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Irving Friedman Chron Files

1966 (3)



The World Bank Group
Archives



1598699

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Irving S. Friedman - Chronological File - 1966 Correspondence - Volume 3

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December 30, 1966

Dear Dave:

I read with interest your letter of December 20.

Like you and many others, I try to follow this balance of payments situation because it has important implications for many things, including the operations of the World Bank. You may be interested to know that the operations of the World Bank have made an important and positive contribution to the U.S. balance of payments problem.

Louise and I join in sending our best wishes for the New Year.

Sincerely yours,

George D. Woods

Mr. David S. Ratty
Sage, Ratty & Co., Inc.
Investment Securities
45 Exchange Street
Rochester, New York 14611

ISFriedman:rgw
December 30, 1966

Mr. K.S. Sundara Rajan

December 30, 1966

Irving S. Friedman

Geographic distribution of IBRD and IDA disbursements

This is in response to your query of December 6 concerning the category of "other disbursements" in the tables on sources of supply of goods and services under IBRD and IDA financing which I furnished you on December 1.

As you know, this category primarily includes disbursements under percentage loans; these are usually loans for civil works or other construction in which IBRD or IDA agrees to finance a percentage of the project. In recent years, such lending has amounted to about one-third of total credit extension by IDA and a slightly higher proportion of IBRD lending; the financing covers construction materials, equipment, labor, engineering and other personal services. It is not always easy to identify sources of all these categories of procurement; however, beginning in fiscal 1965-66, an attempt has been made to reduce the area of uncertainty by sub-dividing "other disbursements" into two categories: (a) "local"; and (b) "undetermined." The figures for that year are as follows:

Sources of Supply, by category,
according to IBRD and IDA disbursements in fiscal 1965-66
(in millions of dollars)

	<u>IBRD</u>	<u>IDA</u>	
Identifiable imports	442.1	229.0	
Local procurement	118.8	22.1	32.4*
Undetermined	107.5	15.8	4.5*
Total disbursements	668.4	266.9	

Source: Treasurer's Department

The proportion of "other disbursements" (including "local procurement" and "undetermined") in total disbursements for 1965-66 is lower for IDA than for IBRD partly because a special effort was made at the end of that fiscal year to identify sources for the former. The "undetermined" category for IDA has been scrutinized relatively closely in order to keep it to a minimum in proportion to identified imports and local procurement.

*Error made by Treasurer's Dept. - see figures given
to Mr. Sundara Rajan by Mr. Hulley February 1, 1967

cc: Mr. Verheyen

JHulley:rgw

Mr. George D. Woods

December 29, 1966

Irving S. Friedman

Some Thoughts on a Proposal for Reconsideration of Development Finance
at the Highest Levels

1. I thought it might be useful at this stage to set down some thoughts on the proposals which you have made for the reconsideration of development finance at the highest governmental levels. I completely agree that if this recommendation is to become a reality the Bank staff will have to give the necessary intellectual leadership by coming up with concrete ideas for those concerned to consider. I also agree that the emphasis should be on coming up with solutions rather than limiting ourselves to the analyses of the problems and statements on the different kinds of needs. I know that there are a number of officials in various donor governments who would be most pleased to have us take this kind of initiative. Informal discussions with such people might well help us achieve both a better understanding of the problems, suggest additional possible solutions, and lay the basis for a good reception for any proposals which may be made in the future.

2. I would like to comment briefly on what I think are some of the principal problems and where we are at present. Many of these thoughts will be familiar to you -- nor indeed are they original to me -- as we have discussed them in various conversations. They concentrate mainly on things which are already being done, or, at least started. These activities indicate that we already have the ingredients for a successful international conference and agreement on a new approach to international finance. What is needed is to proceed from these now separate activities to more permanent international understandings on principles, ~~and~~ guiding policies, and concrete measures.

(a) Public opinion on development finance

There are wide sectors of public opinion, particularly in intellectual and certain business circles, that are favorably disposed to programs of development finance. These views are also reflected amongst various officials in executive branches of governments and have their spokesmen in various legislatures. However, we are all aware that by and large the voter has been rather indifferent to development finance. There is the possibility that as governments move more and more in the direction of dealing with domestic economic and social problems such as housing, air pollution, improved educational facilities, etc., that the voter might even become hostile to foreign assistance if it is presented to him as a reason why certain domestic requirements cannot be afforded. The problem is enhanced by the fact that the executive branches of the principal donor governments seem to be very sensitive to legislative opinion on this issue rather than insisting on legislative support of executive initiative on foreign policy or similar grounds. By doing this they have made the attitude of the voter much more important.

I believe that the attack on this question of public opinion must come from a combination of doing much more to get voter support for development assistance, while at the same time urging the executive branches of the governments to take more responsibility on themselves for programs and not wait for the public to get the necessary understanding and enthusiasm which would move legislatures. In various countries different groups are beginning to take initiatives along these lines, such as the church groups in the United States, but clearly much more needs to be done. The holding of a successful international conference could do much to change the atmosphere both in the legislatures and among the voters. Thus the calling of a conference should not await a change in public attitude.

(b) Magnitude and terms and conditions of development finance

We have gained more or less world-wide acceptance of our \$3-\$4 billion figure or any future revision of it. Moreover, there is agreement in intellectual circles in government and outside of government that development assistance has to be on more concessional terms. We would expect that in any international conference our thinking on this would be closely scrutinized; we could readily meet this challenge if it came. A key task of the conference would be to get the necessary international agreement to convert this general acceptance of greater need into political action by governments.

(c) Performance

There has been remarkable progress since the publication of our Supplementary Finance Study in the acceptance of the concepts of performance as set forth in that Study. We find it everywhere. If we can demonstrate that this approval is workable, and that there is hope for making development finance effective through our approach on economic performance, we will have greatly strengthened both the likelihood of a conference and the likelihood of its success. The logical basis for agreeing to a substantial increase in development finance would be established.

(d) Nature of donor or creditor commitments

Inherent in good performance work is the concept of advance planning or programming by the developing country. This in turn brings about strong pressures if not necessity, for longer-term commitments by the creditor or donor countries. Any international conference could make a major contribution by getting agreement among the principal donors that they would seek the necessary legislative authority to make longer-term commitments, in order to attain improvements in performance and thereby make much more efficient use of the development funds made available. Through our consultative groups we are moving in this direction. Again the more progress we can make in practice before a conference, the easier it would be to achieve agreement at a conference on further steps for the future.

(e) Food

The worldwide concern with the food problem may well offer the opportunity for reconsideration of the entire problem of development finance. Food shortage and starvation are things which are easy to visualize and are dramatic. Meeting the food problem is going to have profound implications for the whole process of development. Although in the public's mind the food problem is largely a question of India and Pakistan, there are other countries, such as Indonesia, the Philippines, and the U.A.R., to whom the food import bill is becoming a major factor in their ability to find foreign exchange to finance development. (I am having compiled a complete list of countries for which the food import bill is a major factor in their financing problems.) We have to do more work on this problem within the Bank. Full advantage will be taken of what is available in other international agencies and governments. We are also trying to broaden our concern with the financing of agriculture to include not only the financing of inputs for production but also to consider how to ensure the avoidance of wastage, spoilage, etc., through storage facilities and other devices. Economic reports dealing with agriculture now will include regularly some paragraphs on what happens to food production to get a clearer picture of this problem.

(f) Armaments

The waste of resources on armaments by poor developing countries as well as the international political implications is another aspect of our problem of development finance with much public appeal. We are including in nearly all our economic reports sections on the armament program and its economic effects. We are thus helping to prepare a factual basis for the formulation of an agreed international attitude on this subject. A firm and coordinated view by donor countries, if feasible, against large armaments expenditures would not only be of great benefit to the developing countries, but would be the kind of action which would give people in the donor countries the feeling that there was coming into being a truly new approach to the problems of development assistance. I believe that it would catch the imagination of both voter and legislator, if it could be done. Again, in our work in the Bank, we could be moving along these lines and helping to prepare the way for the acceptance of this kind of approach by making it more commonplace.

(g) Education

The need for education is one of the accepted truths in all of Western Europe, North America and Japan. Perhaps less dramatic than food and armaments, nevertheless it is relatively easy to obtain public understanding of the need for doing something drastic to overcome the wide educational gulf between the developing countries and the others -- Africa in this respect may indeed be very dramatic. Here too, the more that the World Bank Group can do along these lines to demonstrate that the problem is not insoluble, the more likelihood there is in getting international agreement for taking big steps forward in this field.

(h) Bilateral versus multilateral aid

The great appeal of multilateral aid to the recipients is that it is technical and non-political. In many donor countries there is a growing awareness that increased multilateral aid is desirable and even necessary for the achievement of the political objectives of the wealthier countries I would expect that any international conference would wish to consider this problem, but would come out in the end in favor of a relatively greater role for the multilateral approach, although the bilateral approach would continue to be more important in the total flows of aid. I believe a reasonable objective is to have the World Bank Group be the largest single source of development finance, whether multilateral or bilateral. A replenishment of IDA as proposed would bring us fairly close to this objective and facilitate agreement on further steps at any international conference.

However, if we are entrusted with much larger resources we must expect that the countries providing the money will want us to do the harder and more difficult tasks which are compatible with our principles. They would expect our investment decisions to be based on careful economic and technical scrutiny, not our own institutional habits. Moreover, I believe that if we are to be entrusted with more funds the donor countries as well as the recipients will expect us to be willing to take on more responsibility for leadership in finding solutions to difficult problems. For example, we are already being requested to give advice to consultative groups on what the terms and conditions should be for financial assistance by the bilateral donors. We will be enhancing the likelihood of having a successful international conference if the officials involved would be able to see that a new approach to development finance could be based on existing, respected organizations.

(i) Burden sharing

The question of burden sharing would inevitably come up at such a conference. The one per cent of gross national product formula would probably come up for review. There is widespread discontent with this formula for a number of reasons, including the fact that it is too loose in the definition of what may be counted as foreign assistance for this purpose. There are those who will argue for criteria in addition to gross national product or gross national income. The Americans, for example, may well wish to discuss the importance of balance of payments positions as a factor in the size of contributions. Others might wish to argue the role of shares in the imports of the developing countries, savings potentials, etc. We have been doing some thinking in the Bank but more work could be done. However, I would hope that if there were any international conference that it would not try to proceed to this subject until there had been agreement on the need for giving development finance a top priority. As long as there is no agreement on this the burden sharing exercise tends to be one of higgles and haggles. The achievement of international recognition for a top priority for development finance has been one of the main themes in your proposal for such an international review.

(j) Coordination of aid

As long as bilateral programs continue, there will be a need for coordinating machinery. It is likely to be on the agenda of the proposed international conference. Our consultative groups are filling a real need. Strengthening our work on consultative groups will help lay the groundwork for a successful international conference.

(k) The export problem

The Supplementary Finance proposal could be a major part of a new international approach to development finance. In addition the conference would probably wish to consider other measures in the commodity field such as commodity agreements and how they might be financed. The work being done by FAO in connection with the World Indicative Plan, the UNCTAD people on commodities, the work done on Supplementary Finance, the Coffee Agreement, the Coffee Diversification Fund and the Cocoa Agreement, etc., would probably provide us with an analytical and factual background for policy discussions. There would be other questions such as entry for the new manufactures of the developing countries into the markets of the industrialized countries, which might also be subjects for consideration. Any such conference would probably do well to try to limit itself to development finance rather than all aspects of development.

(l) Encouragement of private capital

Although any conference would presumably emphasize government policies the subject of encouragement of private capital would probably be included. Hitherto what has been done not only by the national governments but also by the formation of the IFC, the SID and the possibility of the Multilateral Investment Scheme, etc., give the basis for some action by the conference, which would consolidate the gains and later, the basis for something further. The work we have done on supplier credits would also be useful in this connection, since there is room for further international agreement on coordinating the action of creditor countries in extending supplier and similar credits. We have made some proposals on this in our Study.

(m) Regional cooperation

Regional cooperation of all forms would also merit attention. Much has been done, the regional banks being the most outstanding example. However, much more could be done to encourage multi-national investments, as in Africa. Again, our ^{own} work in this field provides us with a basis for making concrete suggestions for general policy attitudes as well as on investment decisions.

3. A danger in any conference of the kind being proposed is that it would end up by being another UNCTAD type conference with many resolutions and few concrete accomplishments. It might well prove desirable, out of any list of possible subjects, to concentrate on a few important ones, for which there had been sufficient diplomatic preparation to give reasonable assurance of success.

*CC - India
(original version sent
to Father)*

December 29, 1966

Dear Dr. Shah,

Thank you for your letter of November 29, 1966.

I have received from Mr. Woods the draft of your proposal for "Development Assistance Payments Union". It deals with a problem of great interest to us, namely, how to remove, or at least, reduce the balance of payments restraint on the aid policies of the industrial countries.

As you could readily guess there is much in your suggestion with which I heartily agree, particularly the desirability of finding some other solution than tying. I also find myself welcoming any thinking along the lines of recognizing that development aid is distinctly different from private capital flows, particularly with respect to the implications for the payments adjustment mechanism. I have thought for a number of years that it would be desirable if some way could be found of separating the changes in monetary reserves which result from foreign aid transactions from other changes in monetary reserves, or avoiding any changes in monetary reserves from this cause. Such changes might well result in assets held by monetary authorities or governments which were not transferable into gold and other currencies, or available for payments for ordinary imports.

More recently I have also been exploring the possibility of relating the contribution to foreign aid to the over-all balance of payments positions of countries. I need not tell you that it raises such profound questions as the criteria by which to judge the adequacy of providing foreign aid and that there are those who would argue that this ought to be related to resource availability and not to external financial positions.

I know that many will find a number of difficulties with your suggestion, such as the possibility of using the scheme to shift the real burden of aid problems to other countries. I myself am not so concerned with this kind of problem since I think that you won't get such a scheme or anything like it, if the aim is to devise ways and means of shifting burdens. I think the only hope for such a scheme is a clear decision by the rich countries that they want to provide genuine development financing in adequate amounts and on suitable terms and to do it in such a way as to interfere the least with the international equilibrating mechanism. Once this is agreed the techniques for doing this are many.

The difficulty, as I see it, is getting the rich countries to agree on a sufficiently high priority for development finance. I believe that in many cases we are getting tying of funds not because of balance of payments reasons, but because of export promotion objectives. However, there are some cases of tying for balance of payments reasons, and as you say, this does give urgency to this problem.

I would also like to add the comment that in providing monies for development finance, we ought to be careful not to involve ourselves in schemes which will adversely affect the terms on which assistance is given to the less developed countries. I am sure that you will agree that over the years we must expect a continuous need for development finance to ensure a continuous net outflow of resources from the developed to the less developed countries. I can, of course, see that any scheme for dealing with the balance of payments effects for the rich countries of development assistance need, not parallel the terms and conditions on which development finance is extended to the developing countries. However, any scheme will require permanently available resources, probably in increasing amounts unless the original amount is very large.

I am not trying to give comments on the more detailed aspects of your proposal such as the use of aid certificates or the possibility of the Payments Union having a quota in the IMF. These questions need decision much later in the game, and really do not deal with the basic questions. If I may, I would like to encourage you to work further on the subject, since I think you are dealing with a very genuine problem. The complexity and depth of the problem will manifest themselves as you try to delve more deeply into the subject.

I appreciate that the above ^{personal} comments are not too clear -- the clarity will come after we have thought our way through to a true appreciation of the problem and a logical solution -- we aren't there yet. If in the process of your work I can be of help, please call on me.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Dr. V.C. Shah
Economic Adviser
Economic Mission of India
585 Avenue Louise
Brussels
Belgium

Mr. George D. Woods

December 28, 1966

Irving S. Friedman

Dr. Kan Chen of Stanford Research Institute

You will recall that you sent me an extract from a letter received by Mrs. Woods regarding Dr. Kan Chen of Stanford Research Institute. We have looked into the matter thoroughly and the following is what we have learned:

Dr. Kan Chen is well known to the Projects Department who have received inquiries from him which have been dealt with by General Vogel; he has been to the Bank several times and was last here on October 17 when he was entertained to lunch by Mr. Chadenet and General Vogel. His theory has been studied by the staff of the Projects Department, but so far they do not consider it can be practically applied to any specific project. General Vogel spoke to Dr. Chen on the phone as recently as December 19 and advised him that we had found no other field in which contingency estimates might be needed.

It would seem that no useful purpose would be served by inviting Dr. Kan Chen to make a further visit to the Bank at this time.

Asian Dev. Bank - 0-6
↓ SID

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December 27, 1966

PERSONAL

WBG ARCHIVES

My dear Watanabe,

May I write to you for a moment in my capacity as Treasurer of the Society for International Development. You will recall that we discussed the possibility of the Asian Development Bank becoming one of the patrons of the Society -- I do hope that this is now possible since it will add much to the prestige of the Society and at the same time I hope prove useful to your Bank. The present patrons are the Bank of International Settlements, the Inter-American Development Bank, IBRD, IMF, and the Caisse Centrale de Cooperation Economique.* As you will see this is a most distinguished group and I am trying to limit the number of patrons to this kind of institution.

We have been asking our patrons to contribute between \$3,000 to \$5,000 a year. At the moment the Inter-American Development Bank and the World Bank are contributing \$3,000 each and the Caisse Centrale de Cooperation Economique \$4,000. I hope that the IBRD will find it possible to go to \$5,000. We had originally started with a contribution of \$1,000 a year, but our membership has greatly increased throughout the world and we therefore have need for a larger, though still modest, budget. I am enclosing some literature which may be helpful to you in reaching a decision. I am rather proud of the way in which the Society has developed. I think it has become a major private institution with a true objective, a professional outlook, and a fine international character.

I won't intermingle this letter with thoughts about the Asian Development Bank except to say how pleased I am it has started and you have consented to be its President. I know there are many difficult days ahead for you but I am sure you will find the challenge stimulating and worthwhile. Please call on me if I can be of any assistance -- I am hoping to be out in that part of the world within the next few months and will of course plan to spend some time at your Bank if you are free.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Takeshi Watanabe
Suite 729 New Tokyo Building
2 3-Chome
Marunouchi, Tokyo, Japan

*Also the European Investment Bank and the African Development Bank

cc. SID

Mr. Shoab

December 27, 1966

Irving S. Friedman

Economic Translation Service

I believe that we should make a frontal attack on the problem of the inadequacy of our economic translation services, particularly in Spanish and French. I don't think I have to make the case as to why this is desirable, but I really would like to emphasize that world-wide use is made of our economic material. I have heard many comments from Executive Directors and others as to the great desirability of making our economic studies available more promptly in these other languages. For our African work I think it would be a major contribution and evidence of our token to be of as much help as possible.

I think we have to recognize that economic translations are not ordinary translations. They require not only a knowledge of languages but a familiarity of technical concepts and terminology -- perhaps they are better done by teams rather than individuals -- I don't know.

I would suggest that we explore the following, among other possibilities:

- (a) Close cooperation with the Fund and UN agencies having similar problems -- perhaps there could be a common translation unit for all of us doing economic and financial studies.
- (b) Increasing the number of translators, and if it is a problem, improving their salary and status to the point of attracting the necessary good people.
- (c) earmarking a number of translators as especially available for economic work and if necessary, a program of training to qualify them.
- (d) The possibility of allowing our own staff and perhaps staff of the Fund to make extra income by in effect allowing them to take on as extra-curricular duties with remuneration -- to be done at night -- of translation of economic documents.
- (e) Canvassing of universities as to whether there might be people there, particularly in the graduate schools, who would be eager to earn additional money by such activities.
- (f) The occasional use of professional personnel in the Bank on such translation assignments when they are particularly important. For example, I may ask Mr. Nespoulos Neville or Mr. John Hulley to do a French version of the Suppliers' Credits Study.

I think our aim should be virtually simultaneous availability of French, Spanish and English versions of our economic documents. In this connection I think we should also encourage more writing in Spanish and French by our staff. Perhaps we can even get to the point where a preliminary review of the substance of basic documents could be in the French or Spanish version, if that is the language in which the principal drafter does best.

I am well aware that I am not raising a new problem and that this problem has been given much thought, but the changed role of the economic work in the Bank warrants, I believe, a new look at the importance to be attached to the availability of Spanish and French versions.

cc: Mr. Lajeune
Mr. Kamarck

December 27, 1966

Mr. Woods:

I thought you might be interested in reading this. I have known Lucho Escobar for some years and think he has a good mind.

Irving S. Friedman

(de Vries memo of Dec. 15 1966 to Kamarck --
re economic organization)

Mr. J. Burke Knapp

December 27 1966

Irving S. Friedman

Salient Points Made by Governors at 1966 Annual Meetings

One of the things which I had wanted to talk to you about was the discussion on Salient Points Made by Governors at 1966 Annual Meetings. Among the salient points were, of course, a number falling within the economic area including performance, populations, financing of shortfalls, etc. -- leaving aside the whole IDA discussions.

I wonder whether we ought to be planning for me to comment on any of these things. Mr. Woods has spoken about your commenting on some of the lending questions -- perhaps he would feel that there had been enough meetings on economics lately, but they of course were meetings on the economic work rather than on economic policy questions.

We might get together and talk about this, with other subjects, when it is convenient to you.

5C

Mr. Sacchetti

December 27, 1966

Irving S. Friedman

Press Release - Suppliers' Credits Study

I would appreciate your preparing a draft press release on the basis of the attached release by Mr. Waage.

I think that we should not have any references to myself by name but rather to the Bank staff study. I also think that a little bit more might be said about the origin of the study and about our recommendations.

However, I do feel that the easy-to-read style which Mr. Waage has introduced might be followed as much as possible.

Attachment

Mr. Frank Tamagna

December 27, 1966

Irving S. Friedman

"Belgian Plan"

Should we be saying anything more about the Forthomme "Plan"?
You might like to talk to Mr. Sacchetti about it.

Attachment

"Belgian Plan" file

Mr. Kamarck

December 27, 1966

Irving S. Friedman

Country Files

Mr. Raj spoke to me on behalf of the IFC on the question of country files. The IFC would appreciate very much if, in the economic country files, there would be information on industries to which they would have access. I told them I thought this could be done

I also reiterated the invitation to have Mr. Raj attend meetings of our Economic Committee if interested. I said that we would keep him informed of what was coming up so that they could decide for themselves what would be of interest to them. I believe that we should not send them the documentation unless they indicate an interest in it, but did make clear that we were prepared to send such documentation if requested.

cc: Mr. Owen
Economic Advisers - Area Departments

EC - general

Mr. Owen

December 27, 1966

Irving S. Friedman

"Follow-up on Economic Committee Recommendations"

I believe that we should add in something on what I would like to have before a proposal is given to the Loan Committee. I have already indicated that I would like to see the draft of the economic section of the President's Report. Experience indicates that it would be better to see these in draft before they go to the Loan Committee, if at all possible. I think we also want to make clear that in these economic paragraphs we would express our concern about the country, as well as the good points and our over-all conclusions. We should try to avoid in this section glossing over the difficulties a country and ourselves are encountering. I think also we might include the suggestion, which is already being followed in a number of cases, that the Economic Adviser of the Area Department and the person who is going to make the economic presentation, have a brief discussion with me before the Board meeting. I would like also to be informed when it is decided not to have a presentation to the Board in sufficient time to register a different view if I disagree.

There may be some other points which ought to be covered -- would you give them some thought? What I would like is a memorandum which in effect consolidates existing written and oral requests, together with any new points, which makes this clear. Therefore the memoranda now being sent would be a handy reference and a substitute for all the others. Its subject matter would be a suggested follow-up on Economic Committee recommendations. I would, therefore, for example, like to include a request for copies of relative correspondence and Minutes of meetings, in addition to that which is contained in your paragraph 2. I accept the idea that such correspondence and Minutes may be a substitute for your suggested paragraph 2 (ii). I don't think that our memoranda should contain references to copies to Mr. Knapp, but rather at the end of the memorandum we should make a general statement that we have, of course, no objection to copies being sent to Mr. Knapp of any memoranda being sent to me.

cc: Mr. Kamarek
 Mr. de Vries
 Mr. B. King
 Mr. U. Sacchetti

Mr. Ugo Sacchetti

December 27 1966

Irving S. Friedman

Suppliers' Credits Study

Could you please find out where we are on the French and Spanish translations of the Suppliers' Credits Study. I have spoken to Lars Lind in the past about this and I think something has been done. If it isn't already well advanced I have been thinking about asking either Mr. Nespoulos Neville or Mr. Halley to prepare a French version, but perhaps it isn't necessary.

Mr. S. Aldewereld, Mr. A.M. Kamarck,
Mr. J.H. Adler and Area Department Directors
Irving S. Friedman

December 23, 1966

Research Studies

In the discussion on the economic work of the Bank at the Board a few weeks ago, the request was made by some Directors that we provide them regularly with a list on the subjects of research studies underway in the Bank.

I would appreciate it if you would let me have by January 13 a list of any research studies that are underway in your department which could be included in such a report to the Board.

I would suggest that you include in the list only those research studies which are sufficiently well underway to warrant the belief that they will be successfully completed. We do not need to give any detailed report on each study, the title, if it is sufficiently informative, should be enough.

cc: Mr. Aldewereld
Mr. Kamarck
Mr. Adler
Mr. Alter
Mr. Cargill
Mr. Cope
Mr. El Emary
Mr. Owen (for information)

Mr. George D. Woods

December 21, 1966

Irving S. Friedman

IDA Replenishment

1. I am attaching a table (done in the same form as the ones I gave you yesterday) showing the projection of IDA cash drawings on the U.S. and related operations under the latest 60-40 proposal, assuming \$1 billion annual rate of IDA lending. In view of our expressed opposition to this scheme I am not sending this table to the Treasury in fear that it might imply that we were giving the 60-40 proposal serious consideration. However, the exercise is useful since it demonstrates:

(a) That the idea of deferment of unconditional contribution for a two-year period is not likely to prove difficult although I believe that we should continue to argue that if needed the funds must be available, (any forecast is only a forecast!)

