THE WORLD BANK/IFC ARCHIVES

ORAL HISTORY PROGRAM

Transcript of interview with

Alexander Stevenson

Oral History Research Office

Columbia University

August 10, 1961

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By Professor R. Oliver August 10, 1961

Q: Now, sir, identify yourself.

Stevenson: My name is Alexander Stevenson, and I came to the Bank in April or May, 1947, to join the Economic Department. I remained with it until the area departments were set up, when I went to the Department of Operations for Europe, Africa and Australia. And a couple of years ago I moved over to the Department of Operations for South Asia and the Middle East as assistant director.

Q: What had been your experience before you came to the Bank?

Stevenson: I had been trained in modern languages first and then had done economics. I had worked in international economics at the University of California and the Carnegie Endowment for International Peace, mainly on problems of international trade, and investment. From there I went into the army briefly and then into the U.S. Government. I left the government and took a demobilization fellowship to finish up my thesis, but I came to the Bank before I did, and I never finished the thesis; I lost interest after that.

I came to the Bank just at the time of the interregnum, if you like, and the first thing, of course, that surprised me was the difference between what I appeared to be doing when I came and what had been described to me when I was recruited, because just at that time the decision was taken to move many people who were concerned with country analysis over to the Loan Department from the Economic Department, and I was in the Economic Department. So, the first months, I think, were really spent finding out what the Economic Department was supposed to do when a considerable amount of what we thought it was going to do was moved to another department.

Q: This shift was as early as April, ’47 then?

Stevenson: It had just taken place, I think, when I came here because I had been interviewed in Washington before and it hadn’t taken place then.

Q: By whom had you been interviewed? Was this Mr. Rist?

Stevenson: I saw Mr. Rist. I saw also Walter Hill; he interviewed me for the longest time.

Q: What department was Walter Hill in at that time?

Stevenson: He was assistant director of the Economic Department.

Q: But he was one of those who was shifted over to the Loan Department?

Stevenson: That’s right, yes.

Q: So, he was only in the Economic Department for a matter of a few months, I take it.

Stevenson: I suppose so, yes.

Q: What had been your understanding of what the Economic Department was supposed to do?

Stevenson: Well, at that time there were working parties on various loans that were in process, notably the French, Danish, and Luxembourg, I think, and perhaps the Dutch, too. And we were to be on working parties concerned with these loans, concerned with the analysis of the countries which would in some form or another--we never knew quite what form--would be presented to the executive directors.

Now, a very large part of these country studies moved over to the Loan Department, and a lot of people who were doing that work moved too. The Economic Department was then left with more general studies and we had what we called liaison with the Loan Department on individual loans. We had loans assigned to us but we were not writing the study which went to the board; we were rather criticizing what somebody else did. And that wasn't what I had expected.

The balance shifted gradually back to us until you had the Economic Department finally doing all the economic studies of respective countries. I forget exactly when that happened.

Q: Had it happened by the end of '47, do you think?

Stevenson: I would have thought a little later.

Q: What was the reason for the shift in the procedure, to having the Loan Department doing the economic feasibility studies for the loan applications?

Stevenson: I don't know what the reasons were. I suspect they were more or less associated with personalities than with doctrine.

Q: I wish we could pin down a little more definitely the date by which the Economic Department began to actually do work in the loan applications. Could this perhaps have been by the time the Chilean loan was made?

Stevenson: I had nothing to do with the Chilean loans. In those days I was concerned with what were reconstruction loans and then

I moved into the general studies section of the Economic Department and was a little further away from it for a while. So, I wouldn't be able to tell you the date. It ought to be quite easy to pinpoint, I think, by looking at the records.

Q: Well, what sort of policy issues were being considered in either the Loan Department or the Economic Department when you came?

