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NEEDED

A New World Trade Mentality

by Eugene R. Black
(Excerpts from an address at a meeting of the Ninth Annual Cleveland World Trade Conference, May 7, 1954)

Groups like yours can help give us as a nation something we very much need -- a new world trade mentality. By that, I mean an outlook which corresponds to the facts and the times in which we live. As it is, our giant economy of today is protected by about the same level of tariffs as prevailed in 1913. And our investments abroad -- which fundamentally are investments in trade -- are being made at a rate no higher than 1928. We are trying to ride through the age of the atom in a horse and buggy. We have to free ourselves from the past, and from archaic delusions.

Delusion Number One, it seems to me, is that the United States, in an economic sense, can be or should be self-sufficient. In a country as big, as rich and as productive as ours, this notion is natural enough. Yet, fundamentally, I think, this is a hangover from the 19th century, and the pretty early 19th century at that.

The pattern of existence in the 20th century is based on such an enormous variety of resources and on such a myriad exchange of specialized products that no nation could get along without international trade and still enjoy a modern standard of living.

Delusion Number Two, it seems to me, is that international trade is something apart from the rest of the economy -- something we don't really need. At best, some of us are inclined to think of it as a luxury; at worst, some of us unwittingly promote these attitudes when we use the words "foreign trade" to describe what, after all, is our own world commerce. The fact is -- and we cannot remind ourselves of it too often -- the fact is that we are all intimately involved in world trade.

Delusion Number Three is a kind of schizophrenia on this very subject of exports and imports. Too many people think that the two can be separated -- and that exports are good, while imports are bad. This is not even a 19th century hangover. It seems to go all the way back to the 18th century, when it was supposed that a test of a nation's wealth was the size of the export surplus it could pile up in its trade with the rest of the world.

We sometimes try to combat this kind of thinking by observing that trade is a two-way street. I think we could still better point out that trade is an equation whose mathematics are inexorable.
If we sell more than we buy, then the surplus has got to be balanced out in some way or other. One way is for the foreign customer not to pay his bills. Another way, which I find being suggested by a growing number of businessmen, is that the foreign purchaser should have generous facilities to be provided by government for, what I might call, installment buying without enough thought being given to the capacity of the customer to repay. I have not heard any businessman in the country propose the first solution -- and no businessman in the country has heard me propose the second.

I am the last person to object to purchases being financed on credit. After all, the International Bank is in that very business. But excessive credit for installment buying in the foreign field carries the same dangers as excessive credit for that purpose in the domestic field. And it also carries the additional hazard of a currency exchange problem.

There is another and obviously common-sense way to balance our equation. That is to give the products of other countries freer access to our markets, to accept a larger volume of imports as a sound basis for increasing our own volume of exports.

Here we run into Delusion Number Four -- that imports represent competition which is going to work havoc on important segments of the American economy. This is a hangover from the days when we had infant industries to protect. But as I see them now, our once infant industries seem to be wearing pretty long pants.

We sometimes hear that some industry or other is going to be crippled by imports based on cheap labor. And it is perfectly true that some imports which have an advantage over domestic goods are products with a large component of hand work. But more generally, it is the American working force which is economical, because it has the machines and the incentives that enable it to produce more goods for a dollar of wages than any other working force in the world.

To me, the case for a more liberal treatment of imports seems to be overwhelming. And -- like the fundamental equation of trade itself -- the case is pretty simple: More imports mean more exports; and more imports and exports mean more business.

Still, the doubters argue. They say that it is not up to the United States to do anything about liberalizing trade policies. And they point to high tariffs, narrow quotas and inconvertible currencies that restrict our own exports to other countries.

An important cause of these restrictions is that until our own markets open wider, and until other countries are able to earn
more dollars here, they are by sheer necessity going to have to maintain restrictions on buying goods that cost them dollars.

I think it is up to us, and I think it is to our advantage, to take the lead in liberalizing trade policies.

An important avenue to increasing our world commerce is to put more American investment in productive facilities abroad...More savings are accumulated here in the United States than anywhere else in the world but we have not found the way to transfer an appropriate part of them abroad in the form of investment. In these days, the United States has a 370 billion-dollar economy; but we are sending abroad only as many dollars as we were when we had a 100 billion-dollar economy -- and they are depreciated dollars, at that.

