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A CONVERSATION WITH CONGRESSMAN WILLIAM STANTON

WASHINGTON, D.C.

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CONVERSATIONS ABOUT GEORGE WOODS AND  
THE WORLD BANK

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OLIVER: I might begin the conversation by asking if you would tell a bit about your background, your years in Congress, and how you happen to be in the External Relations Division of the Bank; and then you might talk a bit about the IDA Replenishment issues before the American Congress over the years.

STANTON: Well, I was very privileged to represent the 11th Congressional District of Ohio in the Congress of the United States, first being elected in 1964 and serving 9 nine consecutive terms, or 18 years. The 11th district comprises the outskirts of Cleveland, Akron and Youngstown, in Northeast Ohio. It is a great exporting area of the United States and the fastest growing area in Ohio for the last several decades. During that eighteen years in Congress, I spent the entire time on the House Banking and Finance Committee, the entire time on the Sub-Committee on International Finance, and 10 of those 18 years as the ranking Republican and Minority Leader on the Banking Committee.

OLIVER: Could I just interrupt to ask if your experience before you were elected to Congress had been in banking or fields related to this?

STANTON: No. In those days, your election to a specific committee was determined by the leader in your state in Congress. We happened to have a man by the name of Clarence Brown, Sr, who was head of the Rules

Committee, a real power. 1964 was a disastrous year for the Republican Party. We lost 30 - 40 seats, and elected only three new Republicans between the Allegheny's and the Rocky Mountains. I was fortunate enough to be one of them. In 1964, two Ohio members lost: Bob Taft lost in a bid to move on to the United States Senate and left the Banking Committee, and a man named Oliver Bolton left to run as "Congressman at Large" and regretfully lost. He was also on the Banking Committee; so there was a vacancy in the State of Ohio, and when I got to Congress I was told that I was very fortunate, that I would serve on the Banking Committee. While my father had been a business man, a banker, I never myself was active in the industry.

OLIVER: So you came to Congress and had the opportunity of serving on the Banking Committee. What sort of issues in general came before the Banking Committee? When did you begin to be aware of the Banking Committee's interest in legislation dealing with the World Bank?

STANTON: Well, you know in retrospect, the amount of time and energy that one spent as a committee member on all international matters was dwarfed by the domestic banking industry. The first that I got involved in culminated in the One-Bank Holding- Company legislation of 1969 which laid the groundwork for the formation of your holding companies and the commercial banking structure that exists today -- the major changes in what we call the 408 Statutes of the Federal Reserve which constitutes what are and what are not banks: What is the proper roles of banks in functionally related businesses?

It wasn't long, though, before you became cognizant that under our

responsibility came all of the authorization for the international lending institutions. When I came on the Committee, there were one large one and one regional bank, and early in my first year in Congress we saw the formation of the second regional bank. It was true then and it is today that the World Bank in its separate facilities -- the IDA, the IBRD, and the International Finance Corporation -- dominated the action on the Committee as well as it did in the lending world. The Inter-American Development Bank, of course, was new at that particular time, had much motivation and interest by congressmen, and was extremely popular. My first year in Congress saw the formation and the founding of the Asian Development Bank and then, of course, in later years, before I left the Committee, the establishment of and then finally our membership in, the African Development Bank.

I think that, looking back, we were in an era of complete change as far as our relationship with the international lending institutions were concerned. In 1965, for example, it had only been five short years since the Republican Administration of Eisenhower, with strong bi-partisan support in the United States Senate, literally forced upon the Bank, as I understood it in those days, the existence of the soft-loan window of the International Development Association. It had its strongest support from western states who, I think, perceived of it truthfully as a method in which we could secure financing for the excess grain and agriculture products that they found themselves with. For one reason or another, motivated for economic or humanitarian reasons, it was lukewarm, to say the least, on the part of the Bank at

that time. It had to be talked into it.

OLIVER: So it is your feeling that the idea for IDA really originated in Congress rather more than in the Bank itself?

STANTON: That is absolutely a true statement. But, and history will show, the records will show, the Bank only accepted, as I understand it, reluctantly. To see it in a relatively short term of five to seven years, an institution started by encouragement of Congress, and then not to support it financially, sometimes reluctantly, certainly not enthusiastically, one has to wonder why.

OLIVER: The name Mike Monroney is sometimes mentioned as one of those who was a strong early supporter of a soft-loan approach. He was still in Congress when you were?

