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**Transcript of interview with**

**OLIVIER LAFOURCADE**

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**By: Richard Webb, Devesh Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*Olivier Lafourcade*  
*June 3, 1991 - Verbatim*

**[Begin Tape 1, Side A]**

**LAFOURCADE:** . . Yes, I worked for about a year with [Robert S.] McNamara and then exactly one year with [Alden W.] Clausen, so I was [inaudible]

**WEBB:** Oh, so you continued?

**LAFOURCADE:** Yes, yes. That's why I'm . .

**WEBB:** Really? I'll tell you--let me confirm a story because I got this story from someone else close to him. This came up in the course of the conversation. He said that McNamara used, before this change, told the story that he had been [tape skip] McNamara told him why he thought the war was wrong, young man [tape skip] and his name came up again and he had a very positive view of the young man [tape skip]--telling me the story; actually it was Troy--and the young man had been Clausen. And what a disappointment.

**LAFOURCADE:** I find that's too hard to believe because the age difference was very little. When Clausen came on board he was what--56, no, more 58, because he left when he was 63.

**WEBB:** How old was McNamara when . . .

**LAFOURCADE:** And McNamara retired when he was 65, so in fact there was six or seven years difference between the two.

**WEBB:** When he was defense secretary . . .

**KAPUR:** He became defense secretary at age 40.

**WEBB:** Forty.

**KAPUR:** So he was at most in his late 40s so that would have meant that Clausen would have been in his late, mid 30s . . .

**LAFOURCADE:** Oh, sorry, you're talking about defense secretary?

**WEBB:** Yeah.

**LAFOURCADE:** No, he was defense secretary in--at the Pentagon in 1960 so he was about in his 40s, yes.

**WEBB:** But Clausen . . .

**LAFOURCADE:** But Clausen at that time was already a big chief honcho in Bank of America in 1960.

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**WEBB:** He was chief?

**LAFOURCADE:** No, he was not yet chief. See, Clausen . .

**WEBB:** Rising star.

**LAFOURCADE:** Clausen had been CEO for eleven years by the time he moved to the World Bank, which was in 1981 so he became CEO in 1970 or around that. So ten years earlier he must have been some sort of a director, at least vice president of some sort, because he started with the Bank of America—he spent 32 years with Bank of America. He started as a teller. And so 32 years, 1970, that would have been around 1940, so by 1960 he was already pretty much up the ladder. So that story that Troy is mentioning a young man by the name of Clausen . .

**KAPUR:** But he would have been in his later 30s at that . .

**LAFOURCADE:** You mean 1960?

**KAPUR:** Yeah.

**LAFOURCADE:** Well, we need to do a little bit of arithmetics, but I can't visualize McNamara calling him a young man if he was only, what, six or seven years younger than he was.

**KAPUR:** Right. [tape skip] new book out on Bank of America?

**LAFOURCADE:** Yes, I haven't seen it, I haven't read it. Anyway.

**WEBB:** What should we ask Clausen?

**LAFOURCADE:** In retrospect, what was his anticipations of what the job would be when he actually took the job because--I will give you my own interpretation is that there was a big misunderstanding on what the job would be for Clausen when he took it. The reason is that Clausen was a guy who had gone through the 32 years in the same institution, had never seen anything else, and therefore had a vision of a relatively large institution as very much similar to what he had at Bank of America. In fact, when he came in he had the distinct impression or the certainty that the World Bank after all was a small institution. You see, I had a comment to him one day when Clausen—who used to be very temperamental when he came in—Clausen would complain about something that didn't work in “this stupid World Bank,” and so I would make the comments that, “Look, it takes time for the institution to move; you know, it is, after all, such a big institution.”

And his reaction was, he said, “But, Olivier, a big institution? You must be kidding. How many people are there here?”

I said, "About 6000" at the time, perhaps even less.

He said, "Olivier, the Bank of America has 85,000 people."

So when you talk about a big institution with 6000, to him it was certainly not a big institution to start with. So what he had in mind, I'm sure, when he came in was the concept of a big American corporation. And I suspect that—no, in fact, I'm virtually sure—that when he came in his role as he saw it at the time was president and chairman of a big institution like this is essentially a representation man. You represent the institution both vis-à-vis the outside world and for the institution internally; therefore, a chief executive officer or president is not the one who is going to think through all the strategies for the institution. He represents something that is being created by the institution, which is exactly the opposite of what we had with McNamara where McNamara, of course, was the heart and soul of the institution and the institution was his instrument to accomplish certain objectives and policies and what have you.

When Clausen came on board--and the first few days I can assure you were hilarious because you still had an institution that was all geared up to sending things to the top where McNamara would make the decisions. And of course all those things came to the top to Clausen, who didn't move to make any decisions because the decisions were to be made by the institution. Now the institution makes the decisions and then he would represent those decisions and make them stick with the outside world or internally. So what came out is a very interesting difference in the behavior of two presidents: one, McNamara, where everything was fed up to him in terms of options and alternatives and choices, and so you would always present five different options or more to McNamara and inevitably he would choose another one or combination or what have you and then decide on his own. Clausen couldn't face the prospect of having to make a choice between two things. He said, "No, the institution has to give me one recommendation. Then I say yes or no. But one recommendation. Don't give me, you know—which one? How do I decide which one is the one that I should choose?" So the first few days were very funny, extremely funny. I spent about, you know, a week with him where I heard constantly during the day, you know, "Olivier, what's your recommendation? I don't want to decide. What's your recommendation?" And then of course it became very quickly that the institution became adapted to the new system where, number one, I had to stop all of this flow of paper going to him because he was completely submerged under the mass of paper.

