

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

**PASADENA, CALIFORNIA 91125**

A CONVERSATION WITH DAVIDSON SOMMERS

WASHINGTON, D.C.

JULY 18, 1985

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CONVERSATIONS ABOUT GEORGE WOODS  
AND THE WORLD BANK

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OLIVER: Mr. Sommers, I wonder if you would begin by telling a bit about your own involvement in the Bank.

SOMMERS: I came to the Bank in November, 1946, as a member of the legal staff. I was later promoted to Assistant General Counsel, and, in 1949, when McCloy left for Germany taking with him the General Counsel, Black named me General Counsel of the Bank. Later I was made Vice President and General Counsel at the time when Bob Garner left to become head of IFC. Three vice presidents were named to succeed him: Iliff, Knapp and myself. I soon turned over most of the actual legal work to Broches, who was Assistant General Counsel, and later gave up the title of General Counsel because I really was not doing much in the legal field. In the fall of '59, I was approached by Equitable Life in New York, which was having a change in management, and asked to become Senior Vice President and General Counsel, which I accepted. I later became Chairman of the Board.

OLIVER: May I just interject that this was a time when many people in the Bank would have preferred that you stay in the Bank and possibly become President of the Bank itself.

SOMMERS: Perhaps, but there were a number of reasons why I didn't think

that was either possible or desirable. I strongly believe that the President of the Bank and the Managing Director of the Fund should come from the outside. Even if I had not thought that was desirable, I was confident that that was what would happen. Black had only two years more. I was about 55 years old and thought that if I didn't move I would probably stay in the Bank indefinitely. My wife was an invalid, which would have not gone well with big entertainment responsibilities in the Bank.

OLIVER: Or travelling abroad.

SOMMERS: And most important, I had changed jobs all my life, every seven or eight years, and operated on the principle of the girl who can't say no; and so I left.

OLIVER: And when you left Mr. Broches became....

SOMMERS: He became General Counsel. Later when McNamara came in, I had resigned but had some contacts with him. He asked me to give him my views, and he later came up to New York and said, "When you retire from Equitable, will you come down and work as an advisor -- first on reorganization and later on other things?" I was in that role in the Bank for about ten years. Since then I have had only one official contact and that is as a member of the Pension Finance Committee.

OLIVER: Later in our conversation I would like to ask you about the McNamara years, but I wonder if we could go back into history earlier than that to begin with. Let me ask you how you got to know Mr. George Woods. Maybe you would also say a bit about contrasts between the way that Mr. Black operated and the way Mr. Woods operated at the Bank.

SOMMERS: I first knew George Woods after I joined the Bank and when First Boston was named a member of the first group of managers of the Bank's underwriting syndicate. I had several contacts in connection with Bank lending operations paralleling public offerings by Bank borrowers, and some contacts on Bank mediation, on the origin of IDA, and so forth. I also had something to do with Woods in connection with the Dixon-Yates problems.

OLIVER: Maybe you would tell a little about that story?

SOMMERS: Well, the Bank had hired an engineer, Adolf Wenzel, at the suggestion of George Woods. Wenzel turned out to be a target of Senator Kefauver's attack on the Dixon-Yates issue in which First Boston was accused of something like conflict of interest, as I remember it. I was involved because the Bank was served with a subpoena to produce documents to the Kefauver Committee, and this presented a considerable problem because the Articles of Agreement of the Bank make it clear that it is not subject to subpoenas or requirements to produce documents. On the contrary, they are confidential. On the other hand, we didn't want the Bank to become a target of the Kefauver investigation, because charges were made that when Wenzel had become involved in Kefauver's suspicions, George Woods had pushed him off on his friend Gene Black and the Bank was providing cover for him, which wasn't at all true. Woods had recommended him as an expert engineer, which he was. So I went to Kefauver and told him that as a matter of principle the Bank was not going to honor his subpoena, but that I would be prepared to tell him off the record what

he would find out if we did come under the subpoena, because I didn't want the implication to arise that there was anything significant in it. He said, "O.K. see my staff chief." I did go over to see the staff chief and told him the story of this man's being hired with the result that the subpoena was withdrawn. My only other connection with Dixon Yates was to go down and hear George Woods' testimony.

