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Transcript of interview with

George Martin

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Interview with George Martin and Emil Pattberg

By Robert Oliver

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Martin: My name is George Martin. I came with the Bank officially November 1, 1950 at the invitation of Mr. Black to take the position of director of marketing. The then director, Mr. Bill Tucker, who had succeeded Mr. Dunstan, who was the first director of marketing, was taking a special job as the manager of the Industrial Development Bank in Turkey, which was being formed at that time, and unfortunately he died while in this job some four or five months later. I'd been in the investment business practically all my life, specializing in state and municipal bonds, and through those activities, which included a governorship on the Investment Bankers' Association board for three years and chairman of the municipal committee for two, I had developed a rather wide acquaintance with dealers in investment securities all over the country. Apparently Mr. Black felt that this association would be valuable in this particular job, and I decided to accept the offer and came with the Bank in November, 1950, as I say.

Q: You had known Mr. Black before?

Martin: Yes, I had known Mr. Black for many, many years and had been with him on numerous occasions, particularly at the investment bankers' meetings and so forth.

I had been with the Bank on a temporary basis from February of 1950 to August 1st, 1950 doing a special job for Mr. Black in the Middle West. He wanted me to try to educate as many people as I could in the Middle West up and down the Mississippi Valley and from Denver to Cleveland.

Pattberg: My name is Emil Pattberg. I'm chairman of the executive committee of the First Boston Corporation and one of the two managing underwriters of the World Bank. Looking back over the marketing of the World Bank, one has to go back to the first offering, which was made through some 1800 banks and dealers, really on the basis that it was an issue close to governments but rather poorly understood. The original issue immediately traded at a premium of approximately 103, and as selling came in the premium rapidly disappeared and the bonds were still unplaced with investors. Because of the generally poor bond market at the time and the fact that there was a large percentage of the issue in the hands of dealers and other temporary investors, the long-term maturities were sold at a price under 90 and the ten-year two and a quarters were sold in the low 90's.

Government dealers became the primary market—one, because they associated the issues with government securities, traded them on very small spreads, and quoted them in 32nds. This fact probably more than any other discouraged the corporate bond dealers from trading, and as a result the market became primarily

that of the government dealers. Government dealers built up positions much larger than they were able easily to handle, several dealers having 5- to 10 million dollar positions, and the bonds were still unplaced in the low 90's with these large positions around the Street.

This, of course, created quite a bit of comment among investors and did not add to the attractiveness of World Bank securities in its early days. Eventually these bonds were placed with investors, and over the next several years the market in World Bank bonds improved—improved to such a point that it was decided to refund the ten-year two and a quarter into a serial issue, one to ten years, and this was done via competitive bidding. Four banking groups headed by various banks and one corporate dealer made bids, and Halsey Stuart and the First National Bank of Chicago were the high bidders for a two per cent coupon. This issue was a complete marketing failure in the first instance with about 95% of the issue unsold.

In order to break this logjam, another group made up of the Bankers' Trust, the First National City Bank, the Chase, Solomon Brothers and the First Boston approached Halsey Stuart to make a bid for the unsold bonds. Halsey Stuart agreed that they would go to their account but said that they also would like to join the group in marketing the unsold bonds. However, when the bid was made the group decided not to sell to the small banking group but rather to declare it a free market, and this was done. The market declined several points, and over the next six to eight

months these bonds generally found homes in the portfolios of investors.

Early on this emphasized to the Bank's management that competitive bidding was not the proper vehicle for the Bank to handle its large financial needs. It was certainly obvious that investors had to be educated as to the true value and security of World Bank bonds, and in this connection you could add also a large percentage of the dealers of the United States.

It was then decided to sell the next issue on a sponsorship basis. Whereby 1800 dealers had handled the first issue, some 600 had joined various groups to bid for the second competitive issue. And the president of the Bank, Mr. Black, invited all of the dealers who had participated in the competitive bidding to participate in this sponsorship deal. It was decided that the management of the sponsorship deal would be rotated between the various managers of the groups that had bid, and the first issue was handled by a group headed by Chase, First Boston Corporation, Solomon Brothers and C. J. Devine, with First Boston Corporation handling the books. This issue, a \$50 million long-term issue, was successfully sold.

The second issue, handled by Halsey Stuart, was sold, though in the original offering there were some bonds still unsold, and it was determined that this was not the best way to handle the Bank's financing. One basic fault with this type of distributing of securities was the fact that the Chase, First Boston, Solomon, Devine group having gained the experience in the

first issue, could not put that experience to work until three other managers had handed similar issues.

