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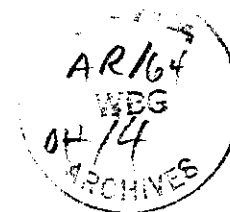
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A CONVERSATION WITH ANDREW KAMARCK, III

NEW YORK CITY

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CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

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OLIVER: Andy, we talked a good deal yesterday about some of the economics work in the Bank, but I wonder if there isn't a bit more that we might say today. Maybe we could introduce the subject by my asking if you would say a bit about your recruiting of economists for your staff. What kinds of people were you seeking?

KAMARCK: I realized, when the Economics Department was set up, that we had an enormous opportunity. I also realized that there was a very limited time. The way these things work in a bureaucracy, when you get the go ahead signal to do something, it doesn't last forever; you have to take advantage of it when it's there. We were given an enormous expansion of budget slots, and I knew it was very important to start filling the slots as soon as possible.

One of the things that we did first was to look around the Bank to see if there were possibilities elsewhere in the Bank. One of the jobs that I wanted the Economics Department to do was to work on collecting the basic data we needed on developing countries, to start helping the developing countries produce the kind of data they needed for their economic policies and that the aid agencies needed. What I wanted was a guy who was very good at statistics, a feel for statistics, and had a tremendous drive in that respect. I found out there was such a guy in

the Bank. He was in Cargill's Asia Department, assigned to the Phillipines. His name was Emmanuel Levy. So I went down to Cargill, talked with him, and said, "I've got this kind of a job. This is very important. I think you will agree," and he agreed. "You have just the kind of person we need. I think it will be good for all of us if we can find somebody for this, and you happen to have the guy." Cargill was very good in that respect. He agreed to release him, so that was how we got Emmanuel Levy to do statistical work. This included the statistical work that led to the World Tables and to the tables which are now the. . . .

OLIVER: The Atlas?

KAMARCK: Well, the Atlas uses part of those figures, but the World Development Report is largely based on that.

I had some very specific slots I wanted to fill, like the one I just mentioned. I wanted to build up some kind of a fiscal division, so I was looking for a fiscal economist. We looked everywhere. The personnel department was very helpful in this respect. There was a guy named Harold Dyer in the department at that time, and he really got caught up in it. He went through all the records we had of people who had applied for jobs. He wrote to institutions and people the Bank had worked with asking for suggestions. We had an enormous number of names, and we went through all of them to find people and to recruit them as fast as possible. I devoted a lot of attention to this. This is how we picked up David Henderson from the U. K. He had been in Greece, I think, at the time and was more or less floating. We picked

up a guy from Brazil. (What was his name? Paolo Perriera, a double-barreled name. I've forgotten it.) He had a brilliant career after he left the Bank, became the central Bank governor and all the rest of it. Irving was very helpful in this regard, because there were people he had run into over the years working in consultation with the Fund -- younger people and senior people whom he regarded as good. We went after them.

Some of them we could only get on the basis of their coming for two or three years, so they wouldn't have to give up their careers at home: two Brazilians, for example, and an Israeli, David Kocher, who was very, very good. We picked up Frank Tamagna, who had been at the Federal Reserve Board and was a consultant. He did not want to come as a full time person, so we picked him up as a consultant. We got Isaiah Frank of the Johns Hopkins School of Advanced International Studies. We picked him up as a consultant. We were looking in some cases at specific slots, specific backgrounds. We also wanted to have a group of ten people (Irving and I had discussed this) who had had a lot of experience in development problems in their own countries and had worked in different institutions that we regarded as brilliant, hard-driving, willing to work hard and could come up with ideas. We tried to do it as fast as possible, because we were pretty sure that this opportunity would not last indefinitely. It was true. After two or three years, we were told that that was as far as we could go.

OLIVER: So these were the years, '64, '65, and perhaps '66, something like that.

KAMARCK: Yes.

OLIVER: Was David Knox amongst those?

KAMARCK: I don't think so. I don't recall. I certainly don't recall.

OLIVER: Do you care to say a word about Sandy Stevenson's coming to the Economics Department and the importance of your deputy?

KAMARCK: When the department was set up, Barend DeVries became deputy. DeVries did not take on the responsibilities of the deputy director in the Bank's set up that he was supposed to take on. He was more interested in pursuing some of his own ideas of research. He would get involved in various matters that interested him, rather than taking on the day-to-day administrative role that the deputy director is supposed to take on. After a period of time, it became very clear that that job was not being done. We succeeded in making him an advisor to the department. Later on, after McNamara came in, one time when Irving was away on a long trip, a slot opened for an economic advisor in one of the area departments, and I went to McNamara and suggested that DeVries be given that slot. He was transferred out of the Economics Department into that slot. We clearly needed somebody who could do the job.

