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**DIVISION OF THE HUMANITIES AND SOCIAL SCIENCES
CALIFORNIA INSTITUTE OF TECHNOLOGY**

PASADENA, CALIFORNIA 91125



A CONVERSATION WITH HAROLD GRAVES, II

WASHINGTON, D.C.

JULY 24, 1985

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CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

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OLIVER: Harold, may I begin our second conversation by simply asking: "What, in your view, were the major accomplishments of the Woods Years?" What were some of the things that Mr. Woods and his associates sought to have the Bank achieve in those years?

GRAVES: Well, I think it is useful to recall that not only was the management of the Bank changed at this time, but also the clientele of the Bank was being substantially changed. It has been said a good many times, and Woods himself said it, that Woods changed the Bank into a Development Institution. I think that is only partly true. I don't think that you can say that the Bank was not a Development Institution under Black. It committed very large sums of money in India, for example. It established the Economic Development Institute, for example. It established the International Development Association. All those things were hall marks of something that was really a Development Institution.

Woods certainly carried on that movement, but what I wanted to establish here was that the clientele of the Bank was greatly modified by the assumption of independence by about 35 African states, which previously had been able to reach the resources of the Bank only through the metropolitan powers who were able to guarantee loans to

these states. In other words, the Bank was very much in its first phase as far as the African, and even some of the other developing countries, were concerned. It was simply acting as a supplement to the whole London capital market. That was changed, and any management of the Bank would, I think, have recognized that change. This was not something that just sprang out of the head of George Woods or anyone else. It was a major fact which the Bank had to do something about. Having said that, I think we can observe that the accomplishments of the Woods presidency were very considerable indeed.

He broadened the lending operations of the Bank very considerably to meet the needs of this new clientele. In his very first presidential address, he spoke of the need to do this to meet the needs of these new developing countries with a wider variety of loans and with more loans of particular types. He spoke among other things of more agricultural loans. And just to prove how fickle this kind of analysis is, I think you might look at the figures, and, as you do, I think you will see something like three or four years before the Woods Bank got up to the level of the agricultural lending that had been achieved as a Black Bank. So some of this is rhetoric, useful rhetoric and not insincere rhetoric, but it doesn't always directly reflect the facts. Anyway I was saying that Woods greatly broadened the lending spectrum of the Bank.

OLIVER: Can I interrupt and ask two questions about what you said. We were talking about adding the independent African countries. Does this imply that there was a shift in Bank lending away from its previous

clients and toward its new African clients? or were the African clients served by an expansion in total Bank lending?

GRAVES: I think they were served by an expansion of total bank lending. The Bank was not unaware that this was going to happen. You remember that Leonard Rist left his directorship of the Economics Department under Black and became the Bank's special representative in Africa for the purpose of getting ready for this development.

OLIVER: In the case of the agricultural loans, was there a shift in the kind of agriculture loans which were being made between the later Black years and. . . .

GRAVES: I think there was. But again this was not something altogether decreed in the offices of the Bank. You know the Bank does deal with the real world, and it deals with real clients who come to it with real projects. The shift that took place, if there was one -- I think you have to look at this very carefully, was somewhat away from the big irrigation projects (although immediately I can think of big irrigation projects that continued to be made in the Woods administration) and somewhat more in the direction of loans for internal programs of farm credit and farm equipment. I think you would have to look at the figures very carefully. But the point is, I think, that there was more of a demand for this second type of loan as time went on; it didn't necessarily mean that there was less demand for the big projects, the kinds of things the Bank continued to do with the irrigation loan in the Sudan, for example, the second irrigation loan in the Sudan, which incidentally checked out to be a bust anyway. I

want to keep on making the point that this was not solely the creation of the people who were running the Bank, it was also very much the consequence of the kind of situation that was facing the Bank and its members.

OLIVER: Were there discussions about local-currency financing? I would have thought that some of these smaller, internal, agriculture projects of these countries might have been handled by a simple local currency loan rather than World Bank foreign currency loans.

GRAVES: Well, you mean loans that could be used for local purchases?

OLIVER: Yes

GRAVES: Well, yes, this happened. In fact, all this was studied and foreseen really as early as the Fifth Annual Report which has a very interesting discussion of this whole question of local currency financing and sets out what was understood to be the policy of the Bank in local currency financing, namely that the Bank normally would not finance local currency expenditures unless this was the best and virtually the only way that the Bank could reach a problem of particular importance to the development of one of its member countries. This was the tribute that the Bank paid to the language in its Articles of Agreement which spoke of "exceptional circumstances" as being the justification for local currency financing.

