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A CONVERSATION WITH ARON BROCHES

WASHINGTON, D.C.

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CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

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OLIVER: Thank you for granting me this opportunity to ask about George Woods' accomplishments as President of the World Bank. You were talking before I turned on the tape recorder about Woods opening the way to more cordial relations with the United Nations. Would you continue?

BROCHES: That was one of the first things that Woods did. Since the Bank had always been somewhat distant from, at arm's length with, the U. N., the French Under Secretary General for Economic and Social Affairs, Philippe de Seynes, called Woods "John XXIII" which indicates what they thought of him.

OLIVER: That was a meritorious term?

BROCHES: Of course. Another thing Woods did (this was in 1964; Woods came in on January 1, 1963), he was instrumental in obtaining authority for Bank transfers to IDA, which was very important. Black had not been in favor of that because when IDA was created fears were expressed that Bank money would leak, that there would be fuzzy loans -- this, that and the other thing. Black guaranteed that there would be no leaks from the Bank to IDA -- that there would be no commingling of funds. He wasn't opposed personally to a transfer of Bank profits.

He told Woods, and he acted accordingly, "If you do that, you won't find me snapping at you even though I laid it on the line that I would not let money go from the Bank to IDA." The transfers were authorized in '64 at the Tokyo Annual Meeting. The history of that is well known, but that was an important thing.

Woods also emphasized education and agriculture lending, although even the supposedly conservative Black had started it. Lending for these sectors certainly did not start with McNamara. He drove agricultural loans to great heights, but Woods was very active in that field.

OLIVER: I assume that there had been some thinking about both of these under Black because there is a lengthy memorandum about education presented to a Senior Staff Meeting quite early in Woods' term. There must have been preliminary thinking.

BROCHES: Yes. In Black's days, there was a Vanderbilt professor who was working out a program on education. There was also a Black program for Black Africa. The foundations were there, but not much was done. It takes time. Like his predecessors, Woods was somebody who didn't plan very precisely. None of us did. When McNamara came, you had his five-year plans and so forth.

OLIVER: When you say plan, "precisely," you mean. . . .

BROCHES: When the end of the year came, you knew what you had done.

OLIVER: And you knew what you might want to do next, but you were not sure what. . . .

BROCHES: Yes. You wouldn't be so precise about it. Another thing

that Woods did. . . . Woods' favorite country was India. He had been there on missions for the World Bank. Woods was the first President of the World Bank who knew something in advance about the Bank. He had been head of one of our two principal underwriters: First Boston. First Boston and Morgan Stanley were our principal underwriters. Woods had been on one or two missions to India and so considered himself an expert. At a given point (I don't know whether it was '65 or '66), India was in trouble; it was negotiating with its creditors, and Woods did something which was a big mistake. In order to induce other lenders to reschedule, he offered to reschedule the Bank's own loans in a peculiar form. It was not postponing payments. They could make payments in foreign exchange as they were supposed to, and then we would deposit these funds with the Reserve Bank of India. Strange. The point is that the Indians weren't very keen on it. The Indians said, "We pay the World Bank," and this then became an issue of some unpleasantness in the Board. Some Directors said, "You can't reschedule," and some said, "You can, but only if India swears out a 'Pauper's Oath'."

OLIVER: I didn't understand the words, would you say them again?

BROCHES: To swear out a Pauper's Oath. Woods used that expression, not the Directors. The opponent's argument was that, under the Articles of Agreement, the Bank could not reschedule or postpone or modify the terms of payment in the absence of a request by a member based on an extreme stringency of foreign exchange. The Indians, said, "That is not our problem, and we're not going to make such a request."

Then the Australian Director, the Canadian Director, and a couple of other hardliners said, "We will only approve the rescheduling if the Indians say they can't pay." I had to give a legal opinion, and I said, that the Articles clearly authorised the Bank to deal with its debtors in any manner that would be in the Bank's interests.

OLIVER: This was related to the \$500 million, as I recall, non-project loan which the consortium arranged for India as an inducement to accept the Bell Report recommendation.

BROCHES: When was the Bell Report?

OLIVER: It was '66.

BROCHES: Yes. Very likely, very likely.

