

THE WORLD BANK/IFC ARCHIVES

ORAL HISTORY PROGRAM

Transcript of interview with

PIETER LIEFTINCK

February 5, 1987

By: Charles Ziegler

THE WORLD BANK/IFC ORAL HISTORY PROGRAM

Memorialist: Pieter Lieftinck

Date of Interview: February 5, 1987

Place of Interview: Washington, D.C.

Interviewer: Charles Ziegler

ZIEGLER: Today is February 5, 1987. My name is Charles Ziegler, and I am at the home of Dr. Pieter Lieftinck. In his capacity as Minister of Finance of The Netherlands from 1945 until 1952, Dr. Lieftinck served as Governor for The Netherlands of the World Bank. In 1952, at the request of World Bank President Eugene Black, Dr. Lieftinck took up the post of Special Representative of the President of the World Bank in Turkey, in which capacity he served until 1954. During the years 1954 and 1955 Dr. Lieftinck was successively Chief of the Economic Survey Missions to Syria and Jordan, and he assisted in the establishment of a planning organization in Lebanon. On October 1, 1955, Dr. Lieftinck began another distinguished career as Executive Director for Cyprus, Israel, The Netherlands and Yugoslavia in the Bank and the International Monetary Fund. He retired from the Bank's Board in 1974.

Dr. Lieftinck, you attended the inaugural meeting of the Boards of Governors of the Bank and Fund in Savannah, Georgia, in March 1946. The substance of the meeting is well documented, but it would be interesting to hear from you, a participant, something of the ambience, the feel, if you will, of that meeting--in particular, the relationship as you saw it between Lord [John Maynard] Keynes of the United Kingdom and Mr. [Fred M.] Vinson, the U.S. Governor. I understand that the relations between them were strained at times.

LIEFTINCK: Well, Mr. Ziegler, my attendance at the Savannah inaugural meeting was most interesting. To begin with, travel from The Netherlands to the United States was at that time far from easy. I remember that I first had to fly by commercial plane to London; from there we crossed the Atlantic in a Lancaster bomber, sitting in seats in the back of the plane. From New York to Washington, and from Washington to Savannah, we traveled by train, because commercial flights were infrequent, if they existed at all at that time.

ZIEGLER: Was that a special train chartered for that conference?

LIEFTINCK: Yes, it was. The arrival in Savannah made a deep impression on me. The whole population of the town of Savannah had come to welcome us, and the streets were lined with people and children with little flags. The people gave us a very warm reception. The meeting itself brought together all the finance ministers of the original members and their central bank governors. It gave us an opportunity to meet the founding fathers of the two institutions, the World Bank and the International Monetary Fund, who had drafted the Articles of Agreement of the two organizations at the Bretton Woods meeting in 1944.

ZIEGLER: Which, as I recall, you read about in a concentration camp.

LIEFTINCK: Indeed.

There was much substantive discussion about the organization and policies of the World Bank in that meeting, but, in addition, meeting participants voiced their expectations--sometimes very eloquently--of what the World Bank could perform and should perform. One of the outstanding speeches was made by Lord Keynes, who warned the institutions, both the Bank and the Fund, not to become political institutions but to remain businesslike in their operations. In the course of his speech he raised his finger and said, "Beware lest you should become politicians." His high standing in the world of economics made him a dominant figure in that meeting.

Of course, the American representative, Fred Vinson, also made a great impression, and we all realized that the success of the two institutions would depend to a large extent on the active contribution to be made by the United States.

ZIEGLER: I gather that Lord Keynes and Mr. Vinson didn't always get on too well. My understanding from my readings is that there was a bit of disagreement, especially with regard to the location of the Bank. The British would have preferred New York whereas the Americans were quite adamant about Washington.

LIEFTINCK: That is true. The American felt that it was important that the Bank and Fund be regarded as international institutions, not simply as Wall Street institutions. That could be best accomplished by locating them in Washington, which is the international diplomatic center of the United States, rather than in New York.