Stevenson: Well, I think the first issue that came up that I can recall was after the first few reconstruction loans, which were not project loans, of course--at least not all of them were--but when these were over, the issue of the project approach came to the fore. It couldn't have come to the fore earlier because there were certain things which the Bank obviously had to do. And, as I said earlier, it wasn't so much a question of conscious determination of policy that led the Bank to do it; it was clear from its name (reconstruction) that that's what it was supposed to do. I don't think the project approach would have been feasible; I don't know whether it was ever really seriously considered.

Q: Could you say bit more about this matter of the work that you began to do being different from what you thought it was going to be?

Stevenson: Well, in the very first days there were rather tenuous relations with the Loan Department because, obviously, they were doing the work and the Economic Department was left somewhere on the outside looking in, feeling that it was, if I recall rightly, responsible for standards of creditworthiness and that sort of general thing. But people were just beginning to consider what the standards of creditworthiness were. So, there was a while there when things were a little confused, and we got to wondering about what we were supposed to be doing and what we would be doing, because it seemed that if matters remained like that it would be impossible for an economist really to judge another report, let's say, Luxembourg, or something like that, without having done so much work that he really should have been writing the report, I think that's what really happened in the end and we moved back to writing the reports; the reports moved back to the Economic Department. Although I forget the exact date of that, I think one can easily find it by looking at the various reports and seeing when they started coming out from the Economic Department.

Q: Was the Loan Department in early '47, at the time you came to the Bank, concerned with questions of creditworthiness, or was this still left to the Economic Department?

Stevenson: I was a new boy in those days and a comparative junior so I wouldn't always have known what discussions took place, but everybody was concerned with it. I think in the writing of whatever administrative directive there was, creditworthiness was always in the Economic Department, but I think the Loan Department was concerned with it, too, and there was a fair struggle for power in this.

Q: But in any event, the Loan Department was the department which was writing the report which would be considered by the Staff Loan Committee?

Stevenson: Yes, it was really carrying the ball in all operations practically, and the Economic department was something of a critic, perhaps rather like the economic staff now. I don't know if it's a fair analogy, but I think there's a certain similarity to it.

Q: Well, what did you all do in the Economic Department then?

Stevenson: Well, first of all there weren't too many of us initially, and we did various studies of trade patterns and their likely effect on the creditworthiness of areas. We did studies of foreign investment. And we began to be concerned with development, too. I was not so very much concerned with that in those days, but I think we did begin to look at the problems of development in a rather tentative way. Frankly, my own opinion at that stage as a junior in the Economic Department was that the

Economic Department was really left in a position of trying to stake out for itself what it should be doing. And perhaps before very long, a fair amount of the country work moved back into the Economic Department. Some people came back, if I remember rightly. And then the Economic Department, as it was known until the area or regional departments were set up, continued. So, I think the experiment of having the economic work done in the Loan Department wasn't a success.

Q: In talking about the reorganization in '52, what was the reason for starting the area departments and then shunting again aside the economic staff and becoming the specialized research part of the Bank?

Stevenson: Well, I think probably one thing that might have motivated it was the fact that with the growing volume of business one loan director really had an enormous work load, and that it wasn't feasible. The old organization began to crack the seams. I suppose the man who was able to hold it together was Mr. Garner.

I think it was also associated perhaps with the growing importance of economic work in the Bank. There began the growing recognition of general development problems, of development problems of particular countries, which were so intimately associated with operations that it was better to have both in the same department. For instance, it came I think--the pattern of operations came to change so that if we had a new member country that said it was interested in getting loans, the first thing which would happen would be a mission, which was largely an economic mission, that would go to the country and would look into the question of creditworthiness but would also look into the question of what fields the Bank’s investment might be directed into. And very often, in fact, the first mission that went had to identify likely projects. Well, that meant that you had to have people in the mission who knew enough about operations, and also who wouldn’t pick something that, while it might be meritorious in itself, might just not be suited to Bank operations. And, therefore, it was easier to handle with the economists in the same fold.

Q: You said a moment ago that before ’52 Mr. Garner personally sort of held things together. Does this imply that Mr. Garner personally studied every single loan application and was almost a member of each working party?

Stevenson: I wouldn’t say that he was a member of each working party, but in many ways he was the chief loan officer.

