George Woods and the World Bank

by ROBERT W. OLIVER

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FOREWORD

George Woods was a banker with a heart. He was a man of genuine affection, who at all times was ready to cast aside his own problems to share in yours. His friendship ran both wide and deep.

George came into my parents' life in their adult years, but it wasn't very long before it seemed that he and his wife, Louise (whom we all called, as he did, Louie), had been family friends forever.

George cared deeply about both the *New York Times* and the Sulzberger family role in that institution. Today's continuity of ownership and the underlying strength of the institution are a direct result of George Woods's creative approach to problem solving.

Over the years, first my folks and then my sisters and I came to rely evermore on George's advice. His agile mind absorbed an extraordinary understanding of the press and the *Times*'s role. He was convinced that the *Times* needed to remain fiscally sound if it were to maintain its independence, and that its independence was important to our country.

George was, of course, more conservative than the Sulzbergers. There were those days when, after reading the editorial page, he could no longer contain himself. The phone would ring, and it was George berating me for some "damned fool liberal solution" recommended by an editorial writer. But his venting was personal to me: I never heard him criticize the paper in public.

As a director of the New York Times Company and later, upon the death of my father, as a successor trustee of the Ochs Trust that controlled the *Times*, George in his quiet way preached fiscal responsibility and editorial independence. He played a giant role in setting out the markers for the trail we still follow, and we all are fortunate for his having passed this way.

Arthur Ochs Sulzberger

FOREWORD

Under George Woods, the World Bank came closest to living up to the ideal of an international institution. George Woods's Bank was unique: it was entirely objective; nonpolitical; and had a highly competent international staff of unquestionable integrity, single-mindedly devoted to assisting the economic development of the poorer of its member nations. Although under his predecessor, Eugene Black, the Bank evolved to be more than merely an international investment bank, under George Woods it was firmly established as a development institution; and so it has since thought of itself. Woods's term was also the last in which the Bank gave priority to achieving better economic management for its borrowers as opposed to generating ever larger volumes of lending.

The process of economic development is too complex to be managed by a single policy prescription. But (bearing in mind this reservation) there is a fundamental difference between those who emphasize the dependence of development in the poor countries on the volume of the transfer of resources from rich to poor and those who, instead, emphasize that development depends, first and foremost, on improvement in the allocation and management of the resources (in the widest sense) at the command of the poor country. In simple terms, the difference is between those who emphasize giving a starving man enough fish for a meal and those who believe it is better to equip him with a fishing pole and teach him to fish. Partisans of both views ("transfers" and "economic management") recognize the importance of the other's policy, but the different emphases result in very different methods of operation—and results.

It was George Woods's firm belief that the main objective of the Bank was to help countries to achieve development through improved economic management. Loans, credits, economic studies, and technical assistance were all means to this end, rather than ends in themselves. When Robert S. McNamara, succeeding Woods, announced as his first major policy objective the doubling of the total of Bank loans in five years, the contrast was stark. And since then the Bank has highlighted the volume of the resources it disburses annually. The result has been a reversal of roles: under Woods, the focus was on what the member country could do for itself with the help of the Bank; under McNamara and his successors the volume of loans became the objective—member countries sat in judgment on the success of the Bank in attaining a given target of lending.

Professor Oliver documents George Woods's approach. For example, in India Woods's Bell mission succeeded through working with a cooperative minister of agriculture in changing Indian agricultural policy. As a result, within a few years India moved from being a food importer, threatened by famine whenever the monsoon failed, to being self-sufficient in food. Woods's attempt to persuade India to dismantle its maze of licensing restrictions and trade controls (restrictions that still largely choke its industries) failed, but this was in large part because donors were unwilling to help the Bank to come up with the required package of inducements.

With his emphasis on the need for better economic management, Woods expanded the economic work of the Bank and strengthened the role of economic analysis in its operations. Through a Bank program of economic publications, he encouraged Bank staff to make widely available their knowledge and experience, including for the first time an economic section in the Bank's annual report. This evolved into the current series of valuable World Bank Development Reports. But publication was secondary; the purpose of economic work was, first, the betterment of country economic management and of Bank policies and operations. Woods gave Bank economists, for the first time, equal weight in the lending process with the loan officers and project analysts.