[LIEFTINCK]

Along with the matter of location, the position of the Executive Directors was also in dispute. It was the British view, and particularly the view of Lord Keynes, that the Executive Directors should not exercise too dominant a role. Therefore, he was against the appointment of full-time Executive Directors; instead, he felt that representatives of the respective countries should carry out the functions of the Executive Directors from their capitals, coming to Headquarters in Washington to meet from time to time. The American view was different. The Americans preferred full-time Executive Directors stationed in Washington and giving their full time and activity to the work of the Bank and Fund.

I have no recollection of the tension you mentioned between Lord Keynes and Mr. Vinson. If there was tension, it was well in the background; in my recollection, the meeting was quite harmonious, full of a spirit of cooperation and full of great expectations.

ZIEGLER: Some of the earliest Bank operations were for post-war reconstruction loans in The Netherlands, your home country. Of course, at that time the Bank was still new to the whole business of making loans. I think the first loan to The Netherlands was something like loan number six, so it was really a new concept. From your vantage point at that time as Minister of Finance of The Netherlands, could you relate a little of the processes that were followed in negotiating these early loans? I know the files are quite voluminous, so I imagine a lot went on in preparing the loans for The Netherlands.

LIEFTINCK: Yes. The Netherlands originally approached the World Bank with the request for a reconstruction loan via The Netherlands Permanent Mission in New York. The loan was to be used to supply necessary goods that, at that time, could only be provided by the United States. At the end of 1946, this Mission had already opened discussions with the World Bank about the possibility of providing The Netherlands with a reconstruction loan. The discussions did not lead to an early result. Both sides made tentative moves to establish a basis for firm negotiations, but discussions lasted until April 1947, when I, as Finance Minister of The Netherlands, felt the urgent need to obtain a World Bank loan because the lack of foreign exchange was causing us to run out of necessary supplies from the United States. In 1946, during the Annual Meeting, I had negotiated a loan of \$200 million with the Export-Import Bank; this was a short-term loan, for only two years, to be repaid out of the

[LIEFTINCK]

proceeds of Dutch-held securities in America. Fortunately, shortly after The Netherlands obtained the World Bank loan, the term of that Export-Import Bank loan was extended. But in April 1947 that loan had been fully utilized, and since there were few other sources to borrow from--we had to borrow the dollars we needed for our imports--we felt that the only way to solve the problem was to approach the World Bank with a more urgent request and try to convince them of the justification of a loan to The Netherlands.

Therefore, I invited the Governor of the Central Bank of The Netherlands to go on a special mission to Washington to speak directly with the President of the World Bank, then [John J.] McCloy, and speed up the negotiations. The original program that he took along consisted mainly of projects for the reconstruction and expansion of the productivity capacity of The Netherlands; the program also covered imports needed by The Netherlands.

ZIEGLER: Were there not also loans for airlines and shipping?

LIEFTINCK: Yes, I'll come to that. That belongs to the increase of productivity capacity.

After reviewing the Bank's Articles of Agreement, The Netherlands had assumed that the Bank would be willing to lend funds only for specific projects to spur productivity and The Netherlands had deliberately omitted from its program items like raw materials and goods that were not directly related to projects. However, after the staff of the Bank examined the program, they indicated that in this case, as in a few earlier cases that had come before the Bank, the Bank would be willing to include raw materials and make the loan available for broader general reconstruction and development purposes. In effect, the loan could better be defined as a general purpose loan, rather than strictly a project loan.

The Netherlands negotiators welcomed this approach by the Bank. They immediately set to work revising the program. They expanded it, redrafted it and submitted a completely new program with less emphasis on specific projects. The Bank was receptive to the new program, and it became the basis for the substance of the loan agreement.