OLIVER: But the contribution made by some of the members of the consortium was simply to postpone the principal that was due on past loans rather than to make new loans.

BROCHES: It probably was at that time that Woods quoted himself as having said, "O.K. Fellows, we're not going to stand aside. You must do it, and we'll make a contribution." That didn't work out at all -- economically, perhaps, but not politically.

OLIVER: It set a bad precedent.

BROCHES: There is something else with which I was connected where Woods, I thought, acted very well. I am referring to the International Centre for the Settlement of Investment Disputes. I started working on that in '62. Black liked it, but he left before discussions really got going. Black told Woods, "George this is a good idea." In his first weeks, Woods said, "I understand that you are working on that. I like

the idea, but there are so many things to find out in my new job, I'd like to put that on the back burner until I have time to study it. Then I'll talk to you, but I don't want to deal with a matter I don't understand."

Then about June, he said, "O.K. Counsel, talk, examine me," and I had to examine him. I had to ask him questions. I said, "You're doing pretty well." He said, "Now we're going to talk to Directors. We'll talk first to Directors whose importance is somewhat peripheral. I will do the talking. Unless I say something completely idiotic, you stay out of it; but then in discussions you take over." Afterwards he said, "How did I do?" I said, "fine." He said, "Yeh, but I didn't know what I was saying." Second round, "Did I do better now?" I said exactly the same thing, and he said, "I think I know what I was saying." The third time was lunch with the heavies, U. S., U. K. et cetera and he said, "Now I feel comfortable."

OLIVER: May I infer from this that Woods, as a person, tried very hard to do his homework before he presented something?

BROCHES: Oh yes. I can see it now in retrospect. The Centre was something new. He brought this about, or helped to start to bring it about. It was an achievement of his -- in the same way that Mr. Clausen wants to bring about multilateral investment guarantees. I was not consciously trying to build a monument, but I think, looking back to a precedent, perhaps I did. (Everybody would like to have something, whatever it is, some innovation connected with his term of office.) For Woods, the IDA transfer was very important. Although the

amounts were small, it was a break-through. Could the Bank do it? Is it proper to transfer part of the profits of the Bank to IDA?

In the Second IDA Replenishment, Woods made the same mistake as all presidents: his aim was too high, and then he got into a bind. I think it was too high. If you want \$500 million, to say \$700 million is O.K., but don't say a billion.

OLIVER: The Bank did reach a replenishment of a billion by 1970.

BROCHES: Of course McNamara did the same thing. IDA replenishments were always difficult, but that was natural because it is taxpayer's money.

OLIVER: Was Mr. Woods quite disappointed that he was not able to get the billion dollars while he was still President?

BROCHES: I guess so. I'm trying to think. IDA was organized under Black and became effective in November of '60. The first replenishment would normally have taken place after 5 years, but we tried it after three years. That was Woods first year. Then there was another development which was sort of interesting.

OLIVER: May I ask, before we go on, about the settlement of international disputes. Has that proved in practice to be an important opportunity for the Bank? I have not read in newspapers recently. . . .

BROCHES: This is not something that gets into newspapers at all. The International Centre for Settlement of Investment disputes, ICSID for short, is an institution that has its own international status to which parties can turn if they have a dispute. I think, until now, there have been 19 cases, nearly always fairly important -- otherwise they

don't come here. The Centre was not announced as something epoch-making, but as a useful neutral forum for third-party settlement of disputes between host countries and foreign investors. Woods fortunately felt as I did that the time was past when you announced every new program or whatever new initiative as the thing that will save the world, which is silly. It used to be one of the problems with Congress. Each time the administration went to Congress with some foreign aid proposal it said, "This is going to do it," -- this, that and the other. It doesn't pay, because there are no simple or single solutions. I think the Centre has redounded to the reputation of the Bank. It has been working usefully. I'm now very busy on it, but from the other side. I'm outside. I'm President of one Tribunal and Counsel in some other cases.

OLIVER: Do you know off hand of any significant disputes that were settled while Mr. Woods was President?

BROCHES: No, because the Centre didn't come into being until a little over a year before he left. I think the first dispute was submitted when McNamara was President, but he didn't know anything about it, and, in any event, the President of the Bank couldn't influence, nor could the Bank influence, the settlement. The Convention establishes a framework within which the parties work. It is administered by ICSID, not by the Bank. The parties appoint arbitrators and ICSID (and the Bank) make facilities available.