Q: Which person would likely be the head of the working party? The man from the Economics Department or the man from Loan Department?

Stevenson: No, the man from the Loan Department was chairman of the working party.

Q: Maybe you could tell a little bit about how the whole working party concept began or developed.

Stevenson: I don’t know how it began but it was said to exist before I came in connection with the early reconstruction loans. In the first days that I was there, it wasn’t quite the same as it is now. You had the Loan Department which had really written all the papers, except for the legal documents; whereas, after the ’52 reorganization, at any rate, you had it functioning pretty much as it does now, with the loan officer as chairman. You had, of course before you had a department of technical operations and when the Loan Department was in the chair the engineers in the Loan Department. So that they were responsible for the project and the Economic Department was responsible for whatever economic reporting was required.

It was a lot less formal in the early days because the organization was smaller. I sometimes think--although I haven’t quite so much contact with working parties now--that it worked rather better when the organization was smaller because people, by and large, on the working party were more sure of themselves. They might fight among themselves but they didn’t feel that they had to go back for instructions quite so often. That sometimes happens in a larger organization, and I think it happens sometimes too often today. And with the rapid growth it has meant, of course, that there are a great many more people in the Bank who have not had a chance to absorb Bank policy, which I think is the only way one can really get it. So very many feel less sure of themselves or more inclined to adhere to a particular point of view because they don't know as much of how the Bank has worked so that they could be a little bit more flexible on their own.

Q: Today is a working party headed by somebody from the Area Department or from the Technical Operations Department?

Stevenson: From the Area Department, yes.

Q: Does this suggest in any way that there's been an increasing emphasis upon economic analysis as distinct from engineering analysis, let's say, and is true of the early days?

Stevenson: I think that's true, but I think it was truer some time ago. I think the Technical Operations Department has grown in response to the recognition that we were getting into all kinds of very different and more complicated projects, and we became more interested in, for instance, financial analysis now than we used to be.

If you take, for instance, the Finnish loan that just went to the board and compare it to some of the first Finnish loans for the same industry, you would see that now we analyze the workings of the individual woodworking companies which would benefit from the loan, whereas in the earlier days we didn't. We satisfied ourselves that they knew their business but we didn't go into their financial condition or prospects. So, there's been more looking at the financial position of the ultimate beneficiary than there used to be.

I think--and this is a personal opinion--that sometimes we have in recent years paid a little more attention to the financial considerations as opposed to the economic than we might have. I think it's moving back again.

Q: Well, I wonder if you could talk a little bit about the concept of creditworthiness and how this concept has developed, so to speak, over the years.

Stevenson: It's a hard thing to talk about.

Q: Perhaps you'd rather develop the subject in some other way.

Stevenson: It was a new idea, of course, in the sense--it wasn't really a new idea but it was a new idea in the sense that it had to be practically applied. The inter-war loans, I think, had looked at it in a general way, but we tried to establish measures of it--and sometimes I think we tried a bit too hard, got a bit too exact in the early days, when we would argue about amounts, differences in amounts, say 10 million as opposed to 15 million dollars, which really couldn't be as closely determined. I think there was a process of education in the Bank. There were some people who thought that you could project a balance of payments 10 years ahead. I can remember that sort of question being asked, and people trying to produce results. But I think fairly soon it was realized that when you were projecting differences of that sort, very small changes in any of those things could make terrific differences, and it just wasn't worthwhile.

I think we're still inclined to do that, to rely a little too heavily on financial projections of individual countries. But on the general problem of creditworthiness, in the early days, of course, a country's debt record was fairly prominent. People were concerned about the amount of defaulted debts in Latin America and it was obvious to anyone lending in Latin America that the main problem had been the terrific defaults in the pre-war years. That is now much less prominent because a country's debt record is now a post-war thing, and it's really known. There have not been significant defaults, and we're lending very often to countries which have been borrowing from us for 10 years. So that that question is entirely different.