OLIVER: Could you tell a little about that testimony?

SOMMERS: I can't remember the details of it, but -- do you want that joke that I told you?

OLIVER: Yes.

SOMMERS: George Woods was asked about some man, maybe the same engineer, being a vice president indicating he was a very important figure in First Boston, and George said, "Oh we have about 45 vice presidents." He was asked "Why do you have so many?" And George said, "It makes them feel good."

OLIVER: I hope it got a ripple of laughter.

SOMMERS: It did get a ripple of laughter.

OLIVER: Did you also know George Woods in connection with some of the overseas controversies that the Bank was engaged in helping to settle?

SOMMERS: I knew him, but the ones that George Woods was actively engaged in were not the ones that I was actively engaged in, at least in the same parts. He was engaged in the Suez settlement; I was engaged in the Anglo-Egyptian financial settlement. He was engaged in finding people to act as funders for the Indus settlement; I was involved in the bringing the Bank into the act and getting the

negotiations going in the earlier stages. I knew George Woods in those capacities, but I didn't work with him at that stage.

OLIVER: What was it about George Woods that was particularly impressive and caused him to be in the forefront of the kinds of activities engaged in by First Boston.

SOMMERS: George Woods was known, perhaps, as a leading figure, if not the leading figure, in the Wall Street investment banking community -- as somebody who was extremely canny and without some of the stuffiness that usually goes along with prestigious roles there; and was interested in something outside of his close knit Wall Street sphere of activity. He was also obviously a first-rate negotiator and someone who knew the financial market, particularly the American market, as well as anybody else. And he had a very able group of people with him in First Boston.

OLIVER: Can you add anything as to why he was chosen as President of the Bank succeeding Mr. Black?

SOMMERS: Well, I think you have to go back to the Bank's original dealing with investment bankers. There was a period of experimentation with how the Bank should issue bonds. It was only after two or three other efforts that the Bank went into a conventional underwriting-syndicate-with-managers technique. It chose Morgan Stanley and First Boston as the sole managers to begin with. Because of some belief that the Morgan name was less acceptable in Washington than First Boston, First Boston was given the rather leading position to begin with, and George Woods was a very influential

element in making that choice. He was a person who had a major role in bringing the Bank into the American market and subsequently other markets as a reputable borrower, and that was still an important role for the Bank President even at the end of Black's regime when the Bank's credit rating was pretty well established.

OLIVER: Would you care to contrast the personalities of Mr. Black and Mr. Woods and maybe say something about their operating styles as President of the Bank?

SOMMERS: I don't find that easy. Black came in at a time when establishing the Bank's position as a credit-worthy borrower was still not completely achieved. He also came in at a time when relationships with the U. S. Government were still touchy. He also came in at a time when the Bank had barely made its first development loan and at a time when the legal barriers to investors' buying the Bank bonds had not all been disposed of. He also was involved in very important mediation efforts in connection with the Suez problem, the Anglo Egyptian financial settlement after the "'67 Incident" (as I learned to call it), the Indus Basin agreement, and things of that kind. All of those interested him much more than lending operations as such, and he left routine lending operations pretty much in the hands of Garner. Black said, "I am not a policy man, I am a deal man."

When Woods came in the problems were different and the personalities were somewhat different. Also their experiences. Black had been essentially a bond salesman, rather than a completely rounded investment banker. He had been connected with a commercial bank mostly

rather than an investment bank. I would have said that in many ways their personalities were similar and that they got along very well with each other, because Woods was obviously somebody that Black was instrumental in choosing. He was the person who appointed Woods to all these jobs that Woods undertook for the Bank before he became President.

