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A CONVERSATION WITH BERNARD BELL, I

WASHINGTON, D.C.

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CONVERSATIONS ABOUT GEORGE WOODS
AND THE WORLD BANK

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OLIVER: I wonder if we can begin, Mr. Bell, by your saying a bit about how you got to know Mr. Woods and how you came to the Bank in the first place. Please say what you care to about Mr. Woods' involvement with your career as you go along.

BELL: I don't know how far back to go, but I'll go briefly all the way back to coming out of the military at the end of World War II and going into the Export-Import Bank of the U. S. Bill Martin became President of the Bank and invited me to come and work there. After a couple of years, I became chief economist of the Ex-Im Bank. This may not be relevant to your concerns here, but, in 1953, the Eisenhower administration came into office, and the new Treasury Secretary decided that the Export Import Bank should stop making loans; it should merely collect what was outstanding. Half a dozen of us decided that that was not a very interesting place to be, and we left.

I went into a private economic consulting firm. I was asked by several people at this institution whether I would have any interest in coming here. At the time I said, "No, I want to try this." They said, "Well, maybe we can call on you as a consultant from time to time." And they did, although not until about 1960, for the first time. That was to participate in an overall economic survey in Colombia. Just

after that, in 1961 or '62, the Bank financed what was called the Coal Transport Study in India. It was done by my firm (really myself and one other man) together with Coverdale and Colpits, an American engineering consulting firm. The report of this study was, at least at the time, regarded by the Government of India as the best consultant study and report ever done for them.

Then suddenly, out of the blue, in May or June of 1964, I got a telephone call from George Woods, whom I had never met, asking me to come over and see him. He proceeded to tell me that things on the economic front were not going well in India, that the aid consortium was becoming rather unhappy about the Indian economic performance and that he didn't feel that either the Bank or the other aid givers knew as much about the Indian economy and its problems as it should. He wanted a mission composed largely of people not on the Bank staff to make an extended survey and asked whether I would be willing to head the mission and join the World Bank. I said, "No" to the latter, but, "Yes" to the former and managed, fortunately, to collect a first class team of people to be on that mission, more than half of whom were people not on the Bank staff; a few were on the Bank staff and still are.

OLIVER: Do you remember off hand the names of one or two of the staff members?

BELL: The staff member who made the biggest contribution, I think, was Sir John Crawford, of whom you may have heard -- an Australian whom I didn't know, but who was recommended by me by mutual acquaintances in

the FAO. He agreed to take on the assignment of being the principal agricultural man on this mission. He died, unfortunately, within the last seven or eight months.

OLIVER: Was he ever on the staff of the Bank?

BELL: No, he was never on the staff of the Bank, but he did work for the Bank as a consultant in many places and very often subsequent to this Indian mission.

OLIVER: Do you remember off hand anybody from the Bank staff itself who was on the team?

BELL: Yes, but let me mention first that one man who was not then on the Bank staff, but is now the Vice President in charge of South Asia, Dave Hopper, was also on the mission. I borrowed him from -- I've forgotten whether it was the Ford Foundation or the Rockefeller Foundation, for which he had been working in India. He also worked on the agriculture part of the study -- a first class man. Then, in the Bank today, there is a man named Jean Baneth, who's in the Economic Research Department, if that's what it is called now, under Anne Kreuger. He was relatively new in the Bank at the time. I chose him as a member of the mission along with another man who has recently retired from the Bank, Stanley Please, who, at that time, was also relatively new and later occupied many quite important positions in the Bank. He is retired from the Bank now and is at Oxford University. A third man, then on the Bank staff, was a man named David Holland -- British. He left the Bank a year or two after this India mission and went to the Foreign Office in the U. K. In recent years he has been

with the Bank of England. He has just retired from there.

OLIVER: Would you say a word about why Mr. Woods felt it necessary to have a separate mission, so to speak, to gather facts? Was he dissatisfied not only with the government of India but with the Bank's own ability to deal with India?

BELL: I would say he wasn't dissatisfied, he was unsatisfied by what the Bank staff had produced on the economy of India. He wanted a fresh look by a group of people not infected by the prevailing Bank view.

OLIVER: He, himself, already knew quite a bit about the Indian economy.

