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Transcript of interview with

RAYMOND J. GOODMAN

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By: Richard Webb and Devesh Kapur

FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

Raymond J. Goodman
May 14, 1992 – Final Edited

*[Begin Tape 1, Side A]*¹

WEBB: . . . there are any number of topics that we would enjoy, that would help us a lot to cover.

GOODMAN: Well, let me give you just a very, very brief resume—I mean, not a career resume—but as I said, I joined the Bank in '56, and after a brief spell on Japan I was made the division chief for India and whatever countries went with India at that time. So I was the officer at the working level responsible for organizing the consortium. And subsequently they shifted me to Pakistan to do the same for Pakistan. And then I was chairman. There was then at that time just one Asia what they called “area department” which covered everything from the Middle East eastward. The director of it was a man called [*I. Peter M.*] Cargill, who I'm sure you've run across.

WEBB: Yeah.

GOODMAN: And I was his deputy. When all this activity on consultative groups started after the two consortia were formed, we had a division of labor. He took over the two consortia, and I was chairman of all the other groups, which was--not in chronological order; I've forgotten exactly when they were formed, but it's in there--Korea, the Philippines, Sri Lanka (or Ceylon, as it used to be called) and Thailand. Malaysia declined to have a consultative group. They did have one meeting. And also Indonesia, although the IGGI, as it was called, the Intergovernmental Group on Indonesia, was actually chaired by the Dutch, but the Bank in effect really ran the consortium. I used to take the Bank's delegation to that. So I've had a long experience of that group of countries.

And then when the--I don't need to go into all these details. At one stage I was pulled out of operations and made the deputy director for administration of personnel. They wanted someone with operational experience. So I did that for a couple of years, two and a half years.

KAPUR: What years was that?

GOODMAN: That would have been the middle '60s, '64 to '66, something like that. Then I went back to operations and joined Cargill as his deputy. That was when I went back, having previously been a division chief.

WEBB: So it was before the consortium period?

KAPUR: No.

GOODMAN: No, the Indian consortium was formed in '58 when I was a division chief, and then Pakistan was 1960. And then shortly after that I was asked to take over as deputy of administration and personnel. Then the director died, so for a while I was

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running it. Then, as soon as they found a replacement, I went back to operations as deputy to Cargill, who was director of what was then one of three area departments: Asia, Europe and the Middle East, Western Hemisphere. I think that's probably all I need to tell you about myself.

And when this study that I mentioned on the telephone to you was done, this study under Johannes Linn, responding to a question of the president, "Why was Bank lending in the 1980s flat in real terms, whereas in the 1970s it had gone up very sharply?" And a study was commissioned under the general direction of Johannes Linn. It actually, the work was done by, as I said, a compatriot of yours, Amar Bhattacharya and his colleagues. And among other things it included a study of, I think, 33 of the major borrowers of the Bank who had been consistent borrowers in the two decades. I was asked to do six of them, and other people did the remainder. I don't know--I think John Adelman was another. You may have the list somewhere.

WEBB: No.

GOODMAN: Anyway, in that connection, three of the countries were countries I knew well, Korea, and three I did not know well. I did Korea, Nigeria, where I had done some work after I retired from the Bank--I stayed there for about three months—oh, Pakistan, which I knew from the early days. And the three I did not know at all well were Colombia, Mexico, and Algeria. But these are all by now--the one on Korea, which I thought you were interested in, this is what I wrote for them, and you're welcome to it. Again, I'd be grateful to have it back. This was done on my [both speaking at once]

WEBB: Right, fine.

GOODMAN: But that would summarize some of the early--it concentrated, of course, on the '70s and '80s and not on the period before that, except very briefly, or since 1990.

WEBB: Did you see their overall study?

GOODMAN: No, I saw a draft of it, which I commented on, and I have that somewhere, but it was a draft, and don't know what--I haven't seen the final. I asked if I could see it, but, I mean, it's up to them. I have no claim on it.

WEBB: We just asked for a copy this morning.

GOODMAN: I think you should see it, yes. The draft that I read was--I thought it was a very competent piece of work. The only major comment I made was that there was nowhere in the text, anywhere that I could see, any reference to political conditions in these countries which, in my view, if not critical are at least extremely important. I mean, why did certain countries like Korea prosper and others did not? Well, there were many reasons, but one of the basic reasons is that Korea had a stable if authoritarian government, and a country like Nigeria, which had infinitely more resources, had a checkered history of military government, civil war, civilian corrupt government and so on. The difference between those two countries is, as much as

anything, the quality of their governance. But this was not referred to, and I hope they in the final version have made some reference to it.

The same was true of the Latin American countries. I mean, why have some of them done better and some like Argentina practically gone down the drain until recently?

WEBB: And Brazil.

GOODMAN: Anyway.

WEBB: Did you go to Colombia for this study? No?

GOODMAN: No, this was entirely a desk study, based on CPPs [*country policy papers*], economic reports, a massive pile of documents. But, no, I did not go. I didn't need to go to the three countries that I know, but the three countries that I didn't know, it's strictly a second-hand study.

WEBB: Yeah. Well, thank you very much. It will be interesting to read this and also read their--how they handle this.

GOODMAN: Yes, it will be interesting. And if you want the individual studies, I should think they could provide them. I could provide the other five that I did, but . . .

WEBB: Fine. I think that would be instructive.

GOODMAN: If you'd like to have that.

WEBB: Yeah. [pause to get the study]

GOODMAN: That one, as I say, happens to be my only copy.

WEBB: That fact that I, just reading from notes, hearing the presentation on it--we arrived late—but it was a presentation yesterday by Bhattacharya on his studies. And Linn also sent around an outline.

GOODMAN: That's the original outline, is it? Probably I have it. [both speaking at once]

WEBB: April 27?

GOODMAN: Yeah, that would be it.

WEBB: It's summarizing the main results.

GOODMAN: No, I don't think I've seen that.

KAPUR: No, that's not really . . .

GOODMAN: No, I haven't seen that.

KAPUR: That's only to a few people at the top.

GOODMAN: May I have your first name? [pause to make notes]

WEBB: Richard, Richard Webb.

The fact that struck us that seems to be made an explicit part of the discussion of the Bank's own portfolio problems from with large borrowers is the evident need to keep on lending in the case of many countries. This didn't--we're surprised that this wasn't brought into the discussion.

GOODMAN: You're saying there was an urge to keep on lending?

WEBB: Yes, the Bank's been increasingly worried by its portfolio.

KAPUR: So-called "defensive lending" [both speaking at once]

GOODMAN: Not to create a liquidity problem or . .

KAPUR: There's that or . .

GOODMAN: . . the old debtor problem, I mean, the old creditor problem: the more you lend, the more committed you are to go on lending.

WEBB: Right.

GOODMAN: Yeah, there was a good deal of that, I'm sure.

KAPUR: I mean, it varies from country to country, but at least in the '80s the portfolio began to deteriorate . .

GOODMAN: Yes, the Bank is not very frank about these things, I'm afraid.

WEBB: Yes, I guess no bank is really!

GOODMAN: No bank; not just this bank.

WEBB: It's easy to see for yourself, though here there is--we pick up memos, comments. In that sense the Bank is less of a "bank." There is some openness. This study didn't do any of that, I guess. This is the [Edward V.K.] Jaycox memo about lending in Africa? You mentioned to me the instructions that they have to find, have to keep on lending. What was that memo? You mentioned it.

GOODMAN: Jaycox himself acknowledged this, you mean?

WEBB: He sent an order, which was made about as explicit as you can make it.

GOODMAN: To go on lending?

WEBB: The Bank has to keep on lending.

KAPUR: Well, there in Africa, of course, was a little bit of--in some ways, it's like they have recourse to IDA [*International Development Association*] for what they're trying to do with--the other thing which unfortunately it does not come out in the study, the "blender" countries and the countries which went from IBRD [*International Bank for Reconstruction and Development*] to IDA and what that has meant. Zambia is an excellent example, you know. You declare it IDA, use the IDA money to be paid back yourself. Now those sorts of complexities, which are much more evident in the '80s . .

GOODMAN: And it's not brought out in the study?

KAPUR: Not at all. Not at all. And there were enough country files—Cote d'Ivoire, francophone Africa, Cameroon, Senegal, Cote d'Ivoire [*inaudible*]

GOODMAN: Of course, again to some extent the political problem comes in. The French, for example, would press for continued lending to francophone Africa, and in general there's always been pressure on the Bank to do more for Africa. And the Bank has, you know, scratched its head, you know, "What can we do for Africa?" Strictly speaking, it's an IDA basket situation, but excuses were always found to use IDA.

It's the same even in Asia. For example, in a big country like India, your country, until recently at least it's been basically a "blend" country. When you run out of IDA, which you don't have enough to begin to meet India's needs, you make excuses for Bank lending. But what else can you do?

KAPUR: Well, I mean, the portfolio of the Bank in India in 1980 was 80/20 IDA/IBRD. 1990 was 20/80. So there's a substantial shift.