(b) The 2-1 scheme results in more deferment of unconditional contributions and less accumulation of unused conditional contributions than the 60-40 scheme. The rough estimate of accumulation of unused conditional contributions totalling \$300 million from all countries, is borne out by the statistical exercise. Nearly half of this unused conditional contribution would be coming from countries other than the United States, essentially because there is no balance of payments test for the non-use of conditional contributions. If there were a balance of payments test for the non-use of conditional contributions as is being suggested for the deferment of unconditional contributions, then the total accumulation of unused conditional contributions would be cut about in half.

2. The attached table assumes that the World Bank contributions are being made at the rate of about \$100 million per year for three years. Without the World Bank contribution all of the schemes, including the 2-1 scheme, become much less feasible. The World Bank funds, at least in the earlier years, are not only offsetting the unused conditional contributions but providing liquid useable funds to offset the effects of deferment of unconditional contributions.

Attachment

cc: Mr. Demuth (12/22)

Mr. George D. Woods

December 22, 1966

Irving S. Friedman

IDA Replenishment

You will recall that you asked about the last IDA replenishment and the period of time it was intended to cover. According to the Report of the Executive Directors of September 9, 1963 to the Board of Governors on Additions to IDA Resources ~~states that~~ "This amount of new funds together with the balance of existing resources, should be available for new commitments for the period up to at least June 30, 1966." I am attaching a paragraph from the Annual Report of 1963/64 which also repeats this language.

Your proposal of July 14, 1966 (page 5) states "I propose that IDA resources be replenished by Part I countries from the present level of \$250 million per year to \$1 billion per year for three years . . . although this replenishment should be in a form enabling IDA to make firm commitments against its payments pursuant to the replenishment need not begin until fiscal 1970." In the July proposal it was earlier stated that the existing uncommitted IDA resources were likely to be committed by early 1967.

For a few weeks in September there was some fuzziness about what your proposal meant for the commitment level, i.e., the credit extensions by IDA on the basis of the proposed replenishment. After a meeting in your office attended by Mr. Demuth and myself, it was agreed that we were contemplating credit extensions of \$1 billion per annum commencing in 1967/68 and this was reflected in the tables sent to the Treasury on September 30 and ever since.

Mr. Mohamed Shoab

December 22 1966

Irving S. Friedman

Budgetary Procedures

In revising the budgetary procedures in the Bank, I would suggest that we think in terms of a functional or program control. That is to say, the budget should be analyzed on the basis of function rather than on the basis of department.

In my field, for example, the budgetary unit should assemble the information on needs and budgetary requests on the economic work done in various parts of the Bank. This should then be discussed with The Economic Adviser to the President. The decision as to the number and kind of personnel needed would then be taken on the basis of the need and demand for economic work throughout the Bank.

(cc to Mr. Kamarck)

December 22, 1966

Dear Chief Adebo:

Thank you again for a very stimulating lunch, it was an unexpected pleasure.

I was very much in earnest when I asked whether you had names of African economists to suggest to us for possible employment in the World Bank. I would be very glad to receive the names of such people and thought it might be useful if I were to enclose some copies of our application form. We are quite proud of the international composition of our economic staff and I am eager to broaden it to the extent that availability of personnel permits. I was gratified to hear your words of praise of the World Bank work - in our field we can all use encouragement!

With warmest greetings and best wishes for a happy Christmas and New Year.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Chief S.O. Adebo
Permanent Mission of Nigeria to the
United Nations
757 3rd Avenue
New York, N.Y. 10017

Mr. George D. Woods

December 21, 1966

Irving S. Friedman

IDA Replenishment

Attached hereto is a set of tables which we had sent over to the Treasury prior to this morning's meeting. We have also sent over to them, at their request, the working sheets and tables which lie behind the attached tables.

The Treasury people seem to be quite happy with these tables. I believe that you will find they set forth quite clearly the U.S. balance of payments (line 5 minus line 1) and IDA-financing implications of the various proposals we have discussed.

Mr. Demuth and I will be reporting to you separately on this morning's meeting.

cc: Mr. Demuth

Mr. George D. Woods

December 14, 1966

Irving S. Friedman

Some Thoughts on IDA Replenishment

1. As a follow-up of our discussions the other day on the IDA discussions with the Treasury I would like to suggest the following as a possible Bank position. I appreciate that it may be too early to suggest because of reasons summarized in para 3 below. You will note that it tries to draw from the most recent discussions with the Treasury as well as our own past experience and thinking on the subject over these many months.

(a) The distinction between conditional and unconditional funds would be dropped. Any proposal is presumably basically attractive because it reduces the budgetary burden or relieves the balance of payments. The use of a conditional tranche, if based on so-called lapsing of renewed portions, does not help the budgetary situation since there would be no refunding; indeed any scheme for so-called accumulation would really not help the budget since any refunding would come only after many years. From a balance of payments view point the same can be accomplished by the suggestions below. The positive advantage of dropping the conditional tranche approach is that it would avoid other countries (either in their executive branches or their parliaments or congresses) trying to add onerous conditions of their own, and it would avoid misunderstanding whether IDA was now accepting so-called tied funds. I appreciate, of course, that we are not talking about tied funds in the usual sense of the word, but I cannot see how even the relatively sophisticated in government and otherwise will not confuse what we have been discussing with the popular notions of tying. Perhaps, most important of all, it would not be taken as in effect a way of reducing the U.S. contribution as well as raising an additional element of uncertainty in the management of IDA (i.e. additional to uncertainties resulting from deferrals in usage of contributions for balance of payments purposes).

(b) All supplemental contributions would be contributed as in the past. However, they would be subject to the proviso that when a country was in serious balance of payments difficulties, the IDA would so far as possible not make use of its contributions except in the amount equivalent to what was being spent in the contributing country. (The test of serious balance of payments difficulties could be a country's position in the IMF, say, the Fund's holdings of its currency at 100% or 75% or more in the Fund. My own preference would be for 100% since the use by countries of the so-called gold tranche is regarded as equivalent to the use of its own resources; thus a country does not become a debtor in the Fund until it is at 100%, i.e. until it has exhausted its gold tranche.) Thus all concerned could be told that IDA would seek not to add to the balance of payments difficulties of any country and thus in critical years could be a better defense than current tied aid programs.

(c) The IDA would use the currencies of countries in balance of payments difficulties up to the amount of procurement; the remainder could be deferred, either indefinitely until needed or for a three-year period of time. From IDA's point of view the indefinite deferment approach would be preferable because it reduces the uncertainty of not having sufficient funds to meet commitments; as a matter of fact in most years it also gives more relief to countries in balance of payments difficulties because it does not involve a firm commitment to free the postponed funds after three years. The suggestion that no encashment of the unconditional contribution of a country in balance of payments difficulties be made until all other unconditional contributions are used is logical and, perhaps defensible. But, it means that operations with IDA not only don't add to balance of payments deficits, but actually contribute a surplus to the balance of payments. I think this goes too far in accepting the use of IDA operations as a balance of payments support for rich countries in balance of payments difficulties.

(d) The countries would be asked to make commitments over a four-year period of time beginning in 1968-69 averaging \$750 million per year, or \$1 billion a year for three years beginning in 1969-70; this would enable IDA to commit \$1 billion a year for three years beginning next year. A possible substitute - inspired by a suggestion made to me today by Mr. Demuth - is to commit \$1 billion a year for two years leaving open for further negotiation the obtaining of additional funds necessary for commitments after that period of time.

2. The above suggestions would thus meet the balance of payments argument and no other. I believe that it will be difficult enough to convince other countries to accept the balance of payments argument without also trying to get them to accept other arguments which are really related to resource contributions or budgetary difficulties, or both. Moreover, it might prove most inconvenient if they were to accept such arguments, because we would thus probably have to cope with proposals from other countries, since "problems" of resource contribution and budgetary difficulties are universal.

3. From the view point of our relations with the Treasury, it may be argued that we are more or less committed to our 2 : 1 approach. If by chance the Treasury returns to that suggestion without modification we might then feel committed to it. However, an intrinsic part of our proposal was sufficient financing for \$3 billion of commitments. If the Treasury accepts this proposal, including the magnitudes as defined in our talks, it might be preferable to be prepared to explore this suggestion with other countries, leaving it to the latter to indicate their concerns, if they have any. However, if the Treasury does not buy the 2 : 1 proposal in virtually its original form, then I would feel that we were free to come back with any thoughts we thought sensible in light of our discussions. My own guess is that those in the Treasury who are trying to support our replenishment are not wedded to the idea of two tranches - conditional and unconditional - but have been willing to consider them as

Mr. George D. Woods

- 3 -

December 14, 1966

something which was agreeable to the World Bank and which might satisfy certain sentiments in the Congress.

4. Needless to say, unless there is a change in signals, I will continue to do what I can to defend and explain our 2 : 1 proposal in its original form. In the meantime, we are proceeding to prepare the statistical tables we agreed on at the last meeting of the Treasury. These are being done in consultation with the Treasury technicians.

cc: Mr. Demuth

S. C.

Mr. George D. Woods

Irving S. Friedman

Study on Supplier Credits

DEC 15 1966
196 1 6 200
WORLD ARCHIVE

I attach the draft of the Study on Suppliers' Credits prepared by the Bank staff in response to a request by the United Nations Conference on Trade and Development.

To the extent possible comments on an earlier draft received from the staff of the Bank and from agencies and individuals outside the Bank have been incorporated. The Annexes which are mentioned in the Study and which were attached to an earlier draft, are not materially altered and for this reason are not distributed again.

The draft is being edited and some editorial changes, including shortening where possible, will be introduced before the Study is released.

As it would seem desirable to issue the Study before Christmas, it would be appreciated if any comments could be received no later than December 20.

I am exploring with Messrs. Broches and Mendels whether this Study should be sent to the Executive Directors for comments before sending it to Mr. U Thant.

Attachment

cc: President's Council

Mr. Mendels
Mr. Schmidt

DECLASSIFIED

AUG 16 2023

December 14, 1966

WBG ARCHIVES

Personal

My dear Strong,

I enjoyed the opportunity of your much too brief visit to Washington to see you again and continue our exchange of thoughts. You will recall I said that I did have some ideas on how Canada might effectively use its growing foreign aid within the framework of tied procurement.

As you know, I think very little of tied procurement. It is bad economics for the country concerned unless it is in a state of recession, if not depression, and even then I wonder if this would be quite the way to encourage increased exports. Because of my feelings about tied aid I would promote any and every opportunity for introducing competitive bidding. I was very glad to hear that you had a number of ideas along these lines. I won't dwell on this problem of tying since I know that you are well aware of the implications of tied aid and there are many in Canada who have the same views as myself on this.

Within the framework of tied aid, I think it would be very helpful if more countries' foreign aid programs were kept as free from other conditions as possible, or, in other words, could be used for any or all purposes which the aid administrators felt desirable. Thus, I would avoid getting locked into a rigid policy on such matters as project -v- program financing or local currency financing, etc. Existing institutions, national and international, are bound to be influenced greatly by past practice. A country which still has flexibility can fortunately make the difference between success and failure in a cooperative or collaborative venture to help a country, say a consultative group, by providing the kinds of external monies which are necessary for a successful development effort but which at the same time other lenders or donors cannot provide for institutional reasons.

I also would strongly recommend that external assistance be related to well screened programs and wherever feasible in partnership with other institutions or donors with similar standards. My own conviction is that the screening should include economic performance tests which are reasonable in the sense that they can be realized by governments which give economic development a high priority but are not unrealistic in the sense of being in the realm of the theoretical or the politically impossible.

I am also deeply convinced that it would be very useful if an important donor country could lead the way in undertaking longer-term commitments. We are more and more urging on developing countries the need for programming investment and related policies over some number of years, say five years, at the same time donor government commitments tend to be limited to one year. This lack of symmetry introduces a major element of instability which weakens the willingness and determination of the developing countries to carry on successful development programs. My own objective is to try to make the process of development as non-political as possible, i.e., something that goes forward despite major changes in governments -- something

like our high levels of employment policies in the industrial world. If we could get the developing countries involved in long-term commitments this would become much more possible, but, in doing so, we are greatly handicapped by the "annual" approach of most, if not all, bilateral donors.

In some way I believe that our official aid programs, national and multinational, have not provided sufficient incentives to private people and groups within the developing countries and outside, to bring the capital and technical talents which they could muster if they felt it profitable to do so. Economic history, for example, is full of cases wherein debtor countries have in effect used the leverage provided by the eagerness of private creditors to get paid to make these creditors do things which assisted the economies of the debtor countries. I am not suggesting the same thing be done now, but I do feel that if we keep asking ourselves the questions of how can we induce more investment by private investors by making it more profitable for them or easier for them to do their business profitably, we might be able to do more with our foreign assistance monies. The IFC is an example of this on the international level, where we in effect try to take advantage of the international shortage of capital, or the widespread concern with the risk of investments, etc. by having a simultaneous participation by the IFC with private firms. Closely related is my feeling that we have not done enough to involve people in the developing countries on the community level in this process of development finance. We tend to deal with governments or publicly owned enterprises or large corporations. We don't involve others who might naturally be our allies and bridges, with these local communities, such as professional people, smaller businessmen, the church, etc. Moreover, we emphasize the "big" rather than the "small" achievement.

I appreciate that these last points are rather vague because they are not being done, except sporadically, and therefore hard to describe. For example, I have been told repeatedly by people who have looked into the matter that very small storage facilities on individual farms in Asia equivalent to the container in which gasoline or oil is shipped, would greatly change the availability of food supplies. This would attack the problem of spoilage and waste on the farm itself. For some reason or other it does not seem to prove practical to do such relatively small things -- that is, small in the amounts spent or the units involved -- while it seems easier to convince people to do things which are much bigger. If, for example, Canada could be the country which undertook to provide the funds and monies to eliminate food wastage and spoilage, it might prove to be a tremendous contribution for relatively little monies.

These ideas are, of course, my own. I have deliberately not tried to ask whether others in the Bank agree. I can only say that I am heartened by the thought that there is someone who is not only interested in new ideas, but whose personal and institutional position does not mean that any new idea becomes an old one in the process of adaptation to the institution.

If the above thoughts provoke you to raise questions, please ask them.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Maurice Strong
Director General
External Aid Office
75 Albert Street
Ottawa 4,
Canada

PS: Since many of my own views on development finance are embodied in the Bank study on so-called supplementary finance, I am taking the liberty of enclosing a copy of the Study which has received extensive circulation and comment and is well known to a number of your Canadian colleagues.

Area Department Directors

December 13 1966

Irving S. Friedman

Clearance of Economic Sections of a Draft Report and Recommendations of
the President to the Executive Directors

May I draw your attention to my memorandum of October 27.

I would like to express my appreciation for the fact that I have been receiving drafts of the economic sections of the President's Reports. Some Departments seem to be finding it more useful to send the economic sections before the Draft Report and Recommendations of the President are sent to the Loan Committee.

This is quite satisfactory to me and I would be happy to meet any deadline in order not to hold up any papers to the Loan Committee.

I would, however, like to draw your attention to paragraph 2 of the memorandum of October 27 and reiterate the request contained therein. For your handy reference I am attaching a copy of the memorandum.

Mr. Alter
" Cargill
" Cope
" El Emery
" Kamarck.

(↓ Kraft)

~~Step~~ CB - China
(Refer to EC. Paper)

Mr. Kamarck

December 13, 1966

Irving S. Friedman

Please prepare a reply for me to Mr. Demuth's memo of December 12 on Technical Assistance on Fiscal Matters.

As I recollect it we were talking about a very different kind of fiscal problem than is covered by the Fund's technical assistance and that you had already discussed this with the Fund.

Attached:

Mr. Demuth's memorandum
Technical Assistance on Fiscal Matters

Dec. 12 1966

Mr. Shoalb

1220

You might be interested in seeing this. Would you please return it when you have finished with it? I would have no objection to your making a copy if you find it worthwhile.

Mr. S. Hartz Rasmussen's memo to Mr. Friedman on
Research Files)

Dec. 12 1966

Mr. Kamarck and

800

Mr. Avramovic

1033

Your comments on this would be appreciated.

Memorandum from Owen re Implementation of Economic Cttee
Recommendations - dated Dec. 12

Dec. 12 1966

Mr. de Vries

800

Could you have someone prepare an
appropriate reply for me on this?
Thanks.

re letter from Addison W. Parris
Rec. Dec. 8 1966

SFS

Dec. 12 1966

Mr. Kamarck

800

Is there anyone in the Economics Dept.
or elsewhere who could give us the
gist of this?

Mr. Luis Machado

December 12 1966

Irving S. Friedman

Thanks very much for sending me the statement of Mr. Emilio Zea
Gonzalez of the Secretariate of the Central American Economic Council
on Supplementary Financial Measures.

Dec. 10 1966

Mr. Kamarck and

800

Mr. de Vries

What do you think - particularly in
light of the comments made in Mr. Shoaib's
memoranda to Mr. Woods.

re Owen's Dec. 8 memo Terms of Reference and Back-to-Office Reports
be sent to Economic Cttee Secretariat.

Mr. George D. Woods

December 9, 1966

Irving S. Friedman

Statistical Material used in IDA Discussions with the US Treasury

I understand that Mr. Demuth is arranging for a meeting of the two of us with you on the discussions with the Treasury. As he may have informed you, we have agreed to have another meeting with Mr. Knowlton and his staff a week from Wednesday - December 21 - and to use the intervening period to finalize our statistical tables in consultation with the Treasury technicians. I think this timetable is quite feasible - indeed, we do not really need all this time but Mr. Knowlton is going to be away next week and the following week we have the ECOSOC meeting on Tuesday.

For our own meeting next week, you might find it useful to glance at the attached materials, which have been sent in the last week or so to the Treasury: (a) a statement of the U.S. Treasury proposal as elaborated by ourselves in consultation with them; (b) a statement of the assumptions on which we did the attached statistical tables; and (c) the statistical tables which we discussed today.

I believe that the principal gains from our discussions thus far, which are, or will be, reflected in our statistical tables, have been:

- (1) Showing the difficulties for IDA of a 50-50 scheme as compared with a 2-1 scheme in terms of the elements of uncertainty which it raises for the management of IDA about the availability of funds in the future and the impact it might have on other countries because it implies that a large portion of the U.S. contribution will be unused.
- (2) Getting a better appreciation of the Treasury proposal for lapsing of unused conditional contributions as against accumulation over the years for future possible usage, or disposition. The original Treasury proposal provided for lapsing on an annual basis of a significant proportion of a number of conditional contributions. They are no longer insisting on an annual basis for calculating lapsing or accumulations.
- (3) The original Treasury suggestion that there be deferrals of unconditional funds for balance of payments reasons for a specific period of three to five years has now been reopened. In any case the deferral period has been cut back from five to three years in the Treasury proposal, and the Treasury is presumably giving further consideration to whether deferral should be only for as long as IDA finances permit, or whether it ought to be for a specific period of time.
- (4) Originally the Treasury suggested a limitation on local procurement to 10% of total IDA. We have now agreed to drop this point and merely speak in terms

December 9, 1966

of identifiable procurement and assume that 85% of procurement can be identified. I believe that this assumption involves much less policy constraints for IDA than a working assumption of 10% local procurement limitation. Discussions on this with Cope and others had indicated that the 10% local currency constraint would in their opinion operate as an important factor in limiting our financing of suitable projects.

(5) The original Treasury proposal had made all countries in balance of payments difficulties eligible for deferring the use of their unconditional funds. It is now agreed that deferment should only be for countries who are both in balance of payments difficulties and whose IDA operations contribute to these difficulties. Furthermore, it has also been agreed that this operation should be available only for countries where these balance of payments difficulties can be regarded as serious and not for any country which can statistically show a deficit in any particular year.

I hope and believe that we have managed to make clear to them that our statistical presentations do not imply full agreement with the proposals being made, even as modified so far, for example the reduction in the U.S. contribution to 40%, as well as other important questions. Mr. Demuth and myself have expressed certain reservations on the Treasury suggestions and we do not have identical views on this, but it is probably better to state our views to you at the time of our joint meeting.

All in all, Mr. Demuth and I believe that substantial progress has been achieved, though difficult issues still remain.

cc: Mr. Demuth

Attachments

P-1

MR & MRS BIMAL JALAN
61 BALLYGUNJE CIRCULAR ROAD
CALCUTTA

December 9, 1966

Full Rate

INDIA

SORRY WE ARE NOT THERE STOP WARMEST WISHES FOR FUTURE HAPPINESS STOP
LOOK FORWARD TO MEETING BRIDE AND GIVING CONGRATULATIONS PERSONALLY

EDNA, IRVING, JOHNNY AND KEN

IRVING S. FRIEDMAN

The Economic Adviser to the President

IDA

December 8, 1966

Dear Win,

I am attaching a table which tries to give answers to most of your three questions. It does not include, as yet, the answer to the question of the impact of deferment of unconditional contributions up to the time limit imposed by IDA requirements for cash to meet disbursements. This has involved us in some heavy sailing because it requires a much more detailed analysis of countries other than the United States on a year by year basis. We are trying to do this, at least approximately, and I hope to be able to bring it to the meeting tomorrow.

In the meantime, I think you will find the attached table does answer many of the questions which we discussed on Wednesday. May I say that I appreciate that it makes difficult reading, but would urge that before doing so, any reader refresh his memory by reading my aide memoire to you of yesterday.

I am also enclosing some further material which may be of use and interest.

For your convenience I am enclosing six copies of the material.

Sincerely yours,

Irving S. Friedman

Mr. Winthrop Knowlton
Assistant Secretary
U.S. Treasury

cc: Mr. Hirschtritt
Mr. Merchant (2)

A-2

Dec. 7 1966

Mr. de Vries

800

Would you see Mr. ^{MEDINA} ~~Verman~~, plus whoever
else you think he should see. I am free
during the afternoon and would also like
to see him. Thanks.

IDA

December 7 1966

Dear Win,

I thought it might be useful if I were to put down the three questions as I understand them and the assumptions on which our three tables are being made.

Please let me know if you have any difficulty with this since my people will be working away on this basis. Incidentally, please be assured that we are keeping this confined to a very small group in the Bank.

Irving S. Friedman

Mr. Winthrop Knowlton
Assistant Secretary
U.S. Treasury

cc: Mr. Hirschtritt

Dec. 6 1966

1. Mr. Kamarck	800
2. Mr. Owen	1066

Let's talk about this -- is Sub-Committee
meeting a replica of Economic Committee?

EC/F/66-22 - Sub-Committee meeting on Greece

Dec. 6 1966

Mr. Kamarck

800

Could you or someone in your Department
please give me your views on this? Thanks.

Mikesell's mss on The Economics of Foreign Aid.

PC Docs.

Dec. 6 1966

Mr. Kamarek

800

OK with you?

Lejeune/Fraser revised draft of Nov. 29 1966
on Basic Elements of a Revised Air Travel Policy

0-4

December 6, 1966

Dear Mr. Kristensen,

Thank you very much for the copy of your paper *The Economist and Farm People in a Rapidly Changing World*, which I am sending to my colleagues for their information. I am sure we will all find it of interest.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Thorkil Kristensen
Secretary-General
Organization for Economic Cooperation
and Development
2, rue Andre-Pascal,
Paris, XVI^e
France

(~~xxxx~~ sent to Kamarck & Takehashi)

Dec. 6 1966

Mr. Owen

1066

Greece: Please make sure they are
acknowledged with thanks and used.

Rolf Evensen's (IMF) comments on Greek report.

IDA

Mr. K.S.S. Rajan

December 1, 1966

Irving S. Friedman

Geographic Distribution of IHRD and IDA Disbursements

Mr. Kamarck relayed your inquiry to me on the above subject. The attached tables give this information by fiscal years for some of the industrial countries. The line "all other countries" covers the remaining countries other than that of the borrower. The line "other disbursements" includes payments for local procurement in the borrowing country as well as for procurement where the source is unidentified. I hope this will be helpful.

JHulley/w

cc: Mr. Kamarck

P-1

December 5 1966

Dear Eli,

Thanks for your letter of November 30.
I would of course be delighted to appear at
a seminar of yours in April next and look forward
to doing it.

Sincerely,

Irving S. Friedman

Professor Eli Shapiro
Harvard University
Graduate School of Business Administration
Soldiers Field
Boston
Massachusetts 02163

Dec. 5 1966

1.Mr. El Emary	541
2.Mr. Lejeune	1210

I would appreciate any comments which
I might use in replying to Mr. Sherman.

(request for consultant employment -- Africa)
Charles Dunbar Sherman
~~Frank~~ Lope de Vega 9
Las Palmas
Grand Canaries

also--

President
The West African Investment and Finance Corp
Ducor Inter-Continental Hotel
Monrovia, Liberia

Dec. 5 1966

Mr. de Fontenay

1019

Thank you for the draft reply to Dr. Shah.
We have since received a further letter --
Does your draft cover the points raised in
the Nov. 29 letter.

NOT SENT YET
12/14

Mr. Woods

December 2 1966

Irving S. Friedman

You may find Section III (beginning on page 5) of Mr. Samuel's speech of interest. He draws attention to the virtual inability of the LDC's to obtain finance from private investors in the capital markets. This he feels may be due to the lack of marketability of LDC issues after offering, and suggests that "perhaps, in shaping the future of the capital market, attention should be given to the feasibility of some form of limited discount facilities within the framework of the IMF or the World Bank for certain publicity-issued notes and bonds of less developed countries".

Attachment:

"The Shaping of the Future - International Money and Capital Markets"
National Industrial Conference Board Panel - comments by
Mr. Nathaniel Samuels.

