

THE WORLD BANK GROUP ARCHIVES

ORAL HISTORY PROGRAM

TRANSCRIPT OF INTERVIEW WITH

**ARMEANE CHOKSI**

Interview By: John Heath

Washington, D.C.

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[Transcribed from a digital sound recording]

The following is a transcript of an interview conducted for a special oral history project on the McNamara years. The project, led by John Heath from 2016-2018, was a partnership between the 1818 Society and the World Bank Group Archives to capture a social history of the experiences of staff during President Robert S. McNamara's tenure (1968-1981).

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## INTERVIEW

**HEATH:** Today is the 18<sup>th</sup> of October, 2016. I'm here in Washington, D.C., in the Archives at the World Bank Group. My name is John Heath, on behalf of the special project, Oral History McNamara Years. I'm very pleased to be here with former Vice President, Mr. Armeane Choksi.

Mr. Choksi, I wonder if we might start by asking you -- take you right back to when you were, you know, a young man. How did the World Bank enter your radar screen? When did you first become aware of it as a possibility?

**CHOKSI:** I became aware of the possibility of the Bank when I was at graduate school. I was doing my PhD in Economics, and I was at the University of Minnesota which is a very mathematical school. By the time I got my PhD, I thought I had got a degree in higher mathematics, and very little economics, and I was very interested in issues of development. I started looking around where I could apply what I learned, to issues of development, and at graduate school I discovered the World Bank.

**HEATH:** Now, I understand that your first degree actually, you are a chemical engineer, at the University of Edinburgh?

**CHOKSI:** Yes. That's right.

**HEATH:** So, how did you get from being an engineer to an economist?

**CHOKSI:** Well, I'm from India, and in India you are either an engineer, or a doctor or a lawyer. (Laughter) So, my parents said I should be an engineer. And what engineer? A chemical engineer; so, I went to the University of Edinburgh and did chemical engineering. Then I worked for a year as a chemical engineer, at a British company near Birmingham, called Albright and Wilson.

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*Verbatim*

Then, my first job was on a Plant Commissioning Team, where I had to wear a hard hat and boiler suit, and on the Plant Commissioning Team, I had all this ammonium phosphate fall all over me, I mean, it was just awful. So, I decided this was not the life I wanted to lead, but as you probably well know in the British system, once you get down one route, you cannot get off that track.

So, I wrote to my Professor at Edinburgh saying I wanted to get the hell out of where I was. So, he said, I'm going to McMaster University in Canada, why don't you come and do a master's degree in chemical engineering there. So, anything to get out of the ammonium phosphate environment, I went to Canada. And then did a master's in chemical engineering there.

There, I discovered that in the United States you can do an undergraduate in A and a PhD in B. So, that's when I switched over, and I went to Minnesota because I was advised that was the most mathematical school. I had no economics background, and this would give me a leg up. So, I wound up at Minnesota, the University of Minnesota. I actually toyed with the idea of going to business school as well too, and I did get admission to the Wharton Business School.

But one of the professors down there was a bit of an intellectual snob, and he said, going to business school is really not what you want to do. You really want to do something intellectual. Go and do a PhD in economics. So, that's how I wound up doing the PhD in economics.

**HEATH:** Now, when you joined the Bank, did you meet other people who had previously been engineers, and who became economists?

**CHOKSI:** No. Very few -- I cannot recall anybody. Most of them either were economists, trained as economists all the way, or they were business students, or they were from the Colonial Service.

**HEATH:** Right. The reason I mention this, it's because I read a fascinating article a few years ago about Hollis Chenery, and he apparently started off as an engineer.

**CHOKSI:** Yes. That's right. That's right (laughter). You are absolutely right, I worked with him. I'd forgotten about him. Yes.

**HEATH:** So, you know, I wonder if -- you mention the higher maths, I mean, obviously that is something as an engineer which, I guess, gives you a particular skill in certain types of economics. How did your facility with maths influence your career trajectory in the Bank, shall we say?

**CHOKSI:** It was interesting that my very first assignment was as a YP, on an Industrial Sector Mission to Tanzania.

**HEATH:** Just to put this in perspective, this was in 1974?

**CHOKSI:** 1974, July 1974. At that time, I was taken on an Industrial Sector Mission to Tanzania, and my job was to look at the pricing system, and I looked at it fairly carefully, and just to give you an example, they had seven people at the National Price Commission controlling all prices all over the country. This was fashionable at the time.

I wrote a piece that basically said that this didn't make much sense, and I also used my mathematical facilities to prove my point, (laughter) which was completely irrelevant of course at the time. But at that time when I did that piece, it was sort of fairly controversial, because McNamara was very much in love with [Julius] Nyerere, and the Ujamaa villages, and my piece of the report was very critical of the pricing system. So, it was relegated to Appendix 5 or 7, or something of that sort.

But then I used my mathematical facilities, because after that my second YP assignment was in the Hollis Chenery's Group of Policy Research, and there I started doing the research and policy type activities. There I could use it. It was never very useful on the Operations side. It was useful in the Policy and Research side, where I spent time as well.

**HEATH:** So, could you say something about the type of research you did when you joined

Hollis Chenery's outfit?

**CHOKSI:** I did a lot of work with Larry Westfall at the time who was Division Chief. I was in his Division, and the work on that was -- and I worked with -- I think I was in what was known as the Development Policy Staff, and then there was a Development Research Center. So, actually, working in the Development Policy Staff, I worked with colleagues in the Development Research Center a lot because of my mathematical facility. We worked basically on developing mathematical models using mixed-integer programming models to develop optimal location, and pricing and all that for industrial plants.

**HEATH:** Right. So, input-output analysis; that sort of thing?

**CHOKSI:** No. It wasn't input-output analysis. If you are familiar with the terms "operations research" where they do linear programming?

**HEATH:** Yes. Yes.

**CHOKSI:** Okay. This is what is known as mixed integer programming, and that is, you use where the technology and the cost function is not linear. That there is a fixed cost, at any plant, there's a fixed cost, right, and there are operating costs.

**HEATH:** I see.

**CHOKSI:** So, the way to address that issue, the fixed cost component, was to take the technique known as mixed integer programming, which is just a variant on linear programming.

**HEATH:** Now, this brings me to the question about technology.

**CHOKSI:** Right.

**HEATH:** I mean I presume what you were doing was dependent on computer technology to some extent. Did you use the mainframe computer in the Bank?

**CHOKSI:** Yes. We used those punch cards as well. In my previous assignment with Albright and Wilson, we had these tapes and punch cards, yes.

**HEATH:** Do you remember what type of computer it was, that the Bank was using at that time?

**CHOKSI:** I think it was a Control Data, CDC.

**HEATH:** I see. All right. Now, was it difficult to get time to work on a computer?

**CHOKSI:** Yes. You had to sort -- you had to program, you know, you couldn't go in any time to do that, so you had to --

**HEATH:** So, maybe you ended up working late at night sometimes?

**CHOKSI:** Oh, yes. Yes. Yes. We used to be here sometimes till 10:00 o'clock at night.

**HEATH:** Yes?

**CHOKSI:** Yes.

**HEATH:** I understand that the Research Department had a prime claim on the computer, but you must have been competing with other users in the Bank. What sort of other users were there?

**CHOKSI:** I don't really know, but I think primarily --

**HEATH:** Maybe the payroll people, for example?

**CHOKSI:** Yes. I don't think any Operations staff would particularly using that.

**HEATH:** I see. So, if you were wanting to work out a rate of return on a project you would just use a -- I don't know, calculators didn't exist --

**CHOKSI:** Yes. Reverse Polish notation. (Laughter)

**HEATH:** Reverse -- right, exactly, the old Hewlett-Packard?

**CHOKSI:** The Hewlett-Packard. Yeah.

**HEATH:** Yes, of course; fascinating. So, did you have much to do with Hollis Chenery? Did you work closely with him?

**CHOKSI:** Not particularly, no. I was actually -- after I finished my YP assignment, I stayed with that Division for my permanent assignment, and I can't remember, I think probably in '76 or something, I then became what was called at the time the Research Administrator. I think it was [Benjamin] Ben King who was then the Research Advisor, and the research advisor's sort of -- the role was to sort of set up a group to analyze which type of research should be, fine, funded; which should not be funded, in which Hollis Chenery played a very important role in that.

But I worked as a Research Administrator getting the sort of things going, so to speak, for the Research Advisor, and I would sit in on the Research Committee which Hollis chaired. But I didn't have a close relationship with him.

**HEATH:** What did you think about the agenda for research in those days? I mean, you said that when you were in Tanzania, you were skeptical about the approach taken there. And of course, you could say that McNamara's focus on -- I mean, did you sympathize essentially with his view of --



**CHOKSI:** No.

**HEATH:** No?

**CHOKSI:** No, no, no.

**HEATH:** Tell us something about the differences between your view and his.

**CHOKSI:** Yes. I mean, McNamara's view was very much public sector oriented. His notion that development was being driven by the public sector, so in those days, as you probably know, the Bank was heavily involved in infrastructure and also in industry, and a lot of the Bank's money went directly to the government.