[LIEFTINCK]

One of the subjects that needed some clarification before the final agreement was reached was whether early repayment of the Export-Import Bank loan would jeopardize the negotiation of the usual execution and contribution of the World Bank loan. In order to resolve this, the Management of the Bank--in this case Mr. [Robert L.] Garner, the Vice President, and Mr. [Stanley] Hoar, the Director for Western Europe, contacted Mr. [William McChesney] Martin the Chairman of the Board of the Export-Import Bank; although this did not result in a firm commitment, Mr. Martin indicated that he was strongly inclined to agree to an extension of the Export-Import Bank loan. This extension, in fact, did occur, but not until after the new negotiations with the World Bank had come to an end.

The loan obtained by The Netherlands from the World Bank was a long-term loan for 30 years at an interest rate of 3.25 percent, if I'm not mistaken, with 1 percent commission and with an amortization schedule that would start amortizations only after a few years. This became a matter of negotiation. The Netherlands insisted on a grace period for repayment of five years while the Bank originally had a shorter period in mind. But finally a grace period of five years was accepted.

This World Bank loan in the amount of \$195 million covered the dollar import needs of The Netherlands for no more than one year, the year 1947. After some original objection, the World Bank agreed that its loan could be used retroactively for imports as of the beginning of 1947. The Netherlands had submitted a request for a loan of over \$500 million also covering the year 1948 and part of 1949, but the Bank preferred to restrict its assistance to financing the 1947 needs as a form of first tranche. The Bank made it clear that any additional loans to The Netherlands would be made only after reviewing the use of the first tranche and assessing its economic effects.

In 1948 The Netherlands again experienced a pressing need for dollar financing, but we did not ask for a second tranche and, instead, temporarily solved our problem by requisitioning dollar assets in the United States. At that time, discussions were underway in the United States about what later became known as the Marshall Plan. Expectations in Western Europe and in The Netherlands were that these discussions would come to an early conclusion; that was the main reason that The Netherlands did not approach the World Bank again, but rather tried to manage on its own until the Marshall Plan help would materialize.

ZIEGLER: What were the long-term effects of the Bank's loans to The Netherlands? Did they provide substantive help for The Netherlands' reconstruction after the Second World War?

LIEFTINCK: The loans did make a very substantial contribution. Today, \$200 million dollars does not sound like it would go very far toward the reconstruction of a thoroughly devastated country, but as a proportion of the total requirements of foreign exchange assistance over one year, it was very important and had a significant effect on the reconstruction of the Dutch economy.

ZIEGLER: You were the Special Representative of the President of the World Bank in Turkey between mid-1952 and 1955. Could you relate why Mr. Black felt that he needed a Special Representative in Turkey?

LIEFTINCK: Yes. In 1952 the Bank had a number of problems with Turkey whose resolution would require a special effort. In the preceding period the Bank had made a number of loans to Turkey for grain silos, for port development and some other special projects. The Bank was anxious to ensure that these projects were properly executed, but because of slowness on the Turkish side, practically no disbursements had been made. The Bank felt that the money set aside for these Turkish projects remained substantially unutilized. So one of the purposes of my mission to Turkey was to help the Turkish authorities speed up utilization of these loans.

Another problem was that Turkey was in default on repayment of loans Britain had made to Turkey during the war years. The Bank's general policy was to require borrowers to meet external obligations. So, the Bank wanted me to encourage the Turkish authorities to fulfill their obligations towards Great Britain, or, at least, to enter into negotiations with the British Government for rescheduling or reducing these obligations. It was a very sensitive problem; in my initial discussions, the President of Turkey, Mr. [Celal] Bayar, and his Prime Minister [Adnan Menderes], indicated rather bluntly that they would not accept any interference by the World Bank in this matter. They even disputed that the British had a legitimate claim. Nevertheless, by establishing good personal relations with Turkey's Finance Minister, Hasan Polatkan, and impressing on him how important was Turkish access to the World Bank for additional loans, I succeeded in obtaining his support. He, in turn, engaged in tactful negotiations with the British via the British Ambassador in Ankara. I also

[LIEFTINCK]

established friendly relations with the British Ambassador, and through these contacts and through persuasion, Turkey and the British Government reached an agreement. This outcome was most welcome to the World Bank, and one of the Bank's high officials later told me that this result, in itself, had justified my mission to Turkey.