NOT SENT YET
12/14

Mr. Woods

December 2 1966

Irving S. Friedman

This whole statement is quite interesting. However, for the purpose of a "quick look" I have marked the following sections:

- (1) Summary of Recommendations - pages 18-20.
- (2) Foreign Economic Assistance and balance of payments - pages 52-54.

Attachment:

"The Dollar and the World Monetary System"
Committee for Economic Development

EC - General

December 5, 1966

Mr. Owen -

I would appreciate very much if you would make a clear cut distinction between economic performance and creditworthiness as "issues" before the Committee.

I am afraid I don't understand the message which I got about creditworthiness and the figure of \$15 million, but perhaps this has been solved by the changes I have made.

Irving S. Friedman

December 1, 1966

Dear Mr. Paijmans,

Thank you very much for sending me a copy of your memo on the OECD's Economic Policy Committee Meeting. I have already seen this memo as a copy was routed to me by Mr. Kamarck and another copy by Mr. Demuth, but I do appreciate your thought in sending a copy for my own use.

Sincerely yours,

Irving S. Friedman

Mr. Martijn J. Paijmans
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris (16^E), France

Mr. Carlos Azevedo

December 1, 1966

Irving S. Friedman's office

Inscriptions

Please have pen set inscribed as follows:-

PAULO PEREIRA LIRA
December 1, 1966

and keep medium pen.

On the brief case please have it inscribed with the following initials:

E. M. F.

November 30, 1966

Dear Gardner,

I have been looking through your book on Discrimination in International Trade and happened to glance at the preface. I do want to thank you for the kind acknowledgment, and can only hope that the hours we spent in discussion were of some use to you, I know that I found them enjoyable and stimulating.

I am glad that so much of this stuff has now been thoughtfully organized and analyzed. I regret not having paid more attention during the course of my career to writing up for publication experiences I have had, which might be of value to others. I am trying not to repeat this mistake in my present job in the World Bank.

I am enjoying my new assignment very much since it is at the creative stage. I think you might find interesting a statement I made to the Board the other week on the economic work of the Bank, although it deals with matters of philosophy, organization and structure, rather than the details and substance of the economic work.

Do you ever come to Washington? If you do, needless to say I would be most happy if we could get together.

With warm regards,

Sincerely yours,

Irving S. Friedman

Dr. Gardner Patterson
University of Princeton
Princeton, N.J.

November 30, 1966

Dear Tony,

Thank you very much for sending me a copy of the letter to Mr. Lackner on the use of computers in the developing countries. I am sending this on to others who are interested in this as well as myself.

How about lunch? I am sure we have much to exchange!

Sincerely yours,

Irving S. Friedman

Mr. Anthony M. Solomon
Assistant Secretary for
Economic Affairs
Department of State
Washington 25, D.C.

Mr. Pieter Liefstinck

November 30, 1966

Irving S. Friedman

Natural rubber development and supplementary financing

I believe you will find of interest the attached note on natural rubber and supplementary financing. I endorse the views expressed in this memo.

I am keeping the related papers for the use of the Economic_s Department.

Mr. Livingston T. Merchant

November 30, 1966

Irving S. Friedman

Attached is a table on IDA disbursements for procurement of goods and services, showing the country of origin of imported items where it is identified. The line "Other disbursements" includes both local procurement in the borrowing country and procurement where the source is undetermined.

If you would like to have a more elaborate analysis we would be glad to undertake it, but perhaps we might chat as to what it might include.

Attachment

cc: Mr. Demuth

Mr. Woods

November 29, 1966

Irving S. Friedman

IDA Replenishment - U.S. Treasury

1. Attached hereto is the set of tables and notes designed to illustrate some of the effects of the informal suggestions received the other day from the U.S. Treasury on IDA replenishment. Copies of these tables were given to Mr. Merchant today at the meeting which Mr. Demuth and I had with him.

You will note that these tables do not try to conceal the inherent complexities of these informal suggestions and much more would need to be done to develop the full implications of any such approach. However, I believe they would all tend merely to reinforce our original adverse reactions.

2. The attached tables are based upon my understanding of the informal Treasury proposals, which are summarized as follows:

A. The second replenishment of IDA will be in three annual installments, beginning in the year immediately following that of the last installment of the first replenishment. The amounts will be, in total:

Suggested Installments of Second Replenishment

<u>Fiscal year</u>	<u>\$ million</u>
1968-69	600
1969-70	800
1970-71	1,000

B. The installments will be divided into conditional and unconditional halves.

- (i) The conditional half may only be used to pay half the cost of IDA-financed procurement identifiably occurring in the contributing country; any amount not so used lapses at the end of the year.
- (ii) The unconditional half may be used for any IDA expenditures. However, half of this half (i.e., a quarter of the total contribution) may be postponed for five years, if the contributing country certifies that it is in difficulty on its balance of payments.

Attachment

cc: Mr. Demuth

Mr. Jorge Mejia Palacio

November 29, 1966

Irving S. Friedman

Supplementary Financial Measures

This is in reply to your memorandum of November 14. Mr. Kamarck will be going to South America in January and I have asked him to spend a few days in Rio to be available to answer questions on Supplementary Financial Measures.

Mr. Kamarck or myself will inform you, as soon as possible, of his itinerary.

Mr. Owen

November 28, 1966

Irving S. Friedman

Spain

In view of the rewrite is III Conclusions and Recommendations really necessary? Perhaps II could be called Discussion of Policy Issues and Conclusions and Recommendations.

I find only para. 9 having a point which is a little bit new and that could be included somewhere else.

Attachment

People seen during visit to Cambridge, Mass. November 23-27, 1966

Robert Z. Aliber
School of Business
University of Chicago

Stefan Roebuck
School of Business
University of Indiana

Arthur Bloomfield
University of Pennsylvania

Peter Kenen or Al Hart
Columbia University

Roy Blough
School of Business
Columbia University

Larry Ritter
Professor of Finance
Graduate School of Business Administration
N.Y. University
100 Trinity Place
N.Y.C.

Les Chandler
Princeton

Ed Mason

Carl Kayser

Gottfried Haberler

Argentinian (?) - MEDINA (?)

Mr. Andrew M. Kamarck

November 28, 1966

Irving S. Friedman

Brazil: Economic Section of President's Report

I am looking forward to having your comments on Mr. Weiner's memorandum of November 23 on Brazil. I think this should be done particularly well.

November 25, 1966

Dear Mr. Norris,

I was glad to receive your letter of November 10 enclosing a copy of the Declaration of the Fifty-third National Foreign Trade Convention. I found it a most interesting document and agree with much that it contains. I am heartened by the recognition in the Declaration of the urgent importance of the problems of development finance and I welcome the emphasis that the Declaration places on good economic performance by the developing countries. I was of course pleased with the support that the Declaration gives to the Convention for the Settlement of Investment Disputes.

I am glad to learn that the participation of our officials contributed to the success of your Conference. I am sure that they profited from attending the Convention.

Sincerely yours,

George D. Woods

Mr. Robert M. Norris
President
National Foreign Trade Council, Inc.
10 Rockefeller Plaza
New York, N.Y. 10020

ISFriedman:rgw
November 23, 1966

Mr. George D. Woods

November 23, 1966

Irving S. Friedman

Declaration adopted at the Fifty-third National Foreign Trade Convention

You inquired whether the statement in the Declaration adopted at the Fifty-third National Foreign Trade Convention dealing with giving aid to developing countries "as a matter of right or that the amount of aid to be given can be determined by formula" is referring to our supplementary financing proposal.

My guess is that it is not referring to our proposal since our Scheme, instead of giving developing countries aid as a matter of right, is based entirely on performance. Moreover, it does not relate the amount of aid to any formula and our approach is not one of compensating changes in the terms of trade as between developing countries and developed countries. All of these ideas were propounded at the UNCTAD. The resolution on supplementary financing was an attempt to deal with the desire of the developing countries to have some answer to the question of the impact of unexpected decline in exports without accepting such approaches.

I am attaching a suggested reply to the letter from Mr. Norris.

November 23, 1966

Dear Mr. Harley,

This is the study to which I referred.
This is being considerably revised and I will be
sending you our next version also.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Mr. Charles R. Harley
Director, O.I.F.P.C.O.
Room 3212
Main Treasury
U.S. Treasury
Washington, D.C.

S. C.

November 23, 1966

Dear Mr. Lachmann,

Thank you for the kind remarks and the helpful suggestions contained in your letter of November 15, with reference to our draft report on Private Export Credits from Industrialized Countries. I am sure that they will assist us in the redrafting which we are doing.

We propose to insert in our report, before its general circulation, a statement to the following effect:

"This report deals with certain substantive aspects of supplier's credits, for which adequate information is available, and the formulation of appropriate policy proposals, based on findings regarding the use of such credits in the context of the over-all capital flows from industrialized to developing countries. The preparation of this report has been closely coordinated with the study by the United Nations (Export Credit and Development Financing, E/4189), which provides an analytical and historical review of the nature and operations of the existing national systems and international arrangements regarding the granting of export credit insurance and export credit and a discussion of the main problems involved in the use of these techniques for expanding the availability of foreign resources for development financing. Some parts of the United Nations' study have been used in the appended annexes as background information to this report."

Finally, in accordance with your suggestion, we also propose to modify the footnote reference to Annex II, in the sense that it reproduces (with only minor omissions and changes of wording) Section I of Document E/4189, "Export Credit and Development Financing", retaining our acknowledgement to the courtesy extended by your Branch.

I trust that you will find the above statement and reference in accordance with the intent of our arrangement.

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. Karl E. Lachmann
Chief
Fiscal and Financial Branch
Department of Economic and Social Affairs
United Nations
New York

cc: Mr. Sacchetti (with original letter)
Mr. Nespoulous Neuville
Mr. Tamagna

A-2

November 23 1966

My dear Meenai,

Thank you very much for the copy of your book Money and Banking in Pakistan. It is indeed comprehensive and very informative, covering, as it does, all the important monetary institutions and all aspects of banking in relation to development in Pakistan.

The two historical chapters on monetary management - experience and monetary policy and plans will be of special interest both to our people here in the Bank and in the Fund.

Again many thanks.

Yours sincerely,

Irving S. Friedman

Dr. S.A. Meenai
Executive Director
State Bank of Pakistan
Karachi
Pakistan

A-2-(PL)

Miss M. Georgion

November 22 1966

Irving S. Friedman

Authorized Signatures for Cables

Would you please delete Mr. Paulo H. Pereira Lira from the list of authorized signatures for cables. Mr. Pereira Lira has joined the IMF as an Alternate Executive Director.

November 22 1966

Dear Gottfried,

I decided it would probably be easier to write you that I am planning to be in Cambridge this coming weekend, beginning on Thanksgiving, and will take the liberty of calling you on Friday the 25th.

There are a few things which I would like to discuss with you if you happen to be free.

I am not sure where we will be staying, but if you wish to leave a message for us you can call Mr. or Mrs. Reid Chambers at 868-0613.

With warm regards,

Yours sincerely,

Irving S. Friedman

Professor Gottfried Haberler
Harvard University
Graduate School of Public Administration
326 Littauer Center
Cambridge, Mass.

November 21, 1966

Mr. Woods -

You may find interesting a comment in a letter which I have received from Mr. Rooth, the former Swedish Managing Director of the Fund. Among other things he comments on your trying to get more money for IDA -- which he very much favors. He expresses the belief that there may be a misunderstanding, as there had been in Sweden, that IDA has money which is not used and therefore it is not urgent to get more at this time.

Irving S. Friedman

CvH

November 21 1966

Dear Ivar,

It was fun to receive your letter of November 1. It was particularly fun to have you scold me for not doing enough about various matter -- it surely seemed like the old days!

I find your suggestions and emphases most helpful in clarifying my own thoughts. I have passed on to Mr. Woods your point that with respect to money for IDA there may be some misunderstanding that we have money which is not used. On the question of getting rid of waste, I keep bringing this problem to the attention of people involved in this business and intend to keep on doing this.

I won't bother to indicate specifically the many points in your letter with which I agree, including the point that a fundamental improvement in the capital market situation is not possible without a relative decrease in public expenditures.

Your letter sounds vigorous and I hope that this is a good sign for your state of health.

With warmest regards,

Sincerely,

Irving S. Friedman

Mr. Ivar Rooth
Larsbergsvagen 13
Lidingo 1
Stockholm
Sweden

November 21 1966

Dear Eli,

I am planning to be in Cambridge this coming weekend beginning on Thanksgiving, and will take the liberty of calling you on Friday the 25th.

There are a few things which I would like to discuss with you if you happen to be free.

I am not sure where we will be staying, but if you wish to leave a message for us you can call Mr. or Mrs. Reid Chambers at 868-0613.

With warm regards,

Yours sincerely,

Irving S. Friedman

Dr. Eli Shapiro
Professor of Finance
Harvard University
Graduate School of Business Administration
Soldiers Field
Boston
Massachusetts 02163

November 21 1966

Dear Arthur,

I am planning to be in Cambridge this coming weekend beginning on Thanksgiving, and will take the liberty of calling you on Friday the 25th.

There are a few things which I would like to discuss with you if you happen to be free.

I am not sure where we will be staying, but if you wish to leave a message for us you can call Mr. or Mrs. Reid Chambers at 868-0613.

With warm regards,

Yours sincerely,

Irving S. Friedman

Professor Arthur Smithies
Harvard University
Department of Economics
229 Littauer Center
Cambridge 38, Mass.

Mr. Sacchetti

November 21 1966

Irving S. Friedman

Supplier Credits - Letter from Mr. Lachman

Please have someone draft a reply to the attached letter
and be sure that we are intending to acknowledge help received.

Attachment

CdW

November 21 1966

Dear Mr. Tainsh,

Please excuse my delay in answering your letter but this has been a very hectic time for me personally as well as professionally.

I am flattered at your desire to have me write the foreword to your book. It is hard for me to say whether I should consent to do so because I kind of feel that it is outside my field of competency. However, if you would send me the typescript and summary I would be glad to undertake to do the foreword on the understanding that if the book is outside the field of my competency I would tell you and suggest that you get someone else to do it.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. A.R. Tainsh
Ostermalmsgatan 61
Stockholm 6
Sweden

9C

November 21, 1966

Dear Walter,

Thanks very much for your letter of November 12, and the enclosure on our Supplier Credits Study. This view is quite interesting, and of course we will bear it in mind in our final version.

We hope to have it out fairly soon now and will send you a copy.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Walter Hill
Office of the Secretary General
International Chamber of Commerce
38, Cours Albert 1^{er}
Paris, France

cc: Mr. Sacchetti with original correspondence.

NOV 21 1966

Dear Dr. Shah,

I have read with interest the draft of your proposal for a "Development Assistance Payments Union".

I agree with much that you have written, particularly when you state that the mobilization of resources to finance aid programs and the balance of payments impacts are the two major problems facing donor countries.

I have taken the liberty of sending your letter and attachment to my Economic Adviser and his staff, with the suggestion that they write directly to you on this if they have useful comments to make.

Sincerely yours,

George D. Woods

Dr. V.C. Shah
Economic Adviser
Economic Mission of India
585 Avenue Louise
Brussels
Belgium

ISFriedman/dm

Copy to Mr. Woods's office for record purposes.

Mr. Owen

November 18, 1966

Irving S. Friedman

In connection with the suggestion from Mr. Woods on how to handle minutes of Economic Committee meetings, you might like to see how the Investment Committee handles them.

Attachment

November 18, 1966

Dear Mr. van Vuuren,

I was glad to receive your letter of November 10 and the enclosed article. I will be interested in reading your review of Mr. Reid's "Future of the World Bank" and have already asked the library to make sure to send me a copy of the November issue of the South African Journal of Economics.

I am, as you can guess, very much occupied these days with the replenishment of IDA. I appreciate your comments on the World Bank and its two affiliates. I do hope that we will obtain the needed funds from governments to perform our IDA assignment.

With warm regards to yourself and Mrs. van Vuuren,

Sincerely yours,

George D. Woods

Mr. A.J.J. van Vuuren
South African Reserve Bank
Pretoria, Transvaal
Republic of South Africa

ISF:rgw
November 17, 1966

November 17, 1966

My dear van Vuuren,

Thank you for your letter of November 11 enclosing your article on "Development Aid and International Liquidity." I do appreciate the kind words about the Bank and IDA and hope that it will be possible to find the needed budgetary finance for IDA. I am sure that you will agree that whatever the financing mechanism used, the basic question is one of transfer of resources.

I hope you are enjoying your work at the Reserve Bank. Mrs. Friedman joins me in sending regards to you and Mrs. van Vuuren.

Sincerely yours,

Irving S. Friedman

Mr. A.J.J. van Vuuren
South African Reserve Bank
Pretoria
Republic of South Africa

IDA

Mr. George D. Woods

November 16, 1966

Irving S. Friedman

IDA Replenishment

In connection with your likely forthcoming talk with Secretary Fowler, may I make the following points:

1. The U.S. position on IDA replenishment can no longer be postponed significantly without endangering both the operations of IDA as well as the prospects of replenishment. What is needed now, however, is an order of magnitude, not a precise commitment, and a general understanding on the balance of payments approach, not a precise scheme.
2. The IDA replenishment will bring with it \$1.50 from non-U.S. sources for every US\$1.00 contribution (approximately 60 : 40).
3. Because the European aid programs are largely thought of as export promotional devices, it is a fair guess that most of the increase to IDA will not result in a corresponding decrease in the European bilateral aid program; thus an increase in IDA would be a real net increase in total assistance to the less developed countries.
4. The analyses of the staff have shown that the \$1 billion per annum commitment authorization for IDA would mean relatively small impacts on the balance of payments with a maximum deficit impact in the magnitude of \$100 million per annum after three years or so.
5. If this is not enough to meet the balance of payments concern and a separate balance of payments scheme for IDA is necessary, the President of the World Bank Group can live with any proposal which in effect postpones the use of a U.S. contribution to the extent of \$100 million a year, when the U.S. is in serious balance of payments difficulties, because he can offset this by a contribution from the World Bank. (The details of any scheme could be worked out after discussions with the Europeans.)
6. There are many indications that the Europeans do not like to see contributions to IDA related to balance of payments positions. However, those to whom I have spoken informally have been receptive to the argument of a postponement in the use of an IDA contribution when a country is in serious balance of payments difficulties, as long as this does not affect IDA's international competitive bidding nor the total amount of resources contributed by any donor country to IDA. These individuals have appreciated the analogy which I have made in our talks, between this approach and the one which governs the use of the IMF resources. Fund quotas are based largely on national income, foreign trade, etc., and thus like IDA contributions reflect the relative strength and importance of economies. However, the use of currencies contributed to the Fund under the quotas is related to the balance of payments position of a country. The Fund, for example, now minimizes the use of its U.S. dollar holdings and maximizes its use of its Spanish pesetas because the balance of payments position of the former is weak and the latter strong.

7. At any point in time the U.S. could decide to make the whole, or part of, its contribution to IDA as a loan rather than a grant. The Swiss will probably be establishing a useful precedent for this.

8. The other Part I countries have been giving serious thought to the IDA replenishment and have indicated a readiness, or even eagerness, to talk. The reactions have ranged from cautious to very friendly, but all stressed the importance of U.S. support.

9. At this stage we do not need agreement on an exact total figure or the precise proportions governing the distribution of the proposed increased replenishment in order to talk to other countries. Questions will arise whether countries like France should increase their contribution relatively and the U.K. reduce its contributions relatively, but they need not be settled at this time.

NOT USED
PARA 5 deleted

Mr. George D. Woods

November 16, 1966

Irving S. Friedman

IDA Replenishment

In connection with your likely forthcoming talk with Secretary Fowler, may I make the following points:

1. The U.S. position on IDA replenishment can no longer be postponed significantly without endangering both the operations of IDA as well as the prospects of replenishment. What is needed now, however, is an order of magnitude, not a precise commitment, and a general understanding on the balance of payments approach, not a precise scheme.
2. The IDA replenishment will bring with it \$1.50 from non-U.S. sources for every US\$1.00 contribution (approximately 60 : 40).
3. Because the European aid programs are largely thought of as export promotional devices, it is a fair guess that most of the increase to IDA will not result in a corresponding decrease in the European bilateral aid program; thus an increase in IDA would be a real net increase in total assistance to the less developed countries.
4. The analyses of the staff have shown that the \$1 billion per annum commitment authorization for IDA would mean relatively small impacts on the balance of payments with a maximum deficit impact in the magnitude of \$100 million per annum after three years or so.
5. The World Bank Group can manage its affairs in such a way that any balance of payments deficit impact of IDA could be offset by the contribution of World Bank operations to the U.S. balance of payments.
6. If this is not enough to meet the balance of payments concern and a separate balance of payments scheme for IDA is necessary, the President of the World Bank Group can live with any proposal which in effect postpones the use of a U.S. contribution to the extent of \$100 million a year, when the U.S. is in serious balance of payments difficulties, because he can offset this by a contribution from the World Bank. (The details of any scheme could be worked out after discussions with the Europeans.)
7. There are many indications that the Europeans do not like to see contributions to IDA related to balance of payments positions. However, those to whom I have spoken informally have been receptive to the argument of a postponement in the use of an IDA contribution when a country is in serious balance of payments difficulties, as long as this does not affect IDA's international competitive bidding nor the total amount of resources contributed by any donor country to IDA. These individuals have appreciated the analogy which I have made in our talks, between this approach and the one which governs the use of the IMF resources. Fund quotas are based largely on national income, foreign trade, etc., and thus like IDA contributions reflect the relative strength and importance of economies. However, the use of currencies contributed to the Fund under the quotas is related to the balance of payments position of a country. The Fund, for example, now minimizes the use of its U.S. dollar holdings and maximizes its use of its Spanish pesetas because the balance of payments position of the former is weak and the latter strong

8. At any point in time the U.S. could decide to make the whole, or part of, its contribution to IDA as a loan rather than a grant. The Swiss will probably be establishing a useful precedent for this.

9. The other Part I countries have been giving serious thought to the IDA replenishment and have indicated a readiness, or even eagerness, to talk. The reactions have ranged from cautious to very friendly, but all stressed the importance of U.S. support.

10. At this stage we do not need agreement on an exact total figure or the precise proportions governing the distribution of the proposed increased replenishment in order to talk to other countries. Questions will arise whether countries like France should increase their contribution relatively and the U.K. reduce its contributions relatively but they need not be settled at this time.

Permitted copy.

November 10, 1966

Dear Harry,

Thank you very much for your comments.

I find them all quite acceptable.

Yours,

Irving S. Friedman

Mr. Harry G. Johnson
The London School of Economics
and Political Science
University of London
Houghton Street
Aldwych
London, W.C.2

November 9, 1966

Dear Mr. Dell,

I am enclosing the requested article on economic development for the 1967 Britannica Book of the Year. I am sorry to be somewhat late but have been out of the country.

In your letter of August 3 you mention a fee. I would be happy if an equivalent amount could be contributed to Unicef instead of sending it to me as a fee. I would, however, be very happy to have a set of the Encyclopaedia Britannica and a copy of the 1967 Book of the Year with 25 reprints, as you kindly suggested.

I am also attaching a brief curriculum vitae in case you may have some need of it, as well as the postal card which was sent to me.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Mr. W.R. Dell
Editor
Britannica Book of the Year
Encyclopaedia Britannica
425 North Michigan Avenue
Chicago 11, Illinois

Indiv

Mr. Edward J. Donovan

November 10, 1966

Irving S. Friedman

Visit of Mr. V.K.R.V. Rao

Mr. V.K.R.V. Rao will be visiting the Bank to attend a meeting of the Economic Committee on Tuesday afternoon, November 15, and it would be appreciated if arrangements could be made for tea to be served in the Dining Room at 4.30 p.m. for about 50 people.

Indiv

Mr. I.P.M. Cargill

November 10, 1966

Irving S. Friedman

Visit of Mr. V.K.R.V. Rao on Tuesday, November 15

Mr. V.K.R.V. Rao who, as you know, is a member of the Indian Planning Commission and a distinguished Indian economist, will be visiting the Bank on Tuesday afternoon. I am postponing the meeting of the Economic Committee for an informal exchange of ideas. I would like to invite you to attend and to bring with you anyone else from your Department you would like.

The meeting will be in the Board Room at 3 p.m. Tea will be served after the meeting at 4.30 p.m. in the Dining Room.

Please let Miss Watson know how many people will be coming from your Department.

Mr. Clifford F. Owen

November 9, 1966

Irving S. Friedman

Official Members of the Economic Committee

Would you please henceforth include Mr. Bell among the official members of the Economic Committee. As for Mr. de Vries would you please agree this with Mr. Kamarck.

Thank you.

Mr. George D. Woods

November 9, 1966

Irving S. Friedman

Discussions with Messrs. Blessing, Carli, Guindeg and Perouse

As you requested I told Governor Blessing at the BIS meeting about your wishes for the issues maturing in February. He said that he had been away on holiday for the last two weeks but felt quite hopeful that it would be possible to do as you requested. There was the possibility that Mr. Tungeler might advocate rolling over 90% to improve the cash position in the foreign exchange market. However, as Germany now has a balance of payments surplus again this view was not likely to prevail and that a rollover of 100% was quite possible.

I also told him of the possibility of your visiting Germany in the latter part of November or early December if the IDA discussions here had advanced enough, and took the occasion to tell him about the views and principles we had put forward in our discussions with the United States. He was quite friendly and underscored that the importance of doing nothing which interfered or brought under suspicion our international competitive bidding. He did not think that the amount of resources contributed to IDA should be related to the balance of payments positions of countries but seemed to understand our need to discuss this with the Americans in view of their concerns.