The way the decisions were made, as you know, was through project analysis using shadow prices, and Ian Little, whom I got to be very close with, you know, he was a big proponent at the time, he wrote the Little, [Sir James] Mirrlees' book on shadow pricing.

So, everything was geared in that direction. Actually, I told Ian at one point, I said, I really don't understand this business about shadow pricing. You know, you say that's the optimal allocation, how you decide the allocation of resources, but the government doesn't change its policies. What the hell is the point of you all doing all this stuff? And he sort of laughed. I still remember it, he said, well, we hope that over time the government policies would adjust, pricing would adjust with the shadow prices.

But anyway, the long and the short of it all was that the Bank's mindset, both on the research side, and in the operation side, was very public sector oriented, and therefore you did things like input-output tables, input-output analysis, you did linear programming, mixed integer programming, which is all "central planning" type view of the world. That was the world that was very much everyone was in. And then after my research administration stint, I was on the WDR, the second WDR, World Development Report, and --

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**HEATH:** Did you say rural development?

**CHOKSI:** World Development.

**HEATH:** World, yes, yes. Do you know what the theme was? Do you remember? Did they have a theme in those days?

**CHOKSI:** Yes, it did. It did. I think it was very much on industry.

**HEATH:** Industry, right, right.

**CHOKSI:** It was very much on industry. I did a paper, a background paper for the WDR, called *State Intervention in the Process of Industrialization*, and I basically made the case that planning was passé, you've got to get away from that, you've got to privatize, deregulate, open up markets.

And my god, when the paper was reviewed, I got hammered. I got hammered by everybody. All the senior people in the Bank, they said this was the worst paper they have ever seen, except for two people who supported me, both are dead now. (Laughter) One was Béla Balassa, who was the research side, and the other as Ben King, who was also very market oriented. So, the theme of the Research Department and also the mindset was very much central planning through projects.

**HEATH:** I have to ask you a question about -- Just imagine if you had gone to Harvard or Berkeley, I mean these were the -- You know, you've heard of the distinction between the freshwater and the saltwater universities when it comes to economics?

**CHOKSI:** No. Tell me.

**HEATH:** Well, Chicago and Minnesota are both freshwater.

**CHOKSI:** Meaning.

**HEATH:** Essentially, meaning market functions essentially --

**CHOKSI:** No, no. I understand, but where does the fresh and salt come from?

**HEATH:** Well, Chicago is on a lake so it's fresh water.

**CHOKSI:** Oh.

**HEATH:** And I guess there are lots of lakes in Minnesota.

**CHOKSI:** Yes, there are. I see, okay, okay. This is the first I've ever heard of that. Okay.

**HEATH:** Whereas, Harvard and Berkley -- Anyway, so the question is, if you'd gone to, let's say, Harvard or Berkeley, instead of Minnesota, do you think you would have come out with a different view?

**CHOKSI:** Do you know; you know, actually what is very interesting is that -- I hate to say it, but I learnt very little economics at Minnesota.

**HEATH:** I see.

**CHOKSI:** I did graduate; I didn't go through the undergraduate. And it was all mathematical and --

**HEATH:** So where did your bias towards market fundamentalism come from?

**CHOKSI:** It came from working in the Bank.

**HEATH:** I see.

**CHOKSI:** Going to all these countries, seeing what was being done. When you started to see what these governments were trying to do, I mean, even as a young 29, 28, 30-year-old, you say, you know, this is, this just doesn't make any sense. Then I started reading the literature, particularly when I had to do this WDR, and the academic literature on this thing was way ahead of where the Bank was.

**HEATH:** That's interesting.

**CHOKSI:** Way ahead of where the Bank was-- The Bank was sort of stuck about ten, fifteen years behind what the academic literature was. I thought I had done basically a good paper based on the academic literature and everything and it got blasted to hell. It was only in 19 -- whenever the oil shock of '78. Do you remember that?

**HEATH:** '79, yes. The second oil shock, yes.

**CHOKSI:** That's when the mindset started changing in the Bank.

**HEATH:** All right. We'll talk about that a bit later.

**CHOKSI:** Yes.

**HEATH:** I just wanted to ask you, so you went to Tanzania, and you spent --

**CHOKSI:** Yes.

**HEATH:** Tell me something about how that set alarm bells ringing, in terms of your sense that the Bank was too heavily into state-oriented planning and so forth. What lessons did you learn from Tanzania?

**CHOKSI:** Well, I think the most important lesson was very simply that, you know, we did this industrial and mining sector report. You look around and you see, and we went and visited factories, and they would tell us what they would do to circumvent the government. They would tell us, you know, how they would sort of -- I mean, I there was a whole different market operating down there. You begin to see that, and then in my assignment to the development policy staff, part of our job was to go to other countries, right? I mean, work with the Operations people. You were sort of loaned out to them.

I went to other countries like Egypt, saw the same old story. I mean, several other countries I went to -- and that basically made me look and see that this didn't work. Though it was very interesting in that after my WDR stint, I went to Indonesia, and Shahid Hussain was the Vice President at the time.

**HEATH:** So, you were in the Resident Mission in --

**CHOKSI:** No. No.

**HEATH:** Okay.

**CHOKSI:** Over here. And McNamara wanted -- now this was post-'79, so we may be jumping ahead. But at that time, it was interesting. McNamara wanted someone to do a report on the whole industrial sector in Indonesia, and Shahid Hussain picked me to do it. I thought that was sort of ironic given where McNamara was coming from, but McNamara basically wanted to open up Indonesia for the private sector. So he had a change of heart after that.

**HEATH:** Yes, interesting. So, you really were ahead of your time when it came to thinking about, you know, economic development, and so forth. You could say that your thinking was probably more in line with Anne Krueger than it was with Hollis Chenery.

**CHOKSI:** Very much. She was my thesis advisor. (Laughter)

**HEATH:** Oh, right. I see. That's fascinating.

**CHOKSI:** Yes.

**HEATH:** So, at an early age you were -- well, I mean, that explains, perhaps, why you -- I mean, she must have been a fairly rigorous -- she must have given you lots of input, no, in terms of your thinking about economics, I mean --

**CHOKSI:** I didn't take any courses from her.

**HEATH:** I see. Okay.

**CHOKSI:** Because she was not known, I mean -- sorry -- I didn't take any courses from her -- I did take trade courses, but either she wasn't teaching at the time, or she was away in the times when I was -- the semesters, and I can't remember what. So, all my trade courses were all very theoretical, and she is not, I mean, that theoretical, she's much more empirical. But she had the reputation, she was known to get students to finish the thesis and out.

Whereas these theoretical guys made you sort of fiddle around with obscure theorems for the rest of your lives. So, I went to see her. I said, I haven't taken a course from you, but you've got this reputation, and I want you to be my thesis advisor.

Her reaction to me was, I don't know you, but let's you and I have an understanding, that if you don't perform up to snuff, then we part ways. I said, I would like to have that agreement with you as well, too. That if you are not the thesis advisor I think you are, then I'd like to have the option to walk on. We've been good friends ever since. (Laughter)

**HEATH:** That's a nice story. So, Milton Friedman won his Nobel Prize in 1976, I guess you

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would say it was the first sign of the way the world was going, and as you've put it, the Bank was 15 years behind. So, when you wrote your paper for WDR, which intellectual sources most influenced you? Can you remember which?

**CHOKSI:** I can't remember.

**HEATH:** No. I see.

**CHOKSI:** I really can't remember.

**HEATH:** Fair enough.

**CHOKSI:** I mean, we are talking about a '78 thesis (laughter).

**HEATH:** Yes, of course, a long time ago.

**CHOKSI:** I do know that I thought -- I still remember the shock when I went to the meeting and I got pummeled. I thought, my god, it's all in the literature, I'm not saying anything new, you know. It was viewed as pure heresy. In fact, it's very interesting, the mindset was such that subsequently when Anne came in as Chief Economist, there was a WDR being done; WDR was operating under her aegis on Public Sector Management.

Either the outline had been done and she told me it was the most appalling thing she had ever seen. I think there somebody else in charge of it. She said, I am not going to put my reputation behind this sort of stuff, and she canned the guy who was leading it, she threw that whole outline out and got somebody else and redid the whole thing.

At time, I still remember, privatization was a dirty word, because I remember talking to the people at the time saying on the WDR Team that, you know, if you go Public Sector Management, you are going to talk about how -- what are the limits of that, and you've got to

privatize. They said, oh, no, we cannot use the word privatization.

**HEATH:** So this is before Margaret Thatcher, before Ronald Reagan, and this was in the late-'78, you would say, around there?

**CHOKSI:** No. '78 was when I did my WDR, this was sort of probably just after Ronald Reagan came in.

**HEATH:** Right; in 1981, thereabouts. Fair enough, yeah.

**CHOKSI:** I think that was Anne's first year, and that first year was the first year when Tom Clausen was President, so it was post-McNamara period.

**HEATH:** Right. So, is it fair to say that when redistribution with growth came out in 1974, very influential document, presumably that rubbed you up the wrong way. You didn't agree at all with it? Or did you?