I didn't see Woods in operation, so I can't personally say how his personality and relationship with staff differed from Black's. But I can say this: Black had a remarkable ability to get along with people even when he was saying "No" to them. A borrowers' representative once said he would rather be said "No" to by Black than "Yes" to by Bob Garner. The staff was devoted to Black, because he symbolized the rebirth of the Bank after the inter- regnum following Eugene Meyer's resignation. By and large, they thought he was a warm and understanding person who had very close relations with most of them. He used to play golf with them, attend staff functions, and so forth.

My impression is that Woods' relationship with the Bank staff was less easy to begin with because -- at least as I have heard said, I can't say on my own first hand knowledge -- he treated Vice President Burke Knapp somewhat roughly. This would have an effect on other staff, because Knapp was a very trusted figure in the Bank. It may have been that Woods was doing this primarily because he thought Knapp was so powerful he had to be, in effect, put in his place. If that was the case, I think it was not justified. I understand that relationships with members of the Board also became difficult later on, whereas

Black's relationship, even with Board members who disagreed with him because they thought he was too conservative, was always very warm.

OLIVER: It has been suggested by others that on occasion Mr. Woods might tend to be a bit sharp in his language and in that sense might have been rather more like Mr. Garner, who I also have heard could be a bit sharp.

SOMMERS: I don't think the Garner analogy is a good one. Garner, I should say as a preliminary, made a major contribution to the Bank by being very tough minded to begin with. He was very much more conservative than George Woods. For instance Garner would say, "Why should such and such a country have a water supply system in its town? When I was brought up in Mississippi [or wherever it was], we didn't have any water in our house." Things like that. That was not the George Woods technique at all.

George Woods had a sort of sardonic manner, which I believe he thought was being humorous, which might well have been misunderstood by people who came from a different background or a different environment than the New York financial community. An example of the Woods humor which conceivably could be misunderstood was one time when I was negotiating with George Woods about First Boston's commission in an offering of some European Government's bonds. It was a so-called parallel offering with a World Bank loan to the same government and in which the World Bank, as it frequently offered to do in those days, had agreed to make a stand-by agreement to take up any of the bonds offered by First Boston and not taken up by the market. I said that First

Boston was not an underwriter, because it was not taking any underwriting risks, and that it should not have an underwriter's commission, merely a sales commission; and we knocked that ball back and forth between us for five minutes or so. Finally I said, "Well, George, I usually agree with your views, and even when I don't, I understand what you're doing. Here I don't know what you are doing." There was a pause, and George said, "Well, Dave, I guess I am chiseling." Apply that sense of humor in some other cases, and you can understand why some disagreements might have arisen. But whether that was the real nature of the problems that may have arisen after I left, I can't say.

OLIVER: Did Mr. Black and Mr. Woods continue to be close friends and associates during the whole of the Woods administration?

SOMMERS: They did not continue for several reasons. First, Black moved out of Washington and was not in contact with the Bank very much. But I also think Black's feelings were hurt by some things that George Woods did, such as, minor as it seems, changing the Bank's travel agency arrangements from American Express to Cooke. This hurt Black because he was a Director of American Express. Whether it was something more than that, I can't say. I was not close enough to either of them during the period to be sure, but they certainly were not as close from that point on as they had been before.

OLIVER: Regardless of the personalities involved, everybody seems to agree that a great deal was accomplished in the Bank during the Wood's presidency. I wonder if you could comment on what you think are some

of the major achievements. What are some of the aspirations that George Woods himself had for the Bank?

SOMMERS: Well I think George Woods made some very significant contributions to the Bank, and the Bank made some very significant progress under his regime. By the time he took over, it had not become a major factor in resource transfer. It really began to move in that direction during the Woods regime. I believe also that its lending performance -- the quality of it, its appraisal and supervision work -- grew more sophisticated as did its knowledge of the developing world: it increased enormously. To a great extent, of course, this was somewhat inevitable. When the Bank started, people in the West didn't know much about the developing world except as colonies. They didn't know much about development lending, didn't know much about development economics. To some extent, the improvement was not the work of any one person, but a change of knowledge and attitude in the developed world, a greatly more expert and representative Bank staff, and so forth.