**WEBB:** How did you work that out?

**LAFOURCADE:** [tape skip] way because of course I could see that he couldn't take it. You see, physically, and that's a very interesting thing. You remember the big office of the president?

**WEBB:** Yeah.

**LAFOURCADE:** And so the first day when Clausen arrived, he told me--I spent—you know, that was July 2, 1981, or something--and so I spent some time with him, and he explained to me, he said, “On my desk I don’t like to have an in tray and an out tray. I use the drawers. So when you have things that you want to bring to me you put them in the in drawer and then when I’m through with them I’ll put them in the out drawer.” And I understood very quickly why. At the end of the day when we left—I left after him, at 9 or 9:30 in the evening—his desk was absolutely clean. All you had were the two pencils. Beautiful thing. Clean as can be, shining bright. And so at the end of the day I looked in the out drawer and there was nothing. And I looked in the in drawer and there was full of paper. And of course you remember the flow, huge flow of paper that was going to McNamara. McNamara used to see all of the appraisal reports, all of the president’s reports, every single document. Of course, he had designed them so he knew exactly what to look for. And so Clausen, not surprisingly, decided, “If those documents get to the president, it’s because I have to read them.” But of course he was not a fast reader as McNamara was and, second, he didn’t know what to look for. He started reading things one line at a time, and it would have taken him to the end of the universe to read all those things. So by the end of the first day he hadn’t barely started.

Well, to cut a long story short, after three days I couldn’t see him behind all those papers that were waiting for him to be read. And that’s where very quickly he became extremely irritated, and I had to agree to cut many things, including all of those appraisal reports, all of that which--obviously there was nothing for him to read. Now, I was not alone in making some of those decisions, because there I was in very close contact with Martijn Paijmans, who was VP Personnel and Administration, who was very much trusted by Clausen because Martijn was a very, obviously very loyal individual, so very quickly Clausen started relying on him. But there were also all of the others like Ernie [Ernest] Stern and Moeen Qureshi, so we decided, you know, the system has to change. And so little by little--or fairly quickly--we cut the volume of paper going to him.

**KAPUR:** How did the VPs see this?

**[Interruption]**

**LAFOURCADE:** Another thing which was very interesting, it was quite clear from the very beginning that he was more comfortable with the idea of a collegial management where the decisions were not attributable to one particular individual but to the overall management. And that was what he objected to. He’d say, “I’m the president of this institution. How do I know? I don’t want my name. It is not Mr. Clausen that says this. It is the World Bank that says that.” So contrary to McNamara, where it was easily identifiable that McNamara has decided this, that and the other, there he wanted the World Bank to decide. And so very quickly it was obvious that he was heading to the creation of a collegial managing committee, which in fact he created fairly quickly. And so I became the first secretary of this managing committee on a temporary basis because at the same time I was still the personal assistant to the office and to the president.

But the idea was--the two, as VPs, very quickly realized that their way of operating would be more in this collegial arrangement where there were seven people, the managing committee initially. Now that was something that had already been started by McNamara before he left, but that was much too late to have any impact. McNamara had created an executive committee for the last six months of his presidency. And the executive committee was made of Stern, Qureshi, [Heribert] Golsong as the legal counsel, and—I have that someplace in the files, but you probably have it, too. And Clausen, when he came in, you know, very quickly formalized that much, much more. So there was Stern, Qureshi, Golsong, [Timothy T.] Tahane, [Munir P.] Benjenk, Pajmans, and [Hollis] Chenery. The reason for the creation of this managing committee was, again, that the decisions as they came out were decisions of the managing committee, not attributable to Mr. X, Y or Z.

**WEBB:** People sometimes say that under [Barber B.] Conable [tape skip] it makes it sounds as if he was the aggressor, as it were.

**LAFOURCADE:** Very much so, very much so. Let me explain my view on that, what I think. Number one, you should remember the personality of Clausen when he came on board. Clausen, in spite of his internationality from Bank of America, after all the largest commercial bank, had always the personal impression or belief that of course he knew foreigners quite well. He had been to Japan and he had been to all countries of the world and Europe, et cetera, so he pictured himself as a true internationalist. The reality was very different. The reality is that he was extremely uncomfortable with anyone other than Americans. And the reason was that, after all, he was a farm boy from Wisconsin, raised in Wisconsin and Minnesota and what have you, and he worked all of his life in California. So the first meetings—now, you have to put yourself in his frame of mind: coming over from outside; feeling correctly that he was not particularly welcome; there was all this group of McNamara’s people and not very friendly looking; each one, of course, trying to peddle for his own influence (which was very much the case—you try to jockey to power and what have you). And he had, I don’t think, ever worked with someone other than U.S. nationals on a one-on-one basis, on a day-to-day basis.

So to give one example, his personal relationships with Golsong were almost hilarious. Here is Golsong, who in those days was pictured as being the ultimate European humanist of the old tradition, you know, speaks perfect French, German, English, into knowledge of history, of literature, of the arts, of everything, and here is the other guy who frankly didn’t know anything outside of making money for Bank of America which he did very successfully. So on a personal basis you have this very difficult communication going. And the first meetings with people like Benjenk, like Moeen Qureshi, like Tim Tahane were strange experiences.

He told me—because I had rather straight discussions with my boss in those days--how many times do you tell me, “No, you god damned French, you’re always different anyway.” Which was a very—“Oh, yes, I’ve known so many French. You’re always different.”

“Good, okay. Yes, sir.”