**CHOKSI:** Actually Montek S. Ahluwalia, was a close friend of mine, and, you know, when it came first came out I was just new to the Bank, so I hadn't formed my views there as you said -- as I mentioned to you, it was all mathematical. But then after time, I formed my views, I thought, my god, this is completely the wrong way for the Bank to be going. It was an uphill fight in the Bank, for a long time, for a long time, and we can get to it later on afterwards.

**HEATH:** Yes, sure.

**CHOKSI:** But even post-McNamara, it was very difficult to change the mindset of people, partly because of the incentive systems that had been set up in the Bank. So, even when you were doing the operations work, you know, every time you would see a project, you would say, hmm, I'll do the project, I'll finance the project. For example, when I was working on Indonesia, I would tell people on the Project site, no, this project should go to the private sector.



You know, you've got to do the pricing, and all that sort of stuff, and there was a constant struggle. I told Shahid Hussain subsequently when I worked for him in Latin America, when he was Vice President there. He made his career in Brazil with public sector steel plants. I said, everything you've done, I have to dismantle now, and privatize all those awful steel plants that you've set up. (Laughter)

So, it was a gradual transformation, but even when Anne came the early days, this was immediately after post-McNamara, it was a constant battle of ideas for her.

**HEATH:** When McNamara took over in '68, I mean, he had already had -- he already had ideas about the need to tackle poverty -- I mean.

**CHOKSI:** Mm-hmm.

**HEATH:** In some cases, he had been to conferences where he presented the security perspective, for example.

**CHOKSI:** Right, right.

**HEATH:** Were there any entry points for you into that debate on the need for poverty reduction? I mean, or was it something separate from your interest?

**CHOKSI:** No. It was not a disagreement on objectives, a disagreement on means.

**HEATH:** Right. Okay.

**CHOKSI:** And that's where my disagreement was many of the people like Mahbub ul-Haq, for example, was; because I became, over time, a firm believer in economic liberalization, and I did a lot of work in that subsequently, and we can talk about it if we ever get to that. But constantly the notion was very much what the Indian planning mentality used to be, or commanding heights

was the way to sort of address poverty issues. These people, they don't really understand incentives, and they don't understand how to set up markets. So, we've got to do it for them. That was very much the mindset, and my argument was, on the contrary. I used to quote many of these people that – I forget, some economist who was given the Nobel Prize in Agriculture, for his work in agriculture --

**HEATH:** Theodore Shultz.

**CHOKSI:** Ah! That's right.

**HEATH:** 1966.

**CHOKSI:** That's right. Good for you, yes.

**HEATH:** *Transforming Traditional Agriculture.*

**CHOKSI:** That's right. You know, I used to refer to that. He showed that farmers do respond to incentives.

**HEATH:** Probit efficient?

**CHOKSI:** Yes.

**HEATH:** Right. So, let's see. A caricature, I mean some people say, you know, the trickle-down theory, does it work? Were you prepared to believe that the trickle-down theory doesn't work? I mean, was that more your line --

**CHOKSI:** You know, I've always found this trickle-down -- I've never found that a very convincing term to describe what happens. I mean, I've often joked with some of my other friends, that what you are recommending is trickle-up poverty. I see a clear distinction between

the public sector approach, and I'm not saying that there should be no role for the public sector, and I never made that case, but I thought in the developing world, there was a much, much more, greater room for market forces, and for the government to step back.

When I did that report on Indonesia, I still remember it was a fairly long report, it caused a hell of a stir in Indonesia. In fact, somehow a copy got leaked and it got on the cover of the *Far Eastern Economic Review*, and it criticized -- it had on the cover, who was then the Chief Economic Architect called Widjojo [Nitisastro], and saying: Indonesian industry faulty design, and why paper weighs more than cement. You know, I mean, those sorts of things were in there.

The government had an absolute fit over it, and they wouldn't let that report go to what was -- I don't know if it's still done, go to gray cover, they stopped it in green cover. Then I have to say, both Shahid Hussain and McNamara stood behind that report. They didn't flinch, though they were other Vice Presidents in the Bank, when I was looking for a subsequent job. They said, oh, Armeane caused these problems, we can't have him in our thing. So, I mean, I have firmly sort of been of the view that, you know, you have to give market forces a much, much greater play than has been the case.

**HEATH:** Right. Now, although you say you were fairly innocent of economics when you arrived at the Bank, I mean, could we argue that your skepticism about state-led development had some roots in your Indian background, the work you did in it -- I mean, the exposure you had?

**CHOKSI:** You know, when I was young and innocent, I was young and innocent. (Laughter) I never had formulated any views, and certainly not strong views. I mean, I was an engineer. I mean, you don't get into all this stuff.

**HEATH:** Right. Okay. Was your father in the public sector or the private sector?

**CHOKSI:** No, no, he was in the private sector.

**HEATH:** Private sector, right, okay. And he didn't influence your thinking in that respect?

**CHOKSI:** No.

**HEATH:** I see. Okay. Let's talk a bit about what it was like to work in the Bank in the '70s? Did you have any contact directly with McNamara? Did you?

**CHOKSI:** No. I never had any contact with McNamara while he was in the Bank, but after he left the Bank. I was again tapped -- he was going to give a talk at the CGIAR, the Consultative Group -- Yes?

**HEATH:** Yes, yes.

**CHOKSI:** -- on Africa, and I who had no knowledge about Africa, was asked to write the speech for him. (Stifled laughter). So, I then worked very closely with him, I gave him an outline, he liked -- changed it, he made changes, he liked the outline. And then, very interesting, he said to me, I'm very a very numbers guy, he said to me.

**HEATH:** Yes. All right.

**CHOKSI:** I'm a very numbers guy, and I want numbers, so I'll be coming back to you and asking you for all these numbers.

**HEATH:** Which period was this?

**CHOKSI:** This was --

**HEATH:** Was it after he left the --

**CHOKSI:** Yes, yes, yes. Yes.

**HEATH:** Okay. I see. So it would have been in the '80s sometime?

**CHOKSI:** Yeah. Early '80s; early '80s.

**HEATH:** Okay. Fine. Sure. Carry on, please.

**CHOKSI:** And he said, I like numbers, and he would call me up and he said, can you get me this figure, can you get me that figure, blah-blah-blah, so you would do it. I still remember it, one day he called me at home, and he said: you know, I want to make the case that Africa needs \$6 billion, and I can't get the numbers to get to that.

**HEATH:** Okay. Yes.

**CHOKSI:** So he says, you know what I'm going to do? I'm just going to change the numbers. Who am I to say, don't change the numbers?

**HEATH:** Right, of course.

**CHOKSI:** So, I said, okay. Then he called me back again some other time, oh, I don't remember what it was -some other time -- I know what it was, about some price reduction didn't fit with something, I can't remember what it was. He said, these numbers don't add up. What am I going to do about it? I said, why don't you just change the numbers? He said, yes, that's a good idea. (Laughter)

I mean, he was -- he was an interesting character, the impression I had about him in the Bank, because he was sort of way up there, and where everyone --

**HEATH:** That's what I was going to ask you. In the '70s what impression did you have of him?

**CHOKSI:** Yeah. He was of an ogre of a man who had a view, and you didn't quite challenge that view, or if you challenged that view you have to be pretty close to him. I mean, everybody was on a yes-sir, no-sir basis with him; that was my impression. But when I worked with him, I got a completely different impression of the man. So, I don't know whether my impression at the Bank was the right one or the wrong one.

**HEATH:** Well, if you read the various oral histories, people described something rather similar to what you are saying, from a distance he seemed to be very forbidding, but once people got to know him –

**CHOKSI:** That's right.

**HEATH:** -- they found that, you know, he would respect your position, if you took a strong position. But as you say, he did have this, what some might describe as a rather naïve fixation with concrete data.

**CHOKSI:** I wasn't surprised, because everyone knew about his fixation with numbers. I was surprised how fast and loose he was with numbers. That's what took me aback.

**HEATH:** Yes, I see. Do you remember -- I guess, what, you arrived after the 1972 reorganization.

**CHOKSI:** Yes, I came '74.

**HEATH:** So that probably didn't mean anything to you.

**CHOKSI:** No. Nothing.

**HEATH:** But there was nevertheless a continuing tension in the Bank between the project departments and the area departments.

**CHOKSI:** Mm-hmm.

**HEATH:** Do you have any -- Did that enter into your thinking in any way? Or do you have any feelings about that? Any thoughts about that?

**CHOKSI:** When?

**HEATH:** Well, generally.

**CHOKSI:** I did have thoughts about it later on, but not at that time.

**HEATH:** Not at that time. I see. All right. Okay. Well, tell us a bit about your thoughts later on, and we'll see if we can --

**CHOKSI:** I was aware of this tension, but when I was in the Operations side in Indonesia, as an economist, I did my economics work. I didn't -- and at that time the view was very much that -- the loan officers and the divisions, and whatever they were called then. Did the loan work with the projects people, and they worked together. I wasn't quite sure ever how. But, subsequently, I was involved with the 1987 reorganization, and there it's sort of hit me, and --

**HEATH:** Some people would say the '87 reorganization which incidentally, McNamara was called in as an advisor, I think. That helped to reinforce the trend that he had set in place in '72, in the sense that it shifted power away from projects towards areas.