BELL: He knew quite a lot, perhaps as much as anybody on the Bank staff. He probably knew more of the principal actors on the Indian side than anybody else in the Bank. He was anxious that this be a mission of people he considered to be able and capable. He decided it ought to be a thorough job. This mission of 8, 10, 12 people, not all of them full-time, he thought, ought to spend a good six months doing this job, which we did.

OLIVER: What were some of the major conclusions of the mission?

BELL: One of them, perhaps the most widely known, was our recommendation that there be a devaluation of the rupee. That was a recommendation which, of course, had to be implemented by a discussion between the IMF and the government of India. That discussion occurred immediately after we completed our report. They agreed on a 35 percent devaluation of the rupee, which we, in fact, thought was not quite big enough, but accepted.

OLIVER: I think it might be worth your telling what you told me earlier about Mr. Woods' concern that the question of exchange rates was outside the province of the Bank.

BELL: Yes. When, at his request, I drafted terms of reference for the forthcoming mission, he reviewed them and said, "Well now you, among other things, propose to look at the exchange-rate system and the question of the appropriateness of the exchange rate. That's not our business, that's the business of the IMF. Stay away from that." I told him that I didn't think we could, it was an integral part of the whole problem. He suggested that we meet with Pierre Paul Schweitzer, who was then the Managing Director of the Fund and his deputy, who, as I recall, was Frank Southard. We did meet and Woods put the problem to Schweitzer. Schweitzer, without the slightest hesitation, said, "Of course the Bank mission has to go into that, among other things. You have all the leverage, we have none. We'd like to hear what the mission thinks. It is the mission's job to explore that, among other things."

OLIVER: So the Fund presented no problem as far as your recommendations about devaluation were concerned.

BELL: No, they accepted them, although, as I said, in discussion with the Fund staff who later handled the matter, we were inclined to think that they were underestimating the magnitude of the devaluation required. We finally agreed to one that was somewhat smaller than what we thought would be desirable -- not much, but somewhat.

OLIVER: What were some of the other recommendations in the report?

BELL: Well, there was a series of recommendations which related to the whole import regime. We were recommending a reduction in trade barriers, particularly a reduction in the meticulous system of control of imports. Another set of recommendations was related to the problem of internal economic regulations. The Government of India had a very thorough system of industrial licensing, under which no industrial plant could be started, no industrial enterprise could be expanded, without license by the government. Our recommendations were very difficult for the Indians to accept. I can recall one of the meetings which Andre deLattre and I had with a team of their chief government economists in which when we expounded on this recommendation for the abolition or drastic relaxation of industrial licensing procedures to the man who is now the head of the London School of Economics. . . .

OLIVER: Whose name is?

BELL: Whose name is I. G. Patel and who was then the chief, or one of the chief economic secretaries in the Ministry of Finance. He said, "But those entrepreneurs might make mistakes," which was characteristic of the attitude and the views (I am sure he doesn't have them today) of the government of India: bureaucrats, the civil service could make all economic judgements far better than anyone in the private sector. It was their obligation and their responsibility to make those decisions. They were really shocked by our recommendation.

OLIVER: You made recommendations about agriculture?

BELL: Some of our most important, and what I think were the most effective and enduring recommendations, were in the field of

agriculture. Essentially we recommended that they abandon or change their policy of neglecting agriculture, putting no funds or personnel of any capability into agricultural research, agriculture extension, or in any way attempting to expand food production. A substantial part of our total report actually dealt with the agricultural sector.

The principal recommendations were that there be substantially increased investment in irrigation facilities; that there be a substantially enlarged program of agricultural research and experimentation, investment in the improvement of the extension service, and a serious effort to identify and distribute to farmers improved seed varieties -- the seeds of food crops, including rice and wheat as well as others; that there be a system of price incentives with minimum price guarantees by the government -- producer prices, that is, and if it was found necessary at the consumer level to keep prices from going up too much, then there should be a program of at least temporary subsidies on food products at the retail level. Those were the major recommendations, and I believe that those were the recommendations which over the period of the next few years became the ones which were adopted and implemented by the Government of India more than any others -- aside from the devaluation, which was a one-time step.

The relaxation of controls over imports, controls over private industrial investment did not, in fact, amount to much despite our recommendations and despite their agreement that they would go some distance toward implementing those recommendations.