The World Bank provides one channel, and I think it is a good channel. The Bank, as many of you know, is an international institution, managed like a corporation and currently earning, net, something over $20 million a year. We started operations on the basis of funds subscribed by our member governments, which now number 56 -- not, I may say, including the Soviet Union. But since then most of the money we have lent has come from the sale of our bonds to investors in the United States and many other countries.

The Bank makes the kinds of investment that make trade. So far, we have lent a billion nine hundred million dollars. Most of this has been lent in the underdeveloped countries outside Western Europe, and most of it has been for projects that will enable the people of these countries to produce more -- and to use more of what the rest of the world, including the United States, has to offer. But the World Bank was obviously not intended to do the whole job. We were intended to, and do cooperate with private investors rather than compete with them -- but in any case, where are they? I think they have to be found right here, in trading communities like yours, among your industries and your banks.

Here again, I think we are confronted by a question of attitude. We don't yet understand our own interests in world trade; we don't yet see the great possibilities that exist for us in the world beyond our own borders. When we understand our interests, when we see the possibilities, when enough of us really get absorbed in the problem, then I think investment will come. And if I have in any way succeeded in quickening your own interests, gentlemen, I have done what I came here to do today.
WELCOME TO NEW STAFF MEMBERS

NON-TECHNICAL APPRAISALS

II FRANCE

This is the second of a series of impressions of countries visited by "Spottie" Spottswood. Others will follow.

France is famous for the Eiffel Tower, Joan of Arc, snails, the Moulin Rouge, French fried potatoes, bouillabaisse, French bread, French hats and many other things; but hats especially have played an important part in keeping France famous.

A fellow named Napoleon started attracting attention when he wore his hat sideways. Sometime later he was followed by another man, named Maurice Chevalier, who wore a straw hat out of season. Finally came Madame Schiaparelli and others who have kept France in the picture by designing hats that can be worn sideways, backwards or frontwards and nobody can tell the difference.

At one time, when kings were kings, women played an important role in the Government of France and there was some difficulty in balancing the budget. There was a revolution because a lady suggested that the hungry people eat cake, and the country became a republic. Since then women have not played an important part in the Government and the budget has been more or less balanced.

The French are very courteous. The men, who are all named Alphonse or Gaston, wear moustaches and gloves. The women are very chic. They all look lovely, including those that dance in the nude.

With the French, the preparation of food is an art and they produce many masterpieces. They consider it fitting and proper that one should devote a minimum of two hours to consuming a masterpiece—even a small masterpiece. Coca Cola is considered a bad word.

The French are very individualistic and tolerant of other people's idiosyncrasies. One could walk around Paris for a week wearing a papier-mache head and nobody would ask any questions. Their point of view on what constitutes sin is also delightfully tolerant.

There is one place where the French are difficult, however. They don't understand French -- French spoken with a slightly Southern accent, that is -- and they have an embarrassing way of asking you in very good English what you are trying to say. For example, "Comment allez-vous aujourd'hui, you all?" gets no response. Maybe I haven't learned to shrug my shoulders properly.
NEW PROFESSIONAL STAFF MEMBERS

Nicola Caiola, Economic Staff, from Rome, Italy, received his Doctorate in Law from the University of Rome after completing his thesis on the Bretton Woods Agreements. For two years he served with the Vatican Financial Administration and in 1951 was awarded a Fellowship to study in the United States. He spent a year with J. P. Morgan & Co. Inc. and a year with Morgan Stanley and Co. in New York.

O. Hursit Calika, Department of Operations, Europe, Africa and Australasia, from Ankara, Turkey, is a graduate of the College for Social Sciences, University of Ankara, and did post-graduate work at the Faculty of Economics, University of Istanbul. For nearly 14 years Mr. Calika served with the Ministry of Finance in Ankara but was temporarily with the Bank in 1951 to translate the Barker Mission Report into Turkish.

Georges Delaume, Office of the General Counsel, from Paris, France, received his doctorate degree from the Paris Law School and his M.A. in Comparative Law from George Washington University. Formerly assistant professor in French law schools, his most recent assignment was Legal Counsellor with the International Monetary Fund. He is the author of many articles and books on conflict of laws.

Tim Guinness, Department of Technical Operations, from London, England, graduated in business and engineering administration from the Massachusetts Institute of Technology with an S.B. Degree, after attending Eton College and Summerfields in Hastings, Surrey. During World War II he served as a 2nd Lieutenant in the Royal Horse Guards and prior to coming to the Bank was associated with Guest Keen & Nettlefold, Birmingham.