However, Woods made a number of important policy changes -- perhaps not announced as such, but changes in attitude, away from the somewhat excessive conservatism that the Bank went in for in the early days -- rightly, as I believe. I know about these in general because, before he took office and afterwards, George Woods asked my opinion on many of these issues. During the first couple of years during his regime, I was very favourably impressed, partly because he was doing some of the things that I thought he should be doing and had said so.

I thought some of the restrictions that had developed during the

Garner days were much too narrow. For example, as I remember it, the Bank would not finance city water supplies although it would finance irrigation, because water supplies were not "productive" and irrigation water was. I thought this was ridiculous. Similarly, the Bank earlier had viewed other international organizations like the FAO and the WHO, with a sort of supercilious air and didn't want anything to do with them. I thought that was wrong and suggested to Woods that the Bank was in such a strong position that it could benefit by cooperating with these other international organizations, particularly the ones that had strong technical staffs. That was one of the things that George Woods undertook at an early stage. At that stage, it looked better than it does now because some of those same organizations have seriously deteriorated since.

OLIVER: While you are on that subject of relations with other international organizations (we can come back in a moment to your elaboration of other achievements), might I just ask about relations with the International Monetary Fund? I am aware of the fact that Mr. Woods asked Irving Friedman to come to the Bank from the International Monetary Fund in 1964 and this resulted in a great deal more interaction between the two. Was that a positive achievement do you think?

SOMMERS: I can't say, because I wasn't there. I do think a very valid criticism of the Bank management applicable mostly to Garner in the early days was to keep the Fund at a distance. This was particularly true in administrative matters. It was ridiculous that the Bank and

the Fund should have separate pension plans, should have separate administrative facilities, particularly when they were all in the same building; but, with some exceptions, the relations were not very good. On the other hand, on the operational side, part of the blame should be assigned to the Fund because they used to make a great fetish of the confidentiality of all their information and said that the Fund couldn't let Bank staff have access to it, couldn't let Bank staff go on Fund missions (although Fund staff could go on Bank missions).

Over the years, on the operational level that has improved greatly particularly between the staffs. I can't say how much if any of the improvement can be attributed to George Woods. On the administrative side in the early days, the Bank staff was much better paid than the Fund staff, but later on the Fund staff got much more generously treated in many respects partly because it didn't grow as rapidly in size and partly because the Europeans regarded the Fund as more their organization and the Bank as a US organization, and because they regarded the Fund as an asset and the Bank as a liability.

OLIVER: You were talking about some of the major achievements -- changes that were for the better in the World Bank that occurred during the George Woods years in the Bank. I interrupted you. You were talking about the relations of international organizations in general.

SOMMERS: Well, I think a major Woods plus was getting IDA launched at a significant level. He was not involved in the creation of IDA or getting it started or in the forming of the original concept, but, under his regime, the replenishment that took place in the late or mid-

'60s was a difficult negotiation; but I wasn't involved in it, and you could get better sources of information on that.

OLIVER: You did tell a story earlier about George Woods' initial reaction to IDA when you talked to him once in New York.

SOMMERS: Well, that was another example of George Woods' humor that might have been misunderstood. I was given the assignment by Black of going to New York and talking to our leading syndicate managers about IDA, because Black was afraid that their initial reaction might be the same as his would have been before he became an IDA advocate, namely that this "soft-lending" was not a reputable activity for any respectable lending institution. I went to Woods whose reaction had been the same, but when I said to him, "George, if you were a banker who had two branches, one of which was making regular loans on the basis of creditworthiness and the other of which had in effect grant money that you could make available to borrowers that were in trouble, don't you think that would improve the quality of your regular loans?" He said in effect "I certainly do, and I am now an IDA supporter."

OLIVER: That's marvelous. Was George Woods' presidency an even presidency over the five years, or was there a noticeable change about half-way through?