OLIVER: I understand that the report was kept very confidential for a long time. What was the reason for this?

BELL: Well, originally when Mr. Woods told the then Minister of Finance of India, Mr. T. T. Krishnamachari that he proposed to have such a study made, T.T.K., as he was familiarly called in India, objected. He didn't want it done, saw no usefulness in it. He finally agreed that such a study could be done provided that the report would be made available to only two people: himself and George Woods, and that no one else would be given copies. It was for that reason, largely, that for quite a long time in the Bank none of the Bank staff was permitted access to copies of that report.

OLIVER: You say in the Bank. That implies that this part of the agreement did not hold up in India itself.

BELL: Well, it seems not to have held entirely in India, because some months, I've forgotten exactly how many, perhaps four or five months after the report was completed (the report, incidentally, was a 14 volume report; the first volume was a summary which I wrote and which was the shortest of all the volumes -- about 35 or 40 pages), the first volume appeared in full in three installments in one of the large Indian newspapers. I'm sure that it was made available by someone in the government of India, and my impression, perhaps mistaken, is that the intent in making it available was to arouse opposition to the recommendations which the Bank was making.

OLIVER: Did it in fact succeed in arousing opposition?

BELL: Yes, it did. There was quite a press campaign which went on for

some months and which in the end was directed not only against the World Bank but very personally against George Woods, in the first instance, and against me secondarily, and which, at least in my case, culminated with four inch headlines in two papers one day that read: **HELL WITH BELL.**

OLIVER: What was unique about the two papers?

BELL: One was the official paper of the Communist Party, a paper called The New Age, and the other was a paper which was really the paper of a front organization for the Communist Party called, if I remember correctly, **BLITZ**. Under the same headline, they ran the same article, and, as I discovered that night, the same article appeared in Pravda in Moscow on the same day.

OLIVER: Also in English?

BELL: It appeared in Pravda, of course, in Russian, but the U. S. Embassy in Moscow had cabled an English translation to Ambassador Bowles in New Delhi. It was the English translation which he showed me. The article was identical with the articles in the Indian papers. We never discovered whether the origin was Delhi or Moscow.

OLIVER: Did you ever ask T.T.K. his view as to how the information got out?

BELL: No, I never did. Just about that time, he ceased to be the Finance Minister, partly because there were charges of some kind of irregularity against him which related to something which had occurred many years earlier. I never saw him after he resigned as Minister of Finance.

OLIVER: So it is possible that someone in the Finance Department at about that time got hold of the report and decided to leak it to the press.

BELL: That was my assumption at the time.

OLIVER: Did this adversely affect relations between the Indian government and the World Bank?

BELL: I don't really think so. The Government of India was not happy with the recommendations. I should say most of the people in the government of India were not happy with the recommendations made in our mission's report. There were a few people, notably the then Minister of Agriculture, Mr. Subramanian, who, I think, as least as far as the recommendations related to his particular field of activity, agriculture, rather accepted and agreed with and certainly implemented in the years that followed. As I look back on it, I think it was the recommendations relating to the agriculture sector and the recommendation regarding devaluation which were the most important and the most effective and which were implemented in a way in which the others were not.

OLIVER: Was the devaluation swallowed up by subsequent inflation, or did the Indians manage to make the devaluation work the way the textbooks say it is supposed to work?

BELL: For quite a number of years it worked pretty much in textbook fashion. I can't recall figures on what the impact was on Indian exports or imports, but I do recall, again without numbers, that the impact on their balance of trade and balance of payments was quite

positive.

OLIVER: You were about to add something I think.

BELL: Only that, in the years after 1967, I was totally absorbed in work on other countries and did not follow what was happening to the Indian economy very closely. Also my memory is not of the best, but my recollection is that after some initial steps on the part of the government of India and after initial response on the part of the aid-givers consortium, in which they raised the amount of non-project aid by about \$500 million per year, which we had recommended -- after the first year, or perhaps two years, on both sides the actions initially implemented sort of dwindled away.

OLIVER: But there was a lasting effect?

BELL: There was certainly a lasting effect on Indian agriculture which is felt today.

OLIVER: Would you say a bit more about the consortium and the carrot that was offered to the Indian government to induce them to follow these policies?

