

79013

DIVISION OF THE HUMANITIES AND SOCIAL SCIENCES
CALIFORNIA INSTITUTE OF TECHNOLOGY
PASADENA, CALIFORNIA 91125

A CONVERSATION WITH JULIAN GRENFELL

Washington, D.C.

July 15, 1986

© Robert W. Oliver



CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

A CONVERSATION WITH JULIAN GRENFELL

WASHINGTON, D.C.

July 15, 1986

Robert W. Oliver

GRENFELL: Let's talk about Woods' personality for a little while. He was a supremely self-confident man because he had come up from the bottom to the top and had all the prejudices and feelings of self confidence of somebody who at the top could say, "I made it here on my own. I wasn't born to wealth; I wasn't a son of a banker, anything like that." He was brusque. He didn't speak with a very happy turn of phrase. He could turn people off with his bluntness.

OLIVER: Does that mean any more than that he was not very diplomatic?

GRENFELL: He was not very diplomatic. He knew his own mind and knew what he wanted to get across. He didn't believe in mincing words. Maybe he didn't know how to mince words. I remember one occasion which revealed a great deal to me about how he always got down to the core problem.

I was on a visit that he made to East Africa the summer before '66. We went from Kenya to Uganda. In those days, Milton Obote was the President of Uganda -- the first time around. I remember George Woods, Abdullah El Emory, an Egyptian who was then Director of the Africa Department of the Bank, George Wishart, a Scotsman who was Woods' personal assistant, and I had breakfast together on the terrace of the Lake Victoria Hotel before Woods was to go off and have a one-on-one conversation with Obote.

As we were having breakfast, he said to El Emory, "Tell me, Abdullah, we haven't lent any money to Uganda for a couple of years because we have disapproved of the economic policies they were pursuing. We couldn't get any agreement on the terms of this and that. We seem to be agreed that we should start lending again if you're convinced that there are good things we can lend for." Then he said, "How important is it politically that we resume lending?" El Emory said, "It probably means the difference between Obote staying in power and Obote going. If the World Bank does not announce that it's going to resume lending after your visit, this is a real blow to a man." Woods said, "Do we need to keep him in power? Is there somebody else who could do the job better?" El Emory said, "No, there is only the army. If you lose Obote, you lose most of the good people who are with him at the moment, and the army takes over." Woods said, "Then I guess we'd better make the loan. If he is the only guy who can really run this country other than the army, I guess we'd better make him some loans."

I was sitting there as a very junior staff member eating my corn flakes and wondering, "My God, is this the way the Bank operates?" But that was very much Woods. He would always get down essentially to what was the critical political issue. He was much talked about as a man who knew only about investment -- a sense of what needed to be done in certain countries to get their economies moving, but he was underneath it all a very political man. He could see that if we do this, we keep the president of an independent country in power. If we decline to do this we're probably condemning him to a revolution. He was a lot smarter than people gave him credit for. I didn't say that he was smart necessarily in the sort of way which the President of the World Bank ought to be, but he was politically very astute.

OLIVER: One person I talked to said there was no doubt in his mind that, in terms of I.Q. as a measure of smartness, Woods was probably the smartest president the Bank ever had. What is your view about that?

GRENFELL: I think that is true. I have to add that some of the issues were less complicated in those days than they are now. The decisions that he had to make about the levels of support that the Bank would give a particular country were often based on a much simplified view of the potential prospects of countries.

Everything was very much more stable in those days. This was the pre-Smithsonian era: there were stable exchange rates, and the colonial powers were still pumping money into their former

colonies. The ruling span of political leaders seemed to be a bit longer than they are nowadays. There was a familiar cast of characters. I think that the Bank in those days felt that it had a much better grasp of what was going on and what could be done.

Woods needed to do this and that. That helped him to be smart. But I agree with you. He came to the Bank with a better knowledge of development issues in the Third World than McNamara did, more than Clausen did, more than Conable, and certainly more than Gene Black, who had been a bond salesman. Well, Black had been the American Executive Director on the Board, but in those days it was basically a question of where we got the money. He didn't know very much about the conditions of developing countries. Woods had travelled extensively in the Third World, not only in his capacity as Chairman of First Boston, but the Bank had hired him on a number of occasions to lead World Bank missions to developing countries.

OLIVER: I want to ask in a moment, Why, with this preparation and his basic brightness, did things not go better? But before I ask that, let me ask a pointed question related to your story. Did Woods often tend to bypass regular staff procedures for determining which countries got loans and what the loans were going to be for?

GRENFELL: Yes, I think he did on occasion in certain countries. He had his own ideas on what needed to be done. I think more than bypassing the staff, he irritated his Board of Directors enormously by leaving them with the impression that they were rubber stamping. He did not welcome opposing views.

