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DIVISION OF THE HUMANITIES AND SOCIAL SCIENCES

CALIFORNIA INSTITUTE OF TECHNOLOGY

PASADENA, CALIFORNIA 91125

A CONVERSATION WITH WILLIAM BENNETT

WASHINGTON, D.C.

January 20, 1988

CONVERSATIONS ABOUT GEORGE WOODS

AND THE WORLD BANK

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Robert W. Oliver

OLIVER: Mr. Bennett, it is a pleasure to have you here. I wonder if we might begin our conversation by your saying a bit about yourself: how you came to the World Bank, and what major categories of things you did when you were in the Bank.

BENNETT: I came into the Bank in January, 1949, on loan for a year from the New York Herald Tribune, where I was Bank Editor. The Bank at that time was having difficulty with the press and the rating services. They were seeking someone with financial newspaper experience as well as banking, which I did have having worked for a bank prior to my newspaper days. I worked for the Central Hannover Bank in New York, now the Manufacturer's Hannover, and before that with the Emigrant Savings Bank, also in New York.

I actually came into the Bank at the invitation of John J. McCloy, whom I first met at the Chateau Frontenac in July, 1947. He and my wife and I had dinner together. We had a long chat about salmon fishing in which we were both interested. He asked me if I would be interested in coming to the Bank. I

did not express any such interest.

About a year and a half later, at a meeting of the New York State Savings Banks'Association in Atlantic City, New Jersey, McCloy was one of the principal speakers. A group of savings bank executives headed by Robert Catharine, who was then Chairman of the Dollar Savings Bank in New York, asked me if I would introduce them to McCloy. They were very much interested in participating in a particular loan the Bank was making to the Belgian steel industry. I agreed, so I spoke to McCloy. He said that he would be delighted to meet them, so I brought them up and introduced them to McCloy. It was later on that McCloy again asked me if I would come to the Bank. I was not terribly interested but more interested than I had previously been. Finally, around Thanksgiving, I got a definite offer from the Bank for a year. With the blessing of Mrs. Reid and Norman Stagler (Mrs. Reid was the publisher of The Tribune and Norman Stagler was my boss as Business and Financial Editor at the Tribune), I agreed to come to the Bank for a year. I stayed through the year. My principal activity at the Bank was writing a booklet on the Bank, which without a doubt was one of the most frustrating jobs I have ever undertaken. The other was visiting the rating services to see whether we could convince them to rate the World Bank's bonds.

OLIVER: I take it that you served the Bank in this capacity as a Financial Editor and that you were not preceeded by anybody.

BENNETT: No, there was nobody. There were two of us hired; a fellow named Rupert Fuller and I were both hired at the same time. He was supposed to take care of the press, and I was supposed to be a writer of articles, anything about the Bank, and to deal with the rating services and other groups which assess the quality of securities such as bonds, notes, and so on. Towards the end of the year, I was offered a permanent position at the Bank by Robert Garner, who was then General Manager and Vice President of the Bank. He had been Treasurer of what was then the Guaranty Trust Company, now Morgan Guaranty, and, more recently, Financial Vice President of General Foods Corporation. He had come to the Bank along with McCloy and Black and a fellow named E. Fleetwood Dunstan. I don't know whether you know who they are. Black came in as Executive Director for the United States succeeding Collado; McCloy came in from his law firm at the behest of Harry Truman and Winthrop Aldrich, Chairman of Chase Bank; and E. Fleetwood Dunstan was the Senior Vice President in charge of bond issues and so on for Banker's Trust Company. They were the four who came in on St. Patrick's day 1947. The Bank as you know had had a very difficult time. Eugene Meyers had gotten into a row with the Board, particularly with Emilio Collado, the U. S. Director, and Sir James Grigg, the U.K. Director, both of whom felt that the Board should be an executive board that ran the day to day operations of the Bank. Eugene Meyer, who was the First President of the Bank, disagreed. Everything was in a complete balls up for the first six months of Meyer's tour of duty. He quit on December 16, 1946. Shortly thereafter, the Vice President of the Bank, who was acting President, dropped dead in his office. So the Bank was without a head. It was run by a committee headed by a lawyer, whose name totally escapes me at the present moment.

OLIVER: Chester McLain.