SOMMERS: I can't answer that. At some stage in the Woods presidency, he asked me to be his representative on an India economic relationship arising out of the Bell economic mission. I was then in the Equitable, and I said, "No, I didn't want to head this up," partly because I didn't want to leave the Equitable where I was very busy and partly

because I didn't think the Bank's influence on India's macroeconomic policy would be very effective. I thought Nehru was primarily governed by political considerations, rather than economic. The Bank got John DeLattre to take on that role, and I think the results confirm my decision not to take it on. I would certainly not have wanted the Bank to get involve in recommending currency valuation adjustments on which it was not expert, a subject I thought was not really its turf.

Coming to Europe in answer to your question, Woods asked me to go to Europe to see if Europe -- Western Europe, the public and private community -- would support the organization of an international counterpart of the British Overseas Development Institute, then headed by William Clark. I did that and came home and recommended against it, because I thought a domestic organization would be much more influential with the U. S. Government and the U. S. business community and public opinion. George did not like my recommendation. Except for those two matters, I didn't have anything much to do with him during the rest of his regime. So from my personal point of view, there was this kind of a change, but whether that parallels something that was going on in the rest of the Bank, I can't say.

OLIVER: Let me ask you a very general question. I'm not sure if there is any easy answer to this. On the face of it one might suppose that New York investment banking community is not a likely place to find somebody who has a global vision and a personal commitment to the development of low-income countries in the world. It appears that George Woods was very anxious to see the Bank succeed and was genuinely



concerned with raising living standards in the rest of the world. Is there an anomaly here, or. . . .

SOMMERS: No, I think this happened to Gene Black, and to all of us. Our vision of what was possible grew as our vision of what the reality was became clearer. We all were seeing a lot of things, we were meeting a lot of people that we had never had any contact with before. Americans didn't have either the advantages or disadvantages of being colonial administrators. They had a political and social sympathy with developing countries.

Gene Black -- up from Georgia, although from the Georgia elite -- must have had in his mind parallels with the South before World War II. George Woods, up from a very modest start in the world -- I think as an office boy in the First Boston -- saw the same thing happen here and so in a way this disadvantage of local Wall Streetism was joined by the advantage of the American idea that change is possible and desirable. I think all of us after World War II, up until at least 20 years later, were fairly idealistic and thought that there were more possibilities of international cooperation and multilateral organization achievement than perhaps we now do. Except for the Bank and the Fund, the record has not been too encouraging.

OLIVER: You had the opportunity of serving as a consultant for many years while Mr. McNamara was President of the Bank. Would you care to add some comments on that period of the Bank?

SOMMERS: Well, McNamara was a very different type of person and accomplished many things which hadn't been accomplished before. I'm

sure that some of his predecessors disagreed with some of the things he did; they have told me so. I have said that if they had been President of the Bank when he was, they would have done many, if not most, of the same things -- perhaps not at quite such a fast pace. McNamara, for whatever the reasons -- some people say this was expiation, some people say this was how he always runs things -- had a kind of drive and dedication to the development mission that was more pronounced than in the case of Black or Woods. People think of him as the typical Harvard-Business-School-trained President of Ford Motor Company, but I think it's better to think of him as a statistically trained missionary.

He had a clearer goal in his own mind than his predecessors. I personally think the goal was more clear than reality justified. For example, the Bank -- this is probably due in part to Hollis Chenery who was a strong influence on McNamara as chief economist -- used to put out papers saying that if all countries, developed and underdeveloped, do what they should, absolute poverty can be eliminated by the year 2000. Aside from the ridiculousness of completing any sentence that begins, "If all countries, developed and underdeveloped, do what they should" -- aside from that, talking about absolute poverty and an objective by a certain year is completely different from the way Black and Woods thought. McNamara was a planner and a quantitative thinker. Neither Black or Woods was that kind of a person.

