Africa to private investment, and to business relationships of a more legitimate nature between the North and Africa, and that I could advise
governments. But I was at that stage where I didn't know the geography, the culture. There was no real set of courses on Africa at Yale at the time. So this was just an extracurricular thing.

Q: They did have area studies I thought at that time. I know there were on Asia.

A: Yes, of course. But that was a long-standing tradition. There was nothing that I remember about Africa at Yale. I was taking six courses instead of five at Yale because I was also in the military. The Navy paid my way through Yale, so I owed them my summers and I owed them three years of active duty after my graduation and commissioning.

Anyway, there weren't any good courses about Africa. The library was available and I used it, but that was about it.

Q: Were there African students?

A: Very few. In fact, I can't even remember one in my class.

Then I served in the Navy for four years. I was in when the Berlin Crisis came up and everybody got extended in their
obligations, but I maintained my interest in Africa and when I was about to leave I applied to graduate school.

After my commissioning, I went to sea three summers in a row, on all kinds of ships, but my assignment as an ensign was to the aircraft carrier Valley Forge, stationed in Norfolk, Virginia. At the time I joined it was an old-fashioned attack carrier. Between take-off and landing you had to move all these planes around so that you could take them on board. And we went through, almost immediately, the reassignment to anti-submarine work, and that's where I spent most of my time in the North Atlantic and the Caribbean. We were always in contact with the "enemy" and at General Quarters, like it was for real, because it was for real. We were basically following Russian submarines off from Iceland to Cape Canaveral, between the Florida Straits and Cuba. We were maintaining surveillance on these guys, and force them to the surface. We always carried several scientists and everybody else trying to figure out how to do this job better. I had a lot of people assigned to me, a big division, learned everything about that ship. By the time I left it, it had
changed its mission again to an attack carrier, an amphibious assault. We shifted to Subic Bay, north of Manila, getting involved with Vietnam, we had Marines and helicopters. By that time, I was one of the few officers who had come through these changes of mission, and I ended up having the Ship bosun's job. I was the only guy on that ship who knew how to anchor it. I also learned to handle a large number of people, because I had six or seven hundred people reporting to me. Generally the bosun's job is looked up to by all, including the captain. That wasn't quite my case. These guys didn't appreciate it. And then I got out of the Navy in Vietnam. I was put ashore in Saigon and from there, the ship went on some extended maneuvers-

Q: What year was that?
A: Late '63. They put me to work in the cryptography business and I handled communications for the Embassy, coding and decoding messages. I was only there for about a month, while my time ran out and my ship was on maneuvers, which they didn't want me to go on because I was not going to see through. So I returned to the U.S. and demobilized in San...
Francisco. I went directly to graduate school with a fellowship. I was married and I had a child and--

Q: You got married when?
A: While I was in the Navy to my boyhood sweetheart, and we've been together ever since for 34 years. So when I got out of the Navy I was very focused and that is when I concentrated on Africa. I had never heard of the World Bank, by the way, up to this point.

Q: This was in 1963, and you were going to New York to Columbia University. How did you manage?
A: I had my fellowship and a little help from my parents to cover the rent of our apartment. So we made it barely. During the summers I worked. But actually I went to school, too, so it was a very hard time for us while I was there.

Q: Now had you taken courses in economics and economic development?
A: I'd had undergraduate courses in economics. I'd had Money and Banking, Trade Theory, National Accounts. I wasn't particularly drawn to economics. I was more drawn, if you will, to business.
Q: So at Columbia were there particular courses that were really influential or you--?

A: I took economics and business courses from Albert Hirschman, Peter Kennan, Professor Benoit, and courses in public administration or international affairs and international law. Leonard Bloch taught us this. There was also a course in business law, dealing with investments. I also took a complete additional course, in African Studies. It was a fairly superficial current events course. There was little on African history and very little on African culture. The people did not know what they were talking about and concepts of African history and culture were still being identified.

Q: Right.

A: So you learned a little of 20th century history and what's going on politically, the nature of the states, what are people claiming and declaiming about the single party systems. And by '63, most of these countries had become self-governing or quasi-independent or fought to become independent.
When I was in the Navy, by the way, there was one event which impressed me greatly. My wife-to-be was at Wellesley and I went up there from Norfolk for the weekend and met Julius Nyerere, who later became the President of Tanzania, and who gave a lecture at Wellesley. I had a chance to speak to him briefly, and it was all very inspiring.

Q: A lot of the history at that point was still colonial history, wasn't it?

A: Yes. It was all written from the records and the point of view of the colonial powers. There were a few party manifestos and biographies of the new leaders and the books they had written. Nkrumah had written a book. There was quite a bit in the French language, because by 1960 a lot of these countries had become fully independent and that experience was being recorded in French literature, including a lot of very heavy, hefty critiques of independence in Africa.

--Bad Start in Africa, for instance, was an important book. But it was slim picking. When I finally came close to graduation I won a fellowship to travel in Africa, and I did.
I left my wife and my child with her parents in Akron, Ohio and spent five and a half, six months traveling around Africa. I did most of it on the ground; I hitchhiked. This was between the end of April and the first of October of '64, and on the 5th of October I joined the World Bank. I had already been chosen to join the Bank in the spring.