GOODMAN: Then there are questions the other way around. I happened to be having lunch with my son who is in the Treasury now on the international side, and he said that on an upcoming loan for--this is confidential--an upcoming loan for Korea, I think this week or next week, the U.S. is going to vote "no" because they think, you know, it's a waste of Bank resources on a country that could borrow in the private markets. Now, it's hard to argue against that, but the Bank goes on lending. Now, why does it go on lending? Because Korea wants it, it's good customer relations, it helps to improve the Bank's portfolio to lend to an obviously creditworthy country, and they don't want to break the relationship and so on. And here's the major shareholder going to vote "no" against.

KAPUR: It's an issue of graduation for Korea, who's been a potential now almost for decades. But it's a bit like Japan. I was reading they told the Japanese they will not take the repayments—you know Japan has repaid only last year all its loans--because it looked better for the portfolio.

GOODMAN: I can tell you a story about Japan. When I was—I guess I must have been then the deputy to Asia. Japan was still a borrower and by '65 had been graduated formally. And I can remember a scene in which the then-minister of finance, [*Yasuo*] Fukuda (became prime minister later), came to see George Woods, who was then the president, and since I was around, I was invited to go to the

meeting. And Fukuda virtually burst into tears because Woods was saying, "Now you've graduated. We can't lend any more."

He said, "I must have it for political reasons. My job is at stake." That was through a translator.

Eventually Woods gave way and made a 50 million dollar loan for a highway project. That was the last loan made to Japan, and that was in fiscal '66.

I mean, these are human institutions, and there you are. What do you do?

KAPUR: Is it a recommended a policy for borrowers to start crying [*inaudible*] [all speaking at once]

GOODMAN: Well, you see, no doubt--I didn't discuss it with Woods afterward; I just administered the thing--but what must have been going through his mind was, "Here's a country, an important country, that's going to be important to the Bank. It's a prospective donor to IDA, and, you know, we can't afford to kick it in the teeth. So let's make one final gesture." I mean, the Bank isn't insulated from these forces.

KAPUR: When did you take over as director for East Asia?

GOODMAN: As I mentioned earlier, there was one area department covering the whole of Asia from, I guess, it was places like Jordan even in the far, far west, as far as one can go. When it became large, it split. And Cargill was the director, and he took the new South Asia department, and I took the East Asia or EA, East Asia and Pacific. We simply split. He took one half and I took the other half. And that was shortly after [*Robert S.*] McNamara came to the Bank sometime in '68.

KAPUR: Was it McNamara's thing, or was that already . . .

GOODMAN: Well, it was his decision, but how long it had been in the works I'm not sure.

But these things happened from time to time. I can remember the time, for example, earlier than that when the then-president of the Bank—I think it was not Gene [*Eugene R.*] Black; it must have been George Woods--strongly resisted creating an Africa department. He was under strong pressure from the French and the British, who had colonial interests there, to set up a separate department, and it was then an appendage of the European department. He resisted for a long time and finally agreed to set up a new department for Africa. That must have been in the late '50s, early '60s, I can't remember.

WEBB: And the Bank has regretted it ever since?

GOODMAN: I would think so, yes. I don't know what you can do for Africa, I'm sure.

WEBB: If you could go to Korea and maybe start with the most general question. It really came up now that we have just been looking at the draft paper than Kim Mahn-

Je has written for us for what is to be the second volume of this history, which will be a collection of contributed papers, and . . .

GOODMAN: It's not going to be a continuous chronological . .

WEBB: The first volume is.

GOODMAN: Oh, I see. Another volume.

WEBB: The first volume will be a straightforward history much like the [*Edward S.*] Mason and [*Robert E.*] Asher book. But the second volume will be a collection of contributed papers by people outside the Bank, some of them talking about a country, some about other aspects. Polak, for instance, Jacques Polak has written one on the relationship between the [*International Monetary*] Fund and the Bank.

GOODMAN: That's an interesting story in itself, absolutely.

WEBB: And so Kim Mahn-Je just sent us this draft, and we were a bit--I guess we have to confess we were a bit taken aback because . . .

GOODMAN: This it just on Korea?

KAPUR: Yes, the World Bank in Korea.

WEBB: The story he tells, it's just so smooth and so praising of the Bank. We ran into this when we visited Indonesia some months back, and I was . . .

I come from Latin America; I'm a Peruvian.

GOODMAN: Oh, you're a Peruvian. I didn't guess that from your name.

WEBB: No, my father was from Birmingham, England.

GOODMAN: Oh, is that right?

WEBB: Yeah.

So, I mean, we deal differently with the World Bank in Latin America. I wasn't ready for this incredible praise, such a smooth, diplomatic, controlled . . .

GOODMAN: You're speaking of Indonesia?

WEBB: Indonesia.

KAPUR: Almost orchestrated. Well, that might be a bit strong, but . .

WEBB: Don't be too sure.

KAPUR: Yes, I think that is . . .

GOODMAN: Well, I can talk to you about that if you like because, as I say, I was the . . .

WEBB: But on Korea, we've sent Kim a note asking him whether he really wants to insist on this version because there's just so much questioning of that story now. Even in the Bank itself now there's more and more questioning as to how much the Bank really did contribute. There was a recent report on industrialization policy in Korea, one of the first sentences said that the thing about Korea is that Korea has always been in complete control of its own economic policy. And this comes out a lot of—this is mixed up with the debate about whether Korea really was interventionist or not interventionist and which of those two really explains the success of Korea. [all speaking at once] So I wondering what your general reaction is to this all this.

GOODMAN: Well, I hope it's not evading the question to say it's a bit of both. In the early days, that is to say from the Syngman Rhee period through the early days of Park Chung Hee who, the military coup that--actually, Syngman Rhee was dead, but Park Chung Hee organized a military coup in '61. At that time Korea after the Korean War was simply an appendage of the U.S. in terms both military and economic and financial, and it was so regarded in the Bank. It was rather like Israel--to which I may say I took the first economic mission--just an appendage of the U.S. It therefore wasn't to be taken seriously; therefore, there was nothing we can do about it.

After two or three years of Park Chung Hee, who was determined to put the country on the map, as you will, economically, the U.S. came to the Bank and put some pressure on the Bank to get into the act, not only to start lending itself but also to organize other countries who might be future donors, and that is the genesis of the consultative group that was formed for Korea. It think its first meeting was in '66, according to this document. My memory would have said it was a little earlier. So the Bank was urged, first of all, to send missions out there to find out what was going on, whether it was potentially viable, and subsequently to form a group. And I was the chairman of that first meeting which was held in Paris--I guess it must have been '66 if my record is correct. And the U.S. was there in force headed by a man whose name you will run across. My memory is beginning to fray--he was deputy administrator of . . .

KAPUR: AID [*U.S. Agency for International Development*]?

GOODMAN: AID. He subsequently worked for the Bank.

KAPUR: Not Hollis Chenery.

GOODMAN: No, not Hollis. No, no, he's an economist.

KAPUR: [*Bilsel*] Alisbah?

GOODMAN: No. Begins with an "R." It will come to me.

Anyway, the point is, they sent a very strong delegation, which, you know, they sat there, I sat here, he sat there. They had delegations behind me, and they were very determined that the Bank would get into the act and also encourage other countries to

do so. And by this time, of course, the Bank itself formed the opinion that this country was not a joke. It was serious. It was seriously determined to do something economically. It was then, if memory serves, among the poorest countries in Asia in terms of per capita income. It was almost strictly agricultural and very backward. It had little infrastructure except for some roads and a railway system that went down to the port of Pusan.

And Chung Hee, as a military man, simply organized this as a military operation. He had--again, if memory serves--fortnightly meetings of his economic cabinet headed by the deputy prime minister, who was the chief economic minister. And on several occasions he invited me to come and to just listen to what went on. He had charts put up of exports, export targets for next year, five years, financing by the various state banks and also commercial banks, for that matter. And the ministers were all sent off after the meeting with their commissions: They were to press exports or this or that. Also, on the industrial side, all the major projects were organized or at least approved in this fortnightly meeting (if it was indeed fortnightly) by Park Chung-Hee in person. Now, that's the, if you like, the good side of the coin.

The other side is, as far as Bank relations are concerned, is that the Bank was always more conservative than the government. I can personally remember meetings with President Park himself and his senior officials, saying, "Look, you're growing much too fast. You will have an inflationary situation on your hands. You won't be able to finance these projects."

And they would listen politely and say, "Yes, we're growing; we're trying to grow at 12 percent. We agree that this is too fast. Maybe 9 percent would be better." And then they went off sweetly, doing exactly what they had planned to do.

On projects, I can also remember when the Pohang steel plant was mooted. I can remember saying to Park myself, "Look, Mr. President. You're sitting right next to the most efficient steel producer in the world: Japan. You're right in its backyard. You have no coal of any consequence; you have very poor, second-rate coal. You have no iron resources. You have no technical experience. How can you expect to build a steel plant in those circumstances next to Japan?"

He said, "Well, what you say makes a lot of sense," and he went straight on, built a two million dollar plant, largely financed by Japanese capital, and now it's more efficient than the Japanese. I mean, and that's the way they went about things.

KAPUR: That two million ton plant is now 16 million tons, the most efficient plant, steel-producer, in the world. And it's public sector.

GOODMAN: That's right. Now, they did run into trouble later on because they borrowed heavily for these plants, and then when the world hit a recession, as it did after the two oil crises, they were in trouble because they had a lot of debt. They had incurred a lot of commercial debt for these projects, and the products either were not ready or they were not selling. So they had difficulty financing these--I mean servicing their debt.

