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**Folder ID:** 1598702

**Series:** Reading file

**Dates:** 09/07/1967 – 12/29/1967

**Fonds:** Personal papers of Irving S. Friedman

**ISAD Reference Code:** WB IBRD/IDA FRIEDMAN-01

**Digitized:** 09/12/2023

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THE WORLD BANK

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series 5540

Irving S. Friedman Chron Files

1967 (3)



 **Archives**  
R2000-036 Other # 2 Box # 210171B  
Irving S. Friedman - Chronological File - 1967 Correspondence - Volume 3



1598702

**DECLASSIFIED**  
WBG Archives

Mr. Andrew M. Kamarck

December 29, 1967

Irving S. Friedman

Preliminary Proposal for More Coordinated Economic Work With  
Regional Banks

Let's talk about this some time.

Dec. 29, 1967

Mr. John Adler

873

x

Have you seen this?

Mexican President's report on proposed loan for the Rio Colorado Irrigation Project.

Irving S. Friedman

December 29, 1967

Dear Mrs. Cattell:

I have pleasure in returning my updated biography in connection with the entry in the 11th Edition of the AMERICAN MEN OF SCIENCE.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mrs. Jaques Cattell  
Director  
American Men of Science  
P.O. Box 5001  
Tempe, Arizona 85281

Friedman, Irving S.  
The Economic Adviser to the President  
International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

FRIEDMAN, Dr. IRVING S, 6620 Bethesda, Md. INTERNATIONAL ECONOMICS AND FINANCE. New York, N.Y, Jan. 31, 15; m. 38; c. 3. A.B, City Col, 35; fel. & M.A., Columbia, 38, Ph.D, 40. Asst. to trade cmnr, Govt. India, 40-41; div. monetary res, U.S. Dept. Treasury, 41-46; asst. dir, 46; chief, U.S. & Can. Div, Int. Monetary Fund, 46-48, asst. to dep. managing dir, 49-50, DIR. EXCHANGE RESTRICTIONS, 50- Treas. rep. to Mid. East, 44; acting financial attaché, U.S. Embassy, China, 44. Econ.Assn; Soc. Int. Develop. International economics problems and relations; monetary analysis and policy; foreign exchange; policy and practices; commercial policy; international financial institutions. 'Post-war U.S. economic policy'; 'Exchange controls, 1959.'

Additional Full-Time Positions:

The Economic Adviser to the President	International Bank for Reconstruction and Development	October 1964 - present
Chairman of Economics Committee	same	January 1965 - present
Member of President's Council	same	October 1964 - present

Current Memberships in National Scientific Societies:

Society for International Development	Treasurer and Member of Executive Committee	1964 - present
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Additional Items of Research or Interest:

Could you add University Fellow, Columbia University 1937-38?

Additional Books:

Author:	In Defence of Development	Chatham House	April 1966
Author:	International Problems of Economic Development	Canadian Political Science Association	June 1967

Present Duties:

For possible detailed indexing, give your subject area specialities in brief terminology:

1. International finance.
2. Monetary policy.
3. Development economics.
4. International financial institutions.

Language (in descending order of facility):

1. French - reading (excellent), speaking (fair)
2. Spanish - " (fair), " (fair)
3. Japanese - " (fair)
4. German - " (fair)

Permanent Address which can always be reached:

Home:

6620 Fernwood Court  
Bethesda, Md. 20034

Business:

International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Signed \_\_\_\_\_

Irving S. Friedman

Mr. George D. Woods

December 28, 1967

Irving S. Friedman

Stabilization of Prices of Primary Products - Governors' Resolution No.239

Attached hereto is a proposed reply to Dr. Donner's memorandum of December 8 regarding a possible Board discussion at an early stage of the staff study on the Stabilization of Prices of Primary Products arising out of the Rio Resolution. It represents the combined views of Mr. Avramovic, Mr. Kamarck and myself.

We are aiming to have something for the next Governors' Conference, if feasible. However, it is too early to say when we might have a Board discussion, but we will keep this matter in mind.

I think I ought to report to you that we are devoting a considerable amount of staff resources to this study, despite all efforts to get the International Monetary Fund to do as much as possible. Part of our problem is that the person who is responsible for the studies in the Fund, namely Mr. Polak, has been ill and some important questions of division of labor remain to be settled.

cc: Mr. Kamarck  
Mr. Avramovic



Dr. Otto Donner

December 28, 1967

George D. Woods

Stabilization of Prices of Primary Products - Governors' Resolution No.239

This is in reply to your memorandum of December 8, 1967.

The suggestion contained in this memorandum is welcome and we will plan to have a discussion by the Board on the study on Stabilization of Prices and Primary Products at a fairly early stage.

December 28, 1967

Mr. Demuth

845

You may be interested in seeing this. As far as I am concerned you may send it on to Karasz if you so desire.

Irving S. Friedman

(Memo from Sarma in reply to Karasz's letter on representation at DAC meetings on UNCTAD.)

December 27, 1967

Dear Bill:

Thank you for your letter of December 14. The outlined session seems quite agreeable to me and I will plan accordingly.

I do hope all goes well with you and your family. Please accept our warmest seasons greetings. Looking forward to seeing you in Colombo.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mr. W. Tennekoon  
Governor  
Central Bank of Ceylon  
Colombo, Ceylon

December 27, 1967

Dear Monsignor Bordelon:

Thank you for your letter of December 22. The outlined schedule seems fine and I will try to be with you as you graphically put it "from start-to-finish on Monday."

In the meantime, I will be in touch with Mr. Farmer and hope we will be having lunch together on January 5.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Monsignor Marvin Bordelon  
Director  
Secretariat for World Justice and Peace  
1312 Massachusetts Avenue, N.W.  
Washington, D.C. 20005

Mr. George D. Woods

December 27, 1967

Irving S. Friedman

IDA Replenishment

Attached are the tables you requested.

cc: Mr. Knapp

Table 1  
Shares of IDA Replenishment at Different Levels  
(in millions of dollars)

<u>Country</u> <sup>1/</sup>	<u>Percentage Share</u> <sup>2/</sup>	<u>Level of Replenishment</u>							
		<u>375</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>900</u>	<u>1,000</u>
Australia	2.66	10.0	10.6	13.3	16.0	18.6	21.3	23.9	26.6
Austria	0.68	2.6	2.7	3.4	4.1	4.8	5.4	6.1	6.8
Belgium	1.70	6.4	6.8	8.5	10.2	11.9	13.6	15.3	17.0
France	8.31	31.2	33.2	41.5	49.9	58.2	66.4	74.8	83.1
Germany	9.75	36.6	39.0	48.8	58.5	68.3	78.0	87.8	97.5
Italy	4.03	15.1	16.1	20.2	24.2	28.2	32.2	36.3	40.3
Japan	5.54	20.8	22.2	27.7	33.2	38.8	44.3	49.9	55.4
<b>TOTAL</b>	<b>32.67</b>	<b>122.7</b>	<b>130.6</b>	<b>163.4</b>	<b>196.1</b>	<b>228.8</b>	<b>261.2</b>	<b>294.1</b>	<b>326.7</b>

<sup>1/</sup> These are the countries which have indicated either that they are willing to replenish at the level of \$375-400 million, or that they are considering this level.

<sup>2/</sup> Based on shares in the first replenishment of IDA, excepting Belgium which has indicated it will contribute 1.7%.

Table 2

Shares of IDA Replenishment at Different Levels  
(in millions of national currency units)

<u>Country</u> <sup>1/</sup>	<u>Percentage Share</u> <sup>2/</sup>	<u>Level of Replenishment</u> (in millions of dollars)							
		<u>375</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>900</u>	<u>1,000</u>
Australia (dollars)	2.66	9	10	12	14	17	19	21	24
Austria (schillings)	0.68	67	70	88	106	123	140	158	176
Belgium (francs)	1.70	320	340	425	511	596	681	766	851
France (francs)	8.31	155	164	206	247	288	329	370	412
Germany (marks)	9.75	146	155	194	233	272	310	349	388
Italy (lire)	4.03	9,437	10,066	12,583	15,099	17,616	20,132	22,649	25,165
Japan (yen)	5.54	7,533	8,033	10,041	12,049	14,057	16,066	18,074	20,083

<sup>1/</sup> These are the countries which have indicated either that they are willing to replenish at the level of \$375-400 million, or that they are considering this level.

<sup>2/</sup> Based on shares in the first replenishment of IDA excepting Belgium which has indicated it will contribute 1.7%.

To: Mr. George D. Woods  
From: Irving S. Friedman  
Subject: U.K. Situation

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AUG 16 2023

**WBG ARCHIVES**

As I summarized to you the other day over the phone very briefly, I found my visits in the U.K. with various people in the Bank of England, Treasury and private sector, most interesting and rewarding. Among those that I saw were Sir William Armstrong; Lucius Thompson McCausland, who has been acting as the co-ordinator of the liquidity discussions for the Group of Ten; Sir Douglas Allen the top civil servant in the Economic Ministry (headed up by the Prime Minister) and I am told is expected to succeed Sir William Armstrong as first man in the Treasury; Governor O'Brien; Sir Maurice Parsons; Morse the Executive Director in the Bank of England on the international side; Maurice Allen the Executive Director on the domestic side; Roy Bridge the Advisor to the Governor on the foreign exchange markets; Haslam the Advisor to the Governor on the sterling balances and development problems, including the World Bank; Sir John Stevens; etc.