OLIVER: He wasn't going to pay much attention to them.

GRENFELL: He wasn't going to pay much attention to them. There were one or two on the Board that he did pay attention to, but by in large he reckoned that he and Burke Knapp, who was then the Senior Vice President of Operations, Chairman of the Loan Committee, and Number Two in the Bank -- between the two of them, they really knew what was needed, and they weren't going to take much criticism from the Board. Relations between the Bank and the Board were at their lowest ebb when Woods left and McNamara came in. They'd never been good under Woods. They had improved under Black. Black was fairly autocratic, but he had the advantage of personal charm and style. He could deal with the Board in ways that Woods couldn't. Black would invite them out to barbeques or take them off to see a baseball game at the stadium -- things like that. They disagreed with him, but they liked him. Woods was not a particular likeable person to the Board. They regarded him as autocratic, grouchy, and determined to have his way.

OLIVER: Not, I take it, terribly sociable in the entertainment sense.

GRENFELL: No, he was not. He lacked social grace. He was not good at small talk really. In his declining years, he became a man of great charm. When he retired and I was living in New York as the representative to the UN, I used to have lunch with him quite often. He was a man full of wisdom and charm. We talked about theater and music. I had the impression when he was at the Bank

that all he thought about was the Bank, that he didn't have any close friends.

OLIVER: Someone said that he was basically a New Yorker. He had a fair number of close friends in New York, and he always regarded the assignment in Washington as a quite temporary part. . . .

GRENFELL: Yes, I think he did. He didn't fight for a second term in the Bank. He quite reluctantly stayed on a little longer after his five year term was up, to accommodate Lyndon Johnson. Mr. Johnson was not prepared to let McNamara go until the 1969 defense budget was locked up.

I think there was a transformation of Woods in the second half of his term of office: he came to an understanding that the Presidency of the World Bank and the institution of the World Bank could do a lot more than he had imagined when he first came in. He started flexing his muscles, and flexing the institution's muscles in the last two years. He was the one without whom the Pearson Commission would probably never have taken place. He began to realize that his voice counted in the growing and expanding community of people who were really interested in creating an international network of development officials and people in politics. He found himself willy nilly as President of the Bank in all of that. In the last two years, particularly in the last year when he pushed hard for the Pearson Commission and produced the finance for it, he moved out of being an autocratic head of the World Bank to being an international statesman. It came very late

in his period in the office.

OLIVER: Some have identified these last two years with the period of what you might call his greatest "grouchiness."

GRENFELL: Probably nothing made him more grouchy than his relations with India. In those days, India was -- I was about to say -- the Jewel in the Crown of the World Bank. India was the biggest country inside of the Bank. It was the biggest borrowing country. It was the one with the biggest problems. It had starving millions. At that time, the reputation of the World Bank tended to be measured in terms of what it could do for India.

Africa was just becoming independent. It was considered a challenge for the future, but not for the present. In Latin America the governments were pretty stable. They were exporting nicely. They were doing O.K. Things were moving along fairly satisfactorily -- high inflation rates, but they weren't really a problem. The Mediterranean countries were borrowing happily. Yugoslavia, Greece and Turkey had pretty good relations with the Bank. The East Asian countries were just coming into relations with the Bank: Thailand, Malaysia, Burma, Singapore, Philippines, Indonesia. (We neglected Indonesia, or rather Indonesia neglected itself, because Sukarno took them out of the Bank.)

Today the big test case is what the World Bank does about Latin America and what it does about Africa. Those are the yardsticks on how well the Bank is doing. In those days, it was the Indian Consulate. What are you going to do about India? What

are you going to do about Pakistan? Those were the major tests of the Bank, and in relations with India, there is no doubt, none at all, there is no question that in some respects Woods failed. He irritated that government. He was autocratic with them. He told them this and that, what to do. Some of the things he told them to do turned out to have been not far off the mark, but he was very tough with them. He knew that the Bank's reputation was going to rest on how he did in India. He would be delighted today if he were alive to see what the results have been, but it cost him a great deal at that time; and he didn't always make the right decisions.

OLIVER: Can you give an example of a wrong decision?

GRENFELL: Well, he forced devaluation on India, which was politically unpopular, and it proved economically bad at the time.

OLIVER: What were the evidences of its being bad?

GRENFELL: It didn't increase India's exports, and, at that time, they desperately needed food imports. They needed a liberalization of their imports too. But Woods felt that devaluation was important for them to do. He had a real problem with India. He once said to me, to mix geographic metaphors, "India is my Cross of Lorraine," and it was. In the end it turned out all right. It may have turned out all right for reasons that have nothing much to do with George Woods, but he certainly didn't ruin the country.

