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A CONVERSATION WITH NATHANIEL M. MCKITTERICK

WASHINGTON, D.C.

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CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

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OLIVER: Nat, may we begin our conversation by my asking you briefly to review your career in the Bank.

MC: I came to the World Bank from the research staff of the Committee for Economic Development where, as an ex-foreign correspondent for McGraw Hill World News, I had been their writer. It is interesting to note that the three heads of the personnel department, at the time I was asked to come by Harold Graves to serve Mr. Black as his speech writer, uniformly recommended against my appointment. They did so basically on personnel habits: this man talks too much, and things like that, and it is symptomatic of Mr. Black that he absolutely paid no attention to this at all.

I am a free-lance bureaucrat. The British have defined a bureaucrat as someone who can make the minister look good no matter who the minister is. It's a formal relationship: I consider it professional. As such, my job for Mr. Black from the beginning, and for Mr. Woods during the time I was a consultant to him, was to think up the ideas for the speeches he made and the articles he wrote, do the drafting, and present the final copy to the principal. I did this with both men through making copious use of individuals within the Bank who I thought had something to say. My method of operation was to sit down

with an officer and say, "Now this is an agreement between you and me. You are going to write Mr. Black's speech this time." I found this an extremely useful way of getting the staff to put out their best. It was an annoyance to the hierarchy of the Bank who always wanted drafts of speeches to mull over or to criticize. I deliberately never gave a draft to either Mr. Woods or Mr. Black longer than 24 to 48 hours before the event if I could get away with it. In one or two cases I produced dummy drafts in order to divert the critics. I believe that this particular service, this highly personal service, is best carried out this way.

OLIVER: Did you ever make any attempt to use words that you thought were characteristic of a person.

MC: Hardly ever.

OLIVER: Whether they were Black's or Woods'?

MC: Neither one of these gentlemen is a natural orator. I had worked for natural orators, but basically these were speeches which were the public record of the head of the Bank.

OLIVER: Did Mr. Black change his speeches?

MC: In general, no. I'll give you one example when he did. We disagreed on the question of population explosion, and, if you look at the body of his speeches, particularly the book of speeches that was published, there were two speeches on population. They say the exact opposite. I wrote one and my successor wrote the other.

Mr. Black occasionally would ask that there be inserted in his speech a quote from someone, but, for the most part, there was no

editing. Mr. Woods didn't tinker with the text either, much to my surprise, because he definitely had a higher I. Q. than Mr. Black. He was very bright, and I would have thought he would have written more himself. I took the consultancy in 1965 on the assumption that this would be a different relationship. It wasn't at all.

OLIVER: You were a consultant to Mr. Woods and his major speechwriter from what time?

MC: From about mid '65 to the end of '66. The major works which I wrote for him were his Pilgrim's address and several articles on lending for education and lending for agriculture. Mr. Woods was more interested in articles than Mr. Black was.

OLIVER: Just for the record, you left the Bank . . . ?

MC: The last day of December, 1966. Oh, I left as an employee in December, 1961.

OLIVER: Then there was a period of a year and a half when you were back, virtually full time in the Bank, as a consultant.

MC: I operated out of my office. I didn't have an office in the Bank when I worked for Mr. Woods.

OLIVER: But, over the years, you did maintain a pretty close relationship with the Bank so that you would know the mainstream of what was happening?

MC: I worked for the Senate Committee on Foreign Relations, for Senator George Aiken, for about 10 years which involved all the legislation affecting the Bank that came up, and all foreign aid legislation. I worked for the Treasury Department, always on assignment concerning the multi-national development banks. I worked

for several years for a French company, which no longer exists, in rural development in Africa. The Company participated in the Bank's second rural development loan (Senegal). I have worked as a consultant of the Asian Development Bank. I have worked with suppliers, but not a great deal. I did a major study on international competitive bidding which was financed under the table by the Bank.

OLIVER: Can you shed some light on Mr. Black's decision to cease being President of the Bank and on Mr. Woods succeeding him?

MC: There was never a question in my mind that Mr. Black wanted Mr. Woods to succeed him at the Bank. I'm not familiar with their personal relationship before this time, but it must have involved Mr. Woods as a major underwriter of the Bank's bonds while he was head of First Boston. It must have been because of the work Mr. Woods did in India for Mr. Black at times when we were arguing the question of lending to publicly-owned industrial enterprises. Mr. Woods had considerable contacts with the Berlas, particularly, in India, and I know he served on missions for Mr. Black. Mr. Black at the time that I am talking about had unrestrained admiration for Mr. Woods.

OLIVER: Can you shed some light on how he got to be the head of the Bank? Maybe you can say something about Dixon Yates.

MC: When the Kennedy Administration came to Washington, we here in the Bank were concentrating not so much on Mr. Woods' fate as on Mr. Black's. There is no question that Mr. Black was number two in consideration for Secretary of the Treasury in the Kennedy Administration. He did meet with the President. I'm quite convinced

that he thought he would get the appointment. I can't prove that, and Marty Rosen would be the best one to know. I believe at the time -- this was 1961 -- Mr. Black felt he was going to be Secretary of the Treasury.

Prior to that he had indicated that he didn't want another term as head of the World Bank. He wished to make money, and none of us took this terribly seriously until Davidson Sommers, the General Counsel, quit. David was the father superior to all of us when we had pursued problems involving the Bank. We would ask, "Dave what would you do?" He was very much well loved. Suddenly Dave just quit. "Dave why did you quit?" "Well I'm tired of telling Gene he can't do things." None of this settled with my colleagues as being terribly convincing. My guess is that Mr. Sommers knew that Mr. Black was leaving, had a very good opportunity as head -- I forget the Insurance Company . . .