Q: You learned about the Bank at Columbia, I suppose?
A: I learned about the Bank at Columbia and I realized that my dream of doing this on my own was just total nonsense. In fact there were very few actors working in Africa with any sort of knowledge base and, as far as I was concerned the only one in North America was the World Bank, and maybe outfits in Europe I didn't know about.

Q: You didn't think about going into business at this point?
A: My father-in-law was the chief executive officer of Goodyear and my uncle was the head of another rubber company, and my father was retired by then, but he had been very high up in the Firestone company. I was the belle of the ball. I can tell you I got offers from everybody to stay in Akron and
raise my kids in Akron in the shadow of the factory, the way we had grown up.

These companies were home-owned, home-grown, home-managed. There was no New York money or managers. Of course, now they are all owned by the Japanese. But my parents and my parents-in-law could never meet because the Feds were on them all the time for price fixing and collusion between the major manufacturers. We could not have a wedding in Akron because we couldn't have guest lists that would mingle. A social event like that would have had more Federal officers watching and listening that would have come to that than anybody else, so we eloped to Maine. This was just a strange period in time when the anti-trust were after these industries like automobiles ad rubber, concentrated in particular towns. You know, everybody joined the same country club, went to the same restaurant, the same church.

And so these guys were trying to make a Federal case out of everything. I don't think my relatives were guilty of anything but they could not behave in a normal way. That's one of the reasons I did not want to stay.
Q: So then you learned about the Bank and about this Young Professionals Programs?
A: While I was at Columbia I learned about this program and, I think, one of my professors thought it was much in line with what I seemed to want to do with my talents, so I applied.

I had to come to Washington and people came to see me, and all kinds of screening and looking at recommendations.

Q: Had you done much work in languages up to that point?
A: No. I had studied French in a very North American way. I found that after years of studying French, reading French literature and all that, I could not communicate in French, and I was embarrassed to be so childlike in French. Obviously, that sort of reinforced my inability. But lately I've gotten beyond that. I've had a French instructor for 12 years.

Q: Well, that's very helpful. But there weren't any African languages taught in the program?
A: There was Swahili, but this was just an introductory course. We used that Foreign Service language book, the buff colored Swahili book with the American eagle on the cover,
that covered talking about food and transport, talking to your
driver and your maid or things of that sort.

-Q: Diseases.

A: I forgot diseases.

Q: So you were going to move to Washington.

A: We moved to Washington, and my wife was pregnant with
our second daughter when we moved. So I had to go to
Washington ahead of her. I picked the wrong house in the wrong
neighborhood. I'd been gone for seven months, left this woman
big with child, and I was in big trouble on the home front as
we moved to Washington.

Q: So give us your impressions of the Bank. You were coming
in as a young professional.

A: Well, I was impressed with the Bank. I had worked for
private business in the summers. I had been working for
Goodyear and had a rather privileged position when my father-
in-law was running the place, so I had all kinds of
advantages.

Q: What sort of advantages?
A: I saw the best side of the Goodyear Tire and Rubber Company, but I felt that the World Bank was a much more solid, much better managed, less bureaucratic, more responsive institution than any place I'd ever been. I was impressed with the people I met including my fellow young professionals. There were only 13 of us, and we had one member who was Greek, named Philocles Ascimakis, more interesting than the others. Within about three weeks he had an assignment that required him to take something off a transcript of a Board meeting. We had a Secretary called Mort Mendels, a nice, elegant man who clearly knew his way around the world. Ascimakis kept calling up there and never getting an answer back, so he goes marching up to the Secretary's office -- this was the equivalent of a Vice President -- brushes past the secretary, goes into the guy's inner office, takes out his I.D. card, plunks it down on the desk and says, "Did you sign this?". Mort Mendels looks up and says, "Yeah, that's my signature on there. Who are you?" And he said, "Never mind who I am. If you've got time to sign these goddamned things but not to return my phone calls, what kind of an outfit is this?" The Secretary just
threw him out of his office. And within a week he was gone.

We saw Philocles again two annual meetings later when he came in very proud of himself, a big Greek banker.

Another one of our members, was traded for a tractor. What was his name? Jose Andreu. He arrived as a YP a little late because he had just been released by the Castro government following the Bay of Pigs invasion in exchange for a tractor, and he had been in the front lines. And there were people like Jochen. Jochen hasn't changed a bit. A very impressive fellow. He looks like this. He's 30 years old or less, already bald and big and I was very impressed with the colleagues.

Q: What did you actually do in the program?
A: Basically we were outcasts. We came together as a group on the same day. I was in the third group, but it was the second year. We were given some minor orientation and assignments immediately. But nobody paid any attention to us, even though this may have varied from one place to another. I was sent to the Africa Region, at my request, but they did not have time to deal with somebody like me. I didn't know
anything. I was a decade younger than anybody else around, 26 years old. Not everyone was familiar with the YP Program, and the old professionals -- I don't know if they felt threatened -- but they certainly did not think that they had anything to gain by associating with us.