BELL: Well, the carrot, if it can be called that, was in our mission recommendation that the government of India, in coping with the situation after devaluation and some relaxation of import controls, needed more foreign exchange with which to finance imports -- particularly of production materials. It needed, we thought, an increase of something like \$500 million, which more than doubled the then existing non-project aid being provided by the aid consortium. The aid consortium was initially no more enthusiastic about that

recommendation than the government of India was about some of those others which involved action on their part, but, after negotiation, the consortium did increase, at least for a year, perhaps two years, the amount of non-project aid by that full amount of \$500 million.

OLIVER: Which major governments were members of the consortium?

BELL: Well, there was the United States government, which, together with the World Bank, was the major contributor of aid funds. The British and the Japanese were also large contributors. The French and several of the other Western European governments were other members. They provided a smaller percentage of the total. The U. S., the British, the Japanese and the World Bank were the major contributors.

OLIVER: Was this grant-type aid?

BELL: No. The only part that was grant-aid was the part provided by Australia, which was not a major part. All the rest, including the part from the United States government, was a loan, but concessional in the sense that these were very long-term loans at very low interest rates.

OLIVER: Did you negotiate with the consortium yourself or did you have some assistance in this?

BELL: When George Woods had reviewed the report and the recommendations and had found himself in virtually complete agreement, he decided that someone with experience in international negotiations in the field of finance was needed to help both with the government of India and the members of the consortium. As it happened, fortunately, Mr. Andre deLattre, who had been director general of one of the two

major departments of the Ministry of Finance in France and the head of the Paris Club which negotiated on debts, and still does, was free; and Woods asked him to join with me in negotiations with the Indians on the one side and the members of the consortium on the other. We spent a substantial amount of time tooting around from one place to another over the next year and a half or so doing exactly that.

OLIVER: Did all the governments in the consortium agree with enthusiasm? Were all optimistic about the prospects?

BELL: Well, they all agreed. The degree of enthusiasm varied from one to another. I think that the biggest support came from the U. S. and British governments. The Japanese government provided its share of additional aid, but without great confidence that this was going to do any good. Although I won't mention his name, there was one very prominent individual in the U. S. government who said, "It's throwing money down a rat hole". I can mention his name if you'd like.

OLIVER: Sure.

BELL: His name was Johnson.

OLIVER: Very interesting. Was there anybody who supposed that this type of balance-of-payments lending was something that the Bank itself should be doing more of? Was there a contradiction to the project approach of the Bank?

BELL: No. There was one person in the U. S. administration in a high position who was critical of the Bank because, although it was prepared to increase the amount of project lending, it was not prepared to contribute to the non-project aid which, at that time, was regarded

as not a type of assistance the Bank should be giving. Even today, as you know, there are limits percentage-wise on what the Bank will provide for what in these days is called structural adjustment loans.

OLIVER: Were you aware in those days of a proposal coming out of the Economics Department of the Bank called the Supplementary Finance Proposal?

BELL: I don't think so.

OLIVER: If you're not, there is no point in pursuing that.

BELL: It doesn't ring a bell.

OLIVER: Well, is there anymore we should say about India before we move on to other topics?

BELL: One simply factual matter is that the negotiations were interrupted by the Indian-Pakistan War, which occurred, as I recall, in early '66 or late '65. They were resumed after that and, so far as the government of India was concerned, were concluded in a series of discussions between the then head of the Planning Commission, Ashok Mehta, and George Woods here in Washington and embodied in a series of agreements, which are referred to as the Woods-Mehta papers and are somewhere in the files of the Bank.

OLIVER: In the long run, which means over the several years of these negotiations and in the '60s in general, the relations between the Bank and India remained reasonably cordial, and Bank lending for regular project purposes certainly continued, I guess expanded.

BELL: Yes, it did continue. It expanded somewhat, although it continued to take the form of project lending, and there were

subsequent annual economic reports on the Indian economy -- for the benefit of the consortium primarily -- which were sometimes critical of the government of India. The government of India regularly objected to the critical remarks, but relationships were reasonably amicable.

OLIVER: I understand that you had undertaken this work in India as a special mission and that you had not intended to join the Bank staff, but in fact a year and a half after the start of the India mission you did join the Bank. What affected your decision to do so? What kind of work did you then turn to?