OLIVER: Equitable.

MC: Equitable. Thank you. I know that he had a very dire personal problem which had nothing to do with the Bank. Anyway, once Mr. Sommers left, the question of Mr. Black's going was on the table, but until the Kennedy cabinet was chosen, Gene did not make it perfectly clear. (Excuse me did I say "Gene?" When I worked for the World Bank, it was always "Mr. Black." It was never Gene until after I left and when I worked for many years in the White House.)

Mr. Woods came into the picture because, as you will recall, the Kennedy administration nominated Mr. Woods to be head of the AID. Then Senator Estes Kefauver charged that the relationship between First

Boston with the Dixon-Yates utility in Tennessee and Arkansas made it impossible for Mr. Kefauver to accept the nomination. Mr. Woods was informed by Ralph Dungan, then a young man on the Kennedy White House staff, that the nomination would have to be withdrawn. The first time I met Mr. Woods was in Austria at the World Bank's Annual Meeting, which would have been 1961. He was furious, absolutely furious, for having been humiliated after having condescended to accept the AID post. He was very mad indeed. This was before we knew he was going to be head of the World Bank. But I think all of this just made Gene more determined to make Woods his successor.

OLIVER: Have you any speculation as to why Mr. Woods would be interested in coming to Washington in any capacity?

MC: I didn't know enough at that time to have any speculation.

Subsequently, looking back on it, I'm quite convinced that Mr. Woods, like many people who were successful in Wall Street, as Mr. Woods certainly was, wanted to do his part for the public good and wanted to get the social prestige that came with such actions.

OLIVER: So Mr. Black left before his third term was finished. In fact, it was hardly begun when he made the decision.

[Editors Note: Assuming Mr. Black finished, in 1952, the five year term begun by John J. McCloy in February, 1947, Mr. Black would have just finished his third term in 1962.]

MC: I'm unclear on this, because I left the Bank myself in December of 1961. When did Mr. Black leave?

OLIVER: Well, Mr. Woods came on January 1st '63.

MC: So there was a year in there when Black

OLIVER: Did you know when you left the Bank in '61 that Mr. Black. . . ?

MC: Yes, I knew.

OLIVER: That he was going to leave very soon? While we are talking about the succession of presidents, maybe we can talk a little bit about the end of Mr. Woods' term and Mr. McNamara's coming. Do you know whether Mr. Woods intended to serve only one five-year term?

MC: There is no doubt in my mind that Mr. Woods only intended to serve one term.

The circumstances of Mr. McNamara's moving from the Defense Department to the World Bank were explained to me by Mr. Black, and I can only quote what he said. He said the President had called him in: "I think Bob is going to jump out the window like Forrestal. Can we get him over to the World Bank." My guess is that Mr. Woods knew much more about this than Mr. Black. I know Mr. Woods had been in contact with Mr. McNamara while he was Secretary, the last days while he was Secretary of Defense. My guess is that Mr. Woods played rather more of a role in Mr. McNamara's coming to the World Bank than Mr. Black did. (I should point out that Mr. Black at this time was special assistant to President Johnson for South-East Asia regional affairs.)

OLIVER: Mr. Black and Mr. Woods were quite close personal friends before Mr. Woods became President of the World Bank?

MC: I think close personal friends is a little misleading. Mr. Black had a great number of close personal friends. Whenever he travelled to Annual Meetings, he would always invite a personal entourage, including

often the Head of Continental Illinois Bank, Mr. Smith, and certain Southern Bankers whom he knew. Mr. Woods was never on that list. Mr. Black had a great admiration for Mr. Woods; I don't know how close a personal relationship they had.

OLIVER: Well, can you comment on how that personal relationship continued, or did not continue, as the case may be?

MC: Well, anybody coming after Mr. Black would have had difficulties in coping with the staff. The immense loyalty, love is almost not too strong a word, that most of the staff had for Eugene Black, and his outstanding international reputation, made it difficult for any successor. And here comes Mr. Woods, a self made man--not an educated man but with a very, very high I.Q., I think the brightest by far of the three who were Bank presidents. He was presented with a staff who said, "Well, Mr. Black did it this way"; "Of course, Mr. Black always did it this way" Any man coming into the Bank would have found that a bit trying.

Mr. Woods never said anything to me that I could misconstrue to be derogatory of Mr. Black. But then our relationship, as I said before, was formal. This is not the public's idea of a speechwriter--like Sorenson and Kennedy for instance. That is not the way I work. But it was evident to me that Mr. Woods was highly motivated to put a stamp on the Bank which was not Black's. I never knew what the stamp was that he wanted to put on the Bank. For a man who was very intelligent, he never enunciated a coherent theory of anything, but neither did Black. This is an operating organization. Until Mr.

McNamara came along, who is a theoretician, there was no theory that was not conjured up by the staff or myself.

Mr. Woods, however, increasingly made decisions which I felt were simply based on a desire to create distance between himself and Mr. Black. For instance, Mr. Black had already decided on a policy of lending for education, but Mr. Woods fired Black's appointee, hired his own and built the actual lending operations. Woods made a signal decision to align the Bank with the other United Nations specialized agencies, which Black had avoided like the plague. (He avoided them partly because he wanted to establish World Bank bonds in the world market, and he didn't want to have to drag the whole U. N. system with him; partly, I think, because of a genuine lack of interest and a lack of rapport with those in the development business who didn't have anything to do with banking.)