We used to meet in the lunch room always sitting together because nobody else would have lunch with us. We never got invited by anybody. So it was very cliquey, and we created our own atmosphere. But we helped each other a lot. People would call me when they wanted to know something about private investment issues which I had studied. I would call somebody when I needed some help with some agronomics problem. I remember that people like Werner Hammel from Germany, Werner Schick from Switzerland, Armin Rose from Spain, were extremely helpful to me.

Q: They gave you a desk in the Africa department?
A: They gave me a desk, but I had no windows. I had a desk and I had a file cabinet.

Q: With nothing in it?
A: The files were with me, so everybody who wanted to get anything had to come in and introduce themselves anyway. This was helpful.

One day I was reading the phone book because that turned out to be the most informative single document about the World Bank you can get your hands on. It shows the organization, it shows who is doing what to whom and how, and answers a lot of questions about the organization. But, anyway, I'm reading this thing and the Deputy Director of the Africa Department, John Williams, sticks his head in and says, "Who are you?" and I say, "Well, I've been here for three weeks." So he says, "And you haven't got anything better to do than read the phone book?" I said, "That's right. As a matter of fact, I am so annoyed that nobody is giving me any work that I want to transfer to some place where there is some action.

So I was transferred from the Ethiopian-Somalia-Sudan division and shifted to Hursit Chalika's group, which was the Tanzania-Kenya-Uganda division. It was fantastic, a lot of projects, activity, attractive countries. So I was happy and overworked. And that's the way it has been ever since.
Q: What did they give you to do?

A: The first thing I did was to negotiate a tea operation.

I knew the physical terrain but I had not appraised a project. I was a loan officer. I was the person in charge of certain operations. I was one of the two loan officers, so there was a lot of activity. And I was a member of the working party who would deliberate and decide on every letter written, economic report received, supervision and appraisal mission. I got a good reputation for being on the ball, hard-nosed yet sympathetic. I became a trusted member of the team very quickly, and gained a lot of experience in that process. I made many visits to that part of the world as a member of economic and appraisal missions.

Actually this division went all the way to Zambia and included Malawi. After six months I got transferred, in line with the rules of the Y.P. Program, to the Transportation Projects Division of the Technical Operations Department. Sort of the inner sanctum. This is like being the ship's bosun again. This is where the crusty characters are the ones who got mud all over them. Engineers and agronomists, but
mostly engineers. I was not really an economist but that's what I was doing. I was sent out on an appraisal mission to Malawi, for a road project. This was my second mission there, and I went with an engineer, another YP on his first assignment, Bernard Cire(?), a Frenchman. We turned down this road project, one of three we were looking at, and this one happened to be going to the border of Zambia, by the President's private farm. And this was the most interesting one for him. To announce our findings on this mission, we had to see President Banda.

Q: He was then President there. Malawi must have just become independent.

A: Just independent. So this was early '65, and the Federation had just broken up. There were no statistics. The engineer was a friend of mine, but did not have any stomach for going to see the old man and saying nix on this project, so the day before we had an appointment to see the President to report on the outcome of our mission, he announces that he's got to go, and he's on the next plane out. You and this YP can handle this.
Q: Right. Did you feel like a lamb going to the slaughter?
A: So the French YP and I marched in to see the President, who is on this little platform, so he can look down on us, and we are sitting there to announce the results of our appraisal. So I give him the whole thing about how at present we can't get a positive rate of return, and the project is at least ten years off. The President grips the arms of his throne, staggers to his feet and reaches out toward me like he hasn't taken a breath for a while, topples off this pedestal toward me, and I think "Oh, my God, they are going to take us out and shoot us". This guy was definitely in his late 60s, but he already looked like Methuselah.

We had to be extracted from the room. He said "I'm coming to Washington. I will see this thing to the bitter end." We were out of there. And of course I've seen him a dozen times since, and he remembers this very well.

Q: He remembered you.
A: So that was our first meeting. Anyway, I found this very heady stuff and to be working in Africa with these emergent countries in these very difficult situations was
really something that I felt I wanted to do. But then I got into management and transferred all over the Bank and all over the world. It has been ten years since I've been back to Africa now.

Q: Had they already indicated to you that you had an appointment in the Bank, or were you on sort of probation while you were in this program?

A: The rule was that you would be given a job after this initial training period. And it would be exceptional if somebody was not given a permanent assignment. We were chosen people, constantly coddled by the people who were in charge of us in the administration. We went on strike at one point. We had a wage dispute with the Bank. In fact, we were the last group to join as a group. We surmised we had the solidarity in order to actually challenge the administration.

I was one of the spokesmen and a guy named Christian Merat, from France, was another. We went to see whoever it was in charge of us, Mr. Van Wagenen or Mr. Ahmed, or Reginald Clark, Jim Twining, these were the names I remember. We said, "Look, we cannot live on our salaries, they are too low." My
salary at the time was $6600 net, not even $600 a month take-home pay. I was married, I had a house, a mortgage, I lived out in the suburbs, I had to take the bus every day.