OLIVER: Wasn't it true that he was backing Bernie Bell, whose commission made a recommendation about devaluation and many other

things, some of which. . . .

GRENFELL: Yes, he was convinced by it. He could have changed that. but he was convinced by it. He had great faith in the people he appointed. The other side to his being autocratic was that in order to be autocratic he had to have a position to take, and then he was very autocratic on the implementation of it. A good thing about George Woods was that, before he exercised autocratic powers, he made sure that he had support, that he was taking a position that had support in the Bank. The problems that he had over the decisions that he promulgated and put forward were not that he was not supported by the Bank staff, for he usually was, it was that he was not supported by the Board.

OLIVER: Did the Board raise objections about the devaluation recommendation to India?

GRENFELL: I don't recall. I don't recall the details of it. It happened just before I arrived at the Bank.

OLIVER: The reason I press you about the devaluation is because this has been a controversy going on amongst economists ever since the "Dollar Shortage" days in England in the late '40s, with some economists supposing devaluation, while it may take two years or so to work its way through the economy, is the only way really to deal with major balance-of-payments deficits, with controls on imports if you want to limit specific imports; and others saying, it is just the wrong thing for the country that has an import shortage already -- a capital shortage, and therefore an import shortage.

So I'm curious how people in the Bank came down, on one side or the other on that issue.

GRENFELL: My recollection was that there was a lot of resistance from the developing countries.

OLIVER: At the Board level?

GRENFELL: At the Board level. Directors felt that if India doesn't want this devaluation, why are we pushing it?

OLIVER: Was there much grumbling on the grounds that this should be an affair of the Fund rather than the Bank?

GRENFELL: No, because the Fund agreed with this. One had the impression at the time, rightly or wrongly, that the Bank was the one calling the shots in India.

OLIVER: In any event, George Woods felt strong personal responsibility for what happened in India, and the major point is that he was upset that the Indian government continued to resist that recommendation.

GRENFELL: He didn't like it, and it is to his credit that, although he didn't like the reaction he got from India, that didn't in any way turn him against India. In fact, during the Woods years, lending to India escalated -- especially with the new import-financing type of lending that we did. It was the first time we made loans in three figure million dollars. He never abandoned India and yet he was hurt by the reaction.

OLIVER: Was it you last November who told me a story about a speech that he made toward the very end of his administration in

India which was an unfortunate choice of words?

GRENFELL: I don't think it was I, but I remember that speech. He angered them. He always said what was on his mind, particularly in a one-to-one situation between himself and the country. When he spoke to an international forum for international consumption, when he was giving a general speech as at an Annual Meeting, he was very careful. When he was one-on-one with a country, he could be pretty rough. He would say it like it is.

McNamara did the same, but he always did it behind closed doors. He never made public statements. The furthest McNamara ever went, further through his term as President, was to mention countries by name at the Annual Meetings. Saying that one of the problems is that the fruits of growth in developing countries are not being equitably distributed among the population, he added the words, "such as in Brazil." I think he put India in as well. This was considered almost a heresy for the President of the Bank to name countries when the Governors of those countries, the Finance Ministers sitting out in the audience, considered it extremely risky. I think he did it in Copenhagen in the Annual Meeting there. The protocol before that was that you could say some countries were doing this, and some countries shouldn't be doing that, but you never named names.

McNamara named names and Woods named names, but he did it when he was in the country, and he wouldn't mind it if the press reported it. McNamara did it behind close doors to the heads of

state. Then he would be very, very tough indeed. He would really tell them what he thought of the way they were managing their economies. He would always preface it by saying, "Look this is between you and me. It's not going to get out, so I'm really going to get tough with you."

OLIVER: How far can speechwriters go in dealing with these kinds of problems?

GRENFELL: Not very far. As a speech writer, one should be sensitive to what the impact will be on the institution rather than on the President. It's rather like having two mistresses: you have carefully to review your writing and how its going to affect him, what the reaction is going to be; and you have to care for the institution. The interests of the two may not always necessarily coincide. Something that might make the President of the Bank look good in a speech may in fact come home to roost for the institution later on. You have to try to find the ways and means of phrasing language so that the President says what he means and means what he says, but that, at all times, what he says and what he means, the institute can live with. It is a delicate balancing act, something you learn over a period of time how to handle.

OLIVER: This is sort of a repeat of an earlier question. Do you think George Woods really was disappointed by the end of his term in his ability to get things done, so to speak?

GRENFELL: I don't think so, no. I worked for him a little bit immediately after he left the Bank. I wrote a couple of speeches

for him -- sort of a courtesy one extends to a retiring president. I'm writing a couple for Clausen now. No, he wasn't disappointed. He didn't want to serve on as President. I think, with considerable justification, he felt that he had positioned the Bank for the new era. He knew about McNamara coming into the Bank as the new President. Sometime around about July or August of '67, when it became clear. . . .