After several years when the Bank needed money, the management of the Bank decided to go to a negotiated form of bond offering and asked Morgan Stanley and First Boston Corporation to act as joint managers, rotating the privilege of running the books and appearing first in the advertising. Both firms accepted and decided as a first order of business that 600 underwriters were too many to handle \$50- or \$100 million issues, and in the first offering invited approximately 100 underwriters to participate.

This first public offering was very successful as have been the other ten issues. Over the years the underwriting group has been increased to 175 or '80 underwriters, but at the same time the size of the issues has been increased to approximately \$150 million.

The issues have been successful because in my judgment there has been an educational campaign among investors and dealers which drove home the facts of the Bank and explained the security of the issues.

Second, the bonds have been priced properly. They are ten-years nonrefundable, and they have had the support of not only investors in this country but abroad.

In developing the market for World Bank bonds, I think the one factor that has been the most important has been the management of the Bank. At the beginning there were many

skeptics who thought that the Bank would be run as a political organization and not as a business organization. The last ten or twelve years have proven that the Bank is a business organization and has gained the respect of investors and others throughout the world.

In our educational campaign, the managers—Morgan Stanley and First Boston—made visits throughout the country, spoke to dealers, spoke to investors and published various pamphlets and booklets emphasizing the attractiveness of World bank bonds as a security. We have always compared the securities of the World Bank to the United States government securities, the top credit in this country. We have priced them so that they were comparative with the highest-grade corporate securities. These two facts, plus the growing knowledge of the World Bank management, have been most helpful in developing the market for the World Bank securities.

In this connection we used various approaches to increase the number of investors. On several occasions we offered the dealer community additional bonds with a half point concession for sale to new customers. The requirement was that the dealer give out the name of the buyer and the buyer would have to be of an institutional character and purchase at least 100 bonds. The first time this was tried, we had over one hundred new buyers; the second time, there were some eighty.

We have had teams traveling the country talking to various accounts that up till a few years ago had not purchased World

Bank bonds, and I'm happy to say that today there are very few large buyers of corporate type securities that do not own Bank bonds.

Q: Are the bonds of the Bank regarded as being as good as United States government bonds?

Pattberg: Well, no, I can't say they are, because I don't think any bonds in this country are considered as good as United States government bonds. But going back to the early days of marketing the bonds, investors asked the question: would future Congresses live up to the pledge of the Congress of the '40s when they made this commitment? This question was cleared up when the last Congress doubled the commitment of the United States government. I think also the fact that the World Bank has not had a default of either principal or interest is a very significant factor which illustrates the care with which World Bank loans have been made.

Q: Has there ever been any consideration of issuing a pledge that the bonds of the Bank would never exceed in total amount the guarantee of the United States government?

Pattberg: Well, I can't say that there was ever a pledge, but investors asked the question: what will happen to the World Bank when the outstanding issues approach and then perhaps exceed the

amount of the United States commitment. This, of course, was answered when the commitment of the United States government was doubled, and we haven't had the question raised as to what's going to happen the next time we approach the United States commitment. In the meantime, of course, the German credit and other credits have improved to the point where this is hardly discussed anymore.

Q: But certainly in the early days of the Bank it would have been much more difficult to market the bonds if it was thought that the issue would exceed the guarantee of the United States government.

Pattberg: There's no question about that.

Q: So that the ability of the Bank to raise dollar funds for lending purposes was pretty well limited by the guarantee.

Pattberg: In the early days, yes. And, I think it might come up again. But having solved the question in the past by increasing the commitment of the United States government, investors are just not raising it at this time.

Q: If it had been guaranteed in some way at the outset that the total bond issues of the Bank would never exceed the guarantee of

the United States government, do you think they could have been sold at a smaller premium vis-à-vis the United States government?

Pattberg: I don't think it would have made much difference. The World Bank raised a lot of money in this market. I think they got very fair prices, and it was necessary to make the marketing attractive to attract new investors. I don't think it would have improved the price very much.

Q: Could you say a bit more about the attitude of the market about the Bank about the time it first got started, the concern of the management of the Bank?

Pattberg: Well, thinking back to those days, the World Bank securities—and I'll stick to securities—in the minds of many investors were foreign securities. It was only through education that they separated the World Bank from the vast number of foreign securities that had defaulted in the past and so forth. That's about it. Today the World Bank is not known as a foreign security; it's known as an international security with the greatest protection that could be given. And most important, it has good management.