The Bank of England people ranged from cautious expressions of concern by the Governor to bitter expressions of disappointment and disillusionment by other officials, all of whom were very senior. (Incidentally with the Governor I spent most of the time reporting on how the IDA discussions had gone and pointing out the need for continued support.) The critical people in the Bank of England seemed to feel that the Governor's inability to solve the balance of payments problem which had led to the devaluation was continuing to undermine London's position as an international financial center and would seriously reduce the U.K.'s invisible earnings which resulted from being an international financial center. I pointed out that the devaluation had clearly not stopped speculation of further devaluation which was actually being reflected in foreign exchange market quotations and that there would be very large losses in foreign exchange as a consequence of the reversal in the foreign exchange positions -- the



figure of \$500 million was cited. These losses were the consequence of the large discount against sterling in forward transactions which, when reversed, meant a corresponding loss in dollar revenues. Holders of sterling balances had been reasonably cooperative, but it was expected that they would become increasingly reluctant to add to their sterling balances.

In the past individuals in the Bank of England had spoken of the irrationality of linking foreign currencies to gold, but for the first time I found a willingness to talk about breaking the convertibility linking between the dollar and gold at the fixed price of \$35.00 per ounce as a matter of practical policy. The suggestion was made that the United States might well consider changing its policy to buy and sell gold to whom it pleased. Another sterling point was the emphasis on not raising the price of gold. The U.K. was the earliest and most vigorous advocate of an increase in the dollar price of gold, although relatively quiet on the subject in recent years. The suggestion was made that it would be possible to maintain a stable exchange rate for the dollar without linking it to gold, with primary reliance on the use of the International Monetary Fund and other Central Bank credits.

The Treasury people were more preoccupied with the problem of reducing expenditures. The Government has undertaken to cut public expenditures drastically, but this involves a new look at military expenditures and housing. By military expenditures the point was made that attempts to cut led to difficulties with the Americans. Housing was politically very sensitive, particularly for the Labor Party. As a consequence, large cuts in any one item seemed to be most difficult to envisage and instead many items of expenditure of relatively small amounts would have to be cut. There was even some suggestion that the aid figure would have to be reconsidered, but I have the impression that the attitude on IDA contributions will not change. On the other hand, it is not to be expected that the U.K. will strongly resist pressures to hold down the IDA replenishment level.

December 27/67

Mr. Hulley/Mr. Jalan

Can't we say something about the stuff  
which is included on page 158?

Irving S. Friedman

(Draft of letter in reply to article in  
"Readers Digest" on balance of payments.)

December 27/67

Mr. Knapp

1220

Returned with thanks.

Irving S. Friedman

(Letter from Johnnie Miller on discussion  
on big Six with van Lennep)

December 26, 1967

Mr. Sarma

1036

I would like your comments on this.

Irving S. Friedman

(DAC meetings Karasz/Demuth)

SUPARB YOSSUNDARA  
BANK OF THAILAND  
BANGKOK

December 26, 1967

L.T.

THAILAND

REASON FOR CONFLICT IN FIGURE SID INSTITUTIONAL MEMBERSHIP RATE IS THAT EYE  
HAVE BEEN HOPING BANK OF THAILAND <sup>AS WELL AS</sup> ~~LIKE~~ OTHER LEADING CENTRAL BANKS FROM  
~~XXXX~~  
DEVELOPING COUNTRIES WOULD MAKE AN ANNUAL CONTRIBUTION MORE THAN REGULAR RATE  
OF ONE HUNDRED DOLLARS PER YEAR STOP HOPE IT WOULD BE POSSIBLE BANK OF  
THAILAND TO CONTRIBUTE SUGGESTED FIVE HUNDRED DOLLARS PER YEAR STOP REGARDS

IRVING

Irving S. Friedman  
The Economic Adviser to the President

December 26, 1967

Mr. Kamarck

800

Did we ever do a note summarizing our meeting with Plumptre? If we haven't don't you think someone ought to do it?

Irving S. Friedman

(Note from Mr. Plumptre on A Development-Research Institute in Canada)

*X one*

December 26, 1967

Mr. Williams

853

Agreed.

Irving S. Friedman

(Distribution of confidential  
appraisal reports.)

Mr. R.W. Van Wagenen

December 26, 1967

Irving S. Friedman

Course for Transport Economists

Thank you for informing me about the course in transportation economics.

I would have been happier if van der Tak was in the chair, since I would rather that Adler was concentrating on other things.



December 26, 1967

Mr. Nespoulous Neuville

1034

Would you please consult with  
Kalmanoff and Sacchetti and give me your  
reaction to this.

Irving S. Friedman

(Corres. from Demuth on Jan. 11/12 DAC  
Working Party on Financial Aspects of  
Development Assistance)

December 26, 1967

Mr. Sarma

1036

Lets talk about this rather soon and  
see if we can get Isaiah Frank involved.

Irving S. Friedman

(DAC Working Party notes Dec.14-15/67)

December 26, 1967

Mr. R.A. Clarke

200

This letter seems all right to me. However, I am rather surprised that we don't have room for what seems to be a well regarded person, since I am constantly being told that some Area Departments have vacancies for economists.

Could you please enlighten me?

Irving S. Friedman

(Letter to Okita and corres.)

RODNEY CUNNELL  
DOWNSWOOD HOUSE  
63 DOWNSWOOD  
EPSOM  
SURREY  
ENGLAND

December 22, 1967

L.T.

SORRY UNABLE SEE YOU IN LONDON STOP PLANS TO TELEPHONE YOU THURSDAY  
MORNING BEFORE LEAVING FOULED UP BY UNEXPECTED VISITORS STOP MERRY  
CHRISTMAS TO YOU AND FAMILY

IRVING

IRVING S. FRIEDMAN  
THE ECONOMIC ADVISER TO THE PRESIDENT

Mr. George D. Woods

December 15, 1967

Irving S. Friedman

I am attaching some notes on the memorandum I have been preparing on transforming the World Bank Group into a Development Finance Institution. These notes try to sum up progress made thus far; I will also be preparing some further notes on concretely what the next steps might be. Were I not leaving at this time, I would work on the attached notes some more before sending them to you!

I am also attaching some earlier notes sent to you in previous years, which you might find of interest.

PROGRESS THUS FAR IN TRANSFORMING WORLD BANK GROUP  
INTO LEADING DEVELOPMENT FINANCE  
INSTITUTION

1. World Bank Group as a Leading Influence and Authority on Development Finance and Performance Criteria

The Bank's staff is now exercising major influence in a number of countries on their development programs and related policies even when there are no current credits or loans under active consideration. This has been accomplished by the changes introduced into our economic country work in implementation of the decisions taken by the Economic Committee. The presentations now characteristic of the Economic Section of the President's Report also reflect the new emphasis on judgments on current economic development policies and attempt to encourage sound policies and bring about desired changes.

In many different ways the World Bank Group is now regarded as one of the leading authorities on the economics of development finance, and, more particularly, on economic performance, the outlook for indebtedness and external financing requirements in the foreseeable future. This is seen, for example, in its role as "expert" in many different forums, including consultative groups, national governments, learned societies, journals, etc. Even in academic circles, the economic work of the Bank and its economists are now highly regarded and we no longer have difficulties in recruiting top-flight economic staff. We are swamped with invitations to address all sorts of groups, including economic societies and business associations all over the world.

2. Acceptance of IDA as Leading International Institution for Providing Concessional Aid

Irrespective of the level of the second replenishment of IDA which may be achieved, most donor countries, as indicated above, have accepted the economic reasonableness of the \$1 billion per year suggestion, both in terms of effective use by the recipient countries and good administration by IDA. Instead of thinking of proliferating new international agencies, which had been a strong tendency in prior years, there is increasing recognition both in donor countries and even in the developing countries as seen in the Algiers Charter, that if effective development concessional finance is to be done multilaterally, then the best single agency is IDA. There is no longer any fears anywhere, as existed widely in earlier years, that IDA meant "softer" standards in the use of the resources entrusted to it. There are, as expected, many differing views as to the criteria which ought to guide IDA operations and the staff papers for a Board review will be ready when it is deemed appropriate to have this review. The growing importance of IDA inevitably involves the World Bank Group more with the concerns of donor as well as recipient countries and facilitates the shifting of the focal point of interest from the project to the entire development process. "Banking" criteria may be readily applied to certain countries borrowing to help finance specific projects; the considerations are much more complicated when considering credits for countries that cannot be regarded as "credit-worthy" or for purposes, e.g. education, for which usual financial criteria are inadequate.