BENNETT: Chester McLain ran the Bank along with a couple of other people. Chauncy Parker, who was the administrative director of the Bank -- between the

two of them, they kept this thing going, and the Bank went out looking hard for a new President. There were people including Graham Tower, the Canadian banker, who were offered the position and turned it down. Finally, Harry Truman appealed to Winthrop Aldrich at Chase Bank to nominate somebody who would take the job as President of the Bank, and McCloy was finally tapped. His firm was, by the way, one of the principal customers of Chase Bank. McCloy agreed to do it under one condition -- that the Board did not run the day to day operations of the Bank. The Board was to oversee policy, make policy, but loans and other activities were to come through the staff to the Board rather than the Board down through the staff. There was a Gentleman's Agreement signed, sealed and delivered. Black was asked to take Collado's place. Collado was furious. (This is all heresay). Finally the whole thing wound up with McCloy as President, Black as Executive Director for the U.S., Bob Garner as Vice President and General Manager and, of course, E. Fleetwood Dunstan as Marketing Director. That was the group that really ran the Bank from about St. Patrick's Day, 1947, until approximately July, 1949. Then Black came in as President, McCloy went off to become U.S. High Commissioner in Germany, Dunstan returned to Banker's trust, and Bob Garner stayed on for a number of years and finally retired in 1961 as President of the International Finance Corporation.

OLIVER: In any event, you were initially assigned the task of trying to get a bond rating for the Bank?

BENNETT: That is correct. The task was made more difficult particularly by Moodys. Moodys had, and still has as far as I know, a policy that it will not rate bonds and securities of financial institutions. A fellow named Edmund

Vogelius (later he and I became very good friends) was adamant that he would not rate the World Bank's bonds. I went to see him a number of times. A fellow named Max Brubaker, who was Vogelius' assistant, agreed with me that Moody's should. The Bank was a beast of a different kind. It was a great dream of helping the world recover from the effects of war and of stirring the economies of the less-developed countries. It should be given special consideration. Ultimately Vogelius agreed. He gave us an A rating. Tony Zoller had very much the same view at Standard and Poors. He finally broke down and gave us an A rating. Meanwhile, the fellows at Fitch Investors Service had already rated the bonds A. At the time the only bonds outstanding were the 150 million of three-year bonds at 3 percent, 100 million of 2 1/4 percent ten-year bonds and 100 million of 2 percent twelve-year serial bonds. There were about 350 million dollars in bonds outstanding when this was going on. Later on the Bank sold literally billions of dollars, but without the ratings it would have been very expensive.

OLIVER: I'm surprised the rating services didn't move immediately to triple A bonds in view of the backing of the United State government.

BENNETT: Well, nobody wants to collect on a guarantee. Guarantees take time to collect. If you have a bond of an issue that goes down the tube, you want your money back fast. It takes time. Why put money into something that is going down the tube no matter what warranty or guarantee it has. Nobody knew anything about the Bank's bonds. I remember when people used to laugh when you mentioned the World Bank back during my newspaper day. You could never find out anything from Meyer. People used to think it was a joke, literally, until McCloy and Black and Dunstan took hold and really knocked themselves out to get the Bank known.

I must have heard McCloy speak on the Bank at least 25 or 30 times over a period of a few months. Occasionally it was Black or Dunstan. They really covered the waterfront. Even then there were an awful lot of people who viewed the Bank as though it was a sort of a ninety day wonder. The feeling was that the first blow of a depression would put it out of business. Of course you know the Bank operates on the principle that there will never be another depression (it knows that there is likely to be) and that there will never be another World War. If you take both of those into consideration, you would never be able to run a World Bank.

OLIVER: So the point is that McCloy really had no money at the time of the institution of the Marshall Plan. It was impossible to proceed with anything like the order of magnitude of the flow.

BENNETT: The only funds that the Bank really had at that time was 20 percent of the U. S. capital subscription. The U.S. subscription was about 3 billion dollars. It had about 6 or 7 hundred million dollars from the U. S., a small amount from Canada, and that was it. All of Europe was locked up. They couldn't afford unrequited exports at that time. They were dying for dollars or exchangeable currencies to purchase goods and services to replace the wreckage of the war or the obsolescence caused by war. The Bank could not have met the need, particularly at that time. It had to go to the market. The first loans were made in May of '47. They lent 250 million to France, 195 million to Netherlands, 40 million to Denmark, and (I've forgotten, I think it was) 15 or 20 million to Luxembourg -- all just for basic needs such as transportation and steel, in other words replacing infrastructure in basic industry. That just about cleaned the Bank out. By the time they got through, there was $490 million on loan altogether out of about $600 million in available funds.

OLIVER: You stayed much longer than a year.