The question of defaults remains, whether there are any outstanding debts in default, and what the circumstances of these unsettled debts are--that still receives the same sort of consideration it did at the beginning.

Q: Well, would it be fair to say that in these very early days, 1947, 1948, the debt record of a country was more prominent in assessing the creditworthiness of a country than the general question of how much capital the country could usefully use?

Stevenson: Yes, I think so. Also, much more attention was paid to the balance of payments situation and less attention to the growth potential of a country. That’s, I think, perhaps the most significant difference. At first people were apt to look at the balance of payments and look at what were, in fact, rather short-run considerations and not analyze in the same detail as is often done now what the growth points in a country are and what its long-run outlook is likely to be. We sort of perhaps for a while backed off from projecting the balance of payments out into the future but hadn’t quite got around to paying enough attention to the growth potential of a country.

Now, this, of course, varied from man to man, but I think on the Staff Loan Committee there would have been more discussion about what the balance of payments situation was in the immediate outlook than there would have been about the rate of growth over the last few years and the rate of which was expected to continue.

Q: Well, it sounds to me--I wonder if you think this is a fair statement--that people who had been trained in banking per se, either as investment or commercial bankers, were more likely to look on creditworthiness from a banker's point of view, that is to say, how much can we expect these people will be able to repay, whereas the economist would be more likely to think of it in terms of what you might call the absorptive capacity of the country.

Stevenson: And also what's a country likely to be like 10 years from now. I think there's more attention paid to that, not always enough, but it's hard to look that far ahead.

The importance of debt-service burden began--it was always thought important--and I think became prominent as the Bank began to lend and as other post-war loans, U.S. loans, began to build up. And so, there was more focusing on the debt burden in terms of, let's say, prospective foreign-exchange earnings, or something like that. There was, I think, there an evolution in that the importance of that concept grew in people's minds and perhaps grew too much for a little while in that people looked a little for a mechanical measure of creditworthiness in terms of 10 percent of foreign-exchange earnings, or whatever it is. There's still an element of that but nobody now--everybody wants to see what the percentage is--would place the same mechanical interpretation that some placed or tried to place on it, say, six or seven years ago.

Q: I wonder if the Bank's relations with India might be a good illustration of what you're talking about. I take it the Bank has become rather more interested in India in the last several years than it had been in the earlier years of the Bank. Do you think the sort of loans the Bank has been making to India recently would have been made in the early days?

Stevenson: If we'd adhered to a philosophy strictly probably not, I think. But there again sometimes--

There's another very important element in it, I think, and that is the whole concept of foreign aid as a long-term phenomenon rather than as the short, post-war phenomenon, that it was originally considered to be by many people. This was the thought, of course in the European countries when the Marshall Plan started. Then the Bank's operations in those countries shrank for a period, and then picked up as foreign aid then declined. But people expected foreign aid to stop a lot sooner than it has stopped, or if they didn't expect it to stop, they still felt they could not take a chance on its not continuing as long as it has in fact continued. In India it's difficult to say. The concept of foreign aid has, of course, changed in that now most people would agree that some foreign aid will continue for quite a long time and therefore that is a datum you can put into your equation which you weren't prepared to put in sometime ago. And that makes a tremendous difference to the amount of loans that you want to make. In a sense, the same argument used to be made during the Marshall Plan period, when it was said, that, well, the Bank can loan more the more aid there is. You hear the same argument now in the case of the underdeveloped countries like India which is receiving massive aid and looks like it will continue to receive it. So, I think that changed people's attitudes towards lending.

Of course, in India we have got again to the point where the debt service burden has become high enough to be a red flag, so there has been an increasing call for grants or soft loans to India and a substantial portion of what we're doing in India now is of course through the International Development Association. Actually we are not putting into India in Bank loans much more than repayment at the moment; it's a bit more, but a good deal of the slack is being taken up by IDA money and aid from other countries on softer terms.

Q: This implies, I suppose, that there still is some important maximum amount of foreign debt service in the balance of payments which the Bank takes into account.