3. New Relationship between Donor and Recipient Countries and Role of Coordinator

As a result of the deliberations centered on our supplementary finance study and proposals and carried forward in practice in our country economic missions, as well as other activities, the concept of mutual obligations and responsibilities for development programs and policies involving both the donor and recipient countries through the intermediary of multilateral agencies, particularly the World Bank Group, has become much more widely accepted. Just two to three years ago our Supplementary Finance Study was considered very advanced in suggesting this new partnership relationship by proposing the idea of international agreements on good economic development performance between the international agency and the recipient of assistance in the form of supplementary financing. This has also helped pave the way for more widespread recognition of the need for longer term commitments in providing development finance, though much remains to be accomplished in practice in this respect. This same approach has helped to strengthen the understanding by donor countries of the need to coordinate their bilateral aid activities vis-a-vis particular countries with the activities of the Bank Group under the leadership of the Bank Group. The consortia and consultative groups thus cover over 40% of the flows of official finance to the LDC's. In this way donor countries get more confidence that their assistance will be effectively used, thus making their own efforts produce greater results.

4. Code of Fair Practices in Development Finance - Responsibilities of Donors or Creditor Countries

The thrust of much of the speeches by the President of the World Bank Group as well as an underlying analyses, is that the donor countries must be made to appreciate the urgent need for a large and sustained



increase in development finance granted to those countries which are prepared to pursue sound development policies and to make productive use of such finance. Most recently the suggestion has been made for a new assessment of the world's development problems by leading outside experts in the hope of strengthening the basis for achieving a more rational code of behavior in this major field involving both donor and recipient, comparable to the international code on trade under the GATT and the international code on foreign exchange practices under the Fund. It is clear that the political decisions which would reflect the acceptance by the donor and creditor countries of this viewpoint, have yet to be taken. However, it is clear in the United States, Canada, The Netherlands, Sweden, and other countries, that there is a growing awareness of the problem among the top level senior officials and Ministers. In nearly all of these countries, these individuals look to the World Bank Group to give leadership in assessing needs of countries and in assuring effective use. In the IDA replenishment discussions, they have insisted that we chair meetings dealing with magnitudes of replenishment, timing, burden-sharing, balance of payments safeguards, and the relative importance of bilateral assistance and IDA. In consultative groups, we are asked more and more to give a lead to bilateral programs. The World Bank Group has not yet evolved a code of "fair practices" in this field and this too may involve a number of agencies, particularly the DAC. However, the World Bank Group seems well on the way to become the accepted institution for implementing any such code. Our non-political technical reputation in project and economic work, plus world-wide membership, are, I believe, key assets in having countries increasingly turn to us to administer to these thorny relations. More, however, has to be done to gain greater confidence in

in certain continental European countries, particularly Germany. However, in some countries such as Germany, the problem of growing greater support for the World Bank Group, particularly the IDA, is complicated by the political and commercial attractiveness of bilateral aid.

5. World Bank Group as an Authority on Development Needs

Our estimate of \$3-4 billion of additional resources which could be effectively employed by the World Bank Group institutions has now become universally accepted. The heads of state of donor as well as developing countries, the heads of international organizations, the Pope, academic experts, etc., all repeatedly use this estimate. The continuing re-appraisal of this estimate that we have done in the past two years based on our country work, has confirmed this figure and heightened its authority. The IDA replenishment discussions have also deepened the understanding of donor countries that the world has now reached a stage of development in which the LDC's can effectively absorb a much larger volume of development finance than is now being provided by creditors or donors. No one has been able to refute our \$1 billion per annum proposal on economic grounds, but have had to fall back to essentially non-economic arguments.

6. Supplementary Finance Study

This study has been generally accepted as the practicable basis for a working solution to a principal economic uncertainty interfering with the development process in the LDC's. It has received strong support from the developing countries despite its unprecedented insistence on international agreements on economic performance. Now the question is rather how to prevent the support for this scheme from interfering with the replenishment of IDA, and measures have been taken to avoid this contingency by postponing any final implementing action until 1969 or 1970.

7. Development Finance and Balance of Payments Difficulties

It is now more widely understood and accepted that the activities of the World Bank actually decrease the U.S. balance of payments deficit. It also seems to be more widely accepted that the World Bank can manage its affairs so that any future market borrowings in the United States will not encumber the U.S. balance of payments, at least for a number of years.

The discussion on U.S. balance of payments safeguards in the IDA replenishment has made countries focus sharply on the issue as to whether the provision of development finance should be sheltered from the balance of payments difficulties of the industrial countries. For some years the United States has been suggesting that richer industrial countries in balance of payments difficulties be entitled to reduce their relative contribution to development finance. This issue has not been finally resolved, but it seems safe to say at this time that the argument now made is much more limited, namely, an industrial country in serious balance of payments difficulties should be permitted to take steps to ensure that any external aid be spent in that country, as long as such difficulties exist. Even this viewpoint is vigorously opposed by most industrial countries when applied to IDA, and openly criticized within the Executive branch of the U.S. Government. We seem to have come much closer to the acceptance of the principle that there should be a clear demarkation separating balance of payments problems of the richer countries from their commitments to provide development finance on an efficient and economical basis as possible.

December 15, 1967

Mr. de Vries

873

Seems o.k. - please speak to Andy about  
U.A.R. Economic Mission.

Irving S. Friedman

(Memo from de Vries to Friedman and Kamarck  
dated December 13 - Middle East Task Force)

*Letter, returned to  
Krishnamoorthy*

December 15, 1967

My dear Krishna Moorthi:

Thank you very much for your letter of December 1, 1967, and for the thoughtful paper concerning the problems of export promotion in developing countries as they relate to our Questionnaire on Rediscounting Facilities. Even though, as you say, the information regarding individual countries in your area is limited, the paper is useful to us for the preparation of a report to UNCTAD on the specific subject mentioned above.

We would very much like to circulate your paper as an appendix to the report, together with similar documents sent to us by other regional banks. Of course, it would be clearly indicated that the views expressed are only those of the staff of your Bank and we hope that in the meantime the paper has been finalized. I would appreciate receiving from you any indication of changes which you may have introduced in the final version, and, of course, your consent to our attaching it to our report.

Since we hope to present our report to the Second UNCTAD, which, as you know, is to be convened in New Delhi on February 1, 1968, I should be most appreciative of your early consideration of this matter.

Thanking you for your cooperation.

With kind regards,

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Dr. G.S. Krishna Moorthi  
Vice President  
Asian Development Bank  
Commercial Center P.O. Box 126  
Makati, Rizal  
Philippines

December 14/67

Mr. Sacchetti/Mr. Kalmanoff

I believe that I promised we would send a draft of our report before sending it to UNCTAD - therefore, I would suggest that we not ask for permission to use his letter since he has already told us that it is all right to do so, but instead send him a draft of the report for his comments, if time permits.

Irving S. Friedman

(Letter to Beheiry)

INTBAFRAD

LONDON

December 14, 1967

L.T.

ENGLAND

264

ATTENTION CORDERY

THANKS CABLE ADVISING APPOINTMENTS MADE STOP PLEASE INVITE ERIC ROLL FOR  
DINNER WEDNESDAY DECEMBER TWENTIETH STOP HAVE APPOINTMENT WITH GOVERNOR  
BANK OF ENGLAND FOUR PM WEDNESDAY STOP THEREFORE EYE WILL BE LEAVING  
THURSDAY TWENTYONE STOP ARRIVING LONDON SUNDAY EVENING TWA 702 STOP  
PLEASE ARRANGE CAR TO MEET STOP REGARDS

FRIEDMAN

Irving S. Friedman  
The Economic Adviser to the President

December 14, 1967

Dear Ziegler,

Thanks very much for the information  
in your letter of December 6.

Your discussions were most helpful, and  
for the time being I think this is enough. We  
can pick it up again later if the need arises.

Thanks once again,

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Heinrich J. Ziegler  
European Office, I.B.R.D.  
4, Avenue D'Iena  
Paris 16<sup>e</sup>, France



December 14, 1967

Mr. Woods -

I think you will find it interesting to glance at the following report and press release on the Reuss Sub-committee; of particular interest are pages 8 and 9.

You will notice that the suggestion made in the report of using the new SDR's to increase IDA resources is spoken of as a supplement to the proposed replenishment of IDA now being considered.

Irving S. Friedman

December 12, 1967

Mr. Felipe Herrera  
President  
Inter American Development Bank  
Washington, D. C.

Dear Mr. Herrera:

As you probably know the World Bank accepted some time ago a request by UNCTAD to prepare a study on Suppliers' Credits (UNCTAD Resolution A.IV.14); and last January a report prepared by the Bank staff on credits of this type from industrialized to developing countries was transmitted to the Secretary General of the United Nations. The same UNCTAD resolution also recommended that a study be made of measures which would enable developing countries to promote exports of manufactured goods on credit, including a study of the possibility of offering rediscount facilities for commercial drafts related to those exports, duly endorsed by central banks or other official agencies.

To prepare a report on the last mentioned subject we have studied the scheme that your Bank introduced in 1963, and we have sent questionnaires to the African and the Asian Development Banks to inquire whether they have or are contemplating schemes similar to yours in this field. We are hoping to include in our report the texts of the replies by the staffs of the African and Asian Development Banks. We would hope, if possible, also to include a statement from you concerning the experience with your existing scheme; or as an alternative, we would like to give a description of your scheme. In the latter connection, I am attaching a short note prepared by our staff in consultation with Mr. C. Santa Cruz of your Bank, which we would like to incorporate in our report. I would appreciate it if your staff could check on the accuracy of this note and suggest, where necessary, changes in the text, including changes designed to bring it up to date. I would also appreciate a brief statement of your views about the adequacy of the existing scheme, particularly with reference to expected needs in forthcoming years.