OLIVER: Does the General Counsel of the Bank do the administering?

BROCHES: Well, in my case, I worked on the Convention. I was also the

principal draftsman and negotiator of that treaty. It took a fair amount of my time. I had been in the Bank a long time. I had an excellent second level, so, if it seemed necessary, I could take some time off, so to speak. Once the Centre came into being, I was elected its Secretary-General. The S.G. is the person who administers the Centre and the proceedings that take place under the Convention. The present General Counsel is also the Secretary-General of the Centre, and he tells me he finds it difficult to spend enough time on it.

OLIVER: So issues are still arising from time to time?

BROCHES: Oh, there are occasions all the time. This is not a one-time operation at all. As a matter of fact, you can expect that the number of cases will increase, because cases are brought on the basis of advance undertakings in investment agreements. You don't have a dispute the moment you sign an agreement.

OLIVER: Let's hope not.

BROCHES: It's a little bit like the will practice of lawyers. People make their will. Eventually they die, and then the lawyer may have business. In the case of the Centre, it might never have had business. You may have heard of the bauxite disputes between Jamaica and Kaiser, Reynolds and Alcoa. Those disputes came before the Centre. They were settled. In fact, more than half of all disputes that have been submitted to ICSID were settled, which is interesting.

OLIVER: What happened to the other half?

BROCHES: Well, some cases are still going, and in some there have been awards which have all been complied with. As it happens, in half of

the cases where there were final awards, the investors won and in the other half the developing countries won.

OLIVER: May I ask a somewhat related question? In the middle of the Woods years, I think it was '66 or '67, there was an amendment to an American foreign aid bill before Congress which was known as the Hickenlooper Amendment, introduced by Senator Dirksen, which was to prevent foreign aid to governments who had not settled with foreign bond holders.

BROCHES: The Hickenlooper amendment was, in fact, introduced by Hickenlooper.

OLIVER: Well, I think the Bank through Mr. Woods opposed the amendment on the grounds that it would reduce the number of countries which would in fact try to make a settlement.

BROCHES: Isn't that funny, I don't remember. It may have been Hickenlooper which excluded foreign assistance to countries which had failed to settle expropriation disputes. There was a case in Ceylon. They had a dispute with oil companies, not very major, because what they were expropriating were the gas stations. We were about to make a loan or extend financial assistance to Ceylon, and Woods refused to proceed with either, even though the U.S. Government would have been quite content if the Bank, which was after all not subject to the Hickenlooper Amendment, had gone ahead.

Woods was also tough on defaulting debtors. He had been involved with the Council of Foreign Bondholders. I am now thinking of the default on the Greek public debt which had caused the Bank to refuse to

lend to Greece for almost twenty years. I know that Woods was pretty active in pushing the Greeks finally to settle. He had met Andreas Papandreou shortly after he had returned to Greece to help his father, who was then Prime Minister. The debt issue was finally settled and we were going to make our first loan, when the Colonels took over. Greece was accident prone. Papandreou went in exile in Sweden, wrote a letter to Woods urging him not to proceed with the loan. Woods wrote back along the following lines: "I know that you were the one who made Greece eligible for the World Bank. Nothing would have given me more pleasure than to sign this first loan with you. But this is a loan which is good regardless of the regime, and, therefore, we have decided to make it."

We got into another problem. The U. N. General Assembly for years had adopted resolutions calling on the Fund and the Bank not to deal with South Africa and Portugal. We acknowledged receipt of the resolutions and said that we would send them to our members, who, of course, had already received them but we took no further action.

By the middle 60s we had stopped lending to South Africa and Portugal for a variety of reasons -- in the case of Portugal, because it was accumulating foreign-exchange reserves against the day when they would have to fight a war in Africa. The result was an economic recession. In South Africa also, we were aware of things not going very well. This was a time when the Bank started to wean away its richer members. We called it "graduating." The South Africans still wanted money, so we said to the South Africans that if they borrowed in

Germany or the United States in the market, they would get one last loan of an equivalent amount.