There was always speculation in the press about McNamara coming in. Woods was happy about that, and Bob McNamara has confirmed to me (when I was writing two chapters of William Clark's Autobiography on the World Bank, I checked this with McNamara) that Woods had been a very good bridge between the Eugene Black Bank and the McNamara Bank. He had moved the Bank closer to becoming a development institution. It was Woods who saw the value of building a strong economic research staff. It was Woods who realized that, for political reasons, it was desperately important that the Bank cooperate with the UN organizations. Woods brought the Bank into a broader sphere of activity. He was the one who pushed for loans to education. He was the one who really talked the Bank into social development fields. He started off on it hesitantly, but he positioned the Bank so that when McNamara came in, McNamara was able. . . .

McNamara viewed the Bank in the following way. He said, "This is an instrument which can do a hell of a lot more than it is doing, and it won't take much changing the character of the

institution. What it needs is a quantitative leap forward in its activities. Woods had put in place what had not been there when Black left, which was a broader view of what development was: technical assistance, education, areas that the Bank had not been in before. He had built up a quite a sizeable economics staff, so the Bank was not simply a Bank of technicians, but also one with an economic capacity, a research capacity, and a broader understanding of development. He had taken it from being a development bank to a development institution, and McNamara was able to build on that.

McNamara said to me that his work would have been ten times harder, he would have had to do a lot more reconstruction of the Bank, if the Bank had continued the way it was and there hadn't been this period when Woods came in. People are saying the same thing about Clausen. Whatever Conable is expected to do with the Bank, he couldn't have done if he followed straight in after McNamara. Clausen has positioned the Bank to do far more in structural adjustment lending, policy based lending, and has arranged closer relations with the other sources of finance, the commercial banks, etc.

I find it interesting that, over the last twenty-two years, you have had these periods in which Presidents have had long terms in office and have carried the Bank forward and then have reached a point where somebody else had to come in and make the changes that will prepare the way for the next person to make another big leap forward. I see that as being the function that George Woods

performed after Gene Black's fourteen year reign to enable McNamara to do what he did, and I regard Clausen as being the man who has made it possible after McNamara's thirteen year reign to do what we have the will to do now. It looks a little too tidy to be true, but there is something in there that. . . .

OLIVER: Well, of course Time is a motion picture; it is not a series of stills, it is a continuous process. Let me ask you, since you are talking about this next era, what do you anticipate at this point will be characteristic of the Conable era?

GRENFELL: I think probably making the Bank a much more flexible institution. It will be opened to a lot of ideas about how it can use its financial leverage and its expertise. I don't think there will be major changes in the constitution of the Bank or anything like that. We are not really very constricted. We are constricted in one sense, and that is in our one-to-one gearing ratio. Providing we can always increase our capital base, however, even that doesn't necessarily restrain us.

Conable is going to make the Bank an instrument that can coordinate the international effort. He is very anxious to be able to cure what we see as a deficiency in the international effort to do something about a lack of coordination and common ground to approach these problems. Coördination is not really the right word, it is rather a static word. The French word "Animer," animate, is probably closer to what I think is going on in Conable's mind. He wants to be the person who says, "O.K., let's

go and talk about what we are to do; let's have a common basis of understanding."

OLIVER: You certainly don't look forward to a gradual dissolution of the Bank on the grounds that private capital is now available in sufficient quantity to finance whatever development is needed.

GRENFELL: No, I don't. Private capital is very vulnerable. Things get bad enough in a particular developing country, and the Bank will say we are not going to lend. The World Bank has to create conditions which maximize the attraction to the commercial banks of investment in those countries. Even the World Bank, with all its wisdom and expertise, can't convince commercial bankers to invest in a country that they feel is unstable with its debt out of hand, etc. etc. When things go well and commercial banks are prepared to put a lot of money into these countries, you still need an international organization like the World Bank to be able to advise the country that is the recipient of all this largess -- to say, "Hey, how are they going to use the money?" At what point do you tell, them, "Hey, wait a minute. You're getting into the same position that you are getting into in the late '70s when you were taking an enormous amount of debt and getting into a bad debt situation"?

The amounts that the World Bank lends as a portion of the total amount of development capital is very small. We get preoccupied and overimpressed by our lending, but, in fact, it's terribly small compared to the total. What we sometimes

underestimate is the comfort factor that the other suppliers of capital get from knowing that the World Bank approves of what the country is doing and approves of what the commercial banks are doing. We have a moral authority there and the deployment of expertise which counts for a hell of a lot.

OLIVER: Were you aware in the Woods administration of a proposal called the Supplementary Finance Proposal which came out of the economics staff?

GRENFELL: Yes. Yes. If this is the one where we were talking about short-falls and commodity prices.