BENNETT: I stayed 29 1/2 years and then worked on the Bank for a number of years thereafter as a consultant. It was a fascinating place to work. I worked hard, but I loved every minute of it. I had a wonderful time.

OLIVER: Does anything stand out in your memory of the Black and McCloy years? (I'm anxious to get on to the Woods' years. of course, but let's not go too rapidly.)

BENNETT: Well, I think one of the more interesting times in the early '50s was the transition from lending to highly sophisticated countries (France, Netherlands, Australia and places like that) and beginning to lend to the less-developed countries. The first development loan was in '47 or '48. It was a small power loan to Chile. The Bank also borrowed money from Switzerland. It was from the Swiss government itself. Swiss francs were valuable at the time. It wasn't a very big issue.

They really began lending for development in the early '50s. They began to lend for power in Mexico and Brazil. They were sizeable loans, at least for those days. They got particularly involved in this enormous power reversing scheme in Brazil. It was Brazilian Light and Traction Corporation, where they dropped water over the Sierra. They pumped it up in slack periods and they dropped it down as power demand peaked. I suppose it is one of the great power structures of the world. They put a lot of money into Mexico for power. They also started looking at agriculture, but agriculture turned out

to be a very difficult to lend for. It was always hard to find whom to lend to. It was easy enough to lend to an enormous, multi-purpose dam for flood control and irrigation and so on. But it was no good if there was nobody down stream who had any money to put into equipment needed to use the facility. This was one of the things that George Woods became very adept at -- this lending to agricultural credit institutions that took care of the credit needs of the farmer or other entrepreneur who was using the fruits of the big, multi-purpose projects. In the beginning that was not seen.

OLIVER: What was the secret of Woods' success in arranging agricultural loans?

BENNETT: Well, it had been done before, but he expanded it. There was very little that George did that hadn't been tried previously by the Black regime, except that the scale increased as Woods went along. The demands on the Bank became much greater. As I remember we became delirious when the Bank hit $500 million a year in lending. Today that would have been about 5 percent of what the Bank lends. I don't know what the Bank lends now. What's happened since Conable came in? Between the Bank and IDA, they lend up to $15 billion a year, which is a very sizeable chunk of money. Of course it's in all kinds of currencies.

OLIVER: And for a much wider variety of projects.

BENNETT: For a much wider variety of projects.

OLIVER: Including Sector Adjustment Loans and Structural Adjustment Loans.

BENNETT: Which I think would have been banned years ago -- the so called impact loans they began to make. That started in Italy back when the impact of development would be eased by a good shot of foreign exchange. In other words, you were really lending internal domestic capital, capital that could be raised domestically but which was putting a big hole in their financial statements. This money took its place. That would have been frowned on in the early days of the Bank. They swore by the gods that they would only lend for sound projects, soundly run, soundly financed, and so forth

OLIVER: I think Professor Rosenstein-Rodan who retired shortly thereafter had a major hand in the Italian loan.

BENNETT: He was the one who had a big battle with Bob Garner. If ever there were two opposite numbers, Rosenstein-Rodan (who smoked cigarettes Hungarian style -- he was short and pudgy, a very nice fellow; I liked him very much) and Bob Garner (who was the nattiest dresser in the Bank: beautiful snow-white hair -- they called him the Silver Fox, always tan and looking like a million dollars). Garner opposed lending in India, particularly on a large scale, and Rosenstein Rodan would say, "If you don't do it in a big way, don't do it at all. You can't lend to an economy with a population the size of India in little dribs and drabs. It won't have any effect. You are just throwing your money away." This was a great battle. As I think I mentioned previously, Rodan won the war, but Bob Garner stayed on. Rosenstein-Rodan was invited to leave. I don't know how strong the invitation was. That was when he went to M.I.T.

OLIVER: May we talk a little about George Woods, George Woods' personality, and that sort of thing?

BENNETT: Well, everything about the Bank for thirteen and 1/2 years was Eugene Black's Bank. That was the way the people in the press felt of it, and I guess it pretty much was. It was a very small staff. Everybody knew

everybody. All the top officials knew everybody down to the janitor, the elevator operators, and so on. I suppose you would call it a cozy place to work, exciting and interesting and also extremely pleasant. Black announced his departure from the Bank in June of 1962 saying that he would be leaving at the end of the year.

OLIVER: Was this reported in the Press at the time?