George Woods fostered a unique process of promoting economic development. There was close collaboration between Bank staff and the key personnel of a borrower in technical assistance, fact finding, analysis, and problem solving. In the course of loan, economic, and project missions, and in the day-to-day work of Bank resident staff in the country, Bank professionals worked with the personnel of the member government in planning projects and sectorwide investments, institution building, and the training of management, policy, and administrative staff. In most cases, policy reforms and better administration and management flowed naturally out of this process without the need to try to hold a government's feet to the fire or to exact public commitments to drastic, and sudden, structural change. In the few cases where agreements were not lived up to, loan disbursements were quietly suspended until the problem was resolved without public confrontation or loss of face.

Woods himself was bigger than life. Everyone who worked for him knew that he was someone special, ranking with the other great statesmen of the post–World War II era. I acquired a great liking and admiration for him, even though early in my work for him he gave me the worst calling-down in my whole career—justified, I should add. One of the staff stories during his administration explained his outstanding originality by the fact that he had never gone to college and so never had his mind molded into conformity. Professor Oliver has accurately captured his personality—warts and all.

Robert W. Oliver is singularly qualified to write about George Woods and what he made of the Bank. Professor Oliver, an economist, knows the Bank's history as does no one else. His book *International Economic Cooperation and the World Bank* describes how nations were persuaded to consider organizing an institution like the Bank and how the negotiations at Bretton Woods produced the Bank charter. Oliver recorded oral interviews with most of the key personnel of the Bank as it evolved. On sabbatical, he worked as an economist for a year in the Bank, participating in Bank missions and operations. In brief, Professor Oliver has unequaled credentials and ability to write this account, and the book shows it.

With the majority of the people of the world poor and increasingly conscious of being poor, the high-income countries are realizing that the economic development of the poor countries is essential. The World Bank can be an effective organization for this purpose. While the Bank does much good now, it could be much more effective if it learned again the lessons of the George Woods era as narrated by Professor Oliver in this book.

Andrew M. Kamarck
Director, Economics Department, World Bank, 1965–1970

PREFACE

This is a book about the World Bank. It is a book about the transformation of the World Bank from a relatively passive investment organization, owned by many governments, to a development-assistance institution that actively sought more and better ways to assist the less-developed nations of the world.

This transformation did not occur overnight. In a sense, it began with the first Bank loan to a less-developed country (Chile) as the Bank used its leverage to influence the terms and conditions of lending. By 1955, with the establishment of the Economic Development Institute (EDI) under the noted British economist Alec Cairncross, the Bank began to teach government officials from less-developed countries about the economics of growth. In 1956, the World Bank spawned the International Finance Corporation (IFC) and, in 1960, the International Development Association (IDA). Collectively, they become known as the World Bank Group. Today that group has as members virtually all the nations of the world, including China and the nations that once were parts of the Soviet empire.[1]

The World Bank Group was in place when George David Woods became president of the World Bank on January 1, 1963, and Woods was largely responsible for transforming the Bank Group into a development-assistance institution.

I was first employed by the World Bank in 1961 when I was invited by Bob Asher of the Brookings Institution to conduct tape-recorded interviews about the Bank.[2] I worked happily with Harold Graves in the Bank's Information Department, which provided me with a splendid, state-of-the-art Ampex, reel-to-reel, tape recorder. With Ed Mason, Bob Asher was contemplating a massive volume, *The World Bank Since Bretton Woods*.

I had finished my dissertation in 1958 under the direction of Professor Jacob Viner at Princeton University. Published with modifications as *International Economic Cooperation and the World Bank*,[3] it dealt mainly with the attempts of international economists during the years between the two world wars to induce leaders of the important nation-states to cooperate in decisions concerning exchange rates, international trade, international investment, fiscal and monetary policy, and related issues. The mistakes of the pre–World War II era, particularly the depression years, were apparent to most observers in 1944 at the Bretton Woods Conference, where the articles of agreement of the World Bank and the International Monetary Fund (IMF) were negotiated.

During the summer of 1961, on leave from the California Institute of Technology where I was an assistant professor of economics, I interviewed Eugene Black, Robert Garner, Crena de Iongh, Burke Knapp, Richard Demuth, Leonard Rist, Paul Rosenstein-Rodan, Martin Rosen, William Diamond, Andrew Kamarck, and many others.[4] Eugene Black graciously invited me to his home for dinner before our tape-recorded conversation. It was an experience I shall always remember.