So there the only early friendly face, the guy that understood his jokes, the guy who would make jokes that he himself could understand and appreciate, was Ernie. Ernie, who being bright as he was and not having to force his talent, could find the good communication line. Clausen recognized very quickly that many of the others were very smart, very sharp. There was never any doubt. In fact, if anything it came as a surprise to him realizing that there were a bunch of very smart people around. Intellectually better than he was, no doubts about that, and I think he realized that. Of course, he was the boss and there was no question about. In terms of experience, knowledge, pure intellectual power, what have you, some people were certainly not less gifted than he was. But again, to cut a long story short, I think the one he could relate most naturally to or easily with was Ernie.

Secondly, when he started his managing committee business, et cetera, the one area where he had zero knowledge, but literally zero, was operations. This was something that he didn't know, whereas in the other areas he could find a lot of comfort: with finance (of course he knows finance), personnel, administration, legal business, things of that nature, he was very comfortable with that. So he started working immediately on those things and de facto telling Ernie, “Look, you run that thing which I don't know anything about—operations—and I have to take care of so many other very pressing issues.” Finance was a very pressing issue in those days, personnel and administration, you know, very pressing issues because McNamara had left the place not exactly in the best of state on that count. People were worried--remember the big salary issues, all sorts of conflicts with the Staff Association, and all sorts of issues. And so Clausen, when he came in, put immediately his attention to that. So de facto, you know, who was running after all what was the bulk of the institution was Ernie. And that continued.

Then, when you observed the way he was managing his managing committee meetings, it was very interesting because he would be, in my view, he was incredibly skillful at playing people and getting them to put their things on the table, do a good argument, battles and things. He would stay out of it, count the points here and there, finally make his sense out of the discussion, and finally push for one decision or another. Very seldom would he go up front saying, you know, “I want this” or “I want that.” In the end he would, of course, make the decision or get the meeting to make the decision. And there was--as you could expect in any meeting of that nature--there was an enormous amount of horse-trading, and alliances can be basically political basis or personal basis. And Ernie is certainly not the less gifted in using that sort of an instrument to get what he wants. So it's “Today I line up with you, Martijn Paijmans, on this particular issue,” and there was a lot of preparatory work being done in the corridors and anterooms and they would come up with arrangements around the table.

Very fascinating thing when you compare with the way it was working with McNamara. See, in the end what is funny, McNamara was with the reputation of being the one who decided alone, which is probably true, but what many people never realize or did not realize is the amount of consultation there was with McNamara because he had his



telephone with the green line linked to all the vice presidents. And so he would pick up the phone and the vice presidents did not hesitate to pick up the phone--those that he had, of course, selected and promoted and what have you—and so when you came to a general meeting like the president's council, it was virtually a monologue by McNamara. Decisions either had been taken before or would be taken afterwards so the meeting itself was virtually a non-consequential event. But there was an enormous amount of consultation that could have taken place on an individual basis. So perhaps not as much of the general discussion, public discussion, but each one had the possibility of getting his day in court directly with him.

Clausen was exactly the opposite: that little individual consultation because he would be afraid of getting too much influenced by someone who knew the subject matters better than him, so the fear of getting manipulated by someone. So you get it here openly in the meeting and then as president you see more or less how the discussion is going and then you decide.

**WEBB:** I mean, Clausen was rather [tape skip] the debt problem sort of landed on his [tape skip]

**LAFOURCADE:** I can try, and let me say this. Clausen, because he was coming from the Bank of America, had a very late perception. Let me give you one illustration which I think may cast some light on that question. He joined at the beginning of July. Sometime in August there was here the visit of Mr. Ibarra, David Ibarra, who at the time was the minister of finance of Mexico. And David Ibarra was an old friend of Tom Clausen and so came over for a visit of whatever nature to Washington. And Clausen received him in his office, and they started chit-chatting and what have you. And Clausen there did a great job in saying, "Look, David, with my new hat, I'm president of the World Bank, it's a great institution, we're going to do a lot of good things in your country and so I'm looking forward to working with you and I'm sure we can do beautiful things together."

And so David Ibarra had a small smile on his face and after a while, as I can remember, he told Tom, "I can appreciate your offer, but I can assure you that, tell you something, that your World Bank is a wonderful institution but you know it is so, so bureaucratic and it is so slow, and they are always nit-picking and asking all sorts of questions. And it always takes two years to get a project, and you know we need to get things moving faster, and you're always asking too many questions. And besides, as you may recall, Tom, six months ago, when you had your previous hat Bank of America, you came down to Mexico to visit, and as you recall gave me a check for five hundred million dollars and you didn't ask any questions." Which was exactly, you know, six months before the debt business exploded.

And so I can understand how Clausen, coming from that period where, as you recall, I am sure in those days when you saw things from the commercial bank side where you realize that after all countries don't go into default--into bankruptcy, rather--and after all where you have very reasons to dish out money to some of those countries, it would take a little

distance of time for him to realize, “Well, wait a minute, there’s a different game being played there, and institutions like the World Bank may be finally reasonably well equipped to deal with it.” I suspect that McNamara, after the thirteen years that he had spent with us, would have reacted very differently. Now, of course the comparison is totally unfair because of course it is indeed McNamara after thirteen years. And when I make my comparisons, you know, I am not casting any judgments on Mr. Clausen or Mr. McNamara. I’m just observing that one had zero experience in certain issues where the other one had thirteen years. So you can’t compare the effectiveness in the reaction of either to the same type of problem.