Since we hope to present this report to the second UNCTAD, which, as you know, is to be convened in New Delhi on February 1, 1968, I should be most appreciative of your early consideration of this matter. Thanking you for your cooperation, I remain,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman  
The Economic Adviser to the President

(Attachment) 2 copies  
cc: Messrs. Sachse, Kalmanoff.

AK/yd

ACCOMPLISHMENTS IN ECONOMICS DURING THE LAST  
THREE YEARS

A. World Bank Group as Leading Financial Development Institution.

(1) World Bank Group as Leading Authority on Finance and Policy Criteria

In many different ways the World Bank Group is now regarded as one of the leading authorities, if not the leading authority, on development finance - - this is seen in its role as "expert" on the various developing economies and economic performance in many different forms, including consultative groups, national governments, learned societies, journals, etc. Even in academic circles, the economic work of the Bank and the economists are highly regarded and we no longer have difficulties in recruiting top-flight economic staff. We are swamped with invitations to address all sorts of groups, including economic societies all over the world.

(2) The World Bank Group as an Authority on Development Needs

Our estimate of \$3-4 billion of additional resources which could be effectively employed by the World Bank Group institutions has now become universally accepted ~~AMONG~~ The heads of state of many countries, the public heads of international organizations, academic experts, etc., all use this estimate as most authoritative. The continuing assumption of this estimate that we have done in the past two years based on our country reports, has confirmed this figure and heightened its authority. The IDA discussions have heightened the understanding of donor countries that the world has now reached a stage of development in which the LDC's can effectively absorb a much larger volume of development finance than is now being provided by creditors or donors.

(3) Acceptance of IDA as Leading International Institution for Providing Coordinated Aid

Irrespective of the level of the second replenishment of IDA which may be achieved, most donor countries have accepted the reasonableness of the \$1 billion per year suggestion, both in terms of effective use by the recipient countries and good administration by IDA. Instead of thinking of proliferating new agencies, which had been a strong tendency in prior years, there is increasing recognition that if effective development finance is to be done multilaterally on an international basis, then the proper authority is IDA.

(4) New Relationship between Donor and Recipient Countries

As a result of the deliberations centered on supplementary finance and carried forward in practice in our country economic missions, as well as other activities, the concept of mutual obligations and responsibilities between the donor and recipient countries through economic development has become more widely accepted. Just two to three years ago our Supplementary Finance Study was considered very advanced in suggesting this new relationship which is made up of acceptance of the idea of international agreement on acceptable economic performance on the one hand and the provision of adequate development finance as long as the host or recipient country lives up to performance on the other hand. This has also helped pave the way for more widespread recognition on both sides of more long-term commitments in development finance, though much remains to be accomplished in practice in this respect.

(5) Supplementary Finance Study

It has been generally accepted as the practicable basis for a working solution to a principal economic uncertainty interfering with the development process in the LDC's, despite the importance given to international economic performance in relation to development. Now the question is rather how to prevent the support for this scheme from interfering with the replenishment of IDA, and measures have been taken to achieve this in practice.

(6) Responsibilities of Donors or Creditor Countries

The thrust of much of the speeches by the President of the World Bank Group as well as the underlying analysis, is that the donor countries must be made to appreciate the urgent need for a large and sustained increase in development finance granted to those countries which are prepared to pursue sound development policies. Most recently the suggestion has been made for a new estimation of the World's development problems by leading outside experts. It is clear that the political decisions which would reflect the acceptance by the donor and creditor countries of this viewpoint, have yet to be taken. However, it is clear in the United States, Canada, The Netherlands, Sweden, and other countries, there is a growing awareness of the problem among the top level senior officials. In nearly all of these countries, these individuals look to the World Bank Group to do the bulk of the job in development finance at such time as the political situations make it possible for them to greatly increase their contributions of financial resources to the LDC's.

(7) World Bank and the U.S. Balance of Payments

- - - Now generally understood and accepted that the activities of the World Bank actually decrease the U.S. balance of payments deficit. It also seems to be accepted that the World Bank can manage its affairs so that any future market borrowings in the United States will not encumber the U.S. balance of payments, at least for a number of years.

(8) IDA and the U.S. Balance of Payments

The discussion on U.S. balance of payments safeguards has made countries focus sharply on the issue as to whether U.S. Government finance should be sheltered from the balance of payments difficulties of the industrial countries. For some time the United States and other countries were asking that the richer industrial countries when in balance of payments difficulties, reduce their relative contribution for development finance. This issue has been finally resolved, but it seems safe to say at this point in time that the argument made is much more limited, namely, industrial countries in serious balance of payments difficulties should be permitted to take steps to ensure that any external aid be spent in the country, as long as such difficulties existed. Even this viewpoint is vigorously opposed by most industrial countries. We seem to have come much closer to the acceptance of the principle that there should be a clear demarkation separating balance of payments problems of the richer countries from their commitments to provide development finance.

December 12, 1967

Dear Andy:

I have just seen with much pride and pleasure the article in Finance on The First Boston Corporation. The sentence: "Suddenly, international financing burst forth and the Overby team was not only in the thick of things but on top." made me very nostalgic. I need no details to fill out the picture!

I am sure that the article was a source of deep satisfaction to you and all your colleagues, and rightly so. Please convey my congratulations also to Mr. Pattberg. The First Boston clearly not only has the most able bankers in the business but also the handsomest.

With warm regards,

Sincerely 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

IDA CriteriaI Questions to be Answered

- (1) Countries eligible? Eligibility criteria.
- (2) Projects and \_\_\_\_\_ purposes -- including relation to Bank criteria. Criteria for choice within sectors--among sectors--among countries.
- (3) Terms and conditions (Maturity - grace periods - charges)
  - (a) Conformity -vs- diversity
  - (b) Criteria for country decisions, assuring diversity.
  - (c) How much diversity -- ad hoc -vs- categories
  - ~~(d) ad hoc -vs- categories~~
- (4) How achieved
  - (a) change IDA
  - (b) Blending formulae - eg., applied to all Part II operations?
  - (c) Relations to other lenders or donors.
  - (d) What if private firm or financial intermediary is borrower or ultimate recipient of assistance?
  - (g) Can terms be altered if country ignores? (e.g., Taiwan).
- (5) Supervision by Part I donors
  - (a) Present
  - (b) Possible changes -- including programming of investments (Canada).

II Elaboration of Above

Country eligibility criteria : (Combination of universal uniform tests and selectivity tests)

- (1) All Part II countries meeting universal tests (balance of payments \_\_\_\_\_ external debts - good economic performance - effective use).
- (2) All Part II countries not recipients of large special grant programs, i.e., "practical" considerations. (e.g., LA.--French speaking Africa).
- (3) Selected Part II countries meeting universal tests need selectivity criteria
  - (a) Poverty
  - (b) Uncertainty (ex. newness of country).
  - (c) Non-project needs (local currency financing, budgetary support, program financing).
  - (d) Unavailability of other grant monies, at least for time being.



- (e) "bottleneck" breaker -- "final spurt".
  - (f) Export promotion.
  - (g) Proportion in total IDA credits.
  - (h) Regional or multinational purposes.
  - (i) "lead" to other lenders or donors.
- (h) Projects or purposes
- (a) Same as IHRD? Why?
  - (b) Assuming not same - what are logical choices -- universal -vs- ad hoc approach
  - (c) "best" uses - education, agriculture, infrastructure - not industry or tourism? Housing?
  - (d) Criteria for choice - within sectors - among sectors - as among countries -- "total" investment programs -vs- "sector" programs -vs- "individual" projects.
  - (e) Other "special" purposes -- e.g., financing buffer stocks.

December 12, 1967

Dear Escott:

Thank you very much for sending me the material on Glendon College. I am taking it home to John tonight - I am sure he will be most grateful, as I am, for your sending it.

I will be taking the liberty of writing to you again about this as soon as we have had a chance to study the brochure and calendar.

I do wish we had a chance to see each other - there is so much to talk about.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Escott Reid  
Principal  
York University  
Glendon College  
2275 Bayview Avenue  
Toronto 12, Ontario  
Canada

December 12, 1967

Mr. Owen

1066

Could you bring this up to date? I would like to transmit it to Mr. Woods.

Irving S. Friedman

(OM from Adler to Friedman of September 5 on "Impact of Economic Performance Decisions")

*Done*

Dec. 8 1967

Mr. Sacchetti, Mr. Kalmanoff and

802

Mr. Nespoulous-Neuville

I would appreciate your preparing a  
reply for my signature. Thanks.

Letter from Krishna Moorthi on Asian Development Bank  
"staff working paper" on Suppliers credits, dated  
December 1 1967

*Done*

December 8, 1967

Mr. Kamarck

800

Mr. Woods wants to write a personal letter to the Editor on the attached and has given me his personal thoughts on this. Perhaps you, Sacchetti, de Fontenay or John Adler, could read it this afternoon and talk to me about it before the end of the day.