BENNETT: Yes, it was reported in an article entitled, "Another Georgia Peach Slides Home" in which Black is compared to Tyrus Cobb, the great Baseball player, who was another Georgia Peach who slid home more than once. It was a full-fledged column on the front page of the second section of The Times in June of 1962. Black left when he said he would. Sometime around August, I first heard the rumble up in First Boston Corporation that George Woods was going to take his place.

OLIVER: Are you pretty sure about that date, in August?

BENNETT: I would say it was August when I heard. It is 26 years ago.

OLIVER: So it is very likely that Black had straight away suggested that George Woods replace him?

BENNETT: In addition to First Boston (being the Managing Underwriter), George Woods had been one of the Five Wisemen who made a study of India on behalf of the Bank. If you call the publications department, they might have a copy of it. Alan Sproul, President of the Federal Reserve Bank in New York, was another of the Wise Men. Who the other three were I have forgotten, but there were five very distinguished characters.

OLIVER: This was in 1962?

BENNETT: No, this would have been back in the mid to late '50s, somewhere around then. I have forgotten the date. They made a report on India which formed the basis for the Bank's program of lending in India.

OLIVER: Very interesting.

BENNETT: The book store is down in this building. You might even go in there and ask if they have a copy of it. If not you might go to the Bank-Fund library. They must have a copy there. It might be well worth it, if not to read all of it, to read its conclusions. Woods also assisted the Bank in various others ways and several times spoke to a so-called information conference. One of my jobs was to be chairman of the information conferences in which a group of investment bankers and insurance executives, maybe 25 or 30 of them, would come down the night before, have dinner, and then the next day go through a course on World Bankery, which started about 9 in the morning and ended at 5:00 in the afternoon.

OLIVER: I was reading about those.

BENNETT: I don't know how many of those things I chaired. It must have been dozens. I started doing it under McCloy, and I did it also under Black. I did a few under Woods, but then I started to be out of the Bank more than in it, and various other people took over.

OLIVER: Did this happen two or three times a year?

BENNETT: Oh, it happened two or three times a month, particularly in the early days. We educated everybody. Later on we used the Eugene R. Black Auditorium. We filled the whole auditorium with investment bankers. (When I say investment bankers, I mean financial people connected to institutional investment, or investments by institutions of trust funds: banks, insurance companies investment bankers who make markets and so on.) And the -- let's

see -- I have to get reorganized.

OLIVER: Well, I'm asking about the events in connections with Woods' appointment.

BENNETT: Woods came down from New York as a principal speaker several times. He was known in the Bank pretty well. I had met him a number of years before when The First Boston Corporation and Mellon Securities merged. I covered the merger for the Herald Tribune. This was back to '46 or '47, I've forgotten just when. That is the first time I ever met George Woods. He was talking about chopping the wall down between the two companies -- on the same floor, the same building. They were going to chop a hole in the wall and that would make it all one. I remember George pointing out the spot where the hole in the wall would be.

OLIVER: Was it one hole?

BENNETT: No, I think it was a doorway. They were going to put a hole in the wall "over there." He pointed to the wall. George was in fine fettle that day. Anyway word got around; the rumors grew more and more precise about Woods. He was ultimately nominated by John F. Kennedy in 1962. He was accepted by the Board and ultimately moved in on January 1, 1963.

The first rumble that I had there would be any difficulty came from Barron's Weekly. I don't know whether you know Barrons' Weekly or not. Bob Bleiberg was editor and still writes curmudgeon editorials for them. His pal, Kurt Block, who was associate editor and a German economist, called me and asked me to have lunch with him and Bob, which I did. He said, "Is it true that Woods was going to be the new President?" I said, "I can't swear to it, but I don't think there is any doubt that he is going to be the new president." Bob Bleiberg got tears in his eyes, he got so angry. He said, "That son of a blankety blank. President of the World Bank. Barrons will never have another good word to say for the Bank." So I said, "Why?" "We just don't like him," he replied.

I gather what actually happened was that Woods threw some representative of Barron's out of a press conference for asking a question Woods didn't like. They never had a good word to say about the World Bank, including the World Bank under McNamara, but that's neither here nor there. That was the first noise I heard. Woods came in. I don't think anyone was delirious over the idea, but certainly nobody had any deep misgivings about him. I don't think anybody knew Woods that well.