Q: Inflation had started.
A: Lunch was 65 cents. We didn't deserve to be so poor.

So in the end they agreed with us and gave us each an additional $100 a month, which was an amazing accomplishment.

We got immediately a 15 percent raise. But the Bank was on warning that they did not want to have these wildcat operations.

Q: So now you've moved into a regular position.
A: I was in Transportation.

Q: That was your choice at the time?
A: That was my choice. I was assigned to Africa. It was more real than working on country relations, this sort of diplomatic stuff which didn't deliver anything. That's the way I looked at it at the time.

Q: In many cases there was a strain between the country people and the engineers, the project people. You didn't experience that.
A: We experienced it because we, the sector people, always felt it was very important to get these projects right. It was not a question of just transferring resources, but also technology and infrastructure. In the eyes of the sector people, these diplomats were just a bunch of crowd pleasers. This is an extreme statement, but it describes the culture of the Bank at the time, and, it's been with us ever since.

My personal opinion at the time was that this was not a serious conflict and that country relations were very important. I thought that the context of the projects was one of the most important design variables, that there was no standard sectoral answer to any problem and that any solution had to be quite specifically tailored to, who was going to maintain it, run it, argue the case for funds for it, and so forth. But the Technical Operations Department called the shots. It was a very powerful technical team, and relatively more powerful than the country economists or the loan officers who had this sympathetic country orientation without much business. These persons became more sympathetic to country idiosyncracies and politics because they couldn't trust us,
the sectoral purists who were trying to solve all problems like some technical equation, to have any sensitivity to it, so in effect the gulf widened.

There were a few of us, mostly YPs almost all generalists. We would try to modify all this stuff so that it would be more responsive, more responsible.

I think during this time the Bank began to become more and more dysfunctional because of this pulling apart phenomenon. The volume of business grew to the point where the amount of attention that the working party could actually give to individual operations became somewhat diminished.

Q: Now, we are still under Woods?
A: The volume of lending was going up and also there was an effort to use more sophisticated methods of project evaluation.

In the Transport Sector, for instance, we began to use rate of return calculations. A few of us, the economists in the Transport division, actually pioneered it. We calculated rates of return on roads. Say there is some saving on a vehicle operation, there is a benefit. It generated additional
traffic. There is a big jump in traffic after you improve the
road, so you could take credit for half of the savings.
Anyway, we were quantifying things, and this tended to make
for a more sophisticated analysis. A little bit later we
introduced risk analysis and we began to use simulations and
computer-based methods. That was all during my time in the
Transportation division.

Q: Who was directly in charge of you at this point?
A: Warren Baum was the Director of Transportation. There
were also couple of Assistant Directors.

Q: How would you describe his managerial style?
A: He was my mentor, very conservative. That's number one.

But that was a real challenge because he is a very reasonable
man. He was very supportive of staff, and his conservativism
was always there hanging out as a challenge for people who
wanted to do things differently and more creatively. I think
in those particular days the Transportation Projects Division
of the TOD, which later became a department itself under his
direction, was really one of the most creative parts of the
Bank. A lot of the future directors and vice presidents came
through there. Certainly most of the innovations in project analysis, including shadow pricing and all this sophistication, came originally out of the Transportation Department, and Herman Van der Tak and Jean de Weille, Arthur Wubnik, led the charge.

Those were of course economists, none of them engineers. Warren Baum himself was an economist who had transferred from the area department.

He had been a division chief in Latin America. In a way, Warren Baum was sort of a precursor of the YPs taking over the Bank, an example of the country economist who moved into the Technical Department, and was successful as a director. He was followed by David Knox, who had exactly the same background. And much later there were people like me and Wilfried Thalwitz, who became directors of Transportation.

Q: It sounds like a good bit of this innovation is bubbling up, not coming down.

A: Before McNamara it was definitely bubbling up. And of course the interesting thing is that you would do it without delaying anything. That was the challenge. There were no
barriers on trying anything out, but the point is you didn't want to make these innovations at the cost of the customer, so you had to do it without holding up the project. I can remember how hard we worked, long hours, hauling computers to our houses. We jammed the phones with these little devices so we could run these programs until, some advisor was screaming bloody murder because the phone was off the hook for three days in a row. By the end we had a simulation of the Mogadishu port with risk analysis and queuing, algorithms, great heady stuff.

Q: Was there any type of a division of labor within Transportation? It seems like you are talking mostly about roads in Africa.

A: Well, that was the case at first, but then I was looking after the revenue earning parts. That was the railways; I became the Division Chief for Railways.

Q: This was in 1969?

A: '69. And I had been in the Bank five years, and I was 31 years old, and I was running a railway division, where the
average age was about 62. And these were all engineers, of such standing, and such rigidity.

Q: There must have been employees who were awfully nervous about the new approaches to project evaluation?

A: Yes. But I remember how quickly they got on board.