Q: Do you recall whether there were any attempts by people from the United States Treasury to do anything about making the Bank

better known in the investment community even before Mr. McCloy became president of the Bank?

Pattberg: I couldn't tell you, because before that time, while I was trading in government securities, I didn't pay very much attention to it. This only became important to the dealers when there was an issue and became doubly important to them when they had large positions, and they had a loss. This was when people made up their minds as to whether it was a good security and what the value was.

Q: Do you think it's possible that the Bank could have marketed its bonds any earlier than it did, any earlier than July of '47?

Pattberg: I think they could have. This was a matter of the needs of the Bank. I don't think they particularly needed money prior to that point. I think whenever you introduce a new security, it takes time; and whether they introduced it in '46 or '47 or '48, it would have taken time and an educational campaign for most of the investors to understand and accept the securities of the Bank. Most investors shy away from a new security, and they did.

Q: Was Mr. Eugene Meyer, the first president of the Bank, well known in New York?

Pattberg: Oh, I think so, yes.

Q: So that if he had continued as president rather than resigning when he did in September of '46, the Bank still probably would have been able to market its bonds?

Pattberg: Oh, I don't think there's any doubt.

Q: I'm just concerned about the importance of Mr. McCloy's presidency as such.

Pattberg: Well, you're going back a long time. I think with Mr. McCloy's presidency you had Mr. Eugene Black, who was really director of marketing in those days, and this was the first concerted effort, one, to sell a bond issue and two, to educate investors. Prior to this, I don't think many attempts had been made to interest investors in the securities of the World Bank, and I think investors look back to the McCloy and Black period because this was the first time they were asked to pay some attention to the securities.

Q: Do you recall later Mr. Emilio Collado, the first American executive director, had done anything in the investment banking community to try and make the bonds of the Bank known?

Pattberg: I can't answer that. I don't know. He might have.

Q: But essentially the process of education, as you call it, began when Mr. Black became executive director?

Pattberg: To my knowledge, yes.

Q: Could you just say a bit more about the importance of the United States government guarantee as distinct from the management of the Bank itself in making the Bank's bonds marketable? Let me ask the question this way: Even if management of the Bank had been quite different and had been making more loans and perhaps less good ones to foreign borrowers, would the government guarantee of the United States by itself be enough to make it possible to market the bonds?

Pattberg: I guess the answer has to be yes, because in the early days bonds were sold because of the commitment of the United States government; and while many people hoped that the management would operate along orthodox and businesslike lines, this was not a proven fact. And so the early investors were looking to the United States commitment. Not all investors bought World Bank bonds. Some investors held that this was a commitment of the United States government, but it was still in the field of foreign finance and they didn't want any part of it. I think the fact that the commitment was always lived up to and later doubled, and the fact that the Bank did an outstanding job, plus the fact that the borrowers met their commitments, has added

to the prestige of the Bank to the extent that very few investors question the high credit rating of the Bank's securities.

Q: What was thought in the investment community about some of the Bank's early loans—the reconstruction loans in Western Europe, France in particular?

Pattberg: Well, this was the period after the war. The sums were large. I think that most investors and individuals in most countries thought that they were necessary. And as long as they were guaranteed by the government or the central bank, it was thought that they would be paid off. I can't say that they had any feeling directly or indirectly about this particular loan or that.

Q: Did the investment community pay a good deal of attention now to the type of loans that the Bank itself was making?

Pattberg: Oh, I suppose some do. In the main they do not. They have great confidence in Mr. Black and in his board of directors and in the management of the Bank, and I think the fact that they have not had a default and the fact that they have had a wonderful record: investors are willing to accept that rather than following any individual loan.

Q: Hypothetically, if the management of the Bank were to become non-American, would this influence the community's thinking about the Bank's securities?

Pattberg: I don't think so. The United States government has quite a vote on the board, and the fact that we might have a Britisher as a president—I think if he represented a high-grade type of banker, a good administrator and stood for the principles that Mr. Black and his associates have stood for for years, I don't think it would make very much difference.

Q: Did the First Boston and the other people who have helped to sell the Bank's bonds help also in changing legislation as it was needed to make the Bank's bonds saleable to more types of investors?

Pattberg: Well, I don't think the First Boston Corporation or other dealers helped to change the legislation. I think we were perhaps helpful in educating investors and others in the facts about the Bank, and it became obvious to investors of certain concerns that they would like to purchase securities, and because of this they went to their Senators or legislators and requested that they become legal. I think that if we as dealers have had an effect on legislation, it's been because we've educated investors, and these investors then requested their local authorities to get permission to purchase the securities.