In 1965, I was elected to the Pasadena City Council. While I was an economist with the Stanford Research Institute, I had published *An Economic Survey of Pasadena*, which contained suggestions of how the second-oldest city in Los Angeles County might overcome symptoms of aging. I had hardly embarked upon my career as a part-time politician, however, when Andrew Kamarck, who was at UCLA as a regents professor, on leave from the World Bank, invited me to spend a full year at the Bank in the Economics Department. Kamarck had had an exciting and meritorious career in the Bank as an economist, most recently as an economic adviser to the Africa Department. He was on leave partly in order to finish a book, *The Economics of African Development*.[5] While he was at UCLA, Kamarck was asked by Irving Friedman, the newly appointed economic adviser to the president of the World Bank (George Woods), to return to Washington to establish a revitalized and expanded Economics Department. For my part, as my four-year term on the Pasadena City Council neared its conclusion in 1969, the siren song of Washington grew louder, and I decided to forgo seeking a second term on the council. My wife and I accepted Kamarck's invitation in the autumn of 1970.

We sought a house that we could lease for a year. Kamarck suggested that we call on the Irving Friedmans, who were about to spend a year at Yale and Oxford on sabbatical leave from the World Bank.[6] We asked if we might lease the Friedmans' beautiful home in Bethesda, Maryland. The Friedmans stipulated that they would like to return to their home occasionally while they were in residence at New Haven. It was agreed, and the Friedmans and the Olivers soon became close friends.

The year spanning parts of 1970 and 1971 was a happy time for the Olivers. I was employed in the Economics of Urbanization Division, where I wrote the working papers "Djakarta, the Capital City of Indonesia" and "The Major Cities of Taiwan." I also visited the places named in the titles. But I had bypassed George Woods. I had met Eugene Black when he was president of the World Bank in 1961; but by 1970, when I was in Washington, Robert McNamara was president.

Irving Friedman knew about my earlier interviews in the World Bank and about my dissertation, which was slowly becoming a book. Partly for fun, in March 1974, when I was visiting the Friedmans, I proposed that Irving allow himself to be interviewed by me. I used a tape recorder, as I had done in 1961. Friedman's long 1974 interview was typed by my secretary, but it lay largely unused for another decade.

George Woods died in 1982. I had not met him. But in his interview, Irving Friedman spoke so glowingly, so personally, of George Woods that I almost felt that I had known him: had observed Woods with his senior staff—his leadership, his wit, his sayings, his occasional anger, his resentment at being slighted, his basic wisdom even in the face of adversity. I had ended my book about the Bank with a quotation from Woods's Gabriel Silver Lecture on April 13, 1967, at Columbia University: "The founders gave the Bank a priceless gift in the form of an extraordinary charter called the Articles of Agreement." I had also referred to Woods's fitting analogy to an airplane as recounted in the Friedman interview: "I don't think you can have a development agency unless it has as its fuselage the loans which are being made, but one wing has to be project work and the other wing has to be economics."[7]

After George Woods died, Louise Woods, his wife of almost fifty years, wanted to have a biography written about her Woodsie. She hired John Mason, husband of the head of the Oral History Program at the Columbia University Library, to do oral-history interviews of people who, she knew, would speak favorably of her husband: Arthur Ochs Sulzberger, Sr., Martin Rosen, Ed Townsend, George Wishart, and Greg Votaw, for example. Mason interviewed Louise Woods herself on six occasions. He also interviewed, as did I, George Woods's sister, Grace Woods Johnson.[8] Mason felt, however, that he lacked the time to complete a book about George Woods. Knowing of Mrs. Woods's desires, Irving Friedman arranged for me to meet her. I showed her my book about the Bank and spoke about my work, including my 1961 interviews. She agreed to sponsor me in my efforts to write about the Woods years at the World Bank.

That was in February 1985. I was teaching full-time; I could work on my exciting new project, for the most part, only during the summer. I perused the George Woods collection at Columbia University in June 1985 and began to interview people in the World Bank in July 1985. I returned for additional interviews in July 1986 and subsequently. I was particularly interested through these interviews to seek an understanding of Woods the man—his motivation, his character, his personality.