OLIVER: Well, not only short falls and commodity prices, but short-falls in export earnings, which might be due to a decline in commodity prices but could be due to a variety of other things including lending by commercial banks.

GRENFELL: I remember this. In the end, this was something the Fund took over on the grounds that it was considered to be more a short-term than a long-term problem.

OLIVER: Well, there is a Compensatory Finance Facility in the Fund, but some people in the Bank argued at the time that it was not only a short-term problem, but a long-term problem as well. If it was the development process itself which was falling short, then long-term as well as short-term funds needed to be available to finance the imports needed for the development program if exports were falling short for short-term or long-term reasons.

GRENFELL: Yes, I remember this. In the end it wasn't necessary to

create a new facility, because when we got into the business of making large loans to facilitate India's imports we simply called them "industrial import loans." These permitted them to import some of the raw materials and some of the manufactured materials they needed to maintain the industrial sector. We just made Bank loans; it wasn't necessary to set up a special facility. The original idea that the Bank should only invest in specific projects would have made it necessary for us to have a separate facility to enable these countries to finance imports. It was Woods who took the decision himself. Why can't we just make them a loan? Make a list of things they are going to import. You know where they are going to applied. As far as he was concerned, it was a project; it was balance of payments support; it had the same effect as a balance-of-payments loan.

OLIVER: It required a bit of a redefinition of "projects."

GRENFELL: Yes, that's right.

OLIVER: The whole industry. . . .

GRENFELL: That's right. Basically, it was the first of the non-project loans, though it didn't carry much of a policy implication.

OLIVER: I'm wondering to what extent even this new era that you are talking about in connection with the Conable administration wasn't perhaps foreshadowed in the Woods days by discussions of supplementary finance and decisions that loans might be made on a much broader base than individual projects?

GRENFELL: I think that started in the Woods era, and the

definition of a project was altered by Burke Knapp, Woods, and others, so that the Bank could respond to what they considered to be legitimate needs in India. That probably made it easier for the Bank later on to make central loans. It's been a steady progression. I think that one thing that we need to be clear about is that, for all the talk, we are doing more and more in structural-adjustment and policy-based lending. That means that we are doing less and less project lending. It's not true in nominal terms, in dollar figures. The amount of lending for specific projects is going up in nominal terms, but it is not going up in percentages.

Much more importantly, all the things we are doing in the field of structural-adjustment and policy-based lending is aimed at strengthening the overall economic position of the country. If it succeeds, the next stage will be an explosion of project lending, because the countries will be in a position to turn to the market to borrow for maintenance projects on their roads, for building new industrial capacity, or whatever. I'm very concerned when anybody says the Bank is moving away from project lending as if we had changed course and from here on in the Bank was going to be in the big lanes for less specified purposes. I regard this, and I know many of my colleagues do, as being simply a stage we are going through in order to position those countries to be able to afford -- to need and to have a justification for making -- a lot of investments in things that we regard as specific projects.

OLIVER: At any rate, you have a very optimistic view of the

future, it seems to me, not only of the Bank but of the developing world.

GRENFELL: I think you have to. If we base all of our operations on the worse case scenario, everything is going down the drain. We're liable to make our investments in sort of last, short-term attempts at saving the situation. We take basically the view that we don't have to give up on the Third World provided you can get agreement that there are medium to long-term investments that can be made that will pay off. You know we're not in the short-term salvation business anyway.

OLIVER: Is there anything else I should ask, or you would care to volunteer, about the Woods years?

GRENFELL: As I said, I think it was an extremely formative period for the Bank. It put the Bank more on the political map. Gene Black had started it by using the good offices of the President of the Bank to intervene and conciliate in certain areas. But I think the true value of the Woods era was that Woods presided over a bigger explosion in the membership of the Bank than any president has presided over.

OLIVER: In percentage terms?

GRENFELL: Between the day he came in '63 and he left in '68, there must have been 20 or 30 African countries that gained independence and came into the Bank.

OLIVER: I thought you were talking about the size of the staff. You were talking about the membership.

GRENFELL: Yes, the membership. The size of the staff grew, but it wasn't until McNamara got there that it really exploded. I can't remember what the figures were, but McNamara doubled the staff in one year and tripled it in three. Woods presided over an enormous increase in the Bank's customers. He also took the first tentative steps towards bringing Eastern Europe into the Bank. He wasn't actively seeking them, but the Rumanians were the ones. I acted on his behalf in some negotiations with the Rumanians. In the early days when they were interested in coming in, when it was more inconceivable that the hard line Communist countries were coming to bay, his attitude was, "We're a World Bank, everyone is welcome. Let them come in. We probably have some very interesting things to tell them, and they may have some things to teach us."