I would say that for his first year or so, he got along quite well with the Board, with everybody. Then he began to get testy about the IDA problem, which was always there like a vulture waiting for the victim to die. That got on his nerves. He had difficulties with some members of the Board, notably with a fellow named Stone, who was the Australian director, who was a real smart apple and just as tough and just as rude as Woods. The two of them didn't like each other: two similarities disliking each other. A number of things came up at the Board: one was IDA, and the another was the Bank's profits. What should be the source of profits to the Bank? Should they be only capital, or should it make a profit on the money it borrowed as well.

The Bank at that time probably had several billion dollars of capital. I don't know how much it's got now. If you take the amount of general reserve of the Bank -- I don't have any idea what it is, but I imagine it would be up to $10 or $15 billion. When I left, it was about $7 billion. That's a lot of free

money to have floating around in your pocket, but when you are making loans the way the Bank does (at what I suppose you call concessionary rates), you've got to sit down with a very sharp pencil. Should we make even a little profit on the money that we borrowed? There was a great fuss and doodle about that. Ultimately it wound up that they agreed that there should be a spread, but they didn't say which way the spread should go -- one eighth percent between the cost of money to the Bank for, say, 1965, and the amount of interest that the Bank would earn on that. The trouble was sometimes the eighth was negative and sometimes it was positive. I thought the Bank was always losing money on its borrowed funds.

Stone was the main thorn in Woods side on the Board. The French director frequently supported Stone; occasionally somebody else would, but most of the directors were relatively neutral, I guess, and wished that it would all go away. This problem with the Board got worse as time went on as a result of George's getting terribly soured by IDA's problems and continuing discussions of how the Bank's finances should be handled. Ultimately it wound up as a story by Ed Dale of the NY Times that the Board and George were at loggerheads. I think Dale's story was overstated, but it was correct in the sense that there was a gap between George Woods and the general feeling of the Board as to how the Bank should be run and what policy should be adapted effecting the financial standing of the Bank. George also battled with the administration and congress over getting money for IDA, which I think soured him more than anything else. I'm absolutely certain that the US Director leaked that story to Ed Dale, because George was really flailing away at the US and this is one way the US could get back to him.

OLIVER: Was Stone in office at the time of the Dale article?

BENNETT: Oh yes, but Stone didn't do it. I should mention also the US Director frequently was at odds with George, largely over the approach to IDA and to some extent over how the US viewed the Bank as sort of a band of happy Sybarites living on the public purse. This view was particularly strong in the congressional staff. The rumble always was that everybody in the Bank lived on a tax-free salary which was not true. Certainly I didn't, and no US citizen working for the Bank did. (You don't want to get into salary payments in the Bank. You can get that better from somebody else.) Anyhow, I paid my taxes every year with tears in my eyes, as did Harold Graves and all the others who were my US compatriots in the Bank. I'm absolutely sure the story was strategically set; it hit the Times front financial page on a Sunday, just about a week or at most two weeks before the Annual Meeting of the Bank in Rio de Janeiro. Of course it led, as you know, to Harold Graves having his head chopped off by George Woods. It really sent Woods up the wall, there is no doubt about that. He was absolutely furious.

OLIVER: Who, George Woods?

BENNETT: George Woods. He was absolutely furious when he came back from Rio. It was shortly after that that he transferred Harold to another place in the Bank. He shouldn't have, because Harold was an excellent PR man. He was probably the best speech writer the Bank ever had. Also a very nice person himself. I was a great admirer of Harold. George blamed him because he should have stopped Dale. Harold couldn't possibly have stopped that story. It was too good.

OLIVER: I understand that even you were fired on occasion and brought back

very quickly.

BENNETT: He fired me once in Chicago for telling him that he reminded me of the terrible tempered Mr. Bang. About an hour later he called me up to say he also read that old comic, the Toonerville Trolley, That Meets at all Trains. Mr. Bang was one of the riders. The trouble with George was that he did not know how to be a nice guy. He could be when he wanted. When he was pleased with things and everything was going very well, he was very pleasant and easy going. Frankly I got to like him quite a bit. Only a few times did he ever go after me, but some people he was after consistently.

I think one of the saddest performances by George was when he booted out Orvis Schmidt, who was the head of the Latin American Department. Orvis was one of the ablest people the Bank had. He fired him not because of bad loans, but because he didn't make enough of them. Orvis was a very able character. He looked like a hick, he talked like a hick, but he was as smart as a whip. He was also one of the few connections to Bretton Woods. He was the secretary of the US delegation to Bretton Woods. If you read the Bretton Woods papers, there is a note of thanks from the delegates to Mr. Orvis Schmidt for his labors. George gave poor old Orvis the boot, not out of the Bank but up to special advisor. Orvis spent the last few years in the Bank meandering around not doing very much. Alas, he went to the first great Super Bowl Game, almost froze to death, and died of pneumonia. He came from Wisconsin and you'd think he would be hardened to the winter. I've forgotten where that game was, but I think it was about 18 below zero when it happened. He was a hell of a nice guy. As I said, he looked like a hick and talked like one. He was an All American boy type, but he was absolutely brilliant. He knew what he was doing, which is more than I can say for some people in the Bank.