The second issue which is an interesting one is that--and it may have some relevance—who were those who finally addressed the debt issue and how. And there, there is no doubt in my mind that the two key figures to start addressing the issue were Jacques de Larosiere and Paul Volcker. One of the reasons was that those two were very close personal friends and professional friends. Clausen was not in that league at that time (he never was, anyway), so he was not at all in the loop. McNamara was and would have been.

The reason why I mention this—I have it as a personal testimony—where about two years ago I was in my job in Paris. Jacques de Larosiere is an old friend; I know him well, so he invited me for dinner on the occasion of a visit by Gerry [E. Gerald] Corrigan of the Fed[U.S. Federal Reserve Bank] of New York visiting the Banque de France. And I happened to know (because Bob McNamara had called me and told me) that McNamara was coming and Paul Volcker was coming also for a meeting of the Tripartite Commission that met in--the Trilateral, as it is known—that met in Paris. So I called Jacques de Larosiere and I said, “Look, you may not know, but Bob McNamara and Paul Volcker are in town.” And he immediately, of course, Jacques de Larosiere, says, “They should come to this dinner,” which was three days in advance or something like that.

To cut a long story short again, there was this dinner at Banque de France, hosted by Jacques de Larosiere, with Bob McNamara, Paul Volcker, Gerry Corrigan and a few other guests. And at the end of the dinner, McNamara, after Jacques de Larosiere had made his little speech and everything, McNamara made a toast and raised his glass with a very short speech, saying, “Most people in the room may not realize that we have here tonight two persons who saved the world in 1982, and these are Jacques de Larosiere and Paul Volcker.” Now if it would have come from anybody else, I would say, “Okay, that guy’s inflating things a little bit.” That’s Bob McNamara saying that, and Bob McNamara usually does not inflate things more than they need to be inflated. So again I’m absolutely certain that McNamara was absolutely convinced that it was indeed Paul Volcker and Jacques de Larosiere who made the difference in those days, and Clausen was not in that loop at all.

And I know it for a fact, also, keeping that out of the record, but Jacques de Larosiere couldn’t stand Clausen. [tape skip] That’s another Frenchman. And second, as much as Jacques de Larosiere was on extremely good terms with Bob McNamara and eventually

was on very, very good personal terms with Barber Conable, with Clausen it never jelled, never jelled. They were too different.

**KAPUR:** [tape skip] personal level.

**LAFOURCADE:** I think it's a plausible explanation. Another explanation, or a complementary explanation, let's face it, the institution as such, meaning the different departments, were not as quick as perhaps they should have been. And there are lots of people to claim today, you know, when the first proposals on debt came out, various schemes of this, that and the other, I heard a number of critical comments from outside saying, "What is the Bank doing? Where is the Bank? Where are the proposals from the Bank?" When J.P. Morgan came out—which year was this when J.P. Morgan came out with the debt proposal for Mexico?

**WEBB:** Oh, I don't remember.

**LAFOURCADE:** It's much later on, anyway, but, you know, it's something like '86 or '87. You had people like Henry Owen—I'm sure you know Henry Owen—who was extremely critical: "How come that you had to leave a private bank come up with recommendation on how to deal with the debt? The World Bank should have been."

Now, why weren't we? One explanation—but there I have a gap—you know, I can explain why Clausen wouldn't have reacted very quickly very early. But why the institution itself, in the departments and the staff, didn't come out sooner, especially from those who were working on Latin America at the time? I think there is a tough question. Where was Nicolas Ardito Barletta on the debt situation? I don't know.

**WEBB:** There is one more element there--I don't know whether this is [tape skip] on the debt situation being [tape skip] in the end proved possible, because in the end as being impossible.

**LAFOURCADE:** Absolutely. I think you are right on mark, right on mark. See, don't forget that Clausen was coming from the old Republican school and very much--by then that was the [Ronald W.] Reagan Administration that had started, and therefore orthodoxy in commercial banking was certainly the name of the game, and there was certainly, at least in my view, every reason why he would espouse rather the U.S. Administration view that, "Watch out." It was not out of strict orthodoxy. They were scared stiff. They were scared stiff. And therefore the idea of saying, "Those guys were not repaying the commercial banks," you can imagine the implications as seen at the time. Today of course it's an entirely different story--you have all these provisions, et cetera--but in those days, you know. So you tried the—and in all fairness, also, if I remember correctly, the extent of the damage in Latin America in particular was not known very early on. And so it seemed logical at the time: after all, those countries had the means and therefore they had to pay back the commercial banks. That was very much the line that was taken at the time.

**WEBB:** We could go on talking to you for days. This is just fascinating, just so helpful in steering us.

**LAFOURCADE:** I don't know because I'm not sure exactly what you need and what you want. I'm just speaking off the top of my head.

**KAPUR:** I was just wondering sort of your last point. It's been said, at least, that look, sort of non-benign theory, that look, Clausen, you know, just from a purely personal point of view, being a commercial banker, look, his social circle of, you know, when he came in, his friends and all are also chairman of various commercial banks and so on and so forth, and then this thing happens. And they call him up and say, "Hey, Tom, X, Y, Z." And his sort of loyalties are at least at best split between sort of past social circles and so on and so forth and what might be better for this new function, clients, and so forth.

**LAFOURCADE:** You will have gathered by now that I do not have the highest regard for Mr. Clausen's intellectual abilities, and that's where I'm suggesting the first question (that's where you started, "What do we ask Clausen?"): why did he take the job and what did he have in mind. Because one thing—and there again you will have to sort out and I am sure it is your business to compare notes and et cetera, but I can offer my personal view of a Mr. Clausen whom I think I know well because I have lived with him literally for days in and days out, and we didn't get along very well, as you may have gathered.