He was not at all politically dogmatic. He generally believed in the universality of the Bank. I really think, as I said, that he was the right man at the right place in the right time. He didn't please everybody; he irritated some countries; he irritated a lot of his staff; he had very poor relations with his Board. That was his style, rather than the substance of what he was doing. The staff were afraid to talk to the Board. The senior management didn't want the staff having any contact with the Board. Woods was constantly at loggerheads with them. But the net result of anything he did was that, when McNamara came in on April 1, 1968, he inherited a Bank which was right for major expansion. Woods had already taken the first tentative moves into new areas,

and the staff had adjusted itself to the idea that it must have a considerable economic expertise.

OLIVER: Were you with him in Brazil at the '67 annual meeting?

GRENFELL: No. That was a controversial meeting.

OLIVER: Also a meeting during which an article appeared in New York Times critical of Woods and the Bank.

GRENFELL: He was a man who was curiously insensitive to what the outside world said about him. I never heard him complain about what the press was writing about him. Of course the press were not writing that much about Presidents of the Bank as they were shortly afterwards when they got McNamara. It's been one of the major sports of the US press to keep an eye on the President of the World Bank, whatever he was doing. But Woods didn't give a damn. He was a very thick-skinned man. He didn't give a damn. He didn't get irritated and go down there and say, "Why the hell did anybody let them write that article?" He just said, I've got a job to do. . .

OLIVER: O.K.

NOTE: After I had turned off the tape recorder, Sir Julian added a few points. He confirmed the story that George Woods took an office in the World Bank for sixty days after McNamara became President on April 1, 1968, expecting to be called from time to time by McNamara for consultation on one thing or another. McNamara never called. Woods spent much of his time talking to his stock broker in New York City, but was otherwise unengaged. Sir Julian worked with Woods in the preparation of a speech which Woods

was to deliver at the World Affairs Council in Pittsburgh, but the period was one of disappointment to Woods. Sir Julian also made the point that even though Woods might be upset by personal criticisms of him by the press, the criticisms never deterred him from the path he was following in trying to accomplish one thing or another in the Bank. In that sense, Sir Julian feels that Woods was a thick-skinned person.

An Addendum

February 10, 1988

OLIVER: This is Robert Oliver about to resume a conversation with Julian Grenfell.

GRENFELL: I think there are three points I want to touch on. One was that George Woods understood very early what that debt problem was all about, and I don't think he was given sufficient credit for this. If you go back to the speech that he made in Stockholm just before he left the Bank in 1968 when he launched the Pearson Commission. . . .

OLIVER: '67.

GRENFELL: Sorry. It was in the fall of '67. It was the speech that Barbara Ward drafted for him in which he launched the "Grand Assize" as he called it. It's very striking how he recognized the growing threat of the external debt problem which in those days was largely associated with public debt. He probably would never have foreseen the extent to which it would have become a problem of commercial debt, which it is so largely now. I did talk to him in New York in the mid '70s at the time when the developing countries were borrowing huge sums of money from the commercial banks, . . .

OLIVER: You mean, after '72?

GRENFELL: Yes. I remember him saying at the time that he felt that this was a very good way of recycling the petro dollars, but that

you had to keep an eye on it because commercial debt could build up as fast and even more expensively than public debt. It occurred to me that he had a very good understanding of what the implications were of the build up of the debt. I think the figures around about that time were that the developing countries as a whole were devoting about 33 percent of all their external resources, funds coming in, on servicing the public debt. He saw the writing on the wall. That was certainly behind his major push to get a huge second replenishment of IDA. It didn't work, of course. He asked in '66 for a billion dollars, and he got only 400 million, which was a big disappointment to him. But the reason why he said we must do this, why we must to have this quantum leap in resources for IDA, was very largely because he was worried about the debt structure of the developing countries. Clearly there were a lot of them who needed loans on highly concessionary terms, so in the midst of the debt crisis that we are in now, I look back and think that he had a lot of foresight. He could see it coming when a lot of other people were really not that concerned about it.

OLIVER: The Friedman concept of the IDA replenishment was also 3-4 billion dollars, at least half of which Irving thought should accrue on highly concessionary terms. He pushed for half of that which is where the number \$1 billion comes from. This was clearly enunciated at least 2 years earlier than the Stockholm speech.

GRENFELL: Yes, it certainly preceded that at least 2 years earlier. I think the Stockholm speech was saying, "Look I am

leaving the Bank. This is my last major public pronouncement. For Gods sake, listen. This is what is going to happen."

The enthusiasm for the grand assize, which at that time they thought Oliver Franks was going to head, was very much rooted in his, as I say, writing-on-the-wall syndrome. He thought that things could easily get out of hand. He understood very clearly what people like Edward Boyle, and Barbara Ward, and René Mayer, and William Clark were saying to him which was that this development decade has run out of steam. The money that is going in is simply not doing the job. It's raising GNP, standard of living, but it's not having much impact on poverty. I think he understood that quite clearly.