Q: I don't think there's anything else to ask.

Martin: I believe I was at the point where I was doing a special job of trying to interest people in the Middle West or at least explain to them what the Bank was, its objectives and so forth. And then I went back to my own investment firm but finally came to New York for the Bank in November of 1950.

The first issue of bonds that the Bank had brought out in 1947 was at a time when I was actively in the bond business with my firm, and we sold a fair amount of them—as many as we could get. Mr. Black was running this operation from New York, and dealers throughout the country were invited to participate as an agent in selling these securities for a commission.

As it turned out, some 1800 dealers, I believe it was, had participated in this issue; but because it was the first issue and because the Bank was a new thing, very few of those dealers actually knew what they were handling, what they were talking about, and I would guess that relatively few of us at that time recognized the actual security as in effect a United States government-guaranteed bond. The market at that time was in pretty good shape generally, and the price on the World Bank bonds was fairly liberal, the result being that they were taken by this large number of dealers, and the bonds were promptly bid up to, as I recall it, on the three's of 1972, which at that time was a 25-year bond, to around 103. Speculation was such that as long as the market continued to go upward, nobody wanted to sell.

Q: Were dealers buying for their own account. . . ?

Martin: On the basis of an agency that should never be the case, but unfortunately it was the case—that they were getting a selling commission but not even attempting to sell but were positioning the bonds themselves.

So as the market topped out a few months after the issuance of the bonds, selling started to appear. And as the selling increased, the bid dropped, and the first thing we knew there was an avalanche of selling, and the bids were constantly being lowered, and only a few government dealers, as it turned out, were interested in supporting the bonds or even trying to supply a market. It was all on the sell side. Very few people wanted to buy. And the bonds declined from 103 for the threes down, as I recall it, to in the middle or below middle 90's, creating very substantial losses for some good friends of ours both personally and friends of the Bank, who knew what the situation was.

The bonds then stayed in the doldrums for quite a spell. But with the improvement in the market in 1949, they recovered rate substantially, and the 2-1/4% bonds, which had originally a maturity of 1947, which would have been a ten-year bond, got to a sufficient premium, because of its relatively short maturity, so that it was decided by Mr. Black and the then director of the marketing, Mr. Tucker, to refund those bonds, with the idea of (1) saving some interest charges (it looked like they could sell twos), and at that time there was a particularly good bank market

for short maturities, and it was decided to try as an experiment (although it wasn't a raw experiment; it had been done many, many times in the municipal field) to issue serial bonds running from two to 12 years. At that time that would give the same average maturity as the 2-1/4's which were then outstanding due in 1947. And the bonds were put up for sale in February of 1949. I was in New York at the time because of my temporary assignment to the Middle West by Mr. Black, and he suggested I come down to take a look at it.

The bonds were purchased by Halsey Stuart and Company and the First National bank of Chicago group at 100.559 for twos, and the other three bids were also for 2% bonds but for a lesser premium. It so happened that just prior to that and during that period, the Federal Reserve Bank was trying to strengthen money rates. They had very low rates. And in this process they were sellers of short-term governments which they held, creating a small strain on the money market generally; so that when these 2% bonds were offered, even those serial maturities and even though the price was relatively attractive, they just couldn't be sold. The market had changed. It changed practically overnight. And this group was faced with \$100 million of unsaleable merchandise at near their offering price.

Q: This was a change in the market which no one had anticipated?

Martin: Well, all of the accounts, which represented all of the investment thought in the community, were willing to bid for twos; and in my opinion not one of those accounts would have been successful whether they had bought them at par 15, which I think was the low bid, or par 55. They just weren't realistic. They weren't within the range. Again, we were still a relatively new institution. Few loans had been made. Firm policies had been announced but had not been implemented. We were asking people to take our word for what we were going to do. We had no record of what we had done except the loan to France, which was \$250 million, and I can assure you that at that time a great many people that I talked to from the Middle West felt "Well, so what?" France was busted, as all of these European countries were, and the next loans following to Belgium, to Luxembourg, to Denmark, all for reconstruction purposes, no one really knew whether this was going to be a giveaway organization or whether it was going to follow good sound banking principles. And certainly no funds were available in substantial quantities from ordinary sources for the purposes for which these funds were being loaned. True, that was what we were set up to do, and it was perfectly proper, and it was a highly salutary thing which was done. But then it was realized that the magnitude of the problem was such that even the Bank couldn't afford to be the one to handle it, and out of that came the Marshall Plan. And so there was considerable reason for doubt on the part of investors at that time as to just how good this was. And furthermore, the

investors look at these things on the basis of "Well, sure, they may be perfectly good, but I can buy x-y-z bond which will net me about the same and which I know. Why should I do this?" And you could talk about your duty and about the right thing to do to further our international relationships and we'd just been through this war and fought together and finally thought everything was going to be in pretty good shape. But it didn't make the impression which we would have desired.