**CHOKSI:** Yes. Yes, it did. It did. And as a --

**HEATH:** Does that -- Right, does that shift make sense to you? I mean, would you --

**CHOKSI:** Yes. At that time, I thought -- and I still -- I mean, I don't know the latest structure, so I have no idea what's going on now. I know that Wolfensohn did something with Networks, which I've never quite understood, and now Mr. Kim is doing all sorts of things, so I don't

understand that either. But at the time, it made sense to me, "on paper" and then I was made Country Director for Brazil, and then Brazil, Peru and Venezuela.

If your focus is country, if you are organized on country lines, and if your relationships are with the country, you want the other side to know that you can deliver "what it is that you are doing" rather than somebody who is working on a project today in Brazil and tomorrow in Vietnam. Right?

There's no continuity, and just to have some Division Chief be the main link, he is not accountable; he cannot control the guys on the technical side, so I was very much, and I thought that that creation, and then I lived through that creation made an awful lot of sense.

**HEATH:** Right. Another theme from the McNamara period was the, you know, massive expansion of the lending program, you know, the number of staff, et cetera.

**CHOKSI:** Right.

**HEATH:** Some people wonder whether that expansion lending in particular led to some falloff in the quality of projects, there could be a tradeoff. I mean, what's your sense about it? Was there a --

**CHOKSI:** I think that there are pluses and minuses to that, and the expansion of lending was very important if you wanted to have influence in these countries, because they only talk to you if you had money behind it. So, in that sense it gave the Bank a much larger footprint in many countries, particularly before the debt crisis. After the debt crisis a whole different story, particularly for middle-income countries.

But it gave a large footprint. So, you had greater influence, not only in the creation of the projects but influencing overall policy as well. I think the downside of that was there was the go, go lending culture. You've got a project, I'll finance it, and I get it done [rapping the table for



emphasis]. So, yes, there was -- my sense was that there were too many projects done. Some were clearly of poor quality. And a classic example was, I know that in Colombia, for example, every two years or three years the government would say, we need another power plant.

The whole power pricing policy was a complete disaster, everything was a mess. If you were subsidizing power, you are going to need more power, and you are going to be able to -- more power plants, and the Bank was there ready jumping in all the time. You know, just cranking out one power plant after another.

So you had a lot of that. Where, I think, the Bank was never very good at, was these Integrated Rural Development projects which started coming along like mad, and in the sectors of education, health and population and nutrition. Yes, there were some good projects, but during the McNamara period, I got the sense that -- and I didn't know too much, but that was my sense, but then when I became Vice President in the early '90s, and I was therefore human capital; and I had a full-scale review of all the projects of the Bank at that time, and they were a disaster even then.

In fact, that was a report that was kept away from Wolfensohn, because he was very keen on all those activities. So, I think the Bank never quite got the handle on that -- on infrastructure by and large, it did a good job, except that in the early McNamara years, they never really addressed policy side of it all, it was just to get a project going, using shadow prices and hope for the best.

**HEATH:** All right. If you are thinking about health, education and population, these areas where you say the Bank went wrong in the 1970s. I mean, these are areas quintessentially associated with the public sector.

**CHOKSI:** Yes.

**HEATH:** So, are you saying that they didn't leave enough space for the private sector in those areas? Or, what was the problem?

**CHOKSI:** The problem was, has been, and I think it probably still is today, that in the developing countries the best and the brightest go to ministries of finance and planning, and the people who are not quite up there, go to education and health, et cetera, right? That's problem number one, that's at the central side.

These projects are best handled at the local level, right, not from a central operation. So, the local level the quality of the people working down there was even poorer. The Bank focused very much in all these areas on the public sector side, never recognizing that the private sector had a role as well. When I was responsible in Latin America, I had a lot of discussions with the government, and you could see, there were a lot of private sector activities.

For example, in Peru you could have a public sector clinic and a private sector clinic side by side, the lines were for the private sector clinic, nobody would go to the free public sector clinic. Then on education, again when I was Vice President, I had a policy paper done on education, which basically talked of opening up the system.

Tim Lancaster, he called me, he was then Education Secretary in the U.K., and he said, this is the sort of stuff I would like to see getting done here, but the International Teachers Union came in, and chewed my head off, the whole bunch of them.

So, I think that the Bank had viewed infrastructure as public sector, particular during the McNamara years, and the social sectors as public sector, there was a transition post-McNamara, where infrastructure was viewed sort of more private sector role, so never that -- I didn't, at last when I was in the Bank, I never quite saw that transformation in the social sectors.

**HEATH:** You mentioned Integrated Rural Development as another example of a disaster? Why was that? Why did it fail?

**CHOKSI:** Because you try to make such a complex operation where there are so many moving

parts at the same time, and the capacity in the developing countries simply wasn't there. You cannot have people who are Harvard, Yale, or whatever-educated, sort of parachuting into these countries to supervise these projects. Advise them for a few days and then flying out again.

The bulk of the work is left down there, and very simply, it was an interesting concept, but I think -- I think the Bank's record, I suspect was probably -- I mean the Bank's evaluation, I think -- when I was in the Bank, said that many of these projects didn't turn out to be successful. Then when I became Country Director, I would look at some of the previous integrated rural development project that had sort of fallen by the wayside in Latin America, and I mean, it wasn't a surprise.

I think in that time, it was a situation -- I think this was McNamara's notion, if I recall correctly, Integrated Rural Development. I don't think very much thought had been put into it, and what I think the Bank had underestimated, certainly in these areas, as you go further down to the rural areas that the capacity to implement is simply not there. -- I doubt you could do that in U.K. or in -- You know, these projects are very complicated, they looked very nice on paper, but in fact very difficult to implement. I don't know if the Bank is still doing that sort of stuff or not.

**HEATH:** Going back to poverty, as you've conceded is an important issue. Can you think of, again, if you can, think back to the '70s? I mean, were there projects that for you made a significant difference in terms of poverty reduction that --

**CHOKSI:** I was not that involved with the project side at all.

**HEATH:** All right. Okay.

**CHOKSI:** So, I mean, much of my -- when I was in the operations side, or when I worked with operations, I was mostly functioning as an economist on economic reports, as opposed to getting involved in projects. I do know that the Bank used to do, when I was in Indonesia during the McNamara period, these development finance companies. When I was in Indonesia, I looked at some of them, from an economic point of view, and they were a disaster. They were a disaster.

But that was the only -- I mean, I had no sense whether the health or education projects that were being done were successful or not.

**HEATH:** So, you didn't really -- I mean those were massive expansion of projects, there are lots of staff appraisal reports written. Do you have any perceptions about the quality of the economic analysis in those reports, or?

**CHOKSI:** No, I don't.

**HEATH:** No? I see. Although you did mention previously that you were rather skeptical about the Little, Mirrlees's shadow pricing, and I presume --

**CHOKSI:** That didn't come from project analysis, that didn't come from looking at Bank projects, that simply came -- the Bank was very hot on shadow pricing at the time, and when I would go and see, that these countries were still struggling, and they were still trying to get off the ground, and what was happening to all these projects, and what was the rationale behind this, this is where I've sort of -- Ian [M.D. Little] at the time was also in the development policy staff, you know, for a year or two, or whatever it was.

So, that's when I would tell him I said, you know, you've pushed this whole notion of shadow pricing, what I see doesn't quite make any sense, so what the hell are we doing all this for. I mean, that was the approach I took, not that I was involved in a particular project that used shadow pricing and --

**HEATH:** But doesn't shadow pricing -- isn't its function to compensate for the distortions resulting from state interventions, so wouldn't that therefore be in line with your thinking? Or have I misinterpreted it?

**CHOKSI:** No. The simple reason, it simply tells you that this is the project you would do if everything was fine, but if the project -- let's take a power project, right, you do shadow pricing

you'd say this makes sense, and you put the power project in. But if they don't change power pricing policies; it doesn't make any sense at all. I mean that project has to be subsidized.

**HEATH:** Right.

**CHOKSI:** And that caused a huge hit on the budget, and so my question to people like Ian at the time was, you know, you've got "the optimal project" in a non-optimal environment. What does that mean?

**HEATH:** Right. Okay. Of course, to say that there wasn't a discussion about what probably belonged in the public sector, rather than in the private sector, that wasn't really discussed.

**CHOKSI:** No. There was never -- there was never any notion, at least when I was there in the McNamara period, there was never any notion that there were projects that the government was doing, would be best left to the private sector.

**HEATH:** Right. Okay.

**CHOKSI:** I remember one specific example, again, Indonesia during the McNamara period, there was a gas project, and I don't know, but somehow I would up in some meeting, or somewhere or the other, and I remember talking to these people saying, what on earth are you doing this gas project for? Why don't you get, you know, the private sector, why don't you talk to the government, go work with the government?

No, no, no, the private sector was strong enough, we have to do it. These guys were being graded based on how many projects they did and how much dollars they lent, so that also sort of adjusted the bias in the particular direction.

**HEATH:** All right. I see. You mentioned earlier that one of the people you did feel sympathy for was Béla Balassa, a great figure. I mean, can you say something, did you work with him?