OLIVER: Did George want to be reelected?

BENNETT: George wanted very much to be reelected. He felt he had had a very difficult time. I think he thought he had been betrayed by the U. S. administration, that they had not gone along. The Johnson administration in particular had not been helpful.

OLIVER: I take it there was no love lost between Henry Fowler and George Woods.

BENNETT: I don't know what Fowler's feeling about George was, but I can assure you that George's feelings about Henry Fowler were unprintable. I listened to him several times on the subject. Whose fault it was I don't know, but he did not seem to be able to get IDA off the ground. IDA needed money. I think you better check this, but my feeling is that he never got any. The first money that IDA got was after McNamara came in in 1968.

OLIVER: It had been programmed in advance.

BENNETT: It had been programmed, but the money did not come in. The amount programmed was substantially less than had been asked for and was spread over a longer period. Congress had the feeling we were all a bunch of Sybarites having a wonderful time on public funds, not really working very hard, and eating free in the executive dining room and all that, which was all wrong, but nevertheless. . . . There were a number of people on the Congressional staff who disliked the Bank very much and staff can do you in.

OLIVER: Have you any concrete illustrations of the fact that Woods probably wanted to be President again?

BENNETT: Well, I know he told me when he was flying out somewhere, I've forgotten where, that he would like to be president again.

OLIVER: Would you guess that this was '65, '66, '67?

BENNETT: I would say probably within the year before he went out. He went out in March of '68. He stayed on in January, February, March, three months after he was supposed to retire. He was supposed to retire December 31, 1967. He actually retired on March 31, 1968. McNamara came in the next day. I don't know if he wanted a full term. I think he felt that he had been through the mill and he deserved some kind of recognition for it. I'm sure it hurt him very, very much not to be so recognized.

Everyone I know likes to psychoanalyse him, including me. I think I mentioned to you previously, he wanted to be admired, he wanted to be liked or loved or whatever it was. He wanted people to feel about him the way they felt about Gene Black. There are some people who have it and there are some people who don't. He didn't have whatever it is that Black had -- the ability to be pleasant to people whom you dislike and with whom you disagree. That was always an impossibility with George -- to talk civilly to somebody who was disagreeing strongly with him.

I remember Bob Cavanaugh. They banged away at each other at a number of meetings where they were discussing bond issues. I remember the Bank's lawyers from Sullivan and Cromwell walking out of the room after listening to George telling them what they could not say in a bond prospectus. Of course the lawyers won in the end anyway, but George certainly let them know what his feelings were about the views of Sullivan and Cromwell.

OLIVER: There is a hint of a sort of a falling out between Black and Woods.

Would you comment?

BENNETT: If there was, I don't know of it. I came to N.Y.C. with George from someplace, God knows where, I would say late in his regime. Gene Black had shingles at the time and was in the hospital. George was very upset when he heard about it. As soon as he got off the plane, he had a limousine meet us. We whipped over to whatever hospital it was in Manhattan. George got out and went in to see Black. I was taken on to the hotel with George's baggage. We were going to this Due Diligence meeting the next day. I settled into the hotel with the luggage, and George spent the evening with Black at the hospital. I think they had dinner together. If they had a falling out, I don't know about it.

OLIVER: This was what year?

BENNETT: I would say it was probably 1966.

OLIVER: This was after Black retired?

BENNETT: This was after Black retired and got the shingles. George heard about it on the trip we were on -- that Black had the shingles, and when we got back to New York the first thing he did was go to see Black. I would say that was about 1966, or 1967, probably 1967. At least on George's side, there was no animosity that I know of. What Black felt, I have no idea. I was not that close to Black.

OLIVER: Do you think it was important to have somebody of Woods' calibre and background to lead the World Bank in 1963?