Over the course of five years, I had long, rewarding, tape-recorded conversations about George Woods with Simon Aldewereld, Gerald Alter, Warren Baum, Bernard Bell, Munir Benjenk, William Bennett, Ken Bohr, Aron Broches, Roger Chaufournier, Richard Demuth, Barend deVries, William Diamond, Irving Friedman, William Gilmartin, David Gordon, Harold Graves, Julian Grenfell, Ravi Gulhati, Ralph Hershtritt, Grace Johnson, Andrew Kamarck, Ben King, Burke Knapp, Michael Lejeune, Peter Lieftinck, Marie Linahan, Nat McKitterick, Robert McNamara, Bernadette Schmitt, Davidson Sommers, William Stanton, Rainer Steckhan, Alexander Stevenson, Richard Van Wagenen, Ladislaus von Hoffman, Willi Wapenhans, Mervyn Weiner, and Richard Westebbe. I conversed with Irving Friedman with my tape recorder in hand on six different occasions, with Andrew Kamarck three times, and with Simon Aldewereld, William Diamond, Harold Graves, and Michael Lejeune twice. To all of these fine people, I am grateful. To my secretary, Gail Peterson, who typed and retyped these conversations, comprising some two thousand pages, as well as my manuscript, which changed many times, I am more than grateful.

I retired from Caltech in the autumn of 1988, spent a term in England at Cambridge University as a visiting scholar the following autumn, and worked on my manuscript in November and December 1991 in Bellagio, Italy, at the Villa Serbelloni, the Rockefeller Research and Study Center.

I wish I had met George Woods face to face. Based on some two thousand pages of transcribed conversations about him and the World Bank, however, I have become acquainted with this man in a way no one else could have been. No two people I interviewed perceived George Woods in exactly the same way. No two objective events involving George Woods were interpreted by two or more observers in precisely the same way. I have been fortunate to see George Woods as others saw him, and I have had ample time, particularly in England and Italy, to reflect on the George Woods I was getting to know. Of course, I relied on the minutes of the senior staff meetings, the annual reports of the World Bank, Woods's speeches and letters, and books and articles about the World Bank and George Woods. But I relied most heavily on the interviews, the *Conversations About George Woods and the World Bank* on deposit in the archives of the California Institute of Technology and the World Bank.

Bernadette Schmitt, Woods's secretary, who served him from his days in the army until his death and who helped Louise Woods until Louise's death four years later, allowed me to go through many boxes of Woods's letters, articles, and speeches. In the end, she sent them to me at Caltech, where I perused them at leisure. Schmitty meticulously read every word of my manuscript and helped me to correct at least some of my errors.

My friends in the World Bank, Barend deVries, William Diamond, James Feather, Andrew Kamarck, and Charles Ziegler, read every word I wrote and commented on many of those words. William Diamond in particular sent me many pages of helpful suggestions. Bill and I have talked for hours, over the phone and across the luncheon table, about the Woods years at the World Bank. For Diamond, the Bank was an all-absorbing interest. He had great respect for Woods, "who is too easily forgotten despite his enormous contribution." "In my case," said Diamond, "it was a combination of respect and liking the man and wanting to see justice done." Andrew Kamarck, with whom I spent several wonderful days in Brewster, Massachusetts, and who wrote a foreword to this book, said much the same thing.

George Wishart read every word and sent from Switzerland many pages of constructive comments. Irving Friedman, before he died on November 20, 1989, had read my first four chapters. Edna Friedman has read them all. Bernard Bell, Ben King, and William Gilmartin read my chapter on India. My colleagues at Caltech, Kent Clark, David Elliot, and Thayer Scudder, read every word and helped me with my expressions. The archives of the World Bank, where I worked for several months over the course of several years, were made accessible to me through the generous assistance of Bogomir Chokel and Charles Ziegler. Chairman of the Board of the *New York Times*, Arthur Ochs Sulzberger, contributed generously toward seeing the book published, as did the president of Caltech, Dr. Thomas Everhart. I am also grateful to the Division of the Humanities and Social Sciences at Caltech for their support.

To all of these good friends, I am grateful. Of course, I alone am responsible for errors of both omission and commission.

Notes

1. At the end of December 1992, the World Bank had 172 member governments; the IFC had 148; and the IDA, 146.

2. See Author's Acknowledgements in Edward S. Mason and Robert E. Asher, *The World Bank Since Bretton Woods* (Washington, D.C.: Brookings Institution, 1973).

3. Robert W. Oliver, *International Economic Cooperation and the World Bank* (London: Macmillan, 1975).

4. These twenty-five to thirty interviews are available in the oral history section of the Butler Library at Columbia University and in the archives of the World Bank. They are cited collectively by Mason and Asher as "Oral History."

5. Andrew Kamarck, *The Economics of African Development* (New York: Frederick A. Praeger, 1967).

6. Irving Friedman had been the Bank's chief economist since 1964. See Chapter 5.

7. The Mason and Asher book (note 2 above) skipped rather hastily over the presidency of George Woods. It did not mention the role of the economists at all. I vowed that, should the occasion arise, I would correct this oversight.