BELL: Well, George Woods, at the time he asked me to lead this mission, assumed that I would at that point join the staff of the Bank. I declined to do so. He thought I was making a mistake. As I look back, I think he was right and I was wrong. In any case, he said, "We'll discuss it." We did discuss it about once a week over the course of the next year and a half, and a year and a half later, in fact in December, 1965, in answer to his repeated question, I said, "Yes I will join the staff." That was after he specified what position I would occupy on the staff of the Bank. One of my hesitations had been that I'm not a joiner. I didn't like the idea of joining what I referred to in our conversations as a "church." I was interested in what job I was going to do. The job turned out to be that of an assistant director of the Projects Department under Vice President Alderwereld, which was a job I thought was an interesting and responsible one.

OLIVER: Warren Baum must have been a close colleague of yours?

BELL: Warren Baum was at that time the head of the Transport Division within the Projects Department which was divided into six or seven sectoral divisions -- Transport, Agriculture, Industry, and various others.

OLIVER: I've been told that, in these years, the amount of consideration of economic issues increased gradually but steadily in the project sector of the Bank. The Projects people started out considering engineering primarily, and then financial feasibility, but by the end of the '60s were considering economic feasibility, the relation of projects to sectors and even the relation of sectors to the total economy. Would you say a bit about this evolution?

BELL: Yes. That evolution actually started during the Woods regime in the Bank in the early and middle '60s, and, as time went on, the economic factors became larger in the consideration of specific projects. More attention was given to the impact of a project on the total economy than had originally been the case. In the early days of the Bank, projects were considered almost in isolation. Furthermore, as the India Mission illustrates, the Bank became much more concerned with and involved in the overall economic policy program and performance of borrowing countries.

OLIVER: Did you participate in some of this economics work yourself?

BELL: Yes. In the position which I took in the Bank in December, '65, and which I continued to occupy until about June of 1968, I was very much involved in project evaluation and in the increasing emphasis on the broader economic impact of individual projects.

Subsequently, from mid-1968 to mid-1972, I headed a Bank Resident Staff in Indonesia. This was set up at the request of the Government of Indonesia to which Mr. McNamara, as one of his first acts in the Bank, responded fully and enthusiastically. Our task there was to assist and advise the Government of Indonesia in the planning and execution of its overall development program, which included the collection and analyses of relevant economic, social, and physical data, the formulation of economic and financial policies and programs, the development of plans and design for work in various sectors and for individual projects -- and also in the coordination of aid from various sources, and in the implementation of programs of action decided upon by the government and usually agreed with us.

That effort, in my view, represented the kind of full cooperation between the Bank and a developing country which can and did there maximize the use of physical and human resources in the interests of accelerated growth of production, employment and income, and the reduction of deprivation and misery so widespread in the developing world. The relationship of the Bank and the government was one of complete cooperation toward totally shared objectives -- one in which, as should be, decisions were government decisions but made only after complete and unrestricted joint and totally shared analysis and consideration.

It was this kind of relationship that both the government and Mr. McNamara believed, and I totally agreed, required a resident staff, completely immersed in the problems of the country, devoted solely to

the interests of the country, and endowed within the structure of the Bank organization with very great authority. I believe (of course I may be biased) that it worked successfully in Indonesia, and can elsewhere.

OLIVER: When you were in India, or subsequently when you were doing project work, did you think in terms of a development program for India? I understand the Indians used to have five-year programs of their own which were somewhat modeled after Russian five-year plans. How did you personally feel about this, and how did the Bank's relations with development planning and programming evolve?

BELL: We in the Bank, and we in our mission, accepted the fact of Indian planning on a five-year basis, and our recommendations were framed within that context, not that we agreed with everything they proposed in a five-year plan. For example, we recommended much greater attention to the agricultural sector. One of the things we were recommending was a change in the allocation of resources in the five-year plan -- investment resources: a shift from industry to agriculture.

OLIVER: I understand.

BELL: In the Indian five-year plans up to the time of our mission, the heaviest emphasis had been put on investment in industry, particularly, as they used to put it, in the types of industries which made industrial machinery. There was heavy investment in a lot of basic manufacturing facilities and in the manufacture of basic industrial commodities such as steel, cement, and so on.