STANTON: Yes. He was at that time. Of course he was no longer associated with the legislation as far as I can remember, at least in the House side, at that time. The records in the '60s, and the testimony will show he did play a very big part in the formation of the legislation -- along with the Eisenhower Administration.

As I look back on it, there were a couple of reasons why Congress' attitude toward IDA changed. The annual authorization and appropriation for the IBRD, which was considered a hard loan business, an excellently run institution, was never challenged in Congress. We accepted what was proposed by the Treasury Department. We on the Committee accepted whatever general capital increase it asked for, and much the same attitude was handled by the Appropriations Committee.

The criticism rested strictly with the IDA -- soft loans. I think

as you examine the records, this came about for several different reasons. Number one, I think, you would soon discover that the majority (literally almost 60 percent, I think) of the funds went to India; and this was in good times and bad, under one ruler or another; the Indian Government was either pro-American or not pro American. It was a source of pain for many congressmen to support the IDA when the majority of money went to India, and you read in the papers that they were anti-west, and so forth. That was true in that particular era, not necessarily noncooperation with the West, but certainly not a close ally.

Secondly and equally important was the general feeling that the Bank was not -- when I say the Bank, IBRD -- a give-away program, was not foreign aid. IDA was, and the 50-year grants became a source of contention. The economic condition of the United States. . . Why you're building railroads and dams, communication systems, with our taxpayers money when we don't even allow it in our own country? A backlash appeared, and these two reasons, I think, combined to make it most difficult. Then there is a question if IDA expanded too fast. A 60 percent jump was a little bit more than Congress was used to at that particular time.

There were a lot of side interests in the period of the late '60s. Led by Congressman H.R. Gross of Iowa, we found one year that the IDA authorization was in trouble because of the Bretton Woods Golf Course. One year I remember debating that on the House Floor. It was extremely damaging. It had come up in previous years when the IMF had built the

golf course.

OLIVER: Could you say a little bit more about that? What was the criticism? That there was a golf course at all? or. . .

STANTON: The criticism grew in an animosity towards international public servants. The fact is that members of the institutions could not play golf. They could not become members because the memberships in local clubs -- they weren't discriminated against, there just weren't any vacancies. They waited too long to become members, or it was too expensive. It did not sit well with members in Congress who did not play golf, or, if they did play golf, they had no problem playing golf locally. The majority did not because they went home. But this was something that. . . Once again the idea of going out and building a country club with taxpayers funds was something that was driven home, and it was very damaging to the image.

OLIVER: About what year was it that that became a particular issue?

STANTON: Don't hold me to this, but it was in the late '60s that this started, became an issue.

OLIVER: Is it still an issue to this day, do you think?

STANTON: No, no. Over the years this issue has lost interest. . . IDA never was particularly popular at all with the Republican members of the House. I was always a strong supporter, a believer in the idea of multilateral lending. We had some great battles in the late sixties over the value of multilateral or bilateral support. In general some of the best debates that I can remember were over this one subject. Not specifically the World Bank, but the principle. I thought we had

solved that question forever in that it was determined by a majority that the best bang for the buck of the taxpayers money was multilateral institutions for a variety of reasons, not the least of which was a recognition that you can't try to buy friendship as you do with bilateral aid. And two, the expertise that you receive from people in the projects, which both the Inter-American Development Bank and the World Bank were performing around the world was far greater in acceptance and in quality than the projects you support if you do it bilaterally.

OLIVER: Could we then come back to your earlier comment about the concern for the large amount of IDA assistance that was going to India. Clearly the political allegiance internationally of India was a matter of some consequence, and yet, if one accepts the principle of multilateral lending, then presumably the international organization in charge of the multilateral lending has got to be free to choose for itself how the multilateral lending shall go?

STANTON: There is no question of that, and there was not in any time in history to my knowledge when any member of Congress attempted to establish by law a percentage per country of allocations. They cannot, of course, and they have not attempted over the years to dictate to the Bank, which is against the charter. What they can do is direct the U.S. Executive Director of the World Bank to do this or that. We later got into, as the years went on, regrettably, a lot of those things. The biggest thing that I ever remember was palm oil became a big issue, and citrus fruit, and sugar and different commodities that were in

short supply. Congress would send a strong signal, and the Bank cooperated over the years. Of course the amount of aid to India has declined in percentage to the other donors to 1985 where you have not only China but India both combining at 40 percent maximum of the total disbursement of IDA funds.

OLIVER: Well, do you think the American Congress would have become involved in second guessing the Bank so to speak if there had never been an IDA in the first place?