Frank Higginbottam was a port engineer who went with me to Mogadishu. We were determined to use this simulation tool, to determine the additional berths required for the port of Mogadishu. The question was whether it was possible to move bananas from a port 120 kilometers south, sort of a surf port, Marka is the name of the place, and divert this traffic to Mogadishu 120 kilometers to the north. This would allow to load the bananas at the key where the loading costs were going to be a fraction. But the port engineer forgot about the 120 kilometers. Would the bananas actually be diverted, because if they were then we got a justified port? And we proved that diverting the bananas was the last thing you wanted to do, because by the time you got a ton of bananas across the Mogadishu port, you only saved a buck a ton. But for other traffic crossing the port of Mogadishu you saved $9 a ton, and
so if the opportunity cost was $9 and we were only going to get $1 cost savings by diverting the bananas, much less than the cost of bringing the bananas to Mogadishu. So it was better to leave the bananas in Marka and make sure that the capacity of Mogadishu was available for the growth traffic that would come and you'd save $9 a ton.

As soon as this guy saw that answer he was furious. He thought, "My God, you have torpedoed this entire project. This is ridiculous." We said, "Now, wait a minute, Frank, think about it." So he calmed down and thought about it and said, "You know, you are right." It was totally justified and we changed the logic of the project. We did not divert the bananas from Marka, which was a good thing we didn't do. The guy converted completely. This was a 55-year-old port engineer. We built our reputation on that project.

Q: Tell me, first, you haven't mentioned in all of this, we are in the early '60s and into the mid-'60s, that was the Kennedy era. Did that have any impact on you? People in corporate America worked long hours, mainly because they knew they were going to climb rapidly - they were motivated by
material objectives. You were motivated by non-material objectives by excitement about your work which was characteristic of the 1960's.

A: I think in the early '60s most of the young people in the Bank were extremely interested in career aspects. I mean by that the involvement in major problems on a world scale, i.e., the difference between the rich and the poor, the developing countries and the developed countries. To be involved with a premier institution, on the cutting edge and inventing new tools and looking at things in new ways, this was really wonderful. I don't think anybody would have willingly traded in those days for a corporate career. I think the motivations were very strong.

Kennedy, of course, was dead by the time I got to the Bank. I was actually at Columbia, in Manhattan, had just arrived there when he was assassinated. I'm sure this had a psychological effect on me. I probably repressed a lot of it.

I remember when I was going around Africa hitchhiking, they had just minted this 50-cent piece with Kennedy's portrait on it, and I took a whole bag of those, and I got out of more
trouble by handing out one of those things to people trying to make my way around Africa. It worked always like magic all around the world. I don't know whether non-Americans were motivated, amongst my colleagues at the Bank, but the Bank made sense in that whole context. It was a service institution, working at one of the major problems, in line very much with what we think Western democracies should be up to. It was a time when there was very little cynicism about any of that stuff. The Vietnam war of course was also becoming a major feature of our environment and having quite an opposite effect on a lot of things, including making our job a lot more difficult.

Q: In what way?

A: By creating a financial environment that was unmanageable worldwide, and having a tremendous impact on the developing world. There was no way that they could manage. When I think about what we are going through now, all the adjustments and the structural adjustments and the impact on Africa, the commodity price fluctuations, the debt situation, the shift from negative to positive interest rates, the
disinflation in the United States has had a lot to do with all that. And this was necessary because of the earlier inflation brought on by the bad economic policy in the United States during the Vietnam war. So that inflation was there quietly, working its way, undermining what we were doing all this time.

Q: Now you were working in Transportation and innovating in an area where there was a sense that you could measure things like the return on your investment. Yet, the Bank at this time was beginning to shift attention toward projects in agriculture and education that were different. Were you involved, were you feeling any effects of this shift?

A: I don't think we were tempted in education to do an economic rate of return in the classic sense. Some people toyed with the idea, but they never gained any credibility so we didn't pursue it very far. We never managed to get anywhere with that.

Everybody knew that education was valuable, and it was a question of cost-effectiveness and efficiency that had to be paid attention to.
In the case of agriculture, I always thought we did a hard-nosed rate of return. We worked with farm budgets, systems of production, transport, exports, tax incentive systems, we worked with the financial institutions.

Q: You didn't think there was any real difference between these various types of different sectors?

A: No. I must say I didn't pay a lot of attention to what was happening in these other sectors until a lot later. But I have a feeling that the general sophistication of the Bank's methodology was taking place in the late '60s, before McNamara arrived.

Q: Now, in the particular area you were working in Transportation. What kind of obstacles were you encountering as far as your projects were concerned? What were you experiencing? Take yourself back into that time. How are you perceiving the problems, particularly in Africa?

A: One problem was a predilection to invest in over-designed infrastructure. There was a lot of donor response to that, white elephants or premature investments. We attempted to slow this down, so it would not become a big burden on the
future that could not be paid. And looking back on all the
OED reviews of the projects that were done in those days, I'd
say we overdid it. My view is the rates of return on what we
did were much too high in any event, which means they were
late, under-designed, and there were others that should and
could have been done with very adequate rates of return, but
we turned them down because we were very conservative. That
is one thing.