Local currency financing had to some extent begun in the Black administration. It was certainly accepted by the time of the Woods administration and had become a normal way for the Bank to operate, whereas in Black's time, it certainly had been an exceptional way for

the Bank to operate. At any rate, the point was that, under Woods, the lending operations of the Bank broadened. The size of the staff in the Bank doubled in Woods' time.

The Bank may have been the only institution in Washington, D. C. which was actually reduced in size for a time. In about 1949, I believe, the size of the Bank was actually reduced in staff. At that time the Bank was not a very big institution. In 1950, the total staff, professional and non professional, was about 500. The previous year, if my memory serves me, it was 450, and that figure was down from 500 in about 1948. But, at any rate, the size of the Bank was doubled in the Woods Administration.

It was increased particularly by the addition of economists to the staff. One thing which Woods felt about a stronger Bank presence and action in the U. N. system was that it would have to be better recognized as a center of thought about development problems, and one way Woods felt it would become recognized as a center of thought would be if you did more and better economic work. If you look at the Annual Reports of the Bank, you would see that the character of the Reports developed. It had been a pretty brass tacks, nuts and bolts report on what the Bank was doing preceded by a general essay on some of the problems facing the Bank. If you looked at the Annual Report as it was developed during the Woods years, it had longer and more philosophical essays about the Bank and problems and more economic material in a big general essay.

One of the problems that used to gnaw at people in the Bank was

the International Finance Corporation. The first president of the International Finance Corporation had been Robert Garner. This was almost a gift to Bob Garner to get him out of the Bank. I don't know if you have happened onto this topic before, but this was kind of a general judgment. Garner was so conservative that if the Bank was going to warm up to its tasks as time went on, Garner was going to be more and more of a handicap. I'm sure that was part of Black's thinking when he made Garner the president -- that and the fact that Bob Garner wanted to run the Corporation, was very happy to become the President of the Corporation. But Garner's approach to the Corporation, like his approach to the Bank, was pretty conservative.

Well, Woods changed that. He found a way to increase the size of the Corporation which made it possible for the Corporation to adopt somewhat different operating policies, to become more active than it had been. The method, as you remember, was for the Corporation to borrow money from the World Bank for use in the Corporation's operations. The Corporation had started on a very small scale, \$100 million or so, and this device enabled the Corporation immediately to double, to triple, to quadruple the size of its resources.

Another problem, which is not very germane to your question but I'll go on to anyway since it's part of the general picture: the Corporation under Garner had become very separate from the Bank, and this was a source of unhappiness from the older staff of the Bank -- a new thing was going off and pretending to be a part of the Bank. It affected staff morale in the sense that there was a foreign body in our

midst which, as far as we could see, was not exactly producing a pearl. There was resentment in the fact that the Corporation was standing aside from the Bank, that its staff seemed to be better paid on the whole than the Bank staff, that its office furniture was more luxurious, etc., etc., etc. Garner was running this thing as a private corporation should be run. Whereas he had kept the Bank on a very lean budget, he put the Corporation on a very sumptuous budget. Well, this was a problem that Woods had to deal with. He found a new executive vice president. (There never was another separate President of the Corporation thereafter. The President of the Bank was always the President of the International Finance Corporation.) But Garner's successor, Martin Rosen, wanted to be President of the Corporation, and this was a bone of contention. I think it eventually led. . . . I've forgotten when Rosen left the Bank, I think not until McNamara's time. At any rate, Woods really made something out of the Finance Corporation by increasing its resources.

He put the Bank into the U. N. system, and it was in Woods' time that a whole series of agreements was inaugurated between the Bank and other agencies associated with the United Nations: the FAO, UNESCO, WHO, and so on -- the so-called cooperative agreements whereby the Bank and those agencies shared the task of evaluating the central problems of the developing countries and making a technical evaluation of the proposals that might be made to deal with the central problems. That was a thing that happened in Woods' time.

OLIVER: May I interrupt. In this particular case, how much of this

was George Woods' own personal initiative and how much was already underway in the Bank? I think that Dick Demuth in the Bank for sometime had been anxious to have somewhat closer ties between the Bank and some of the U.N. agencies, had he not?

GRAVES: Oh absolutely. After all this was Dick's metier. This was his job -- to think and work in that direction, and he certainly did. It may or may not have been Dick's idea. At any rate, it was an idea that must have originated pretty close to Dick. It was an idea that appealed to Woods and to virtually nobody else on the staff of the Bank, because there was great opposition to this idea of a series of cooperative arrangements with the specialized agencies of the U. N. Woods certainly made the decision that this was the way in which the Bank was going to go, and Dick, if he didn't actually originate the idea, certainly was close to the point of origin and was the person who did the most to promote the idea within the Bank. This was another achievement of the Woods presidency.