When in Rome I had called on Governor Carli and also explained to him our approach to the IDA problem. He expressed views very similar to those which had been expressed by Governor Blessing. He also seemed to accept the thought of Italy's going along with the \$1 billion per annum proposal if acceptable to the U.S.

When in Paris I called on Messrs. Guindeg and Perouse and outlined to them our approach to the IDA replenishment making it clear in these cases, as well as the others, that my calling was not to be regarded as our approach to their governments on IDA. All seemed to understand this perfectly well. Mr. Guindeg listened and talked instead about some work he has been doing for the General Assembly of the UN as a member of an Advisory Committee on relations among the specialized agencies. He seemed to favor giving some special role to the UNDP to coordinate relations among the other specialized agencies excluding the Bank and the Fund. He said the members of the Advisory Committee had the feeling that the UNDP relations with the Bank were quite good.

Mr. Perouse was quite cautious in his comments pointing to the parliamentary opposition to all foreign aid and emphasizing the desirability of being able to point to increased IDA activities in French speaking Africa. I explained to him that in making our analysis and calculations leading to the \$1 billion proposal we had envisaged a considerable increase in our African programs even though India would probably continue to be by far the largest singular IDA borrower. I told him that when the approach was made to France on IDA we would be prepared, if they so desired, to be more specific on the prospects for increased use of IDA resources by the African countries, but I did not hold out the prospect of anything as specific as a

country-by-country or project-by-project statement. Mr. Perouse referred to the statements which had been made by Mr. Larre. His views were expressed in a friendly but very cautious fashion. He seemed to appreciate my calling on him. On the capital markets in France he felt that the World Bank could borrow but the total cost would be something over 7%. As you know there is considerable talk about the desire of the French to develop their capital market for foreign borrowers and Mr. de Lattre had strongly suggested that we take up again the question of World Bank borrowing in France. I had had a brief chat with Mr. de Lattre also about these questions and he had been quite optimistic even though he felt the question would arise of increasing the French and other countries shares in relation to the United Kingdom.

Travel Office

November 9, 1966

Irving S. Friedman

Passport, etc.

I am returning my Passport, Health Card and Laissez-Passer for safe-keeping.

Mr. George D. Woods

October 31, 1966

Irving S. Friedman

Comparisons between Balance of Payments Impact of IDA Replenishment

You asked the other day for some suggestions on comparisons between the balance of payments impact of the proposed IDA replenishment of \$1 billion per annum with other items in the U.S. balance of payments. We have estimated that the maximum balance of payments impact would be about \$100 million per annum in about 1969/70. This is the figure used in the following comparisons:

1. The impact on the U.S. balance of payments of the proposed replenishment is equal to about 5 per cent of the net balance of payments impact of U.S. military expenditures abroad (even minus military sales).
2. The impact would be 5 per cent of the current net balance of payments impact of the "tourist gap".
3. The impact of the replenishment would be about 1/7th or about 15 per cent of the balance of payments impact of the U.S. aid program even after tying.

It has been authoritatively estimated that the import content of U.S. public expenditures is about 10 per cent of public expenditures. On this basis the balance of payments impact of \$5 billion of expenditures (the amount spent on NASA) is about five times that of the proposed replenishment. (It is virtually impossible to state what the balance of payments impact of any specific Federal program is unless the import content of that program is known. Another way of saying the same thing is that any billion dollars of U.S. government expenditures for purely domestic purposes has the same balance of payments impact as the proposed IDA replenishment.

The Secretary of the Treasury has stated that the foreign exchange costs of military expenditures for Viet-Nam are nearly \$1 billion.^{1/} This means that the over-all impact on the balance of payments is even greater as for example in increasing the demand for imports.

The attached table supplies some details on the above.

^{1/} A per annum figure according to Department of Commerce figures.

Attachment

November 1, 1966

Dear Mr. Taggart,

Thank you for your letter of October 28
and your invitation to attend the 5th Arthur
K. Salomon Lecture on November 22.

I am very pleased to accept and will try
to attend the dinner as well as the lecture.

Yours sincerely,

Irving S. Friedman

Mr. Joseph H. Taggart
Dean
Graduate School of Business Administration
New York University
100 Trinity Place
New York, N.Y. 10006

October 31, 1966

Dear Miss Carey,

Thank you for your letter of October 26, 1966. Offhand, I cannot think of any particular photographs that would illustrate the article I am writing on "Economic Development." I have, however, brought your request to the attention of our Information Department and they will keep in mind to send you photographs of recent activities of the World Bank. I am also having two or three charts made from the data used in the text of the article, and I hope these might provide the basis for possible illustrations. I shall be sending the article along with the charts to the Britannica Office during the course of next week.

There are, however, a couple of points that I would like information on and I wonder if you could check these for me. Are you planning separate articles on the description and activities of the principal financial institutions, e.g. the World Bank, IMF and IDA? I am writing my article on the assumption that the readers of Britannica would be able to get the details about these organizations elsewhere in the book. Also, I have a feeling that there are a number of points that I have only touched upon briefly, but which may be covered at length elsewhere under different topics. Am I right in assuming that it is the usual practice for Britannica to provide cross references to these?

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Miss Nora Carey
Assistant Picture Editor
Britannica Book of the Year
425 North Michigan Avenue
Chicago, Illinois 60611

cc: Mr. Lind

INTBAFRAD
PARIS

October 31, 1966

Telex

FRANCE

794

FOR KARASZ

FURTHER MY TELEX 790 OF OCTOBER THIRTYONE IN ADDITION TO ARRANGING CALL
ON GUNDUI TO PAY RESPECTS WOULD APPRECIATE YOUR ALSO TRYING TO ARRANGE
CALL ON PEROUSSE STOP WOULD PREFER CALL ON PREBOUSSE FRIDAY MORNING BUT
IF NOT CONVENIENT COULD CALL ON HIM DURING FRIDAY AFTERNOON OR SATURDAY
MORNING THANKS REGARDS

FRIEDMAN

Irving S. Friedman

Office of the President

INTRAFRAD
PARIS

October 31, 1966

Telex

FRANCE

790

FOR KARASZ PLAN TO BE IN PARIS THURSDAY NIGHT NOVEMBER THREE ALITALIA
FLIGHT THREE TWO NOUGHT LEAVING SATURDAY AFTERNOON THREE FORTYFIVE
STOP COULD YOU TRY TO ARRANGE MY CALLING ON GUNDUI FRIDAY MORNING TO
PAY RESPECTS REGARDS

FRIEDMAN

Irving S. Friedman
Office of the President

PAPERS TAKEN BY MR. FRIEDMAN TO ROME, PARIS, BASLE

IDA BASIC DOCUMENTS:

IDA Articles
IDA By-Laws
IBRD/IDA SIG. OF WRITTEN INSTRUMENTS
Depositories and Agencies
Governors and Alternates
IBRD/IDA Principal Officers
IDA: Votes and Subscriptions
IDA: Executive Directors Voting Status
IDA: Subscriptions and Contributions

Letter from Peter Reid of October 25, 1966

Letter to Sen and correspondence on Indicative World Plan of October 10, 1966

FAO: Production Resources Program EC/O/66 - 148 of September 26, 1966

Memorandum Kamarck to ISF of November 9 - FAO Request for Bank Collaboration in Study of World Agricultural Development

FAO/IBRD Cooperative Program: Sub-Committee Meeting EC/F/65-3 October 29, 1966

Memo Kamarck to Knapp and ISF of October 28 - Coffee Diversification Fund - Meeting of "Working Group" (2 copies)

Woods to President's Council - The Per Jacobsson Foundation Lecture - Rome, November 9, 1966 - October 19, 1966 correspondence, etc.

Memo Woods from ISF on Travel of October 20

Cable from Bell to Cargill

Itinerary Cargill in Paris

Letter Gilmartin to Cargill No.4 of October 15

IND 66-15 of October 26 - Meeting of the India Consortium

IND 66-13 of October 24 - INDIA: Debt Relief

IND 66-14 of October 24 - Further Questions on Non-Project Aid to India, 1966/67

Note to Governor Blessing when at BIS

Section A(1) Misc. Graph and notes on Disbursements, Procurement, etc.

B - IDA Absorptive Capacity.

C - DAC - IDA Replenishment

~~Canada - Notes~~

~~IFS - October November~~

Statement on Economic Work of the Bank and September 9 memo to Mr. Woods

Mr. Barend A. de Vries and Mr. J.H. Collier

October 31, 1966

Irving S. Friedman

ARGENTINA - Economic Mission

I have already indicated that I feel that we should not proceed with any negotiations with Argentina until we are satisfied as to its economic performance.

However, there still remains the question as to what we regard as satisfactory economic performance and at least two suggestions are made in the back-to-office report of October 26. I have not had the time to focus on this before leaving. If it cannot await my return, I would appreciate your considering this and discussing it with Mr. Alter. I will go along with whatever is agreeable to the three of you.

cc: Mr. Alter

INTBAFRAD
PARIS

October 31, 1966

Telex

FRANCE

791

FOR KARASZ PLEASE IGNORE TELEX 789 TRAVEL OFFICE HERE HAS ARRANGED BOOKING
HOTEL MAURICE ALSO CAR THROUGH AMERICAN EXPRESS REGARDS

FRIEDMAN

Irving S. Friedman
Office of the President

KARASZ
INTBAFRAD
PARIS

October 28, 1966

L.T.

789

GRATEFUL YOU BOOK SUITE FOR ME HOTEL MANNICE NIGHTS THURSDAY NOVEMBER
THREE AND FRIDAY NOVEMBER FIVE ALSO ARRANGE CAR TO MEET AIRPORT STOP
WILL CABLE TIME OF ARRIVAL ~~STOP CABLING DE LATTRE TO ARRANGE MEETING~~
~~THURSDAY NIGHT AND ASKING HIM TO ADVISE YOU WHERE CAN CONTACT~~ REGARDS

IRVING FRIEDMAN
INTBAFRAD

Irving S. Friedman

Office of the President

GIORGIO CIGLIANA-PIAZZA
MORGAN GUARANTY TRUST
GRAND HOTEL
ROME

October 28, 1966

ITALY

EXPECT TO BE IN ROME TUESDAY EVENING TO THURSDAY STOP STAYING
HAESSLER HOTEL HOPE TO SEE YOU

IRVING FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

Mr. George D. Woods

October 28, 1966

Irving S. Friedman

Utilization of Proceeds of Lire Bond Issue

The critical point on the utilization of the proceeds of the lire bond issue would seem to be our judgment that we cannot afford to tie up the proceeds of the Italian bond issue for as long as a year since we will need the funds for loan disbursements. I cannot of course challenge the accuracy of this statement.

I would like to say, however, that we ought to be absolutely certain that we did not have this flexibility left despite the attendant costs because the conversion of the Italian bond issue into time deposits in U.S. dollars would, I feel, have been a strong point for both the World Bank bond issue question and for the IDA debate. I have found, in my conversations with top level Americans to whom I have mentioned this possibility, that they regarded it as a big plus for the World Bank Group. In our own balance of payments presentation we have usually separated the balance of payments effects of the World Bank from IDA, but in the minds of U.S. officials and others there is a tendency to think of these institutions together, particularly as reflecting a cooperative attitude on the part of the World Bank President. Secretary Fowler might well, of course, have the best judgment on the public relations value of the suggestion for conversion of the lire bond issue. (Incidentally, we are preparing for your possible use a table showing the combined balance of payments impact of the World Bank and the proposed IDA replenishment.)

Mr. Hirschtritt has pointed out that the conversion of the proceeds of the lire bond issue by the Bank of Italy into dollars, which would be kept in demand deposits, would not help in the U.S. balance of payments statistics. However, this is true only to the extent that the balance of payments is shown on the so-called "liquidity basis". On this basis dollars in demand deposits held by the World Bank are shown in the same group as demand dollars held by official entities. This is the traditional way of showing the U.S. balance of payments and is still the one which is most frequently referred to. However, more and more the U.S. authorities have been simultaneously showing the U.S. balance of payments on the so-called "official reserve transactions" basis, and both bases are now published simultaneously. On the "official reserve transactions" basis if the proceeds of the lire bond issue were converted into U.S. dollars it would show as a decline in short-term liabilities to the Bank of Italy and an increase in the holdings of dollars by another foreign institution -- in this case the World Bank. But in this presentation, all non-official entities, including the World Bank, are shown quite separately. The advantage from the U.S. point of view is that it is the amount of liquid liabilities to foreign official agencies which is regarded as the measure of potential drain on the gold supply. The ability to separate these liabilities from non-official holders has been one of the principle reasons why the U.S. authorities have pushed the use of the newer official reserve transactions basis.

Mr. George D. Woods

- 2 -

October 28, 1966

It might be worthwhile to discuss with the U.S. Treasury whether they had considered this aspect.

Another variant of the same idea is the possibility of the World Bank having a U.S. dollar account with the Bank of Italy. In this case there would also presumably be a transfer from the short-term dollar holdings of the official agency. This is a thought which, if it seems sensible, could be explored. I do not know if it is feasible from the Italian accounting point of view.

GOREAUX
FAO
ROME

October 28, 1966

Full Rate

ITALY

ARRIVING TUESDAY NOVEMBER ONE TWA.810 STAYING HOTEL HAESSLER

FRIEDMAN
INTRAFRAD

Irving S. Friedman
Office of the President

FOODAGRI
ROME

October 28, 1966

LT

ITALY

No.131 FOR PETER REID THANKS YOUR LETTER AND DINNER INVITATION STOP
EXPECT ARRIVE ROME TUESDAY EVENING STAYING HASSLER HOTEL STOP COULD
YOU CONTACT ME THERE OR THROUGH SEN'S OFFICE REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

GOVERNOR GUIDO CARLI
BANKITALIA
ROME

October 28, 1966

~~XXXX~~ DIRECT
P.I.

ITALY

WILL BE IN ROME NEXT WEEK FOR FEW DAYS BEGINNING TUESDAY AFTERNOON NOVEMBER
ONE FOR DISCUSSIONS WITH SEN OF FAO STOP WOULD BE PLEASED TO CALL ON YOU IF
YOU SO WISH STOP STAYING AT HAESSLER REGARDS

IRVING FRIEDMAN

Irving S. Friedman
Office of the President

Area Department Directors

October 27, 1966

Irving S. Friedman

Clearance of Economic Sections of a Draft Report and Recommendations of
the President to the Executive Directors

I would appreciate receiving from you at the same time the Draft Report and Recommendations of the President are sent to the Chairman of the Loan Committee, a copy of the economic sections of the President's Report. A copy of the Draft Report itself would meet my needs so no special memorandum needs to be prepared in this connection.

I would also like to have from you at the same time, a memorandum indicating any action that has been taken on the recommendations of the Economic Committee on the economic performance of the country concerned.

Copy to: Mr. Alter
Mr. Cargill
Mr. Cope
Mr. El Emary
Mr. Kamarck

October 27, 1966

Mr. El Enary

c.v. Charles Dunbar Sherman
Secretary of Treasurer
Republic of Liberia

October 26, 1966

Dear Harry,

I am enclosing the manuscript of my comments on the Soligo and Kafka papers.

I had a most interesting visit to Canada with Mr. Woods. We visited with Lester Pearson and various members of his Cabinet -- they had some nice things to say about your appearance at the Liberal Party Convention.

Yours sincerely,

Irving S. Friedman

Mr. Harry G. Johnson
London School of Economics and
Political Science
Houghton Street
Aldwych
London, W.C.2

COMMENTS ON PAPERS BY MESSRS. KAFKA AND SOLIGO

Mr. Chairman: It is not really possible to do justice to these papers in some brief comments. Although both countries fall into the general category of so-called developing countries, as a matter of fact they are very different from each other. Moreover, their experience with monetary policy is quite different and sufficiently rich and enlightening as to be worthy of rather detailed attention by those present. I will try, however, to make a few comments on these papers and some further brief comments based on my own experience with less developed countries.

Mr. Kafka's paper represents an important contribution both to the literature on monetary problems in developing countries and on the economic history of Brazil. One of the more encouraging developments in Brazil and other countries is the extent to which first rate technicians are playing a major role in policy formation. Mr. Kafka's paper indicates an awareness of how monetary policy must be made to fit in with all other economic policies. Although essentially a monetary economist, or what in the current vernacular would be called a "monetarist" in approach, Mr. Kafka clearly understands that monetary policy does not exist in a vacuum and the aim of economic policy can be defined in monetary terms alone. I believe that Mr. Kafka himself would agree with me in saying, however, that more could be said on the link between the development process and monetary policy in Brazil. Perhaps those who are working on preparing models of the Brazilian economy useful for policy making can

give more attention to the inter-relations between monetary and structural policies and changes. We are beginning to understand how this phenomena inter-relate but still with an unsatisfying degree of inexactitude. I think it would also be useful if Mr. Kafka, in the final version of his paper, were to tell us more about the pre-conditions for the success of the stabilization effort in Brazil and indeed, more about the criteria by which he would judge whether the effort was successful. To satisfy at least my own curiosity, I would also welcome more on why the Brazilian inflation never quite became a runaway inflation despite repeated threats of so doing.

With respect to Pakistan, Mr. Soligo's paper is more specialized. From my own experience I would say that his account of what has happened in Pakistan in the field of monetary policy is systematic and generally accurate. I think it would be useful in any final version if more could be said on the role of the specialized banks and more on the relation between monetary policy and trade liberalization. I think Mr. Soligo's readers would also find it worthwhile to learn more from him on the impact of the particular nature of industrial financing in Pakistan on monetary and banking behavior. The very clarity with which he writes may mislead his reader into thinking that the function of the banking system is more or less the same as it is in the industrialized countries and not give sufficient attention to the special problems confronting a banking system which is financing new industries which are frequently family owned.

I would like to take this occasion to make a few general comments on my own experience and will be glad to provide the statistical evidence for these comments in our question period:

1. Serious price inflation is not a general phenomena among developing countries. We hear so much about inflation and development that we tend to forget that many countries are proceeding with reasonable satisfactory development programs without serious monetary disturbance. For this purpose I would regard price inflation of less than 5 per cent per annum as not serious.
2. There are many more cases of less developed countries improving their price performance than the reverse. Some economists and policy makers seem to have the general impression, which is not right, that price inflation tends to get worse and worse in most of the developing countries.
3. Gradualism in achieving price stability may well be inevitable. It may arise from the need to overcome bottlenecks or disturbances which cannot be eliminated simultaneously. However, gradualism in changing expectations or trends is self-defeating. It must be made clear to the public that there has been a reversal in price trends and that the future will bring ever smaller price increases, if not declines. The danger of gradualism is that it can become a pretense for inadequate programs. Another important aspect is the need for careful judgments on time horizons. A stabilization program may well fail because of the tendency to understate the amount of time which it takes for certain problems to be tackled successfully. As a consequence there may be a false expectation of early success with resulting disturbances and increased difficulty in achieving changes in expectations after such disturbances have been experienced. There is the possibility, but less frequently done, of mis-

judging how quickly certain economic policies affect the economy. This is particularly noticeable in the field of foreign exchange and monetary policies.

4. Monetary disturbances did not express themselves in price performance alone. It has been understood for a long time that inflationary pressures may manifest themselves in balance of payments disequilibria, distortions in investment decisions, changes in exchange and trade policies, etc. However, in practice it is frequently found convenient to look at price performance alone, but this convenience may lead to costly errors. Another similar over-simplification is looking at the overall balance of payments rather than its components.

Inflationary pressures which worsen the balance of payments may not manifest themselves in overall disequilibrium or loss of reserves if for some reason or other a large net inflow of capital is maintained, or if restrictions on payments result in an artificially low level of expenditures for imports, etc. Moreover, an improvement in exports by itself is at best only indicative of changes in the monetary situation by itself, it is not indicative of the success of a program. There is no substitute for comprehensive and detailed analyses of the economy along the lines which Mr. Kafka has tried to do for Brazil if a correct judgment is to be made on the nature of monetary disturbances and appropriate solutions found.

5. Experience is not clear on the relation between price performance and growth. Taking these two variables alone, an examination of available data indicates that there are examples of almost any combination.

This is merely said to warn against easy generalizations and to point to the need for more careful analysis and studies.

6. Experience indicates that exchange and trade liberalization is a key aspect of a successful stabilization program. At times it is neglected, perhaps because it is not as obvious and perhaps because liberalization in exchange and trade often involves powerful resistance from groups benefiting from this form of protection or subsidization. However, stabilization programs based on restrictive import levels have built within them time bombs that inevitably explode unless it is assumed that the degree of deflation, together with exchange rate readjustment, is to be so great as to bring about a drastic decline in the level of import demand. Such cases such a decline in imports may be expected, e.g., when extraordinary imports have taken place for speculative reasons. Ordinarily it is simply not reasonable to assume that developing countries can operate their economy successfully without a rising level of imports.

7. It is frequently heard that a country is succeeding in stabilization because its monetary reserves are increasing. This is not by itself a true indicator of success. An increase in monetary reserves might be due to a multiplicity of reasons and none of these may be related to the desired effects of the stabilization program. A reserve increase may only be an offset to a previous decline resulting from speculative imports and/or an over-valued exchange rate. A reserve increase which is indicative of a new attitude of foreign capital towards investments in the stabilizing countries is greatly to be welcomed.

These are some examples where reserve increases may be welcomed as a sign of successful stabilization. It is also possible, however, that reserve increase indicates that imports are being cut or restrained too much, or that a sudden and temporary improvement in the terms of trade is being experienced, or debts not being paid, etc. Reserve accumulations are essentially expansionary in their monetary impact and thus enhance the difficulties of conducting a successful stabilization operation. There are of course times when reserve increases are most welcome, particularly when a country has been experiencing difficulties because of a low level of reserves, but as in the case of other indicators mentioned above, over simplification leads to wrong policies. There are numerous examples of stabilization programs which were prematurely relaxed because reserve accumulations were taken too soon as indicative of success and as arguments for the relaxation of needed restraining measures.

8. Managers of stabilization programs must be constantly alert to "unexpected" developments. However well conceived, no stabilization program goes according to plan. Constant adjustments both to expected internal and external developments must take place. Thus a successful management of a stabilization program involves both a mechanism and a frame of mind which enables these adjustments to take place with a minimum of friction. Therefore, in implementing the strategy of a development program alternative paths of action must be kept in mind. There are too many examples of stabilization programs going sour because changed conditions were not met by a sufficiently drastic change in policies. Thus it is not a particular exchange rate or level of interest or keeping

within an agreed magnitude of monetary expansion which should become the objectives of policy. These are merely ways of achieving stabilization objectives. Similarly the change in policies may have to be very drastic, for example, shifting from stable to fluctuating exchange rates. Perhaps it is at this point that it should be emphasized that a stabilization program is something which never ends.

9. Stabilization programs are too often severely constrained by the dead hand of past investment decisions. It is easy for a government to get itself in the frame of mind of regarding certain investments, particularly certain government investments, as "sacred cows", thus limiting too much the room for maneuver necessary to achieve successful stabilization.

10. Although it is desirable to avoid being too categoric, it is probably safe to say that a successful stabilization program means greater reliance on the private sector and less use of governmental controls. Countries which continue, as a matter of public policy, to wish to regulate closely the private sector find stabilization programs more difficult to execute although superficially they may be regarded as having more "control" over the economy.

11. Many stabilization programs have had failures because of an unwillingness to make proper use of interest rates and an excessive reliance on taxation. High tax rates may well be taken as indicative of a government's determination to mobilize resources. However, in developing countries such mobilization by the governments may be at the expense of private savings and at the expense of growing points in the private sector.

12. Successful stabilization programs must be prepared to meet the challenge of excessive protectionism. Usually at some early stage the problem of excessive import substitution arises and the painful process becomes needed of re-educating the authorities and the public to the knowledge that import substitution may well be an illusionary method of achieving either stabilization or growth.

13. Stabilization programs also require for success a clear and frank evaluation of need for external capital. It is often tempting to understate the magnitude of need or the likely duration of balance of payments deficits even with successful stabilization programs. The desire to see light at the end of the tunnel is understandable but for many countries the tunnel is simply too long to see light at the time when the stabilization program is undertaken. This is again a problem in expectations. Stabilization efforts, like development efforts, have suffered from a failure to realize how inevitably time consuming these efforts must be.

14. Stabilization programs usually entail the use of traditional instruments of monetary and fiscal policy. This is highly desirable but at the same time the successful continuation of stabilization, if adequate growth is to take place, requires constant attention to creating more new flexible and precise monetary and fiscal instruments.

India

October 26, 1966

Dear Mr. Khatkhate,

Mr. Woods has asked me to thank you for your letter of October 10 and for enclosing the reprint of your article Debt Servicing as an Aid to Promotion of Trade of Developing Countries.

Your proposal has been of considerable interest to us.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. D.R. Khatkhate
Reserve Bank of India
Economic Department
Post Box No. 1036
Bombay 1
India

cc: Mr. Woods's office for record purposes

FERRAS
INTERBANK
BASLE

October 26, 1966

SWITZERLAND

DELIGHTED ACCEPT YOUR DINNER INVITATION SATURDAY NOVEMBER AND SUNDAY
LUNCHEON OF DR HOLTROP FOR DR BEYEN STOP REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman

Office of the President

A-2
(Sundrum)

October 20, 1966

Dear Prasad,

Thank you for your letter of October 4 in which you have requested the Bank for the services of Mr. Sundrum on loan to your Institute for about two years. Sundrum has been doing some very useful work for me in the Bank, where he, together with my other staff, has been tackling some of the problems that we are trying to solve in the course of the expansion of the economic work in the Bank. However, I appreciate the reasons why you need his services and I understand also that Sundrum would be interested in the work that you are prepared to offer him.

I would be willing to release him from the Bank for about two years, but I would very much want him to return to the Bank after he has helped to organize the new department of the Asian Institute.