Can you say something about him?

**CHOKSI:** I knew him, I didn't do any research with him, he was sort of with Johns Hopkins and he would be here a few -- and he did his own research, but he did a lot of work on trade as you know, and I, one of my fields was trade theory as well. So, he and I used to talk, we used to have lunch, you know, and he was one of the few people who would be advocating market solutions, or market approaches. His attitude was: if you don't want to do it, forget about it, I've got to go back and do my teaching. (Laughter). Then he would publish papers on it, and he would move on. I mean he never got seriously involved in the --

**HEATH:** So, he wasn't actually a staff member at the Bank then?

**CHOKSI:** No.

**HEATH:** He was a consultant or?

**CHOKSI:** He was a consultant, but let's call it a privileged consultant. He had an office. I mean, he would be there two, three four days -- two, three days a week or whatever it was I don't know, I don't know what arrangement he had.

**HEATH:** And was his work -- did it receive more positive appraisal when Anne Krueger came in?

**CHOKSI:** Oh, yes.

**HEATH:** All right.

**CHOKSI:** Oh, yes, very much so. Very much so.

**HEATH:** Another theme of McNamara was population planning, family planning. Did you

have any thoughts about that?

**CHOKSI:** I didn't have any thoughts about it during the McNamara era, because I didn't know very much about it. But when I did become Vice President, and I started looking at all these projects, and I started looking at studies, were demonstrated, when were projects successful, and when they were not successful, whether it was population, education, health, and you could see a very clear correlation between economic growth and success of these projects. In countries with low economic growth these projects were not successful.

It's not that you didn't have to do those projects, but the policy environment under which you did it became very apparent to me, anyway.

**HEATH:** Another creation of McNamara, was the Operations Evaluation Department. Did their work make any impact on you? Were you aware of --

**CHOKSI:** During the McNamara years?

**HEATH:** Yes, during the '70s, yes.

**CHOKSI:** Because they basically evaluated projects, right? So at that time I didn't know how they operated or what they did. Again, when I was Vice President of Operations Policy, I interacted with them, and that's where I understood what they did and how they did it. If they were doing it the same when, in the '70s, as they were doing later on, it basically became that the Operations Evaluation Department would do an analysis.

Then they would talk to their counterparts in Operations, they would be critical about it. The Operations people would be very sensitive about it, and say, you haven't quite understood what we were trying to do. Then there would be a sort of chipping away at their analysis. That's what I saw in the early '90s, I would suspect it probably was the same in the '70s, because their role was to question and evaluate, and of course there were things that were not being done well, but

then they would talk to the people who were involved in it, and you know, they didn't quite (crosstalk).

**HEATH:** Though they were supposed to be independent because they reported to the Board not to the President, do you think, in fact, that they were leaned on substantially by the Operations people?

**CHOKSI:** Oh, absolutely. If I recall, there was always an understanding that the report would be discussed with the Operations people before it went to the Board.

**HEATH:** That's right. I see. Okay. Let's talk more generally about the changes you perceived in the culture of the Bank in the 1970s, between when you joined in 1974, and towards the end of that decade. I'm thinking about the composition of the staff, the relations between different levels in the hierarchy, the way things were done, generally. I mean, does anything stand out for you?

**CHOKSI:** I think that what stood out to me was the increasing emphasis on economic analysis, particularly after the oil price shock, and greater move away from just project lending to what was then called -- the Structural Adjustment Lending (SAL). There was still the sort of go-go mentality even with these policy-based loans.

I know a case specifically in Turkey where they were the first SAL. They didn't meet all the conditions, so the second SAL, they didn't meet the conditions -- (laughter) they did five to address the problems, addressed in the first one because, you know, there was the desire to keep the money machine rolling. But there was a shift in that direction, and also --

**HEATH:** Tell us something about where that shift came from? What was fundamental in driving it?

**CHOKSI:** I think both McNamara and Ernie Stern, Ernie Stern played a big role in this, and I



don't know -- I can tell you the correlation, well after the oil price shock, more emphasis would be placed on economics, but I wasn't in any position to know what triggered that thinking. Maybe they saw that, you know, countries that had more flexible economies, more sensible policies, adjusted more rapidly. I don't know what it was that did it.

I know that that's a fact, but I don't know if that's what triggered it, but the focus then started shifting on doing loans with policies, and introducing more policy conditions in projects, as well, too, which was missing in the early days.

**HEATH:** Do you think that conditionality attached to projects? What was your perception of the record of that, in terms of getting results?

**CHOKSI:** My perception is that sometimes the governments did and the money was disbursed, and sometimes (laughter) the government didn't, and the money was disbursed.

**HEATH:** Policy-based --

**CHOKSI:** Particularly -- sorry -- Particularly on project, particularly on project-based policies, I mean, the emphasis was: get the project done.

**HEATH:** Right, sure. I mean, some people would say it was better to keep the policy in the structural adjustment phase, and try and, you know, keep the projects relatively light in terms of conditionalities, in order to just to get the thing to disburse, among other things. Anyway, going to the policy-based lending, in retrospect, looking back, what is your sense about, whether that -- how well that worked?

**CHOKSI:** I think that worked -- overall, it worked very well, I think. I think it changed -- the Bank was at that time still a very influential lender. You know, capital markets weren't opened, so the Bank had a big say, and policy-based lending brought the Bank into discussing economic policies. You know, first at the microeconomic level, but over time they realized that you cannot

separate micro and macro, and hence there was the tension with the IMF. So it brought the Bank very heavily into the policy-based base, and countries then listened to the Bank on policy matters. So, whether individual loans were good or bad, I think the overall thrust was a positive one.

**HEATH:** Even in Africa?

**CHOKSI:** Oh. Particularly in Africa, they needed it more than anybody else did. I mean, they may not have undertaken it, and the Bank may have said, oh, poor guys, you know, they don't have their capacity, let's give them the loans, --that was happening all over the world, everywhere. I mean, there was rarely a case where the Bank cut back lending if the countries "didn't perform."

You know, you kept your lending program the same, but you talked to them, you know, I mean there wasn't, --- all right we'd be talking to you about this for years, you know, we are going to reduce our lending. So, the Bank, I mean, some of us talked about a graduated response strategy, which basically said the more you do, the more we lend, type of stuff, the less you do the less we lend.

Never seriously implemented in any countries, so whether it's Africa, whether it's Nicaragua, whether it's Brazil, the flood of money kept going out, but it made the Bank a legitimate partner at the table to discuss policies.

**HEATH:** So, I guess the implication will be that today, the Bank's power in that respect is much less given the surge in the private capital flows, and so forth?

**CHOKSI:** Oh. Absolutely! In fact, I wrote a -- sometimes I get worked up, so I wrote a letter to the Financial Times once when I saw a piece on the World Bank's role in --

**HEATH:** It's still on Google, if you -- sorry, excuse me, if you Google your name, which I did,

forgive me.

**CHOKSI:** Oh.

**HEATH:** Then the letter shoots up, and it's about the second item on the page.

**CHOKSI:** Which letter is this?

**HEATH:** It's a critique of a Martin Wolf article. I don't know if that's the right letter but --

**CHOKSI:** Which one?

**HEATH:** Unless you wrote several letters to the Financial Times.

**CHOKSI:** Yes. I did several, Martin was a good friend.

**HEATH:** Well, I can't remember the exact one --

**CHOKSI:** This one is on some middle-income countries, this one was on middle-income countries, and I took a position, that after the debt restructuring of Latin America, the Bank showed that middle-income countries had fundamentally changed, that the middle-income countries now had access to capital. Many of the people who used to be in the World Bank were now running these countries, or the IMF, were there, so they had the capacity, they had the knowledge, they had the money to borrow, without all this excessive conditionality. Therefore, the World Bank was less relevant in the middle-income countries than it was.

I took the one further step which upset a lot of people, which basically said that the World Bank needed the middle-income countries now more than the middle-income countries needed the World Bank. Wolfowitz, I can't believe how strongly he disagreed with me on that (laughter). That's your opinion, but I'm not in the Bank anymore so that's my view.

*Armeane Choksi  
October 18, 2016  
Verbatim*

But I did see this incredible shift. When we were in Latin America before the debt crisis was resolved, during the Annual Meetings, there would be a LAC Governors and Finance Ministers lunch, and every Latin American Governor -- I mean, Central Bank Governor, and every Latin America Finance Minister, would show up, okay. After the debt crisis was resolved, or in the Brady Resolution, they'd send their underlings, these guys will be going up.

So, I mean, you could see -- I saw that transition taking place. And so yes, I think today when you talk about the World Bank as less influential on policy, you know, I think that's very true because of all these reasons. But the World Bank was always less influential on policies even in the old days when they started focusing on policies, particularly with the big countries, the Indias, the Chinas, the Brazils, the Mexicos, and I know colleagues of mine in India would say, you guys can talk all you want about policy, we are going to do what we want, we know you have to meet your lending targets, so you'll keep lending to us. (Laughter)

**HEATH:** All right. Ernie Stern in one of the interviews he gave for this oral history project, his reflection on structural adjustment lending, was that, yes, it was sound in principle, but it worked best in countries that had a good civil service, and had fairly sound institutions, and he didn't think it worked in Africa.