Thanks.

Irving S. Friedman

(Article in Readers Digest (December)  
"A Plan to Stop the Gold Drain: by  
N.R. Danielian")

December 8, 1967

Mr. Kamarck

800

These quick comments may give you some idea of what I am trying to get at. Please discuss with me if you don't agree. Please improve the drafting if you agree.

Irving S. Friedman

(Draft Economic Committee Memo on Economic Reports)

December 7, 1967

Dear Ken:

I am in the office now. I have been meaning to write to you but all sorts of things have been happening which have chewed up my time both in the evenings and over the weekends. I hope you do not mind my sending you a typed letter, but I don't want to delay any more until I have time to write one in longhand.

I now have a better idea of my schedule - I am to be in London December 18th and 19th, and will probably be staying also on the 20th. I am planning to leave on the night of December 16th, arriving in London on Sunday morning the 17th. I am not sure what hotel I will be staying at but probably Claridges or Browns. You might try calling me collect from Paris, if you have the chance. Otherwise, you might have the Paris office tell our London office how I might get in touch with you. I gather that this will be just the time when you will be taking your exams, and that you will be leaving Luxembourg on the 22nd. If there are further changes in my plans, I will try to get them to you.

Work here has been most hectic. Getting anything accomplished these days is like running over a gigantic and chaotic obstacle course with a hurricane or tornado blowing - nothing goes as expected and the only prediction is that it is going to prove to be more time consuming. The United States Government is based on the conception which embodies the principle of checks and balances - as you have probably heard me say before. The system was designed to make sure the Federal Government was incapable of effective action. Despite the nonsense written about our having a strong effective government in the form of a strong President, what we have is the combination of a strong President, a strong Congress and a strong Supreme Court. Now and then - and mostly then - they cooperate to get something done. In the international field there is also a system of checks and balances, although of a different nature. These arise from the need to get international support for anything you try to do. Any important country or indeed any relatively small group of countries can block anyone else, even in the international field. The result is that you can do well things that have been agreed on in the past ought to be done (a situation which also prevails in the United States Government). However, anything new is nearly always blocked by some country or group of countries. The so-called compromise is not a true compromise in many cases, since it frequently involves a complete change of substance, even though the headings and form remain. However, this is really the way the countries want it; they want to be able to cooperate occasionally, but only occasionally, while at the same time to give the appearance of a willingness to cooperate always. It makes for an interesting way of life but a very frustrating one!

Believe it or not we are still trying to get our IDA resources replenished and the end is not clearly in sight! You will recall that we started this exercise about two years ago. By any rational criterion this is the kind of thing that should have taken as long as two weeks. Indeed, in a well-ordered society it would not have taken two weeks and could have really been done thoroughly in two days, and I say this without any intention to exaggerate. However, most people seem to confuse activity with accomplishment and are quite happy to be active even though they are accomplishing nothing, because they are very busy at what they are doing. I envy such people. It makes it possible for them to avoid ulcers, take vacations and sleep at night.

In one of your letters you requested a brief explanation of devaluation. Perhaps that had better wait until we see each other!

John took his SAT's the other day and seemed pretty happy about it. Everyone else is about the same and everyone is looking forward to having you back for Christmas. We have written to Suzanne. I guess that is about it.

With warm regards,

Mr. Kenneth Friedman  
C/o Madam Gautier  
28, Bv. Jean Jaures  
Boulognes/Seine  
Paris 16<sup>e</sup>, France



Mr. Woods

December 7 1967

Irving S. Friedman

You may be interested in the attached report on the meeting of the UN General Assembly of November 15 when the Group of 77 presented the "Algiers Charter" to the meeting.

December 7, 1967

Mr. McDiarmid

600-A

Agreed - but isn't its focus rather too  
short-run?

Irving S. Friedman

(Draft terms of reference visit to Phillippines)

December 7, 1967

Mr. Clarke

200

Agree. How should this suggestion be made?

Irving S. Friedman

(letter and memo re Arthur Gernand)

December 7, 1967

Mr. Clarke

200

Reg -

Your help in this would be appreciated -  
presumably a reply should come from me?

Irving S. Friedman

(Letter of December 4 from Iqbal Hamid)

Mr. George D. Woods

December 5 1967

Irving S. Friedman

Supplementary Finance: Discussions with Delegation from Group of 77

A delegation from the Group of 77, headed by the Brazilian Ambassador to the United States will be here during December 7 - 8 to present and explain the main features of the Algiers Charter to the U.S. Government, the Bank and the Fund. While attending the UN Committee II meetings recently, we gathered from Mr. Amjad Ali, a member of this delegation, that Supplementary Finance Proposals would be one of the main subjects they would raise with Mr. Woods.

Recent developments in the discussion of this subject are as follows. The UNCTAD Intergovernmental Group on Supplementary Finance has now finalized its report, which will go directly to UNCTAD II in New Delhi. This report brings out the fact that there is a wide measure of international support to a Supplementary Finance Scheme, based on the Bank staff proposals. Regarding the position of individual donor countries, the Scheme is supported by the United Kingdom and Sweden (the original sponsors of the 1964 resolution) and other countries such as Switzerland and the other Nordic countries. France has taken a negative position. The United States, Germany and Japan have raised some questions and are not as yet prepared to take a position. LDC members of the Group support the Bank staff scheme fully, and have issued a joint statement strongly endorsing each essential element of the Bank staff scheme. This statement is to be circulated to UNCTAD II as a Conference document. This position of the LDC's has been stated in the Algiers Charter and reiterated in the UN Committee II last week. Also, at the 1967 Annual Meetings of the Bank and the Fund, the African Governors in their memorandum to the President of the Bank gave their support in principle to the idea contained in the Bank staff scheme and urged the President "to seek, through his good offices, broad international support for the recommendations contained therein."

It may be recalled that the Resolution on Supplementary Finance was sponsored at the first UNCTAD by Sweden and the United Kingdom, and was supported by virtually all other donor countries including the United States, as well as by LDC's. The Bank staff scheme as a means of implementing this resolution has been very widely supported. It is now clear -- to donors as well as recipient countries -- that a scheme of supplementary finance, broadly and essentially on the lines of the Bank staff proposal is very much alive and will come up for active discussions, and seems likely to be endorsed in principle, at UNCTAD II. Incidentally, it has also been clear in our discussions that the proposed scheme came from the Bank staff and not the Bank as such.

A crucial question relates to finance and additional commitments by donor countries for this purpose. It is now agreed generally that the scheme should have a fixed amount of resources at its disposal, at a level at which

December 5 1967

the scheme might be reasonably expected to operate successfully. For various reasons, however, including especially the replenishment of IDA so urgently needed -- which we have constantly stressed -- some of the donor countries cannot consider providing funds for supplementary finance for some time. Thus, the question of timing becomes crucial. The supporters of the scheme have emphasized that no need for money will arise for this scheme until 1970 or even later. At the forthcoming UNCTAD, therefore, the question of finance can be set aside, for later consideration, if so desired. The developing countries themselves are fully aware of the need for such appropriate timing, to avoid any possible conflict between IDA replenishment and supplementary financing. In their joint memorandum at the Intergovernmental Group the LDC's state, "The working out of a supplementary financing scheme should not interfere with IDA replenishment since financial obligations under the scheme could not arise for some considerable time ahead."

When the report of the Intergovernmental Group on Supplementary Financing comes up before the next UNCTAD, it is to be expected that high level informal discussions and negotiations will result in an understanding, and a resolution may then be sponsored at the Conference embodying general agreement of governments in principle for a supplementary financing scheme. In his statement before UN Committee II on November 15, 1967, Mr. Prebisch said, referring to the supplementary financing scheme, "I think that at the second Conference it will be possible to reach agreement at least on fundamental principles."

On the question of financing, it is likely that such an agreement will do no more than request donor countries to initiate discussions among themselves at the appropriate time, to determine the amount of contributions for a fixed sum for an initial period. Meanwhile, we on our part can continue to emphasize as long as necessary that IDA replenishment on a substantial scale is immediately needed, and we expect that financial commitments regarding supplementary financing can only be contemplated by donor countries at a later date. We believe that the developing countries will be quite understanding of our position and receptive to this view. They know that we are basically friendly and are not trying to create difficulties. The behavior of the LDC's in this matter has been restrained and responsible.

cc: Messrs. Knapp, Aldewereld, Demuth, Alter, Cope, Benjenk, Console, Goodman, Hoffman, Kamarek, McIvor and Sarma.

December 5, 1967

Mr. Woods

1220

I thought you might be interested in seeing these two publications by members of our Economics staff - one in the Projects Department and one in the Economics Department.