Sundrum is now engaged on some special studies, which I would like him to complete, or at least develop to some definite stage of discussion before he leaves. I hope that he will be able to do this by the summer of next year.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Mr. P.S.N. Prasad
Director
Asian Institute for Economic Development
Henry Dunant Street
Bangkok, Thailand

cc - Mr. Lyjune

Netherlands

October 26, 1966

Dear Mr. Grooters,

Thank you for your letter of October 7, 1966 enclosing a summary of the memorandum on development aid submitted by Mr. Th. H. Bot to the Netherlands Parliament.

The enlightened and thoughtful approach the Minister has taken to the problems of development aid is a great encouragement to all of us in our common endeavor.

I look forward to seeing the complete text of his memorandum.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. J. Grooters
Financial Attache
Royal Netherlands Embassy
Office of the Financial Attache
4200 Linnean Avenue NW
Washington D.C. 20008

Mr. Gerald Alter

October 26, 1966

Irving S. Friedman

Antigua Conference, November 2 and 3

Thank you for the copy of Mr. Weiner's memo to you on the Antigua Conference. I favor our attending the Conference.

Mr. George D. Woods

October 25, 1966

Irving S. Friedman

Trade Balances of the Less Developed Countries with the Developed Countries

In connection with our background work on IDA replenishment we have been trying to look more closely into the trade balances of the less developed countries with the developed countries. I had been intrigued by the increase in recent years in U.S. exports to the less developed countries when foreign aid had been increasing.

I know that you will find the attached memorandum and table interesting. It indicates that Japan and the United States are doing very well in expanding exports to under developed countries, and in both cases it cannot be accounted for by increases in foreign aid.

The U.S. balance of payments statistics for 1965 and 1966 also indicate that the U.S. now has a surplus in its current balance of payments with less developed countries which is of about the same magnitude as the U.S. Government grants and capital. However, there is an over-all deficit in the total U.S. balance of payments with the less developed countries, which is about equal to the net outflow of U.S. private capital.

A reduction in foreign aid would at best have only a fractional favorable impact on the U.S. balance of payments since it would be nearly matched by a decline in exports. A more direct attack, at least theoretically, would be to reduce U.S. private capital outflows, but if this is done the ability of the LDCs to make income payments would be directly affected. What we might well see is an equivalent reduction in income payments to the United States. Income on investment from the LDCs has been equal to about the total aid program. Thus, I believe, that a U.S. deficit with the LDCs is virtually inevitable for a number of years but there is the mitigating effect that the LDCs tend to accumulate dollars rather than gold and when they spend the accumulated dollars they tend to spend about one half or more in the United States.

Indeed, it would be sensible from an economic viewpoint to define an acceptable deficit in the over-all U.S. balance of payments when that deficit is no longer than the deficit with the LDCs arising from outflows of private capital. In economic terms, it means that the U.S. aid program is financing a transfer of goods and services to the LDCs, while U.S. imports from these countries help provide financing for additional U.S. goods for these countries plus making possible payments of interest and dividends to the U.S. The outflow of private U.S. capital to these LDCs then provides them with resources either to make purchases in other countries or to accumulate reserves in the form of dollar deposits for future use. Without these private capital outflows the LDCs would have to cut back already restricted imports or be unable to service debts or make possible payments for dividends or repatriation of capital -- all most undesirable developments from the viewpoint of the LDCs or the U.S. In addition the U.S. obtains income earning assets. The cost is a possible small increase in dollar holdings by countries which tend to convert a substantial part of their dollar reserves into gold. Perhaps without clearly

realising it, the European countries and others who are urging a so-called equilibrium in the U.S. balance of payments, are really urging that the United States be in surplus with the developed countries. This would mean encouraging more procurement of U.S. goods by these countries or less purchases by the United States of goods and services from these countries, or substantially increased flows of capital from Europe to the United States, or declines in U.S. capital to Europe, during a period of time when Europe is drastically short of capital.

A-2111

Mr. Broches

October 24, 1966

Irving S. Friedman

John Hathaway Spencer

George Blowers has asked me whether there might be some need for Spencer in connection with the SID. I gather that Spencer will be teaching international law at the Naval Academy.

I told George I thought that for the most part the SID would be headed by World Bank officials, probably yourself, however I did promise to bring Spencer's c.v. to your attention with an indication that he would be interested in becoming involved with the SID if it were feasible.

Attachment

EC-1

Mr. Owen

October 24, 1966

Irving S. Friedman

Economic Committee Documents

I would appreciate knowing which Economic Committee documents are sent to Messrs. Woods and Knapp and when they are not -- and how you decide.

Susan Waage file

WEST AMERICA

October 20, 1966

Dear Susan,

This is in continuation of my letter of yesterday. I can suggest two people from the World Bank as speakers for you. One is Peruvian, Enrique Lerdaun, who is chief economist on Mexico - he has also worked with the Organization of American States - and is a fine speaker knowing a lot about Mexico and other latin American countries. The other person is Mervyn L. Weiner, Canadian by birth, who has been in charge of our operations with Mexico for some time and he would also make a fine speaker.

I believe I could get one or the other to come out and speak to your group, but have not approached either as yet, as I was not sure you would want someone on the economic side, although I think it would be interesting. I will approach them if you would like me to do so.

Sincerely yours,

(Irving S. Friedman)

Miss Susan Waage
Stephens College
2264
Columbia, Missouri

Personal file

DECLASSIFIED

AUG 16 2023

WBG ARCHIVES

October 20, 1966

To whom it may concern:

I would like to record my personal views of Mr. Said Ali.

In my relations with him I found that he was an alert, intelligent and well-informed person, keenly interested in the problems of development finance. Since he was a member of the Executive Board and not a member of the staff, we did not have any occasion to work together, thus I cannot comment on his working habits and talents. However, in addition to his general intelligence and attractive personality, I gained the impression of a man truly devoted to public service and eager to make a useful contribution to achieving improvement in the economic development of countries in Africa and elsewhere.

Irving S. Friedman
The Economic Adviser to the President

S Johnson file

October 20, 1966

Mr. Woods

1220

Have you seen the attached? As you know, I think this is one of the more sensible ways of dealing with the balance of payments problem even though in some respects it represents only a change in the form of assistance and liabilities.

Irving S. Friedman

Press Cutting - Japan Acts To assist US on Payments
October 20, 1966

*P.C. Woro
Admin. file*

DECLASSIFIED

October 20, 1966

AUG 16 2023

CONFIDENTIAL

WBG ARCHIVES

Mr. Michael L. Lejeune

Irving S. Friedman

Travel Policy - Consultants

I feel compelled to make the following comment on your memorandum of October 20.

I do not want to get involved in a discussion on travel policy which I regard as having been settled. Generally speaking, I would say that I agree with the recommendation that exceptions for consultants should be made on an individual basis. I would suggest that whoever is responsible for hiring the consultant in the first place make a recommendation to Administration on travel and indicate the reasons for his recommendation.

What disturbs me is the comparison between people in the Bank and people outside. I believe that we simply will not get anywhere in developing the right kind of staff in the Bank and keeping them, unless we have higher regard for our own people. I have the highest respect for the names mentioned in your memorandum but I am not prepared to agree that they have positions which should be regarded as equal to and above department heads in the Bank and IFC. It is much too easy to regard anybody on the outside as automatically more important than people who work for us. I don't think that anyone will value our people higher than we value them ourselves. We should be able to accept the idea that anyone who has achieved a senior rank in the Bank has reached the top level of professional achievement, and this does not apply only to those who are at the very top of the top level.

I would like to emphasize again that I am not offering the above as an argument for extending first class travel. I am offering it as an argument that unless we ourselves regard our staff as being very important and successful people, we will fail to capitalize on our principal asset.

I am sure you understand the spirit in which the above is written.

~~BIS~~ mwl

Mr. Woods

October 20, 1966

Irving S. Friedman

Travel

Unless you have other plans for me I would plan to attend the monthly meeting of the BIS which takes place on November 6 and 7.

You may recall that we have been invited by Dr. Sen to attend the informal meeting in Rome on his Indicative World Plan during the first week in November. Depending on the work here, I may attend for a few days, although I don't think it would be worth devoting an entire week to it. Peter Cargill is trying to arrange with Bernie Bell to have him meet with us in Rome for a day or two (about November 5) to discuss the mission's preliminary evaluation of the Indian Plan before the consortium meeting in Paris.

I am also thinking of attending the Per Jacobsson Memorial Lecture in Rome on Wednesday morning, November 9, which, as you know, is being given by Louis Rasminsky. However, I probably won't attend unless I have some reason to be in Europe on Monday or Tuesday of that week. If I attend I plan to return to Washington the afternoon of November 9.

Mr. Wishart

October 20, 1966

Irving S. Friedman

As you know, Mr. Woods has suggested that we give any thoughts to you on points which he might cover in his talk to the staff on Friday morning.

If he thought it appropriate I would find it helpful if he could cover the following points in his talk:

1. Strong supporting statement on the role of economics and economists in the World Bank Group activities and operations, such as, for example, the statement he made to the Canadians when he was visiting Ottawa.
2. The importance attached by him to economic performance work and the need to make it part of the regular day-to-day work of the Bank.
3. Appreciation of the efforts being made to achieve more efficient use of personnel in economic missions as well as more coordination. However, more needs to be done to assure the best use of personnel including giving more responsibilities to men at lower levels.

It would be helpful to me personally, but not essential, if he could reiterate that Area Departments have combined economic and lending responsibilities and that in dealing with their lending responsibilities they report to Mr. Knapp and in dealing with their economic responsibilities they report to Friedman. There is, of course, the problem of the difficulty in drawing a sharp line between these two areas of activities, but this is being worked out in practice between Knapp and Friedman.

*Bank Board issue of
capital markets?*

Mr. Kamarek

October 18, 1966

Irving S. Friedman

Capital Markets

In connection with our interest in capital markets, but more particularly in connection with our interest in World Bank bond issues, I wonder if it would be possible to find out who are the principal purchasers of indebtedness in the major capital markets. For example, Mr. Woods has said on a number of occasions that the purchasers of World Bank bond issues in the United States are quite a different group from those who purchase U.S. government securities.

I think it would be most useful to know this for the United States, Canada, Italy, Germany, Switzerland, the Netherlands, Belgium, France, and the United Kingdom. Perhaps the OECD committee which has been working on capital movements has put together this information.

cc: Mr. Kalmanoff
Mr. Hulley

P-1
or
I'll sign it

October 18, 1966

Dear Andy,

Thanks for sending me your comments on the international monetary situation. Needless to say I am kind of glad you said it! I take it as a good sign that you weren't lynched and therefore still able to write the letter.

Please keep me posted on your escapades. I enjoyed our lunches together very much, as well as your reception.

I do hope we will be seeing each other soon.

As always,

Yours,

Irving S. Friedman

Mr. Andrew N. Overby
Vice Chairman of the Board
The First Boston Corporation
20 Exchange Place
New York, N.Y. 10005

S.C.

Mr. Ugo Sacchetti

October 18, 1966

Irving S. Friedman

Supplier Credits

How are we doing in the revision of the Supplier Credits
Study?

SID

October 18, 1966

Dear Jorge,

I am sending you a copy of a letter which Andy Rice of the Society for International Development has sent to Dr. Massad.

I am afraid that he did not quite understand what I had said. I told him I had spoken to you rather than to Massad himself - perhaps you could explain this to Massad. In any case I would, of course, be very happy if Dr. Massad was able to give an affirmative reply to Rice.

It was most agreeable to be able to see you again. I hope that we will have frequent occasions to see each other, and may be some of them will be for a considerable period of time!

With warmest regards to you and the family,

Sincerely,

Irving S. Friedman

Mr. Jorge Marshall
Banco Central de Chile
Santiago
Chile

CV of Shenoy

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WBG ARCHIVES

October 18, 1966

Personal

My dear Shenoy,

Thanks for your letter of October 13. As you know I believe it is impossible to be excessively concerned with the agricultural situation and outlook.

I am taking the liberty of bringing your views to the attention of others in the Bank also concerned with Indian affairs.

I had hope that some solution is found to this problem. It would be disastrous if India failed to solve this problem in time.

I would, of course, appreciate it if you consider my remarks as personal to you.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. B.R. Shenoy
Director and Professor of Economics
University School of Social Sciences
Gujarat University
Ahmedabad 9 India

C4 N - Schiller

Mr. Owen

October 18, 1966

Irving S. Friedman

Paper for Economic Committee

Would you please distribute the attached memorandum to the members of the Economic Committee as follows:

" Attached hereto is a draft of a suggestion made by Mr. Stanley Johnson who has been working with Mr. Friedman.

Mr. Friedman thought that this matter might be of general interest to members of the Economic Committee. He has asked for any reactions, including whether the suggestion was worth a discussion by the Economic Committee.

Any comments may be sent either to Mr. Friedman, Mr. Johnson (3437) or myself.

C.F. Owen"

Attachment

cc: Mr. Johnson

~~India~~ India

October 18, 1966

My dear Narasimham,

It was very nice to hear from you again. I have just received your letter so have not had a chance to read the enclosure, but I will and will be sending you some comments on it.

I too have been keeping up with your career through third parties and am glad to learn that you find your work more exciting and challenging than what you did in the Fund. I can think of a no more fascinating place for an economist to be these days than in India, particularly in the post of important responsibilities.

I am hoping to go to India and for your own information have made tentative plans to go some time during this winter. I hope to be able to firm up these plans by early November.

At the moment I am kind of swamped here with a wide range of duties, but most particularly at this stage to problems relating to the replenishment of IDA resources. Fortunately, however, this kind of thing is only a small part of what I am supposed to do normally.

Looking forward to seeing you in the not distant future,

Yours sincerely,

Irving S. Friedman

Mr. M. Narasimham
c/- Reserve Bank of India
Economic Department
Bombay -1
India

Mr. Carl P. Blackwell

October 17, 1966

Irving S. Friedman

Visit to Canada

Thank you very much for the material, it was most helpful. I gather that the Canadians are still on the anti-inflationary line. We were gratified to learn at the same time that they advocate the postponement of Medicare. They are prepared to consider an increase in their foreign aid program!

Thanks again.

Mr. D.S. Rallantine

October 14, 1966

Irving S. Friedman

You will recall that I mentioned to you the possibility of the former Headmaster of Sandy Springs school as being of possible use to you. His name is Mr. Burrows. He is at present with the Sidwell Friends School.

I inquired from one of the faculty members whom I know as to why Mr. Burrows had left Sandy Springs. He said that he wasn't sure but believed that it was a matter of ideology between himself and the Board of Trustees; there seemed to be a difference in view as to how Quaker the school should be. My source of information said that from his experience Mr. Burrows was a very fine administrator as well as a good educator -- Sidwell Friends had been very pleased to get his services. However, he thought that Mr. Burrows might be very interested in the kind of things he guessed the World Bank was doing in the field of education.

I have not telephoned Mr. Burrows since I thought you might wish to do so yourself. Since he is at Sidwell Friends it might be convenient for you to see each other during the day.

October 17, 1966

Mr. Knapp

You asked to see this.

Commonwealth Finance Ministers Meeting
Communique - Montreal 1966

Irving S. Friedman

Board
Boards of Governors



September 26, 1966

Mr. Irving S. Friedman

With the compliments of

Patrick M. Reid.

Thanks
WR
9/26

Buffer Stocks file

October 13, 1966

Dear Raul,

This is in continuation of my letter of October 3, and just in case you have not received it I am enclosing a copy.

You will recall that I said something over the phone about the Tin Council doing a good job in managing its stocks. The chief executive officer of the Tin Council is called the Chairman of the Council - he is Mr. H.W. Allen of the United Kingdom. He has held the job for some three to four years. He is non-political and holds his position as an international civil servant. In my dealings with him he struck me as quite intelligent, diplomatic and realistic. I doubt if he is a professional economist but he does sound like a good administrator.

His right hand man is Mr. William Fox who is Secretary of the Council who thoroughly knows the business of tin and the Tin Council. The Tin Council also has a buffer stock manager whose job is to buy and sell tin under the price directives of the Council. He is a relatively new man, a Mr. R.T. Adnan, whom I do not know.

I hope that you will find this information of some use. Please call on me if I can be of further help.

With warmest regards,

Sincerely yours,

Irving S. Friedman

Dr. Raul Prebisch
Secretary General
U.N. Conference on Trade and Development
United Nations
New York, N.Y.

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October 13, 1966

NY 88-1000-10A

Dear Fred,

I appreciated very much your letter of October 10. It has the kind of thoughtful and constructive comments which I knew you would make. Thanks very much for taking the trouble.

At the moment we are incorporating comments received from various people, mostly within the Bank, into a new version. I will take the liberty of sending it to you when we have done it. It may well be that in absorbing your comments we will have some further questions -- if so I will accept your kind offer to discuss this if it is helpful to do so.

Thank you again and with warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Alfred von Klemperer
Vice President
Morgan Guaranty Trust Company
23 Wall Street
New York, N.Y. 10015

DECLASSIFIED

CONFIDENTIAL

Mr. George D. Woods

AUG 16 2023

October 10, 1966

Irving S. Friedman

WBG ARCHIVES

Conversation with Mr. T. Graydon Upton, Executive Vice President of the Inter-American Development Bank

Mr. Upton came to lunch to discuss principally recent developments in the field of economic performance requirements. He had previously written asking whether we could be of help in thinking through the problem of performance as it might affect the Inter-American Bank operations.

Mr. Upton explained that for the past two years the Inter-American Bank had been increasingly pressured by the United States to give more attention to the question of economic performance of the Western Hemisphere countries in connection with lending operations of the Inter-American Bank. This applied both to their regular lending operations and their administration of the Special Fund. More recently, the work being done by the World Bank on economic performance had been increasingly cited to them by the United States authorities as evidence of the usefulness of paying more attention to economic performance. As a consequence there had been discussions on the staff level in the Inter-American Bank on this matter, and a general paper on the subject was being prepared. Herrera has been involved in these discussions but thus far has not indicated a decisive attitude on the subject.

The Inter-American Bank has found a number of serious problems in having more influence in the field of economic performance. Thus far, they have confined themselves nearly entirely to achieving institutional improvements directly related to projects which they were financing. (They are doing nothing but project financing.) However, their work in achieving institutional improvement has largely been of a technical assistance character and not successful. They have not tried to influence the selection of management. The Latin American personnel in the Inter-American Bank regard the latter as improper. The economic country surveys which they have done have not been integrated with the lending operations of the Inter-American Bank. As a result, these economic reports have become less frequent as well as less important.

In trying to advance further along the lines of economic performance, the Inter-American Bank faces a number of difficulties including the following:

- (a) The United States has a veto power in the Inter-American Bank, particularly with respect to the Special Fund; however, in practice, the U.S. has not given any clear lead or taken a strong position on general policy issues or country questions.

- (b) As a consequence the debtor countries play a major role in the Inter-American Bank both through the Executive Directors and through the staff. There are very intimate relations between the staff and the Executive Directors and staff papers find their way back to the countries in question.
- (c) The Latin American countries do not wish to discipline each other, fearful that any precedent might be used against their own countries in the future. At the same time, the political desire to maintain Western Hemisphere unity means that a strong dissent by any Latin American country must be taken seriously by the President of the Bank and his staff.
- (d) Thus, the Inter-American Bank cannot be expected to take strong positions against governments in the sense of imposing conditions which would have the effect of denying the use of its resources to some of its member countries. It does have a restraining effect but this is very largely through the personal influence and intervention of its President.
- (e) The staff of the Inter-American Bank is relatively small in relation to the total number of loans processed. The project preparation and follow-up has not been of the same high calibre as the World Bank, ostensibly because of a staffing problem. At present, the highest priority is being given to strengthening the agricultural section. Considerable difficulties have been experienced in finding suitable agricultural projects to finance.

Mr. Upton queried whether some way could be found whereby the views of the World Bank with respect to performance could be expressed to the Inter-American Bank through the U.S. Executive Director in the Inter-American Bank, with the additional force of his stating that they were endorsed by A.I.D. The United States' views, especially those of A.I.D., were of particular importance to the Inter-American Bank, both because of the unique position of the United States in the Inter-American Bank, and the Special Fund. About 50 per cent of the Inter-American Bank's lending activities, about \$400 million a year, are through the Special Fund. (Incidentally, looking ahead, they are considering an increase in the guarantee authority of the Inter-American Bank by about \$1 billion, of which the U.S. contribution would be \$400 million, and a replenishment of the Special Fund at about the same level as at present. They expect to exhaust the Special Fund some time in 1967. There is some thought of using program financing in order to maintain the \$400 million per annum level, while reducing project financing as a means of raising project standards.)

Mr. Upton indicated that he would like to have further discussions with us on these performance questions, perhaps also including some of the top people in A.I.D. I told him that we would be glad to participate in such discussions, if our participation were helpful.

We also discussed the possibility of informal discussions between members of the Inter-American Bank staff and the authors of our economic reports, perhaps, looking forward to closer collaboration in the future. He said that as a result of the discontinuance of the inter-agency country groups that used to meet, the relations of the Inter-American Bank with the World Bank staff had become more distant. The C.I.A.P. exercises had not proven to be an adequate substitute for the former get-togethers of the Bank and Fund people with the Inter-American Bank staff.

Aside from the more detailed aspects reported above, and a repetition of previously expressed views on the desirability of avoiding overlapping and unnecessary work, my main point to him was that his institution, like any other, should avoid undertaking performance work which it could not hope to do reasonably well. All institutions had their own limitations. A bank run by debtors would be particularly vulnerable in the field of performance once it stepped outside the purely informal advisory role. However, this was an outsider's view.

We will give some thought to the implications of Mr. Upton's suggested use of our economic performance judgments by the United States in the Inter-American Bank. I see some difficulties, but basically the idea may be sound. I will aim to give you my thoughts on this, shortly.

October 10, 1966

Dear Mr. Sen,

Mr. Woods, before leaving Washington, asked me to reply to your letter of October 4 regarding the informal meeting on the Indicative World Plan for Agricultural Development.

I am glad to accept your invitation to attend the informal meeting and will plan to attend unless other urgent business makes it impossible. In any case I am asking Mr. Andrew Kamarck, who is the Director of our Economics Department, to also plan to attend if this is agreeable to you.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. B.R. Sen
Director-General
Food and Agriculture Organization
of the United Nations
Via delle Terme di Caracalla
Rome
Italy

ISFriedman/dm
10/10/66

cc: Mr. Woods - for record purposes.

October 10, 1966

Dear Dr. Bhatt,

Thank you for sending me a copy of your interesting paper entitled "International Monetary Reform: A New Proposal."

Your proposal deals with two problems of interest to us because of their impact on development, namely the reform of the international monetary system and the instability of export earnings of primary producers. The latter belongs more to our area of responsibility, and you may have seen the study we conducted in this field for the United Nations Conference on Trade and Development on Supplementary Financial Measures.

Your paper contains many interesting suggestions, and we will keep it on hand during our continuing deliberations.

Sincerely yours,

George D. Woods

Dr. V.V. Bhatt
Director
Reserve Bank of India
Division of Planning and
Special Studies
Economic Department
Bombay, 1, India

ISF/JH/PdeF:rgw
October 7, 1966

Oct. 10 1966

Mr. Kamarck and Mr. Kalmanoff

800

The Inter-American Development Bank has just come out with an English version of the study on European Financing of Latin America's Economic Development. I would suggest that you contact the IDB and try to get a couple of copies for the use of the World Bank.

Argentina

October 10, 1966

Dear Felix,

I was very glad to receive your letter of September 30 and appreciate very much your kind remarks. I do hope that we will continue to have occasion to visit and to be of mutual assistance to each other.

It was a pleasure to me to be of some help to you in your relations with the banking community. I still feel that one of the most important contributions that can be made to orderly and successful economic developments is the building of a strong and independent central bank with continuity in the top managements. This kind of central bank has the basis also for most useful relations with other banking institutions all over the world. It is, of course, not easy to do and success does not always depend on the people in the bank itself!

I do hope that if you have occasion to come to Washington in a private or public capacity that you will regard our home as a place to stay. If I have the occasion to visit Buenos Aires again I will take the liberty of calling on you.

The work in the Bank continues to be challenging. There are so many problems in this field and so much to be done that it is impossible to run out of things to do. However, in building a true international community there are inevitably many difficulties and setbacks and progress is at times discouragingly slow. Perhaps I am an incurable optimist but I still believe in the evolutionary process and of man's unique position in this process. Where we are heading seems fairly clear to me but I find it very difficult to judge how long things have to take to develop certain ways. Since we are all human I believe we tend to think of our own lifetime as a long period of time during which these major changes should and can take place. However, this may be simply naive and may be all we can do in a lifetime is to make a very small contribution to this process and try to keep it moving in the right direction.

Please forgive the philosophy but then you and I have enjoyed exchanging thoughts with one another.

With warmest regards to you and your wife,

Yours'

Mr. Felix Elizalde
Guido 1598
Buenos Aires
Argentina

Irving S. Friedman

October 10, 1966

Dear Mr. Heymann,

I was glad to receive your letter of October 3 and hope this will be the first step in establishing contact between us.

I am interested in your concern with the commodity surplus problems. This was, of course, a problem which came up constantly in my work in the Fund and in the Bank it has helped inspire our Supplementary Finance proposal. Just in case you haven't a copy of your own I am enclosing one herewith. I think that you will find the essentially pragmatic case-by-case approach of our Supplementary Finance proposal in accord with what seems to be your own approach.

If by any chance you should find yourself in Washington I do hope you will contact me as I would be very pleased indeed to see you.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. H. Heymann
London Financial Correspondent
40/43 Fleet Street
London EC4
England

ED - 1

Mr. Kamarck

October 10, 1966

Irving S. Friedman

I have given you my reservations on this. The only other comments I would make is that on page 4, last sentence: I think that the division should be regarded as equivalent to Projects Department divisions.