Then there was a particularly strong recommendation that we should abstain from lending to Portugal and South Africa. What happened a couple of months later was that South Africa borrowed in Frankfurt or New York, so we were bound to make them a loan. Then Portugal adopted an agricultural reconstruction program that we had been pushing them to accept, so there also the condition was fulfilled. The result was that within months we were making loans to Portugal and South Africa.

There was great indignation in the U.N. The Soviet Union accused the Bank of showing contempt for the United Nations by not even attending the meetings of the Trusteeship Council, leaving the seat for the Bank observers empty. George Woods, probably on the advice of Dick Demuth and in any event in line with his policy of cooperation with the UN, then decided that we should explain our point of view; and I appeared before the U.N. Trusteeship Council to explain and defend a point of view which wasn't so easy to defend. The first issue was, "Is a General Assembly Resolution binding on U.N. members?" The answer to that is simple: it isn't binding on the members, let alone on institutions.

OLIVER: May I ask for a clarification? Is a U.N. Resolution binding on, let's say, UNESCO? or FAO?

BROCHES: It isn't binding on its own members, let alone on institutions which are not. . . .

OLIVER: So in this respect there is no difference between the Bank and others.

BROCHES: No, none, none, whatever. However, in its relationship agreement with the UN, the Bank has a provision which the others don't have, because the others are not operational institutions. It states that by reason of its international responsibilities and the terms of its Articles of Agreement, the Bank is, and is required to function as, an independent international organization. The Bank's Articles provide that the Bank shall not interfere in the political affairs of its members. (Keep in mind that the Bank charter was drafted before the U.N. charter was drafted, and there was no particular link.)

It further provides that decisions should be based solely on economic considerations. The meaning of that has often been debated. Do we make a loan to Poland? (This was in 1947/48.) If not, why not? Is that a political reason? We said what is prohibited is political motivation, not the taking into account of the economic results of political policies. It doesn't need to be foreign policy or human rights violations, it can be any one of a number of reasons. So, my brief at the U.N. was that it was not just that we are not obliged to follow these resolutions from the General Assembly, we are not even permitted to.

There was debate. After that there were exchanges of documents, and our Board accepted my interpretation. Dick Demuth drafted a letter to the U.N. for Woods' signature saying they had presented a very cogent argument. I said, "Dick how you can say that -- if we reject

it?" He said, "Well, your interpretation has been adopted, so we don't have to say that yours was good."

In the end, there was an exchange of correspondence between Woods and Secretary General U Thant saying in substance, "Well, the lawyer's can't agree, but let's just say that we want to cooperate." So the incident ended in a declaration of cooperation in good spirits, and the issue was left at that. However, we never made a loan to South Africa again, and we did not make a loan to Portugal until after the revolution, so you can see, looking back, that world public opinion does have some effect.

OLIVER: Was there ever a time when there were differences of opinion amongst the Executive Directors asking for a legal opinion as to whether a vote was politically motivated?

BROCHES: In the case of the dispute with the U.N., I gave a legal opinion. I said that we were not bound to accept the recommendations of the U.N. General Assembly and that political considerations didn't only mean foreign political considerations, but domestic political considerations as well.

OLIVER: Presumably much earlier.

BROCHES: . . . in the case of Poland. I hear McCloy saying, as I've just said, "We cannot be blind to the economic considerations of political developments in the case of Poland." We were negotiating with Poland in 1947, and Poland was then believed about to come into the Marshall Plan. The loan was for the reactivation of the coal mines. Coal was to go to West Germany to be paid for in dollars by the

occupying powers. The loans would be self-liquidating. Then the Poles decided, or were told, not to go into the Marshall group, which meant that the coal would have to be bartered and there would be no clear way of repayment. When the Bank simply said, "We won't lend to you," the Poles said it was a political decision. It was a decision on economic grounds, but the economic situation had changed because of political developments.

OLIVER: I understand.

BROCHES: I think it is the difference between motivation and accepting the consequence of certain policies.

OLIVER: The Bank was becoming more closely allied, so to speak, with various U.N. agencies in the early Woods' years. Did any legal agreements occur?

BROCHES: Yes. From the first, we had an agreement with the U.N., a relationship agreement, signed in '47 which made us a specialized agency under Article 57 of the U.N. Charter. That agreement was later extended to cover IDA and IFC. That was all before Woods.

