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Summary of Oral History Transcript

Broches, Aron

Interview conducted by Professor Robert W. Oliver, Brookings Institution, on 1961-07-11

Aron Broches talks about joining the Bank in September 1946 as an attorney in the Legal Department, becoming Assistant General Counsel in '51, heading the Legal Department in '56, and receiving the title of General Counsel in 1959. Prior to coming to the Bank, serving in the Netherlands Embassy in Washington and while there attending the Bretton Woods Conference [1944] as secretary of the Dutch delegation. At the time he joined, Chester A. McLain, a New York lawyer, was the chief General Counsel, proceeded by Ansel F. Luxford who had been the chief legal adviser of the U.S. delegation at Bretton Woods had joined the Bank as acting General Counsel. Broches also talks about the close rapport between McCloy and McLain as they had previously worked together on Wall Street.

According to Broches, the Bank played second fiddle to the Fund at both the Bretton Woods and Savannah conferences. He elaborates on the Dutch delegation's input during the meetings, the discussions dealing primarily with the limit to which the Bank might lend or guarantee. Broches discusses how the Bank conducted its business in '47 while assisting the European reconstruction, and how because of the situation in Europe the U.S. market regarded the European credit with great suspicion. The considerable discussion at Bretton Woods about the dual purpose of reconstruction and development, the proposal to split the Bank in two parts with one half of the resources available for reconstruction and the other for development, and the final decision to give both purposes equitable consideration.

Broches mentions the extensive discussion-always dealing with the Fund-on the role and type of executive directors needed, the varying viewpoints, and the compromise reached. How, it was not until May '46 that the Bank found its first president, even though the meetings at Savannah were held in March'46. The initial meetings of the executive directors dealing mostly with questions of interpretation, opening of accounts, administration, arrangements with depositories, and going over the records of calling up the initial subscriptions. Eugene Meyer's primary concerns a) on the loan side, what could be done for France; and b) taking up contacts in New York to sound out the financial community.

By the time Broches arrived the Bank had received a few applications and Denmark and Chile were being considered for loans. The Bank's first loan operation made to France in May 1947. Meyer's resignation in December '46 and the speculation that it was due to friction between him and the U.S. director, Emilio Collado. Broches elaborates on the difficult situation after Meyer's resignation and the death soon thereafter of Vice President, Harold Smith, who had become acting president. He also talks about Chester McLain's efforts in conducting the Bank's business, the arrival of McCloy, Garner, and Black, Collado's resignation, and Black assuming the role of U.S. executive director on March 15, 1947.

Broches mentions the understanding that the U.S. would nominate the Bank president, who would then be selected by the executive directors. McCloy's acceptance of the presidency conditional on him running the Bank with no interference from the executive directors and wanting to at least approve, if not propose, the American director. The efforts of McCloy, Garner, and Black in trying to familiarize people with the Bank accounting for the Bank's enormously successful bond issue on July 15, 1947,only four months after McCloy took office. McCloy's resignation effective July 1, 1949 to become High Commissioner of Germany, and McLain's simultaneous departure to serve as his advisor. Black succeeding McCloy as President.

Broches mentions the two most important legal interpretations in place in connection with lending policies during McCloy's regime: 1) dealing with the obligations of members to make good on the guarantee embodied in the 80 percent unpaid portion of the Bank's capital; and 2) a question of loan policy, dealing with the maintenance of value of currency.

Broches discusses the Polish loan for the rehabilitation of the coal mines in '47 that never came to fruition since Poland could not, or was not permitted to join the Marshall Plan in '48 and withdrew in march '50. The Czech loan running into difficulties around '49 when Czechoslovakia was taken over by the Communists.

Broches also discusses the Bank's handling of financing local expenditures, and the bias the Articles seemed to have against it. The reorganization of '52 proposing a unified direction of the economists and the operations officers, and where Area Departments were set up combining both. Broches discusses in detail Bank bonds, their issue in the U.S. market, their attained high rating, developing a market both in the U.S. and abroad, and obtaining the necessary federal legislation permitting institutional investors such as savings banks and insurance companies to invest in the Bank's bonds.