**WEBB:** It was his most exposed period, too, wasn't it?

**LAFOURCADE:** Yes, and I can understand. I'm not blaming him because the guy was trying, but one thing which is fascinating to me to this day is what were and what are Mr. Clausen's personal motivations in life. I have seen Mr. Clausen, Tom Clausen, put an entirely different face to entirely different groups. He can be the absolute crowd-pleaser, wonderful guy. You will hear how funny and easy-going and friendly he could be with the big crowds. I can also tell you long stories about Mr. Clausen being the toughest, most unpleasant individual that I have had the privilege of working with after twenty years in business. And so the big question mark to me is indeed what were his loyalties, what were in those periods—I can recall, you know, the previous boss of this one that we have now where you can make any sort of comment on their competence, ability, at least you have a fair idea as to where they stand, what is the bottom line. You know, Conable, when you talk to Conable, I am sure you have, it is not one second of doubt in my mind that the guy is the most honest. He has clear—whether he succeeds is a different story, but at least he cares, he is committed to this issue of poverty alleviation, in that sense very much going back also to what McNamara . . .

But I'll give you one example to illustrate what I mean with Mr. Clausen. Soon after he came in, in one of our oral debates, very private, and I was telling him different things, and he told me, rather, "Olivier, I'm a manager. What I know how to do is to manage, and to manage means to manage people. And so I can tell you I have managed people all my life and I know how to do that. Now, of course you can manage people in many different types of business, and it turns out that today I'm now the manager of a big

international institution. So what I need from you, Olivier, you give me the cue words. I need the code words of your trade, and then from that I can manage.” And of course I was—I opened my face. You must be kidding that you can manage a development institution with code words.

**KAPUR:** Reagan did.

**LAFOURCADE:** Well, he didn’t have a development institution to manage. And so it was constantly in that doubt, but after all who was he running for or with, by what rules and regulations or by what criteria.

I saw him—and, please, you will have to edit these things; it’s just for your personal background—to see him with his wife was something that was quite an experience. I mean, if I were to treat my wife the way he treated his I would be kicked out. Rude.

The treatment that I took personally from him, after all I was paid for that. Now, I was paid for that, to take the brunt of his coming, all of his frustrations and unhappiness, which I can understand and I could understand because again I think that there was a misunderstanding to start with.

**KAPUR:** Why did McNamara agree? Because McNamara--the impression we have is that when the succession was being planned, the list of names of candidates was canvassed by McNamara.

**LAFOURCADE:** Yes.

**KAPUR:** Do you remember anything about that?

**LAFOURCADE:** Sure, and the reason is that on paper you cannot do better than Mr. Clausen. Here is the president of the largest commercial bank, international in nature, the guy has traveled all over, he is well connected with the new Administration, he doesn’t have any enemies to speak of, he says the right things because he has learned a few code words, and so, you know, obviously wonderful on paper. Beyond impeccable. I remember reading—of course, I get some interest when I knew I would be asked to stay to work with him, so I started getting my bits and pieces of information, and there’s no doubt that on paper he looked exactly the part. But I think my explanation is I think a fairly valid one when I say that after all he came from an institution where institutional culture was a very straightforward one. You know, you have a Bank of America, big farming base in California, still there at all times, and then you start doing other things. And your mandate is make money, show that you can have positive results and good rate of growth year after year after year, and in order to do that in your own institution—after all this is the mandate of the institution. A commercial bank is supposed to make money. So I can very easily visualize Clausen being totally impregnated with that institutional culture where he spent 32 years. After all, if he were not by then it would be a serious problem. Being very smart, very good, if you look at his history—the little I know of his

history in the Bank of America--he was always the third choice, you know, always two guys fighting, and he's the one . .

**WEBB:** Really?

**LAFOURCAE:** Oh, yes, always. Always.

**KAPUR:** Because the book is not very complimentary on him.

**LAFOURCADE:** No, no. I know some of them, I met some people who worked with him at Bank of America, and in fact the way he operated in the World Bank here was very much the same. You know, pitch—pitch Moeen and Ernie against each other and get out whatever you can from the fight. But the reason—the point being that when he came on board I think he had very little idea what the business was all about and that after all there is an intellectual leadership role whether you like it or not. The way it has been evolving, the World Bank has willy-nilly an intellectual, ethical, philosophical role to play, even though we may defend ourselves from exercising that, but de facto that's what we are doing. And so he was very uncomfortable in that role, you know, that certainly was not . . .

**WEBB:** Was McNamara kind of an ideal?

**LAFOURCADE:** No, in my view, is no. You see, as compared to my predecessors as assistants to the president, number one, I spent the least time with him. I was there only for one year. We developed a very good personal relationship which continues; I see him once in a while, not very often. But I have enormous respect for him. But I always thought—and I think I'm almost on record of having been very critical of him when I joined his office and since. And my main criticism to him is that ten years is enough and that he may have stayed a little too long. I think he made a wonderful decision to decide to quit, which was sad for me because by then I had developed a personal liking for him, but I think it was a very, very good decision that he left.

And by that I realize that the shortcomings of McNamara were of course the result of his strengths, is that in trying to become the champion of the part of the world, the developing world, inadvertently I think he alienated a number of other members of the Bank and that clearly some of our difficulties in the U.S. date back from some of those days.

Second thing is that McNamara had—perhaps oversimplifying my point, but let me put it this way—it seems to me that McNamara apparently thought that the Bank is the best possible institution to achieve . .