Besides these two problems relating specifically to the relations between the Bank and Turkey, the Bank also wanted me to address a third subject: the Turkish Government's economic and financial policies. In the view of the Bank, these policies needed to be substantially improved in order to speed up the economic development of the country under stable conditions. The World Bank expected me to help the Turkish Government improve their economic and financial policies by giving them encouragement and advice. This was a very difficult task, since the Turks were highly sensitive about the matter and unwilling to listen to an outsider's advice. The only way I could exercise some influence was through intensive contacts with high officials in the administration who had strategic positions in the Government's policy-making apparatus. But this was a longer-term proposition, and, unfortunately, my stay in Turkey was terminated before much visible effect was reached.

ZIEGLER: On what basis was it terminated? Did the Bank terminate it or did the Turks?

LIEFTINCK: No time limit to my assignment in Turkey had been set. However, it came to an end rather abruptly as the result of an incident that happened in 1955. In that year, President Bayar had been on an official visit to the United States, and at my suggestion, the President of the World Bank [Eugene Black] had invited him for a luncheon in the Bank. The luncheon was also attended by the American Ambassador to Turkey, who had accompanied President Bayar on his trip. Among the speeches made at that luncheon was one by the U.S. Ambassador, who took this opportunity to tell Mr. Black that the World Bank had done much too little to help Turkey by way of loans. This untactful intervention by the Ambassador infuriated Mr. Black and Mr. Garner, the Vice President. After the luncheon, Mr. Garner approached the Turkish President and made some rather blunt comments to him about Turkey's economic and financial policies.

ZIEGLER: Garner could be pretty blunt, too.

LIEFTINCK: Yes. This incident had consequences for two people: for the American Ambassador to Turkey and for me. Mr. Black used his influence with the State Department to get the American Ambassador to Turkey replaced. At the same time, the Turkish authorities understood quite well that my reports to Headquarters had given the Bank its picture of how the Turkish Government managed its economic and financial affairs. Shortly after his return to Turkey, the President notified the Bank that they saw nothing more to be gained from my staying in Turkey. For a number of years this made it practically impossible for the World Bank to be active in Turkey. There was a long, cool period in that relationship, but, fortunately, the strain eased in later years.

At the time when the Turkish Government notified the Bank and the Bank decided to recall me, I was in Jordan heading a general economic survey mission that the Bank had sent to that country. I interrupted my visit to Jordan and traveled back to Ankara to liquidate the World Bank office there.

ZIEGLER: Dr. Lieftinck, there was a story about the Turkish Development Bank and the appointment of the Managing Director. Could you relate that story, please?

LIEFTINCK: Yes. One day the World Bank requested my opinion on a candidate that the Turkish Government favored for the position of Managing Director of the new Industrial Development Bank. Not knowing the person in question, I went to see the Dean of the economics faculty at Robert College where most of the Turkish economists had received their academic training. He was a distinguished person with an intimate knowledge of his country and of the economic world. He was a lawyer, and in addition to his academic position, he served as a legal advisor to Standard Oil in Turkey. I had made it clear to him that the candidate needed to be not only a good, conscientious economist and banker, but that he also had to be skilled in public relations, because new banking institutions had to advertise themselves in Turkey, so to speak.

So I asked him about the candidate, and his reply was, "Well, Mr. Lieftinck, I do not like to comment on people, but let me tell you a story." He went on to tell me that years ago the Sultan had had a dream in which he dreamed that all of his teeth fell out. The next morning he ordered his First Magician to explain the dream. The First Magician said, "Your Majesty, I'm the most wretched man in your country, because I have to tell you that your dream means that you will lose all your wives

[LIEFTINCK]

and children and remain an old and solitary man." The Sultan became furious and ordered his sword bearer to cut off the First Magician's head. Then he called in his Second Magician, told him his dream and ordered him to explain it. The Second Magician said, "Your Majesty, I'm the most fortunate man in your realm, because your dream means that you will survive all of your wives and children and have a happy old age." The Sultan was so pleased that he ordered his treasurer to give the Second Magician his weight in gold. "Well," the Dean said, "the candidate is more of the first kind of magician."