On the other hand, McNamara did increase the contribution of the Bank enormously. He got the Bank into all kinds of areas into which it

had not dared to venture: education, rural development, urban development, health, population. On the one hand, I think it is very difficult to deal with development without considering things like that. On the other hand, there is danger in the Bank's trying to become a universal expert on all subjects under the sun. I think Black and Woods, even given the same objectives and vision that McNamara had, would have gone about it somewhat slower.

OLIVER: You mentioned education and agriculture as major new thrusts under McNamara. I think there is some evidence that education and rural agriculture lending really began in the George Woods days. George Woods himself thought of the Bank as having become a development institution rather more than a bank by '66 and '67.

SOMMERS: I think that is true. I always thought that the argument about whether it was a bank or a development institution was confusing. Obviously it was both and should be. Nevertheless, the term did protect against the idea that the Bank should act like the private market, which nobody really believed who was connected with the Bank. If it had acted like the private market, there would have been no justification for its existence. But Woods did become less restrictive about lending policies, and agriculture as opposed to irrigation was one respect. I don't remember about education, I don't remember about housing -- when all that came in. In these respects, as in almost everything connected with the Bank, it's not easy to say "This began here precisely." It was a gradual evolution as the needs of the Bank and the needs of the world evolved.

OLIVER: I think in his oral history, Mr. Knapp says something to the effect that the McNamara years would not have been possible as they evolved had it not been for the Woods years before.

SOMMERS: And the Woods years would not have been possible without the Black years. Absolutely. I agree with that, and I think most of the people in the Bank staff would agree. One progress that I think was made under George Woods, and certainly was made even more strongly under McNamara, was in the increasingly representative character of the staff. During the early days, the staff was overwhelmingly American. I think under Woods non-Americans got more and more positions. A beginning was made on getting people from developing countries, and that was increased and extended by McNamara. Women always have been under-represented on the Bank staff, and McNamara made a big effort in that area. I think some beginnings of that were made under Woods too.

I think under Woods the Bank staff not only became more representative but much more expert. It was partly because expertise in development work was becoming more widespread. When the Bank started, there were practically no development economists. There were very few engineers or technicians who had experience in developing countries, except in colonial bureaucracies. Later on the Bank was able to recruit people of that kind. I think it was under Woods that the Young Professional program developed, although I believe it was started under Black.

OLIVER: May I just comment in passing that the early Woods years were the years when economists themselves were gradually acknowledging that

human beings are capital as well as consumers and that, therefore, various kinds of activities that made human beings wiser or stronger were investment kinds of activities. Gradually they began to perceive that education is instrumental in development, and then better drinking water, and better nourishment, and even better housing. But it took a long time for the economics profession to come around to perceive that.

SOMMERS: Yes, I agree with that, but at the same time, as the economics profession began to perceive the importance of all those activities -- urban development and education -- the tendency grew in the international field as it had in the domestic field to ignore the political and social difficulties involved. Under the McNamara regime, the Bank embraced this concept of basic human needs, a very legitimate concept. But the papers on this subject would usually start with saying: "Of course social and political considerations must be taken into account," and then twenty-five pages would go on in economics.

In the urban development field, a young friend of my son has been hired by the Bank to go down and live in some of the Bank's urban settlement projects as a native and see how the projects and the Bank's activities look from that perspective. Some of the innocence of the Bank in approaching these projects as reported by him is really rather astonishing. His name is Larry Salman, and he is now writing a book on the subject.

OLIVER: Can you illustrate the Bank's innocence?

SOMMERS: To start a housing project and ignore the difficulties. Having to move a whole group of families off a place where they have

been living for centuries on the basis of a decision made in the capitol may be very much resented by the local people. There may be difficulties in trying to get coordination from the whole group of bureaucracies in a developing country -- some central, some local -- which has never worked together before: also difficulties arising out of the phrases "Basic Human Needs" and "Absolute Poverty" which led the Bank and some of its critics to say, "Well, the Bank's housing projects are not dealing with the poorest of the poor." Mostly they weren't, because the poorest of the poor are not easy to work with in housing projects, as the United States housing programs of the thirties demonstrated pretty clearly, particularly if you want to have your housing and urban services projects replicable, as the Bank's phrase is. You've got to deal with people who have an incentive and self-interest in making a big contribution of their own.