**[End Tape 1, Side A]**

**[Begin Tape 1, Side B]**

**LAFOURCADE:** . . administrative, some personnel, some--one, just to give one example, I think it flunked entirely on the external affairs role of the Bank. Any institution today should be devoting a hell of a lot more resources and efforts to which and what it is doing and how it is doing it. McNamara's position, very genuinely and naturally and perhaps legitimately at some point was to say, "Well, we'll be judged on the results, you know. We have other things to do. People will take care of that." Well, look at the results. Twenty years later we do not, we have not established our systems on a credible basis, you know, to project a certain image in various parts of the world. We don't have the resources, we don't--and it's very costly.

**WEBB:** The Bank is increasingly dependent [tape skip]

**LAFOURCADE:** Richard, you remember from your days earlier on, mid-'70s . .

**WEBB:** It really changed . .

**LAFOURCADE:** . . mid-'70s we were not even allowed as project officers to talk to any journalist or anybody from outside.

**WEBB:** Yeah, sure.

**LAFOURCADE:** And there were strict rules.

**WEBB:** Yeah.

**LAFOURCADE:** And that is silly. That is silly, to conceive of external relations that is projecting the image of the institution as being the responsibility of a tiny group that you call "external affairs" and your vice president who plays the role of the buffoon of the king (like Mr. William Clark) and expect that this is going to do the job of internal and external communications of an institution with the outside world. It's plain silly. It just doesn't work that way. It never did and it never will. And today we are paying the price, a very heavy price, for twenty years of neglect. See, if we had started twenty years ago at a time when resources were easily usable, if we had started making our contribution--how do you explain the publicity and the very remarkable public image of UNICEF?

**WEBB:** Yeah, I know.

**LAFOURCADE:** But take an institution like IFAD [International Fund for Agricultural Development], which you know. I worked for IFAD. It was hilarious--it is still--to remember that all of the credit that IFAD has received for being a wonderful institution to work with small farmers and blah, blah, blah, virtually 80% of the initial IFAD projects we worked on.

**WEBB:** Really?

**LAFOURCADE:** Yes, of course, of course. I was responsible for the first project of IFAD in Mexico. They didn't have any staff, so virtually for a period of ten years, all of those great projects of IFAD were projects that we were responsible for. So they did a good job. But you know they had some people spending a lot of money on PR and going around and explaining and being on TV shows and on . . .

**WEBB:** Do you do much of this now?

**LAFOURCADE:** Trying to.

**WEBB:** Does your work . .

**LAFOURCADE:** Yes, yes.

**WEBB:** It didn't used to be that.

**LAFOURCADE:** No.

**WEBB:** The Paris office—what did it used to do? More recruiting . . .

**LAFOURCADE:** No, no, it was always into the external affairs aspect, but perhaps a little more in the external affairs with the initiated few, meaning that you maintained the good contacts with the people that know us already and therefore the multiplier effect is very, very little, whereas today unfortunately we are starting extremely late but trying to do more—you know, I am desperate to get any hints--my face, which is not particularly good looking, but anything that will put me on the tube.

**WEBB:** Really.

**LAFOURCADE:** We need to have . .

**WEBB:** This is such a big change.

**LAFOURCADE:** Yeah, you know, we need to be seen. I mean, there was a huge conference the other day in Paris, and I was mad as hell I was not invited. You know, of course not for me—I don't care, you know, I really don't care—but let--there could be a big conference on a subject that you'll be very interested in, I'm sure, on security. It's organized by the French military, the world conference on security with simultaneous video conference with some people from this country, the national security adviser and [Henry A.] Kissinger and [Zbigniew K.] Brzezinski and whoever and the equivalents from the Soviet Union. And they invited people from, you know, various trades and what have you. One of the themes, of course, was security from an economic standpoint, which after all makes eminently good sense. So they invited my good friend, whom we, I fight with regularly (I'm sure you must know him, at least by name), is Louis Emmerij.

**WEBB:** Oh, yes.



**LAFOURCADE:** He's the director of the [Organization for Economic Cooperation and Development] Development Center. Yeah, he is an old friend. We meet in various . . .

I was livid when I found out he was invited and I wasn't, and I was not. Because that's the type of thing, can you believe, that if we could be seen as part of world picture, debate . . .

**WEBB:** That's a change from when McNamara . . .

**LAFOURCADE:** We were prevented. Not only prevented, we had nothing to do with it.

**KAPUR:** But has the IMF been any better in that?

**LAFOURCADE:** No, but that's no excuse. I think the IMF's been even worse than we were by—I mean, it's atrocious. You know, my good friend and counterpart in Paris is a fellow by the name of Andrew Beith, he's a wonderful chap, terrific fellow, and we get along extremely well now, good inter-institutional communication working in Paris. And we meet each other once in a while at some conference or seminar or things which we have to address. Now, that poor guy is prevented by policy by the IMF of making any statement, formal statement, that has not been cleared by Washington. And I told him, I said, "Look, if I were to function with that thing, I quit," because the essence of the job is you be able to speak up and . . .

**WEBB:** We're having a--right now we're having a little [tape skip] but the idea is a relaxed conversation with an idea of how he sees things. In fact, we were requested to give him a structured, sequential list of questions, which would completely destroy the whole purpose of the meeting.

**LAFOURCADE:** Of course, of course, of course. That's very typical, very typical.

I think we are moving in the right direction, but there are several issues there. To give you . . .

**WEBB:** Who's really pushing and leading the Bank in that direction?

**LAFOURCADE:** [tape skip] Conable that much. He's more receptive because he's a politician and therefore he's very sensitive to the political environment.