Your question really was, I suppose, "What role did the Bank play?"

WEBB: In general, yes—as you say, somewhere in between. There are some contrasting, strikingly contrasting views on this.

GOODMAN: As to the Bank's influence?

WEBB: Yes.

GOODMAN: Psychologically, of course, the Bank, as in other cases, was important in terms of its influence on the attitude of other countries. I mean, the Bank was prepared to lend, was prepared to organize a group, supported the case of the government for assistance, and this gave a certain “Good Housekeeping Seal.” Now, that's not to be underrated, and that's true of other countries, too. As I've mentioned, it was true of Israel in the early days, and that's been true of other countries. And so that's important.

At the sectoral or project level the Bank was also important in terms of irrigation projects, you know, the usual Bank technical assistance. That was very important to Korea. The only question I would raise is really how much influence we had at the macro level. That's what I'm really saying.

WEBB: By macro, you mean, strictly aggregate demand policy, or do you mean overall priorities or both?

GOODMAN: Taking those separately, we and the Fund had some influence on supply/demand monetary policies. It was not, I would think, nothing to write home about. In terms of sectoral planning and, you know, the five-year plans and so on, I think our advice was useful. I think what the--I'm beginning to waffle. Let me put it more concretely. I think the usefulness of the Bank to the Korean authorities was as a sounding board. They would have their plans or their ideas, and they would come to us and bounce them off us, and that was an extremely useful exercise.

Now, how much influence in the long run we had? I've given you the example of the Pohang. But it was probably--I mean, the fact that we made these comments made them think before they went ahead, but they decided to go ahead. We may have stopped or modified some of their wilder schemes.

Or, to put it another way, what would the Koreans have done without the Bank, without this source of external comment, criticism, and advice? I think they wouldn't have done as well, but it's awfully hard to prove. But I don't think the Bank should take overall credit for the performance of Korea, that's strictly due to their own intelligence and efforts, and, one has to say, the fact that they had an authoritarian government. They couldn't have done it under--and they're not doing it now because one of the problems they're running into is precisely because the government has had to liberalize and make concessions, political concessions to the opposition and to the labor unions and so on. And I won't say directly as a result, but it's compounded the problem of dealing with their current account and other difficulties.

KAPUR: How did you see--I guess this was a little bit after you left the Bank--in the mid-'80s, the Bank particularly, less its operations but more its research side, really

used Korea as the example of what free markets meant and, you know, sort of not laissez-faire but what less government intervention and what can be achieved. More recently there is fairly substantial evidence that was not the case.

GOODMAN: That they were not a free market? Which was not the case.

KAPUR: That they were not a free market in a sense, that state intervention [both speaking at once]

GOODMAN: Well, I used the word here. I said, "As a military man his administration was strongly dirigiste." I mean there it is.

KAPUR: So you really saw what happened precisely because and not despite state intervention?

GOODMAN: Oh, no. It was state intervention all the way. On the other hand, it was intervention not in the typical socialist kind of doing it through state enterprises but through the private sector, and the private sector was allowed (a) to borrow at cheap rates. That was another form of—that was directed, the direction from the government to the banks to lend at special rates . .

KAPUR: Especially the large corporations

GOODMAN: . . especially the large corporations, and they were allowed to be robber barons. That's what it amounted to. They were given a license to make whatever they could, but they were told, "This is your target. You have got to produce this particular commodity or sell this amount," and to that extent it was heavily directed—but through the private sector; that's the difference.

They also manipulated the exchange rate, of course. The won was always undervalued.

KAPUR: Right.

GOODMAN: But that's not—they're not alone in that. The same is true of Taiwan, of course [*inaudible*]

KAPUR: Now [*inaudible*] Treasury as of yesterday of China.

GOODMAN: That's right. My son's been involved in that. Yeah, that's right. So you can say it was—if anybody says it's an example of free market development, it's not true, except that the vehicle, the engine, is to be found not in the public sector but in the private sector. To that extent it's true.

KAPUR: Did you get heavily involved in the debate in the '80s? You must have noticed this in the '80s.

GOODMAN: Of course, I had left the Bank by then, and I wasn't privy to these researches. My activities have been rather sporadic. I mean, I did take a mission to Indonesia, but that was on the reorganization of the resident mission. I've been to

Africa for the Bank, but that was for different reasons. I mean, I did a study of the capital investment problem in Nigeria, sort of what the French would call a triage--which of the wounded will recover by themselves, which can recover if they are assisted, and which you should allow to die. I mean, I did that. But that didn't make me privy to the Bank's thinking.

WEBB: In the earlier discussions, what was being said or how did you see agricultural policy and the Bank's role there?

GOODMAN: In Korea?

WEBB: Yes.

GOODMAN: Yes, that's a good question to ask.

Let me start by making a comment about President Park. He was a dictator, of course, a military man, but he was not unaware of the importance of political support, and his political support was in the rural areas, particularly in the south, so he was very conscious of the importance of doing something for agriculture and rural development, politically, I mean. I mean, this was the motivation, if you like, but to his credit he did see the importance of having a balanced approach between agriculture and industry, partly because he didn't want to build up an urban proletariat or an urban disaffected class which would then be a danger to him, but I think genuinely he saw the importance of balanced development between the two sectors.

He instituted in a year which I've forgotten--it must have been about '66, '68--the so-called Saemaul movement S-A-E-M-A-U-L or M-A-E-L. It means something in Korean which I've forgotten, but it was essentially a program of agricultural development linked with such projects as roofing villages, providing schools, providing clinics, contraceptive clinics—I may say that was a quite an advance for women. McNamara and I visited one once and talked to the women who were in them.

This was a very intelligent approach of his, and it was influenced, I think, to a considerable degree by the experience of Taiwan. They were very conscious of what had happened in Taiwan. Taiwan, as you know, when they started developing, they had a slogan, "Power to the tiller," or something like that. That's not quite right, but it's something "to the tiller." And there they had a very strong stress on the importance of bringing the agricultural sector along with the industrial sector. It was partly indirect in the sense that they developed industries which were close to certain rural areas where surplus labor, the sons and daughters, for example, the family, could go to work in industry and provide a second income for the farmer. And Korea--the Korean authorities were very conscious of this and quite deliberately pursued a similar policy.

Now, if you're asking me whether their irrigation schemes or fertilizer schemes made sense, it's too long ago. I . . .

KAPUR: There's a new book out precisely on this.

GOODMAN: There's a new book?

KAPUR: Yeah, I've just seen the review in the *[inaudible] Economic Review*, which seems to . . .

GOODMAN: A Bank book?

KAPUR: No, no, sort of more *[inaudible]* which questions this part, which says that this really went wrong *[inaudible]*

GOODMAN: Went wrong in Korea or in . .

KAPUR: In Korea, that the thatched roof part, that the officials really went way . .

GOODMAN: Did too much or spent too much money?

KAPUR: Yes, and they really brutalized the peasants to meet the targets. The thatched roofs, you know, the huts were replaced by concrete.

GOODMAN: Yes, there was a lot of that.

KAPUR: There was a lot of that as a part of modernization in a way which, according to this, was *[inaudible]* misplaced.

GOODMAN: Could be. They tend to be a country of excesses. I mean, the idea may have been good, but in the execution they may have gone too far. Some of that would have happened after my time. I didn't visit Korea, you see, after the mid-'70s except that they invited me to come to the last meeting of the consultative group just for old times' sake, but that was a sort of farewell state visit. So I really know nothing personally about Korea after the mid-'70s, and this, what you're saying, may have happened somewhat later. So all I can say is that the notion was good. The division of resources, financial resources, was much better than in some countries which totally neglected the rural sector, but the execution may not have been so good.

KAPUR: Did McNamara--at that time, I mean, he was really getting on the population theme, and that's an area of activity where East Asia was very *[inaudible]* I mean, in terms of execution. Did McNamara--did that sort of strike him? Did he pick up ideas there which he wanted to push elsewhere? Or was there anything else in East Asia which he picked up and he thought the Bank ought to be doing?

GOODMAN: Population, certainly. I can remember--well, as I just mentioned--that he particularly asked to see the population people in Seoul and also to visit one or more--I think there were two--population centers in the rural areas where the women could come for advice and contraceptive materials and so on. So he certainly was interested. And how far this influenced his thinking for other countries, I just wouldn't know. He was not the sort of man who talked about these things easily, but it must have had some influence on him.

He did have very strong views. I can remember going with him to the Philippines, for example, and when he got on the plane after the Philippines, he said, "This is a soft country. There is nothing we can do for this country. It's a soft country, corrupt."

KAPUR: Which year was that?

GOODMAN: Well, this would have been somewhere in the . . .

KAPUR: Was it after martial law?

GOODMAN: Oh, it was certainly in [*Ferdinand*] Marcos's time because we stayed in the palace. We played--no, that was with Burke Knapp. I was going to say we played pelota with. . . .

It was the turn of the '70s, I don't remember, '69, '70, '71, somewhere around there. As distinct from Korea, about which he was very impressed, of course. Who wouldn't be?