Sandy Stevenson at this point was Associate Director in the Asia Department. There had been two Asia Departments, one for South Asia, and for the rest of Asia. They were merged. One director, Peter Cargill, became Director and the other, Sandy Stevenson, became Associate Director. I talked to Peter as to whether or not he would have any objections to Sandy's coming over and to Sandy to see if he would wish to come. Sandy was interested. He came over, took the job

of Deputy Director and did very, very well. He removed an enormous mass of material and work from me.

OLIVER: I take it this whole story illustrates one of the things that we talked about yesterday in connection with economic advisors: a person who is a good economist and good economic analyst need not necessarily be a good administrator, or may not seek to be an administrator.

KAMARCK: Very definitely, very definitely. There are people who are interested in ideas and working with ideas and are not interested in working with people; who do not have the self-discipline to be able to do the nuts and bolts, sometimes the very irksome details, that administration consists of. Very often it is very irksome, and there are some people that can't bring themselves to do it. It's better if they recognize it and everybody else recognizes it.

OLIVER: Did you yourself have any qualms about doing administrative work after your long service as an economic advisor?

KAMARCK: No. At first, with DeVries there, I couldn't carry out my intentions. That is, I would devote myself to the direction of the department, worry about the recruitment of the senior staff, work with the divisions on the programs and projects, devote myself to relationships with the rest of the Bank and with Irving. As for the inner administration of the department, I would have a deputy to do it. For awhile, I was doing the kind of administrative detail I can force myself to do, but it is not something I like to do for a long period of time. My idea was to get a deputy to do it. That is the role of a

deputy in the Bank.

OLIVER: Was there a clear-cut division of responsibility between you and Irving Friedman, or were many of the things you did you did jointly?

KAMARCK: No, there was not a clear-cut division, except in some respects: Irving was responsible for the relationship with the President and defending the economics complex against the rest of the Bank. He contributed strategic ideas to what the Economics Department and what the Bank should do. He was there not simply as The Economic Advisor to the President, but as a person whose job it was to look after the economic work of the Bank. When Woods brought him to the Bank, the role that he wanted Irving to consider was advising Woods on what the Bank as a whole was doing outside of the economics complex -- the strategy, the policy of the Bank as a whole. This was something that Irving was very good at, and this was very important to Woods.

Some of the major initiatives of the Woods period, such as changing the way in which everyone looked at the problem of resources for developing countries, came from Irving and the economics people, and it had an impact on the Bank as a whole. The attempt to increase the size of IDA tremendously came out of discussions between Irving and George Woods, and while George Woods did not succeed in lifting the level of IDA to what he had wanted to, there is no doubt in my mind that what he succeeded in doing was to change the limits within which people thought of IDA. Until George Woods' time, they thought in terms of resources for IDA of \$150 million to \$300 million a year, something

like that. The idea of thinking in terms of billions of dollars a year came from George Woods, and when it first came forth, it was regarded with horror -- this amount of money flowing from a multilateral agency of this kind. But, as a result, over the years, IDA did become a multi-billion dollar agency. This came out of the Woods era. Irving had a big role in that, and that is over and beyond what the economic complex had to do.

OLIVER: I think that is a natural transition. . . .

KAMARCK: Wait, there is one more thing I should say, which I did not mention yesterday and which occurred to me later. There was a very important decision taken early on in the Economics Department. Shortly after I came back from UCLA, George Woods had lunch with Irving and me. What he wanted to know is when we would be able to do an economic section in the Annual Report. The Annual Report was a purely operations document. It told about the number of loans, to what countries. There was practically nothing economic in it, and George Woods thought there should be economics. Here you have the leading development institution in the World putting out an Annual Report without any economics in it, without any review of the state of development in the world; a review of the resources we were going to develop without a review of the major problems in this field. He thought that something should be done about this, so he asked us how soon we felt we could do it. I put my neck out and said, "This coming time." And we did. It really took a hell of a lot of hard work, but we got an economics section into the Annual Report. As was typical,

the rest of the Bank hierarchy felt that this was somewhat inappropriate. If you look at that Annual Report and then at the next Bank Report, you will find that the economic section is banished to a separate section. It is not the principal section, it is almost an addendum. It is almost as though it were a report of a separate institution. It took two or three years before the Bank as a whole accepted the fact that there should be an economic section. Included also is a statistical section which provided some of the principal statistics which were of value to economic development. This was one of the very first things that the Economics Department did.