Attachment: draft memorandum to Mr. Lejeune from AMK: Formal Designation of Administrative Structure of Economics Dept.

October 10, 1966

Dear Ivar,

Please excuse my not writing sooner. The last two months have been extremely hectic for me. We are in the midst of our discussions on the forthcoming replenishment of IDA resources which, in addition to everything else, have kept me running all day long and exhausted all night.

I was very interested in your comments that the IBRD ought no longer to lend money to certain countries. I think you will be glad to know that the list of countries in this category has been growing steadily, at least as far as the current position is concerned; it includes countries like Denmark, Austria and Australia. Some borderline countries, like New Zealand, are treated as so-called market eligible countries, and are expected to pay a higher rate of interest than those paid by the normal IBRD borrower. Your suggestion that countries which are big exporters of certain minerals ought also to belong to this group, is a new idea and quite thought provoking. I think that we have made a certain amount of headway in making clear to countries that capital is scarce all over the world and that IBRD and IDA resources must be carefully husbanded and used with this in mind.

I think we are also making more progress on Fund/Bank relations, although I would not dare to say that we have succeeded in eliminating unnecessary and overlapping work.

On the Indus basin scheme I gather that all is going on schedule.

The indebtedness problem continues to cause much concern. We are hopeful, on average, to complete a study of suppliers' credits requested by the UNCTAD, which I hope to be able to send to them in November. In the meantime, I have been trying to expound the view that a sharp distinction between avoiding the problem of indebtedness and how to deal with a debt crisis, would be useful. I think that the Bank can be useful in helping to avoid the emergence of indebtedness problems because of its wide interest in external financing and the fact that it must take a longer look at the problem. When the Bank says

Mr. Ivar Rooth
Larsbergsvagen 13
Lidingo 1
Stockholm, Sweden

that a problem may emerge in five years no one questions that this kind of judgment must be made by the Bank. The Fund, on the other hand as you know, often meets resistance when it tries to take a longer look into the future. But I think that the Fund is well qualified to help handle the debt crisis.

I am taking the liberty of sending to you under separate cover, copies of the speeches made at the Governors' Conference. I think you will find some of them of interest and most of them were not reported fully in the press, at least not in the press here. Incidentally, if there are other kinds of material which you would like me to have sent to you, please let me know.

The main preoccupation of the Bank now is with raising money, firstly in the capital markets for the World Bank, and secondly through budgets for IDA. We have proposed a large increase in IDA resources, as we feel that we could increase the volume of commitments to a level of \$1 billion a year without lowering IDA standards. At the same time this might enable the World Bank to have more influence on the development policies of the countries, and so help to avoid waste and mistakes. I guess we will be talking IDA replenishment intensively for a number of months. I do not think it is possible to predict how the discussions will end, but everybody involved ought to learn a great deal in the course of these discussions!

I am sure that you are pleased with the new emphasis being placed on agriculture, although the problem of food storage is probably still not getting the attention you feel that it merits. However, history is on the side of those who want to produce and preserve food. Everywhere people want to talk about the food problem.

I do hope that things have been going well with you and Ingrid. Needless to say if I find myself in Europe I will do my best to visit Stockholm.

With warmest regards to you and Ingrid from Edna and myself,

Sincerely yours,

Irving S. Friedman

October 10, 1966

Mr. Selig Harrison

Tables from Economics Dept.

Rate of Growth of GNP and Defense
Expenditure as % of GNP - 1965

Rate of Growth of GDP 1960-64 and
Expenditures in Defense as % of
GDP Average 61-64

October 10/66

Mr. Woods

You may be interested in glancing through
this in connection with your meeting
tonight in New York.

Irving S. Friedman

"Research Centers on the Developing Areas"
November 1964

Mr. Woods

October 7, 1966

Irving S. Friedman

Article from London Times - October 4

Have you seen this? If not your attention is drawn particularly to the last sentence.

"British Attitude Key to IDA Replenishment"

Mr. Woods

October 7, 1966

Irving S. Friedman

IDA Tables

Attached hereto is a set of tables which I distributed at our luncheon with the Treasury people yesterday.

They simply attempt to tabulate some of the proposals which were contained in the memorandum sent over to them a couple of weeks ago. Moreover, they also try to tabulate the balance of payments impact of the Zagorin/Demuth suggestion.

Attachment

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PERSONAL

Mr. Kamarck

AUG 16 2023

October 6, 1966

Irving S. Friedman

WBG ARCHIVES

This was something I asked Mr. Johnson to do for my own personal information, but I think you might like to read it.

Annand mly

Mr. Kamarck

October 6, 1966

Irving S. Friedman

Briefing Papers

I think that we ought to put appropriate people on notice now that for the next year's briefing the economists ought to be involved from the very beginning, and I would like to have the briefing papers shown to me in draft at the same time as they are sent in draft to Mr. Knapp or any other members of the President's Council.

A-2

Mr. Kamarck

October 6, 1966

Irving S. Friedman

Mr. Kemal Kurdas

With reference to Mr. Calika's memorandum to you of September 30 I would like to say that I regard Mr. Kurdas as being eminently qualified to be on economic missions.

As you know I would not want Mr. Kurdas to head economic missions although I think that if he joined the Bank staff he would be well qualified to do so. I am rather eager to find short-term employment for Kurdas as I would hope to be able to recruit him to our staff.

cc: Mr. Eschenberg

Phone Call:

Asked Mr. Kalmanoff for following:

1. List of people to talk to in Paris on Suppliers Credits.
2. Tables for inclusion in Capital Requirements study being prepared for Mr. Woods.

October 5, 1966

Mr. Woods

October 5, 1966

Irving S. Friedman

Bank Estimates of Capital Requirements

You may be interested in glancing at this draft of a study on the World Bank estimates of capital requirements. It spells out how we do our estimates and what we have learned from our review of last year's estimates.

We have not changed our basic approach and the country-by-country review which we have done has confirmed the original \$3-\$4 billion figure as a conservative estimate.

Attachment

(Same memo sent to Mr. Knapp)

Mr. Andrew M. Kamarck

October 5, 1966

Irving S. Friedman

"The Export Experience of Developing Countries"

I would like you to consider the suggestion that the memorandum on the export experience of developing countries be sent to the UNCTAD for the information of its members, as the first step in fulfilling the promise to do work on the export credits problem of developing countries. On the other hand it might be a useful background paper in connection with UNCTAD's consideration of supplementary finance. Of course, there would be no reason why we could not indicate that the paper could be regarded as background to both of these studies.

However, what I would like to know immediately from Macone is whether there is anything in the de Vries study which is contrary to what we have been saying in our Supplementary Finance study. I would appreciate Mr. Macone doing this immediately and giving me an answer by tomorrow, or Friday at the latest.

Messrs. Avramovic and Kamarck

October 5, 1966

Irving S. Friedman

DAC - Absorptive Capacity - Suggestions for an Exchange of Experience

In connection with Phillip Hayes suggested study, I would like to suggest that our position be that we think it useful to have a study on the obstacles to the effective use of external capital in the less developed countries, but which would make clear that it is not aimed at a new global estimate. We would be prepared to cooperate in such a study, but would have hesitation about cooperating in a study which aimed at a new set of requirement magnitudes.

Hayes is coming in to see me tomorrow at 12 noon. I would like you to join me if possible, and to know beforehand whether you agree with this suggestion.

Mr. Andrew M. Kamarck

October 5, 1966

Irving S. Friedman

Presentation to the Board of the Economic Work of the Bank

I think that we ought to make reference to the work we are doing on real income comparisons with ^{KRAVIS}~~Krevas~~ in our presentation to the Board on the economic work of the Bank.

cc: Mr. de Vries

Mr. George Kalmanoff

October 5, 1966

Irving S. Friedman

Book

I think you will agree that the Economic Committee memorandum of September 23 on "Population, Gross National Product and Gross National Product Per Capita, 1964" is worth including in the book we are getting up. However, I think as soon as feasible someone ought to put this material in some kind of time series. If a continuous time series is not feasible, at least comparisons with 1950, 1955 and 1960. Indeed it might also be interesting to include what the level of GNP is projected to be in 1970 on the basis of existing trends.

I think it would also be useful to have in addition, a table separating these countries by some kind of meaningful criterion, such as the percentage increase in GNP. I think we could be making more imaginative use of some of this statistical material, as we have already done in some cases in the past.

Mr. Andrew M. Kamarck

October 5, 1966

Irving S. Friedman

Local Currency Expenditures

In view of recent evidence would it not be desirable to have someone in your Department prepare a memorandum on the considerations involved in the use of Bank and/or IDA financing to provide local currency expenditures for budgetary support or balance of payments support on a non-project basis?

cc: Mr. Alter

C&N (Tainsh)

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WBG ARCHIVES

October 5, 1966

Dear Mr. Donoho,

I am writing in reply to your letter of September 28, regarding Mr. Tainsh. It does not surprise me that Mr. Tainsh is eager to become connected with the Foodgrain Storage Project in East Pakistan. He is intensely interested in this problem-- indeed he regards the problem of adequate storage of food grains as one of the most critical problems in the world and is devoting much of his efforts to why this is so and trying to convince people to do something about it.

He speaks intelligently and persuasively and has first-hand familiarity with Asia as well as other parts of the world. He is also a man of fine presence and personal dignity. I really don't know enough about the technical aspects of your operations to be able to say exactly how he might fit in, but if you can use someone with enthusiasm, knowledge of the subject, acquaintance with the area and a good presence in some capacity, I believe that you would find him a worthwhile addition to your group.

I would appreciate it very much if you would regard this as a personal communication. I have not tried to ascertain the views of my colleagues in the Bank about Mr. Tainsh and am writing only from my own personal acquaintance with him.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. M.L. Donoho
Project Administrator
Weitz-Hettelsater Engineers
Kansas City
Missouri 64108

October 5, 1966

Dear Mr. Tainsh,

Thank you for your letter of September 13.

I am sorry I have not responded to your questionnaire but a thorough search of our files has not brought it to light, so I can only conclude that it did not arrive here.

It is most kind of Ivar and yourself to suggest I write the foreword to your book. Wouldn't you want some reputed authority in the field to do it? Please give Ivar my warmest regards.

Yours sincerely,

Irving S. Friedman

Mr. A.R. Tainsh
Ostermalmsgatan 61
Stockholm O
Sweden

October 5, 1966

Dear Gottfried,

Thank you for your letter of October 3. I agree that it was very nice seeing you during the meetings, and too am sorry that we could not have more time together.

With regard to Dr. Edgar Plan, I have written to Watanabe, recommending Dr. Plan for consideration for the Asian Bank and will also mention him to my colleagues in the Bank.

With kind regards,

Sincerely yours,

Irving S. Friedman

Dr. Gottfried Haberler
Harvard University
Graduate School of Public
Administration
326 Littauer Center
Cambridge, Mass.

(Reply sent to Mr. Kamarck with incoming letter)

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 10/05/1966 BY WGG

My dear Shenoy,

I was pleased to hear from you again and to have your paper on "Currency Over-valuation in Some Under-developed Countries" and look forward to reading it. I am also circulating it among members of our staff. If they or I have any comments on the paper I will send them to you.

With warmest regards,

Sincerely,

Irving S. Friedman

Dr. B.R. Shenoy
Director and Professor of Economics
University School of Social Sciences
Gujarat University
Ahmedabad-9, India

(Paper and letter sent to Mr. Cargill for any comments)

Asian Bank

DECLASSIFIED

AUG 16 2023

WBG ARCHIVES

PERSONAL

October 5, 1966

Dear Takeshi,

I am very glad that you were able to come to the luncheon. I found it most enjoyable. Please put it down on your calendar for Thursday at the Rio Conference next year!

You will be interested to know that a number of people--some of whom I respect very much--have approached me with regard to Edgar Plan. He is looking for a position in the World Bank or the Asian Development Bank, as you know. I have not spoken to him but I think it only fair to him to report to you that a number of able and responsible people are supporting his candidacy. As for myself, I still feel that he would make a good addition to your staff or to ours, but do not think--for your own information--that he is in the Director of Department class. I would be surprised if in the World Bank we were to offer him anything more than the equivalent of a Division Chief or an Assistant Director of a Department.

I was chatting with Governor Coombs of Australia about a number of things, including the Asian Development Bank. I found him very favorably disposed to the Bank. I think that if you wanted some people from the Central Bank he would be cooperative. You could either write to him directly or call Garland. If you were to have a second Vice President, I would still recommend very strongly Jack Wright. My guess is that Coombs would allow him to go, but of course I am not certain. I don't know anyone better than Wright to help you succeed in making the institution an effective organization. He has a real talent for helping to transform good ideas into reality.

I am sending you some material with respect to the SID. I do hope that at some time the Asian Bank will be able to be one of its patrons; contributions of \$1-5,000 per year are what we hope to get from our patrons.

Please call on me if I can be of help.

Wishing you best luck,

Sincerely yours,

Mr. Takeshi Watanabe
Ministry of Finance
International Monetary Bureau
32 Kasumigaseke Chiyoda-Ku
Tokyo, Japan

Irving S. Friedman

October 3, 1966

My dear Meenai,

This is just to acknowledge receipt of your manuscript Money and Banking in Pakistan.

As soon as I have a spare moment I will certainly look at it, and meanwhile, have taken the liberty of asking one of my colleagues to give me his opinion of it.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. S.A. Meenai
State Bank of Pakistan
Karachi
Pakistan

mss to Stanley Johnson 10/3/66

S. C.

October 3, 1966

Mr. Southard:

I am sending herewith six copies
of our draft study on Supplier Credits.
I would, of course, be glad to have
any comments on it.

Irving S. Friedman

*Unctad Studies
Notes on Bonn meeting
and Prebisch letters*

October 3, 1966

Dear Raul,

I must deeply apologise. It seems that in the excitement of the Governors' Conference I thought I had written you and now find that I had not.

I have given some thought to the kind of person who would be useful to you. I would like to recommend strongly Mr. Gengo Suzuki. At present he is the Japanese Executive Director in the Fund and the Bank but will be finishing his tour of duty at the end of October. He has a very broad experience in finance, good training in economics and has spent a number of years in the Fund and the Bank as Executive Director. His English is very good and he gets along well with people. He is going back to some position in the Bank of Japan but I believe could be made available if he found something else he wished to do.

Please forgive this oversight. I am still planning to go to Geneva next week unless the work on IDA replenishment makes it simply impossible.

With warm regards,

Sincerely yours,

Irving S. Friedman

Dr. Raul Prebisch
Secretary General
U.N. Conference on Trade and Development
UNITED NATIONS, N.Y.

IDA
replenishment

DECLASSIFIED

SEP 19 2023

PERSONAL

October 3, 1966

WBG ARCHIVES

Dear Felipe,

Please forgive me for not having sent this letter sooner. The delay is one of the casualties of the excitement of the Governors' Conference which you well know.

Annual Average
(U.S. \$ Million)

	<u>Actual</u> 1960-64	<u>Required</u> 1966-70	<u>Change</u>
Argentina	18	-59	- 77
Brazil	171	130	- 41
Chile	94	129	+ 35
Colombia	61	150	+ 89
Ecuador	6	32	+ 26
El Salvador	4	25	+ 21
Guatemala	9	15	+ 6
Honduras	5	18	+ 13
Jamaica	5	14	+ 9
Mexico	199	390	+191
Panama	8	10	+ 2
Paraguay	6	17	+ 11
Peru	26	112	+ 86
Trinidad and Tobago	7	17	+ 10
Venezuela	18	162	+144
Sub-Total	640	1,160	+520
Unspecified Countries	160	240	+ 80
Total Western Hemisphere	800	1,400	+600

For the specified countries above, our estimates are based on the findings of our economic missions over the last twelve months or so. Unspecified countries are those for which we did not have a recent economic mission report when these figures were put together, and these include Bolivia, Costa Rica, Guyana, Nicaragua and Uruguay.

Mr. Felipe Pazos
Economic Development Division
Inter-American Development Bank
808 17th Street N.W.
Washington, D.C. 20577

Mr. Felipe Pazos

- 2 -

October 3, 1966

The above figures have been taken from the latest country reports but the country economists have not had an opportunity to check them. They may of course have some problems with the numbers shown as they go over them. Therefore, I would appreciate it if you would regard this as a purely personal communication at this time and use the figures for your personal information only.

If I may give a personal comment I think that these estimates tend to understate some of the net future requirements for official capital. In some of the countries the estimates seem to be more related to what have been the past levels of actual capital inflow rather than estimates of absorptive capacity. Thus my own estimate for the total of future requirements for the entire continent would be higher than for the one shown above.

With warm regards,

Yours sincerely,

Irving S. Friedman

S. C.

Sept. 22, 1966

Mr. Kalmanoff

857

I understand that Mr. Hilley has sent his copy of the attached "Survey of Export Financing - September 1966 - U.S. Treasury Department" to Mr. Nespoulous-Neuville. You might like this one. Please make sure between you that anything and everything in this survey is reflected in our Study and if there are any differences between them, please bring to my attention.

IDA

September 21, 1966

Dear Win,

Thank you for sending over the tables to us. I am attaching, as promised, an attempt to work out the balance of payments effects of the suggestion that half of the IDA contribution might be in the form of firm national commitments, as in the past, and another half in the form of collective responsibility of the Part I countries or some group within the Part I countries. We have applied this approach to our \$1 billion figure to see how it might work out.

We are giving further thought to these questions, and I may be sending some further tables over to you if they seem worth while. Please feel free to call if you have any questions.

Sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. W. Knowlton
Assistant Secretary
U.S. Treasury

cc: Mr. Woods
Mr. Zagorin
Mr. Demuth
Mr. Hulley
Mr. Jalan

Example of Operation of IDA Collective Pool of \$500 million
Where contributions are adjusted to offset balance of payments effects

5. C
September 21, 1966

Dear Fred,

I am enclosing a copy of our latest draft on the Supplier Credits Study. I know that you are deeply interested in this subject. It is still an internal document but we hope to be able to send something to the United Nations Trade and Development Board as promised. They hope to be able to meet on the subject in November.

If I could have any personal comments from you, particularly as to the accuracy of the information, and whether you think the proposed suggestions are helpful and feasible.

Thanking you in advance.

With warmest regards,

Yours,

Irving S. Friedman

Mr. Alfred H. Von Klemperer
Vice President
Morgan Guaranty Trust Company
23 Wall Street
New York, 8, N.Y.

IDA - MW 1

Mr. Woods

September 21, 1966

Irving S. Friedman

The attached material was promised to us at the luncheon with Mr. Knowlton and other Treasury people. At the luncheon Mr. Knowlton emphasized that this should be regarded only as a rough exercise. He had also emphasized that the \$500 million figure which was used was hypothetical and not indicative of the U.S. attitude. It is interesting that in the covering letter he again suggests that the absolute levels are hypothetical.

Perhaps we are making some progress!

Attachment

cc: Mr. Demuth

R.S.

Sept. 21. 1966

Mr. Johnson

Please follow up.

Memo from Friedman to Woods of July 15, 1966
on Proposed U.S. Legislation on Food Aid.

Note from Mr. Woods -

When the bill is passed into law have a memo
prepared for me very briefly summarizing it
and the changes which will result from it,

9/17

Oct. 11

S.J. advised that this bill was thrown out
as the House wanted a flat prohibition against
any commodities going to Viet Nam or Cuba -
Congress gave a passive vote. It is to be
considered this session.

Amund my

DEL SOLAR
RECONQUISTA 134
BUENOS AIRES

September 21, 1966

L.T.

ARGENTINA

ACCOMMODATION ARRANGED DUPONT PLAZA ONE WEEK BEGINNING SEPTEMBER TWENTYFIVE
STOP HOPE ALSO TO ARRANGE SOME INVITATIONS REGARDS

FRIEDMAN
INEAFRAD

Irving S. Friedman
Office of the President

MWL + IDA

Mr. Woods

September 20, 1966

Irving S. Friedman

You might be interested in glancing at this table which we have sent over to Mr. Knowlton, showing the balance of payments impact of a U.S. contribution of approximately \$400 million to a \$1 billion replenishment of IDA.

As you will note, it is along the lines of our former tables but takes into account your proposal that the replenishment began in fiscal 1970.

Attachment

cc: Mr. Demuth

Annual mtg

Mr. T.D. Rimpler - Intermeet
C/o Mr. Bishop
Irving S. Friedman

September 20, 1966

Hotel Reservations

This is to confirm my request for two single rooms for
Dr. Guillermo Pena Casares and Dr. Julio Gonzalez del Solar at the
Du Pont Plaza beginning Sunday, September 25, for one week.

Thank you.

IDA

Sept. 20/66

Mr. Kamarck	800
Mr. Hulley	1013
Mr. Jalan	1026

Letter from Knowlton of September 17/66
and attachments - IDA Replenishment.

Irving S. Friedman

Am

Mr. Knapp

September 16, 1966

Irving S. Friedman

Annual Meeting draft schedule

In response to your memorandum of September 9 my interest would be to attend the meetings on India, Brazil, Japan, Pakistan, and perhaps Argentina.

I am also attaching a memorandum from Mr. Kamarck and trust that these suggestions are acceptable.

Attachments

17A

September 16, 1966

Dear Mr. Knowlton,

I found our luncheon discussions most helpful and constructive.

As promised, I am attaching two copies of a memorandum prepared for Mr. Woods. To make this memorandum more useful I have had the first page re-typed, leaving off the to and from and changing the date.

Sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. W. Knowlton
Assistant Secretary
U.S. Treasury

Pending

September 16, 1966

Dear Mr. Dell,

I regret the delay in replying to your letter of August 3 but I have been out of the city for some time. Thank you for your letter of September 13, and I will be glad to prepare an article on economic development for the Britannica Book of the Year.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. W.R. Dell
Editor
Britannica Book of the Year
Encyclopaedia Britannica
425 North Michigan Avenue
Chicago 11, Illinois

Given to Mr. Avramovic for inclusion in
President's Speech

Page 3

We believe that it is important that any measures taken to protect the balance of payments of industrialized countries be of such a character as not to affect adversely the raising of capital by the developing countries. I particularly welcomed the statement which the American Secretary of the Treasury made in a letter of June 8 to me in connection with our recent bond issue, that, because the activities of the Bank coincided with the national interests of the United States in contributing to the sound economic advance of the less developed countries, he, as Secretary to the Treasury, approved my proposed borrowing in the U.S. capital market. We found that this statement was important in reassuring investors of the intentions of the U.S. authorities in its balance of payments management measures.

1DA

September 15, 1966

My dear Wickman,

I have read with great interest your preliminary draft and believe that it would make a most useful contribution to the current negotiations.

The only suggestion that I would have would be in the first complete paragraph on page 3 to make clear that while the figures and proportions can be changed, this should be done in such a manner as not to dilute the proposed replenishment. This would, of course, be somewhat repetitious of the previous page. It would, however, avoid the possible misinterpretation that might result from saying that your example is made for purely illustrative purposes.

It is most encouraging for us workers in the vineyard to know that there are people like yourself in various industrialized countries!

Looking forward to seeing you in Washington.

Yours sincerely,

Irving S. Friedman

Mr. Krister Wickman
Kungl. Finansdepartementet
Statssekreteraren
Stockholm
Sweden

17A

KRISTER WICKMAN
KUNGL. FINANSDEPARTEMENTET
STATSSEKRETERAREN
STOCKHOLM

SEPTEMBER 15, 1966

KT FULL RATE

SWEDEN

HAVE READ DRAFT AND BELIEVE IT WOULD BE USEFUL AND ~~STRUCTUAL~~ *CONSTRUCTIVE*

CONTRIBUTION STOP LETTER ENROUTE STOP REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President



Record Removal Notice

File Title Irving S. Friedman - Chronological File - 1966 Correspondence - Volume 3		Barcode No. 1598699		
Document Date 9/14/1966	Document Type Memorandum			
Correspondents / Participants To: George D. Woods From: Irving S. Friedman				
Subject / Title Conversations with Mr. Townsend Hoopes				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Bertha F. Wilson</td><td>Date August 16, 2023</td></tr></table>	Withdrawn by Bertha F. Wilson	Date August 16, 2023
Withdrawn by Bertha F. Wilson	Date August 16, 2023			

Am

September 14, 1966

Dear

I am having a small luncheon for Mr. Gabriel Ferras on Wednesday, September 28 at 1 pm in the Adams Room at the Sheraton Park Hotel and would like very much to have you join if you are free.

Irving S. Friedman

Mr. Ernest Sturc
IMF

ED 1

M Mr. Kamarck

September 14, 1966

Irving S. Friedman

In connection with our luncheon tomorrow I had asked for certain statistical material to be ~~put~~ together by early Wednesday afternoon at the latest. It is now 7 pm and it has not arrived.

I do appreciate the effort of people to put the material together but had emphasized from the beginning that late material was useless and would represent a waste of effort.

ECOSOC

Mr. Woods

September 14, 1966

Irving S. Friedman

ECOSOC - 41st Session

In view of the importance of the subject matter discussed at the 41st Session of ECOSOC, I asked one of my staff members to prepare an analysis of the discussions with particular reference to comments made or use made of our \$3-\$4 billion figure, the attitude towards the 1% of national income target, views expressed, if any, on IDA and any views on supplementary finance and other matters of interest to the Bank.

I have not tried to edit Mr. Johnson's memorandum, which you may find of interest.

Attachment

cc: Mr. Demuth

*Unrated -
Intelligent guess*

Mr. Woods

September 14, 1966

Irving S. Friedman

Statement by Mr. Prebisch at Trade and Development Board

Before seeing Dick's memorandum of September 14 I had had one of my younger men give me a brief summary of Mr. Prebisch's speech. He follows, among other things, developments with respect to supplementary finance.