Woods was oddly enough quite interested in administrative questions, much more so than Black who, in my opinion, was one of the best administrators that I ever had any contact with simply because he left the administration to the administrative people. He consciously kept his hands off that kind of question. But Woods was quite interested in administrative questions. One of the sources of friction between him and the staff, in an odd sort of way, had its roots in this. For example, Woods, you won't believe, Woods actually designed the menus of the executive dining room of the Bank. That's how

interested he got in the administrative side. Whether this was a natural bent, whether this was something that had suddenly appeared to him as an important field for thought when he was in the Army, I don't know.

At any rate, he did have an interest in administrative questions which manifested itself early in his administration with the new organization of the Bank, which was much superior to what we had previously had. Perhaps we didn't need anything much superior in the earlier years when it was still a relatively small institution, but, at any rate, it was much superior. The Bank now had three vice presidents, and the functions and the responsibilities of the Bank under Woods were very neatly parcelled out among these three vice presidents in a way that I think many of his staff felt was very rational and very beneficial. This was the kind of interest that Black had not shown, and in fact, as you remember, Black had not really been terribly interested in the Bank during the last two years of his term. But Woods was interested in the organization of the Bank and the way the parts were put together and the way they moved and thought. A particular aspect of this interest which came to be very important in the Bank's operations, of course, was the establishment of what became known as the Program and Budgeting Department, which got to be very important in the Bank, and this is something that Woods brought in from somewhere, I don't know where. It was a pretty new idea in the Bank. The Bank had a marvelous budgeting procedure in the beginning, which was that the Controller of the Bank went around and interviewed the

department heads and asked them what they wanted to do in the next year, and how much money this would cost. Or, perhaps, he costed it himself, in some cases, and after this interview, at least in my experience, you never heard anything about the budget again. You just knew that: all right, this was on the record, and you were going to do those things and you were going ahead with financing for those things. The Programming and Budgeting Department became very much of a management tool, was the subject of some jollity among the older Bank members who thought this was frivolous nonsense; but in the end they had to operate according to the system, and they conceived some respect for the system.

OLIVER: Do you happen to remember who was head of the Programming and Budgeting work at that time?

GRAVES: The man singled out to inaugurate this system was John Williams which. . . . John was a very able fella. He was one of the best minds in the Bank. I, for one, wasn't acquainted with anything in John's experience which suited him for this work, but I didn't doubt that he was a very good man and might make something of this. One thing he did which was obviously very common sensical and seemed to us a brilliant thought, once it had seen the light of day, was that the Bank instead of allocating the costs of IDA administration to this department and that department, this operation and that operation, would simply make this a single line item in its budget. Now that was very sensible. Anyway I am saying that because this was another evidence that Woods was interested in administration.

To go on with some other things that Woods was responsible for, he opened the Pandora's box of interpretation and translation in the Bank as part of his objective to make the Bank serve its member countries better. But it was under Woods that the Bank began departing from the concept that English was the working language of the Bank, and if you couldn't read and write and understand English, you couldn't really do business with the Bank. We started to get into the interpreting and translation business under Woods to the extent of having simultaneous interpretation of the meetings of the Executive Directors, for example.

Those were the accomplishments of Woods, at least as I see them. He also suffered some slings and arrows which had not been suffered by his predecessors, chiefly because of IDA, partly because of other circumstances.

Gene Black's relations with the American government, both the Executive and Legislative branches, were very close. Gene knew the Secretaries of the Treasury personally. He happened to come from the state which sent two of the most powerful members of the Senate to Washington: Richard Russell and Senator George, both from Georgia and both very important in the Bank's scheme of things: Russell as a leader of his party in the Senate, and George as the Chairman of the Finance Committee. It probably didn't hurt any that William Fullbright, the Chairman of the Banking Committee, was a southern senator. But Gene knew these people and got along with them beautifully, and life with the U. S. Government in Gene's time was something of a song. Even Senator Taft. . . . Gene went up to have

lunch with Senator Taft at one point when there was some problem that he solved, and Taft told Gene "You know, I think you are doing a wonderful job there at the World Bank; I just happen to think it is the wrong job." But even Taft thought that Black was a great guy and doing well.

Woods was very much less of a public personage than Black had been and had very much less clout with the U. S. Government and was operating at a time when the U. S. Government had very much less latitude, or thought that it had much less latitude, to give the kind of support to IDA and to the Bank which Woods and everyone in the Bank wanted.