I mean, the question I was going to ask you is, you know, do you think -- I can understand the position you are taking about, you know, the importance of respecting the role of the market. But was there a danger that when you made that -- the Bank made that shift away from the state-led approach, it neglected the importance of institution building of any --

**CHOKSI:** I think the institution building has always been an issue, but I never understood -- I know Ernie had that position, I don't share that. If you are going to tell me that they don't have the institutions to implement policy, some of which are just eliminating; it doesn't take a whole lot to get your tariffs to be uniform. Right?

**HEATH:** Yeah, right. True.

**CHOKSI:** You don't need a lot of institutions. So, I don't buy the argument that because you don't have the institutions, which is true in many countries, that somehow these same institutions are going to put in place complex projects. I don't understand that argument.

**HEATH:** How is the process of building institutions and --

**CHOKSI:** Ah! Now, you are getting on to -- When I was at the Bank, I would always advocate for somebody doing some research on, do institutions follow policies, or do policies follow institutions? Do you create the environment, and then the institution, sort of, come about endogenously? Or do you have to create them first to do it? I have no idea. I don't what the answer to that is.

I think it's a mix of both, and it takes... You know, but I've never seen any research done on this, and it's a tough one, it's a tough one. It's tough to argue that in Africa, particularly, where -- and in many developing countries, I don't want to single out Africa, but nepotism plays a very big role in hiring of civil servants and, you know, that necessarily you are going to find -- you are going to find projects being more successful in that environment than policies.

I don't see how projects can be successful if your overall policy environment isn't right, because then it causes huge budgetary problems, and we know many of these countries have had constant balance of payments problems, so I mean, it's all tied in together. But, I mean it is true that if you don't have a good civil service, there's not a whole hell of a lot you can do, whether it's projects or policies.

I don't think we know the answer, we used to have a lot of projects, and a lot of research on capacity building, that is what it was called at the time, and I thought all the research was pure rubbish. I mean, that was my opinion. I don't think it went anywhere, and a lot of projects that were -- a lot of projects were being financed, they were called Technical Assistance Projects, if I

recall correctly; they were there to, you know, shore up existing institutions somehow.

But, you know, if your educational system is fundamentally lagging, I don't see how indigenous capacity-building takes place unless you bring in -- and Africa did a lot of that, with the Harvard Advisory Group, they brought in, a lot of people. But in the end, these countries have to pull themselves up by their own bootstraps, and I don't know how -- I don't know you create good institutions, I have no idea.

**HEATH:** Right. Okay. Changing, to a different direction. You lived in -- so, you never lived in a resident mission? Is that correct?

**CHOKSI:** No.

**HEATH:** You spent all your career in Washington?

**CHOKSI:** Yes.

**HEATH:** Okay. Again, going back to the '70s, what was it like living in Washington at that time? Do you remember? What sort of things left a mark on you?

**CHOKSI:** The big thing I recall is 14<sup>th</sup> Street. I was shocked at the notion, this is the early -- sort of right after I came into the Bank...

**HEATH:** Yes.

**CHOKSI:** You had the White House on 1600, and 14<sup>th</sup> Street was a red-light district, and everything east of that was no-go zones. I mean, that sort of staggered me. Washington was also a very sleepy town at the time, very little culture, very little arts, very few interesting restaurants, and --

**HEATH:** Did they have bookshops at that time?

**CHOKSI:** Yes, they had Kramer's.

**HEATH:** Right, right. Could you get a decent cup of coffee anywhere? Or was that difficult?

**CHOKSI:** Do you know it's hard to remember what the coffee was like before Starbucks.

**HEATH:** Perhaps you were a tea drinker (laughter).

**CHOKSI:** No, I used to drink coffee and tea. No. I think a lot of our coffee-drinking was in the Bank cafeterias.

**HEATH:** Right, right.

**CHOKSI:** I don't remember very much about -- I mean, I do know that restaurants were sort of very limited, theater was very limited, the arts were very limited. So, the transformation that has taken place in Washington of course over the years is phenomenal.

**HEATH:** Most of your friends, were they Bank people? Or did you have a significant number--

**CHOKSI:** Ah. You touch an interesting issue.

**HEATH:** Right, right.

**CHOKSI:** I think this is the problem. You have been a Bank staff, or are a Bank staff?

**HEATH:** I was from 1990 to 2015, yes.

**CHOKSI:** Okay. 1990, okay, I left in '96. Yeah. One of the problems in the Bank, and I think

-- I mean, it's not -- I mean, one of the issues that arises, is because the Bank is an entity in itself. Social, educational, friends, food, so the time I spent in the Bank, I had no idea about -- I mean all my friends were from the Bank, or the vast majority. There was an occasional some of the kids' parents, but nothing close.

**HEATH:** Right.

**CHOKSI:** After I left the Bank, a whole new world opened up to me, and I said to myself, I can't understand how I could have been so close-minded and -- because the Bank gets you in complete handcuffs in one way or another, you know. So, yes, so all my friends were from the Bank, at that time. Now, I don't know too many people in the Bank, but I still have former Bank people I (crosstalk).

**HEATH:** All right. These days they talk about work-life balance. Did that concept have any meaning in the 1970s when you joined the Bank, the idea that one might need to spend more time with the family, so to speak.

**CHOKSI:** Well, yes. Actually, it was interesting because it -- I never felt that my work-life balance was off-kilter, but I always used to marvel sometimes when I come to the Bank on a weekend, and I'll see the whole bloody car park full. I would go home and tell my wife, I said, all these guys are running away from their families. I do recall that as a very clear sense.

**HEATH:** How many hours a day would you typically work, when you were at the Bank?

**CHOKSI:** Oh, I suppose, you know, 8, 10, sometimes 12, depending upon the situation.

**HEATH:** Do you come in on the weekends frequently?

**CHOKSI:** Not frequently, when I had to. When I had to.

**HEATH:** Did you wife ever complain that you were spending too much time working?



**CHOKSI:** No. My wife was also in the Bank (Laughter).

**HEATH:** (Laughter) Oh, I see. That will explain it a lot, of course, yes. So where did your wife work, which part did she work, which part of the Bank?

**CHOKSI:** She came in as a YP in '77, I think we might have been the first married couple to join the YP Program. As opposed to coming separately, and then getting married. And she worked in India, and at that time I used to complain to her, that you people are lending too much to India, and India is not undertaking any policy -- This is in the McNamara period (laughter), that was a debate I would have with her privately. She was very much a loan officer.

**HEATH:** An Indian?

**CHOKSI:** On India.

**HEATH:** And she was Indian?

**CHOKSI:** No, no, no. She's American.

**HEATH:** Oh, I see, American.

**CHOKSI:** She's American, she's from Minnesota.

**HEATH:** I see. Yes.

**CHOKSI:** She worked on India, she worked on Indonesia, and then she worked in the Pension Department, until it got hived off in '87, and she left at that time.

**HEATH:** What about the -- I mean, one of the things in the 1970s was the Women's Movement,

and did that find any echo in relations in the Bank between men and women? I mean, was there a change that you became aware of?

**CHOKSI:** I don't.

**HEATH:** No?

**CHOKSI:** No. I can't recall.

**HEATH:** Were women always treated with respect in terms of not being patronized, promotion prospects, and so forth?

**CHOKSI:** I didn't notice anything. I mean, we had a lot of women in the policy side when I worked, and also in Indonesia during the McNamara period. I can't recall any specific issues at the time.

**HEATH:** All right. Going back to Indonesia, I mean, it was a rather special case under McNamara, because they set up this highly autonomous country department following the -- I'm sorry resident mission following Bernard Bell. I mean do you have any -- Did you have any perceptions or reflections on that, how it worked?

**CHOKSI:** Yes. It was a strange arrangement actually, because Kim Jaycox at the time was Vice President for East Asia, and as an economist I reported to Russ [Russell] Cheetham down there, and the Division Chief, Richard Stern was the Division Chief, and Russ Cheetham was the Country Director.

It was always the question that that was a whole separate line of communication. I mean, I knew Kim, I knew Kim well. We were friends, and we would go to Indonesia together, but basically, he stayed out of Russ' way, and Russ being Russ, kept him out. [laughter]. And so that was a strange arrangement. I never understood the rationale for that.

**HEATH:** So, Russ was the Resident Representative in Indonesia?

**CHOKSI:** Yeah. Yeah.

**HEATH:** And he reported directly to McNamara or to the --

**CHOKSI:** No. He had "organizationally" he reported to the Vice President.

**HEATH:** Jaycox -- no, sorry. Was it Jaycox?

**CHOKSI:** No. When I was there -- Why is Jaycox ringing a bell here? Because Shahid Hussain was the Vice President of East Asia at the time. I know Jaycox was coming there too. Jaycox was the Director. Jaycox was the Director, sorry. There was a Division Chief, and then you had a Director, and then you had the Resident Director.