One point, I think, that's relevant to your history, very personal opinions, when I took my job as director of the office in Paris, very quickly I went to see Jacques de Larosiere at the Banque de France to ask him for advice. "Look, what do you suggest? I'm new; I've never done that type of job. As you know, I'm an old aggie, agricultural projects, and so what do you do when you get . . ."

And the answer, Jacques de Larosiere said, “You’ll have a difficult time.”

“Oh, why?”

“Well, you’ll have a difficult time because your institution is not geared towards Europe.”

And the explanation is a simple one: it’s that when you have an American president, do not expect an American president to be sensitized and fully tuned in on Europe.

And so then I got me thinking and realizing, a posteriori, look at McNamara. McNamara has a sense of world vision, no question about it. McNamara has not much of a sense of history; he’s not interested in history. He’s interested in forward-looking, and he’s interested in the origin of man. But in between, you know, he’s interested in the philosophical aspect and not to say the theological aspect of where do we come from. But what happened five years ago is of no interest whatsoever except when it is meant to prove a point on X, Y or Z, i.e. or e.g., the Cuba crisis, you know, where you’ve seen that he has been very vocal about the experience of the Cuba crisis in recent years. I don’t know if you have sort of read . .

**WEBB:** No.

**LAFOURCADE:** Well, it’s a very interesting story. But McNamara has no particular sense of recent history and no particular interest in it. So his relationship with Europe is, of course, you know, broad historical background, and then it’s very personalized. He has friends all over Europe but not institutionalized. So he’s a very good personal friend—or was—of Helmut Schmidt, of Giscard d’Estaing, of some people in the U.K., Jan Pronk here, so personal individuals. And out of that, his personal knowledge, he has a pretty good understanding of the European mind, and he can of course make a difference from the German to the French to the Italians, blah blah blah.

Clausen came on board, and I can assure you never understood anything of what was going on in Europe because it there again was a misunderstanding. Because of the presence of Bank of America, which was all over Europe, he had met everybody in Europe, and of course from an institutional standpoint, from a banking standpoint, he know many, many, many people but never understood. So he claimed he could understand the Germans very well. He would make the jokes that being of Norwegian origin—you know, I’m sure you heard his lines, you know, “good old Norwegian joke,” “as we the Norwegians would say,” “my god, the Norwegians.” But in fact not very comfortable with Europeans by a long, long shot.

And perhaps the one who has been most receptive to European politics—because he is a politician—is Conable. Conable doesn’t have much more of a historical—yes, he has in fact a better, he’s a better historian or recent historian than McNamara was, but at the same time still very much the American, typical American vision on Europe.

So what de Larosiere was saying is as long as you still have people coming from that background, very difficult, don't expect that there will be good understanding of European reality. With all of what has happened over the last two or three years, of course, Conable has reacted very positively, Eastern Europe and all this. So I spent quite a fair amount of time—he's asking me lots of questions when I see him and so forth, so he's using me, I think, as much as a--probably much more than Clausen would have used me being in Paris when he was president.

But that's an interesting thought, you know, what the relationships between an American president and Europe in general could . . .

**KAPUR:** Is your sort of—we sort of have heard this, especially for the '80s, the American influence in the Bank became much more because of a deliberate or benign sort of abdication by European countries, especially Germany, perhaps also France. They sort of expressed less interest [tape skip] in any case, is that the sense? Is that your sense?

**LAFOURCADE:** Yes and no. There is a very good question because I don't know the answer. It's probably ambiguous. On one side you take several countries like France, which has realized under—strangely enough—under the socialist government that there's a great benefit to be gained from a multilateral approach in the pursuit of straight French interests, especially in Africa, a recognition that the French government doesn't have the means but—its policy and objectives, and therefore if you can get someone to do it on your behalf, that that's—so in that sense the French have been much, much more present and much more interested in what's happening to the Bank than may have been the case historically. And I see that everyday. In fact, I'm being paid for that. And you would find that, perhaps also, generally speaking, in many, many other European countries.

What is puzzling is that the Europeans have never decided to use their collective weight. What is the exact reason is there the fear that at some point the inevitable conclusion would be to have to transfer their national responsibility to the EEC [European Economic Community] in Brussels and that the EEC would have to act on behalf of the twelve. I don't know. But the reality is that they have never exercised this. Who realizes that if you put the twelve EEC countries together today in terms of weight, World Bank capital, it is almost twice that of the U.S.? People don't [tape skip] I spend some time reminding people in Europe who are very prone to say there is excessive U.S. influence and blah blah, I say, "Perhaps that's your perception and perhaps it is also a fact, but the reality is that look at the weight of the European countries and the capital, including if you look at the staff, including if you look at many other criteria, Europeans have every reason or every possibility of exercising more power."

**WEBB:** I used to wonder why the Latin Americans couldn't . . .

**LAFOURCADE:** [tape skip] your [inaudible] on that one.

**WEBB:** [tape skip] relationships.

**LAFOURCADE:** [tape skip] perhaps some, including Latin [tape skip] I don't know. I don't know.

**KAPUR:** It's more, I mean, because one sees and reads, you know, documents and papers, one sees the sort of rise of German financial power partly [tape skip] global interest in at least this institution. Is that . . .