Stevenson: Yes, and when you get up, say, to something like 17 percent that's a substantial amount of foreign exchange earnings to be soaked up.

So, this is very much in people's minds. But I just wanted to make a point a moment ago that at a certain period I think some people were groping for a single measure of debt servicing capacity. Of course, that was quickly shown to vary so much, depending on the growth rate of a country and a lot of other things, that while it retained a certain importance, it declined a bit in prominence.

Q: Has it ever been true in the Bank’s history that these various concepts have caused the Bank to rather prefer the financing of projects which are either going to result directly in decrease of imports or to increase of exports?

Stevenson: Yes, I think--I’m not sure that I can cite you a case--I can recall that we’ve said, well, if we go into this country, we ought to do what we can go into projects which earn a quick return or lead to increasing exports or decreasing imports. Of course, very often the argument about decreasing imports is a bit of a phony, because you can show a tremendous savings on the books which are not real. But I think we have paid some attention to that. Of course, that may not always be as prominent as it was and it may become less prominent the more we’re concerned with the overall development program of a country. Then, if you like, at the limit it doesn’t matter which project the Bank puts its money into. We haven’t got to that point yet by a long way, and of course, the bulk of our lending has gone into things which do not increase exports directly. So that, in the main, we haven’t done that.

Q: I wonder if you could say a bit about the discussions in the Bank on the issue of making loans for specific projects as opposed to rather more general balance of payments loans.

Stevenson: Well, that was a much discussed subject. It came up in a sense in the Australian loan, but the first Australian loan was an unusual thing. To digress for a moment, you can say a precedent was set by a particular development loan, and you mention Australia. Well, the first Australian loan was made, in my own personal view, because the Bank had to make it. The application came over headed “Export-Import Bank,” and the negotiators were sent over here from the State Department, and the Bank had to put up or shut up. It was to put up; I mean, it did. It was just about as simple as that. We had all kinds of questions that came up: Should we make a loan for a program which we really hadn’t examined and in a country where we had no mission? This was something that made some people quite unhappy, but, if I recall correctly, the Australians asked for 100 million and we knew we had to do something and it was quite obvious that they were going to be in a position to repay a substantial amount, although we had no means of checking any of the things that were said. And, in fact, they developed their presentation of the development program over one weekend at the Shoreham Hotel. And we thought that we’d recommend a loan of 50 million and send a mission out post haste and then see what else we could do. But the Australian negotiator didn’t take this lying down, and went to Mr. Black and got his hundred, largely on the argument that Australia had to make commitments ahead and they needed the 100 million not for disbursement purposes but for commitment purposes. And Mr. Menzies got his 100 million.

Q: Was this the only occasion in the history of the Bank when a loan was made without the normal long period of preparation?

Stevenson: It's about the only one that I can recall. But, as I say, that was rather extraordinary. I think the real discussion, the first real discussion of lending for programs came up in the Italian loan, and there you had a lot of other issues coming in together. You had the issue--I forget what we call it--

Q: The impact?

Stevenson: Yes. A loan for the foreign exchange impact of a program. You may remember that we made a loan of 10 million dollars and certainly 10 million dollars implied a degree of accuracy of measurement of an "impact" that I don't think we had. I think the phrase was later somewhat discredited because the issue was drawn so sharply about the amount of the loan. The amount of the loan in the Italian case really never should have been argued about that way. So, the definition of impact and the concept became a good deal more discredited than it should have, because in the argument some people tried to demonstrate that they could measure it without drawing attention to some of the caveats. And other people became more suspicious of the whole concept than they should have been.

Q: Has it ever happened in the Bank's history or perhaps in the case of the Italian loan that the Bank simply said this is a sound overall development program. We can see that you need some foreign exchange to help finance imports in general, and therefore we'll make you a loan to finance your next year's foreign exchange requirements.

Stevenson: No. I would say the justification of the first Australian loan came closest to that, and it wasn't one that anybody was happy with.

Q: Why were they not happy with it?