During the Woods years, we started to cooperate with FAO and UNESCO. We had cooperation agreements which contemplated that these specialized institutions would identify and analyze projects, and we would put them into bankable form. We paid 75 percent of the cost, and I think we've also caught 75 percent of the due. Some people think that is too much, but, in any event, that was a very active period. WHO came in later and, I think, ILO also. Then there was some sort of informal consultation between UNDP and us about IDA policies. UNDP

became quite large and collected substantial sums of money. They did pre-investment studies at the moment when the Bank became somewhat flush, and there was a change in IDA policies, which meant that the Bank could also undertake such studies. You know Dick Demuth?

OLIVER: Yes.

BROCHES: Well, Dick did it. I mean he was our representative for those things. Dick also became a bit more active in his attendance at agency meetings and the Administrative Coordination Committee (ACC). He was much more visible and was not afraid to be seen walking out of the United Nations building!

OLIVER: It is my impression that over the years the Bank began to build up its own staff to do within its own house a fair amount of what it had been relying on other U.N. agencies to do.

BROCHES: Well, the way in which we got these programs through the Board was to say that it would be a saving of staff, which was not so.

OLIVER: It might have been so for the time being, but, over two or three years, the Bank staff increased.

BROCHES: Which must have given (the agreement with UNIDO is another example) unhappiness, but that was not a subject that I was. . . .

OLIVER: What about UNDP?

BROCHES: No, I don't think so. With UNDP there were questions of priority: would UNDP have the first refusal and the Bank/IDA come in only in UNDP couldn't do a project or study either because the country's allocating limits had been reached or for other reasons? In some cases, we were accused of acting too quickly, so there was some

competition there. On the other hand, there was also cooperation because the Bank acted as executing agent for UNDP and did it, at least at that time, against reimbursement of out-of-pocket expenses only. There was a substantial financial effort. None of these things existed before Woods.

OLIVER: You were in the process of listing the major achievements of the Woods years, and I interrupted you.

BROCHES: He started the President's Council.

OLIVER: I was going to ask you about the President's Council: how it functioned, and how it happened that particular people were on it.

BROCHES: Those who were on it rated it from O.K. up to very good. Those who were not on it thought it was not a bad idea, but they should have been on it. Late in '64 Woods established the President's Council with five people: Burke Knapp, Lending; Siem Aldewereld, Projects; Dick Demuth; myself, Legal; . . .

OLIVER: Geoffrey Wilson?

BROCHES: Yes, Geoffrey came a little later. Geoffrey took Finance and Administration. We were five. Later we had Irving Friedman, the Economic Adviser. I think that in the beginning we met every day. The immediate result of the formation of that group was that two very good department heads left. They felt that there should have been more than one lending (we call it "program") person on the Council. Each thought that he should have been named. Woods didn't want to choose. The two who left were the Canadian, Escott Reid, who had been Ambassador in Bonn and High Commissioner in Delhi, and the Frenchman, Pierre Moussa,

who many years later would be much in the news as the President, and then ex-President, of the Banque de Paris et des Pays Bas. They left after a few months but without bitterness.

OLIVER: Didn't Reid leave also partly because of the Bell mission which in some sense was a substitute for his department?

BROCHES: I just don't know. At the time he was Director of the Western Hemisphere Department.

OLIVER: Jerry Alter came later?

BROCHES: It is quite possible that Jerry Alter succeeded Escott Reid. The President's Council was not a group that decided things, it was sort of a contact group, and for that you could keep the meeting to fifteen minutes every morning. "What's new?" But after that it was not very clear.

OLIVER: What was the decision-making group in the Bank? Was it the Senior Staff?

BROCHES: It was Woods; later it was McNamara. I don't know where it is now.

OLIVER: How about Black? Did Black also make the final decisions alone?

BROCHES: Yes, but much was decided by Burke Knapp as head of the Staff Loan Committee, which was much larger than loan committees are now. The Committee generally dealt with a particular loan proposal, but everyone was welcome, including economists. On one occasion those present were almost unanimously opposed to the proposal. Burke then said, "I think we ought to go ahead," and I suggested that the minutes

should show that the proposal was adopted by a majority of one.