8. Mason's interviews are on deposit in the oral history collection at Columbia University and in the archives of the World Bank.

CONTENTS

INTRODUCTION

George and Louise

 

George and Louise Woods in their early years

George Woods was not born to wealth but to a life of long hours and hard work. Business was his life. He had no real outside interests, unless they were the theater and dining well. He was a registered Republican, but took no great interest in politics. The *New York Times* wrote about him in 1964, "Sometimes they call him 'the radical from Wall Street,' but George Woods is no radical. He is an innovator."[1] He was an innovative banker.

George was born in Boston on July 27, 1901, to John and Laura (Rhodes) Woods. John Woods was a worker in the Boston navy yard when Laura and he married, but they soon moved to Brooklyn, in part to be closer to Laura's parents. In Brooklyn, George's only sibling, a younger sister, Grace, was born in 1904. That same year, the short and unhappy marriage ended in John's death from heart disease and cirrhosis of the liver, conditions probably caused by his excessive drinking.[2]

The Woodses were desperately poor after John died. George was three, and Grace not yet one. George's mother had not inherited anything. She worked at sewing, making things for people, repairing things. When Grace was old enough, she earned money by baby-sitting. George worked after school. As Grace—Grace Woods Johnson—later observed, "Our whole life was just the three of us. We were a nucleus."

> We were never affluent, but my mother was a very happy woman. She adored her children and that kept us from being underprivileged. We were certainly underprivileged with our contemporaries, our peers. We weren't wholly accepted. But at home we could do no wrong. . . . Mother loved George unbelievably. I always felt she favored him. Maybe she did, maybe she didn't. She just thought George was perfect, and I sort of went along with that too.[3]

When George was a little boy in Brooklyn, he swept the sidewalks and cleaned brass for a Doctor Treadwell, who lived in the neighborhood. Once Treadwell commented to George's mother, "That little fellow is going to grow up to be president of the United States." It must have been something in his attitude in performing those menial duties before he went to school. Everything George did, he did thoroughly.

George was sober even as a child. He had large, black eyes and very dark eyebrows that almost grew together. He was small when he was in high school and kept signs on his desk such as "Never cross a small man." Though younger, Grace was taller than George, and more athletic. It was she who taught George to roller-skate and ride a bicycle. When George did grow, however, he became almost six feet tall.

George was mentally alert but physically lazy. He joined the Boy Scouts but gave them up when he discovered that camping was required. If he could ride, he wouldn't walk; if he could sit, he wouldn't stand. After a long article about him appeared in *Fortune Magazine* in 1959, a friend wrote to him playfully, "What's that bunk about your being opposed to physical exercise of any kind? Hell, I remember once you walked up a whole flight of stairs to a speakeasy on 56th Street."

He participated in YMCA activities. True, he learned to swim at the Y; but he preferred to float. He would stand beside the piano at high school sorority and fraternity dances, fascinated by the music, though he was a lazy dancer. He was not agile. He loved the theater, but he refused, well into his twenties, to wear a tuxedo—even when the other men in his party wore tuxedos and his date was in an evening gown. If George could not do something well, he didn't attempt it. He was not good at languages, so he didn't bother to learn. He seemed to know his own capabilities. He was not competitive—except in banking, and he was very good at that.

George, though not a churchgoer, followed his mother's teachings. Laura Woods—herself a church regular—taught the children that they had to do certain things; that there was a right way and a wrong way. She explained very simply her philosophy of life, and the children listened. She continued to attend the Lafayette Avenue Presbyterian Church until, in 1950, she suffered a stroke. All those years, Grace regularly accompanied her. But George, when he was grown—though continuing to heed his mother's teachings—dropped out of church.

It was his mother's idea that George should go to Boys' Commercial High School in Brooklyn rather than, say, Brooklyn Prep or Erasmus Hall High School. Neither George nor Grace could afford to go to college. Grace entered high school at age thirteen, having skipped two grades in elementary school. George, too, was a good student, but he did not pass a required secretarial course (he was not interested) so had to stay an additional term. That was when he started to work in the school's bank, where he attracted the attention of Gilbert J. Raynor, the assistant principal. Raynor recommended George for a position as an office boy at Harris, Forbes & Co. It would not be his first job. He had been employed after school for five months by a local apron manufacturer, at $6 a week, and he was seeking "to improve his position."