James F. Main, Department of Technical Operations, from London, England, is a graduate of the Imperial College of Science and Technology, London University. Prior to coming to the Bank, he was Managing Director of D & C and Wm. Press Ltd., London. He was Project Manager of Frederick Snare Corp. in New York and then for 11 years was President and Managing Director of Pauling Argentina, S.A., in Buenos Aires.

THE BANK'S SEVENTH ANNUAL GOLF TOURNAMENT


8. Audrey Smith, Ernesto Franco and Virginia Street. 9. Patrick Acheson, Bill Fraser, Georgia O'Donnell and Cyril Davies.

11. Mr. Black regales some of the 49 participants with a golf story. 12. Akira Oka receives the booby prize from Mr. Black.
WINNERS

Low Gross -
1st - Virginia Street 90; Jose Camacho 81.
2nd - Rita Adler 109; Gordon Street 84.

Low Net -
1st - Denise Montpetit 70; Cyril Davies and Kenneth Hoggard 70.
2nd - Anyda Marchant and Thelma Falardeau 73; Luis Machado, Stewart Mason, Don Seminara, Bill Fraser, Patrick Acheson, David Dickins, Richard Demuth and Lester Nurick 71.

Booby -
High Gross - Irene Talbott; Akira Oka

Fund Prizes -
Low Gross - Isabel Ellis 105; Dick Brenner 79.
Mr. Black awarded the prizes in the Board Room on Thursday, May 6.

Members of the Golf Committee included Jentry Holmes (Chairman), Jose Camacho, Virginia Morsey, Gordon Street.

7. Jose Camacho concentrates on a spoon shot observed by Thelma Falardeau and Colin Conron.

10. L. H. E. Bury, Irene Talbott and Mickey Winters.

Note by Editor:

We reproduce below the "Summary of Conclusions and Recommendations" from a 278-page Report of the Department of Technical Operations (No. TOD-7643K) on the economic, financial, technical, organizational and managerial aspects of "A Project for an Elevator Service in 1818 H Street N.W., Washington, D. C."

This report has recently been removed from the "MOST SECRET" classification, and is now in the category "RESTRICTED TO USE WITHIN THE BANK."

The report has not yet been considered by the Staff Loan Committee, nor have the "area" implications yet been reviewed by the Department of Operations - Western Hemisphere; but we are privileged in being authorized to publish this summary for the information of the Executive Directors, the Management and the Staff of the Bank.

In deference to the established practice of the Department of Technical Operations to preserve anonymity of authorship, we feel obliged to withhold the names of the compilers of this comprehensive and challenging Report.

* * * * * *

SUMMARY OF RECOMMENDATIONS

A. Financial

1. Provision should be made in the calculation of the capital cost of the project for installing, near the elevator shaft on each floor, upholstered benches to accommodate potential passengers. (We recommend rejection, on the grounds of extravagance, of the proposal to install bridge-tables and slot-machines.)

2. Having regard to the excessive strain likely to be imposed on the installation at the peak periods 9.30 - 10.00 a.m. and 4.45 - 5.15 p.m., provision should be made for amortization of the capital cost in one-fourth of the period of years which is regarded as normal for installations of this character.

3. The service should be operated on a self-supporting and self-liquidating basis. An appropriate tariff for use of the service would be:-

   (a) 75¢ a trip from 1st to 2nd floor, or vice-versa;
   (b) 5¢ a trip between any other 2 floors, or from any floor above the 1st to any other floor up to and including (i.e. through) the 12th;
(c) a supplement of 50¢ for each stop (in either direction) at the 10th floor.

4. Arrangements should be made by the Administration Department to provide each user of the installation with an appropriate supply of tokens of the suggested denominations, entitling him (or her) to elevator transportation. We recommend the issue of "transfers" which, however, should not be valid for stops at the 10th floor.

5. Steps should be taken to implement the necessary modifications of the Bank Pension Plan in order to enable the cost of these tokens to be witheld from the payments due to staff members on retirement from the Bank's service. (We gave careful consideration to the alternative of deductions from pay roll, but discarded it on humanitarian grounds. The Legal Department representative in the Working Party feels that the importation of humanitarian considerations is inappropriate, and therefore reserves the position of his Department with regard to this recommendation.)