OLIVER: May I ask you about the source of the clout? On the face of it, one might have thought that the person with as high a standing in the New York investment community as George Woods apparently had before he became President of the Bank would have had more clout with the United States government and also with the Congress than Gene Black who had not, I think, pretended to be as important in Wall Street before he came to the Bank in the first place.

GRAVES: Back away a little bit and ask yourself which is the more important and prestigious institution in American life, the Chase Bank or the First Boston Corporation? Gene was a senior Vice President of the Chase Bank before he came to the World Bank. I don't think there is any doubt of the fact that if you ask the 535 members of the United States Congress if they had ever heard of the Chase Bank that 535 of them would say, "Yes." If you ask the 535 members of the Congress if

they had ever heard of the First Boston Corporation, I don't think 535 of them would say, "Yes." Gene had more clout as a member of the financial community.

OLIVER: O.K.

GRAVES: I don't say that everybody loves the Chase Bank. Not only that, but Gene was a member of the in-group at Chase. It was Winthrop Aldrich who suggested that Gene go down to Washington and become an Executive Director of the World Bank, so that Gene was there with all the prestige of Salmon P. Chase and all of his descendants. Woods was there with all the prestige of the Brooklyn Navy Yard and all of its descendants.

No, this is an important thing about Black. He was -- this is a dreadful thing to say in a democratic day and age -- he was an aristocrat. Woods recognized this. He once said when in the little intimate kind of meetings that used to go on before, . . . As he was on the verge of being appointed to the Bank, he once said, "Well, you know, the President of the Bank [meaning Gene Black] is a gentleman which is more than I can say." Now, if Woods actually said that, . . . At any rate, I was talking about government and its problems. I really didn't mean to get off on this.

OLIVER: No, this is an important aside.

GRAVES: Woods was rather proud of not being a gentleman. He didn't make any apologies for this.

OLIVER: He had certainly risen through the ranks, so that he was much to be respected for that fact. Was there any discussion in the Bank of

whether the Bank should have a lobbyist so to speak? How did the people in the Bank feel that the Bank should deal with the United States Congress?

GRAVES: Well, there was discussion. The Articles of Agreement, you may remember, make it clear that the channels of communication between the Bank and the United States Government, in this case, is the Executive Director. That's the channel. And the Bank was much more conscious of that in the beginning than it became later on. The problem was that the Executive Director of the Bank in the first days had a lot of other things to do, and the job of liaison with Congress, to the extent that anybody did it, fell to the lot of the Alternate Executive Director who, in Black's time, was a fella named Wheeler, John Wheeler. (I may be getting that name wrong.) He was a very nice man, but not of the kind that could do very much about the Congressional side in anything more than a routine way.

There was also the problem that if the Executive Director of the Bank was also an official at the U. S. Treasury, which was not always the case but was often the case, and the Treasury had other fish to fry in Congress, larger and much more important fish than all the policies or resources of the Bank; and if it came to the choice between doing something for the Treasury and doing something for the Bank, using the Treasury's good will and its credit in congress, there was never any doubt that the priority was going to go to the first degree interest of the Treasury and not the second degree interest of the Bank.

This was a problem that was pretty clear to everybody. It wasn't

very clear what to do about it until finally the Bank did, as you know, begin to appoint staff who worked particularly on this problem. Not the first, but almost the first, was John Merriam, who had been the assistant of an officer to Republican Senator Kuchel of California. He came in with a specific assignment of trying to do something about the Bank's relations with Congress.

OLIVER: About what year was that?

GRAVES: This must have been in about 1968 or '69, I would guess.

OLIVER: It was after Woods?

GRAVES: It was after I left the Office of Information, which was the end of '67. It was right at the end of the Woods era.

OLIVER: Are there some records of a former Congressman named Robertson, I think, being added to the Bank's staff? Senator Robertson.

GRAVES: Senator Robertson of Virginia, who may be better remembered to posterity as the father of Pat Robertson, founder of the Baptist College down in Norfolk and the head of the 700 club. That's right, you're quite right. Senator Robertson was brought into the Bank, was given an office in Demuth's shop. But that would have been about 1967 -- that would be just about the time we were talking about, the later days.

OLIVER: At any rate, the Bank in general, and Woods in particular, felt that dealing with Congress had become something that required the positive attention of the Bank?