OLIVER: Did the President ever overrule the Staff Loan Committee himself, so to speak?

BROCHES: Burke, until he left (he was always in charge of the Loan Committee in various forms), would frequently say, "Well, I'll talk to Bob," or "I'll talk to George." So it didn't reach that stage. Presidents often had strong views.

OLIVER: I take it Burke and the President, whoever the President was, worked very closely together so that they would pretty well agree even before the Staff Loan Committee met.

BROCHES: When Black was about ready to leave, he got a little bored and left matters very much to Burke, who became sort of an acting President. This was not to Woods' liking. Woods then started baiting each member of the President's Council in turn. For a long time, he would make all sorts of unpleasant remarks to Burke. I was temporarily in charge of Administration, which was a foolish idea.

OLIVER: This was before Mike Lejeune?

BROCHES: No, Mike Lejeune was there as Director of Administration. I was supposed to sit "on top of Administration" in Woods' terms. Mike and I had no problems. I had problems with Woods because he would tell Mike, "Don't tell this to Ronnie because he would be opposed to it." I could see why, but Mike told me what he shouldn't tell me. I spent a lot of time just listening, and then I went to Woods, and said "Look George, I didn't want this job." He said "Yes, you did it as a service to me." I said, "That's right." That's exactly the term I used. He

said, "And you didn't know anything about it." I said, "That's right. I was willing to take the responsibility, but just to listen to all that scuttlebut that you said to so and so is a waste of my time. He said, "Who should do it?" I said, "I think you should do it. You think you know personnel and administration and you are interested." He asked, "Has it been done that way anywhere else." I said, "Yes, in Europe, at Philips (the Dutch multinational), the President is also his own Vice President of Personnel. He likes it."

OLIVER: When Woods was nasty to members of the Council, was this just his personality or was he trying to. . . .

BROCHES: With Burke, I think he wanted to establish that he was the President.

OLIVER: He was simply trying to. . . .

BROCHES: We were equal members of the President's Council. He asked us one Monday -- he said, "We ought to have a picture of the President's Council." We came and sat there, and I said to Burke, "Gee, George isn't here." He said, "Ronnie, as a lawyer you should have listened to his words. The President's Council doesn't include the President." So the five of us sat there to be photographed. He had a difficult personality. He liked to create -- he would call it, "creative tension," and there was a lot of tension between him and the Directors. It was so bad his last year that when McNamara came every Director told him, "Whatever you do, don't act like Woods. Don't have confrontations." McNamara read three years of verbatim minutes, and for awhile McNamara hardly opened his mouth.

OLIVER: You mean there are tape recordings kept of the Executive Director's meetings?

BROCHES: Yes. I don't know whether they keep the tapes when they are done with the typing of the verbatim transcript. Oh yes, there are books of all the meetings. I think it started almost in the first year. Nobody is permitted to cite this record except to recall or prove what he himself said. One is not permitted to refer to what someone else said. But the record is evidence of increasing confrontation.

OLIVER: Is there any explanation for that?

BROCHES: Oh, no. One person who knew Woods before he came to the Bank said, "After a heart attack [Woods had had a serious one a few years earlier] some people have a complete change of character." I once talked to someone who knew him as a younger man, and he said, "Woods was always that way." I didn't know him until he came to the Bank. Many people in the Bank had known him in one way or another. He was a difficult man. When he left, relations with the staff were bad, and relations with the Board were bad. It was sad.

OLIVER: Is it sad. Had he decided by late '66 or early '67 not to seek a second term?

BROCHES: He was too old for a second term, but he had certainly hoped to arrange a deal with McNamara that McNamara would resign at the end of Johnson's term (January 1969), which would give Woods another year. That didn't work out. President Johnson is supposed to have said that if McNamara wanted to leave, he should leave as soon as possible.

OLIVER: Johnson said that to McNamara?

BROCHES: Yes. I think that is what happened. So McNamara didn't serve out the term of the President. McNamara by then had grave doubts about the things that Johnson was doing and things that he himself was doing. He came to the Bank on April 1st, 1968. I think it was the day after Johnson announced that he would not run again.

OLIVER: Have we talked about all the positive things of the Woods years?