6. Special arrangements should be established for Executive Directors, and, in their cases, we would envisage the utilization of the large free balances of Western European 18% currencies at the Bank's disposal for which the Bank can now find no other economic use.

B. Technical

7. The bell system (as described in paragraph 1017 (c) (i) above) should be modified so as to indicate to the operating staff the direction of the desired movement of the potential elevator user. The occasion when, and the floor at which, an elevator is required has less importance; and the opportunity should be taken, on grounds of economy of cost, to eliminate from the proposed project any device whose purpose is such a refinement.

8. The periodical issue of timetables is recommended, in order to take advantage of the economy in operating costs likely to result from the elimination of special "request" trips.

C. Organizational

9. The installation should be vested in an autonomous (or semi-autonomous) authority, not subject to departmental control, with perpetual succession and a common seal. The Staff Loan Committee might be regarded as a suitable entity to whom these functions might be entrusted, but only after an appropriate revision of its constitution, membership, procedure and remuneration.
D. Managerial

10. The autonomous (or semi-autonomous) authority referred to in paragraph 9 above should be required to enter into a management contract with a suitable firm of established private entrepreneurs with a successful record in the field of transportation, e.g. Cunard-White Star, KLM, Capital Transit, Long Island Railroad, etc.

11. The firm to whom the management contract is awarded should be required to recruit a General Manager of the elevator service. The individual appointed should be satisfactory to the Bank, and preferably a national of a non-member country. The remuneration of the General Manager should be determined by a majority vote of the operating staff of the installation, and should be subject to the approval of the Bank.

CONCLUSIONS

12. We believe that the project is justified on economic grounds, and that there appears to be some reason for assuming that there is probably the nucleus of a basis for a Bank Loan to meet part of the foreign exchange (i.e. the non-dollar) costs, subject to the following conditions:-

(a) the term of the loan should be limited to the specific period proposed in paragraph 2 above;
(b) the Borrower should be the Bank Bowling Club;
(c) the loan should carry the guarantee, joint and several, of the Governments of the 56 member countries of the Bank;
(d) as an additional security, the installation should be dismantled at 5.30 p.m. each evening (and reassembled at 9.30 a.m. the following day) and, during the hours of dismantlement, the component parts should be stored in Arlington, Va. in the personal custody of the Director of Administration of the Bank;
(e) the Loan Agreement should make specific provision for the autonomous authority (see paragraph 9 above) to entrust to the firm to whom the management contract is awarded (see paragraph 10 above) complete independence, including control of the operations of the installation, subject to the following minor reservations:-
(i) the timetable (referred to in paragraph 8 above) and all amendments to such timetable should be subject to approval by the autonomous authority, the Borrower, and the Bank;
(ii) the engagement and dismissal of operating staff should be carried out, in each specific case, in circumstances mutually satisfactory to the staff member, the Borrower, and the Bank.

RESERVATIONS BY MEMBERS OF WORKING PARTY

13. Department of Operations - Western Hemisphere
   (a) Some doubts are held with regard to TOD's assessment of the economic justification for the project. No elevator service has ever existed at the proposed location, and the Department feels that such an innovation does not merit priority consideration in the development program.
   (b) The question of the creditworthiness of the United States, *qua* Guarantor, can only be determined after Staff Loan consideration of the present political situation in Alaska. This is about to be examined by a Bank Mission which, it is proposed, might visit Alaska in the fall of 1955, by which time the present unsettled local situation may have undergone some degree of amelioration.

14. Treasurer's Department
   (a) Further examination should be made of the proposal to use 18% currency in an international enclave.
   (b) The Department is strongly opposed to the proposal to issue "transfers," as the probability of black market transactions could not be excluded, in view of the negotiable character of such "transfers."

15. Legal Department
   (a) As in paragraph 14(a) above.
   (b) See paragraph 5 above.

RIDE WANTED: Columbia Pike and Frederick Street, Arlington, Va. to Bank and return every week day. Reeves-Graybill - Ext. 2045.
WANTED TO SUBLET: Air conditioned efficiency or 1 BR Apt., July 25 to August 31 or part. Ext. 2951.
FOR SALE: Window fan, white; 20" blade; $30. Verbeyen - EMerson 3-3138.
"Getting up this river used to be easy before the World Bank butted in!"