OLIVER: I wonder if you would comment in general about the achievements of the Woods years in the Bank and maybe even a bit about Mr. Woods and his capabilities as a president and person.

BELL: Well, let me go back a little. In the 1950s and extending into the earlier '60s, the World Bank was a growing institution, growing in the sense that the volume of lending it was doing increased from year to year, but, as late as say 1963 or '64, the amount of lending it was doing was still comparatively small. Within the U. S. government, where I was up until 1953, the World Bank was regarded as a bit of a joke. Everybody liked Eugene Black who was the President and was a very personable, gracious man, but everybody in the U.S. government regarded the World Bank and the IFC, which it had established in the late '50s, really as a joke, long on public relations, but short on performance.

As late as December, 1965, when I joined the staff of the World Bank, if I remember correctly, the annual volume of lending at the World Bank was in the neighbourhood of, perhaps, \$600 million per year. It had a professional staff of four or five hundred people. The U. S. Export-Import Bank had a professional staff of 35 people. It was lending about a billion and a half a year, and the quality of the loans was not inferior to those made by the World Bank. In December, '65, when I joined the staff of the World Bank, there was a little article in the Washington press about it. A number of people saw it, including many of my old associates in the U. S. government, and I must have gotten two dozen telephone calls, all of which said "Aren't you a

little young to retire?"

But during the period in which George Woods was President of the Bank, he pressed for enlargement of the volume of activity. He wanted very much to turn the Bank in the directions in which McNamara later wanted to turn it and did to a considerable extent succeed in turning it. Woods was less successful in accomplishing that in the period in which he served. As you know, after McNamara became President, the volume of lending of the World Bank expanded very rapidly from what was, if my memory is correct, perhaps \$600 million, \$700 million, in the last year in which Woods was president to, by the time McNamara retired about four years ago, something in the neighbourhood of \$10 or \$11 billion per year.

One of the things which happened was that, when McNamara became President, he thought that the Bank ought to become a more active and purposeful operator. He had the feeling, which I believe was substantially correct, that the Bank sat around and waited for people to come and apply for loans. It ought to be doing much more. It ought to be formulating ideas of what ought to be done to further the development of its less developed member countries and attempting to implement those ideas.

In the first senior staff meeting, or President's Council, over which he presided, he said "I want a five year plan. I want the plan to indicate what we think we would like to get done." I remember leaving that meeting and having a number of high officers of the Bank say to me, "How do we know what we are going to do until we do it?"

The McNamara approach was a change. That change has sometimes been criticized -- unfairly and incorrectly, I think. People talk about "the numbers game." They talk as though McNamara was setting number's targets without regard to other considerations and was judging performance on the basis of the extent to which these numerical lending targets were reached. That was quite unfair and quite untrue. He merely thought that we ought to have our own ideas about what it was that needed to be done for the development of these countries, and how the Bank could contribute to it -- to what extent, and by means of what emphasis, in what sectors. That was the purpose of these annual planning exercises which looked ahead five years.

OLIVER: Was there some sense in which this began, or was adumbrated, in the Woods years?

BELL: No. Woods had never quite gone so far as McNamara in the direction of saying we ought to develop our own ideas about what really needed to be done in these countries. He was still pretty much following, except perhaps in the case of India, a regime under which the Bank responded to initiatives which came from the developing countries themselves. That was from the beginning the view of some of the senior staff of the Bank who'd come from a variety of places. The conception of the World Bank as a development institution, rather than simply a bank or a financial institution, was a little strange to many of them.

OLIVER: Was there some difficulty in accepting education, for example, as a field for which the Bank might make loans?

BELL: Yes, I think there was initially on the part of some people in the Bank a feeling that that was not an appropriate area in which the Bank should be lending money. There wasn't a broad enough view of the development process to recognize how critical a factor education was. In the same way, there was initially resistance to the idea of the Bank's trying to assist in programs of population control.

OLIVER: Was there active consideration of population control in the Woods years?

BELL: To my knowledge there was not. The first occasion on which a Bank economic mission explored the area of population control and came up with proposals and recommendations for action was on the India mission which I led.

OLIVER: I take it that Woods was personally sympathetic with recommendations of the mission.