OLIVER: This was sort of an incipient World Development Report which came much later.

KAMARCK: Much later.

OLIVER: Really the beginning.

KAMARCK: Very much the beginning. That's right. We had to educate the Executive Directors and the Senior Staff that the World Bank had a view and should have a view -- which it made public so the world would know what it was.

OLIVER: That is very interesting. Well, let us now go on and talk more generally about the years '63 to '68, the Woods years in the World Bank. You talked a bit in passing about the IDA replenishment and the importance of raising the sights of the world on concessional type lending. What other major events or achievements of these years come to mind?

KAMARCK: Oh boy. This is something that I really need notice of. One

of the most important developments of the Woods period stemmed in part from the same point of view which I just mentioned in terms of the Annual Report: the World Bank should consider itself the leading economic development institution which had taken, and should take, a position of leadership. One way this was transmitted by the World Bank was by beginning to organize consultative groups and by multiplying consultative groups.

What is a consultative group? A consultative group is a group of financing agencies and governments that are interested in helping a particular developing country. The idea was that if a developing country had investment needs, the World Bank would make a study, a survey of that country and have conversations with that country to diagnosis what the position was and what the country could do and should be doing by way of economic development. One of the things that would come out would be an estimate as to how much the country needed over the next few years. Then you would have this consultative group, which would be chaired by the Bank, of all the sources of finance that were interested in helping this country. At that meeting, the Bank would present its analysis of the country and would wind up recommending that so much assistance be granted on such and such terms -- some hard loans, some soft loans, a blend and so on. This was an attempt, first, to provide leadership; second, to mobilize finance; third, to encourage countries to improve their economic performance. This was a very big thing that Woods put a lot of effort into.

OLIVER: Was this his personal idea, would you guess?

KAMARCK: I don't know where it came from. It may have been something that was just evolving. I do recall that, in that period, there was even one country that organized a consultative group on its own. It set up a meeting, and it invited all of the agencies to come to the meeting. It was an idea whose time had come, but Woods put the Bank into the leadership of it.

A very important initiative that came during the Woods period was the policy toward India. The Bank with respect to India had a policy which was quite different from its policy toward other countries. Now I am talking as an outsider, because I was never involved in the policy in India, but everytime we had a discussion in the Economic Committee, or I talked to anybody who had been on a mission to India, the impression that I got was basically that, unlike the sort of thing that we had done in Australia or that we were doing in other developing countries, the mission would go to India, the Indians would more or less tell them what they wanted the mission to hear, and the mission would come back reporting for the Indian government. There was very little, as far as I could see, really, of objective analysis and criticism of Indian policies.

George Woods changed that with the attitude that India was our biggest problem. A lot of resources were going into India, and we ought to see what could be done to improve the situation. The details you should get from Bernie Bell. There was an attempt to do sector studies, one after another, very thorough sector studies. I think the coal study took over a year. There was an agriculture study and a

power study; they really tried to get on top of each sector, what needed to be improved. The most important of these was agriculture policy and the policy in manufacturing. The Bank put on a lot of pressure as a result of these studies to induce the Indian government to change their agricultural policies -- their agricultural price policies, and their agriculture research and tax policies -- to improve output. The impression that I got -- I don't know if this is true -- is that the Indian government up to this point had not been interested in improving agriculture output at all.

The U. S. was giving Public Law 480 wheat and to some extent rice which was coming in and being sold for local currency. This provided the local resources that the Indian government could then use to finance heavy industry. If you improve agriculture output, it meant that you wouldn't have PL 480 grain coming in and you wouldn't get the local currency. From their point of view, holding agriculture output down made it possible for them to carry out the very stupid policy they had in those days of building up heavy industry on the model of the first Russian five-year plan.

Woods and the Bank tried to change this, and the Bank policy was supported by the U. S. government. Lyndon Johnson decided that instead of making PL480 wheat available freely to the Indians, he'd keep, what he called, the Indians on a short tether. He would provide just enough wheat to prevent them from building up resources. They would feel on the verge of running out of food. There was an enormous outcry in India against LBJ and against the Bank, but, as a matter of fact, they

changed their agriculture policy, and the result is that now Indian agriculture is regarded as one of the successes.