I thought you and Dick might be interested in glancing at his note.

Attachment

cc: Mr. Demuth

September 14, 1966

Dear

Thank you very much for the material on India. I am sending it to my daughter immediately and I would also like to thank you for the other material which the Embassy will be sending forward.

The paintings are so attractive that I am keeping one copy for myself.

Irving S. Friedman

Mr. K.S.S. Rajan

Mr. Michael Dakolias

September 14, 1966

Irving S. Friedman

Countries with Monetary Disturbances

Thank you very much for the help on the listing of countries with monetary disturbances.

We still have an unfinished article to write together!

SPS

Mr. George D. Woods

September 13, 1966

Irving S. Friedman

Fund's Compensatory Financing Scheme and Bank's Supplementary Financial Measures.

In view of the Fund's very recent decision on compensatory financing I thought you might find useful the attached memorandum comparing the Fund's version and the proposed Supplementary Financial Measures.

Attachment

INSERT A PAGE 5

In view of the Fund's action we are now better able to consider various questions related to how the Fund scheme and the Supplementary Finance Scheme might work simultaneously. A separate note on this is being prepared.

These matters are not urgent in the sense that no Bank decision is of course required, but Governors and others might be speaking to you about these matters.

Mr. McDiarmid

L-
September 14, 1966

Irving S. Friedman

Paper on Pakistan - Princeton Conference

While you were on holiday I called to ask the following favor --

I am attending a Conference at Princeton starting this Friday afternoon and have been asked to comment on the attached paper (as well as a paper on Brazil). I would like very much to have your comments. I know that it is a very short period of time but trust your brief holiday has given you even more vigor than usual. In any case I will be glad to have the comments in as rough a form as you wish because of the short time. Thank you.

L-1
URGENT

Mr. Sacchetti

September 14, 1966

Irving S. Friedman

Brazil

Mr. Kafka has rewritten this paper and I won't ask you to reread the whole thing over again, but anything you may have to say on these 11 pages, double spaced, would be most appreciated.

Could you let me have them by tomorrow morning? I think I might also ask Frank Tamagna to read this part and he is due back in the office tomorrow morning. Thanks.

M W 1

Accomplishments in economics during last two years

A. World Bank as leading development finance institution

1. Use of \$3-\$4 billion as measure of need for development finance instead of 1% target for contributions which doesn't measure need. New figures give basis for approaching all Part I-type countries and opening way eventually to new basis for "burden sharing".

2. Acceptance of "reasonableness" of increase in IDA resources in magnitude which even last year regarded as foolish even to suggest -- paving way for \$1 billion per annum to IDA whether accepted now or delayed somewhat by circumstances outside IDA. Paves way for even much larger IDA in future as political leaders made to focus seriously on needs of countries and merits of multilateral approach.

3. Supplementary Finance Study -- generally accepted as practical basis for working out solution to principal economic uncertainty interfering with development process in LDCs.

4. New Relationship between donor and recipient countries -- concept of mutual obligations and responsibilities, one half of which is common agreement on acceptable economic performance and other half, is adequate development finance as long as host or recipient countries live up to performance. Also paves way for longer-term commitments by both sides.

5. World Bank and U.S. Balance of payments -- not only acceptance of argument made in past by World Bank that past activities of World Bank did not increase, but rather decreased, the U.S. balance of payments deficits, but also acceptance that World Bank can manage its affairs so that any future market borrowings in the U.S. will not encumber balance of payments at least until end of 1960's -- an argument that is bound to appeal to many in Congress as well as Executive, even if those most concerned with problem are nervous even about 1970's. Moreover, this scrutiny of the future has helped in gaining more acceptance for the more general argument that development finance should be sheltered from balance of payments policies of richer countries in difficulties.

6. World Bank as leading authority on development finance and policy criteria -- role as experts on development economies and performance in consultative groups, quotation of Bank estimates, judgments and views by newspapers, journalists, economists, political leaders, and increased eagerness to have World Bank Group take on variety of tasks (Ambassador Korry, Secretary Fowler, British officials, Swiss, Swedes, reduction of armament burden, Ford Foundation) many invitations to address economic societies in U.S. and Europe, etc.

B. Role of economics within World Bank

1. Acceptance within Bank of need for careful judgment on economic performance and outlook as pre-condition for Bank or IDA lending operations and participation in consortia and consultative groups.

2. Acceptance of practice of regular reviews (economic missions and reports), of development programs, problems and outlook, not, as previously, related only to likelihood of lending operations or technical assistance.

3. Practice of careful investigation of economic background to major policy issues, decisions and declarations -- example: IDA replenishment, preferences for domestic suppliers, performance criteria in lending, Bank borrowing, etc.

C. Organization of economic work within World Bank

Based on organizational structure of economic work carried on separately in different departments and groups, particularly Economics, Projects and Area Departments coordinated and supervised by The Economic Adviser to the President and Chairman of Economic Committee.

1. Role of Economic Committee -- well attended - useful exchange of views prior to decisions on economic questions. Mostly devoted to country situations and problems as prelude to future lending operations or consultative groups, etc.

2. Sub-Committees of Economic Committee -- give detailed and expert review to all country reports by economists in other departments under chairmanship of senior Economics Department member. All members of mission participate. Done prior to review of policy proposals by Economic Committee. All lending submissions to Executive Directors now are preceded by such examinations by Sub-Committee and full Committee.

3. Strengthening of economic personnel -- particularly in Economics Department but also elsewhere - both in numbers, supervision and training - developing mutual regard and self-respect.

4. Dual role of Area Departments - general acceptance by now that Area Departments have two distinct functions -- lending operations and economic operations -- Director of Department is responsible for both. In case of lending operations reports to Knapp; in case of economic activities to Friedman. Works increasingly well in practice, particularly as Messrs. Knapp and Friedman now consult more frequently on country problems involving both areas of responsibility.

5. Major role of Economics Department in economic work -- now regarded as principal department in economics work -- no longer subordinate "servicing" department -- still trying to find best administrative organization, division of functions and priorities. Clearly cannot do all that Bank staff and world would like it to do and it could do usefully and profitably.

6. Role of The Economic Adviser to the President -- responsibilities now generally recognized -- still some difficulties in implementing responsibilities involves marked changes in traditional ways of doing work in Bank but much progress made.

D. Next Major jobs for economists in addition to regular economic work on countries and projects

1. IDA replenishment -- preparation for separate conversations at least with larger Part I countries (work already well under way).

2. Performance criteria, -- aim is to formulate and achieve internationally accepted performance criteria -- may be possible to do by careful and objective

analyses drawing fully on past experience (similar to way in which acceptance achieved for Supplementary Finance Study, for \$3-\$4 billion figure and for need for economic basis for consultative group work) -- (work under way).

3. "Burden-sharing" criteria -- need to formulate new criteria related to present and future problems of richer donor countries -- could be logical extension of \$3-\$4 billion approach and also helped by IDA replenishment exercise -- requires more work on relation between development finance and current problems (budgets, balance of payments, inflationary pressures, difficulties in capital markets, etc.).

4. Improving quality of economic statistics, analysis and presentation -- necessary on both general problems and individual countries. Real but avoidable danger is separation of work on general economic problems and policies from economic work with countries.

5. Absorptive capacity and most effective use of development finance -- keep up-to-date country by country estimates as now being done -- aim to get over next few years picture for all World Bank Group LDC members, even if does not effect global need and effective use figure (now \$3-\$4 billion) -- aim to achieve, informally, agreement on technical level of donor countries (and perhaps other regional banks concerned) that these estimates are best possible and suitable working basis for all involved -- in an important way would greatly facilitate successful operation of consultative groups -- also help make possible division of labor with economists in other institutions by more interchange of material and analyses -- (part of general need to tackle this problem of widespread duplication of effort).

6. Follow-up on UNCTAD work already done -- (for this purpose an assuming Supplier Credits Study done) -- more on Supplementary Finance Scheme -- have been asked by Trade and Development Board to do more work -- growing international support for Scheme -- coming meetings of inter-governmental group.

7. Improved understanding of economic problems of donor countries -- means more contact with top-level economic policy makers as well as technicians -- need to avoid areas outside of our competency or immediate concern, but willingness to be involved in areas of immediate concern to us -- example: deliberations now going on within OECD on capital markets, or deliberations on criteria used in restraining capital movements when in balance of payments difficulties. Need not duplicate work of other institutions.

8. Relation between lending techniques ("program lending", "project lending", "local currency financing", etc.) and achievement of economic development -- has come up repeatedly -- economists in Area Departments and Economics Department eager to have this matter reconsidered -- I have held back until IDA replenishment clarified -- but at some point desirable to reconsider on confidential basis within Bank.

9. Sectoral studies -- need sound economic bases for judging broad investment programs in certain sectors as well as judging priorities among competing investment possibilities (example: work done on Indus River).

IDA rmm

Mr. George D. Woods

September 9, 1966

Irving S. Friedman

U.S. Balance of Payments and IDA Replenishment

1. You will recall that Secretary Fowler has suggested the introduction of a balance of payments relief feature in the IDA replenishment package along the lines of including a condition that when the time came to fulfill enlarged donor commitments the expanded obligations need not be performed by those in serious balance of payments difficulties. He has also suggested the possibility of resort to tied loans when in balance of payments difficulties.
2. It is expected that the concern with the balance of payments impact of our proposed IDA replenishment is, if anything, greater than in the past. The U.S. balance of payments in 1966 is likely to be in even greater deficit for the year than originally forecast. This deterioration is being caused by a marked decline in the trade surplus as imports have risen rapidly in response to inflationary conditions in the United States. The trade surplus is now running at about \$4 billion per year instead of \$6 billion prevailing in the past. No improvement is in sight and it is now believed that the over-all deficit might well be \$1 billion or more larger than expected or in the neighborhood of \$2 - \$3 billion for 1966, despite the use of various accounting devices to make the deficit figure look smaller.
3. I still believe that the replenishment of IDA, whether in the form of grants or loans or a combination of both, should not be related to the balance of payments position of the donor countries. I also would like to reiterate the obvious point that the best contribution to IDA is one that is firm without any conditions except repayment of loans, if any. Accordingly, we have argued that the balance of payments effects of IDA replenishment would not be felt for three or four years and therefore need not be a consideration in deciding on the level of IDA replenishment.
4. If this argument does not by itself prove persuasive, it may be necessary to have further thoughts on how to meet the balance of payments concern even though the initiative on this problem does not come from us. There are a number of different ways that this concern could be met which would be compatible with the following basic principles:
 - (a) the maintenance of international competitive bidding;
 - (b) independence in managing IDA funds;
 - (c) sufficient certainty regarding availability of funds to warrant making the desired level of commitments;
 - (d) distribution of contributions by donors according to resource capacity (the problem of helping the developing countries is basically one of transfer of resources and balance of payments difficulties of a donor country are not likely to be accepted by other donor countries as a reason why the latter should increase their relative share beyond that warranted by their comparative economic strength);
 - (e) compatibility with the budgetary practices in the principal donor countries, especially the United States; and
 - (f) fairness to all of the donor countries and maintenance of confidence in IDA in the Part II countries.

5. The following are some of the different ways of approaching the problem of assuring that IDA contributions will not add to the deficit of a country in balance of payments difficulties and still be compatible with the above principles:

(a) The Part I countries or a group within the Part I countries could make their contributions to IDA a collective responsibility. If this principle were acceptable, it would be possible to work out a technique by which any donor country declared to be in balance of payments difficulty by the IMF could reduce temporarily its contributions to IDA and have them replaced by contributions from countries within the group. A variant of this idea would be to have the country in difficulty draw on the Monetary Fund to the extent deemed necessary to meet its commitment to IDA, in this way postponing for 3 to 5 years the balance of payments consequences of such contribution. Another variant would be for the country in difficulty to be assured in advance of the availability of temporary borrowing facilities from other donor countries for this purpose, thus avoiding the need to go cap-in-hand at the time for such help.

(b) Each country's share in the total contributions to IDA could be made equal to IDA financed expenditures for goods and services in that country. There are many ways of doing this, for example: the use of open lines of credit with or without national ceilings, or the use of some reference year to determine contributions with the possibility of later adjustments to actualities. Another variant, involving the use of loans to IDA rather than grants, would be to make the IDA debt a financial instrument which could be transferred internationally on the basis of net procurement in each donor country. Thus, a country which had been the beneficiary of larger procurement would increase its creditor position vis-a-vis IDA by, in effect, purchasing part of the debt held by a donor in balance of payments difficulties. Thus, creditor positions would vary from year to year depending on the pattern of IDA procurement.

(c) The Swedes have suggested what in effect is a scheme of having a total donor commitment to IDA larger than is expected to be called upon in practice, the amount expected to be called upon being equal to what is wanted originally. They would achieve this as follows: over the 3 year period "normal" amounts contributed by donor countries would amount to \$2.25 billion, rising from the \$500 million in the first year to \$1 billion in the third year. In addition, these "normal" contributions would be supplemented by conditional contributions amounting to say 50% of each year's normal contribution. These additional contributions could thus aggregate over one billion dollars for the 3 year period. The combined normal and conditional contributions would total say \$375 million more than the proposed replenishment of \$3 billion. The conditional contributions would be potentially deferrable in case of balance of payments need, but providing for this additional amount, it would be reasonable for IDA to assume that \$3 billion of total credit commitments could be made since it is not likely that deferrals would amount to significantly more than the margin of safety provided for in the contributions.

(d) The IDA replenishment proposal has been presented in terms of the first installment on the new replenishment falling due in fiscal 1970. Since the last installment on the present replenishment is due in fiscal 1968, this

leaves open fiscal 1969. It might be possible to use this fact to suggest that the first installment of any new replenishment be made due in fiscal 1969 with the provision that any country in balance of payments difficulty could postpone payment of part or all of its annual installment provided that no country would be permitted to fall more than a year or a year and a half behind on its total three year commitment. This would take advantage of the lags between IDA credit commitments to Part II countries and the actual need for funds.

5. I have not attempted to comment on the merits of the above proposals since they are given primarily to illustrate why I believe that there are a number of possible ways in which balance of payments objections to the proposed IDA replenishment might be met, assuming the political willingness on the part of the donor countries to do so, without compromising the basic principles and practices which account for IDA's success. Assuming that the balance of payments concern, however inappropriately, will affect either the magnitude or conditions on which grants or loans to IDA will be made available, I believe that efforts should be made to bring about a realistic appreciation of the size of the problem and to avoid the present profound concern leading to over-reaction which might be regretted by all three or four years hence when the decision taken now on IDA begins to have actual effects.

6. In tables presented in earlier memoranda we have demonstrated the time delays in the balance of payments effects of the proposed increase in IDA's resources. The attached two tables are addressed more to the question of how large the balance of payment impact of a \$1 billion replenishment might be and which countries might be importantly affected. (These tables are based upon past experience and there could, of course, be some change in future years.) Table 1 indicates that most of the larger Part I donors are likely to experience neutral or positive effects on their balance of payments from the proposed replenishment. Japan and the United Kingdom are two outstanding examples of countries which have had positive effects. Table 1 also indicates those countries where the effects are likely to be negative. However, in the case of the United States and Canada these negative IDA effects are likely to be more than offset by the positive effects of IBRD operations, while in the case of a number of other countries, for example Kuwait, it is hard to imagine that they would be concerned by any negative effect from IDA operations.

7. Table 2 sets forth the magnitudes of the estimated effects on the balance of payments for the U.S. and Canada and other countries combined which are likely to experience negative effects from IDA operations. It will be noted that the U.S. figure amounts to about \$150 million per year. This, at most, is the magnitude of the balance of payments problem, not \$400 million. For Canada and the other countries the problem is really trivial. The appreciation that in any case the magnitude is small (as well as delayed) is not only important for considering whether any safeguard against the balance of payments impact is necessary, but also may help when considering possible ways for coping with the problem. Thus, if as a matter of fact, what is potentially not usable at some particular time is some portion of \$150 million a year (or even assuming some portion of \$200 million, because some other country may be in difficulty), the problem of uncertainty arising from this possibility may be manageable. Similarly, the problem of looking to the Fund for temporary assistance to a donor to meet the problem or assuring

loans from other donors may become much more feasible to contemplate, if what is being contemplated are magnitudes which are relatively small for the countries concerned, or for the institutions which may be involved.

8. Assuming that some relatively minor element of uncertainty is manageable, perhaps something along the following lines could be explored. All countries would agree to firm commitments for a three year period amounting to \$1 billion a year or a total of \$3 billion for three years. All countries would be assured by the IDA management that in the case of serious balance of payments difficulties, there would be no use of any portion of these contributions to finance IDA procurement in other countries and therefore no negative effects on the balance of payments. However, no less than 75% of this contribution would in any case be usable. This would mean a certainty of about \$300 million for the U.S. irrespective of any balance of payments situation. This percentage is suggested because past experience would make it easy to demonstrate that total IDA procurement in the U.S. would be in those magnitudes, if IDA were to reach the level of \$1 billion a year of disbursements. In this way there would be virtual certainty of IDA contributions in the magnitudes of \$800 million or more. (This conservatively allows for \$100 million unused funds from other countries which may also be in balance of payments difficulties)

Thus not until the level of new commitments by IDA was approaching \$800 million a year would there be a problem as to whether or not the management of IDA could proceed to raise the commitment level higher. This problem would probably not arise for at least two years, say fiscal 1968/69. At that time IDA could hold discussions with any country including the U.S. that felt its balance of payments difficulties were such as to warrant special action by IDA to avoid negative effects on its balance of payments from IDA operations. There would be no question of the donors making their actual contributions but only a question of whether the contributions would be kept in domestic bank deposits or otherwise reinvested in the donor country to avoid a negative balance of payments impact. Thus it would be analogous to what we have been doing with funds borrowed from the U.S. capital market. If it were agreed that the U.S. balance of payments situation was in serious difficulties, (and, if necessary, the IMF could decide), it could then be agreed how much, if any, negative effects from IDA operations should be envisaged. Then IDA could decide to what extent it could go above the \$800 million or so level of new commitments without running into the problem of uncertain financing for these commitments. In this way the impact of the present U.S. balance of payments difficulties on the proposed IDA replenishment might be minimized. It would provide for the consideration of the problem at a date when it would be much more possible to see whether there actually was a problem and, if so, in what magnitudes. Moreover, since the contributions to IDA would be firm and made irrespective of balance of payments situations, the relative contribution of donors would still be related to their basic economic capacities. Countries in balance of payments difficulties would get some temporary relief, but their commitments to transfer real resources over time would not be reduced.

IDA would in any case have additional financial assets. It is not inconceivable that these assets, although not internationally transferable, might still be able to be used to assist the activities of IDA, e.g., perhaps they could be liquidified in whole or in part through borrowing transactions; such transactions would not adversely affect the U.S. balance of payments if it were still in difficulty.

Attachments

Am

Mr. Dana Brantley

September 14, 1966

Irving S. Friedman

Governors' Conference - Social Events

As requested in my memorandum to you of September 17, 1965, I would again appreciate if the following staff members be included in the listing of invitees for official social events during the Governors' Conference. These staff members could be treated as approximately equivalent to Deputy or Assistant Directors:

- Mr. N. A. Sarma (m)
- Mr. P. Pereira Lira (m)
- Mr. David Kochav (m)
- Mr. R. M. Sundrum (m)

The following are senior consultants in the Bank:

- Dean Edward Mason (m) - Harvard University
- Mr. Frank Tamagna (m)
- Mr. Isaiah Frank (m)

Thank you.

Sept. 13, 1966

Mr. Hulley

1012

I would appreciate if you and Mr. de Fontenay
could collaborate on a reply to this.

Irving S. Friedman

letter of Sept. 9 from Mr. V.V. Bhatt to Mr. Woods with article "International Monetary
Reform: A New Proposal.

SFS
September 13, 1966

Dear Louis,

Thank you for your note of September 7. A copy of the Bank's study on Supplementary Financial Measures submitted to the U.N. Secretary General in December 1965 has been mailed to you and should be reaching you shortly.

Kind regards,

Sincerely,

Irving S. Friedman

Mr. Louis Shere
Indiana University
Department of Economics and
Division of Economic Research
Ballantine Hall
Bloomington, Indiana

September 13/66

Messrs. P. Lira/Sarma/Sundrum	1036
Mr. Jalan	1026
Mr. Isiah Frank	1056
Mr. Hulley	1016
Mr. Macone	G-1038

Please draw to Mr. Friedman's attention
any points of interest.

UNCTAD TD/B/103/Rev.1
6th September 1966

Statement by Mr. Raul Prebisch, Secretary-General
of the United Nations Conference on Trade and
Development, at the Ninety-third Plenary Meeting
of the Trade and Development Board on 31 August 1966.

Room 1223

Misc

September 13, 1966

Dear John,

I found your letter in my office on my return from vacation and have given some thought to the questions which you have raised.

I find it virtually impossible to give a simple answer. In general it may be said that wherever countries recognize that there is a problem of development, they set up some kind of special governmental machinery to deal with it. This development agency, whatever it may be called, usually concerns itself with the subject matter covered in the conclusions and recommendations of the Report of the National Commission on Technology, Automation, and Economic Progress. However, in nearly all countries the central bank does cooperate with the planning agencies. For example, in providing some of the economic data and analysis or in assessing the feasibility of a program from the viewpoint of its short-run balance of payments impact. The role of the Central Banks, even in this respect, varies considerably from country to country. Thus, if you were to ask central bankers from less developed countries whether they had an important role in economic development activities they would probably give a hedging reply -- that it was not their responsibility but that they did assist in the related activities. In this limited sense you might find it worthwhile to talk to some of the central bankers, e.g., Gomez of Mexico, Castillo of the Philippines and Bhattacharyya of India as to their experiences in this field. Other central banks which have had an interesting experience in these matters include the Central Bank of Brazil, the Central Bank of Chile, the Bank of Thailand, the Central Bank of Ceylon, the Central Bank of China, the Bank of Korea and the State Bank of Pakistan.

You might also be interested in having some comments on housing investments as such. A number of central banks in various countries have participated in an occasional or marginal manner in the financing of housing. This, however, seems to be more by default in other segments of the government than by design. Thus Mexico has conducted a reserve requirements policy for commercial banks in a manner which encourages investment in housing. Similarly the Bank of Greece has given some assistance to the Agricultural Bank for housing financing in agricultural areas. In Argentina the Central Bank, under the past Government, has given consideration to provide financial assistance to the Banco Hipotecario, within the framework of the development program.

I hope that the above material is of some use. Looking forward to seeing you at the Annual Meeting.

With best wishes,

yours,

Mr. John C. Bullitt
P.O. Box 2748
Trenton, N.J. 08625

Irving S. Friedman

Pending

Mr. Woods

September 12, 1966

Irving S. Friedman

Meeting with Executive Directors on Economic Work

With respect to the suggestion of a presentation to the Executive Directors on the economic work of the Bank, I would suggest some date soon after the new Executive Directors have taken office -- perhaps early in November.

cc: Mr. Mendels
Mr. Kamarek

Mr. Kamarck

September 12, 1966

Irving S. Friedman

Annual Meeting draft schedule

With respect to the attached draft schedule my desire is, of course, to attend those meetings with Mr. Woods in which economic performance is an important problem with the country -- unless there is some other good reason for me to attend.

I would also like to have from you your recommendation as to which meetings you and others in the Economics Department might attend. I can say in advance that I would like to attend the meetings on Algeria, Morocco or Tunisia, India, Japan, Pakistan, U.A.R., Yugoslavia and Argentina or Mexico or both.

Attachment

September 12, 1966

Dear

I am having a small luncheon for Mr. Wilfried Guth on Thursday, September 29 at 1 pm in the Adams Room at the Sheraton Park Hotel and would like very much to have you join if you are free.

Irving S. Friedman

Mr. Charles Coombs
Vice President
Federal Reserve Bank of New York,
New York, N.Y.

Also sent to: Mr. Robert Roosa
" Felipe Herrera
" Takeshi Watanabe
" Overby accepted by phone (seperate letter sent)

September 12, 1966

Dear

I am having a small luncheon for
Mr. Gabriel Ferras on Wednesday, September
28 at 1 pm in the Adams Room at the
Sheraton Park Hotel and would like very
much to have you join if you are free.

Irving S. Friedman

Mr. James Raj
IFC

also to Messrs. Chadenet
Exter
J. Stevens
R. Triffin

A-1 (Waage)

IVES
WOL. INC.

September 12, 1966

Dear Don,

I was glad to receive your note of September 5 enclosing the Chamber of Commerce letter of August 4, and needless to say am very glad to hear that they regard our Study as both "credible" and "exceedingly useful".

Thanks for your help on this. I am writing to Mark Feer on a purely personal basis. As you know at one time he was an assistant to Andy Overby at First Boston.

Sincerely,

Irving S. Friedman

Mr. Don L. Waage
Investors Diversified Services Inc.
Investors Building
Minneapolis, Minn.

S.C.

DECLASSIFIED

AUG 16 2023

September 12, 1966

PERSONAL

WBG ARCHIVES

Dear Mark,

I am sending you on a purely personal and confidential basis a copy of our draft Study on Supplier Credits, which we are doing for the UNCTAD.

I know that you have a keen interest in this field. We hope to use the attached draft as a basis for a final version to be sent to the UNCTAD. Needless to say, if you have any comments, particularly on the accuracy or figures of what we have in the material in the Study I would appreciate having them.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Mark C. Feer
Deputy Assistant Secretary for
Financial Policy
Department of Commerce
Washington, D.C.

1966-09-12

Mr. John H. Adler

September 12, 1966

Irving S. Friedman

EDI - Seminar for General Course

With reference to your memorandum of August 30, the afternoon of Thursday, January 12, 1967 seems clear enough to address the group on Consortia, Consultative Groups and Supplementary Finance.