The other motivation in Korea, of course, which one mustn't forget--or two motivations which I touch on there--is (a) defense against the North and (b) irritation at being under the control of the U.S. They wanted to get free of it, at least economically if not militarily. It was also affecting its projects. I can remember one of the chief roads that were built from north to south, from Seoul southward. At one or two points it was 12 lanes wide. Why? Because they were landing strips.

KAPUR: I guess it's helping them now.

WEBB: Was the Bank pressing Korea on agricultural policy? Or did it--was the attitude, "Well, they're doing a good job on this. Let's concentrate on areas that are . . ."

GOODMAN: I don't recall that we had to persuade them to do more for agriculture for the reasons that I mentioned. We certainly put a lot of effort through our project colleagues on irrigation schemes and technical advice on seeds and--well, the usual things that the project people did. But I would guess it was more supportive than pressure. I don't think they needed to be pressed.

WEBB: Do you remember pressing them?

GOODMAN: On agriculture?

WEBB: In any area, except to slow down in general?

GOODMAN: That certainly was what sticks mostly in my mind, the fact that they were attempting to do too much too quickly without the resources to back it and that they would run into inflationary and financial problems. I certainly remember pressing the population problem, but they didn't need to be pressed. I mean, their record shows that they did bring--I think the figures were in there--that brought down the population rate from three plus percent to something less than two percent in quite

a short time, which was a function of economic development as much as anything, but with strong backing from the authorities. What else did I . . .

KAPUR: What about poverty?

GOODMAN: Education, you didn't need to press them on education. They were essentially a literate population--at the primary level, anyway--and they put a lot of effort and money into higher and tertiary education. I mean, education is the Koreans' middle name, as you know. They did everything for education. So again you didn't need to press them on that.

KAPUR: Was their poverty like after [*inaudible*] was that in the area of . . .

GOODMAN: Poverty was extreme in the villages. Oh, yes. I mean, if you would go to a village, it was just mud roads. If you were there when it rained, you got your feet covered with mud. The houses were insubstantial. In the towns, of course, they were more intelligent. They have this under-floor heating, you know, much more comfortable than even Japan in some ways.

WEBB: How does that work?

GOODMAN: It was like the Romans, you know. They have the floor, and then under the floor they have spaces in which they build fires, and then somehow or other they manage to draw the heat under the floor. So you took the shoes off and sat on the floor, and it was warm. I don't know of any Asian . .

*[End Tape 1, Side A]
[Begin Tape 1, Side B]*

GOODMAN: . . of the better houses in the rural areas, but most of the peasants led a pretty poor life. On the other hand, if you went there when they had a wedding, the women would come out in their--they're not called kimonos; they're called something else—but, you know, silk robes. Every family had a set of silk robes for the wedding.

WEBB: It's like in the mountains of Peru. Any kind of calculation of what they live on--and the figures are peanuts--but then in the fiestas they will spend six, seven days, and they will splurge what looks like an annual income on liquor, and they come out with these beautiful dresses with silver and . . .

GOODMAN: That's what makes life tolerable, I suppose. It looks like a waste of resources, but . .

WEBB: Yeah.

GOODMAN: . . I mean, what's life for?

WEBB: Exactly.

KAPUR: At the same time your own attention, directed in that region, was directed more to Indonesia?

GOODMAN: Well, Indonesia was, of course, the big country, but there was a difference in the case of Indonesia. When the Bank got involved it was just about the time when McNamara took over, I think—'68, it would be--and McNamara always had an eye for the fulcrum, the big points, and the big points were the big countries like India, Pakistan, you name it. And Indonesia was a big country, 100 million people or whatever the number was. This was a country you concentrated on. And it was done in that case in a rather unusual way, and that is of essentially putting the Bank into Jakarta under Bernie [*Bernard R.*] Bell with a strong technical team. He took care of the economic side with assistance, and then the strong sectoral people, and these people worked hand and glove with what has been called the "Berkeley mafia."

KAPUR: Widjojo [*Nitisaastro*].

GOODMAN: Widjojo, that's right. And it was kind of team work. So it was done really in Jakarta rather than here. In fact, sometimes Bernie and I had disputes because he was committing the Bank to do things without, you know, proper—without going through channels. Maybe I was a little bit bureaucratic, but he short-circuited some of the procedures, and we found loans going to the Board without proper supervision. But he got, he had McNamara's backing for this, and probably McNamara was right. So in that sense, if you ask me as director, I went to these meetings in Holland all the time. And, of course, we backstopped and supported whatever they did, but the center of operations was in Jakarta, not in Washington, in that country.

KAPUR: Just when Bernie was there, or even after?

GOODMAN: Oh, yes, it--well, it continued in Bernie Bell's time. None of the other resident representatives, of course, had quite the . . .

KAPUR: Rapport?

GOODMAN: . . . rapport that he had, but it was considered very important. I can tell you this because a couple of years ago the then-director, Russ [*Russell J.*] Cheetham, who was director here, maybe others, began to feel that the resident mission was out of whack, you know, it had far too many on the agricultural side and not enough on the other important sides. They were wondering what to do with it, and they asked me to go out there with a couple or three colleagues and report on the setup there and what was needed. I don't say this to give any importance to what I did, but I did take the occasion to go and talk to the "mafia," the Widjojos and other—what was his name; can't remember--all the key people [both speaking at once]

KAPUR: The [*inaudible*]

GOODMAN: Yeah, that's right, all those people. I saw them all without exception. They knew me and said, "We hope the Bank is not, you know, modifying this or pulling people out or downgrading the importance of the mission." So it was quite clear in their minds that it was of very great importance that this relationship continue.

Now this was, as I'm talking now, I guess it was 1989. It was three years ago already. That's, you know, we're talking '68 to '89. It probably still continues.

WEBB: Has the Bank had that kind of relationship with any other country?

GOODMAN: Not to my knowledge. Now you talk to the--there was a similar study done in the case of India, for example, which also has a big mission--it always had, from the very early days--but the Indians are much more allergic to external advice. I don't mean to say the resident mission hasn't been important, but it's nothing, nothing compared with Indonesia's.

KAPUR: We have an advisory board for this project, which has I.G. Patel on it.

GOODMAN: Oh, yes. I used to go down there in I.G.'s time. It was useful. Again, to some extent, I think the authorities used, particularly the economic authorities, used the Bank as a sounding board to check ideas for the plan or economic management. That's an important function. But they were not as cozy with the Bank as the Indonesian authorities are.

But the Indonesian set-up itself is so peculiar with a military regime. It reminds me of the Turkish Empire. The Turkish Empire was run by the Muslim sultan, and they recruited Greek boys to run the administration, left it to them. I mean, they had to become Muslims, but they were Christian boys recruited specifically to run the administration of the empire. And the sultan's men confined themselves to the religious aspects of government and so on, foreign policy, I suppose, to a degree. It's rather similar in Indonesia. The president and his cohorts are military men, involved with defense and also had their fingers in all sorts of industrial and commercial pies, but have left the economic management of the country to the "mafia," the "Berkeley mafia." The "Berkeley mafia" in turn have used the Bank as an extension of themselves and of support and, as it were, of--I won't say they are representative; that's why I'm fishing for a word--what gave them credence to the international community. But it's a very unusual situation. I can't think of anything that corresponds to it.

WEBB: Something like that is developing, but it's relatively new, with Mexico.

GOODMAN: In Mexico? Is it now?

WEBB: And closest thing to it, I guess--one thinks of the length of time, in this case is even longer, is Colombia because it was . . .

GOODMAN: Yes, I did--one of the papers I wrote was on Colombia, but I was at some disadvantage because I have no personal experience in Colombia. It did come through in the papers that the relationship was very close.

WEBB: They've also had an extraordinarily stable government in the sense that they've had--a little bit like England in the last century--that is, you really had an aristocracy, a meritocracy that overlapped the parties in running the country, so that the people from the same schools . . .

GOODMAN: Yes, even if they were in different parties.

WEBB: Yes, and they'd alternate in the government; it was essentially same class. Colombia was run that way. It made it a lot easier to keep a stable relationship with the Bank.

GOODMAN: Yes, that's true. That would be the nearest parallel. On the other hand, Colombia is nearer to the U.S., so it was easier for people to get in back and forward, I suppose. It wouldn't be quite so important to have a major mission. See, Indonesia is around the back of the world as far as Washington is concerned.

WEBB: That's right. I always thought of that as something quite accidental about that whole thing, the visits—because it seems clear that you couldn't have done that, you could only have--it's an exception; you couldn't run the Bank that way.

GOODMAN: No. Well, there have been moves over the years to regionalize the Bank and, you know, split it into four or six different regions and put the headquarters somewhere else and just have a center here. It's been resisted, but it has been mooted for exactly those reasons. You need to be near to your clients.

WEBB: But here it was a country that was so far down, really.

GOODMAN: Indonesia?

WEBB: Yeah.

GOODMAN: Well, it was obvious that people did an awful lot of travel. But it helped, I think, it an immense help to have competent people on the spot and the flow of communications between us.

KAPUR: If one sees your countries you have sort of after—this is maybe the early '70s, I suppose, here you had Korea, Indonesia and of course part of Southeast Asia (Thailand and so on), and then you had the Philippines in starker contrast--not stark, but, well, quite stark contrast to Indonesia and Korea, which seem to have probably at that time going reasonably well. *[inaudible]* as in the McNamara comments you quoted. Yet when one looks at the lending figures for the Bank, one cannot really sense a discernable difference.

