



World Bank Group Archives Exhibit Series

Richard Demuth

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The World Bank Group Archives Exhibit Series contains exhibits originally published on the Archives' external website beginning in 2002. When the Archives' website was transferred to a new platform in 2015, it was decided that older exhibits would be converted to pdf format and made available as a series on the World Bank's external database, [Documents & Reports](#).

These exhibits, authored by World Bank archivists, highlight key events, personalities, and publications in the history of the World Bank. They also bring attention to some of the more fascinating archival records contained in the Archives' holdings.

To view current exhibits, visit the [Exhibits](#) page on the Archives' website.



Richard Demuth

Excerpt from an oral history interview with Richard Demuth.

Demuth joined the Bank in 1946 as served as Assistant to the President under presidents Eugene Meyer, John J. McCloy and Eugene R. Black. He was Director of the Department of Technical Assistance and Liaison, which was responsible for planning, coordinating and giving general direction to the Bank's technical assistance activities, and for coordinating the Bank's relationships with other international agencies. From 1961 to his retirement in 1973 he served as Director of the Development Services Department and the International Relations Department. He also served as chairman of CGIAR.



Richard H. Demuth

In August, 1961, Demuth participated in the Bank's oral history program. Following is an excerpt from his interview in which Demuth talks about some of the earliest challenges facing the young institution:

"I have skipped over rather hastily Mr. Meyer's six months in office, because I can't really remember very distinctly when particular policies of the Bank were established. In any event, during that period policy questions were being explored rather than decisions being made, and a great deal of the time was devoted to just setting up the Bank's structure and getting some people to staff it. If I had to mention the one major contribution, the largest contribution I think Meyer made to the Bank, it was the number of people that were recruited during his time of office that rose to senior positions and are still with the Bank. It was really quite an amazing recruitment job in a short period of time."



President John J. McCloy (center) on a trip to Central America (1948)

"Meyer's selection as president of course was in part dictated by his reputation as a very successful investment banker, and as a successful head of the RFC [Reconstruction Finance Corporation], and one of his major preoccupations was



sounding out the private capital market on raising money for the Bank. I accompanied him on his first trip to New York, when we had a meeting of investment bankers in the Federal Reserve up there, and he was most cordially received. The bankers were very ready to hear his story. They were however thoroughly unenthusiastic about giving any financial support for the Bank. There was an amazing discrepancy between the attitude of the bankers and the expectations of Bretton Woods, where it was believed that the Bank could easily borrow up to the total amount of its subscribed capital resources and surplus."



President Eugene Meyer

"There were reasons for the complete disinterest of the bankers in buying our bonds. In part it was due to legal limitations. I think the legal limitations were quite severe, but even more, it was the attitude of the market towards an institution that was completely unknown and that smacked of having to do with foreign lending, which at that time was in very bad repute. The Bank had a lot of members whose credit was undoubtedly non-existent. In general it was thought of as a do-good institution, as a wild idea, without any respectable support. Some people understood the value of its securities, but they were few and far between."



Robert L. Garner

"When we finally did come to make an issue, we had to undertake a tremendous campaign of education, changing laws, particularly getting boards of directors and investment committees to understand what the Bank was, because anything called the "World Bank" or the "International Bank" in those days smacked of something that investment committees didn't want to have anything to do with. So we organized a terrific sales group, Black and McCloy did, when they set up the first issue. Their presence and the support that they got from their friends in the investment banking community in New York, the underwriting group they finally were able to put together, ensured the

success of the issue. If it had been done with any less careful preparation, I'm afraid it might have been a very substantial flop."



"[McCloy, Garner and Black] worked as a remarkably good team, Black out selling the Bank to the market, McCloy helping greatly in that effort but also selling the Bank to the world, the public at large, Garner the able chief of staff who really got the Bank into operation as an effective banking institution. I don't think one could speak too highly of Garner's contribution in those days, not only in terms of tremendous work but tremendous toughness, his insistence that we operate not as a public institution -- accepting less than the best standards -- but as a business institution. Our staff had to be the best staff that could be gotten together, and we did not compromise because of the political nature of our constitution and our structure."

"I know this created conflicts with governments at times, governments that were pushing people. For example, he [Garner] refused to pay any attention to the political pressures that were put on to employ certain individuals. While he was sometimes impatient with the economists, with the "longhairs" in the Bank, his approach was a very broad approach, and he was willing to stick his neck out to make decisions. All those policy issues that had been discussed for a long time in committees were brought up to the management of the Bank for decision, and they were quickly decided, sometimes rightly, mostly rightly, sometimes wrongly, but at least they were decided and enacted."



President McCloy chairs a Meeting of the Executive Directors (1949)

"Mr. McCloy gave the Bank a broad vision and incisive approach that was extremely salutary, and I think he probably made the most, the boldest moves the Bank has ever made in terms of its European reconstruction loans. He realized that the Bank's reputation was at a low ebb and action had to be taken, so he both organized the marketing campaign I have mentioned and he decided to proceed rapidly with a number of European loans. Nobody at that time had any assurance that our loans to Europe would be repaid, but there was a desperate situation there, when Lend-Lease was cut off and the Marshall Plan had not yet been conceived, and the European economy was threatened with a stoppage of fuel and food imports, raw material imports, and McCloy decided



Robert L. Garner and John J. McCloy at the Bank's Twentieth Anniversary Dinner (1966)



that action had to be taken, and we made the 500 million dollars of European reconstruction loans, on faith to a very large extent, without reasonable prospects of repayment that could be documented, but in the knowledge that if Europe wasn't held together, the rest of the Bank's job was not going to be very effective."

"Then, you must remember, shortly after those loans were made, the idea of the Marshall Plan was first mentioned by Dean Acheson in his Louisiana speech, I think it was, and Marshall made his speech at Harvard which was taken up by the Europeans. The Bank spent a great deal of time in the summer of 1947 in helping work out the Marshall Plan, helping the United States and helping some of the Europeans work out the presentation of the Marshall Plan. McCloy testified for the Marshall Plan, in full knowledge that this would put us out of business in the main area in which we were attempting to do business, but with thorough recognition that the job was so much beyond the Bank's resources that we shouldn't take a narrow jurisdiction stand, and that the Marshall Plan was a necessity. And I think his testimony assistance and the Bank's position was of considerable assistance in getting the Marshall Plan through Congress. Then we turned to the problem of development."



Robert L. Garner and President George Woods at the Bank's Twentieth Anniversary Dinner (1966)



Presidents Eugene Black, George Woods and John McCloy

The Bank's first bonds were issued on July 15, 1947, for \$250 million. In a 1961 article in *International Bank Notes*, Demuth described the event: "it is hard now to comprehend how difficult it was initially to make investors, regulatory bodies and legislatures understand how essentially sound an institution we are. Indeed it was with considerable trepidation that we announced plans for our first bond offering of \$250 million in the United States on July 15, 1947, through 1,700 securities dealers. This was the largest consortium of its kind which, up to that time, had ever been

organized in this country. As the date of offering drew near, tension in the Bank mounted to a high pitch, for as of then we had no experience of Mr. Black's magic touch with the bond market. The Bank's bonds appeared on the New York Stock Exchange ticker for the first time immediately after the 10 o'clock opening,



and by noon the issue was over-subscribed. The relief in the Bank was considerable. I don't believe that any subsequent transaction matched the excitement of the first."

The Bank's first four loans were reconstruction loans (to France, the Netherlands, Denmark, and Luxembourg). Loan 0005 (1948) was to Chile, and was the first Bank loan for development purposes.