Mr. Woods changed this policy by establishing relationships with FAO and UNESCO, which have grown over the years. His argument to me was that the Bank couldn't lend for agriculture and education because the Bank didn't have adequate staff. Therefore, the Bank must draw on the expertise of these other organizations. I personally did not find this terribly convincing. There was a definite holier than thou attitude among the Bank's staff towards other U. N. agencies. I believe Woods was motivated largely by the prestige of becoming a United Nations figure and by doing something Mr. Black refused to do.

OLIVER: Just a side question here: Did you see over the years that Mr. Woods was in office and perhaps even extending into Mr. McNamara's

period a change in the staffing of the Bank for these kinds of activities in the sense that less and less reliance was placed on the other U.N. organizations?

MC: You mean more and more?

OLIVER: No, less and less on the other ones and more and more on internal staff work.

MC: The Bank staff has never delegated anything to UNESCO or FAO of great value. FAO, of course, had a center for AGRO industry, about which I know nothing. The Bank association was and is very much prized by FAO, and there is UNESCO in a different form, a different way; but in no case has the World Bank staff ever admitted to any significant reliance on these organizations.

OLIVER: You don't see that Mr. Woods had any clear cut objectives other than putting his own stamp on the Bank.

MC: Well, look at his personal appointments. There were two. The major one was Mr. Friedman from the Fund, and Mr. Friedman was a fish out of water. He actually lasted into the McNamara years, and he is the only person I know whom Mr. McNamara actually fired. I am not sure if that is accurate, but it was an agreement to part.

It was suggested that I act as Mr. Friedman's assistant because he was supposed to be the thinking machine for Mr. Woods. That relationship never developed. Mr. Friedman used to talk to me endlessly about the size of his office compared to the size of Mr. Demuth's office. (Mr. Demuth had been sort of a house thinker for Mr. Black, though that's more than what was the truth). Many times I asked

Mr. Friedman if would he like to suggest something for Mr. Woods to say in Toronto or London or wherever. At no time did Mr. Friedman even make the slightest suggestion, nor did he ever produce a draft of his own. So in the 15 to 18 months that I worked for Mr. Woods, Mr. Friedman might as well have not been there. Mr. Woods did not like this. He accused me of disliking Mr. Friedman because he was Jewish which was a nonsense. (He said that to other people, not just to me.) The fact was, when you have an assignment to do something for Toronto for Tuesday, you produce it by Monday. You don't sit around and wait for Mr. Friedman to do it. And as a matter of fact Mr. Friedman never did anything in this line as far as I know.

OLIVER: Is there some reason to suppose that one of his major endeavors was what he called the Supplementary Finance Proposal whereby the Bank would engage in something approaching the balance-of-payments lending that the International Monetary Fund did in order to manage to keep development financing on an even level even though export earnings for developing countries might fluctuate. Did he talk to you about this?

MC: Never. I am not even aware of this. I am very aware, of course, of the argument over project vs. program lending, and I regard this as a misleading argument. There has never been a Bank loan which did not have both policy and program elements in it. Mr. Black never made a loan which was policy neutral in his mind. The economists -- your profession -- have always made a great point out of this so-called distinction. In actual operational fact, it hasn't mattered all that

much, except for the rate of disbursement, which is faster in so-called program loans than in project loans.

I think Mr. Woods was very interested in trying to use his private sector experience in some relevant way. In fact he was never able to. What we call joint-or co-financing now may have been talked about in his time. I think in fact it was. It was never developed as a policy. That came under Mr. McNamara; and, only recently, under Mr. Clausen, has there been any significant change.

OLIVER: I think it is true that there was a substantial increase in the size of the Bank's staff engaged in economics work. Do you feel that this work didn't have much effect on the Bank and might just as well have not have occurred?

MC: I'm not competent to answer that in specific terms of Mr. Woods' period. I'm familiar with the earlier period when Jerry Alter was the head of economics. I knew him well and worked with him very closely. We used to talk about how to compare alternative investment possibilities -- hydro vs. thermal power, for example. It's only in Mr. McNamara's years that you got into large macro-economic studies. The criticism made quite often is that the Bank has this university -- let's call it the Economics Department -- which might better be transferred to a real university.

OLIVER: We didn't quite complete our conversation about relations between Mr. Woods and Mr. Black.

MC: There is one other appointment that illustrates the difference between the two men. The natural leader of the staff was Peter

Cargill, and the question of the British Vice Presidency came up on the retirement of Sir William Iliff. There were two individuals involved: Jeffrey Wilson and Peter Cargill. We all knew both of these men very, very well; and there wasn't any question who was the more able. But Mr. Woods told me "Well, you know Peter drinks too much." I reminded him what President Lincoln said when told the same thing about General U. S. Grant: "We really ought to find out what he drinks and send him a case." I wasn't the only one who felt this way, but he chose Wilson. Wilson was a very weak man.