GOODMAN: In quantum?

KAPUR: Right.

GOODMAN: Between the Philippines and some of these other countries?

KAPUR: Right. One of the difficulties which one finds is that one sees this in the reports, you know, on countries where there is a clear sense that things are not going well, and yet it's seldom translated into the Bank, you know, either really cutting down or withdrawing until the '80s or in some exceptional cases. And I wonder how you see that. I mean, do you think it's true? And, if so, what might explain that?

GOODMAN: Well, you have to remember that in the '70s, up to the '70s, the Bank was essentially a project agency. It's true we wrote economic reports, and we tried to satisfy ourselves that the money wouldn't be wasted and it would contribute economically and so on and so on and so on. But essentially we were a project agency.

We were organized differently, as you know. Country people were in one compartment, and the project people were in another, and there was tension between them. And there were always projects.

A country like the Philippines is, after all--at the upper level anyway--literate, intelligent, well organized, technically competent in many ways, also corrupt, but I mean, okay. You could always find good projects to finance even though you were doubtful about the quality of the general management. And it wasn't so much that the macroeconomic management under Marcos was bad; it was just that the country was corrupt--I mean, starting with him. And what do you do about corruption? Do you say, does the Bank say, "Look, we're not going to deal with this because morally we have an aversion to corruption," or do you say, "Despite the corruption, the thing does work." It's only when you begin to say, put more stress on structural change, alleviation of poverty, and you ask yourself, "What is this government doing for the bottom 10, 20 percent?" Then you begin to have questions. I mean, "Are these projects, the project investments, really going to make life easier or improve the productivity of the lowest--whatever it is--20 percent of the population?" You begin to have doubts. But even then do you stop or cut down lending because they're not doing enough?

I mean, I'm not asking a question I expect you to answer, but it's the sort of question that faces the Bank when the government is obviously in need of funds and on the whole manages the funds pretty well, and the projects technically make sense. Strictly, when you go to structural lending, as we did during my time but largely after I left, I suppose the Bank ought to have given much more importance to this aspect of its lending than it did in the old project days. I just don't know whether--how important that at that time has been in the minds of the senior management.

WEBB: Did you always have a sense that when the Bank was financing certain *[inaudible]* like ag projects that you were changing the net mix of government investment towards the things that you were financing? In other words, it wasn't only a general increase, but it was a change, that you actually did manage to steer then a little bit . .

GOODMAN: Bank lending may have—the extent to which the Bank had leverage [both speaking at once] . .

WEBB: . . that it wasn't completely fungible, in other words.

GOODMAN: . . direction of investment.

WEBB: Yes.

GOODMAN: Yes, I think so in most cases. We did have some influence. How important, I don't know, but . . .

WEBB: Did this come up in your analyses of situations?

GOODMAN: Oh, yes. Very much so.

WEBB: You discussed this amongst yourselves?

GOODMAN: And with the government.

WEBB: And with the government.

GOODMAN: Oh, yes. I mean, for example, when McNamara came in and saw the importance of not only expanding the Bank, which was his main interest, but also the importance of poverty alleviation or whatever you'd like to call it, that had a very considerable effect not only on our own thinking but also on the message we tried to give to the countries concerned. Oh, yes, I think that was important. And I would think it has had some practical effects in, at the level of primary education, for example, or amenities in the countryside; you know, the sites-and-services project, population questions, which is one road to improving, to alleviating poverty by cutting the numbers and so on. Yes, I should think the Bank has had a considerable influence. How to quantify it, I wouldn't know. But to answer your question, I think the answer is: Yes, we have not only thought about it but have had some influence.

WEBB: Well, I think--I realize that the Bank has always—certainly it's always on the table; it's always being discussed. The Bank's always trying to determine the optimum sectoral allocation, and that's a very big part of the discussions. What I find hardest to see are efforts, at least on record, where the Bank has gone back to try to figure out what effect it had, even though it's always talking about this.

GOODMAN: I suppose the people who should have done that would be the—what do they call themselves--the operational . . .

KAPUR: OED? Operations Evaluation [*Department*]?

GOODMAN: OED.

KAPUR: Yeah, but they look more at, of course, projects, not at the country level: You know, did the Bank affect the pattern of public expenditure programs or public investment programs and how. That probably only, you know, the CPPs, CSPs [*country strategy papers*] [*inaudible*], but again it's not very obvious from them.

GOODMAN: It's a very hard thing to test, isn't it? I mean, if the distribution of income is improving, for example, or the absolute level of incomes at the lower end of the scale is improving, or if the judgements of the ministers are better, that sort of thing, how do you translate that into the Bank's interests on this? I mean, you could look at particular projects in the sector and say they have or have not been quote/unquote "successful," but you tend to give the answer in terms of bricks and

mortar, specific things, what has been done rather than the broader aspects. How would you test it? I just don't know.

WEBB: Yeah. The thing is the Bank in a lot of countries is--I mean in Korea, the Bank is financing maybe ten percent of the public investment budget.

GOODMAN: It was always quite minor, yeah.

WEBB: Something like that.

GOODMAN: Something like that. I think we were—the more intelligent of us were always aware, you know, of the amount of leverage we could wield was limited by that.

WEBB: Of course, there are some cases that are extraordinarily different. It really boggles my mind. A case like some of the African countries, in fact, or ODA [*official development assistance*] in general, it's 100 percent or even 150 percent of government investment.

GOODMAN: Is that true anywhere outside Africa?

KAPUR: Bangladesh.

GOODMAN: Bangladesh, might be.

KAPUR: Nepal.

GOODMAN: Nepal would be a case.

KAPUR: Burma if we didn't have . . .

GOODMAN: I don't think we're doing anything there.

KAPUR: These three in Asia.

WEBB: That's right. I don't think there's any Latin American one.

KAPUR: No. Panama used to be very high in the '70s. The Bank was--in fact, the per capita lending by the Bank, the highest was Panama.

WEBB: One of the areas that is also very hard to get at—I realize it's very hard to get at, but--I apologize for these kinds of questions, but any thoughts at all that you, any tips that you might have on what to look for, where to find things?

GOODMAN: What does your period cover? The whole Bank?

WEBB: The whole Bank history, yeah.

GOODMAN: From the beginning?

WEBB: Yes.

GOODMAN: Oh, I see. You're not just picking up from Mason-Asher.

WEBB: No, it's to go back. I mean, the very first look at the Bank, I think the very first thing I see in the Bank is here's an odd kind of institution that does two things that happen to be packaged together. It's lending money, and it's got this somewhat self-appointed role as the great educator, which it does do with a whole variety of tools, going from forcing people to do through this strict conditionality [*inaudible*] to just conversation Indonesian style or sounding board or project level . .

KAPUR: Dialogue.

WEBB: . . all these contacts that occur, you know, the broad dialogue, the macros. But every time any project officer meets his counterpart, I presume that an important transmission of learning is going on. I find it very hard to get at this, and it's very frustrating because I think it must be a big part of the history of the Bank, what it has really done down there on the ground, but I don't know how to get a handle on it, except one can talk to a hundred project officers, but . . .

GOODMAN: Well, I don't know that I can answer that personally. It's one of these intangibles, but let me throw a thought into the pond: Supposing there hadn't been a Bank--or the regional banks, for that matter. You start from the proposition that a developing country by definition is an importer of capital as it's being developed and is short of capital, both technical capital and financial capital. How does it acquire both these things? In the absence of the Bank it would have had to look to bilateral assistance, which is always slanted and usually tied, or to commercial sources which would have been exploitative and on very hard terms. And to a degree, of course, that also happens. You could therefore argue that the Bank's role at a minimum was to make at least some capital available on reasonable terms, based on the Bank's own credit rather than their credit, and with repayment terms geared to the possibilities of the enterprise in which it is invested, and on the other hand that it came with advice, some of which may have been beside the point, but which at least at the technical level and to a degree at the economic level was of better quality than the advice they would otherwise have got from bilateral lenders or commercial resources. In that sense, just in very general terms, I think you can say that the Bank has played a useful role. How important that is would be very difficult to say.

WEBB: Would you have a sense of different countries that you've dealt with, of countries where more of this was going on for some reason or other? Was it cultural or something to do with the kinds of operations?

GOODMAN: Where it's more important than in other cases, you mean?

WEBB: Where the Bank has been able to do more in that way, has been more of an educator?

GOODMAN: Of course, in a way one thing reinforces another. If you have a country which is reasonably competent, has a sensible approach to development, that's the kind of country that listens to the Bank.

WEBB: It's a good student, yeah.

GOODMAN: And if you don't have it, they don't listen to the Bank. So it's hard to separate the two again. I mean, in the case of Korea they did listen to the Bank even though they didn't always accept the Bank's advice. In the case of some of the African countries, I think, of course, they either didn't listen--Nigeria is a case in point. Nigerians in the heyday of high oil prices were not prepared to listen to anybody, not just the Bank but the African Bank and the bilateral donors. And they said, "Phooey. We don't need your help. We've got all this lovely money," and they spent it on white elephants. It's the old Biblical thing, "To them that hath shall be given," that if you've got competence, then you get competent advice. If you're not competent, advice won't do you any good.