STANTON: I've always been proud that Congress had pushed the idea of IDA, and I think it was important in history that you recognized that this was the first time the international community as a whole made concessionary lending a goal, worldwide. They made poverty officially a recognized social problem of developed countries, and I think, for this principal alone, we should always be very proud that we initiated it. I think that it's regrettable that, for one reason or another, we never quite sold the American public on what we do, and what we did. That was one of the things in my determining what I was going to do after Congress: to come here.

OLIVER: Perhaps, since I asked that question at the outset, maybe you would tell a little bit about how you decided you would come to the Bank.

STANTON: Well, I'll be glad to. I found myself voluntarily retiring. As I approached 60 years of age and 18 years in congress, I became very tired of being a lifetime in the minority. If I could have become Chairman of the Banking Committee in the next four or six years ahead,

I would never have left. I did not have that confidence that Republicans would become that strong. After awhile, it became true that you could almost stop anything in the committees, but you couldn't pass a darn thing on your own without majority support. So in turning to somewhere else, I looked at my experience on the committee . . . I had some offers, from Wall Street and New York . . . And yet I had a love of this institution and recognized that maybe I could be of a little help. I suffered financially in coming here from what I could have gotten from the big city international centers. I wanted to come here and I've never been sorry. I have been very happy the last two and one-half years.

OLIVER: One of the things you do is to maintain liaison with Congress?

STANTON: By all means. One of my prime responsibilities is to make sure that the individual members of committees involved with our legislation, and all others, are aware of what the issues are. How we look at it. We do cooperate totally with the Executive Director of the United States and try to help him in any way that we can, public relations wise. We're all after the same goal. It was just an advantage having served there and knowing the ball players to be able to relate to them our particular problem.

OLIVER: In the '60s in particular did you have the feeling that the Bank was getting its message across to Congress adequately?

STANTON: No. There is no question that they were not. There is no question that they genuinely felt in those days that there was no need to. The Bank was a much smaller institution. Congress, as I say, even

on our committees spent very little time on international affairs. The situation did not basically change over the years. The priorities of the Congress even today, while we here at the World Bank think the World rises and sets on one particular loan or another, it's not a top priority to Congress. Their own domestic programs and policies are number one. They have the over-riding subject of war and peace. Domestic programs and the budget consume the majority of time and interest for members of Congress. And so that even today we are still a low priorities item for the Congress.

OLIVER: It has been suggested from time to time that it has never been clear whether it is the job of the Bank, the people in the Bank, to somehow deal directly with Congress in an attempt to get their message across, or whether, on the other hand, the Bank should rely on the United States Treasury Department to intercede, so to speak, with the Congress and present the case for the Bank. Does that seem to you to have been a dilemma?

STANTON: Yes. You had different eras involved. In the late '60s and, of course, in the early '70s, we experienced an extremely rapid growth of the Bank. You did not find any closer ties with Congress then as you did when the Bank was smaller. In fact, you grew apart even further.

OLIVER: Why was that?

STANTON: I think this was once again the recognition of the leadership of the Bank. The fact is that whatever the amount that was determined by the administration as the U. S. contribution to IDA or IBRD, this

was a responsibility of the administration to see that Congress was informed. It is certainly true that the success of an operation in this regard depended upon the dedication of the administration. You see people that did it very well under the Democratic administration and those who did not do it well under the Republican administration.

OLIVER: Was it such a partisan issue that the Democratic administrations worked harder at. . . ?

STANTON: It became very definitely in the late '70s and the early '80s, Bob. If it wasn't for the Democratic majority in the House of Representatives, I doubt, myself, today, we would see the IDA as it is now exists. Once again the Republicans got it into their minds that it was a give-away program. Going into more recent days, the rapid expansion of the Bank in the Sixth Replenishment probably was the low point. It was too big of a jump. It would never pass the House of Representatives. It was thrown into what we call the continuing resolution. We're now just coming out of it, and I think IDA Seven suffered for it.

OLIVER: What was the year of the Sixth Replenishment?

STANTON: It was supposed to be passed in 1980. It was first proposed by the Carter Administration in '78, and it was never passed, even authorized, until the first year of the Reagan administration, in '81. Then they, unilaterally in that year, changed it from a three-year authorization to a four-year authorization.

OLIVER: So as to reduce the annual amount?

STANTON: Well, it did reduce the annual amount. What basically it did was to throw back IDA Seven one additional year. We lost a year, which the rest of the donors help to make up for, but only to a degree.

OLIVER: What is your own prediction today?