The second thing in Transport, we never did get a handle
on the rural infrastructure, rural roads, feeder roads. We
could not deal with the idea of taking risk, and typically we
did never build a new road. If we had a choice, we always
upgraded an existing road. Some of these were really foot
paths but they had already generated enough traffic so that we
could become interested in them as roads. We would invest
where others had taken the risk, their risk panned out
positively, and we would reinforce it. But we would never take
the development risk. The question then is, where should the
development institution come in? Should we come later and
reinforce, rather than get out front and really work on
bringing new land into production, introducing new products, connecting people with the rest of the country. If you fly across the United States you see, roads every mile in a grid.

It had something to do with the Homestead Act, but it was basically a grid pattern that was laid out to open up the country. You were going to build a road here, this is where the road goes, and that's it. Your house is going to go in that corner, and that's it. That's the way this country was developed. If it had not been done, we would still be wondering what the hell is wrong with the middle of this country. But we are not in that business so that is a problem.

Q: Now, you were of course at that point dealing with the whole world, you were not just confined in Africa--

A: I was dealing with Africa. We had three highway divisions. When I was a deputy division chief for highways in '67, I was assigned to Highways 2, and it was all Africa. When I was in the Railways Division I was dealing across the different regions. But the project work I did myself was
exclusively in Africa. I don't think I appraised any project that was outside of Africa between '64 and, and '69.

Q: Did you perceive that there were any differences in treatment of projects in Africa as, say, compared to Asia at that point?

A: No. The methodology was exactly the same, absolutely. It was interesting the way the African highway division was run because everybody would come in and we would discuss every aspect of every project. We would comment on the reports of others. We did not do a lot of loans but we really did very thorough work on every one that we did, and the results were very good in Africa. Road building was absolutely the greatest investment that we have supported. I cannot think of one failure in a road investment. Surely, the pavement failed but that's because, of the volume of traffic or the lack of compliance with load limits. But, by God, the traffic that was carried on these roads was enormous. They paid for themselves many times over. And they are still one of the best investments you can get. From an economic point of view I think infrastructure is extremely important.
That was demonstrated in the '60s, and was the World Bank's stock in trade, but it became very routine. It was not the cutting edge.

Q: What about the obstacles from the African side? What are you learning about that in this process?

A: On the African side, there is this tendency toward grandiosity that I've already mentioned, and the donors played into that. The other thing was the lack of capacity and the reliance upon foreigners for most of the management and the critical intellectual inputs. Looking back, I had a lot of resistance to trying to Africanize the highway departments, and the railway managements.

Q: From the Bank?

A: Yes. Because the Africans wanted to do this, they were doing it too fast. They were doing it haphazardly, or were not doing it in a planned and appropriate way. They were just turning over these assets to people who didn't know how to manage them, and this was not acceptable to anybody on our side. But we were not building up a pipeline of engineers to take over, were not investing in engineering training, in
overseas training of engineers, in motivating the talent that existed. There was the "stand back, let me do it, I know better" attitude. And this is still the case. We are still doing highway projects in Africa where they don't have a highway department. Yet, the creation of a sound indigenous institution should have been the first order of business.

We were not applying what we learned. I am not holding the Africans responsible. I think they were victimized by this approach.

People were interested in solving transportation problems. They wanted to build roads. The business of building a highway department is really somebody else's. And, of course, it was much more difficult.

Q: So you are in this activity when Robert McNamara becomes the President of the World Bank. How does this impact on you?

A: I really could not believe it. I remember somebody telling me this might happen and I said, "No, this will never, how could this guy come over here?" I had just resigned my commission in the U.S. Navy over Vietnam, and I was upset with everything that was happening, and the idea of this defense
minister with blood all over him to come over here to run this Bank, I tell you it didn't go down with me one bit. I was very negative about it. I couldn't believe it. I was in a total state of shock. And, of course, we got to know more about his philosophical position. I suppose when he took over in April, 1968, we were a little bit out of shock and in a different mode. This emphasis on quantification, monitoring results and setting high objectives was quite attractive for the younger people around here. We thought here is a guy who is going to use the tools that we have lately acquired while most everybody else is 30 years away from school. We were only five or six and we were at least likely to keep up with this guy so we could contribute. And, indeed, he moved very quickly and promoted a lot of young people.

Q: How soon does this more positive aspect begin to filter down, and you are beginning to get some sense of excitement?

A: I think it was pretty quick. But I remember one of the stories. Jim Evans was the head of the agriculture department— he is was a very particular guy— and McNamara called him and said "Jim, you've been in charge of agriculture in the
World Bank for the last six or seven years. Tell me, what do you think the impact of the World Bank has been on the average caloric intake of Indian peasants?"

There was no way you could possibly answer this question because this was not the way the Bank was run. We did not look at the impact of our intervention. Our job was to turn out good investment projects. And we used to have application forms for projects, you know. They had to be filled out correctly. If not, they were sent back.