ZIEGLER: That's a very good story.

LIEFTINCK: Shortly thereafter, the Bank requested my opinion of a man the Turkish Government was proposing as the Chairman of the Board of a new institution. Again I went to see the Dean in Istanbul and asked his opinion. Again he said, "I don't like to comment on people, but let me tell you a story." He said, "Some years ago I was invited by a friend to spend a long weekend in his township. On Friday morning we went to the mosque, and I noticed that the imam who recites the prayers and sits in front of the congregation was a rather undistinguished man. After the service I said to my host, 'Tell me: Usually the imam is a distinguished person. How did it happen that such a man was made imam of your mosque?' My host answered, 'Well, this particular man used to be the guardian of our shoes, which we take off before entering the mosque, but many times when we came back out of the mosque, we couldn't find our shoes anymore. So we made him the imam who sits in front and not behind us.' The Dean added, "I am afraid that the candidate for Chairman of the Board is that kind of imam." So I made my report to Washington.

ZIEGLER: And with the appropriate results, presumably.

LIEFTINCK: Well, in fact, both men were appointed. The Bank felt that it should only object in very exceptional cases. But they gave them a warning.

ZIEGLER: As to what to expect perhaps, yes. After your service in Turkey, Dr. Lieftinck, you became the chief of two general survey missions. One to Syria. . .

LIEFTINCK: Syria and one to Jordan.

ZIEGLER: Right.

LIEFTINCK: These were fascinating assignments. It was not the first time that the World Bank had sent such a mission to a member country, particularly a developing country, before it started lending activities in that country. So the Bank already had some experience in this respect. But for me it was a new assignment and very worthwhile.

These missions consisted of some eight to ten people--economists, specialized engineers and usually a tax expert. The chief of mission was assigned to guide that team and to establish good relations with and obtain the cooperation of the government of the country involved. The task of the mission was to provide as accurate a description of the economy as possible as a basis for determining development priorities. In particular, the mission was charged with identifying priority projects to which the development of the country's resources should be directed, establishing the country's own capacity to contribute financially to its development program, determining how much foreign assistance would be required and making an official list of projects that might qualify for World Bank financing. The mission, therefore, not only spent its time--which usually was three to four months--conducting research in the capital and collecting whatever information was available there, but it also made extensive trips throughout the country surveying the general level of education and studying the availability of institutions and of physical resources and establishing the most promising development of these resources. Along with being enjoyable, these field trips were very instructive and contributed a great deal of knowledge to the mission and to the Bank about the country's economic potential. The cooperation among the members of the mission was excellent, and I enjoyed the relations I established with the central government, local authorities and the common people working in agriculture and manufacturing.

After its return to Headquarters, the mission undertook the arduous task of writing its report. The chief of mission provided the necessary coordination and selected the material to be discussed in the report and in its recommendations.

The mission to Syria met with a particular problem, because during its stay there, a revolution took place and, for some time, the country was divided into two parts: a revolutionary north and a more loyal south. But revolutions in Syria were not very bloody, and during the conflict we managed to pass

[LIEFTINCK]

through the front line between the north and the south from Damascus to Aleppo using a laissez passer that was honored by both parties. I remember we had made an appointment with the Mayor of Aleppo, but when we arrived, we found that the loyal Government troops had put him in jail. However, this did not seriously affect our work on that trip.