That leads me to the second point I wanted to make. (Here I admit to a bias, because I spent seven years at the United Nations as the Bank's representative). He won a major battle with the staff of the Bank in bringing the Bank to closer relation with the United Nations. That stands, in my view, as one of his most important achievements. There was a lot of resistance in the Bank to our having a closer relationship with the agencies of the UN, but he understood that there wasn't much point in the international community supporting functional agencies, like FAO, like UNESCO, like the World Health Organization, or UNDP, or a broader spectrum, unless those who had the funds available were prepared to work along with them. Even when I came in the Bank in '65, which was after he made his famous UNCTAD speech in New Delhi where he

pledged the Bank's support, there was still a great deal of resistance to having anything to do with those agencies.

There were those who said there should be a strict separation between preinvestment and investment, and the Bank's function was to invest using the expertise of its own experts, that the Bank could only make wise investments if it had its own capability. Well, that's always been true, but Woods saw that it did not necessary exclude the possibility, and indeed the desirability, of having a closer relationship with the UN. Hence, the institution of the cooperative program with the FAO which has worked remarkably well and which instantly produced a larger flow of projects which were worth financing.

OLIVER: Would you distinguish preinvestment from an investment survey?

GRENFELL: In strictly World Bank terms, -- the staff would have been happy to take on the entire responsibility of preparing the ground for their own investments. They didn't feel they needed anyone else's help.

OLIVER: Would pre-investment then be limited to the FAO or some other organization outside of the Bank?

GRENFELL: The FAO and UNESCO were doing their own pre-investment work, but it wasn't locked into the Bank's program in any way. The collaboration between the Bank and those agencies was rather tenuous. We knew what they were doing and they knew what we were doing, but we were tending to plough our own individual furrows. A

lot of the work that some of those agencies were doing in the preinvestment field, they had to rely on whatever meagre resources there were in the U.N.

OLIVER: So it doesn't get around to an investment survey until the Bank itself participates?

GRENFELL: Yes, I suppose you could put it that way. What happened was that when Woods decided that it was not enough for the Bank simply to focus on infrastructure, which it had been doing previously, it would have to get into additional fields: more in agriculture, more in education, more in industrial development, more in program lending, which is basically providing the foreign exchange for the import of the essential goods and services. When he reached that decision, he said, "Look, we will have to have a major expansion in these particular spectors. Why are we not using the expertise of the individual agencies to identify and prepare projects that could be the subject for investment by the World Bank instead of us relying on our relatively small staff to do the same work?"

OLIVER: Willi Wapenhans reported that as early as 1963 George Woods looked at a number of agriculture projects and said if you can't do better than that we'll get the FAO to participate in planning the preinvestment of the projects. I think that is basically what happened.

GRENFELL: Well that is basically what happened, and there was a lot of kicking and screaming in the Bank when it happened. There

was kicking and screaming outside the Bank too. Sir Robert Jackson was an early critic of this -- from a different perspective. His fear, if I recall it right, was that the Bank was going to become a too heavy an influence in the UN agencies. The tail would be wagging the dog. While the Bank was financing 75 percent of the cost of identification in the preparation of the projects by these organization, which was not a great sum of money compared to their budgets, the Bank would really accumulate a degree of control or authority over the activities of these agencies that would be unhealthy and would cause problems at the political level in the General Assembly and the Economic and Social Council. In the early days, he went along with it, but he was very wary of it. He warned, "Don't let the Bank become the masters of these agencies."

"It was never Woods intentions that we should. He said, "Look there are guys out there who know what they are talking about in these countries. Why don't we use them?" Well, if you look at it today, the relationship with the agencies is at many different levels and takes on many different shapes and forms. But I do think that Woods gave it the push that it needed at that time despite the fact that he was getting a lot of flack from within the Bank. His UNCTAD speech, I understand, caused a great deal of dismay in the Bank. What's he doing? The attitude in the Bank at that time was, "Look, we signed an agreement with the United Nations which is a very exclusive agreement. It doesn't link us, it doesn't state how we are linked at the UN, it states why we are linked to the UN?"

That is sort of a negative attitude that people took, that we are semi-autonomous according to the wording of it, and as far as we are concerned, we can call it autonomous. Why do we need to strengthen that relationship, particularly with UNCTAD which was a largely political organization which was dominated by the Third World Countries?

OLIVER: Which UNCTAD speech was this, '65, or '66?