GRAVES: Yes; oh absolutely. Black didn't think that it didn't require

the positive attention of the Bank, but he was prepared to give it his own positive attention which was pretty effective. The only time that I remember a serious block in Congress to anything the Bank was interested in was the case of the High Dam. As you remember, it was going to be financed jointly by the governments of Britain and the United States and the World Bank. Well, there was a lot of opposition building up in the Congress to financing the dam for various reasons, but one of the them was that it was alleged that the water from the High Dam was going to grow a lot of cotton, and Senator George, who had been an ally of Black and the Bank, obviously didn't thrill very much to the idea of more cotton coming out of Egypt. But, by and large, the staffing up at the Bank didn't happen in Black's time. As we discuss it now, it appears to have happened at the end of Woods' term.

OLIVER: Do you know if George Woods himself sought to speak to people in Congress and do the same thing in his administration that Eugene Black had done successfully in his?

GRAVES: I'm sure he must have, but I don't know of my own knowledge of specific instances where this occurred. There was a lot of travelling back and forth between the Bank and the Treasury, and Woods did a lot of that, a lot of conferring with the Secretary of the Treasury and the Undersecretary, and so on, definitely; but how much traffic there was between Woods and the Congress, I really don't know.

OLIVER: Do you know whether this travelling back and forth to the Treasury was successful? What can you say about the relations between the Bank and the Treasury at this point in time?

GRAVES: Well, the Treasury was beginning to be impressed by the international balance-of-payments deficit of the United States, and the Treasury thought that the operations of the Bank were one reason for the deficits; and they were quite hard nosed about shutting down that part of the Bank operation which, as they saw it, directly drained dollars out of the United States and sent them abroad. They closed the American Securities Market to the Bank, and they opposed the enlargement of IDA, at least on the scale that Woods wanted. The Bank worked very hard and ultimately was successful in persuading the Treasury that in fact the Bank was not a negative influence on the balance of payments, which left the Bank in a curious, and, fortunately for the Bank, almost completely unnoticed position. Here was a great development institution which in fact was importing dollars into the United States from the developing countries. That was the logical inference one had to draw from this line of argument.

What the facts are, I don't think anybody knows. It all in the end was a matter of book keeping: what quantities you decide to assign on what side of the ledger. At any rate to my mind those were some of the particular achievements of the Woods' presidency and some of the problems.

OLIVER: While we are still on the subject of IDA, can you shed any light on the discussions within the Bank as to the amount of IDA Replenishment the Bank should seek?

GRAVES: Well Woods was, as I think we mentioned last time, very interested in a target figure of a billion dollars for IDA. I have

forgotten the level at which the Bank was operating when Woods came in. I think was it \$250 million. At any rate, Woods wanted to operate on a level of a billion. And as I think we did mention last time, one of the reasons that he was very interested in the quick publication of Escott Reid's essay called The future of the World Bank was because this floated that billion dollar figure.

OLIVER: Well, there are two other issues I'd like to get at this morning. (Perhaps more than that.) I'll mention them both and you can talk about them as you choose. I'm interested in the source of ideas within the Bank. What was the process by which ideas were generated in the Bank and used? I'm also interested in the shift in the success so to speak of the administration. It has been noted by some that the second half of Woods' administration was, perhaps, not as salutary as the first half.

GRAVES: Nor even as salubrious! Well on the source of ideas, I think generally ideas are the human experience. (I don't want to risk any small generalities here.) They sort of condense out of an atmosphere in which there are a lot of thoughts being expressed or struggling for expression, and then, at some point, some of these thoughts crystallize, and you have something which is called an idea. Now Woods was very much the kind of person, I think, who tried to stir up an atmosphere of discussion and then to get a crystallization, whether by himself or by somebody else, of a thought. I think that this went on not only in the Bank, but it had gone on outside the Bank, Woods being the kind of person he was. So that without being able to ascribe particular

initiatives to particular people, you could say that there were people in the Bank who seemed to have particularly original minds that produced these things called thoughts.

One of them was Drag Abramovic. Another was Dick Demuth. Dick was probably associated with more initiatives than any other single individual in the Bank, which isn't to say that they were necessarily his ideas to begin with, but he certainly carried them on. I'm speaking of the EDI which was not Dick's idea to begin with. I think he attributes that idea to Paul Rosenstein-Rodan. The International Finance Corporation, which, in fact, was originally conceived from clear outside the Bank. Something like the International Finance Corporation was suggested by a commission headed by Nelson Rockefeller back in the early '50s. I think the idea was really not original with the commission, but it was the commission that kind of put the idea in the air and enabled the bank to develop it further.

Rosenstein-Rodan was certainly one of the liveliest minds of the Bank, so lively that he eventually annoyed the management. He certainly annoyed Bob Garner. He couldn't stand all of this coruscation of thought. There were others. If you put the question in those terms, I think you will get different answers. Raymond Cope, who was a very experienced loan officer, was a very good man on ideas for improving the nuts and bolts of the Bank, particularly the loan administration and that kind of thing.