The other thing that the Bank tried to do was to change the policy in India in manufacturing. In manufacturing, the Indians had this policy of investment in heavy industry. Other industries were kept on very strict controls, controls on the allocation of foreign exchange for imports and machinery, controls on the opening of new enterprises, controls on allowing private enterprises to compete with the government enterprises or even just keeping the private enterprises out in areas where government enterprises couldn't enter. The Indians were convinced that it was impossible to export manufactures, so they refused to consider changing their exchange rate so as to make it possible.

The Bank under Woods put pressure on India. Woods had a carrot and a whip: if they changed their policy, the Bank was going to try to provide more resources and to mobilize more resources for them. The policy was only partially successful, because the Indians did not do as much as they were supposed to do, and the Bank didn't do as much as it then hoped it would be able to do. But there was a bit of a change. The Indians, of course, are doing much better now. I don't think that the vast improvement in the Indian industrial policy, which is still far from complete, the Bank can claim credit for. I think that about all you can say is that the Bank started to make this whole thing somewhat respectable. It is not the outstanding success the Bank had, and could take credit for, in agriculture.

Before Woods, as I had mentioned earlier, the cast of mind that people had was that international financing agencies and donors were doing as much as they could for the developing countries. They were financing all the good projects. Woods flipped that over. One of the things that he did was to say that, if what we are doing for these countries is being stopped by the scarcity of good projects, what can we do to help these countries to produce more good projects? What kind of help? Shouldn't we get into technical assistance in helping them. You started building a whole policy within the Bank of helping these countries produce better projects. This is where the FAO agreement came from -- then, later on, with UNESCO and WHO.

The Bank started building missions abroad, missions that were more than representative missions. The big example is the one in Indonesia where you have a mission that was set up with projects people helping the Indonesians prepare projects which would then be submitted to the Bank. This also fits in with Woods' policy of no longer keeping the U. N. at arms length, of no longer trying to show that the Bank was not strictly speaking a U.N. agency. In cooperation with the UNDP and the use of UNDP funds to prepare projects, the Bank became willing to accept UNDP financing of project preparation with the Bank administering this preparation. This kind of technical assistance bloomed in the Woods period and fitted in with that kind of orientation. I think those are the things that pop into my mind right now.

OLIVER: Well, this is a marvelous place to stop. If I might ask one

last global-type question, I wonder if you would say a word about what you think George Woods had in mind in the way of ambition for the Bank when he came to the Bank and even more generally what sorts of qualities you think are important in a person to be a president of the Bank?

KAMARCK: The first question is very difficult to answer, because I don't really know what he thought he would like to accomplish with the Bank. He had the advantage of knowing a fair bit about the Bank, not only from Black, but also from having done one or two missions for the Bank as a consultant. He also clearly had an interest in the developing countries. He had been offered at one time the post of head of the U.S. AID Agency. (It had been withdrawn because of criticism of his association with First Boston's role in TVA.) So he clearly had shown interest in the problems in the developing countries.

My own feeling is that since, in his investment banking days, he was a person primarily in the buying end, he was in the creative end of investment banking, the side of investment banking that tries to solve problems for enterprises, rather than on the selling side where the investment bank has created some securities and it is a question of simply peddling the securities. The story about the Ringling Brothers Circus indicates that he tried to do not only good business but also good social policy. So I think this is probably what he had in mind.

The only thing explicitly that I ever heard him say was that it was very clear the Bank had to do a lot on the economic side, to build up the economics staff and do economics work. That was the only thing

I remember his saying in the professional staff meeting when he came to the Bank. There may have been other things that he said, but that is the thing that I remember most.

OLIVER: Do you think the fact that he had been in the investment banking business per se was an attribute as far as his capabilities were concerned -- in contrast to his being a lawyer or a commercial banker, let's say.

KAMARCK: I've thought a bit about this, and of course one can't be terribly conclusive. Black was an investment banker and Woods was an investment banker, and they brought an approach to the Bank which is best suited for the Bank -- from the point of view that the investment banker takes a long-term point of view. He doesn't look at situations month to month. He looks at situations over years, perhaps even over a generation. An investment banker deals with people. An investment banker thinks in terms of staff, not so much the way a manufacturer thinks of so many widgets per hour--so many widgets per week, or year, but of every transaction. Everything an investment banker does is unique. Very seldom do they repeat the same thing over and over again.

A commercial banker, to some extent, is like a manufacturer in that he sees a multitude of separate and, on the whole, fairly small transactions compared to the whole. My feeling is that the World Bank is much more investment banking than it is commercial banking, certainly much more like investment banking than manufacturing or any other field that I can think of. I think the U. S. government and the other governments were wise when they thought in terms of recruiting

investment bankers initially rather than bankers from some other field. I think in the long run the two investment bankers who were heads of the Bank for a period of time, Black and Woods, will be regarded as having made much more of a contribution than either McNamara, an industrialist, or Tom Clausen, a commercial banker.