KAPUR: I've also been wondering. You mentioned that--the change of '79-'80--to adjustment lending, it occurred before you left, people who sort of worked in the Bank around that time in the '70s, people like Ben [*Benjamin B.*] King, Stanley Please . . .

GOODMAN: Have you talked to them?

KAPUR: Right. We haven't talked to Please.

GOODMAN: They're both strong skeptics, as you know, particularly Ben.

KAPUR: Ben is very skeptical of that. And one has a sense--one sense which one now has, sort of reading, is perhaps the Bank was a lot--was very effective when its advice was not extremely formalized, not that it expressed, you know, conditions on paper. It created sort of political effects which bureaucrats have to deal with which otherwise they didn't. It's not that visible, say, definitely. How did you see this sort of formalization of things? It might have been occurring in any case, perhaps much less.

GOODMAN: I might give you an example from--you'll find it when you read that paper on the consultative groups. One of the questions I asked myself in assessing the usefulness of these groups was, "Has it been useful to the Bank?" But then, "Has it been useful, and, in which case, how" to the, what we call the recipient countries, the country which is the object. One of the points that always struck me, which I do mention in that, is that it was extremely useful in many cases to the ministers and civil servants of that country to have to say, "Look, on May 1"--or whenever the date is--"we have to meet the international community, and therefore we damn well have to get decisions; and we have to get decisions on which we can defend in public." And that's a very useful function. Now, by narrowing that down it's true, also, I think in relations to the Bank, just the Bank, rather than the total community, "We have to explain to the Bank why we're doing this, following this particular policy, or we have to adapt this policy because that's what the Bank wants us to do." I would say that's much more at the informal level.

I myself would not give much weight to formal conditions whether in the project or in terms of structural lending. I am a bit of a skeptic about the usefulness of structural lending anyway, for all the reasons you've mentioned. It's not --it doesn't seem to me

it's the Bank's function. Sectoral lending is something that's different. Now, that's justifiable when you have a concrete sector and you can define policies which you know make sense for that sector based on your experience worldwide and can steer the government into doing things at that level which make sense for the sector, whether it's transport or irrigation or whatever. But at the macro level, I'm much more skeptical.

It's rather like the Fund. I mean, the Fund always gets into trouble for imposing conditions. And I have some sympathy with the Fund, but does the Fund always know the answer? Is it really sensitive to the political conditions of that society? Fortunately, it's usually the Fund that gets kicked for this, not the Bank, although the Bank latterly has been trying to do the same thing. I think it's dangerous.

KAPUR: Was there any sort of relationship between the Bank and the Fund in that part of the world or sort of anywhere else that you remember?

GOODMAN: The relations have always been somewhat difficult, as you know, because we would say in the Bank because the Fund was always oversensitive at letting the Bank in on anything having to do with balance of payments or conditionality of Fund lending. Again, a lot depended on personal relationships in the Fund. I had good relations with [*Frank*] Southard, another colleague, another compatriot of yours, who was then head of the—what did they call it; I think they called it the Asia Department--and subsequently Tun Thin, who was deputy and took over when Southard retired. We used to have lunch together and agree to knock heads together if lower-down people disagreed.

But the fact remains we did have different approaches. The Bank had to be very careful in visiting a country where there was a Fund mission, talking to the central bank, that we left it to them to tell us whatever they wanted about conditions they were proposing to impose on them or what they were getting out of that country in terms of balance of payments or monetary policy or whatever, interest policy. I never found relations too difficult, but it was basically a difficult relationship.

I would have thought it gets more difficult if the Bank and the Fund tend to converge, but that's just a guess on my part. I mean, as you know, there has been some—I don't want to say "pressure"--but some suggestion that the two institutions should merge because their roles are not now all that different. And that may be, with the advent of Eastern Europe, that's a dead issue at the moment.

But, as in so many, you know, human endeavors, a lot depends on the personalities involved. If you've got two people who don't like each other or don't want to talk to each other, that's one set of conditions. If you like people and feel, you know, you have confidence in each other, then you get along and exchange ideas.

WEBB: Do you remember instances where there was disagreement about a change in policy?

GOODMAN: Yes. When you ask that question it triggers in my mind that there have been occasions, but I'm going to find it hard to give you instances. I think they tended to be cases where--just as the general public feels that the Fund has been overly harsh

that--although I can remember a different case. In the Philippines, it seems to me, they had a resident there in the central bank, and the period I'm talking about, which must have been about 1970, they just ran rings around him. I knew what they were telling him was not true, and he was too close to it in a way. I could see it. We could talk about it--I say "I," I mean the Bank's economists could see from the outside that what he was being told wasn't true. But this wasn't a question of conflict between the two institutions. But we just had to disregard what he was telling us.

WEBB: Is it generally the case that the Fund is pressing for devaluation a little more aggressively, or the other way around?

GOODMAN: As a general proposition, yes. I would think so.

WEBB: A little more aggressively than the Bank?

GOODMAN: Than the Bank. But it's partly because the Bank has always been very conscious that this is not strictly its business; it's the Fund's business. This is at least one clear division of labor. It's not for us to say. We could comment that, for example, the effect of an overvalued exchange rate was harming the agricultural sector, as we frequently did, but it didn't mean necessarily that we put direct pressure on the government to do something about it; we would leave that to the Fund.

KAPUR: Although in the '80s it seems there were cases . .

GOODMAN: There are cases where we did it.

KAPUR: . . that the Bank is much more aggressive on exchange rates or . .

GOODMAN: Oh, really?

KAPUR: . . much more on devaluation than the Fund.

GOODMAN: Is that right?

KAPUR: That, I think, was reasonably . . .

GOODMAN: How does the Fund react to that?

KAPUR: Well, that's been one of the problems of conflict.

GOODMAN: That's after my time. I don't remember.

WEBB: It certainly happened in Peru. When I was in the central bank of Peru a few years--well, eleven years, in two different periods--but in the '80s (these things came and went), but around '83, '84 I remember I was pushing hard for devaluation within the government. The Fund wouldn't support me.

GOODMAN: Really?

WEBB: The minister didn't want to devalue. He didn't want—he didn't see any need to really press this. His whole focus was just on trying to balance the budget, and the Fund agreed with him. They would say things like, "It doesn't make any sense to devalue"--well, "devalue" isn't the word because we were mini-devaluing, but—"it doesn't make any sense to have a macro devaluation or maximization until you close the fiscal gap," because it would just be eaten away. Well, I didn't think that was right. And the Bank supported me.

GOODMAN: The Bank supported it? Interesting.

WEBB: Yeah, but . . .

GOODMAN: I don't recall a comparable case in Asia where we were on the more aggressive side to the Fund.

KAPUR: Maybe the Bell mission in India?

GOODMAN: Oh, the famous Bell, the '64 mission, which the Indians never forgave us for, forcing a devaluation. I guess that is a special case. I don't know what the Fund's view was at that time. Certainly the Bell mission, which was a Bank mission, as you indicate, did force--well, the Indians felt obliged to accept the judgment and never agreed with it. Yeah, that would be a case where the Bank took the lead role. I don't remember a comparable case.

KAPUR: Something that--I cannot place it, but in some oral history I've read that the Bank can be in fact very close to Thailand in the late '50s. Does that ring a bell?

GOODMAN: Yes, we were. We were. I guess I was involved there, too.

KAPUR: Which [*inaudible*] a field like budget.

GOODMAN: Yes. I think I can begin to—I can suggest at least some reasons why that was true. It's partly because in that case the central bank was a critical agency in the economic scene, which is not true in many countries. I mean, it didn't confine itself just to monetary policy and debt matters and that sort of thing. It was very much a—it played very much a role in the whole economic development scheme. It had a strong research department, and the head of that who subsequently got into trouble politically was Puey, Puey Ungphakorn. His senior research director came here as director for the Bank later, a woman called [*Yossundarha*] Suparb. You may have heard about it. We were very close to this team. It was somewhat similar, if you like, to the "mafia" in Indonesia. It was much more narrowly focused, but the central bank was clearly a power for the good in Thailand, and we were very close to them. It was also true that, although the government kept changing, you know, military government followed military government, it was always a sort of game in Thailand; they would never do very much. But they usually had a sensible minister of finance who in many governments was the same person and who was close to the central bank, and we knew him very well. So we had, in the case of Thailand, we did have close relations to at least two of the key points in the scene, one the central bank and the other the ministry of finance, which after all are the two important elements. We had very little to do with the rest of the government.

KAPUR: Which era are we talking about?

GOODMAN: Well, we're talking about, say, the whole of the '70s and back into the middle '60s. I have to think about that.

WEBB: This lady, Suparb, was she in the central bank?

GOODMAN: Yes, she was head of the research division of the central bank.

WEBB: I think she visited me once.

GOODMAN: I'm sure she did. Very charming Thai lady, plump.

WEBB: Yes. She came to Peru. I guess she was on a tour around.

GOODMAN: I'm sure she did. I'm sure she did.

WEBB: This must have been in the mid-'60s.