There is an interesting example of what you were asking about. Pretty early in the Woods administration, as part of this examination

of Bank policy, it was generally recognized that it was no longer appropriate or necessary for the Bank to be making loans to the Belgians or the Dutch or the Scandinavians or the French as it had done. But it was felt that the Bank ought to continue to be of service to these countries in some way. The idea was floated (I don't know if it was by Woods himself, although it is very possible that it came directly out of Woods) that the Bank might warehouse bond issues from these countries. In other words, it would buy the issues, keep them on tap, and make them generally available in the market. The Bank would have a stock of Belgian paper. People became interested in Belgian paper, and, from time to time, they could buy Belgian paper or Dutch paper or whatever. And this looked like a boon to the capital exporting countries which, nevertheless, might have a need occasionally for foreign borrowing.

Well this discussion went on week after week in the senior staff of the Bank, which was sort of an odd place for it, but that is where it happened; and it ended up in a what seemed to me to be a very curious manner. That this thing which had started out to be a service to the capital exporting members of the Bank ended up with the decision that the Bank would charge higher rates of interest to its capital exporting members. In fact the Bank developed something called a "market rate" of lending for these countries.

They made a loan to Italy at a market rate which was a percentage point, or a percentage point and a half, above what the Bank was charging its developing countries. It also made market rate loans to

Japan. Well this is perfectly reasonable once you had thought about it because if this paper was going to be salable, it would have to be at market rates and that was not going to be consistent with the Bank's lending to developing countries which was only nominally at market rates. But it seemed to be very odd to start out in one direction and ostensibly to end up somewhere else. It was the kind of thing that happened in this batting the ball around to see where it was going to land.

OLIVER: You mentioned the senior staff in passing as a body where some ideas were discussed. Was this the main vehicle that Woods used for finding out what staff felt about major possible initiatives? Or was the Presidential Council even more important? Where did the Economic Committee fit into all of this?

GRAVES: Well, originally the source of celebration in the Bank had pretty much been something called the Staff Loan Committee. The Staff Loan Committee operated somewhat the same way as a court of law. A case came to the Staff Loan Committee requiring a decision about one policy or another, and the Staff Loan Committee discussed this. It was the Staff Loan Committee, or the operating people of the Bank, who purported to recognize an issue which was going to set a precedent in the Bank which was going to be widely applicable and of importance in the operations of the Bank. It was the Staff Loan Committee that did the discussing and helped the management to make the policy determination that grew out of the questions. The local currency question started out in the Staff Loan Committee.

As for the senior staff as a source of ideas, I'm a little dubious about that. I'm also dubious about the President's Council. The fact is that the ideas were coming in from all sides, and they might show up anywhere. If Woods really saw a problem which he thought needed thinking about, he would appoint an ad hoc group of some kind to look at it and do something about it. It was the ad hoc approach which was more directly useful than the routine day by day. . . .

OLIVER: I take it there were more ad hoc studies in the Woods' years than there had been earlier, since there were reports prepared on Education, on Agriculture, and so on, which then might be talked about by senior staff, perhaps at a Lost Weekend?

GRAVES: Yes. These papers were put to senior staff, and senior staff was asked to comment either in a meeting as such or in memoranda, and so on.

The Lost Weekend that you asked about, this was a good place for airing area questions, deciding whether we really ought to think about this that or the other thing; or no, let's not get excited about that Red Herring. It was not a place where any decisions were made that I can recall. It was a place where we thought about what we ought to be thinking about.

OLIVER: Did George Woods, himself, go to the Lost Weekend meetings? And did he participate actively or did he. . . .

GRAVES: Oh yes. In fact, George. . . . One of my earlier recollections of Woods was at a Lost Weekend meeting which he had attended before he was President of the Bank -- the last meeting in the

Black regime, where the great question was: How are we going to restrain the growth of the Bank? What are we going to do about this billion dollars that we've got in reserves? These questions changed later on. At any rate, Woods was there.

OLIVER: Did he sit back and listen, or did he actively lead the discussion?

GRAVES: Well, both I think.

OLIVER: He chaired the meeting?

GRAVES: Yes. There were other meetings that. . . . The Lost Weekend typically went on for two days, and the chair might change according to the topic.

OLIVER: Well, can we get on with this other question of the second part of the Woods administration? Some people have suggested that there was more friction between the President and the Executive Directors, for example, and also between the President and some senior staff. Can you shed any light on whether this was so and why?