STANTON: Well, my own prediction today is that we will enter into early 1986 seeking an Eighth Replenishment. I think that we will reverse the tide of the Seventh Replenishment, which was in reality a 46 percent cut in real terms compared to the \$1.08 billion that the U.S. authorized for IDA Six in 1977, compared to \$750 million in 1984. I think that prospects are good for at least the same amount in IDA Eight and perhaps a little bit more.

OLIVER: People you personally talk to on the Hill are more sympathetic that they were 7 years ago?

STANTON: Well, it's a combination of things. It is the recognition of the fact that the institution has dramatically changed. A decade ago, better than 60 percent of the IDA authorization went to India. At that same period of time, the contribution to sub-Saharan Africa, for example, was under 15 percent. In IDA Seven, that commitment was spelled out by the Directors of the Bank to be in the minimum of 35 percent, and I would think, no question in my mind, in IDA Eight you will see that it is somewhere between 40 and 50 percent, and there are many more advocates for concessionary lending to sub-Saharan Africa than there were to India.

OLIVER: Is this primarily because of the poverty in Africa, or because

of the international alliances?

STANTON: It is a combination of both. We're dealing with some real poverty in truly non-creditworthy countries. Secondly, there is more compassion today for Africa. It's the real poorest of the poor. Poverty is very evident and existing. Then, to exacerbate the issue, the drought question of the last year and a half came about and there was a media concentration on the starving and dying in Africa, about 6 months after the completion of IDA Seven. I have no doubt in my mind the IDA Replenishment would have been higher if it had coincided with the disclosure of the damage caused by the drought.

OLIVER: Could you say just a bit more about the earlier attempts of the Bank in the '60s and the '70s to get its message across about IDA. Did the Bank have anybody like yourself in those days whose primary concern it was to be in touch with people in Congress?

STANTON: Not to my knowledge. The Bank had one employee and he's still here, but his job was one of monitoring different committees and reporting back to the Bank. He had the reputation of being well liked, but he in no way had any particular influence on legislation.

I think that there again the institution looks upon itself, and rightly so, as an international institution. We never appear before committees of Congress, but, in recent years, we certainly have gone to the point of informal consultation. We make specific attempts not only in the U. S. but with legislatures around the world to apprise them of the goals and the hopes of the Bank, and we find a good reception to that. We concentrate on Great Britain, Germany, Italy and other

countries. Governments and their tax payers are interested in this institution, and they are glad to know. It is not a lobbying process. It is an educational process. Most country legislators do not vote directly on our budget. The United States and Switzerland are two that do. In most cases, the average parliamentarian, especially in Europe, is not that familiar with the work of the Bank. We're attempting to overcome that.

OLIVER: Do you personally, on occasion, meet with people in Parliament in European countries?

STANTON: Oh yes. I've taken advantage of the fact that for many years I was on what they call an exchange of legislators' program in the Common Market countries, and, through those years we had a home and home sessions of four and five day duration in which they would come here in the spring and we would go there in the fall, or vice versa, and we would go to different cities like Munich, Dublin, Paris, etc.

OLIVER: It sounds like a marvelous job.

STANTON: It was an excellent exchange program. All of these countries' representatives whom we met with came from the European Community. This was before they were elected members of the Community. After they became elected, it was still, as far as they were concerned, one of the most prestigious committees that they could serve on. Over here, it is an ad hoc thing, but over there it is a recognized committee. So now what we have done in recent years is getting those who attend meetings involved in knowing what the World Bank does.



OLIVER: It has been said that when Mr. Eugene Black was President of the World Bank, it did no harm to the Bank that he was a very close friend of Richard Russell, in particular, from Georgia, but other Congressmen and Senators from Georgia as well. The question is: Does the personality of the President of the Bank enter into the relations between the Bank and Congress?

STANTON: There is no question of that. And no reflection on any of the individuals involved. But looking back, looking at several years of involvement, Eugene Black had the best built-in reservoir of good will. He, of course, was a living legend in his time, and his close relationship with very powerful members of the Congress is recognized. McNamara had many friends within the Johnson Administration, but had a different type of personality. He was advised on some occasions not to come to the Hill? He was a man who knew where he wanted to go and what he had to do to get there. He was more pragmatic. Mr. Clausen is well liked, well known, and has made himself available to individual members of Congress. This is necessary, in order to keep a good relationship with our Number One stockholder.

OLIVER: Could you amplify just a little bit just what you meant when you said Mr. McNamara was advised not to come to the Hill?