Stevenson: I was particularly unhappy with it. I was concerned with economic work. I was unhappy with it because we just had to go before the board with things we weren't quite sure of. We knew very little about the Australian program. Except that one of the things that I certainly felt was that the Australians were not very strong on fiscal and monetary control or programming, and there were a lot of things concerning which one simply couldn't say about what would happen. Of course, the country did get into trouble again, the same kind of trouble they were in at the time, rather a short-run difficulty than anything else. But I was more unhappy about that than about the Italian loan.

Q: Well, what are the contrasts between the Italian loan and the Australian loan?

Stevenson: Well, the Australian loan was an emergency operation which was done in a very short time, the first one, because it had to be done. I didn't have anything to do with subsequent loans, but, if you like, the projects came in the back door, a bit. They never really came in, I think. But there was some project justification put up for them.

In the Italian case, in the first loan, the project was the program which we had looked at and which we thought we knew something about and which we felt we could stand behind. Already by that time there was a problem of lending for a specific project, and the particular method that was chosen was that the Bank would disburse, if I recall correctly, in accordance with the rate at which expenditure was made on the program, but that the counterpart of the Bank loan would be invested in particular projects which we looked at. This was a kind of gimmick which I never liked at all, but it was an uneasy compromise between some of the economists at the Bank and the project approach which was interpreted fairly strictly. I've never felt that in the Italian loans the fact that we looked at specific projects and the counterpart of our money, or our money, one way or the other, went into those really made much difference. I suspect that the very great majority of projects would have been done anyway just the way they were done. That was kind of a phony project.

Q: So it was your feeling that in fact the Bank was financing the general foreign exchange requirements of Italy and that it was a bit of a fiction to pretend that the Bank was financing specific projects which required local currency.

Stevenson: Yes. I thought that it should have taken the southern Italian development program as a project and financed it. That, I think, was complicated--the issue--by the fact that in the first loan, if you like, we had measured the foreign exchange impact and we had made a loan which was supposed to be equal to the foreign exchange impact. A lot of people felt that that implied a degree of precision which was impossible, and they were right.

Q: Were the people who were talking about impact primarily concerned with financing the impact, or do you think they were essentially just using this as a device to make a more general purpose type loan and still justify it in terms of the articles of agreement?

Stevenson: Perhaps the latter. After all you had to get some justification for the amount of the loan, and that was logically, I think, a very good justification for it. And we've used it since, I think, although we haven't called it by the same name.

No, I think they felt that that was a case where we knew enough about the program and that was the best way to assist it, and it came close to being a balance of payments loan but it was a very particular kind of balance of payments loan; the loan was to support the balance of payments effects of certain development projects in a program which we looked at and felt were sound. So, it wasn't a general balance of payments loan.

Q: Well, you said there had been other loans since the Italian loan which had been of this same general nature. Could you tell about some of those?

Stevenson: There haven't been any quite like that. If you take our lending in India at a certain period, at about '58, when India was in a very difficult foreign exchange position, we in those days lent for sound projects but there was an ancillary motive in our lending. Take, for instance, in the money that we put into the railroads. India needed foreign exchange quickly and the choice of project, if you like, was influenced by that. We took a slice of the railroad program and financed the foreign exchange component of that.

One of the motives of the loan was to provide balance of payments support.

Q: Well, in the sense that the Indian Government would have financed the railroads out of its own foreign exchange earnings, if necessary, had the Bank not done it, you mean?

Stevenson: Yes, if it had had the foreign exchange, but the main purpose in those days was to see that India's foreign exchange reserves didn't fall too low, because they were very low and falling rapidly. And the main purpose of our lending operations in India--not just in the Bank at that stage of the game--was to pump in some foreign exchange fairly quickly. Therefore, some of the projects we financed, notably the railroads, were tailored to that end. Now, others were not. The power projects had less of that flavor to them. But some of the big lending, the biggest lending, was in the railroads, and I'd say that that was one of the major considerations. And here was an easy way of killing two birds with one stone. You had a sound project and you were also able to take care of the foreign exchange needs of the country.