GRAVES: I'm sure it was so. I'm not equally sure that I can shed any light on it. I have said, either in an aside conversation or a tape, I can't remember, that Woods was very conscious of his own physical condition and tried not to make decisions when he was tired. That meant that he tried to decide what he was going to decide in the mornings generally, not in the afternoons. You remember, I'm sure, that Woods had not been President of the Bank very long when he had a very serious surgical operation which took him out of the Bank for a fairly long period of weeks.

OLIVER: That was the early summer of '64?

GRAVES: That's right. No, '63.

OLIVER: Just after he had become. . . .

GRAVES: Yes, just after he became President, that's right. And brought him back to the Bank's Annual Meeting looking like a ghost. There was a lot of comment on how George looked. Anyway, what I am saying is that he himself was conscious of a relationship between his physical condition and his thought process and his judgement. It's my own belief that maybe a couple of things happened that resulted in a decay of comity and the quality of decision making in the second half of the Woods regime. One was that George got tired. There was some amusement when George was appointed President of the Bank, because there was some talk about new blood. Well, George was just three years younger than Gene Black. George was born in 1901, and Gene was born in 1898, so George was a man in his late 60s at the time we are beginning to talk about now; and, having been there myself, I just don't believe people who say they are just as good in their '60s as they were in their '40s. That to my mind is just not so.

OLIVER: I agree with you.

GRAVES: You can be as good for a time, in the mornings for example, but I think George was just physically beginning to retard somewhat. Also, the problems that he was dealing with were much more difficult. They couldn't be solved by sending a memorandum around the Bank. They had to be grappled with, and the people that you had to grapple with were your equals in power, influence and everything else. It certainly

is clear that Woods' relations with the staff deteriorated at this time, because I think the staff began to find George fairly erratic in many of the decisions he was making. Also, a little quixotic in some cases, and George was not a man who found it necessary to explain what he did, so that there was a generally unhappy atmosphere about that kind of thing. Certainly his relations with the Executive Directors deteriorated to the point where, on at least on one occasion, -- as accurately reported in The Financial Times of London -- George would simply slam down his papers and walk out of a meeting with the Executive Directors rather than continuing a discussion which was not going in a way that was tolerable to him.

OLIVER: Could you roughly pinpoint the time of that Financial Times article? '66, '67.

GRAVES: I think probably '66. I think probably not '67.

OLIVER: Was it near the time of the annual meeting in Brazil?

GRAVES: No, it was not near that time. That's why I say '66. A case arose in the IDA context. Woods wanted a better IDA effort out of the Germans. He was told by the German Executive Director, Dr. Otto Donner, that the Germans were doing as well as they thought they could -- that the problems in Bonn and the mood in Bonn were not such that he could expect to make progress by discussing this in Bonn. Woods, nevertheless, went to Bonn and got exactly the kind of reception that Donner had warned him he would get. He went to Europe (I think it was a general trip to Europe in which he was more or less universally rebuffed), but he did that particular trip against the specific advice

of one of his Executive Directors. What other disagreements were, I don't recall and perhaps never even knew at the time, although it was generally known at 1818 H. Street that George was having a hard time with the Executive Directors.

OLIVER: Can you think off hand of an Executive Director who is still about Washington now who was an Executive Director then that might. . . .

GRAVES: Well Peter Lieftinck is still here. Whether Peter would agree to be interviewed, I would wonder, but he's the one who springs immediately to mind. Let me think about that, and I'll let you know if another name occurs.

OLIVER: Do you remember off hand who was the United States Executive Director during those years?

GRAVES: No, I can't off hand. It was a very nice man from the securities business, but I may be getting him confused with another era, and I don't remember his name.

OLIVER: I get the impression that these were years that Mr. Woods was struggling to find ways of increasing the financial power of the Bank, the ability of the Bank to make both conventional loans and IDA loans, and was finding that the international financial system was not amenable to a significant increase; so that he was trying to get the cooperation of the American Treasury, and not succeeding, trying to get more funds from European treasuries, and not succeeding; and I'm wondering if this is true and the extent that it contributed to his own discouragement in the second half of his administration.

GRAVES: I don't know that George was discouraged to the point of relaxing his efforts or anything like that. I doubt that. But this was, as I think we said at the beginning, not only a question of IDA, it was a question of entry into the U. S. capital market. This a very serious and utterly unprecedented thing in the existence of the Bank; it had dire implications for the Bank to the point where we had to -- not shut down IDA operations entirely but to say, "O.K. we'll go on looking at projects, but we're not going to sign any commitments for awhile." This was really a very serious thing at the Bank. Unkind people say that George kind of panicked at this prospect. I don't think panic is necessarily the right word, but it is certain that he redoubled his efforts, sometimes in sort of a counterproductive way as in the case I mentioned, I think.