Irving S. Friedman

"Sector and Project Planning in Transportation"  
by Hans A. Adler

"The Export Experience of Developing Countries"  
by Barend de Vries

DECLASSIFIED

CONFIDENTIAL

Mr. George D. Woods

AUG 16 2023

December 5, 1967

Irving S. Friedman

WBG ARCHIVES

U.S. Position on Supplementary Finance

I will be sending shortly to you a memorandum which you may find useful in connection with the visit of the representatives of the UNCTAD Group of 77 on Thursday, and will circulate copies of this memorandum to those attending the meeting. However, in view of Mr. Knapp's report on Mr. Solomon's remarks to him on Prebisch's statement to the OECD on Supplementary Finance, I thought it was useful to check out what the U.S. position was at this time when stated more carefully and deliberately. Last night I ascertained the following on a strictly confidential basis:

- (1) There is, as yet, no U.S. Government position. The position on Supplementary Finance being recommended by U.S. officials as the United States position for the UNCTAD Conference is that the U.S. should support a supplementary finance scheme but not tie itself to any precise provisions. There is a feeling that any scheme could be somewhat more simple than suggested by the Bank staff. To use more precise language the U.S. would advocate a supplementary finance scheme guided by, but not necessarily identical with, the Bank scheme. The proposed position also encompasses the thought that the monies for supplementary finance would be added to IDA resources in fiscal 1970 with a directive to IDA to spend it for the purpose of supplementary finance. The details would be sorted out by the IDA staff and Board some time after the UNCTAD Conference.
- (2) The U.S. feels that having been a supporter of the original U.K./Swedish Resolution they had a moral commitment if nothing else to respond in a positive way to the widespread support by the LDC's as well as some other countries for supplementary finance.
- (3) It would be made clear in all discussions that this has no implication for IDA replenishment, since it would not involve more money until fiscal 1970. In this way the stage would be set for a positive action by the UNCTAD Conference, but at the same time not an action that would jeopardize the IDA replenishment.
- (4) At present this proposed U.S. position is being considered at the top level in the U.S. Government. Because of recent events the Cabinet officials concerned have not been able to focus on this proposed position. However, responsible officials are eager to get a U.S. position before the UNCTAD Conference. They are also motivated by a desire to make clear the U.S. position to various European countries, Japan and Canada, recognizing that until now they have deliberately not taken a clear position in order to cope with the problem of not having supplementary finance interfere with IDA replenishment. At this point no one knows what the various Cabinet officials will decide.

From other authoritative sources I would say that the attitude toward supplementary finance at the official level of the U.S. Government, also springs from the conviction that new ways have to be found to entice Congressional support for development finance and assistance. Both Gaud and Secretary Rusk, as well as others, have been free to express the view that bilateral aid is on a steady decline and have asked people around them to come up with new ideas involving



Mr. George D. Woods

SECRET  
- 2 -

December 5, 1967

additional funds for multilateral institutions. I gather they have gone so far as to indicate their willingness to consider even new institutions as well as increasing the resources of existing ones. In this connection I am very pleased that the meeting at Algiers did not come out for new international institutions and endorsed the use of the World Bank Group as the central international financial institution. Needless to say once having crossed the bridge of having decided to use these institutions as the principal instrument for their countries' development, they have ideas as to how these institutions should be operated.

cc: Mr. Knapp

Mr. Sarma

December 4 1967

Irving S. Friedman

Visit of Delegation from Group of 77

In connection with the visit of the delegation from the Group of 77 I think we had better assume that there will be some meeting with Mr. Woods.

For this purpose I would therefore appreciate a note for Mr. Woods giving some of the highlights of the recent history of Supplementary Finance, particularly different declarations of attitude such as that taken by the African governors and the LDCs at the Intergovernmental group. I think that any recitation of facts of this kind would make clear the widespread LDC support of the Scheme, the more mixed reaction from the developed countries -- including warm support from the United Kingdom, Sweden and Switzerland, opposition from the French, and eagerness to avoid a position on anything involving new money at this time by the United States, although a desire to keep the proposal moving forward.

A recital of the facts should also make clear that all concerned are interested in treating the IDA replenishment as an immediate urgent matter, Supplementary Finance is immediate only in the sense that it is coming up for discussion at the UNCTAD meeting with a view to a possible decision in favor of a scheme more or less along the lines we proposed but with no need for money until 1970, if not later.

cc: Mr. Hoffman  
Mr. Sundrum  
Mr. Jalan

December 4 1967

Dear Mr. Insanally,

On Mr. Woods's behalf I would like to acknowledge receipt of your letter and the enclosed five copies of the Resolution on Sugar adopted at the Fourth Conference of Heads of Government of Commonwealth Caribbean Countries in Barbados, October 1967.

The Resolution has been circulated to the Bank officers most concerned with this subject.

Yours sincerely,

*(signed) Irving S. Friedman*

Irving S. Friedman  
The Economic Adviser to the President

Mr. S.R. Insanally  
First Secretary  
Embassy of Guyana  
1701 Pennsylvania Avenue NW  
Room 404  
Washington DC 20006

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

cc: Mr. Macene

November 30, 1967

Dear Lady Jackson:

I have already tried to answer query number two in your letter of November 18. I hope the photostats of the tables you requested from the 1967 DAC Review of "Development Assistance Efforts and Policies" reached you in time. (My secretary tells me she mailed them air mail, special delivery.)

On the first query, you may find relevant information in the World Tables I have already given you. I am enclosing some additional data readily available and more up-to-date than Escott's figures, but not in the same form. Please let me know if this suits your requirements or if you want the data in exactly the same form as Escott's.

On query number three, U.S. budget expenditures for national defense rose from \$24 billion in fiscal 1942 to \$81 billion in fiscal 1945.

On query number four the hearings before the House Committee on Foreign Affairs on the Foreign Assistance Act of 1962 (p. 777) brought out the following in response to a question about U.S. military contracting in Japan during the Korean War:

"During the calendar years 1950 through 1953, the U.S. military forces contracted in Japan for procurement expenditures totalling \$1,380 million. This procurement was for U.S. forces stationed in Japan, Korea, and other countries. It is impossible to estimate accurately the amount of this procurement which is attributable to the Korean War."

I do hope I will see you in Brussels.

With warm regards,

Sincerely yours,

Irving S. Friedman

Lady Jackson  
Sheraton Commander Hotel  
Cambridge, Mass. 02138

cc: Mr. Hulley

Mr. Andrew Kamarek

November 30 1967

Irving S. Friedman

1968 Annual Report

I would appreciate having a chance to discuss the proposal on the 1968 annual report with you as soon as possible.

Perhaps we could set up a meeting with Lars Lind, Adler and yourself and anyone from Demuth's shop who wishes to come.

November 30 1967

Dear Dr. Shah,

Thank you very much for your thoughtful letter of November 19, which I found of great interest.

I will be in touch with you shortly on some of the points you raise.

With best regards,

Yours sincerely,

Irving S. Friedman

Dr. V.C. Shah  
Indian Embassy  
583 Avenue Louise  
Brussels 5  
Belgium

November 30 1967

Dear Mr. Dell,

As requested during our phone call yesterday, I return herewith the check for \$150 and the receipt made out to Mr. Friedman.

Our thanks for mailing the check directly to UNICEF in his name -- I enclose a copy of Mr. Friedman's May 11 letter for quick reference.

Yours sincerely,

(Daphne McGregor)  
Secretary to Mr. Friedman

Mr. W.R. Dell  
Editor  
Britannica Book of the Year  
Encyclopaedia Britannica  
425 North Michigan Avenue  
Chicago, Ill. 60611

November 30, 1967

Mr. Levy

863

I would appreciate having the replies to questions 1 and 3 in Lady Jackson's letter today. I understand Mr. Hulley has already forewarned you of my need of these.

Irving S. Friedman



November 29, 1967

Mr. Demuth

845

This is another one of those things I discussed with Monsignor Bordelon a number of months ago.

Irving S. Friedman

November 29, 1967

Dear Father Walsh:

Thank you very much for your interesting preliminary inquiry and invitation to participate in the Northeast Seminarians' Study Conference next September in Washington.

As far as I can see now, my schedule would permit me to attend and I would be delighted to do so, unless something unforeseen intervenes. I would not expect a fee for the talk and would have no objection to publication of remarks made.

I am taking the liberty of sending a copy of your letter and my reply to Mr. Richard H. Demuth, Director of the Development Services Department, as his department handles invitations of this kind.

With kind regards,

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Father William P. Walsh, S.J.  
Secretariat for World Justice and Peace  
1312 Massachusetts Avenue, N.W.  
Washington, D.C. 20005

cc: Mr. Richard H. Demuth

Mr. George D. Woods

November 29, 1967

Irving S. Friedman

Visit of the Representatives of the Group of 77

You will recall that recently at Algiers there was an UNCTAD meeting of the Group of 77 to discuss the so-called Algiers Charter. This Charter was presented last Friday morning to the Second Committee of the U.N. General Assembly by the Foreign Minister of Algiers (who was chairman of the Algiers Ministerial Meeting), and discussed by this Committee.

The Charter itself calls for visits to various countries to explain the Charter by representatives of the less developed countries. It has now been agreed that a group of representatives of these countries, namely, Brazil, Chile, Ghana, Liberia, Thailand and Pakistan, will join in a delegation to the U.S. Government, the World Bank and IMF on December 7 and 8, to present their views on the Algiers Charter. The group will be headed by the Brazilian Ambassador, and will include Amjad Ali of Pakistan; the others will be Ministers or Ambassadors.

You may recall that one of the things that was done at Algiers was the endorsement of a scheme of supplementary finance.