Well, from those two experiences—namely, the first issue was strictly an agency operation; the second was a competitive bidding thing, which also flopped completely. Bear in mind, however, that the bond per se were not the reason for the flops. The bonds were perfectly sound and perfectly good, as was later demonstrated. But the market generally faded away. Our bonds weren't the only ones that went down. Everything else went down. And we didn't go down except in the first issue because of this unusual amount of selling. We didn't go down any more precipitately than did anything else except for that volume in that particular case. Again, when we had the 2% issue at competitive bidding, the market went away from them. They had no choice. Those bonds hung around for a long time, and another group at Mr. Black's request (interruption) offered to buy them at a price.

Under this set-up he didn't have a chance to sell another issue of bonds until three others had taken place. It would mean at least a year, maybe a year and a half, before he again took

over to try and sell an issue. By that time whatever had happened in the market was a secret to him except as he saw the quotations. They didn't know where the bonds were sold. They didn't do any trading. They felt no responsibility to keep a good market. And when one fellow got through with his deal, he washed his hands of it, and there it was.

So after this second deal, which was not a good one so far as the investors were concerned, we realized we had to face up to the decision, one which we had been leading to all the time, and that is to find a single manager or maybe two or maybe three and negotiate every deal with them and charge them with the responsibilities of not only the first sales of the bonds but with the responsibility to create a broader market all the time and to take care of the market in between—not to fix the market but to increase distribution, which in itself would stabilize the buying and selling on the part of investors all over the country.

After a good deal of thinking and agony which we went through at the time, it was decided that the First Boston Corporation and Morgan Stanley represented that which the Bank needed most in selling bonds, and they were appointed to be our joint managers with rotating management of the books—first with Morgan Stanley, then with First Boston, but to have a very close working relationship between the two at all times. This created a lot of heartaches, and some dealers were quite mad at us, namely C. J. Devine, who had been instrumental in trying to make a market on an original issue and had lost a lot of money, First

Boston had done the same thing, but they were all right because they were selected as one of the managers. Some of those who were in the sponsorship groups, who had not had their turn to try their management ability on this deal, were very much upset, particularly Kuhn Loeb, and both of these people dropped out of the future offerings of World Bank bonds at least temporarily. Kuhn Loeb has since come back. Devine has not. They were two very important members of the financial community, and we were sorry to have this happen, but we knew that whatever this decision, somebody was going to be very upset.

From that time on every issue of the World Bank bonds has been a decided success, at least during the original distribution of the bonds. And in any cases where bonds did decline from the original offering price, it was solely on the basis that the market generally had declined, and that general decline in the market was greater than any decline which World Bank bonds had suffered. Everything we have outstanding at the present time is selling in line with the market or to yield considerably less than the general market operations.

When First Boston & Morgan Stanley took this over, we found we had somebody that we could work with with some degree of continuity. Their partners, their officers, their salesmen were really working for the World Bank. They recognized that we would be a fine source of merchandise over a long period of time, and they said on numerous occasions that they considered the World Bank to be their finest account.

Through their efforts, with their booklets, with their personal calls, with their constant information which they have sent out to their broad list of the top investors, through the work of the Bank officers, in speeches, in personal contacts, all of which dovetailed, the Bank gradually became better known to all investors; and at the present time there are very few substantial accounts that do not own World Bank bonds. And any issue which we would bring out from this point on, I think would have excellent distribution, excellent reception, and we would know in advance whether that was going to be true or not. We have tried to price our bonds properly, so that there would be a good taste in the investor's mouth, that he doesn't have a loss. That was the big problem in the first two, three issues. Every investor that took them said, "Well, why should I buy World Bank bonds? I'll wait and pick them up later at a lower price." Well, that was changed when you could negotiate with the proper people and have a proper account.