I remember the last time I saw Jeffrey in retirement in London before he broke up with his wife. (He had a rich Philadelphia wife whom we all knew and liked.) He pointed out that the recent A levels, or was it O levels, showed the lowest grades in mathematics of any of the last twenty years. He said how good this was, Britain didn't need mathematicians. Jeffrey always wanted to be invited to parties with his tweed jackets with leather elbows, but he was basically effete. When Woods appointed him as the British Vice President, he suggested to me that Mr. Woods was not exactly familiar with management. Later Woods brought over from England Sir Dennis Ricketts who really usurped much of Wilson's job.

OLIVER: Had Dennis Ricketts not served previously in the Black administration?

MC: I don't know that. I never knew Mr. Ricketts. All I know is that Peter Cargill did not get his vice presidency until many years later. We all considered that very bad; the staff held it against Mr. Woods.

Mr. Woods was not a pleasant man. I have been in his office many times when he dressed down the Bank staff in a merciless, vicious manner. I'm thinking of one case in particular when he criticized one of the best operations officers in the Bank, John Williams, in a manner which is not forgivable. Williams quit and now works for the EEC's development bank. He also did this to me in the end in a way. Do you want me to tell you how I left the Bank?

OLIVER: Yes.

MC: I left U. S. Government in 1964. Shortly after, I started to work with Mr. Woods. My contract was renewed for the year 1966. During that time, President Johnson appointed Gene Black as his Special Advisor for Southeast Asian Regional Affairs. I knew that as soon as Mr. Black came back into public life, he was going to call me. I can't explain to you the dependence of a man like Black on a writer, even though it is not an intimate relationship, and I'm not justifying it. It's a fact.

I called the people in the White House and said "For heavens sake, you've got a lot of talented people. I'm under contract to Mr. Woods, and I do not wish to be considered." That had no effect whatsoever. Mr. Black called me when he was in town: "I'm going to Laos to negotiate the Nam Nsum power project. I want you to come along." In spite of Viet Nam, we would persevere with development.

I mumbled something; I don't remember what I said, but I said I was working for Mr. Woods. "I'll take care of that." So the two got together for lunch, just the two of them, and, while they were still in

the dining room, Mr. Black called me up and said, "Come over here. George says it will be all right if you go. We'll only be gone ten to twelve weeks." When I arrived, I found that Mr. Woods was red from the collar up; he was very mad.

I went to the Far East. I returned in December of that year. For the previous eighteen months, I was able to get hold of Mr. Woods on the telephone anywhere in the world; I remember calling him up two or three times when he was abroad. Now, I couldn't get him at all. I couldn't get an appointment. His secretary, Miss Schmidt, hinted to me that I should cool it. I wrote him a letter saying I didn't wish to take on any other engagements until we could see if we could continue our relationship.

On the last working day of 1966 at 4:30 in the afternoon, I was summoned to his office which was dark except for the light above his head. He read back to me the letter I had written and he said, "You will never work for the World Bank again as long as I am here." This is the kind of man he was. I had showed disloyalty, if not impertinence, by going to the Far East with Mr. Black.

I wrote a letter to Mr. Black after this and said "Fly now, pay later. I just lost my contract." Mr. Black scrawled across my letter, "Woods is a shit," and returned it to me. From that day, Mr. Black has had nothing but hurt feelings, very extreme hurt feelings. I'm not saying that particular incident triggered Mr. Black's responses, but I do know that as recently as Mr. Clausen's appointment, when Mr. Clausen wished to bring together the presidents of the World Bank, I called Mr.

Black, and he said he would not sit down at the same table with Mr. Woods.

OLIVER: So this feeling that began, I take it, fairly early in the Woods presidency seems to continue pretty much to this day.

MC: I don't believe Mr. Woods spent much time trying to put down Mr. Black, but Mr. Black carried a grudge and will to the grave. The reason I mention this is that it is impossible for me to conceive Mr. Woods tenure in the Bank without this rather vicious attitude.

OLIVER: Do you think this was characteristic of his dealings with people before he came to the Bank?

MC: I don't know enough to say that. As I say I met him first in Vienna after the AID appointment had fallen through, and he was as mad as a wet hen. He had good reason. If the President asks you to serve and then says: "Sorry old fellow we can't have you" because of some purported Senator's view, I would be mad too. But rage was part of Woods management style.

OLIVER: Were there things that happened during Mr. Woods' presidency of the Bank which might have disheartened him, caused him to be more irritated than otherwise?

MC: Well, I think he was very impatient with the bureaucratic process. After all he came from an investment bank community which is pretty free wheeling. Here procedures, at the very best, were cumbersome. The World Bank has never been an efficient organization. He didn't like it particularly.

Woods was a deal maker like Mr. Black. Black made a point, a

brilliant point, of always having a special deal going, whether it was the division of the waters of the Indus Basin, or building the Kariba^a Dam across the Zambesi, or settling Greece's or Egypt's debts with their creditors. He intuitively, not intellectually, always identified himself with something big and interesting and public. You didn't have to get into great theoretical discussions of what the purpose of the World Bank was. Everyone knew the Bank's purpose: Black was acting it out in a grand way. I think Woods would have liked to have done as well, but he lacked any natural diplomatic ability. I think he knew he couldn't compete on Black's terms.

OLIVER: Did you work with Mr. Woods in attempts to increase IDA Replenishment?