**LAFOURCADE:** You have to be careful on Germany. That's where indeed your understanding of European idiosyncrasies and politics and history is very important. The Germans since World War II have over and over again demonstrated a behavior where they have been very careful not to let the slightest appearance that they are over or using their strengths beyond what normally should be, for obvious reasons, you know, psychological things. Today you have to be only in some parts of France and Germany or the U.K., you know, the old fears are still there with some, some of the older generation. Our generation and younger people don't care, I mean. But clearly those that are now in power have to be extremely careful.

And it is a fascinating development nowadays to see that since the reunification there is a new assertiveness on the part of Germany compared to what it was four or five years ago. And the evidence is there. Let me give you some typical examples.

You go to the EEC Commission in Brussels where, for good reasons, because it is in Belgium, French-speaking Belgium essentially, because of a strong French presence and because of the others that have been there, Italians, French has been the dominant language for many years in the Commission. Most of the people that I know, German, Italians, et cetera, you go in the corridors of the Commission people speak French. Over the last four or five years increasingly English because since the British have come in and since now new countries that have come in, English is little by little catching up and there's no question that French is going to decrease and English—but the new thing is that now you hear German. Some of the same Germans that you know are absolutely fluent in French or in English will address some meetings in German, some official meetings they will speak in German.

It's a new assertiveness, and little by little you now can recognize that in some parts of Germany you have some people arguing in, of having played a game of "excessive humility, excessive humbleness, and this is not in the German temper so we have been overly cautious, overly, let's, you know, speak up on some issues, let's be more assertive." And that finds a lot of interest or in manifestation in Germany. Many people, myself including, say I prefer that rather than in the end something that is a false behavior. At least now you let the Germans be the Germans. Now, let's also be careful to make sure that certain things do not step out of boundaries, but at least now a German is a German, a Frenchman is a Frenchman, and an Italian is an Italian. And I think if we—the general consensus among my generation and younger that there is no reason whatsoever to, given that enormous progress that has been made in the European integration and--you know, my sons who spend their vacation in Germany and you see

kids from Germany—it's an entirely different connotation. I can still understand why the older generation would see that differently.

Sorry. I'm afraid I have to go. I'm meeting with . .

**WEBB:** [inaudible]

**LAFOURCADE:** No, I'm more than willing to . . .

**KAPUR:** Sorry, just one last thing. I'm wondering if that email which we had sent you about that possibility of when you're here next, if you let us know about organizing . . .

**LAFOURCADE:** Yes, I should have done that earlier, and frankly I completely forgot because I've been in too . . .

**WEBB:** What do you think about such a meeting?

**LAFOURCADE:** Oh, I think that would be fascinating. Oh, yes, oh, sure. No, as you know, we are a group of very close friends.

**WEBB:** Have you met at times?

**LAFOURCADE:** The former assistants? We always meet. Oh, yeah. It's . .

**WEBB:** A club.

**LAFOURCADE:** A rather exclusive club. You didn't know that?

**KAPUR:** I had been told that by Sven that once a year you have a dinner.

**LAFOURCADE:** With McNamara. And outside of this one annual dinner with McNamara, which we do on a rotating basis at one of our places--and he wouldn't miss that for anything, and every so often it's at his place—and we turn out to be very good, close, personal friends. Now some that we—you know, we tend to associate better--I personally am closest to Reiner Steckhan and Caio Koch-Weser, for whatever reasons, you know, personal empathy, Brazilian connection. Reiner was exactly in my position ten years earlier, meaning he was in Paris, number one, Reiner was the personal assistant at the time of transition between George Wood and McNamara. And then Reiner was the director of the European office when I was with McNamara and when there was the transition. So I mean now I'm exactly in the position that he was ten years earlier. Somehow it has created a special friendship.

**KAPUR:** Since you are based there, it's more tough getting you to--so if you let us know roughly, and then I can contact the others.

**LAFOURCADE:** You know, one time where we will all be together is Bangkok. Will you be there?

**WEBB:** Well, I've been wondering about going.

**LAFOURCADE:** I think that's a wonderful experience, an opportunity to meet with a number of people.

**WEBB:** Do people have time?

**LAFOURCADE:** Always. I mean, a coffee or a beer or something. Are you making plans on visiting, perhaps Paris or talking to other people?

**WEBB:** We'll start in November. We're going to go to Asia and then the idea—I guess we'll visit [tape skip]

**LAFOURCADE:** I'd be delighted to share whatever you think I could share. I have reasonable memory of some little things and details. I've not taken excessive notes, but bits and pieces. See, I was with McNamara—I don't know how much of the light side of the history of the Bank you are interested in as well, but we all share experiences of trips with McNamara, trips with Clausen, and I spent some time with Clausen.

**KAPUR:** Who was your successor?

**LAFOURCADE:** A fellow by the name of Roy Southworth. But I can also shed some light on how those people managed because I was, of course, part of an apparatus created by McNamara which was functioning very well and then I saw how Clausen wanted his front office, executive office, changed and how, you know, the two persons managed the institution. Those types of things, the small side of history. But . . .

**WEBB:** No, they help to understand about the [tape skip]

**LAFOURCADE:** This is going to be a very difficult assignment because I'm sure people put, as I did, personal equations [tape skip] thirteen years with the previous boss and so everything was oiled and working up to the requirements of the previous boss. Of course, two years later or three years later, Clausen was, of course, much more at ease with himself and with the institution, even though I don't think he [tape skip] but at least his own personal understanding and behavior had changed considerably. He had put his own people little by little, than he has in the first year. Interesting moment, very interesting moment.

**WEBB:** I love the thing you talked about. We'll find a way . . .

**LAFOURCADE:** Look, we can find some time whenever, if you're in France . . .

**[End Tape 1, Side B]**

**[End of interview]**