[END OF TAPE 1, SIDE 2]

But we were now going to expand our operations enormously. There was a world waiting for the World Bank to come and put its healing hand on it. It was very arrogant and presumptuous. But it worked. It turned on everybody.

Q: It was very exciting?
A: Yes. It was very exciting, and it worked outside the Bank, too. I mean, our stockholders by and large bought this.

There were a few rough edges. You remember he fired a couple of people who said it couldn't be done, like the Treasurer. So he got into a row with the Wall Street people out there. He
made very few but very effective speeches of a watershed nature. Within the first year I think he had actually changed the agenda of the development business, not just the Bank. In my opinion, this was the greatest thing. Of course, some of the old-timers found this very upsetting. And it began to upset me too a little later, because instead of the bubbling up, there was now innovation from the top down.

But by and large, there were not too many innovative guys. A lot of people felt that McNamara had stolen their clothes, was now working on poverty, caloric intake, on big issues, and that this was what they were arguing all along but of course nobody would listen to them and even the more innovative ones who were bubbling up before, felt threatened because now The Man is telling us what we were already doing and it was annoying and a little demeaning.

I personally did not feel that but a lot of people around us did. This was not an uncommon reaction. And of course we had our experience with those McNamara initiatives. Some of them were bad, some Okay and some very good.
Q: Right. But very shortly after that, you moved up rather quickly.

A: I was made Deputy Director and soon, at the time of the reorganization I became a Director.

Q: You were on a fast track, did you feel, or did anybody tell you you were on a fast track?

A: No. I don’t think so. Eventually I was very aware of it. I was made a Director and I was 34 years old, something like that. That does not happen anymore.

Well, this whole group of YPs was moving up fast, the idea of a fast track for a chosen few. In this period, I suppose if you were going to write the history of the YP Program I suppose you would have to say something about the antibodies that this generated, in fact reverberate through this institution to this day in a different form: like the technical people versus the generalists.

John Blaxall, even younger than I, was made a Director at that time. He became Director of P&B, or Deputy Director of P&B, but he had one of the most powerful jobs in the Bank. His star has since faded however. At the time he was elevated
out of nothing to this job, and it created a lot of internal difficulties. Then there was the reorganization of '72, when I was made a Director.

Q: As Deputy Director you took new responsibilities?
A: I had all the revenue earning aspects of Transport.

Q: What did you have to learn at this point? You had to manage?
A: Well, there were division chiefs in charge of the divisions and I was always very good at delegating, so I did not manage anything. I basically tried to ensure that the Bank's policies were followed, and solve major problems as they developed that went beyond the ability of my division chiefs to solve.

Q: You are feeling the pressure to turn over things faster, before the reorganization.
A: Oh, sure. McNamara's position was, "People are starving, waiting for their education, need better health. We cannot afford to delay these things. So, for God's sakes, get out there and help generate these projects. Make sure there is no procedural or bureaucratic delay. We do not have
any competition, so we have to be driving ourselves." He was kind of saying, "Look, we are trying to put America on wheels. We can't afford Cadillacs here, we want Fords. We want a lot of them. We want them now. We want them yesterday. The point is action and transfer of resources. Let's get on with it. We are going to made some mistakes. But let us not be perfectionistic. The second best should be good enough. Let's move." And, you know, it was a very captivating message. The trouble is if it completely moves in that direction so people don't care what they are producing, obviously you get a result you do not want. I don't think it ever came to that. There are people who think it did, but I don't.

Q: But what you were managing, in this transition, was an effort to keep those taught values about how to do things?

A: Warren Baum had this image, that we needed a stockade fence out there, this was after the reorganization of '72. I was in the middle defending the flame of Transportation and dealing with these regional guys who were only hearing McNamara saying, "deliver, deliver, deliver." That was really a tough time because, our team in Transport had been cut into
five regional pieces, and I was left in the middle handling some of the burned out managers, who had now become advisors. It was very difficult.

Q: On a day to day basis, it meant that there was now more emphasis on volume and

A: And on delivery. McNamara would say: You say you need the resources, I am going to give you the resources but you've got to deliver. You tried to save money and move back on the wastage and move up on the efficiency and eventually find yourself in a bind. You tried to move those projects, but often you could not.

In different countries at different stages of time, the absorptive capacity was becoming a constraint. Furthermore, the governments began to sense that it was more important for you to lend than for them to start the project and they took advantage of that. I did not believe that this was a major problem but others did. And obviously, the situation differed from country to country.
Q: But, the perception that took hold has become an universal kind of problem. What do you think led to this perception?

A: Well, I thought it was always a problem on the part of the managers more than on the part of the directions to the managers. I believe the managers were not able to cope with the complexity of this signal. Managers have to manage contradiction. This is what they do. Now there is a built-in tension, and at the extreme there is a contradiction between transferring the money and having quality projects. But the job of the manager is to manage that contradiction, not to say: "Well, I have been told to send out the money no matter what," because he never was told that, or "If I just concentrate on quality and to hell with the transfer operation, then I'd be totally irrelevant."