MC: I think I have been involved in them all — seven, eight, nine, ten, but they all blur together in my mind. The thing we did not do is to rethink the purposes of IDA. I don't blame Mr. Woods for this, I blame the staff. People forget that IDA was created largely to internationalize the U. S. bilateral aid program. You asked a moment ago about anything Mr. Black had taken out of a speech I had written, and I have just remembered something. I remember writing a speech giving enormous credit to U. S. agencies for having sustained the creditworthiness of countries, therefore allowing the Bank to start to do business. That was not Black's message — not that it wasn't true and not that Black didn't know it was true. IDA was to lighten Congress' foreign aid burden. U. S. was going to put up forty percent and the Europeans were going to put up sixty percent. That was the

argument you used. This is the argument that was used.

OLIVER: May I interrupt to ask if that implies also that political strings inevitably were going to be attached to the IDA . . . ?

MC: No.

OLIVER: I think in the case of the bilateral aid of the United States, frequently political strings

MC: I beg your pardon — I thought you were saying the IDA has more political strings than World Bank loans. Excuse me. The argument was made that bilateral aid programs must finance the policies of the United States. If they don't, what the hell are they for? But IDA will take the subject of development out of the political arena. I think this is a highly dubious argument. It was made almost as a rote argument.

The point I wanted to make is that no one ever asks what the function of IDA should be in relation to the Bank and the Monetary Fund. That question has been asked recently because of the debt crisis, but it was never brought up earlier at any high level. The result is that, for years, as a matter of rote, India got 40 percent of IDA, because of the spurious per-capita income comparison. I don't have to tell you as an economist that this is an art which is practiced by night watchmen in the middle of the night.

You might want to trace the per-capita income curve in China for research purposes or intelligence purposes, but then take that curve and put it over against the Indian curve. There is little professional research in this. To this day, no one has made a very serious attempt

to answer the question: How should IDA resources be allocated? The arguments used today are exactly the same we used back in the '60s. There is no evolution. I don't blame Mr. Woods for that. I can't say that I went up to Mr. Woods and said, "Mr. Woods we should have a new rationale for IDA." I wish I had but I didn't do that.

OLIVER: Was there some reason to suppose that Mr. Woods, through some of his advisors at least, was seeking a quite substantial increase in IDA in '64 which got delayed through '65 to '66? I'm just curious as to whether or not his annoyance with things that were happening, including the way he dealt with people, might have been related to that problem. Was he the same person in '66 and '67 that he was in '63, '64?

MC: He became more cynical during the time I worked for him. I don't know how much he really engaged his mind in the IDA replenishments. The fact was that even as early as '66, the disenchantment (you remember you are in the middle of the Viet-Nam war now) with multinational lending had already begun to show up and the kudos that Mr. Black got in the first IDA were not given to Mr. Woods in his time. The kudos for having been the man who was in on the birth of IDA was nothing which Mr. Woods could match. I think this galled him. He was galled by the fact that he had succeeded this very popular but, in his view, much more limited man. I think he was quite wrong. Except for his I. Q., Woods was a man without the social graces. It just was not a good idea that he should ever be President of the Bank.

OLIVER: How would you characterize the entire Woods presidency?

MC: As an inter-regnum -- between two dominant figures: Mr. McNamara and

Mr. Black. Mr. Woods did pave the way for the great expansion in lending which Mr. McNamara effectuated both in agriculture and education -- I think agriculture more than anything else. I think if you look at the increase in staff in the Agriculture Department of the Bank that began in the Woods years, you will understand Woods' dilemma. This was part of the reason for making a deal with FAO. Woods, quite realistically, I think, realized that the Bank was in danger of taking on lending which was beyond it, which I think has happened.

OLIVER: In the early days, projects were pretty well thought out, and the limitation on lending was very substantially the limitation on the rate at which the projects could be brought forth from the drawing board.

MC: Mr. Black always said two things. "Which comes first: projects or money? Money comes first." The second thing he said: "Have we got enough money to finance all the good projects? Yes."

OLIVER: Has that changed in the Bank?

MC: Oh yes. In the McNamara years it went out the window.

OLIVER: Can you explain that?

MC: Mr. McNamara is a theoretician. He is unlike his two predecessors. He has theories of public administration rather than managerial style. He was determined to increase rapidly the rate of commitments and to broaden the scope of Bank lending. He believed you could work out in house a figure for five years of lending to country -- not just the country figure but by the sector as well -- and then turn over to your program and project officers who were given the task

of meeting that target, and this system would produce a workable banker-client relationship and greatly increase the Bank's transfers, which of course it did. But, under McNamara, caution went out the window, and, along with it, collegiality both within the Bank staff and between the staff and the borrowers.

Mr. McNamara was very popular when he first came to the Bank. First of all, because he came after Mr. Woods; and second of all, because he went into these new areas where the Bank staff wanted to go. I mean they were not dragged reluctantly into rural development or urban affairs. They were eager to do this. But where the system broke down is, as a Bank staffer once said to me, "You do not get promoted in his organization from negotiating, you get promoted by getting to the Board of Directors as fast as you can with your appraisal report." This is what happened under Mr. McNamara, it became closed circuit television instead of a banker-client relationship.

The Bank today talks a 100 times more to itself than to its borrowers. There is no esprit de corps as there used to be. Mr. McNamara created a wide-spread impression amongst the developing countries that he needed them much more than they needed him. They used to say of McNamara that he speaks only to princes and peasants. But the clients of the Bank are, in general, neither of these. They are not heads of state. They are a whole host of different operational ministries, parasitical organizations, and special project units. Those are the real clients.

OLIVER: Well, does that imply that if enough money is available, it

doesn't really matter a whole lot which projects are justified?

