

Summary of Oral History Transcript

Alter, Gerald

Interview conducted by Dr. Robert W. Oliver, California Institute of Technology, on 1985-07-13

Alter talks about first joining the Economics Staff of the Bank then moving to the Western Hemisphere Department. His shifting involvement from the preparation of country economic reports to working on "Sector Analysis". The period '58-'64, when large missions of 13 to 14 people were sent to several countries and its members contributing to the formulation, conclusions, and recommendations of the final report. And, where projects which later became vehicles for Bank loans, were identified in the investment program at an early stage.

In 1963 Alter became Director of the Western Hemisphere Department and was more closely involved in the economic work specific to that area. The Economic Committee was established around '64 and later on a more formal committee was formed. Notes were kept of the meetings, and analysis was done of the country economic reports. The President relied on the minutes of the senior staff meetings. With McNamara's arrival the Bank became much more involved in the study of general problems of economic development as the Bank's non-country directly related work expanded many fold.

Alter briefly mentions the Staff-Loan Committee chaired by Burke Knapp on whose recommendations Woods relied a great deal. The Woods period's concern with obtaining an adequate volume of resources for the Bank, especially for IDA. Black's main emphasis back in '61 on creditworthiness and absorptive capacity. Alter discusses creditworthiness, and how since 1975, the time he left the position of

Regional Vice President until the time of this interview (1985), the countries of the Western Hemisphere have assumed a monumental volume of additional debt. He adds that the Bank is precluded in its Articles of Agreement from making basic lending decisions on political grounds, but, in deciding on loans, it is not precluded from taking into account what the policies of the country are, since there is an intimate inter-relationship between the politics and economics of a country.

Alter also mentions the Bank's important contribution as an institution in making its member governments more aware of the need for good project analysis, preparation, and management. In terms of the interrelationship between the Bank's pioneering economic work and operational work in the Western Hemisphere, Alter was the first professional economist working as such who became an Area Department head. In '64-'68, he and some colleagues developed a lending approach which progressively became more prevalent throughout the Bank, particularly in the McNamara years. The Bank's close collaboration with the Fund, particularly on exchange-rate matters. Alter talks about shadow pricing of foreign exchange for countries and, how after he became department head he came up with proposals for local currency financing where he met with resistance from Woods who was in general against Bank financing of local currency requirements. However, Alter feels that Woods' opposition stemmed from certain Board members who were important for him in mobilizing capital for IDA. After Alter left the Vice Presidency of the Western Hemisphere Department, he became assistant to Burke Knapp. Part of his job was to do policy studies on local expenditure financing on which he prepared some operational memoranda.

Alter feels that during the last half of the Woods presidency the Executive Directors took a more forceful stand about various issues than they had done before. One of the disadvantages of IDA to the Bank was its opening the door for governments asked to make IDA replenishment funds available, to begin raising essentially political

questions about the Bank's relationships. It was during the Woods years that the replenishment of IDA began to be a political problem.

The '70s were the beginning of the Bank's policy on indexing, and the Bank's preparedness to lend in particular sectors where there were meaningful commitments to future policies. Alter briefly discusses how under McNamara the Projects and Area Departments were merged into Regional Departments with a Regional Vice President in charge, the overall increase of the Bank's staff, and the expansion of its operations.