BENNETT: I would say, "Yes." At that time, and possibly still, the US market (particularly the market in New York which is the center of the US market) was by far the greatest capital reservoir available to the Bank or to any other

investor. The Bank up to 1963 (this is recollection) had sold one German mark issue and was fiddling around with a yen issue in Japan, which had not been sold yet. We had been diddling in the French market for years without any success. Later on, after I left the Bank, they did finally sell a franc issue. They sold a few issues in the Netherlands, all rather small, and I think a couple of issues in Belgium. The Swiss and US markets, by far the US market, were the dominant sources of funds in the Bank at that time. This was one of the main reasons why Kennedy wanted to have a man who was known widely as a very able American investment banker and financier and a very successful one.

Another virtue that he had was he knew the Bank. He was the Chairman of the First Boston Corporation, which had, since 1951 or 52, been one of the two lead underwriters of the Bank's managing underwriters, the other one being Morgan Stanley. He was known in the Bank, he knew the Bank, he knew the Bank's finances, he knew the Bank's market. Woods seemed, at least at the time, to be the ideal man to bring in.

I think something that is forgotten in all this is that there was another reason to put a US banker in, and that was the Gentlemens Agreement that was made at the Bretton Woods Conference in 1944 that the Managing Director of the Monetary Fund would be a European and the President of the World Bank would be an American. All these things are not written in stone, but that is how its been. It's been all Americans for the Bank and all Europeans for the Monetary Fund. I expect one of these days, a Japanese, or maybe a German, will be president of the Fund. It hasn't happened yet, and I don't see any evidence of it happening at the present time. It is more likely to happen at the Bank than the Fund. The Japanese, I am sure, would just love to have this job, and possibly they deserve it. They certainly lent the Bank a hell of a lot of money in the last 15 years or so -- billions upon billions of yen; they get richer every day.

OLIVER: It has been suggested by Siem Aldewereld that there is still another reason for the appointment of George Woods to wit he was on the buying side of First Boston rather than on the selling side. Presumably this gave a longer term prospective on the management of the Bank.

BENNETT: At First Boston, Woods, as Chairperson, made the final decision as to which securities the firm would underwrite, i.e. commit itself to buy. Jim Coggeshall, who was president, was on the selling or marketing side. Emil Patberg was George's successor at First Boston. He was equally smart, but he would have made a nicer president of the World Bank than George Woods. He is now dead, but he was a very pleasant person, kindly, and surely good to his mother and small children. Maybe George was too, but you didn't think he would be.

OLIVER: Are there any things that I should have asked and haven't?

BENNETT: What you have here in the papers, and what I said today would cover pretty much. I think I have given the impression that George Woods basically had a heart of gold, but it didn't show. As I said, I liked him, I got along pretty well with him, and he liked me. When he left the Bank, he gave me a big boost to McNamara. It was largely as a result of that that McNamara picked me to be a representative in New York and around the financial world. I spent the last ten years of my life at the Bank meandering around all over God's green acre.

OLIVER: Is there a story in that?

BENNETT: Well, I don't know McNamara well. When McNamara came in, there was a tremendous uproar in the Bank. A lot of the staff were running around yelling, "I'll resign, and all that." They didn't, but there was a great deal of feeling that he was the architect of Viet Nam, which he wasn't. The architect of Viet Nam I guess was -- well maybe he was the architect. It started under Eisenhower, but it got worse under Kennedy, and much worse after that under Johnson and Nixon. McNamara is supposed to have given his apologia in a speech in Montreal in which he spoke on development. I'm sure that has been mentioned to you many times.

OLIVER: Which brought Woods' attention to him.

BENNETT: That's right. The Board finally accepted him. There was a lot of noise on the board, at least there were several directors that I met at various places who sort of muttered under their breath that this was a bad choice, but for some reason or other they went along and voted yes, I guess, in the interest of peace. I know in 1970, my wife and I were invited to dinner by a group of Dutch bankers whom I knew very well. They had this marvelous dinner down on the waterfront in Copenhagen, and, during the dinner, it came up: Why McNamara? This was two years after the event, but they said he was not the man for the job, etc., etc. They still underwrote our bonds. I guess they are still doing it, but they were very much opposed to his reign and hoped that he would not be reelected.

It was all based on ideology rather than on any business or financial interest that they had. They disagreed with his background as Secretary of Defense, the Viet Nam War, and all that stuff. Of course you know in Denmark we had magnificent displays of anger by the far left, a bunch of very tough Swedes who came over, about 2 or 3 thousand of them. One night at the opera they were throwing shoes with nails driven through them into the crowd. They burned a bunch of policeman's motorcycles. The last day at the meeting, there was a big party in City Hall in Copenhagen. There must have been 10,000 people outside with a big sign: International Bank For Destruction. I forgot what else they used. They didn't throw anything else that day. I know my wife and I were out in a cab one night. They didn't bother us, but they bothered some other people from the Bank. Why? I hadn't any idea, but they chased their cab in a car.