INTERNATIONAL COOKING CORNER

Lydia Bilbrey, Treasurer’s Office, gives us this tasty summer recipe:

EGG-ANCHOVY BARRELS

Hard boil eggs to the number desired. Shell, and then cut off ends so they resemble barrels. Scoop out yolks and mash. Then add small quantities of the following, all very finely chopped:

Anchovy fillets, gherkins, chives, chervil. Add dash of wine vinegar, olive oil, salt and pepper.

Put this mixture back into the egg barrels and roll thin tillets of anchovy around each egg.
Gerald Alter, Economic Staff, has passed the examinations for his Ph.D degree in economics from Harvard University and will be awarded the degree at the Commencement Exercises in June. His thesis was entitled "Savings and Investment Aspects of Raising Income Levels in Underdeveloped Countries."

Jeanne Wells, Administration/Personnel, became engaged over the May 30 week-end to Howard Francis Prat, a member of the staff of St. Albans, The National Cathedral School for Boys, Washington, D. C.

Mr. and Mrs. Peter O'Neill Sr., Administration/Office Services, have announced that their daughter Maureen will be married to Robert Emerson Linthicum on Saturday, June 19 at the Shrine of the Sacred Heart. The newly-weds will live in Washington.

Marie and Bill Keltie, Treasurer's Department, are pleased to announce the birth of their daughter, Mary Ellen, at Alexandria Hospital on May 12, weighing 7 lbs. 5 ozs. - a sister for Robert and Richard.

Jim and Virginia Walden, formerly Administration/Printing and Drafting have a new baby boy, Scott Bevin, born May 5 at Garfield Hospital weighing 7 lbs., 15 ozs. - a brother for Jan.

Sam and Lucy Brightman, formerly Administration/Organization and Planning, are the happy parents of a baby girl, Elizabeth Cleaver, who was born at George Washington Hospital, weighing 8 lbs. 4 ozs. - a sister for Chuck.

Bill and Jean Darby, formerly Department of Technical Operations, are happy to announce the birth of their son William Ramsey on May 19 at Columbia Hospital, weighing 5 lbs. - a brother for Cathy.

Carol Dewing, Department of Operations - Europe, Africa and Australasia and Hazel Fleming, Secretary's Office, are enjoying a three-weeks' vacation in Florida and Havana.

Virginia Callery, Department of Operations - Europe, Africa and Australasia is on two weeks vacation. She flew to Mexico and will travel back by car with her brother and sister.

Bob and Irma Fritze, Department of Technical Operations have returned from a two-weeks vacation in Birmingham and St. Louis where Irma was able to meet her in-laws for the first time.

Jim and Ruth Haney, Office of the General Counsel, are enjoying a two weeks' vacation in Florida.

Ann Rozeck, Office of the General Counsel, had a pleasant family reunion in Washington recently when her mother and dad, her sister and brother-in-law and their two children all came down for a visit.
APRIL 29, 1954

One hundred bowlers and guests danced to the music of Jack Morton's Orchestra in the Chantilly Room of the Hamilton Hotel.

Second Place Team - Treasurer's Assets - Edith Kesterton, Myrtle Tommins, Ben Prince, Bill Geofot, David Dickins.

Third Place Team - Personnel - Jeann Wells, Iva Martinson, Don Fowler, Victor Umbracht, Bill Bailey. (Absent: Elsie Pyne, Captain, and Jorge Montealegre).

Members of the Legal Department Team and guests.

Guests at Mr. Black's table included Mr. and Mrs. Khosanov, Mr. and Mrs. Graves, Mr. and Mrs. Hopfheim, Mr. and Mrs. Pick, Mr. Howell, Mr. Riley, Mr. Demuth.

First Place Team - Administration - Jo Di Costant, Tumie and Jan Burns, Robert Linthicum, Joan, Suveen and Peter O'Neill.

Winners - 1st row: Pauline Newton (High Set), Olga Dinnomo (High Strikes), Doris Elason (High Average), 2nd row: Kevin Flanagan (Most Improved Bowler), Frank Stahl (High Game), Bill Geofot (High Set).

Winners - 1st row: Jo Di Costant (High Game), Maria Oparru (Most Improved Bowler), Edith Kesterton (High Flat Game), 2nd row: Fiornis Newton (Most Improved Bowler), Tumie Burns (High Average), Peter O'Neill Sr. (High Strikes).