STANTON: Yes. There was a period of time in which Bob McNamara was advised not to come up on the Hill under the theory that this was an international institution. To this day, the International Monetary Fund follows this theory. This is not true with Mr. Clausen. When he is invited to a meeting with members he goes. He has met informally,

and is a good friend of present majority leader, Senator Bob Dole. He has been to the office for courtesy visits during the years that I have been here with George Bush, Howard Baker, Speaker O'Neill; and it has helped.

OLIVER: Do you happen to remember what sort of relations there were between George Woods when he was President of the Bank and people in Congress?

STANTON: This was before my time but I never heard anything but good about him. He had a lot of strong ties in the U. S. Government.

OLIVER: Speaking of George Woods, and Eugene Black also?

STANTON: Both of them had good personal relationships with Congress. It wasn't so important then. The money wasn't an issue. We should throw one other item in that has caused criticism for the Bank and has affected legislation. We alluded to the Palm Oil and citrus problems. World economic conditions brought home to America competition from abroad. As the IFC grew in importance to Third World Countries, we supported for domestic reasons a product that later turned into exports. They competed with American production here at home. That lost us many friends.

OLIVER: Has there been a tendency in Congress to write into the legislation a tied-loan procedure? Was a suggestion that American exports have to be related to the dollars made available?

STANTON: They unearthed many, many versions of that fact. The authorization here in 1985 for the Bank in the United States Senate went flying through the Senate Finance Committee and was reported out

to the full Senate floor, but word got to Senator Lugar that Senator Dominici was interested in his own state's copper, and there were amendments that the Treasury felt they couldn't live with. That was the prime reason that that legislation was not brought to the floor.

OLIVER: This is legislation to expand the capital of the Bank or to replenish IDA?

STANTON: This was the legislation that would involve an increase of capitalization for the IFC, not the general Bank capitalization itself.

OLIVER: Did you yourself run into any problems with your constituents in Ohio because of your strong support of the Bank and IDA?

STANTON: Not that I can remember. You always found a certain element of what I would call the right wing -- where the Republican Party would criticize strong international support. My constituents never did. I come from one of the top ten export-minded districts in the United States. We had in our area, the rubber capital of the world:

Goodyear, Goodrich, Firestone; Akron and suburbs. We had the great chemical shores of southern Lake Erie; in those days, Union Carbide, Diamond Shamrock, etc. In addition, it's a large plastic center: products, are sold internationally.

A certain element of the Republican party has always strongly supported the World Bank and international institutions. Surprisingly (this came as a surprise to me), the Number One state in the Union for support of international lending institutions is the state of Michigan. This was true of Jerry Ford, when he was Congressman, Minority Leader and President of the United States. It is true today of the ranking

Republican on the House Foreign Affairs Committee, a man named Bill Brumfield -- holding up that great tradition. Many say it goes back to Vandenberg's day, and this has been a consistent policy. I remember well in 1980, '81, in World Bank legislation, of the then 16, 17 members of Congress for the State of Michigan, all but one voted solidly for the institution, and that one happened to be later our Director of the Budget, Mr. Stockman. Mr. Stockman was mostly opposed to international institutions.

OLIVER: If I want to meet somebody who works in the Committee and Congress to ask more questions of the sort that you and I have been talking about, whom should I go to?

STANTON: There is one man above all others, and that is a man called Dr. Paul Nelson. Paul has been director since 1965 of the Banking and Currency Committee. I'm sure he would be very happy to talk to you, and I'll be glad to set it up.

OLIVER: Are there any questions that I should have asked you and that I haven't asked you?

STANTON: No. I think perhaps, it's worthwhile, that you read some Committee Prints I have of the transcripts of our Banking Committee and its involvement with international legislation. I have some years right here but I don't have all of them.

OLIVER: This is what, Hearings. . . .

STANTON: This is all the Hearings, of the Committee of Banking and Currency. I have many years up there [on the bookshelf]. But I don't have '66, '67. There is a book here of 1960 which is the best one to

show who wanted the World Bank and why, the original message of the Eisenhower administration to the Congress. I had Mr. Clausen read that when I first came. He took it home and read all the marked sections, so he became familiar with the background. As I say, I will be glad to set up a meeting with Dr. Nelson. How long will you be here?

OLIVER: For another 10 days, and I may very well be back in the fall sometime. Well, let me thank you very much officially on the tape for your kindness and your very good information. I've appreciated your interview very much.

STANTON: Well, you're very welcome.