Q: You'd be out of a job.

A: I'd be out of a job for one thing, but, anyway, I'd be irrelevant. They deliver this stuff so late and with the value added quite questionable, it is not clear at all that we need this luxury of high quality. We would have to change
these projects in the real world anyway, because the reality is different from what our appraisal reports speculated about. In my view the managers copped out on this one, and began to say, "blame it on McNamara - Blame it on the body count." It became a ritualistic response to our own deficiencies. Now, that's my view, but there, I recognize that I've never really been able to sell this view to most of my colleagues.

Q: But is it not in part also a systemic issue? The system was based on numbers. Numbers were used as means of control. It was the numbers that sort of took over in the end.

A: Yes. I guess there were some real flaws. I remember when I moved up in the Bank I got to be in some of these meetings, and McNamara never went into a meeting without a desirable outcome in mind, and he had already made up his mind.

In 90 percent of the cases it was obvious that he had already made up his mind, and we were all there to chat about it and he was going to make sure that everybody was on board because we had to implement this. And I've seen him ask somebody, "Well, what do you think about this, John?" and then John would start talking and McNamara would get impatient, and
grab it away from him. Of course, that's not where John was going to come out.

Q: But John was quiet.

A: Well, John was intimidated. Nobody else said, "I don't think this is what John had in mind. Very few people. I think Peter Cargill may have been one.

Q: But they did it in private.

A: And they would never do it in the group. And this big mistake that was in fact done with John might get rectified later, if Peter the External Affairs man, William Clark, or somebody would, might take him aside and say, "Hey, wait a minute. This is," Clark would do this to him. But, you know, it took that kind of repair job.

And if it wasn't too important, nobody would make the effort and that mistake would lead to consequences that maybe turned out to be far more important than people thought.

Q: You mentioned the '72 reorganization. There you get new responsibilities. Tell us how the reorganization impacted on the Bank.

A: Well, it was a McKinsey-driven operation.
Q: You thought the shape of the organization was not already decided ahead of time?

A: It probably was decided already because McNamara had already moved to implement what was going to come through process change. He introduced the country program approach very quickly, and he developed a few other little devices which basically brought the focus to the country programs side, as opposed to the TOD side of the Bank.

He embarked upon that from the word "go" and finally in '72 he reorganized the Bank to make it a fact. He broke up all of the TODs into little pieces. I was in the wrong part of Transport. There were five regional Transportation Divisions. There was no longer any differentiation between highways and railways, of course. They were all Transportation Divisions.

I was supposed to convene these guys so they didn't lose their contact with each other but they became less and less amenable to my suggestions. They were reporting to their own directors - why would they come and see me. There were a lot of tensions.
Q: You were connected by a dotted line in the organization chart.

A: I was a dotted line. I hated it and I threatened to quit. But the Bank was changing direction. Before the reorganization, it was operating at a very high cost because it required all this creative tension to be resolved. This was expensive. Nobody could decide anything except at very high levels in the management. So the reorganization became an inevitability. The Bank had to be reorganized in order to stop this high cost inefficiency that had been developed by the process change without reorganization. And that is the same thing that happened in '87. It was exactly the same pattern with a different urgency. The Organization catching up with the reality which had already been changed by the managers. I do not think the '72 reorganization had any impact on the staff numbers. There may have been some people who quit in a huff but I don't remember. The point was that this was a reorganization, not a downsizing, not a budget cutting thing of any kind. And it was not a skills mix adjustment or anything. Because McNamara was expanding the Bank.
Q: But engineering went down, and economists went up.

A: I think the articulate country strategist, both the country economist and the generalist, people who could make articulate cases in writing and in presentations, got elevated by this process. And as the critical mass on the technical side had been broken into five pieces, everybody had to have their generalists, because they competed for resources on the basis of the glibness and the persuasiveness of these generalists, not on the strengths of their technical staff. I could be the generalist for the Transportation Department, but now they need five of them to cover the waterfront, or six even because I was at the center. I needed my own generalists in order to defend my budget and my resource program. You had to have this ability to argue your case. The budget became the central point for all empowerment. That's why the elevation of John Blaxall, I mentioned, was such a challenge to the system, because he was young and kind of ruthless as only young people can be. The budget process became a 15-month process. And it took us longer to develop the budget than to spend it.
Q: By '72, the process of innovation which was, as we said, bubbling up before, was it bubbling down now almost all the time?

A: Coming out of McNamara, backed up by William Clark, Hollis Chenery, one or two others, including Ernie Stern, Burke Knapp. Burke became custodian of the old way of doing business, sort of the relationship banker. Numbers did not mean a whole lot to Burke. He saw the Bank with a human face, or the management with a human face. But McNamara became a mentor of mine and I became promoted. I was given every support by McNamara so, I see his strengths. It is only recently I've begun to put more perspective on his presidency. I think most people yearn for the day when we had more direction from above because the old bubbling process is not working any more.

Q: It hasn't resuscitated.

A: It hasn't resuscitated.

[END OF RECORDING, TAPE 2, SIDE 1]