MC: In India it doesn't. The Indian government was never going to submit itself to a banker-client relationship with the World Bank or anybody else. I don't think anybody in the Bank, even if they wanted to, could change India's view. You could argue that over the 20 year period, when massive transfers of aid went to India, it helped the country to feed itself, even export food. It was an enormous achievement when you think of the size of the country. I have no objections, but India is sui generis. When you are dealing with the Rwandas, the Haitis, the Kenyas, it is the quality of the relationship between your country officer and the man he deals with in the country that counts.

Kenya is a terribly sad example. When Mr. McNamara went to Nairobi and made his Grand Assize speech, I happened to be evaluating agriculture projects in Kenya at the time, and the disastrous effects of this vast new promise of money was -- I mean it just brought tears to your eyes. Kenya got one of the first structural adjustment loans (I used to call them program loans; I'll take any words that you wish), and it was a complete disaster. Of course, as you probably know better than I, when we try to evaluate a program loan, you can always tell when it is a disaster; it is far more difficult to tell when it succeeds. If you try to isolate the World Bank's stream of money and the country goes to hell, it is quite clear that your stream of money didn't do much good. But what degree of effect it had is very difficult to say.

We all love Kenya. Even Woods did. Barbara Ward, who was the Queen of Development to all World Bank presidents so long as she lived, came to see Woods while I was working for him. She came on behalf of Bruce McKenzie, the Minister of Agriculture of Kenya. He was head of a small team of native, white civil servants in the Kenya government. McKenzie was one of the giants of his time. He was almost Churchillian in his . . .

OLIVER: He was British?

MC: No. He was a Kenya citizen. But he told Barbara Ward that his staff of white people could no longer be sustained within the framework of the Kenya government. Barbara Ward asked Mr. Woods if he wouldn't take these people on in some way or another. Out of that came the Agriculture Development Services in Nairobi. It is still there, as a matter of fact. I think we are talking about twelve people. They eventually became full-time employees of the World Bank in Nairobi.

The ADS mission was headed by David Gordon. His deputy was Sandy Storer, who was one of McKenzie's men. And David, whom I know very well and is a person I hope you will talk to, wanted (I think he was judging Mr. Woods when he did this, because he is not an actual entrepreneur by any means) to set up ADS as a private organization. That is, he argued it could become a private organization; it could make a profit selling consulting services in Kenya and other East African countries. He and Sandy set out to demonstrate this, and I think they did a whale of a job, but the Director of Agriculture at the Bank, an old-timer, was horrified when he realized that a unit under

his employ was making money. You are not supposed to make money in a bureaucracy. So he called David home and wiped out the whole operation. The thing that disappointed me was that Mr. Woods, as far as I know, paid no attention. I never had the feeling that Mr. Woods was consistently interested in any particular project or program other than this obvious desire to get some kind of social prestige.

OLIVER: You don't believe he took the job because the development of the world, or the development of part of the world, was a burning issue as far as he was personally concerned?

MC: Mr. McNamara was the only man who believed in development in the sense that you just quoted. Without denigrating the man at all, because he was a great man, Gene Black never talked about development the way you and I might talk about it. To give you an example, his first book, The Diplomacy of Economic Development, was a little thing, a series of essays that I wrote for him for the Tufts School of Law and Diplomacy. General Gavin was head of the school at the time, and I remember I was afraid when we went to Tufts that one of the students would ask him probing, theoretical questions. This, I must say, was a false fear, an arrogant fear, on my part, because he is quite smart enough to handle any question at all. But I was nervous.

General Gavin wanted to see Gene afterwards, and I was curious. General Gavin said, "We are establishing a chair in the name of your lecture series called the Chair of Development Diplomacy," which still exists. Gene, after three or four years of this, hated that expression. I used it as kind of a cliché. He said, "Do I have to say

that?" That was the way the relationship worked.

George Woods understood that. We got the "quote of the week" in The New York Times a couple of times. Le Monde published his Pilgrim Speech on nationalism in Africa, the only instance I know of. But what was missing was the personal dimension. It can be the best speech in the world, but if the boss doesn't act the role

OLIVER: Do you feel that the Bank has somehow done less well (this is a very general, philosophical question) since 1955 than it might have done? or is the whole business of development something which is so much bigger than the bank per se that the Bank is just one player in the whole framework.

MC: The latter is the truth of it, and, therefore, the way to judge the matter is to ask: Has the Bank developed overtime a perceived purpose -- perceived by the Congress, by the interested public -- which is coherent and tends to gather support? The answer is, "No it hasn't." The terrible demand on the heads of this institution is always to commit more next year than the year before.

Woods said, "The Bank is a development agency." I never disagreed with this. The point is it had to have some kind of defineable function. I could wax eloquently on that. But as Paul Volcker once said, "No one can reform international organizations. Why don't you stop fussing about this."

OLIVER: I would not have thought that the distinction between a bank and a development organization was wholly an ideal one. One of the things that the Bank did discover in the early Black years was that it

had to help its clients figure out how they might use money from whatever source more usefully, rather than less usefully.

MC: Yes, of course. Funny thing is that Tom Clausen, in his valedictory to the Bank of America said essentially the same thing about commercial banks: "The real function of commercial banks is technical assistance, providing services."

OLIVER: Isn't the record of the World Bank in giving advice as to macro-economic policy as well as the use of money in projects probably better than that of the commercial banks, if you have to make a comparison in some absolute sense?