OLIVER: I take it that you also think it is important that Woods had been on the buying side as an investment banker? In the early years the Bank rather expected to be presented with proposals by prospective borrowers so that it could act more passively as a recipient of proposals almost like a commercial banker making funds available when creditworthiness was established. The Bank later became an organization which itself perceived it had to help its clients to find out what kinds of projects were appropriate and what kinds of fiscal policies were appropriate. That is, perhaps, more the sort of thing that a buyer in the investment banking area might be concerned with.

KAMARCK: Well, even during the period when Black and Garner were running the Bank and they talked about the scarcity of good projects setting the limit on what the Bank could lend, it was quite clear -- I think this came from the investment banking side -- that you didn't accept a project necessarily in the form the client presented it to you. In the Reorganization of 1952 when the Projects Department and the area departments were set up, it was made very clear that one of the reasons projects people were needed was so that, in looking at a project that was presented, they could help the country not only evaluate but make sure it had a good project; they would work with a

country to make it a better project. An investment banker on the buying side doesn't just accept what the client gives you, he tries to improve it in some way or another. That was an important element from the beginning.

OLIVER: Are there any burning questions which I should have asked you and haven't asked you over these two days?

KAMARCK: One thing that suddenly popped into my mind is the relationships between the industrialized countries, on the one hand, and the developing countries on the other, and the relationships between the U. S. and the other industrialized countries. These shifted a bit over the years. In the very early years of the Bank, the U. S. was so dominant that even other industrialized countries didn't have all that much to say. The British felt right from the beginning that they could contribute something, but most of the others really didn't feel they had much to contribute. They were willing to take U. S. leadership without much question. That changed over the years, particularly during the Woods period, and Woods had a much more difficult time in that respect.

The relationship between the industrialized countries and the developing countries changed a good deal too. The developing countries were increasingly beginning to feel their oats, particularly in the United Nations, and the Woods years coincided with an outburst of independence in Africa. There were something like 30, 40 or 50 new members, and the voting power in the U. N. shifted. The developing countries suddenly discovered that they could have huge majorities in

the U. N. They contrasted that position with the position in the Bank, and that hurt a lot of countries. The Board became more difficult in that respect. I think that was an important element.

OLIVER: Is it worth mentioning, in that regard, Mr. Stone from Australia?

KAMARCK: Yes. Well, Stone doesn't quite fit the pattern. Maybe he does in this respect. I did quite a bit of work on Australia at one time. I don't regard myself as a Australian political expert, but the clear impression I got was that the Australian posture in the British Commonwealth was always one of being cheeky to the British. They were the ones that stood up to the British. During World War II, as a clear example, when Singapore was being threatened by the Japanese and the Australians were pulling back their divisions out of the Middle East to defend Australia, the British government wanted the Australians to divert one or two divisions to Singapore. The Australians told the British to go to hell. In this particular case the Australians were right, because if a division had been diverted to Singapore, what would have happened is what happened to the one of the British divisions: it landed in Singapore and marched straight into a Japanese prisoner of war camp.

This was the willingness to stand up to the British, almost getting a joy of standing up to the British. As the British influence declined, the Australians basically learned not to look to the British for protection any more. They realized that their protector was the United States. So to some extent they have shifted their attitude

today -- the attitude that they used to have of tweaking the British. Now they are tweaking the United States.

John Stone, when he stood up to Woods, became an enfant terrible. He is a small guy, so it really applies that way too. On the Board, to the extent the Australian government knew what he was doing, it wouldn't have bothered them to show that "We Australians can't get pushed around". Just because we have one-tenth the population of the United States, doesn't mean that the Americans can push us around." I think that that was a separate element.

There may have been something personal in addition to that. John Stone, whom I knew from the time he was an assistant in the Treasury, an Australian Treasury Attaché in London, always had a bit of a chip-on-the-shoulder attitude, like so many small men have. "I may be small, but by God you better not overlook me or I will have to kick you in the shins; in fact I will kick you in the shins to make sure that you don't look over me." There is a lot of that attitude in John Stone, and that may have also have been an important factor.

OLIVER: I think we have gotten quite a bit on two tapes in these two days, and I thank you very much. I'll look forward to another one when the proper time comes. Thank you very much.