**HEATH:** I see. I see.

**CHOKSI:** So, no. The Resident Director reported directly to Shahid, Hussain the Vice President. That's right, this was the funny part. Indonesia had quote unquote "two Directors", right, and traditionally the Division Chief reported to the Director who was here. But this Director sort of focused on everything else, except Indonesia. I mean, he would keep an eye on it. But the link was -- I mean, the Resident Director called the shots. If there was an issue the Vice President would call up Russ, the Resident Director. It was an odd situation, I never understood it then, I still don't understand it now, because Indonesia was a big country, but India is a big country, Mexico is a big country, Brazil is a big country. Why Indonesia was singled out?

**HEATH:** Yes. What was it like working with the Indonesian government when you were responsible for that part of the world?

**CHOKSI:** They were very nice. They were very nice, very polite.

**HEATH:** Their development philosophy didn't perhaps agree with your development philosophy?

**CHOKSI:** No, no, no, no. In fact, they were the -- when we did this report, as I said, they wouldn't let it go to grey cover. But they treated me very well, and the Finance Minister at one point told me that you spelled out 84 steps to clear Customs, could you just say there are several steps. (laughter). Then Russ, who wanted to get along well with the government, you know, would say, Armeane, can't you take this part of the report out? And I would say, no, this destroys the integrity of the report.

**HEATH:** There were 84 steps?

**CHOKSI:** Oh god... Then when we were discussing financial sector reform in the report, the Governor of the Central Bank, turned to his colleagues, in Bahasa, and I could speak it at the time but he didn't know it. He says: how can I disagree with these guys, they are saying all the right things, but we cannot do it. (Laughter)

So, I mean -- but then three years later they started implementing the report, and they asked me to come back and look at the whole situation to see how it had gone. So, we had this little turbulence, when I did this report, but the relationships, were always good. But the Indonesians unlike Indians or Brazilians, or Peruvians, who would welcome you into their homes, the East Asian culture was sort, you know, the wives are kept at home. If you are entertaining or doing whatever it was, it would be at a restaurant. So, yes, we had good relationships, even though there was the turbulent period, even during the turbulent period.

**HEATH:** Yeah. Okay. Looking back on that -- you may have seen if you read the brief for interviewees. I said that I threatened to ask you to tell me something either humorous, or

embarrassing or absurd from the McNamara period. Can you think about -- Does anything come to mind? It doesn't have to involve you necessarily directly, but a crazy event or something that left a mark on you?

**CHOKSI:** Now, we are talking 40-odd years ago (laughter).

**HEATH:** Yes, of course. I realize it's very unfair of me.

**CHOKSI:** You know, I'm sure there were some absurd things going on but, I mean, nothing sort of --

**HEATH:** When you joined the Bank did you have a mentor? Was there somebody who worked closely with you?

**CHOKSI:** No. No.

**HEATH:** You were self-taught?

**CHOKSI:** Not then. Not then, but I developed a strong relationship with Shahid Hussain after the Indonesia Report.

**HEATH:** I see.

**CHOKSI:** I was amazed at him, he didn't know me from Adam, when he first asked me to do this report, he said, McNamara wants this, and I want you to -- I have no idea why he picked me.

**HEATH:** Well, maybe he saw your earlier report, for the World Development Report, and he was impressed by it.

**CHOKSI:** I don't know. I doubt it.

**HEATH:** I see.

**CHOKSI:** I doubt it. But Widjojo, the guy who was on the cover, made a specific trip here to complain to Shahid about the report.

**HEATH:** I see. Okay.

**CHOKSI:** Shahid asked me to come in, and I thought, geez I was going to get raked over the coals. This is what normally happens, you know, when a major country comes to complain. Shahid said, I have read the report, I agree with everything there. I suggest you tell your ministers to go back and read the report and implement it. My jaw dropped. My jaw dropped.

Then after that, he moved over to Operations Policy, and made me Division Chief there, and then he moved to LAC, and he made me Country Director, yes. So, I developed a relationship with him after the Indonesia event, but not before.

**HEATH:** In general, do you think the Bank invested enough in mentoring of its staff?

**CHOKSI:** No.

**HEATH:** No?

**CHOKSI:** No, no, no. I mean, there were occasional talks about it but nothing was ever systematically organized or done. I don't know if it's done now but no, it didn't, it didn't. I mean, you were there, and you got along and you were lucky -- I mean there cliques that were formed, you know, Ernie had his boys, you know; Shahid had his boys; Moeen [Quereshi] had his boys, so there were these sorts of cliques that were formed.

**HEATH:** So does that means in terms of getting promoted, it helped to be a member of the

clique?

**CHOKSI:** I think to some extent it certainly did, because if somebody stood up and spoke for you, but it also meant that if you were in one clique, and not in another clique and the two people didn't go together. You know?

**HEATH:** Yeah.

**CHOKSI:** The guy would say, ah, this guy is not good.

**HEATH:** Right. Sure.

**CHOKSI:** So you had that sort of a situation, so somehow you had to keep your fingers crossed.

**HEATH:** Right. So, it wasn't based on merit, it was simply association?

**CHOKSI:** No. That's too strong a term to make.

**HEATH:** Okay. All right.

**CHOKSI:** Because I think everybody in their relative cliques, I meant these people, brought into their fold, those who were smart and who were good. Right?

**HEATH:** Right.

**CHOKSI:** But if you were in one clique, for some reason you never got to the other one (laughter), because the guys at the top, were at war with each other.

**HEATH:** So was there an Indian mafia, or a Pakistani mafia? I mean people who looked out for each other and so forth in terms of --

**CHOKSI:** There never was an Indian mafia, but there was a Pakistani mafia.

**HEATH:** I see. Interesting.

**CHOKSI:** It's interesting, actually, and one of the reasons for that, is that the Pakistanis were up at the top; not the Indians.

**HEATH:** Why do you think that was?

**CHOKSI:** McNamara, I know took a special liking to Shahid.

**HEATH:** I see.

**CHOKSI:** Okay? I don't know what was McNamara's link with Moeen Qureshi, but Moeen was, you know, obviously he became a Senior Vice President, first Finance and then Operations, but there were never -- or whoever the Indians, I think the highest Indian during the McNamara period, or shortly after, with Vice President rank, that's what I mean, high, was some chap who was Secretary to the Board, I mean not in any Operations or Policy side.

**HEATH:** I see. Okay.

**CHOKSI:** And there were some Indians who were Project Directors, but -- and I think there were more "Indians than Pakistanis" was my sense. But because you had two very senior Pakistanis. I mean when I came in '74, Shahid Hussain was already Vice President of East Africa. I didn't know him then. I think Moeen was also Vice President of something or the other then. So, I think that there was this Pakistani affiliation, but I don't -- and I'm not saying that Pakistanis are more Mafioso than the Indians. (Laughter) I'm just saying there wasn't anybody there to be the *capo di tutti capi* for the Indians.

**HEATH:** All right. Okay. Looking back on the '70s, what was your fondest memory?

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October 18, 2016  
Verbatim*



Anything that you most liked about your work in the Bank at that time? What did you most enjoy?

**CHOKSI:** I most enjoyed the report I did on Indonesia. I found that really challenging. That was a time of big reports, so when I was asked to look at the private sector, the industrial sector. I mean, this is what I was thrown, literally. I mean, no specifics, no nothing. So, we covered a whole set of areas, you know, from trade to foreign investment, to the stock market, to the financial system, to the regulatory stuff, to the public sector. So, putting that whole team together, thinking --

**HEATH:** How many people did you work with on it?

**CHOKSI:** I think the team was entirely about seven people or something.

**HEATH:** Seven?

**CHOKSI:** Seven. Each one had a specific task focusing on that. I didn't give them any page limits, so I think the whole report came to about 600 pages, but we did an overall summary report that was 20-30 pages. But putting that whole thing together, and putting the team together, I mean, I decided on what topics were to be covered, what issues we were going to be covering, you know, and then I worked with the team to sort of do the fine details.

So, I found that very challenging putting the whole thing together, and then the experience with government I thought was very exhilarating.

**HEATH:** The mechanics of producing a report like that, did you start off -- was it done on yellow pads, kind of everybody --

**CHOKSI:** Oh, yeah.

**HEATH:** I mean, you would hand it to a secretary?

**CHOKSI:** Yes. Oh, yes. Yes, yes, yes. I remember the time also telexes were a big deal, and I still remember being amazed at my god, we send a message out to them, the evening, into the Resident Mission in the evening, and we get back an answer when we come back in the office the next day.

**HEATH:** When you went on mission to Indonesia, for example, I mean, if you wanted to get in touch with your wife, how would you keep touch, when you are away for weeks at a time?

**CHOKSI:** Oh. Telephone, telephone calls --

**HEATH:** But wasn't it so expensive?

**CHOKSI:** Oh, yeah. We had to watch it.

**HEATH:** Right, so somebody would --

**CHOKSI:** So, you didn't keep in touch regularly. (Laughter)

**HEATH:** But there was an agreement that you, I don't know, take one telephone call a week or something, and put it on your expenses, or how does it work?

**CHOKSI:** I don't think so.

**HEATH:** No?

**CHOKSI:** I don't -- I don't think you could put telephone calls on your expenses, if they were not business-related calls.