Also the Bank was not aware of the fact that you can't give people services that are lower than their expectancies even though they are considerably higher than their experience. In some cases where the Bank thought that it would be enough to have a water supply with central water taps every few blocks, every block or so, for people who had had no water before, the Bank was surprised to see that people wanted water in their own homes.

OLIVER: Well, then, to be the Devil's Advocate just for a moment: To discover this presumably has required additional personnel, or at least an increase in learning by the existing personnel of the Bank. In a sense that runs contrary to what I understood to be the earlier

suggestion that maybe the Bank has grown larger than it really needed to be, or that it has attempted to find out more, sort of knowing everything about all development phases.

SOMMERS: No, I think there are two separate questions. One is the size of the Bank. More staff doesn't necessarily mean more expertise; it can mean more bureaucratic layering. I think the Bank suffers now, not only from the size it has achieved in staff, but also from the speed at which it grew to that size -- particularly if you then reach a level where you have to cut off and that means that people can no longer look forward to promotion and so forth. I don't profess to know what is the ideal size. Particularly in the realm of economic research, it could have gotten along with far less internal research and much more farming out -- bringing people in for a year or two, and so forth. I think the Bank generally has had far too many economists, and probably still has.

Apart from size, there is an issue of what is sometimes called arrogance. This doesn't apply only to the Bank. There is an inherent arrogance in lending or giving away money. It doesn't make any difference whether it's a World Bank official or a Ford Foundation official, or Congressman. They often feel they know better what the borrower or grantee needs than the borrower or grantee does, and maybe that's true in some cases. But they should listen before they decide.

I think that in the urban development area that I mentioned, the Bank staff is to be praised for putting out a report on these issues called "Learning by Doing." Many people might say that the Bank should

have known these things in advance, and I think to a certain extent that is true. But I like the idea that they feel they are learning as they are going along. I think that is very healthy, and I think it is very healthy to have the lending operations and the appraisal process be in effect a dialogue rather than a series of dictates by people in Washington. I think the Bank is trying to do that, and I hope that it will continue to do so.

There is one part of the Bank we haven't mentioned. I don't know the Woods' role in it. That is the IFC. At one point, whether it was under Woods or McNamara, a change was made. When Bob Garner stopped being President of what was then called the IFC and Martin Rosen took over (you may know that date), Rosen persuaded the President of the Bank to let him and IFC get out of the business of what I might call the wholesale financing of private enterprises in developing countries.

The work of the Development Finance Division was originally operated by IFC even though it might result in a Bank loan. Rosen got rid of that, partly I think because he wanted more independence from the "Bank bureaucracy". I always thought that was a mistake. I thought IFC and the Bank should be more closely related, and I thought that the concept of IFC, if it was restricted to making investments at retail from Washington, was much narrower than it would be if it also had this wholesaling function. Perhaps under the present regime of Bill Ryrice that will change; but at least during the McNamara regime, IFC did not rank very high in the Bank priorities. Promotion of private enterprise did not rank very high, and I think if the DFC operation had been in

IFC and if the IFC Executive Vice President had had the title originally conceived of as President of IFC, it would have given a somewhat different balance to the Bank Group's efforts.

OLIVER: I understand that Mr. Woods asked Mr. Rosen as Executive Vice President of IFC to sit in on the meetings of the Presidential Council, which implied, I take it, that the head of IFC was regarded as being on the level of the other vice presidents in the total World Bank operation.

SOMMERS: This is true. But IFC gradually became a more separate operation, and you hear the IFC people saying they don't want to get involved with all that red tape and paper work and layers of review.

OLIVER: Before I stop the tape may I officially thank you very much for the time you have given to this project today. We will certainly look forward to seeing the typescript.