BELL: He was entirely sympathetic and entirely in agreement, which was more than could be said for some members of the Government of India. In fact, the Minister of Health, who was in charge of these matters in India at the time, actively opposed and bitterly argued with me and other members of my mission against any action in the field of family planning or population control. On the other hand, the Finance Ministry and the Planning Commission at the time said they were prepared to allocate unlimited funds for this purpose.

OLIVER: Do you feel that there were some particular strengths that Mr. Woods brought to the office of the President?

BELL: I happen to be, as a result of my working relationship, an

admirer of George Woods. I thought the strengths he brought were his intelligence, his broad vision, his forcefulness, although it wasn't always effective because of the great resistance at that time to new ideas within the staff of the Bank. (Many people in the Bank will hate me for saying that.) I mentioned to you earlier that I thought Woods was not successful in dealing with the established bureaucracy (I don't mean to use that as an invidious term) where McNamara was much more successful. At one stage in the course of my very first meeting with McNamara, when he was proposing a resident mission in Indonesia, I said it wouldn't work; it wouldn't accomplish what he wanted because the Bank was too Washington centralized an institution. I had observed in the Projects Department that some departments in Washington considered it their religious duty to ignore or controvert any recommendation which came from the few resident representatives the Bank had abroad at that time. McNamara's comment was, "I've dealt with bigger bureaucracies than this one."

OLIVER: What was the secret of Mr. McNamara's success in dealing with bureaucracies? Bringing in his own people?

BELL: No, he brought in very few. In fact, I think he made a point of not bringing in new people. He felt that he could manage a staff in such a way that it would adapt itself to the purposes he regarded as important. I think he was rather successful in that in spite of the fact that there was resistance -- as might be expected. I think his observation was exactly correct. He had dealt effectively with bigger bureaucracies than this one.

OLIVER: It must be more than just a matter of being tough. I understand Mr. Woods could be tough on occasion.

BELL: I don't really know how to explain this: when Woods was tough it aroused resentment; when McNamara was tough it aroused fear and compliance. It was an unjustified fear. McNamara had one failing as I saw it: he didn't realize that people sometimes were afraid of him. The result was that when, for example, a policy paper was put before the President's Council for discussion, he would, unwisely I thought, express his views about it first, and then say, "Now let's go around the table, and see what everyone else thinks." Well, most other people shut up at that point, because, whatever they thought, they weren't going to say it if they thought it didn't fit in with his ideas. There were a few people who always said what they thought and chided others because they didn't. The response they got (I got it myself) was, "He'll accept it from you, but not from us."

I don't think there was any justification for that. In my experience, he was always prepared to accept disagreement and always welcomed serious discussion. I've had the experience of discussions with McNamara on some issues ending up late in the afternoon in disagreement and with him saying, "Well, you haven't convinced me; I think you ought to do this," and my saying, "Well, I don't agree, but you are the boss. I'll do it." At 9:00 the next morning, sometimes at 8:00 at home, my phone would ring, and it would be McNamara saying, "I thought about it over night. You were right, and I was wrong, so go ahead and do what you were proposing." Too many of the staff, for

reasons I don't understand (I didn't then, and I still don't) somehow were intimidated and were mistakenly afraid to express disagreement which, in my experience, McNamara was always prepared to accept and discuss on the merits.

OLIVER: How did Woods react to disagreement?

BELL: I can only speak from my personal experience, and I didn't have much opportunity to observe. He and I had only one disagreement. It left us angry with each other, not on speaking terms for about two weeks. He didn't like my disagreeing with a position he was proposing to take, and I hadn't liked his claiming that he had never agreed with my view on the matter -- this happened to be on a matter on which we had earlier agreed and I had acted accordingly. He started the conversation by denying that he'd ever agreed to such a thing. I reminded him of the exact words of the conversation. He then changed and said, "You're right, I remember, but anyway don't do this."

OLIVER: Was he was in some sense bull-headed, to use that phrase? I don't want to put words in your mouth.

BELL: I don't think so. He was more thoughtful than that, just as McNamara was, but I really didn't see it tested.

OLIVER: It sounds like he had more of a capacity, at least temporarily, to be angry with disagreement than McNamara did.

BELL: Perhaps, I'm not sure. In McNamara's case, I think, he rather regretted that more people didn't speak up and say what they thought.

OLIVER: Well, we've run out of tape. We'll have to save the rest for another time. Thank you very much for today.