That's neither here nor there. It has nothing to do with Woods, but his choice was not greeted with cries of joy and gladness within the Bank, and especially outside the Bank. A lot of people still don't understand why it ever happened. There were other people who could have taken on this job. It would have been interesting. It's like all the other ifs in history, How would the Bank look today if there had been somebody else in McNamara's place? McNamara was a study in psychology, too, even more subtle than George Woods' psychology.

OLIVER: Do you think that McNamara was Woods first choice?

BENNETT: I heard about the suggestion of McNamara for president of the Bank in early October, 1967, from Morton Mendels, who was then Secretary of the Bank, now deceased. He was absolutely livid. He was a Canadian, and he couldn't believe that this was happening. He more or less predicted that the directors would turn him down, which of course they didn't. Sure enough Lyndon Johnson did nominate him, I think in early December of 1967, and bango

the directors said, "Yes," and he became President with a hiatus allowed to George Woods so that McNamara could finish up various tasks and take a vacation before he came in on April 1, 1968.

I must say that the Bank was never the same thereafter. Whether that was good or bad I don't know. George Woods was a great hirer of economists. I guess he expanded the economist's population in the Bank at least twice or maybe threefold. McNamara expanded everything. Whether it was all needed or not I don't know.

An interesting fellow was George Mooney, now deceased. He was the Bank editor at the Times and I was the Bank editor of the Tribune. He stayed on for several years after I left the Tribune, and then became Superintendent of Banks of the State of New York under Averill Harriman. Later he became the head of a very sizeable savings bank. He knew the World Bank. He used to come down a great deal to visit Elinor, my late wife, and me. He was in the World Bank from time to time. He knew Black and a number of other people well. When he heard about George Woods and his economists, he thought it was very silly. The Bank, considering its political situation, didn't really need all this. What was needed was a few really bright people with their heads screwed on tight to do the lending and to keep an eye on things, but you didn't need 18 economists to decide a point, which seemed to be what George Woods was doing.

OLIVER: Let alone 300.

BENNETT: 300 or so. George Mooney felt that the Bank's greatest safety was the fact that it was owned by its membership, owned by the people it lent to. It was a world-wide organization, very well known, and to default to it was financial suicide. I think he probably had a point.

OLIVER: Well, IDA turned things around very substantially. If it had remained the IBRD, rather than adding IDA, there is no question that Woods would have done what you say. But once IDA was introduced there were no clear cut grounds on which to decide amongst countries. Virtually free money makes the Bank a development bank rather than a commercial bank on concessionary terms. That, I think, is what motivated Woods to press for . . .

BENNETT: You may well be right. I know one of the things that used to irritate the life out of me and made my life much harder -- the Bank's alleged financial relations advisor. . . . I moved out of the writing. I still did a great deal of writing, but as financial relations advisor, I used to zip around and talk to Banks. I knew every bank for miles around, both abroad and here. One of the things that used to drive me up the wall was people treating the World Bank and IDA as one. When it first started, IDA had put out a separate Annual Report and used a separate letterhead. Then all of a sudden McNamara came in and said, "Drop all this. Let's make it all one lovely big ball of money."

OLIVER: I think it was a big mistake.

BENNETT: I think it was a great mistake. I must have made at least 89 speeches a year -- not real speeches, but with people coming up and saying, "How the hell can you lend to XYZ when they don't have two pennies to rub together?" Of course it would be IDA that made the loan. We made a song and dance about how the monies were totally separate. The staff was the same, but things were looked at from a different angle than from the Bank. The Bank angle was a viable etc., etc., etc. The IDA angle was that it would still be

that way, but the only source of funds that this organization could afford was practically free money. I get awfully tired of telling people that.

OLIVER: Besides which I'm convinced that the Bank has not behaved that way. It has become very fuzzy at the margin.

BENNETT: IDA would have been better off by itself. Many people say its closeness to the Bank is a great advantage, expedites international lending, and so on. I think it would have made life a hell of a lot easier for the president of the World Bank, the directors of the World Bank, and the staff of the World Bank if IDA had been down the block somewhere totally unrelated to the Bank. It would have made IDA stand on its own two feet.

OLIVER: I agree.