After completion of the work in Syria, I was invited by the Bank to head another mission, this one to Jordan. The membership of that mission was different from the one that had served me in Syria, but was again of high quality. Here again, we spent part of our time in Amman, the capital, and part of our time visiting various parts of the country. We had an experience comparable to our Syrian mission in terms of in our relations with the authorities, but this mission was carried out under peaceful conditions. The young King Hussein, the same one who is still in power, took a keen personal interest in the work of the mission; this proved to be very helpful in obtaining the cooperation of the authorities.

Both reports after their completion were published in a series of monographs published by...

ZIEGLER: I think it was the Johns Hopkins University Press for the Bank.

LIEFTINCK: Yes. These monographs have, for a number of years, served as the basis for activities in these countries.

My last assignment in the Middle East was to advise the Lebanese Government on its development planning and on the establishment of a development bank. At that time Lebanon was a wonderful and relatively prosperous country where peaceful relations still prevailed between Moslems and Christians. As was the rule, its President was a Maronite, which is a Christian denomination closely related to Roman Catholicism, and the Prime Minister was a Moslem. Again, both of them took a keen interest in my activities and were helpful in every possible respect.

Before I assumed that job in Lebanon and while I was still working in Ankara, I had received a request from Washington to go to Beirut to do some research in preparation for a visit that Mr. Black intended to make to the country. I decided to drive there in my own car and took my British secretary,

[LIEFTINCK]

who was assigned to me in Turkey with me. It was a two-day trip by car. The first day we went as far as Antalya, and the second day we drove through the Anti-Taurus Mountains, which stretch from north to south through southern Turkey and northern Syria. This was a practically uninhabited area, and we drove a winding mountainous road.

All of a sudden, around a bend, we encountered a group of some 20 young Turkish men in the middle of the road. They were apparently in a joyful mood, kind of dancing around a man blowing a trumpet. I gave a signal. They didn't move and formed a phalanx blocking the road. I had to stop in front of them. Immediately two of them jumped on my front fenders and a tall chap, apparently their leader, pulled open the right-hand door of the car, showed his revolver and ordered my secretary to alight. It was not hard to imagine what he had in mind and what would have happened to the young lady.

Fortunately, the Swiss Ambassador in Ankara, who was fond of hunting, had warned me to take a weapon whenever making trips through the countryside because these people did not like foreigners in their territory and they were known to attack. In fact, this happened frequently and was reported in the papers. So I had gone to the Chief of Police in Ankara and asked for a license to carry a revolver. I received permission and bought one. So when that chap pulled open the door of the car, I pulled my revolver out of my belt, and stuck my hand in front of my secretary under his nose. Not expecting such a thing, he shrank back and let go of the door to which my secretary was still hanging. I gave full gas. The engine roared. The chaps sitting on the fenders got scared and jumped off. The road in front of me was free. I geared in and drove off as quickly as possible.

ZIEGLER: That's quite a scary story. I hadn't heard that one before.

LIEFTINCK: After a little while I turned to my secretary, who was crying, and I said to her, "Dear, don't worry. Nothing has happened." And she replied, "I'll show you what happened." Hanging at the door she had given counter-pressure with her left hand in the panel of the door, and when the door slammed, her thumb was crushed, so she was in terrible pain. Fortunately, I had aspirin and cognac with me and gave her that liberally but it took three hours before we reached Latakia in the north of Syria. I took her to a hospital, and she was taken care of. It gives you a little picture of conditions.

ZIEGLER: Indeed.

If we could turn perhaps to your years on the Board. You were a distinguished member of the Board of Executive Directors of the World Bank for some 19 years, which as I recall...

LIEFTINCK: Seventeen.

ZIEGLER: ...is a record except for Dr. [Luis] Machado, who was slightly senior to you, I believe.

LIEFTINCK: He was my senior, but when he retired, I became Dean of the Board. Well, in the Board I had to represent the views of five countries; not originally, but it became five countries: The Netherlands, Yugoslavia, Israel, Cyprus and Romania. The four last mentioned were active clients of the Bank.