At the present time there are about 193 members of this underwriting group. We've tried to keep it down below that, but the pressures are such, and dealers know more about the thing, more people are buying, our distribution has been broadened into many places where they had not been even considered in the beginning. And so all of these dealers who have developed tie-ins with some of the important institutions deserve a place in the account, and we try to take care of as many of the actual distributors as we can, and we have given complete authority to

Morgan Stanley and to First Boston to collaborate very closely on each issue, although one runs the books one time and one runs the books the other time, to include whomever they wish, to exclude whomever they wish, to raise the participations, lower them, at their discretion.

That's about the general picture. But to go back to what made all these things happen: I don't think there's any question about it, that World Bank bonds would never have received the degree of acceptance they have now if it had not been for the 80% in effect guarantee agreement of the United States government. We had to talk that right from the beginning. We had to try to convince people of their security from the standpoint of ultimate payment. Management was higher regarded in the form of Mr. Black. Nobody else could have done the job in my opinion, not even Mr. McCloy. I'm quite sure that even Mr. Meyer, as highly regarded as he was in some circles, could not have done it. He was not a man that the average institution in the Middle West, the Far West or outside of New York City would have felt that his idea of investment opportunities were nearly as effective as with Mr. McCloy, to the extent at that time that he was a lawyer; and I remember one time General Marshall saying to Mr. McCloy, who had just before that been made president of the World Bank: "Jack, it looks like they're trying to make a banker out of a lawyer and trying to make a statesman out of a soldier. I sure hope to hell they know what they're doing." So I think that while Mr. McCloy had the highest standing of almost anybody in

New York as an individual, as a citizen, as a fine man, he was not one, two, three compared to the stature of Mr. Black, because he knew a great many of these investing spots personally, had sold them securities. He's a master bond salesman, always has been, always will be. No matter what he does in the Bank, he's still going to be a bond salesman. He knew personally and was held in the highest esteem by every one of our underwriters, by every dealer throughout the country. They will listen to somebody like Eugene Black and believe what he says. But I can assure you that many, many people just wouldn't stand still long enough to let you tell them the story of the International Bank for Reconstruction and Development. It was an awkward name to begin with. It was a foreign situation in the minds of most people. And it took a lot of selling, a lot of doing, to convince these people.

Mr. Black had to start out from scratch. Our bonds weren't even legal for savings banks, insurance companies, large investors in any state in the Union. So we had to start from scratch with New York. The fact that something is legal in New York for these institutions, automatically makes them legal in lots of other states, but that would only be for certain types of investors. So we are still having difficulties in getting laws changed where necessary to permit 100% acceptance of our bonds. We have far from 100% today. We are legal in every state in the Union so far as certain types of institutions are concerned and not for others. And those are being rapidly taken care of as

fast as we can do it. Obviously we started with those places where the larger investor interest was available, like New York, Massachusetts, Connecticut, New Jersey, Pennsylvania, and so forth, and we have worked out from that and tried to get, then, in Wisconsin for the big bonds out there, Illinois, Michigan and all the way out to the coast. It's taken a lot of doing.

If I had to say what in my opinion has made the World Bank as acceptable as it has been, I would say number one, it could never have gotten off the ground without the United States 80% as a guarantee. Secondly, the management of the Bank as represented by Mr. Black. Thirdly was the sponsorship as now exists with the type of managers and the type of account which we have to sell our bonds. No one of these things, however, I believe, would be nearly as effective as has become the whole. They all dovetail. They were all coordinated. And the outstanding thing, I believe, has been Mr. Black, because of his integrity and the esteem in which he is held, not only personally, but a recognition of his knowledge of securities and knowing what somebody should have and keeping our policies in line so that when any idea which did not appeal to him was presented as to something we should do or should not do, his answer always was: "We're living in a goldfish bowl. We cannot do anything which will affect adversely our investors, who are looking to us to protect them on this sort of an operation."

Some accounts were perfectly willing to accept our bonds right from the beginning but were not willing to take them

because they didn't know whether we would exceed the United States guarantee. Moody's Investor Service would not give us top rating because of that fact, and we could not guarantee that we would not go beyond that. There was no way to guarantee it. Who would guarantee? And so it was long before we ever got near the \$2,400,000,000 of the United States 80% that investors started to shy away. And we were faced not only with the inability to sell bonds if we got to that point, because people didn't know how much we were going to go over if we did, but we found the danger of the fellows who had our bonds that were about ready to sell their holdings if they saw us going too close to that amount. So it was just essential that something be done. And as has been indicated here, the fact that the United States government came along with this doubling of their guarantee fund and more, up to \$5,710,000,000, is the best evidence of the attitude of our country so far as the World Bank is concerned as it is now constituted.