GOODMAN: Could be, yeah. She and the governor of the central bank for many years, called Puey, they were both graduates of Birmingham University! And so they had been well trained. We were always very friendly, all of us--not just me but my division chiefs and our economists, and so on. They had direct access. Whenever we went there, anything we wanted they would provide to the extent that these people had influence over the government, then things couldn't have been better. But that's a limitation. But in Thailand in a way, of course, government doesn't matter too much. I mean, the country goes stumbling along all by itself, as they have for centuries. And I gather it's one of the fastest growing in Asia now, isn't it?

KAPUR: Right.

WEBB: It began to take off from the early '80s.

KAPUR: Yeah, but the last three years it has been the fastest growing except perhaps south China.

GOODMAN: South China, yeah.

WEBB: It was really more the second half of the '80s, then?

KAPUR: Yes. I mean it was always, but the spectacular sort of jump from five, six, seven percent to double digits was '88 on. This year it probably won't, with all what's happening.

GOODMAN: How much influence the Bank had there, either through its projects or general economic advice, is an open question. I think the civil servants, the ministers that I mentioned, found it useful to quote the Bank, saying, you know, "This is not just our advice; it's what the Bank thinks." Maybe the IMF, too; I don't know. I'm not so sure about that.

As to projects, we did try to do something for the awful congestion in Bangkok, for example. I guess it's as bad as ever, isn't it?

KAPUR: That hasn't worked [all speaking at once]

GOODMAN: We were deeply involved in irrigation and various sectors of the economy of the country. Education--we tried to do something for the university down in the south. Hard to say that we had a very great deal of influence in Thailand, but I don't think anybody does. They're the one country in Asia which, as you know, was never colonized, and that shows they have a certain sense of how to run their own affairs without interference.

KAPUR: When did you leave as director of East Asia? You moved out of that?

GOODMAN: Yes, I moved out in the early '72, '73. There was a reorganization of the Bank at that time, and if it wasn't at that point--no, it wasn't. It was a little later; maybe it was '74, '75. A purely personal thing. When Bernie Bell wanted to leave Indonesia and McNamara felt he owed him a debt, which indeed he did, and he made him vice president for either East or West . .

KAPUR: East Africa.

GOODMAN: East Africa, was it? Which was a sort of, you know, temporary sop because he didn't--he wasn't interested in Africa. And as soon as an opportunity arose, which was when Cargill was relegated to the financial side, they made him vice president for Asia. And I couldn't work with Bernie Bell, so I just said, "I'm sorry. I'm going to leave." I mean, I respected what he did, but he and I didn't get along professionally; I don't mean personally. So I said, "I don't think I can work with this man." And then I became senior advisor to Burke Knapp. That must have been '74, '75, something like that. I'm telling you this now; don't--I've never said this to anybody other than my wife.

KAPUR: And you continued in that position?

GOODMAN: Did I what? With McNamara?

KAPUR: No, with Knapp.

GOODMAN: Yes, I did. I continued with Knapp and subsequently with Ernie [*Ernest Stern*], and stayed. From then onwards I took some part in reviewing, you know, current operations and so on, but mostly I asked to be given special assignments. I did, for example, there was a major energy study in 1980 which I did, published over McNamara's name, but I wrote it. You know, two or three things of that sort.

KAPUR: Did you [both speaking at once]

GOODMAN: Yeah, this thing. [*tapping a publication*] This was one of them. That's right. But that sort of special thing which I was interested in. I didn't really enjoy the

kind of donkey work that the operations vice president had to supervise, I mean, the policy and projects economic reports, unless it was an interesting one. So in that sense I was mentally lazy. I much preferred to have a specific, interesting project to work on.

WEBB: Yeah. When did Burke leave?

KAPUR: '78.

GOODMAN: As early as that?

KAPUR: Right. Then there was [both speaking at once]

GOODMAN: And I continued with Ernie until I retired in '72. [I think that year is wrong, but that's what he said. jb] I did odd jobs. For example, there was an operation, an organizational department. What was it called?

KAPUR: OPD [*Organization Planning Department*] under Jim [*James M.*] Kearnes.

GOODMAN: That's right, and Kearnes went or was pushed off to IFC [*International Finance Corporation*] and it was without a director, and they asked me if I would act as director, that sort of thing . .

KAPUR: Organizational Planning,

GOODMAN: . . take charge, because I had had some experience in organization. So until they found and appointed a director, who was Linn, I think, who was one of the members of that group, I sort of at least notionally ran the thing. But I was interested in that, and I had various other things. For example, I wrote at least three reports on the Bank's health [*inaudible*] should be. You'll find in the archives various . .

*[End Tape 1, Side B]
[Begin Tape 2, Side A]*

GOODMAN: . . before I left Britain I was chairman of a hospital management committee under the National Health Service. When I came here I was president of Group Health for a while, so it's a private interest of mine. So there were two or three attempts to reorganize the Bank's health service, which I found interesting. But I was able to do it on the Bank's time.

WEBB: I wish you would advise the U.S. government.

GOODMAN: Oh, boy! My wife keeps telling me, "You have some experience there. Why don't you get into this?" It's beyond any human comprehension.

WEBB: It is, yeah. It's a surreal.

KAPUR: [all speaking at once] large Bank mission.

GOODMAN: Beyond any World Bank mission.

Talking of Bank missions, the first--I spoke about the India consortium in 1958, when the Indian government came to us and said, "We're in trouble; we're running out of funds." They had exhausted the sterling balances and so on. They sent a mission to India to write an economic report prior to calling a meeting. The mission consisted of two people: me and an economist, literally. I mean, for a country of whatever it was then, 600 or 700 million people, there was a report written by two people. If the Bank sent a mission like that now, how many people would it be? Fifty? I don't know.

KAPUR: Well, you can see the ones in East Europe now, and, you know, they've taken over complete hotels.

GOODMAN: Really?

WEBB: But at the same time, even for that time it's a little bit unfair. In '49, when the Bank sent a mission to Colombia headed by Lauchlin Currie, they had eight or ten.

GOODMAN: Really? Even in those days?

KAPUR: Yeah. A large number of those, you know, big, thick country books which came out, Johns Hopkins Press, there the Bank . . .

GOODMAN: They were bigger, yes. There was one I remember in Indonesia which was headed by [*Pieter*] Lieftinck, who was a director here. That must have been the late '50s. Yes, that was quite a sizeable mission because I went out later on a Bank mission; I think we only had three or four people at that time. But the Lieftinck mission was quite sizeable for what, after all, actually small country.

KAPUR: To Indonesia?

GOODMAN: No, Papua New Guinea. Did I say Indonesia?

KAPUR: Yes.

GOODMAN: I'm sorry; it was Papua New Guinea.

WEBB: He certainly did a lot of . . .

GOODMAN: Oh, yes. He was a very conservative individual but very capable, very sound, I think, very sound. That was the only time, I think, that he went until he resigned from here. I think he did one or two things after that, but as director he was chained to his desk here.

KAPUR: He did do a couple of other missions.

GOODMAN: Did he?

KAPUR: Turkey.

GOODMAN: Oh, that's right. He did Turkey.

KAPUR: And another one to Syria and also the Indus Basin.

GOODMAN: Did he do Indus? I remember Indus under [*William A. B.*] Iliff.

KAPUR: You remember Iliff, right.

GOODMAN: Iliff used him for something?

KAPUR: Right.

GOODMAN: I'd forgotten that.

WEBB: He wasn't the Dutchman that set up the Indonesian consortium?

GOODMAN: No, no, that was [*Jan*] Pronk [all speaking at once] who's written a paper on it. He was the minister of development, whatever they call it in Holland.

WEBB: Pronk?

GOODMAN: Pronk.

KAPUR: Jan Pronk? But he's the guy now [all speaking at once]

GOODMAN: My recollection is that he was the minister and the first chairman of IGGI [*Inter-Governmental Group for Indonesia*], but I could be wrong. It may have been one before him, but I thought it was Pronk. An interesting character, charming man. [REDACTED] his heart was on the right side. Pronk, I think, was . . .

KAPUR: Pronk was responsible for disbanding it.

GOODMAN: He was?

KAPUR: Well, because of his statements on East Timor.

WEBB: Yeah.

GOODMAN: Has IGGI been disbanded?

KAPUR: Well, the—it does no longer . . .

WEBB: The Indonesian government disbanded it formally.

GOODMAN: Oh, really? You see how out of date I am!

KAPUR: This was just two months back.

GOODMAN: Oh, very recently.

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WEBB: And then after a discreet couple of months it's being recreated under the Bank's chairmanship.

GOODMAN: Oh, it simply means the Dutch government has opted out?

KAPUR: No, it's the Indonesians.

GOODMAN: The Indonesians. They seemed to be quite happy at the time. When we went to The Hague for meetings, these fellows used to talk Dutch to—I mean, they still retained their Dutch. They seemed quite happy to be under the Dutch leadership, but maybe they were too polite to say anything else. So it's—I see, now it's a Bank group, is it?

WEBB: Well, the Indonesians--this has really cut them, this fuss over in Timor.

GOODMAN: Because of East Timor?

WEBB: I think the . . .

GOODMAN: Oh, because the Dutch have . . .

WEBB: You heard what happened there? There were some demonstrations.

GOODMAN: Not very recently. You mean about a year or two go?

WEBB: Yes, about a year ago.

GOODMAN: Yes, there was what amounted to a massacre.