The Brazilian Embassy telephoned me to ask whether you might see the delegation on December 7 or 8? They are trying to fit in a schedule of appointments, including President Johnson, and Secretaries of State, Treasury and Commerce, and are at this time unable to indicate a precise time to visit the Bank. I have promised the Brazilian Embassy to answer their inquiry as to your availability as soon as possible.

I would like to suggest the possibility of our giving them lunch or other entertainment on one of these days. The Fund is considering a joint (Bank-Fund) reception on Thursday, December 7. You may wish to chat with Pierre-Paul about this.

cc: Mr. Demuth

November 29, 1967

Dear Bill:

I am sorry I have not written sooner in reply to your letter of November 3, but I have been frequently out of the country during the past month.

Thank you for making further suggestions of topics. I think that I would prefer Part II(a) "Characteristics and Problems of Developing Countries," if for no other reason than it is very general and gives me a lot of freedom of choice as to what to include. (Incidentally, if I do come, I would hopefully bring Edna with me.)

If Prebisch is not coming, we might discuss the other topic, but lets assume the above.

I would like to be able to plan on being in Ceylon in July, since with respect to a number of other matters I need to know where I will likely be in the summer months. These are very hectic times for us in many ways. I must say that I do wonder whether devoting one's life to this kind of stuff really makes any sense, but since I keep doing it it must be that - on balance - I think it is worthwhile!

I do hope you are enjoying your new duties.

Edna and I look forward to seeing you and Daisy.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. W. Tennekoon  
Governor  
Central Bank of Ceylon  
Colombo, Ceylon

Mr. George D. Woods

November 29 1967

Irving S. Friedman

In light of your comments today I thought you would be interested to know that we have done a good deal of work on the memorandum on IDA Criteria.

It has already gone through a few drafts. I have been holding off sending it to you until such time as seemed appropriate, and to take advantage of the passage of time to improve the quality of the memorandum.

PROFESSOR MIKESELL  
UNIVERSITY OF OREGON  
EUGENE  
OREGON

November 28 1967

LT

USA

LOOKING FORWARD TO SEEING YOU (STOP) ARE YOU FREE FOR  
DINNER DECEMBER SIX

WARM REGARDS

FRIEDMAN  
INTBAFRAD

Irving S. Friedman  
Office of the President

November 28/67

Mr. Hulley

1021

I would appreciate having the material for a reply to this letter, or a draft reply.

However, I have received a message that My Jackson is phoning me tomorrow on the information asked for in paragraph 2. I would therefore appreciate having that immediately.

Thank you.

Irving S. Friedman

Mr. George Woods

November 28, 1967

Irving S. Friedman

Visit to the IERD of a Berne Union delegation

1. Sir Anthony Percival, present President of the Berne Union, and also recently elected President of the OECD Trade Committee Group on Export Credits and Export Credit Guarantees, mentioned at the last General Meeting of the Berne Union, at the beginning of October, that he would be interested in visiting the IERD with a couple of other members of the Berne Union, in order to discuss informally the problems of cooperation with the IERD.
2. The "Union d'Assureurs des Crédits Internationaux", usually referred to as the Berne Union, was established in 1934. Its membership at present consists of 26 public or private companies or departments of the Administration, in charge of export-credit insurance in 20 countries. The only OECD country not represented in the Berne Union is Japan. Non-OECD members are institutions in Finland, Israël, India, Pakistan, Australia and South Africa. The IERD has participated in the bi-annual General Meetings of the Berne Union since 1945, as an observer. Mr. Nespoulous-Neuville represented the Bank at the last seven General Meetings.
3. After our staff informed Sir Anthony that his visit would be welcome, he indicated by telephone that he would be accompanied by the heads of the American, Canadian and French export-credit insurance institutions. Their visit would last one day. It has been tentatively scheduled for January 16.
4. The agenda of the meeting would be the improvement of mutual information between the IERD and the Berne Union, and an exchange of views on the Berne Union policies towards developing countries, and on the IERD's attitude toward the use of suppliers' credits by developing countries. A working party will be set up shortly in the Bank for the study of various issues to be discussed.
5. Though the official purpose of the Berne Union delegation is to discuss technical matters, which should be done at the level of senior officials, we know that Sir Anthony would be pleased to pay a courtesy visit to you, if you are in Washington at the time of the visit.



November 22, 1967

Dear Mr. Turner:

On behalf of Mr. Woods I am pleased to acknowledge receipt of your letter of November 3, 1967. I read it carefully and found it interesting.

Thank you very much for showing interest in our work.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Geo. Spencer Turner  
"Bella Vista"  
23, Harlow Moor Drive  
Harrogate, Yorkshire  
England

cc: Mr. Woods

ISFriedman:rgw

November 22, 1967

Dear Shirley:

I thought I ought to drop you a note and say that Peter Cargill has been out of town and will be for a number of weeks. I think it would be advisable to wait until he returns, unless you think I ought to go ahead anyway.

I enjoyed our lunch together very much, and hope to be seeing you again soon.

Warm regards,

Sincerely,

Irving S. Friedman

His Excellency  
Shirley Amerasinghe  
Ambassador to the United Nations  
Permanent Delegation of Ceylon  
United Nations  
New York, N.Y.

FILES

November 22 1967

Irving S. Friedman

World Tables

Yesterday I gave to Barbara Ward for her confidential use  
a copy of our World Tables.

cc: Mr. Kamarek

November 22 1967

TO:

Luncheon for Mr. A.F.W. Plumptre --  
Dining Room A, 1 pm November 29

I am planning a small luncheon for Wynne Plumptre, who is Principal of Scarborough College, University of Toronto and will be visiting the Bank on Wednesday next.

Mr. Plumptre wishes to discuss, on behalf of the Canadian External Aid Office, a proposal to establish in Canada an international research program or research center in connection with International Development.

I do hope you can join us.

Irving S. Friedman

Guests: Mr. Adler  
" Orcutt  
" de Vries  
" B. Bell  
" Ballantyne  
" Krishnaswamy  
" Kamarck or Reid

November 22 1967

TO: Messrs. Kamarck, Sacchetti, de Vries, Balassa  
de Fonteney, Sarma and Sundrum.

Visit of Mr. A.F.W. Plumptre to the Bank  
November 29 1967

Mr. Plumptre, Principal of Scarborough College,  
University of Toronto, will be visiting the Bank on  
November 29 to discuss, among other things, a reading  
list for a graduate seminar course on International  
Financial Institutions.

I would appreciate it if you could plan to  
attend this meeting in my office on Wednesday morning,  
November 29, at 11:15 am.

Thank you.

Irving S. Friedman

November 22, 1967

Mr. Nespoulos Neuville

1034

Getting the approval of Hoffman and Demuth will be enough.

Please include a sentence on who has been attending Berne meetings in the recent report and also whether Sir Anthony expects, or wishes, to see Mr. Woods.

Irving S. Friedman

(Returning draft memo from Friedman to Woods on visit of Berne Union delegation.)

November 21, 1967

Mr. Woods -

A suggestion, if not already done:-

To: CHANCELLOR OF EXCHEQUER  
U. K.

WISH TO EXPRESS ADMIRATION FOR COURAGE SHOWN  
IN COPING WITH GRAVE PROBLEM STOP KNOW HOW  
DIFFICULT IT MUST HAVE BEEN TO TAKE DRASTIC  
MEASURES INVOLVING GREAT VARIETY OF  
CONSIDERATIONS STOP BEST WISHES FOR SUCCESS  
STOP WARM REGARDS

GEORGE D. WOODS

Irving S. Friedman

November 20 1967

Dear I.G.,

Edna and I were quite upset last night by the news we heard from the Woodleys that you have been quite ill. You did tell me in Rio about the trouble with the amoeba, but I had not heard anything since.

It is kind of futile to give you the sort of advice that everybody else is giving you -- the advice to take things easy is much easier to give than to take. The only thing I found that my illness did for me was to give me a much higher standard as to how I spent my time. I have become much more impatient with junk activities, although I'm afraid that lots of time is still spent doing much of what I would put in that category!

I believe the present period is particularly trying for people like ourselves who are primarily interested in accomplishments. Political difficulties and complexities in virtually all the major countries seems to paralyze doing that which is necessary and intelligent. It would be much better at this stage in history to be philosophical and truly academic in temperament and pursuits but, for me at least, this is purely daydreaming.

Is there any chance of you and Alek and the baby coming for a long stay in Washington? If so we will be glad to turn over part of the house to you. I do hope that, in any case, you will not try to get back to full time activity too soon. These damn problems with which we work never disappear, and there will always be ample opportunities for you to make major contributions.

I shouldn't be writing so serious a letter to someone who has been ill, but I'm afraid that my own spirits these days are not very lighthearted, and our relationship has always been a purely honest one, so I won't try to pretend lightheartedness.

Ken is still in Paris. We hope that he will be back by Christmas. Johnny is going through the agony of applying to colleges. With his sense of reality and honesty and complete inability for self-deception, it becomes a very painful experience. He profited a great deal by his Japanese experience. It seemed to give him a lot of self-confidence and deepen his understanding of things. However, I'm afraid that this

...../2



is being quickly dissipated by this concern about college entrance. Reid and Bobbie are fine. Bobbie is enjoying the baby, although I think she is finding it exhausting. Both of them have not been accustomed to getting up at all hours of the night, but they seem to take these tasks with good nature. Reid continues to enjoy Arnold and Porter.