P-1

September 12, 1966

My dear Mr. Ambassador,

It was most kind of you to send the box of Coronas and I thank you very much.

I myself am a non-smoker but future visitors to the Bank will benefit from your courtesy!

I hope we will have occasion to meet each other in the near future.

Sincerely yours,

Irving S. Friedman

His Excellency
Benjamin Romualdez
Ambassador Extraordinary and Plenipotentiary
Republic of the Philippines
Washington, D.C.

Mr. Van Wagenen

September 9, 1966

Irving S. Friedman

Young Professionals

Thank you for your memorandum of August 29. I have not replied earlier as I have been away from the office.

I would like very much to have a chat with you on what has been the experience of the young economists recruited for the Program. I am particularly interested in how much economic work they have done and what they have learned from their experience. What are their prospects and what do they think about their prospects?

I would also like to speak to you about Stanley Johnson. Some new things have come up in my office and I would appreciate it if you would not assume that he is available for rotation until we have discussed the matter further.

Mr. Woods

September 9, 1966

Irving S. Friedman

ECOSOC - \$3-\$4 billion estimate - Comments by French and United Kingdom delegates at ECOSOC meeting in August

You will recall that Mr. Consolo reported in a memorandum to the Files of August 5 on the 41st Session of ECOSOC that the French delegate Mr. Nebot had said that "the Bank had never been able to justify its estimates of the 3/4 billion gap notwithstanding repeated requests from France". In addition he reported that the United Kingdom delegate had "questioned the bases for the Bank position on the gap and debt burden". You suggested that some reaction to this should be made known to the French and British.

1. On September 1 I spoke to Mr. Robert Radford, the U.K. alternate, about this matter. I expressed my surprise at this statement, if made, pointing out that our estimates had been discussed repeatedly with various senior U.K. officials and they had expressed satisfaction with both the techniques used and indeed had urged me to publish a paper on the methodology used. I emphasized, however, that my information was not based on a verbatim report and there might have been some misunderstanding. In any case, we wanted our U.K. colleagues to know that we would be very pleased to discuss again any of these or other estimates made by our economic staff. We had agreed in the past that such exchange of thoughts might be very useful to both the U.K. and the Bank technicians. Mr. Radford said that he too was surprised at the report contained in Mr. Consolo's memorandum. He had heard nothing about it but did know that in the past the U.K. people had been happy about the Bank's work in this field and London knew of our willingness to cooperate and appreciated it.

Mr. Radford telephoned the next day (September 2) to say that he had not had a chance to check London but that chats with other U.K. people here had indicated that there might have been some misunderstanding. It seems that at the ECOSOC meeting the suggestion had been made by some delegates that the Bank's estimate of \$3-\$4 billion be made a commitment. The U.K. did not have any trouble with the estimate, but did not feel that it was prepared to accept this figure as a commitment at this time. However, he would check further into this.

I reiterated our close relations in our work and he said he would be reporting this to London.

2. On Friday morning (September 2) I called on Mr. Larre and informed him of what Mr. Consolo had reported about the views of the French delegate. I told Mr. Larre that I had not had a chance to search the files and that it was possible somewhere or other French delegates had queried the figure, but I did not know of any unanswered requests. We had always made it clear in various bodies, as OECD committees as well as to individuals, that we were prepared to have responsible technicians visit with us to explain to them in detail how we did our work, including our \$3-\$4 billion estimate and our debt service burdens in the future. As in the case of Mr. Radford I suggested to him that if the French authorities so wished we would be happy to arrange for such discussions during the Governors' Conference if that suited their

convenience. I urged the desirability of an exchange of views and information on these matters as a basis for better mutual understanding of our problems. Mr. Larre said that he was surprised at the report for as far as he knew the French had never questioned this figure and surely no request had been made. He presumed that any request would come through him. He would bring this to the attention of the French authorities including our offer to discuss this matter with them at any time, including the Governors' Conference if they so wished.

3. In connection with the above, particularly the French statement, it is interesting to note that according to a letter received from Mr. Karasz of August 17, Mr. Kristensen had already reported to the OECD Council on July 27 about his conversation with you on these figures in Washington. He reported our invitation to the OECD secretariat to send someone to Washington and our willingness to show him all the background material and explain how the study had been carried out. According to the minutes of the meeting -- which was held before the ECOSOC meeting -- there were no comments made by any national delegation on this. France, as well as other countries, was, of course, represented at the Council meeting, but there could have been a failure of communication within the governments.

C+N - Escott Reid

Mr. Kalmanoff

September 9, 1966

Irving S. Friedman

"The Crisis in Foreign Aid"

Would you please read the attached reprint The Crisis in Foreign Aid by Escott Reid. How does the factual material given in this paper compare with the material we have been writing, particularly in the Annual Report? Could I have any comments by Monday, since I will be speaking to Mr. Woods on this either Monday or Tuesday. He has asked me whether we should be distributing this article at the Governors' Conference.

Attachment

UNCTAD

September 9, 1966

Mr. Demuth

Irving S. Friedman

Intergovernmental Group Meeting -- Geneva

The Bank delegation to the Geneva meeting in October on supplementary finance will consist of Messrs. Friedman, Pereira Lira, and Jalan.

cc: Mr. Pereira Lira
Mr. Jalan

Mr. George D. Woods

September 9, 1966

Irving S. Friedman

Economic Work in the Bank

When I was in Maine, I jotted down some notes on what we had done in the economic work of the Bank during the last two years keeping in mind the conversations we had just two years ago prior to my joining the Bank's staff. You may find them interesting despite their rough character.

Attachment

September 9, 1966

Dear Mr. Smida:

Thank you very much for your dinner invitation, but as I am participating in a Conference at Princeton University that weekend unfortunately my wife and I will be unable to accept.

I do hope, however, that there will be another occasion for us to get together.

Irving S. Friedman

September 8, 1966

Mr. Knapp:

Burke,

I find that my dental appointment tomorrow morning is for 8:45. As it is way out in Silver Spring, from past experience I would say that I won't be in until 10:30 or later.

I therefore suggest that you have the PC meeting without me tomorrow. I will be preparing a paper on supplementary finance and will be sending copies to members of the PC. After they see this paper we could have a discussion if they still felt it worthwhile.

Irving S. Friedman

SID

September 7, 1966

Dear Mr. Sertoli,

I was indeed pleased to receive your letter of September 1, and glad to know that your Bank is to become a Patron of the Society for International Development.

I took the liberty of phoning Mr. Rice, Executive Secretary of the Society, who said he would send the necessary information to your Bank.

With thanks for your cooperation and looking forward to seeing you in Washington.

Yours sincerely,

Irving S. Friedman

Mr. Gandomenico Sertoli
European Investment Bank
85, Boulevard de Waterloo
Brussels 1, Belgium

IDA

Mr. Bimal Jalan

September 8, 1966

Irving S. Friedman

IDA Replenishment

Hope to see you soon.

Please go through my papers on IDA and anything else for the last year prepared for Woods which have any suggestions whatever with respect to how to cope with the problem of the balance of payments affects of IDA replenishment. I know that I wrote at least one or two memoranda to Woods commenting on things sent or written by Fowler if not in other papers. I would like this morning a memorandum from you listing without explanation what thoughts I have already had on this subject plus any you may have.

I am having a meeting on this at 2:30 and would like you to come.

D-101

Accomplishments in economics during last two yearsA. World Bank as leading development finance institution

1. Substitution of \$3-\$4 billion as measurement of need for development finance instead of 1% of the target. New figures give basis for approaching all Part I-type countries and opening way to new basis for "burden sharing".
2. Supplementary Finance Study -- generally accepted as practical basis for working out solution to principal economic uncertainty interfering with development process in LDCs.
3. New relationship between donor and recipient countries -- concept of mutual obligations and responsibilities, one half of which is common agreement of acceptable economic performance and other half, is adequate development finance as long as host or recipient countries live up to performance. Also paves way for longer-term commitments by both sides.
4. Acceptance of merits of IDA and of "reasonableness" of increase in resources in magnitude which even last year regarded as foolish even to suggest -- paving way for \$1 billion per annum to IDA whether accepted now or delayed somewhat by external circumstances. Paves way for even much larger IDA in future as political leaders made to focus seriously on needs of countries and merits of multilateral approach.
5. World Bank and U.S. balance of payments -- not only acceptance of argument made in past by World Bank that past activities of World Bank did not increase, but rather decreased, the U.S. balance of payments, but also acceptance that World Bank can manage its affairs so that any future market borrowings in the U.S. will not encumber balance of payments at least until end of 1960's -- an argument that is bound to appeal to many in Congress as well as Executive, even if those most concerned with problem are nervous even about 1970's. Moreover, this scrutiny of the future has helped in gaining acceptance for more general argument that development finance should be sheltered from balance of payments policies of richer countries in difficulties.
6. World Bank as leading authority on development finance and policy criteria -- seen in discussion on reduction of armament burden -- role in consultative groups, quotations by newspapers, journalistic audiences, political leaders, and increased eagerness to have World Bank Group take on variety of tasks (Ambassador Korry, Secretary Fowler, British officials, Swiss, Swedes, Ford Foundation, many invitations to address economic societies in U.S. and Europe, etc.).

B. Role of economics within World Bank

1. Acceptance of need for judgment on economic performance and outlook as pre-condition for Bank or IDA lending operations.
2. Acceptance of practice of regular reviews (economic missions and reports), of development programs, problems and outlook, not, as previously, related only to likelihood of lending operations or technical assistance.
3. Practice of careful investigation of economic background to major policy issues, decisions and declarations -- example: IDA replenishment, preferences for domestic suppliers, performance criteria in lending, Bank borrowing, etc.

4. Economic foundations for judgments on member countries expressed in consortia and consultative groups.

C. Organisation of economic work within World Bank

1. Based on acceptance of practice of economic work carried on separately in different departments and groups, particularly Economics, Projects and Area Departments. Also acceptance of need for coordination and centralized supervision of economic activities.

2. Role of Economic Committee -- well attended - useful exchange of views prior to decisions on economic questions. Mostly devoted to country situations and problems as prelude to future lending operations or consultative groups, etc. Sub-Committees of Economic Committee -- give detailed and expert review to all country reports by economists in other departments under chairmanship of senior Economics Department member. All members of mission participate. Done prior to review of policy proposals by Economic Committee. All lending submissions to Executive Directors now are preceded by such examinations by Sub-Committee and full Committee.

3. Strengthening of economic personnel -- particularly in Economics Department but also elsewhere - both in numbers, supervision and training - developing mutual regard and self-respect.

4. Dual role of Area Departments -- acceptance by now that Area Departments have two distinct functions -- lending operations and economic operations -- Director of Department is responsible for both. In case of lending operations reports to Mr. Knapp; in case of economic activities to Friedman. Works increasingly well in practice, particularly as Messrs. Knapp and Friedman now consult more frequently on country problems involving both areas of responsibility.

5. Major role of Economics Department in economic work -- now regarded as principal department in economics work -- no longer subordinate "servicing" department -- still trying to find best administrative organization, division of functions and priorities. Clearly cannot do all without becoming impossibly large that Bank and world would like it to do and it could do usefully and profitably.

6. Role of The Economic Adviser to the President -- responsibilities now generally recognized -- still some difficulties because economic staff found in different departments but being worked out.

D. Next major jobs for economists in addition to regular economic work on countries and projects

1. IDA replenishment -- prepare for separate conversations at least with larger Part I countries (work already well under way).

2. Performance criteria -- aim to formulate and achieve internationally accepted performance criteria -- may be possible to do by analyses and practice (similar to way in which acceptance achieved for Supplementary Finance Study, for \$3-\$4 billion figure and for need for economic basis for consultative group work) -- (work under way).

3. "Burden-sharing" criteria -- need to formulate new criteria related to present and future problems of richer donor countries -- could be logical extension of \$3-\$4 billion approach and also part of IDA replenishment exercise --

requires more work on relation between development finance and current problems (budgets, balance of payments, inflationary pressures, difficulties in capital markets, etc.).

h. Improving quality of economic statistics, analysis and presentation -- necessary on both general problems and individual countries. Real danger is separation of work on general problems and policies from regular economic work with countries.

5. Absorptive capacity and most effective use of development finance -- keep up-to-date country by country estimates as now being done -- aim to get over next few years picture for all World Bank Group LDC members, even if does not effect global need and effective use figure (now \$3-4 billion) -- aim to achieve, informally, agreement on technical level of donor countries (and perhaps other regional banks concerned) that these estimates are best possible and suitable working basis for all involved -- in an important way would greatly facilitate successful operation of consultative groups -- also make possible division of labor with economists in other institutions by more interchange of material and analyses -- (part of general need to tackle this problem of widespread duplication of effort).

6. Follow-up on UNCTAD work already done -- (for this purpose an assuming Supplier Credits Study done) -- certain aspects promised still not covered -- more on Supplementary Finance Scheme -- have been asked by Trade and Development Board to do more work -- growing international support for Scheme -- co-ordinating meetings of inter-governmental group.

7. Improved understanding of economic problems of donor countries -- means more contact with top-level economic policy workers as well as technicians -- need to avoid areas outside of our competency or immediate concern, but willingness to be involved in areas of immediate concern to us -- example: deliberations now going on within OECD on capital markets, or deliberations on criteria used in restraining capital movements when in balance of payments difficulties.

8. Relation between lending techniques ("program lending", "project lending", "local currency financing", etc.) and achievement of economic development -- has come up repeatedly -- economists in Area Departments and Economics Department eager to have this matter reconsidered -- I have held back until IDA replenishment clarified -- but at some point desirable to reconsider on confidential basis within Bank.

9. Sectoral studies -- need sound bases for broad investment programs in certain sectors as well as judging priorities among competing investment possibilities (example: work done on Indus River).

Irving S. Friedman

Subject: Accomplishments in Economics of the last two years at World Bank

A. World Bank as leading development finance institution

1. Substitution of \$3 - \$4 billion as measurement of need for development finance instead of 1% of the target. New figures give basis for approaching all Part I-type countries and opening many to new basis for "burden sharing".
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3. New relationship between donor and recipient countries -- concept of mutual obligations and responsibilities, one half of which is common agreement of acceptable economic performance and other half, is adequate development finance as long as host or recipient countries live up to performance. Also paves way for longer-term commitments by both sides.
4. Acceptance of merits of IDA and of "reasonableness" of increase in resources which over last year regarded as foolish even to suggest -- paving way for \$1 billion per annum to IDA whether accepted now or delayed somewhat by external circumstances. Paves way for even much larger IDA in future as political leaders made to focus seriously on merits of multilateral approach.
5. World Bank and U.S. balance of payments -- not only acceptance of argument made in past by World Bank that past activities of World Bank did not increase, but rather decreased, the U.S. balance of payments, but also acceptance that World Bank can manage its affairs so that any future market borrowings in the U.S. will not encumber balance of payments at least until end of 1960's -- an argument that is bound to appeal to many in Congress as well as Executive, even if those most concerned with problem are nervous even about 1970's. Moreover, this scrutiny of the future has helped in gaining acceptance for more general argument that development finance should be sheltered from balance of payments policies of richer countries in difficulties.

6. World Bank as leading authority on economic development policy matters are of criteria seen in discussion on reduction of burden -- role in consultative groups, quotations by newspapers, journalistic audiences, political leaders, and increased eagerness to have World Bank Group take on such tasks (Ambassador Korry, Secretary Fowler, British officials, Swiss, Swedes, Ford Foundation, institutions to address economic societies in U.S. and Europe, etc.

B. Role of Economics within World Bank

1. Acceptance of need for judgment on economic performance and outlook as pre-condition for Bank or IDA lending operations.

2. Accept practice of more regular reviews of development progress, problems and outlook (economic missions and reports), not previously related to likelihood of lending operations or technical assistance.

3. Practice of careful investigation of economic background to major policy issues and decisions - example: IDA replenishment, preferences for domestic suppliers, performance, criteria in lending, Bank borrowing, etc.

4. Economic foundations for judgments on member countries expressed in consortia and consultative groups.

C. Organization of Economic Work within World Bank

1. Based on acceptance of practice of economic work carried on separately in different departments and groups, particularly Economics, Project and Area Departments. Also acceptance of need for coordination and centralized supervision of economic activities.

2. Role of Economic Committee - well attended - useful exchange of views prior to decisions on economic questions. Mostly devoted to country situations and problems as prelude to future lending operations or consultative groups, etc. Sub-Committees of Economic Committee - give detailed and expert review to all country reports by economists in other departments under chairmanship of senior Economics Department member. All members of mission participate. Done prior to review of policy proposals by Economic Committee. All lending _____ to Executive Directors now are preceded by such examinations by Sub-Committee and full Committee.

3. Strengthening of Economic Personnel - particularly in Economics Department but also elsewhere - both in numbers, supervision and training - developing mutual regard and self-respect.

4. Dual Role of Area Departments - acceptance by now that Area Departments have two distinct functions - lending operations and economic operations - Director of Department is responsible for both. In case of lending operations reports to Knapp; in case of economic activities reports to Friedman. Works increasingly well in practice, particularly as Knapp and Friedman now consult more frequently on country problems involving both areas of responsibility.

5. Major role of Economics Department in economic work - now regarded as principal department in economic work - no longer subordinate "servicing" department. Still trying to find best administrative organization, decision of functions and priorities to do its job. Clearly cannot do all that Bank and World would like it to do and it could do usefully and profitably without becoming impossibly large.

6. Role of the Economic Adviser to the President - responsibilities now generally recognized - more ambiguities in practice that economic staff be supervised is found in different departments of which Economics Department is most important.

D. Next Major stages - jobs for World Bank Group Economists

1. IDA replenishment - prepare for separate conversations at least with larger Part I countries (work already well under way).

2. Performance Criteria - Aim to formulate and achieve internationally accepted performance criteria - may be possible to do by analyses and practice (similar to way in which acceptance achieved for Supplementary Finance Study, \$3-4 billion figure and need for economic basis for consultative group work). (Work under way).

3. "Burden-sharing" criteria - need to formulate new criteria related to present and future problems of richer donor countries - could be logical extension of \$3-4 billion approach and also part of IDA replenishment exercise - requires more work on relation between development finance and current problems (budgets, balance of payments, inflationary pressures, difficulties in capital markets, etc.)

4. Improving quality of economic statistics, analysis and presentation - necessary on both general problems and individual countries. Real danger in separation of work on general problems and policies from regular economic work with countries.

5. Absorptive capacity and most effective use of development finance - keep up-to-date country by country _____ as now being done - aim to get over next few years picture for all World Bank group LDC members, even though doesn't effect total need and effective use figure (now \$3-4 billion) - aim to achieve, informally, agreement on technical level of donor countries as well as World Bank groups (and perhaps other regional banks concerned) that these estimates are best possible and suitable working basis for all involved in an

important way - will greatly facilitate successful operation of consultative groups - also make possible division of labor with economists in other institutions by more interchange of material and analyses - (part of general need to tackle this problem of widespread duplication of effort).

6. Follow-up on UNCTAD work already done - (for this purpose an assuming Suppliers Credit Study done) - certain aspects promised still not covered - moreover on Supplementary Finance Scheme - have been asked by Trade and Development Board to do more work - degree of urgency depends on international attitude towards scheme in the future, particularly timing - don't expect this to be _____ top priority assignment before 1967 and even then much less work than in past.

7. Relation between lending techniques ("program lending," "project lending," "local currency financing," etc.) and achievement of economic development - has come up repeatedly - economists in Area Departments and Economics Department eager to have this matter reconsidered - I have held back until IDA replenishment clarified - but at some point desirable to reconsider on confidential basis within Bank.

8. Improved understanding of economic problems of donor countries - means more contact with top-level economic policy-workers as well as technicians - need to avoid areas outside of our competency or immediate concern, but willingness to be involved on areas of immediate concern to us - ex: deliberations now going on with OECD framework on capital markets, or deliberations on criteria used in restraining capital movements when in balance of payments difficulties.

MR FEDERICO CONSOLO
BERGUESHOTEL
GENEVA

UNCTAD
SEPTEMBER 6, 1966

FR

SWITZERLAND

YOUR CABLE SEPTEMBER 2 RE UNCTAD MEETING PLEASE CONSULT EVARTS ON HOW BANK
MATERIAL ON QUESTIONS ARISING FROM APRIL MEETING SHOULD BE DISTRIBUTED

FRIEDMAN

Mr. Irving S. Friedman
Office of the President

ED

Mr. Andrew M. Kamarck

September 2, 1966

Irving S. Friedman

Debt Statistics

Thank you for the copy of the two volumes on debt statistics. They are indeed impressive. Please convey my congratulations to those involved in doing it.

I do feel, however, that we might give further thought to how much of this could be published. What would we have to eliminate in order to make these public documents? If they could come out more or less at the same time as our Supplier Credits Study, it would add a lot to the authority of our Study. However, if we were to publish only the summary table, it would be a substantial contribution.

September 2, 1966

Mr. Larre

F-1100

ECOSOC RESOLUTIONS

As promised.

Irving S. Friedman

E/4270 August 4 - Financing of Economic Development
Report of the Economic Committee.

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WBG ARCHIVES

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Personal & Confidential

September 2, 1966

Dear Takeshi,

I just came back from holiday today and found your letter of August 22 regarding Edgar Plan.

I have known Plan for many years and think highly of him. I believe he would make a good addition to the staff of the Asian Development Bank. However, I would hesitate to recommend him for head-of-department level. As for the functions which Plan might perform, I would recommend either the equivalent of your research or economics department, or liaison with the European financial community.

I am looking forward to seeing you towards the end of September but thought you might like to have this note.

Warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Takeshi Watanabe
International Financial Consultant
Suite 729 New Tokyo Building
2, 3-Chome
Marunouchi, Tokyo.

September 2, 1966

My Dear Wickman,

I have just returned this morning from holiday and found your letter of August 26. I appreciate very much your letting me have this draft statement and I will, of course, be giving it serious thought in the next few days. I will be sure to let you have my comments on this either before the Governors' Conference or at the Conference.

Thank you again very much and looking forward to seeing you in Washington.

Yours sincerely,

Irving S. Friedman

Mr. Krister Wickman
Kungl. Finansdepartementet
Statssekreteraren
Stockholm
Sweden

CONFIDENTIAL

Mr. Kamarck

DECLASSIFIED

September 2, 1966

Irving S. Friedman

AUG 16 2023

Staff Retirement

WBG ARCHIVES

I am sending this only to you, and would appreciate having your quick comments on it. It is self explanatory. I think we have a real interest in trying to influence this matter.

SEP 13 1966

September 2, 1966

Dear Fred,

This is a follow-up on the letter from Kalmanoff to you of August 16. I don't have anything to add to his letter but want to express my appreciation for being kept informed, and say how much I look forward to seeing you in September.

Yours sincerely,

Irving S. Friedman

Mr. Frederico Consolo
c/- Hotel des Bergues
Geneva
Switzerland

Answered mty

September 2, 1966

Dear Andy,

I have just come back from holiday and found your kind invitation to your cocktail party. Edna and I of course are very pleased to accept.

It has been too long since we have seen each other. I do hope that we can remedy that at the Governors' Conference, if not before.

With warmest regards,

Sincerely,

Irving S. Friedman

Mr. Andrew N. Overby
Vice Chairman of the Board
The First Boston Corporation
20 Exchange Place
New York, N.Y. 10005

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September 2, 1966

AUG 16 2023

WBG ARCHIVES

Dear Takeshi,

I just came back from holiday today and found your letter of August 22 regarding Edgar Plan.

I have known Plan for many years and think highly of him. I believe he would make a good addition to the staff of the Asian Development Bank. However, I would hesitate to recommend him for head-of-department level, since you say that he was recommended as "one of the leading personnel". As to the functions which Plan might perform, I would recommend either the equivalent of your research or economics department, or liaison with the European Financial Committee.

I am looking forward to seeing you towards the end of September but thought you might like to have this note.

Warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Takeshi Watanabe
International Financial Consultant
Suite 729 New Tokyo Building
2, 3-Chome,
Marunouchi, Tokyo.

MSC

Mr. Sacchetti

September 2, 1966

Irving S. Friedman

Letter from John C. Bullitt

I would appreciate very much if you could help me prepare a reply to this letter.

Perhaps it would be best done in consultation with our Area Departments or if necessary, with people in the Fund.

I would like to be able to reply to Mr. Bullitt some time next week.

Attachment

OECD

September 2, 1966

Dear Willard,

I have just come back from holiday and found your letter of August 3 and Andy's cabled reply of August 10.

I won't try to add anything but would like to say that I am looking forward very much to seeing you during the Governors' Conference.

Yours sincerely,

Irving S. Friedman

Mr. Willard Thorp
OECD
Development Assistance Committee
2, rue Andre-Pascal
Paris - XVI -
France

A - Meenai

September 2, 1966

My dear Meenai,

I am sorry that I have not answered your note of August 1 sooner, but I have just come back from vacation.

Thank you for sending me the outline of your forthcoming book - it looks most promising but a tremendous amount of work. Have you been on a leave of absence from the Bank to do this or are you intending to take one -- it isn't clear to me.

In any case I would like you to know that I am still keeping the office space available for you and hope you will be joining us. The work continues to be most interesting and challenging. I would be glad to have your latest thoughts on this.

Looking forward to hearing from you,

Yours sincerely,

Irving S. Friedman

Mr. S.A. Meenai
State Bank of Pakistan
Central Directorate
Karachi
Pakistan

Mr. Weiner

September 1, 1966

Irving S. Friedman

Papers on Brazil and Pakistan

I am attending a Conference at Princeton the week after next at which I am to comment on the attached papers.

I would appreciate very much having any thoughts you may have or perhaps someone else whom you think qualified to comment on these papers. In view of the shortness of time could it be done in the next few days - I received it only yesterday. Thank you.