MC: If the country is doing well, the commercial bank is better because it doesn't ask anything. It is easy money. If the country is doing poorly, the World Bank is better.

But now we have the debt crisis -- or debt predicament as I prefer to call it: too much bad debt outstanding; not enough productive lending. I predicted that when Mr. McNamara left the Bank -- in a paper I wrote if you wish to see it -- there was no question that the rate of lending would have to go down. There was no way you could possibly keep up the McNamara pace.

OLIVER: This is the second time in the history of the Bank when the amount the Bank can push out has decreased. The first time, I think, was 1966 when the U. S. Government was not allowing the Bank access to the American bond market and was not replenishing IDA at anything like the rate which Mr. Woods sought.

MC: You remind me of something: the speech was in Toronto. It

happened to come at the awful moment when I was summoned to Mr. Black. I was trying to write a speech to give in Toronto, saying that the Bank deserved automatic access to the capital markets in the developed countries. This is one case where Irving Friedman and I actually worked together. He helped me with the technical side of the argument. It was my idea, but Woods turned it down flat. "Sophomoric," he said. But the point you are making is very relevant. I don't see why if the United States is going to support this institution, it doesn't give access to its markets. Wouldn't you say so?

OLIVER: Yes.

MC: But Mr. Woods would not make that point.

OLIVER: You illustrate the proposition that Mr. Woods didn't always read whatever speech you prepared.

MC: I didn't mean to say everything I wrote, even for Mr. Black, got used. First of all events get cancelled. Then, there were many people around him who did not like the kind of monopoly I had. Dick Demuth was particularly put off so I used to say "You go ahead, you write his address. I'll give you the date." Once Mr. Demuth did that for a date in San Francisco, and we both went to Black's office, Mr. Demuth with his speech and I with mine, and Mr. Black said, "Dick is that your draft?" And he said, "Yes, sir," Mr. Black said, "I'll use your draft," and that was the first and last time that happened. Demuth never tried again.

Mr. McNamara is a theoretician. He takes for granted the bureaucracy, and he assumes that if your program is right, it will work

right. Mr. Woods and Mr. Black were not like that. They were both good managers in the sense that they made people responsible for their work. Woods was less good. He didn't have the style that Black had, and he did bawl out people in public which was dumb. You bawl out people in private. In the Navy if I wanted to dress you down, I would do it in private. I praise you in public, but I dress you down in private. Woods did the opposite and that was a very bad thing to do, extremely bad.

OLIVER: Was there some reason to suppose that Mr. Woods paid more attention to the internal operations of the Bank than Mr. Black did? Mr. Black inherited a management system that had been put in place by Mr. Garner.

MC: Bob Garner. Sure.

OLIVER: But Woods didn't have a Garner.

MC: I can't address myself to that. What's the name of the firm that Mr. McNamara brought in? McKinsey. That was the time when there was a concerted effort to change the management of the Bank. I'm sure Mr. Woods must have been aware and concerned himself, because you were moving from a club to a bureaucracy. Black knew everybody, and there was a high esprit de corps. But as operations increased, the Bank moved across that very gray line to bureaucracy. Certainly there were no serious management studies under Mr. Black. The personnel department was regarded as a joke.

OLIVER: I meant by my question: Did he concern himself with details of this organization such as staff newspapers, such as . . . ?

MC: That's a different point. Excuse me, I didn't understand you. Woods did have a habit of burrowing into a personality problem, or a project problem. But it was capricious. Woods was terribly capricious. He would get very curious: "Why are you doing that?" That was the way he used to talk. His tone was accusatory even when he didn't mean to make any accusations. Have you ever been in the First Boston offices in New York? They are very sparse. You would think there would be Bigelows on the floor. There aren't. There are little cubicles, where investment bankers work. They are free-wheelers. It would have been nice, I've always said, awfully nice to have had a permanent under-secretary of the Bank.

If the job of us bureaucrats is to make the minister look good no matter who the minister is, the Bank staff fell down badly in Woods' case. He didn't get support. It was very difficult to get it. I didn't know how to do it. We Americans don't have the talent that the French and British have of the permanent under-secretary who gives continuity to organizations and who sees his function as making the minister look good no matters who the minister is.

OLIVER: I take it you think it was more likely to maintain a non-bureaucratic approach if it had remained small.

MC: Yes; in general, yes. There is 40 percent of the staff -- if they don't come in tomorrow, nobody will miss them. But I think there is a different point, a more subtle point. Black was successful because he made his name as President of the World Bank. I'm not saying he was unknown on Wall Street or as a bond salesman, but he was certainly not

known outside of the United States. He was, in the words of the London Times in a little editorial, one of the "new men." (Dag Hammersjold was another.) Why? Because he made his reputation as President of the World Bank. Why can't we let someone else have a chance to do that?

OLIVER: I understand what you are saying. I would have thought that there was also the problem of the United States government, which may see the World Bank job as another way of placing people who are politically important.

MC: I'm afraid it is the opposite. The Bank is a place to put somebody who has become an embarrassment or a liability to the Administration. Not that Mr. Woods was really an embarrassment or a liability to the Kennedy Administration because of Senator Estes Kefauver, but the Bank was second choice. Mr. McNamara was an embarrassment to President Johnson because he wanted to quit, and I'm sure that Mr. Clausen's replacement will be somebody who the administration decides ought to be given a job out of the way.