KAPUR: Right.

GOODMAN: And the Dutch . . .

WEBB: The Dutch, yeah.

GOODMAN: Oh, I see. This was the cause.

WEBB: I guess the Dutch feel a little bit responsible for Timor and the Timorese. I guess they were taking their side to some extent. So I don't think it was just the thing in abstract; they were a little more involved. It wasn't the fact that another country was objecting, but I think the Dutch had a strong reaction to it, so there's . . .

GOODMAN: I see.

KAPUR: And the Portuguese.

WEBB: And the Portuguese. It was Portuguese territory, wasn't it?

GOODMAN: It was Portuguese territory, yeah.

KAPUR: The Portuguese are now becoming the head of the EC [*European Community*], and advocating [*inaudible*] crack down on the Indonesians much more.

GOODMAN: Of course, it was always rather anomalous that the Dutch government ran this, nominally the leader of this anyway. But, you know, it was just an umbrella that suited everybody, but they didn't ever do any work, as far as I know. I mean, the Bank's relationship to IGGI was to all intents and purposes the same as its relationship with the two consortia or the other groups except that they didn't take the chair. But we did all the economic preparation and so on. But it was convenient as long as the Indonesians didn't mind. I see. No, I hadn't heard that.

WEBB: I'd like to ask you something quite different then, and quite off the record.

[Interruption]

GOODMAN: The Bank, as you will remember, was divided into the country people versus the project people, COD [*Central Operations Department*] versus area departments. And I can remember going to the head of the projects department--who was Siem Aldewereld, whose name you surely know--to tell him about this, what he knew about it. I was trying to discover how many people he would like to have and train and so on. He said to me, "We don't need any of these people. These are economists; no interest to us at all. You can, you know, just write us off. These are people who you can use in the area department as economists, but don't come to us." And within two or three years they were not only in the projects department but they were running it.

And so it goes. They've risen to the top because they are well educated, able, have a good feel for administration. But contrasted to them, the people we used to have who were in most cases members of old colonial civil services--the British, the French, the Dutch--all of whom had colonial empires and all had first-hand experience of running projects in developing countries. And they were recruited. They not only knew their subjects, but they knew intimately the countries they were dealing with. Now, these people eventually reached retirement, went off and died and so on, and you had to replace them. But these chaps almost by definition were not the kind that you put in charge of a department because they were not native administrators; they were technical people, essentially.

So these bright young fellows came in, and like the cream in the milk, they rose to the top very quickly, and they're now running the Bank. And they've had no experience anywhere except in the Bank. Well, that's an exaggeration. Maybe they had a year or two before they joined the Bank, like the [*Wilfried P.*] Thalwitzes and so on, I don't think he had any experience anywhere except here. A very able fellow. [*Edward V. K.*] Jaycox is another one. So that's what the Bank is now. It's like, as if we've become a civil service. After all, that's what civil servants are, aren't they? They join young; they rise to the top. They're able administrators, but they have never worked, got their hands dirty in the field or in a factory, and they are criticized for that. But how do you--there was a suggestion--I'm now beginning to ramble, perhaps. When another German, who was senior vice president . . .

KAPUR: [*Willi W. A.*] Wapenhans?

GOODMAN: Wapenhans. He was an interesting character. When he was in charge of administration three or four years ago I remember talking with him, and he had an idea of reorganizing the Bank in a rather interesting way. He said, "What we really need is a core, a central core of long-term people." He didn't specifically say, people like the YPs [*young professionals*], but they would have been included in this core. But it would be a core; it wouldn't be the whole Bank. And then we would engage for terms of three to five, seven years people who had a specialty we have a need of, and they would be strictly term appointments and would assist the core in economics or in agriculture, whatever it might be, instead of having a large staff who would attempt to cover everything, where you found a gap you simply as a last resort hired a consultant.

I thought that was a very interesting idea, but it tries to deal with this problem, that you need both a central core of long-term, experienced people, but you also need to draw on the world experience in particular specialties. Now we don't get that, except to the extent that we hire consultants who, because they're not Bank staff, don't really carry the clout that a Bank staff member would. Now, they don't appear before the Board [*of Executive Directors*]. They don't appear in internal discussions, for the most part. Their terms of reference are narrow, narrowly confined to whatever they're hired for. I'm not suggesting the Wapenhans one is the model to be followed, but I think he has the germ of an idea.

WEBB: It makes you think, yeah. Just yesterday we were talking to a gentleman who runs a major institution in India. He's here negotiating a loan. He's been there about five years, six years. He said he'd had something like five different missions come to look at that one project, and each time it was a different person. He had to re-educate them each time, and they'd have three days and one and a half days would be spent learning the A-B-Cs.

GOODMAN: Yes, I know what he means. Yeah, yeah.

WEBB: This kind of thing--that's one thing. Another is this Indonesian paradigm kind of relationship that the Bank can aspire to do in some degree with countries. What kind of staff do you need for that? Would a core be enough?

KAPUR: More local staff in some countries which have the capabilities? Would that be more cost effective?

GOODMAN: Yes, I think it would be useful to draw more than we do on local staff, but . . .

KAPUR: Especially on something like supervision?

GOODMAN: Yes, on supervision particularly. But you have to remember that most of these countries are short of such people, and to hire them away from doing the job to supervising or investigating--appraising, I should say--is that in their real interest? In a country like India it might be different, where you have a lot of educated, trained people who may not be doing work that's, you know, up to their qualifications. You

could probably draw on them. If you go to Africa, should you really take people out of project agencies and use them in the Bank resident mission?

KAPUR: What about in most of Latin America?

GOODMAN: Latin America you might. You might do that.

KAPUR: You know, in most of Asia but not all . .

GOODMAN: Yes, I think you could do that. [both speaking at once]

KAPUR: . . you would be able to now for sure.

GOODMAN: You wouldn't have been able to do it in Indonesia, at least until recently . .

KAPUR: That's right.

GOODMAN: . . because the people you were dealing with were also the "mafia." You perhaps could do it in Thailand. Thailand doesn't seem to need the Bank much anymore, anyway. Korea, obviously, should be graduated. Pakistan always has this economic, this political turmoil. I don't know what you could do there, but they have a lot of qualified people you could certainly use. But I don't know.

To replicate the Indonesia experience, you have to predicate it on good relations with the people who are in effect running the economic aspects of government. That's not true in too many countries. And maybe now--I don't know Latin America at all--maybe you could do it now in Argentina with the new regime. I don't know.

WEBB: Well, you have been these comings and goings all over the world--I think more in Latin America--so that at one moment the demand, the labor market is very tight for technocrats because you have a government that's doing things and looking for, it's hiring people, and then the next day you have a whole new government or there's a crisis and these people are out of a job and they end up in Washington. To me the most difficult part of the whole exercise is trying to think out--is the organization [*inaudible*]

GOODMAN: We haven't been very successful in that. These reorganizations, I mean are attempts to meet this question. The down side of it is, of course, that it creates confusion and undermines morale. Everybody tells me morale in the Bank since the '87 upheaval is still bad. I can't judge that because I'm not in it, but that's what people tell me, that there's a distrust between the staff and the management which certainly was never true in the past, much as you may have disagreed with a particular decision, and that's bad . .

WEBB: The mystique that I saw when I came here, even then it was coming . . .

GOODMAN: Which period was that?

WEBB: '75 to '80. There was still a mystique. I know I was full of it.

GOODMAN: I think that's gone, yeah. People have become cynical and they do what they're asked to do and they grind their own axes. It's a pity.

But the '87 thing was so badly done. I was involved because they asked me to—with several other people—to come in as a staff consultant. That means I took care of the wounded, and some of them were very badly wounded. I mean, some people were saying, you know, “Help me to get out of this Bank!” But other people were very badly wounded. We shared some of these people.

I don't think the Bank's recovered from that. It's not so much that I disagree, or other people disagree, with the form that it took; it's the method of getting there that was so bad. I mean, to fire people effectively and say, “You're fired until we hire you back,” and then to do it hierarchically from the top. Everybody, of course, naturally hired his own cronies. Terrible system! I can't think how . . .

WEBB: It's a bit like some of these economic adjustment programs.

GOODMAN: Yeah.

WEBB: The target is fine, but the way one gets there . . .

GOODMAN: It's the way of getting there. I'm told what happened--and I've heard this somewhere else--that what happened was that [*Barber B.*] Conable realized that some change would have to be made. In fact, he was put in here by the U.S. administration to shake up the Bank—you know, overstaffed and highly paid--shake them by the neck. He then, so I am told, appealed to David Rockefeller, who had had a similar reorganization in Chase [*Chase Manhattan Bank*], and he said, “How did you do this in Chase?”

Rockefeller said, “Well, I can't advise you. It's a different set of circumstances. But we gained such and such. There's a firm I can recommend to you.” And they were hired by Conable. But it was as much their suggestion--but other people say that it's not fair to blame the outside consultants, that there was a task force established within the staff and that the staff group itself organized it this way, and if there's anybody to blame, they are. I don't know.

KAPUR: And the fact that the task force members all did well in the reorganization.

GOODMAN: They all did well. Of course they did. That is what I meant.

Well, is there anything else I can--I mean, I can go on rambling for years.

[End Tape 2, Side A]

[End of interview]