Representing five countries, each with its different approaches and needs, was not too difficult, mainly because The Netherlands' Government understood that the Executive Director could not serve only his own country. They allowed their Executive Director more independence than that enjoyed by an Executive Director representing only one big country, and who could be under almost daily instructions of his government. To a very large extent, I could operate in the Board according to my own views and opinions, and only in exceptional cases, when a direct Dutch interest was involved, did I receive instructions from The Hague.

I remember only one case in which there was a conflict of interest between two of the countries I represented, namely Israel and The Netherlands. This conflict arose when Egypt applied for a Bank loan for the enlargement of the Suez Canal, and the Israeli authorities requested me to oppose that loan because Egypt had blocked access to the Canal for Israeli ships. However, because The Netherlands was rather prominent in shipping it was in favor of the project and asked me to support it. When the proposal for that loan to Egypt came before the Board, I made a speech in which I indicated that Israel was opposed to it but that, in view of the interests of my other constituencies, I had decided to support it. So the Israeli point of view was made and the Israelis understood my position.

ZIEGLER: Did you find that such conflicts of interest were relatively rare among your colleagues, as well, during the time that you were on the Board? For instance, you say you experienced only one such conflict. But how about other Executive Directors, some of whom represented an even greater number of countries? Did you find that they were usually homogenous, or that sometimes there were these conflicts?

LIEFTINCK: As far as I know, Executive Directors representing more than their own country, some of them representing more than ten, never experienced any serious conflicts of interest. Usually they spoke with one voice on behalf of their whole constituency.

ZIEGLER: And, presumably, if there were a conflict they would have acted much as you did.

LIEFTINCK: Yes, yes, yes. In the Board meetings I often participated not only in discussions of the policy and administrative subjects on the agenda, but I also--and perhaps more than most other Executive Directors--took a keen interest in individual projects. My experience in developing countries and particularly, of course, in those to which I had been assigned, enabled me to make inquiries and often to express an opinion on development projects that came up for decision. I thoroughly studied the reports submitted by the staff and usually came to the Board meetings well prepared and interested in the borrowing country and in specific projects to be financed. And although my questions were not always easy for the staff to address, it was my practice, at least a day before the meeting, to inform the appropriate staff member of my intention to raise a special point. The staff appreciated this approach, and it avoided the possibility that they might be embarrassed by not having a ready reply.

I also took a keen interest in administrative questions that had to be decided by the Board, such as salaries and fringe benefits. Having had to deal with such problems in my own country and having been on the Bank's staff for a few years, I tried to contribute as much as possible to improving the working conditions for the Bank staff.

ZIEGLER: Which, I can assure you, is profoundly appreciated by the staff.

LIEFTINCK: Yes. I also took a very keen interest, first, in the establishment and, later, in the operations of IDA [International Development Association] and the Economic Development Institute.

[LIEFTINCK]

I considered these very important extensions of the Bank. I occupied myself not only with Bank lending but also with Bank borrowing in the international capital market and with the spread between lending and borrowing rates. The financial integrity of the Bank, its earning capacity--which should allow a sufficient reserve buildup--had my full interest. I was also concerned with the scope of Bank operations and the size of the Bank's staff. This became rather significant particularly under the presidency of Mr. [Robert] McNamara. Whereas Mr. Black and Mr. Woods had been rather conservative in these matters, Mr. McNamara was much more inclined to widen the field of Bank activities and to rapidly increase the Bank staff. I was rather conservative in these matters and afraid that the Bank would expand too much and too rapidly.

ZIEGLER: Do you think it did, in retrospect?

LIEFTINCK: Oh, yes, definitely. Definitely. We had taken an opposition position and often made it clear in the Board that caution should be observed in these matters. But Mr. McNamara's drive was strong, and most of the other members of the Board eventually accepted his expansionist policies, so my outspoken approach had little effect.

ZIEGLER: That is pretty much what I had in mind to do today. I think we've done a good job. I would like to thank you very much for being so generous with you time.