**HEATH:** I see, right. So, there was no concession in that respect.

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Verbatim*

**CHOKSI:** I don't think so, I can't remember.

**HEATH:** You had to pay for it out of your own pocket?

**CHOKSI:** Yeah.

**HEATH:** Because sometimes I just -- I hope you would simply send a fax -- sorry a telex saying, arrived safely, et cetera.

**CHOKSI:** Yeah. We used to that. That we used to do.

**HEATH:** Right, right.

**CHOKSI:** I mean, but they were, sort of arrived safely, other than that, I mean, if you wanted to chat in between.

**HEATH:** Right. Is there anything else you'd like to mention that we haven't talked about? I mean, anything that --

**CHOKSI:** No. I think we covered a lot of ground.

**HEATH:** I think we have, yes. Looking back, moving beyond the McNamara period, I mean, looking back over the whole of your tenure in the Bank, I mean, what are you proudest of?

**CHOKSI:** Ah, Peru.

**HEATH:** Peru? Tell us about that?

**CHOKSI:** The Government of Peru had defaulted on all international banks.

**HEATH:** This was during the García, Alan García period?

**CHOKSI:** Alan García period, yes. They had suspended payments to the World Bank, and the IMF as well. Then, was it '91 or something like that, I can't remember, they wanted to resume a relationship when [Alberto] Fujimori came into power. They first went to the Japanese Government because of the Japanese connection with Fujimori, and the Japanese Government gave us a huge favor, and said, talk to the World Bank first before we do anything.

So they came to us, and we said, they want us to resume lending, and I said we cannot resume lending, you owe us a billion dollars, and until you repay us to do that, we can't do it. But I said, as a sign of good faith we can start working on a mechanism to get you out of this hole, if you start paying interest.

So, they resumed interest payments. And what we did then, was agree with the government on a whole set of reforms which was what I would describe as full-scale liberalization, economic liberalization of goods, markets, trade, finance liberalization, deregulation, privatization. We said we'll do three loans to this. The loans would total \$1.4 billion, U.S. 1 billion, this will be 1.4 billion.

We would take this loan to the Board, but only after you have completed 70 percent of the conditions. We would not take it, we wanted to see demonstration. Then we would get Board approval, but we would not disburse, we would have conditions of disbursements. The condition of disbursement would be that you would be repaying us the billion dollars.

So, the question is: where does the billion dollars come from? So, we got the G7 together, and convinced the G7, these are the reforms that have been put in place. You guys come up with a billion dollars, give it to the Government of Peru, and the Government of Peru will then give us the billion dollars. Once it's paid back to us, we will release all the loans that had been done, all the policies that had been put in place, and we would release the \$1.4 billion, and the \$1 billion would go back to you. We had to change Bank policy for that, to do that.

**HEATH:** This was a single operation, or a series of operations?

**CHOKSI:** Three loans.

**HEATH:** I see.

**CHOKSI:** Three loans, but the disbursement was one single operation.

**HEATH:** Right. And who was the Task Team Leader for that?

**CHOKSI:** I think Demetris Papageorgiou, he was the Country Division Chief at the time. I was the Director.

**HEATH:** I wondered if it was Edgardo Favaro.

**CHOKSI:** No.

**HEATH:** I see. Okay. I worked a bit on Peru in '95.

**CHOKSI:** Did you?

**HEATH:** I was in the agricultural sector.

**CHOKSI:** Yeah.

**HEATH:** I remember Fred Levy who was the Resident Representative at that time. Did you have any dealings with Fred Levy, or was that --

**CHOKSI:** No. I left the Bank in '96, and I left the Latin America region in -- I don't know -- '93-'94.

**HEATH:** Right, right. Sure. Okay. Yes.

**CHOKSI:** But I think what was interesting was that we were very worried about the \$1 billion going in and coming to us, because Peru was in default, and we were in touch with the Federal Reserve, but this had to be really hush-hush, so that if any of the creditors knew about it, they could attach the money.

So, you know, we were on the phone, we said, money come in, money come in? They said, yes, the money is in. So, we said, all right, send it now to the World Bank Treasury. Got it, got it, got it? They say, yes, got it. Okay, release the -- It was a ten-minute operation, money coming in and pouring out, so nobody would get to it.

Since then, two years ago the Peruvians asked me to come back and see the change that had been made down there. It was very gratifying to see the -- This is when [Ollanta] Humala was still the -- And we had a very nice meeting with all the Former Ministers who were involved in that. I met Keiko Fujimori who was Fujimori's daughter, she lost (inaudible), but you know. I renewed relations with Pedro Pablo.

Then one of the guys had a party for me and Demetrios down there, and [Jaime] Yoshiyama who was then the Minister of Mining, and basically was responsible for the privatization, he walked up, and he said, Armeane, do you realize 80 percent of the GDP of Peru is here to say, thank you. I mean, that was very, very nice.

So, when you say, what was I proudest of? It was getting that reform program through and seeing that it has by and large stuck.

**HEATH:** Yes. Any regrets looking back on your career with the Bank?

**CHOKSI:** I stayed too long. I stayed too long. I was in the Bank about 22 years, and I think 15 years, is an upper bound, I mean, it should be less than that. I told that to Wolfensohn. I said

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that's my biggest regret, that I stayed too long. I mean, there's so much more you can do outside.

I mean, the Bank gives you a great experience, and it's a very heady experience as you know, that you deal with Finance Ministers, and Planning Ministers, and you are deeply involved in the policies, and because you've got the muscle of the World Bank behind you, they listen. The downside of that is that heady experience, you can overdo it, and you simply stay too long, and you miss out on all the other stuff that can be done outside.

**HEATH:** So when you left the Bank you went back to private sector?

**CHOKSI:** Yeah.

**HEATH:** Comparing the cultures of the two, life in the Bank compared to life in the everyday world -- Where did you go when you left the Bank, you went to?

**CHOKSI:** I started my own company, an investment company that invested in Latin America, and another one that invested in India.

**HEATH:** I see. All right. Okay. So, what were the main differences, in terms of the culture?

**CHOKSI:** Speed.

**HEATH:** Speed? Right.

**CHOKSI:** Speed.

**HEATH:** Yes.

**CHOKSI:** And because we were a small company, we weren't a huge company, you know, we could make decisions really quickly, and get things done. So, I mean -- but more importantly,

once you are out of the Bank culture, socially you start meeting a whole, new different set of people that you would never have met had you stayed in the Bank, because you don't have any incentive to do that.

**HEATH:** Right, right.

**CHOKSI:** So, for me, it was a whole new awakening, and then I got more involved, and perhaps also because things had changed in Washington, I got involved in the Washington Opera, I was on the Board of the Washington Opera, the Washington Ballet, the Levine School, my kids school. So, I mean, you get into a whole new ambiance.

**HEATH:** Which school did your kids go to?

**CHOKSI:** The National Cathedral, St. Albans.

**HEATH:** Right. Okay. I see. One thing I forgot to ask is about the Board, and you had some dealings with the Board, obviously, in relation to the Peru operation, and earlier, I imagine.

**CHOKSI:** And Brazil, and Venezuela, you know, yeah.

**HEATH:** Right, sure. What is your perception about how effective they are in terms of guiding and due diligence and such the like?

**CHOKSI:** A huge difference between IMF Board and the World Bank Board, huge difference.

**HEATH:** Tell us something about that.

**CHOKSI:** The IMF Board is sharp, smart, alert, they know their issues, they know their substance.



**HEATH:** But aren't the Executive Directors the same?

**CHOKSI:** Not all of them.

**HEATH:** No?

**CHOKSI:** At least they weren't then. There are some. The Brits were the same. Okay, and you would find some occasional ones who were good both from developing countries, and developed countries, but by and large they were third rate bureaucrats with fourth rate minds. I mean, nobody I knew had much respect for the Board, and basically would get things through the Board.

I mean, they could make life difficult for you, but in the end, you know, you would get it done. McNamara used to be a master manipulator of the Board. I mean, the Board would ask some question, and if he didn't like the question, he would turn to the person and ask a completely different question, and the guy would answer it, and the guy would keep his mouth shut. I mean, they were nice guys, but nothing there.

**HEATH:** I see. All right. You've said that McNamara used to always, you know, make his decisions -- he didn't like discussion of any sort, he essentially wanted agreements to be made bilaterally before he went into the larger meeting, and so essentially it was the rubber-stamping of what he had already decided. Does that square with your perception?

**CHOKSI:** Yes. Yes.

**HEATH:** Any other final thoughts?

**CHOKSI:** No.

**HEATH:** Well, Mr. Choksi, it's been a pleasure to talk to you. I know that, you know, the

Archives will be grateful to have this on record, because you've shared a lot of interesting stuff with us.

**CHOKSI:** Well, Thank you very much. This whole exercise has made me -- has forced me to sort of delve deep into the mind. I was just thinking of walking across, and I said geez, do you recollect things from about 40 years. Yes.

**HEATH:** And now you can introduce yourself as a freshwater economist.

**CHOKSI:** A freshwater economist is quite right.

**HEATH:** Thank you so much.

**CHOKSI:** Thank you very much, John. Appreciate it. Take care.

**HEATH:** My pleasure.

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