Q: I wonder if there are some projects which you've personally worked on that you'd perhaps like to talk about. You don't have to limit it to those I've just listed.

Stevenson: There were the early joint operations, you mentioned Belgium, I think, there, and I think it's worth noting that the Belgians had applied for a loan from the Bank quite a bit earlier--was it perhaps ’49, about ’49. And the projects then, the purposes for which the Belgians wanted the loans were bits of public investment which were being carried out, if you like, anyway, although the Belgians always just varied the rate at which they carried them out in accordance with the capital which the government was able to borrow. They had asked us in 1949 for a loan, and we went over and we looked at projects but the management was not persuaded that Belgium couldn’t finance those on their own account or was not prepared to make what was a local currency loan. They were not persuaded that the Bank should get into that.

The thing that took us in later, with projects that were very similar in character, was the fact that by 1954 the prospect had appeared of the Belgians being able to raise part of the funds in New York and the New York bankers taking the position that they would want us to be in it. In those days, it was very largely for the sake of the projects which they would finance. I don’t think the New York bankers by any means always subsequently took that position, that view of joint operations, but in the first one they did. They were impressed with the record of the Bank’s lending for specific projects and they thought they could lend some money in Belgium but they were anxious to tie it to projects financed by the Bank.

Q: Did they specifically want a bank feasibility study done before they would join? In other words, I’m not clear as to whether it's the financing by the Bank which was important or whether it was the planning part of the whole thing that was important.

Stevenson: I think the bankers thought Belgium was creditworthy. If they hadn't thought that, they wouldn't have lent. They took that decision themselves, and I don't think they would have given way on that and let somebody else take that decision for them.

No, I think they were most impressed by the fact that by that time the Bank was accepted in New York. On the other hand, there hadn't been any foreign bond issue there other than Canadian ones since the war. Belgium hadn't been in the New York market since 1925, I think it was, and the New York bankers wanted to have the imprimatur of the Bank rather on the projects for which the loan would be used than as a way of saying that the Bank's view was that Belgium can repay. It was rather a selling device for the buyers of the bonds than a means of persuading themselves that Belgium was a good risk.

Q: I had heard, incidentally, in the case of the 1949 Belgian application, that the U.K. Government was very lukewarm about having the Bank make this loan.

Stevenson: That's probably true. Of course, in those days Belgium was a subject on which there were very many heated arguments. Belgium was a country in those days which had recovered fairly rapidly, not having been damaged as badly as, say, Holland, and its gold reserves were high compared to a lot of other people’s around that area. And I think that’s true; I don’t think the U.K. was--I think it was certainly lukewarm. Whether that was the final reason, I would doubt. The management was also fairly lukewarm, I think; in fact, I know they were.

Q: How about some of your own personal experiences in the bank. Any stories about loan negotiations, or anything else that might widen the history of the Bank?

Stevenson: I don’t really know. The first thing that comes to my mind is, again, at the time of the changeover from the McCloy regime to the Black regime. It just so happens that that was about the time of the ’49 Belgian loan application. I was in Belgium at the time. It happened that Mr. McCloy was going over to Europe at that time. His brother-in-law had just lost an eye, and he was flying over and just at the same time he was worrying about the problem of whether he should take the job of High Commissioner of Germany. So, I got a long story all the way across the Atlantic of the pros and cons of this, and Mr. McCloy was rather feeling that he couldn’t refuse to take the high commission job. Then, when we got to Brussels, Mr. Black was in Brussels, having just become senior vice president of Chase. He was showing Winthrop Aldrich around Europe. He turned up in the same hotel and while having breakfast, he was worrying about whether he should leave Chase and come to the Bank or not. He was feeling at that time that he had pretty much burned his boats and he didn’t see how he could come because he wrought all kinds of changes at Chase. He was feeling very uncomfortable about this and saying he didn’t see how he could come to the Bank but everybody there felt that he was coming, I think.

Q: Well, we’re at about the end of this tape.