BROCHES: Yes. There was IDA; a somewhat more liberal, if you will, policy on "non-project" or "program" loans and on the financing of local expenditures with foreign exchange. It was all a bit more open. That was all positive.

OLIVER: So there was a sort of natural transition from the end of the Black years to the beginning of the McNamara years?

BROCHES: Yes.

OLIVER: Under McNamara, I take it, relations both with the Board and the Staff improved?

BROCHES: Yes. Of course, I wasn't there during the last two years. At first we saw the advantages of his systematic approach -- his planning of operations. He said that having a plan meant no more than that you have to explain why you are not carrying out the plan. That sounded very nice, but gradually it became clear that what it really meant was that the plan had to be carried out. McNamara would ask the various regions (in the meantime we had had this reorganization) to submit their programs, and the Regional Vice Presidents knew that they

had better come up with large programs. When it looked as if the targets couldn't be met he would say, "Now fellows, this is your program; not my program, it is your program." That didn't sit well. It particularly didn't sit well with some of the younger people who were at the working level. They said, "We are professionals. We are forced to write up reports that can't properly be done by next June 30 [end of fiscal year]."

OLIVER: Virtually all the top people in the Bank today are people who were appointed by McNamara? With the new President, . . .

BROCHES: Yes, I think you are right. There is a new man here -- a Brazilian.

OLIVER: Mr. Botafogo.

BROCHES: Of course the whole of the [twelfth] floor is new. Ernie Stern was brought in by McNamara.

OLIVER: Is there a parallel with the Woods Bank? Irving Friedman was, I think, the only senior person that Woods appointed.

BROCHES: Yes, and McNamara fired him, and Irving went on to do good things with Citibank. Ernie Stern came in under McNamara. Hollis Chenery left. Did Anne Kruger come in under McNamara?

OLIVER: I think. I'll look that up.

BROCHES: What happened when McNamara came in was that Woods had already fixed him up with two vice presidents. There was William Clark. I think McNamara saw him a few days before he arrived. There was Dennis Rickett. The first hint I had that McNamara might be coming to the Bank was when I read in the society pages of the Washington Post

that Mr. and Mrs. Shoaib [ex Pakistani Minister of Finance, Vice President of the Bank] gave a dinner for Secretary and Mrs. McNamara and Mr. and Mrs. Woods, and I said to myself, "There is the handwriting on the wall."

OLIVER: When was that? Can you recall?

BROCHES: February or March of '67.

OLIVER: '67, that early? I'm surprised.

BROCHES: In late November of that year I was in Manila. A local paper said that the Board had elected McNamara President. I was surprised. I phoned Washington, and I was told that the U.S. had proposed McNamara and that the next day by 10:00 o'clock cables were expected from all the Directors.

OLIVER: Is there anything I should have asked you that I haven't asked you?

BROCHES: I don't think so.

OLIVER: Any legal implications to the controversy with the Indian Government and the publication of the Bell Report on the front pages of the papers that would go beyond what we talked about?

BROCHES: None that I recall. There were some leaks about Bangladesh that were embarrassing. Well, the legal issues were that the Bank had the right to transfer funds to IDA and that we didn't have to comply with General Assembly resolutions. We had one problem that disturbed Woods very much and that was that the U. S. was becoming difficult in giving the required consent to borrow. The World Bank is different from other borrowers. Even if a market is open to all comers the

World Bank nevertheless needs the consent of the Government concerned. The Bank's Articles so provide. Woods had very bad relations with [Secretary of the Treasury] Henry Fowler, and it didn't take very long before Woods became concerned that the Bank might not be able to borrow the funds it needed to meet its obligations to its borrowers. He and I talked about the problem. Each country has the right to give or withhold its consent, but here was the U.S., which at that time was happily voting in favor of a greater loan program saying, "You can't borrow in our market," even though the only way we could pay out on the loans we made was by borrowing in large part in the United States market. This issue was never settled, but after a while it lost its practical importance.

OLIVER: Mr. Broches, I appreciate your time and thoughtfulness in coming.

BROCHES: Did you get a much different impression of Woods than you heard from others?

OLIVER: I get a slightly different impression from everybody. This is why it is the totality which I so much need.