OLIVER: Well, I have no more questions on this subject. I wonder if there are some areas of your recollections of the Bank I should have been asking and haven't yet.

GRAVES: It's very difficult to keep an oral history from degenerating to a serious of anecdotes, and I don't really want to take you in that direction.

In the early Black administration, an effort was made, not by me, this was before I came into the Bank, to get the Goulds (I did mention this the last time we talked) to do a piece about Black in their magazine. I forget whether it was the Ladies Homes Journal. I don't know. One of the people in the Information Office at that time thought we could peak the interest of the Goulds in this subject by sending

them a collection of anecdotes about Eugene R. Black. That was followed almost immediately by a telephone call from Bruce Gould to Gene saying, "Look, if you want to put any note into public print, this is absolutely not the thing to do." So I don't want to take it in that direction.

About Woods, I do think, and I thought before your project began, that Woods had probably done a lot more in a positive way for the Bank than people realized at the time or even realized after the time. To put it another way, to my mind, there couldn't have been any McNamara if there hadn't been a Woods before that. And by that I mean that George, with all these flaws and unhappy incidents, created the kind of posture of the Bank which was necessary for its further development. He created the kind of a staff base that was necessary for further development. I think he did more for the Bank than has generally been realized, one reason being: it's generally true about history (this is my second small generalization of this particular interview) that you think that something began in the year 1500 A. D., and scholars for a generation or two date the beginning of this particular thing to 1500 A. D.; and then someone comes along, who is not satisfied with the conventional thought, and he goes back to the sources and he discovers in fact that it began in 1200 A. D. This happens time and time again in the writing of History, and I think it is true in this case, because a lot of these things that McNamara has been given credit for actually began under Woods-- just as some of the things that Woods was given credit for began under Black.

There is a very typical thing which is worth noting, although it is somewhat on an anecdotal level. George Woods' speech (I think it was his speech at the First Annual Meeting of the Governors) frightened the investment community in New York and in all the proper places, especially in Switzerland, because he made all these very forthcoming remarks about the developing world and what the Bank was going to have to do to meet the problems of the developing world. This caused ripples of alarm through the investment houses in North America and Europe. In fact there had to be a little special exercise by Bill Bennett and others to go and calm people down and say, "Look, this is not going to threaten the integrity of the Bank's financial operations, and the bond holders don't have to worry."

Well then McNamara became President of the Bank, and he gave a speech. The same thing. The identical experience. The financial community became alarmed and people had to go forth and calm people down as though this threatened the integrity of the Bank's operations. So this is just saying: history does repeat itself, and also history happens somewhat earlier than most people suppose.

OLIVER: Since you said that, may I ask you another question? You mentioned earlier that the greater portion of the increase of staff in Woods time was an increase in economists.

GRAVES: Well, the most conspicuous portion.

OLIVER: There was also a significant increase in economists in the McNamara years. Were they similar kinds of increases? Was it a continuous process, or was there a real discontinuity in each case?

GRAVES: Well I think that Woods -- Mike LeJeune can tell you about this. I think that Woods had set a particular goal for numbers of economists in the Bank, and I think he had pretty much reached that goal at the end of his administration. Had he continued, there would have been a pause. He didn't continue, however, and there wasn't really any discernible pause. The recruiting went on pretty much as it had been. Woods felt, -- at least to judge by his remarks to the staff, that the chief need was for more economists. McNamara of course felt that the chief need was for more everything. So they continued to recruit economists, but they also greatly increased their recruiting of almost every other kind of technical person.

OLIVER: Was there a change in the kinds of issues that the economists dealt with in the Woods years from the McNamara years, or vice versa?

GRAVES: Well, I think we did a lot more non-productive economic work under McNamara. I think under McNamara the Bank has done a lot of economic work that might equally well have been done by universities. People could have been invited to come into the Bank to do studies of this, that, and the other kind. These were studies that were certainly interesting, but it was very difficult, I think, to show any feedback from these studies into the operations of the Bank. I think that if you were to stop five world bankers on the street today, and say, "If you had to reduce the staff of the World Bank, where would you begin? There wouldn't be any doubt about where they would begin. This is what happened in the Clausen administration when there was a period of

attempted retrenchment. The first people to feel that they were perhaps surplus, or were made to feel that way, were the economists.

OLIVER: Well, thank you so much for a very interesting interview. I think we'll both enjoy seeing it in transcript.

GRAVES: I'll be interested in seeing the final essay too.