OLIVER: During the middle years of the McNamara administration, I would hear conversations from time to time asking the question: "Might not the next President after McNamara be European?" Is it not time to break this American . . . ?

MC: Oh. I'll make this deal; you give me the Monetary Fund, and I'll give you a European-managed World Bank any day. I can't see the Europeans agreeing.

OLIVER: I take it that it is a clear tradition and, therefore, an ironclad, if unwritten, rule that a European has to be head of one and

an American has to be head of the other.

MC: Until the day of Bretton Woods II comes. I don't know when it will come. I think it will come, and as grey as you are and as bald as I am, we might even live to see it.

OLIVER: One last question about Mr. Woods: You have characterized him as having some difficulty in his staff work partly because of the admiration the staff had for Mr. Black, partly because of his own personality, and partly because of outside events ever which no one would have had much control.

MC: It would be very difficult to come after Mr. Black.

OLIVER: Did these difficulties also extend to his relations with his Executive Directors?

MC: I don't know. That's funny. Black treated them as "concubines" -- that's the word we used. He was terribly solicitous of them in a social way. He would always include one on a trip he was taking, and they loved him very much as the staff did. It is, as you know, a very different job than being an Executive Director of the Fund. They are not part of management; it is very difficult to define what is their job. They do not consider each loan formally. They consider it after the loan has already been decided. They are lower rank government officials than the Directors of the IMF. (I'm talking in generalities.) They tend to become nit-pickers. Mr. Clausen has had great difficulty with them, more so than anybody. McNamara, because of his prestige, probably did not have any trouble. I honestly don't know what the relationship was. McNamara didn't court them the way Gene did. Gene

was a master at this sort of thing -- diplomatic niceties. I don't have any feeling for Woods' relationship with the E.D.'s. I do know one thing: he did insist that Livy Merchant, who was a very senior diplomat, be the U. S. Executive Director.

OLIVER: Livingston Merchant?

MC: He was the Assistant Secretary for Europe at State and a distinguished Ambassador to NATO. I used to go to see Livy. I knew him slightly. Livy had nothing whatsoever to do, and he said, "I don't know why I'm here. George wanted me to be here, so I am here."

OLIVER: Merchant was an Executive Director

MC: Yes.

OLIVER: That is important information, because I understand that Mr. McCloy had established the tradition that the American President of the Bank would have sort of a veto power over the choice of the U. S. E.D.

MC: Right. Who was the Standard Oil Executive who was the U. S. Executive Director of the Bank when Black came in '47? A man whose name you would remember.

OLIVER: Collado.

MC: Emilio Collado was a man of substance. Black said, "If I take this job, Collado must go!" And he did.

OLIVER: Actually McCloy did.

MC: Oh he did. I'm

OLIVER: Now you are suggesting that as late as Mr. Woods' administration, the President of the Bank in effect still had the veto

power over the selection of the United States Executive Director.

MC: All I know is that Mr. Woods insisted on having Livy Merchant. Merchant represented to Mr. Woods what he would like to be: Livy was very suave, very intelligent, very socially prominent in Washington.

OLIVER: Did he remain Executive Director through the entire Woods years?

MC: No, but I don't know when he left. The U. S. E. D. doesn't really have anything to do. The most bizarre was Erle Cocke. He was in Black's time. He was difficult, intrusive. When he had a difficult personality to cope with, Black would assign somebody on the staff to take care of him. I got Erle Cocke. Erle Cocke was in the battle of Bastogne with General McNaughton, and he parleyed this fact into a career with the American legion which landed him on top of that organization. His father was a red-neck Senator from Georgia. Erle would say to me, "Now, I think we ought to get Lyndon and Gene together for lunch," so we can do this and that. I didn't know what to do about it. He is still around town somewhere. He got into some kind of trouble a few years back and dropped from sight.

OLIVER: Did you ever sit in on meetings of the senior staff?

MC: Very rarely. I avoided meetings like the plague. Americans do not run meetings well. I remember once when I did sit with the senior staff under Sir William Iliff. I started to say something, and Sir William looked at me and said "When I want your opinion, I will ask for it." I was chastened. And I respected Bill. I liked him very much.

OLIVER: Well if you didn't say it in the meeting, and you didn't ask

each president in turn what it is he might like to talk about, whom did you rely on in the Bank?

MC: I always picked in every instance, without exception, a middle level or senior officer who I knew was doing something interesting. It was a way of educating myself. It was a matter of trust, and it would work with Woods too. McNamara's speeches were of an entirely different order. They were the subject of enormous staff work and computer calculations. They would be six months in preparation. If you have ever read McNamara's speeches, you know they are volumes.

I once made a bet with a young Jesuit: I am going to pick at random two newspaper reports of a Black speech, and you do the same with a McNamara speech, and I'll bet that there are at least 10 times the quotations from the speeches in my article than as yours. No one ever reported literally what Mr. McNamara said. A reporter can't do it. It simply isn't news. It isn't interesting. It is boring. But reporters did take the license of deciding to write the speech for him. I don't like that. Black's stuff came out as I wrote it. Woods' did too. The famous McNamara speech in Montreal Everyone knows he made a famous Montreal speech, but not a word of that speech did anyone ever quote or remember. But they do quote "Development Diplomacy" -- not any more, I am talking ancient history.

OLIVER: Well, I think we've probably done enough for one day. I want to thank you for your confidence, for very interesting anecdotes, and for your instructive views as to the overall sweep of the Bank's history. It has been a pleasure.