GRENFELL: That was in New Delhi, which, I think was the first UNCTAD. Was that '64 or later? We'll have to check it out and see. I think it was in New Delhi when he proposed the broad range with US agencies. I think that was '64. I can check it. The succeeding presidents have used and developed the relationships with the agencies quite successfully, but always with sort of an attitude of, "Well, I guess we have to do this," with no great enthusiasm. I think the present President is very enthusiastic about some of the work we are doing with UNICEF. Certainly McNamara and Clausen regarded the relationship with the UN as something we should pay lip service to at the political level. Yes, we support the UN, and we want to make sure the UN doesn't encroach on any of our business. Our relationship with the UN agencies should be a relationship based very strictly on the terms and conditions that have been set up and shouldn't go any further than that.

OLIVER: Was Barbara Ward the principal writer of the Stockholm speech.

GRENFELL: Yes. When they decided that they wanted that group which was basically Edward Boyle, and René Mayer, William Clark. Axel Buscher. . . . Who else? I can't remember. There was a small group that decided that they would launch some sort of a Grand Assize. They sent William Clark off to Washington to talk to George Woods, who had been at the initial meeting in England at which they had got the idea going. They sent him off to see if Woods was interested in helping to finance the Assize. Woods said that not only would he finance it, he would be happy to launch it. He had a date with the Swedish bankers for late '67, and this would be a good opportunity to launch the whole idea." But, Wood said, "You have got to get me somebody who can really put together a great speech." Williams suggested Barbara Ward. Woods was very happy with that and so was Barbara Ward.

OLIVER: Was this the first time she had been a major speech writer?

GRENFELL: Well, she had written a lot of speeches of her own. I think she had written for others. It was certainly the first time she had written anything for the President of the Bank. She did the entire draft. It was very much her own speech. Interestingly enough, in order to induce Oliver Frank's to take on the Assize, as it was then called, she put in a paragraph comparing what needed to be done now with what had been done under the Marshall Plan for Europe. Oliver Franks was one of the chief administrators of the Marshall Plan. This would immediately attract his attention and

might encourage him to take on the commission. He turned it down on the grounds that he had too much else on his plate and probably wasn't absolutely sure about what the value of this would be. That was when he turned to Mike Pearson in Canada. He agreed to take it on.

OLIVER: With, I have to say, indifferent results.

GRENFELL: With indifferent results. It wasn't a bad survey, but I think what was wrong was that there was no plan to follow up. The Pearson Commission Report hit the public and the governments and the academics. They all read it and said, "Well that's an interesting piece of work." Then it sort of faded away in people's memories.

OLIVER: Until the Brandt commission.

GRENFELL: Until the Brandt Commission came along which had a rather greater impact because it had a much more clearly defined program of activities. It did have a bigger impact.

The value of the Pearson report was it drew attention to the fact that the Development Decade had run into a lot of trouble. Various things needed to be done to get it back on course, mainly sensitizing governments to the importance of not letting the Development Decade falter any further. I think it had its value there. Some aspects of it were not very pleasing to the Bank, particularly the suggestion that IDA be cut loose from the Bank and be set up as an entirely separate organization. That didn't appeal.

OLIVER: Why wasn't he more successful?

GRENFELL: If one thing marred his presidency, it was his pretty awful relations with the Board. There are many other aspects that, I think, were first-class, but he treated the Board as though it was always his quarter in the telephone when he was addressing them. Of course in the old days when there was no IDA, just the Bank, he could talk to the Board rather differently than he could talk to the Board when so much of what was being lent was their money rather than the Bank's money. Gene Black could be domineering, although he wasn't a domineering man. He could be forceful. He had the sense, the clout, to be able to tell the Board where to get off if he wanted to. He could say, "Look I raised this money," But Woods didn't quite adjust to the new atmosphere. With IDA becoming more and more important, he was addressing people who were not just helping him spend money, he was helping them spend their money.

OLIVER: I have, in the last couple of weeks, had a sample of the Board's minutes. I had my attention directed to the possibly more acrimonious parts of the minutes, and I must say I have not seen with my own eyes the things that were acrimonious.

GRENFELL: I think it was his tone more than anything else. I think if you read the written transcripts. . . . He used to ramble on a bit at times. He was too opinionated. He was a man who knew what he wanted. Presidents by and large have not gotten into

shouting matches. McNamara never did. The only time McNamara really got mad at the Board in a very quiet way was one day when an executive director asked if there could not be a rule that McNamara would submit the draft of his Annual Meeting speech to the Board to take a look at. McNamara dropped back and said, "I'm perfectly prepared to hand over the draft of my Annual Meeting speech if you are prepared tomorrow to sit down and decide whom you are going to have as the next president." Nothing was ever heard again. He used to conceal his frustrations to the Board very well. He didn't let them hang out quite the way George Woods did.

OLIVER: Well, thank you very much for this edifying addendum. It was very useful.