Things in the Bank are about the same. The IDA replenishment exercise is becoming a marathon. Having spent nearly two years on it I'm now completely fed up with the whole thing. However, I still feel some responsibility for helping to get the biggest possible figure with the least amount of conditions. As long as I stay here, I'll try to do my best to this end.

Needless to say everyone in the family would be most happy to hear from you and Alek. Please try to keep us posted one way or another on how things are going.

Yours,

(Irving S. Friedman)

Dr. I.G. Patel  
11 Tin Murti Lane  
New Delhi  
INDIA

Mr. J. Burke Knapp

November 17, 1967

Irving S. Friedman

Balance of Payments Safeguards

The attached is a copy of my outline on my balance of payments safeguards memo, prepared with the help of Hulley and Sacchetti. Any comments you may have would be most welcome.

In the meantime, we will go ahead and start drafting along these lines. My objective will be to have a draft by the latter part of next week so that we can go over it together during the week of the 27th and send it out some time during that week.

November 17 1967

Dear Franz,

I am sorry I won't be able to come to your cocktail party on November 21 since I will be out of town.

Please do not take this as a decline in interest -- may I again invite myself to be a speaker at your Institute!

Irving S. Friedman

NOV 17 1967

Dear Governor Tennekoon:

This is in reply to your letter of November 2, 1967.

The World Bank will be glad to participate in the forthcoming SEANZA Central Banking Course. I have discussed this with Mr. Friedman and he will be happy to be one of your visiting specialists, dealing with Part II (a) of the syllabus.

I am sure that he will be in further communication with you on this matter.

Sincerely yours,

(Signed) George D. Woods

George D. Woods

Dr. W. Tennekoon  
Governor  
Central Bank of Ceylon  
Colombo, Ceylon

ISFriedman:rgw  
November 15, 1967

Mr. Andrew M. Kamarck

November 16, 1967

Irving S. Friedman

Supplementary Finance

Thanks for that article of November 15 on Supplementary Finance.  
Believe it or not I had not seen it.

I wonder whether Mr. Woods saw it?

*Let's file*

Mr. Andrew M. Kamarck

November 16, 1967

Irving S. Friedman

1968 Annual Report

Lets discuss John's memo of November 14 on the Annual Report  
at one of our meetings.

Thanks.

cc: Mr. Adler

lect. file

Mr. John H. Adler

November 16, 1967

Irving S. Friedman

Lectures in Transportation Economics

I read with interest the proposed course on Transportation Economics. I do hope that this does not interfere with your other responsibilities.

Perhaps we could chat about it.

cc: Mr. Kamarck

Messrs. Sarma and Jalan

November 16, 1967

Irving S. Friedman

Intergovernmental Meetings on Supplementary Finance - Geneva,  
October 30 - November 13, 1967

Thanks for your memo of November 15.

I think it ought to be circulated to the members of our little group. However, do you plan to issue a separate report on our mission for general circulation, which would include the Executive Directors?



PERSONAL

DECLASSIFIED

AUG 16 2023

November 15 1967

WBG ARCHIVES

Dear Wynne,

I have just returned from Europe and found your letter of November 10. I am looking forward very much to our getting together during your visit.

I will take the liberty of showing your Seminar Course to a few others, whose opinion I value, in getting a reading list together.

Since Ambassador Ritchie is putting together your engagements, I will be contacting him. One of the things I am going to suggest is that you might be free for dinner on one of the nights here - I am sure he will be talking to you about it. Selfishly I prefer to have a small dinner party at home -- on the other hand I could arrange for a larger group at one of the clubs, say the F Street Club.

Thank you again for offering to be of assistance and guidance to John. He is eager to find out more about Toronto, but we find it very difficult to get a catalogue of the University. If there are such things, perhaps your secretary could put one in the mail. John would like very much to have a chance to chat with you when you are here.

Looking forward to seeing you soon,

Yours,

Irving S. Friedman

Mr. A.F.W. Plumptre  
Principal  
Scarborough College  
West Hill  
Ontario  
Canada

Mr. George D. Woods

November 15, 1967

Irving S. Friedman

SEANZA CENTRAL BANKING COURSE (July to September 1968)

Bill Tennekoon, who is Governor of the Central Bank of Ceylon, asked me in Rio if I would come out and participate in this Central Banking Course.

I had some hope of taking some time off this summer and visiting a few countries in Africa, which I have never done, and it seemed quite possible to combine this with a brief visit to Ceylon. The lectures for the so-called SEANZA Central Banking Course was first initiated by the Australians and includes all of the Central Banks of "South East Asia" who sponsor the affair and take turns acting as host.

If I went I think I would like to lecture on the topic under Part II (a) Characteristics and Problems of Developing Countries.

I would like to accept the invitation, subject of course, to overriding needs here. I have drafted a letter accepting the invitation. This draft says nothing about the possibility of other urgent needs, but I would mention it in my correspondence, if you agree.

DECLASSIFIED

AUG 16 2023

PERSONAL

WBG ARCHIVES

November 15, 1967

Dear Monsignor Bordelon:

As you know, I find myself in fundamental agreement with the Papal Encyclical on the Development of Peoples, and I hope that it will prove to be a landmark in twentieth century history. Much will depend, of course, on whether those of us who feel deeply about the subject and are in a position to do something succeed in transforming these moral precepts into public action.

I am naturally inclined to start out by indicating the many things with which I am in complete agreement. For example, that development cannot be limited to mere economic growth, or that all of our judgments in this field are related to our scale of values, e.g. "avarice is the most evident form of moral underdevelopment," that development demands transformations and innovations in society that go deep. I believe, however, that it would be more useful if I were to concentrate on some aspects which I might myself have put differently. As you will see they are largely questions of emphasis and do at times come close to being matters of semantics.

At times it seems as though the description of our economic system is based on the assumption that our economic system is not subordinated to our value system. (See, for example, the description of the economic system in paragraph 26, or the choice of words in paragraph 33, or the analysis of international trade in paragraph 44.) However, in reality our economic system is subject to our value system. Through such techniques as taxation policy, subsidization, control of our money supply and banking system, foreign trade, development assistance, treatment of charitable and institutional systems, etc., we have made our economic system adjust to our value system. Modern societies are concerned with the question of poverty, sickness, old age, etc., as well as the traditional problems of safety and security. Modern societies do accept that the development of a whole human being, in the form of educational opportunities, is an obligation of society. We rely on competitive market mechanisms to achieve an efficient output of marketable goods and services and we greatly influence the distribution of this material output among people through governmental policies. Of course, this does not mean that we no longer have no need to be concerned with the material welfare of people. There is bound to be a continuing difference of views and even conflicts of interests, which governments must resolve. But for me, the basic problem is not the recognition of the need for this concern, but rather the extension of this concern to all people and not just the people in our own community or our own nation, or

Monsignor Marvin Bordelon  
Director, Secretariat for World Justice and Peace  
1312 Massachusetts Avenue, N.W.  
Washington, D.C.

nations like ourselves. This to me is the essence of the Papal Encyclical and why I profoundly agree with it.

If governments agree to accept this concern in economic policy-making, we have the means in terms of knowledge, capital, institutions, etc. to transform the world into something very different from what it is today. In this new world we would probably still find it most useful to have strong elements of competition, material incentives in the form of profits, interest, wages, wide differences in economic distribution within and among nations. In this changed situation, for many years the gap between the poor and the richer countries might become even wider, but the dynamic forces for change would be there and for narrowing this gap, as the years went on. Moreover, whatever the size of this gap, the material welfare of people could be visibly improving in a way understandable to everyone, irrespective of education or locale.

Thus to me our basic conflict today is not between one economic ideology or another, but between the concept of a limited concern which fixes on ones own community, and a world-wide concern. I see it as a failure to recognize that national objectives are only fully served by true internationalism. I mean by true internationalism something that recognizes that improvement in the material welfare of other people is a worthwhile end in itself and not the bi-product of the pursuit of other directives. My own view is that governments' assistance for economic development is too often not the primary motivation in providing such assistance and, as a consequence, confusion, frustration and ill-will, follow. (Incidentally much of what I am saying is reflected in paragraph 60 of the Encyclical.)

Within this general philosophy perhaps I can make some more specific comments:

- (1) The description of the economic system in paragraph 26 describes a system that does not really exist anywhere. All economic systems, however planned or not planned, now recognize the need for incentives and competition to provide the mechanism of achieving efficiency of production and responsiveness of production system to changing needs of people.
- (2) Paragraph 33 points out that "the mere free play of competition" could never ensure successful development. This may or may not be true, but in any case, governments intervenes in this free play of competition - not to assure successful development but to accelerate development and to affect its content.
- (3) Paragraph 34 is concerned with the problem of social progress as well as economic growth. This is one of our keenest dilemmas in our work in this field. What may be argued for as improving social welfare, for example, decreasing inequities in income distribution may actually hamper growth, which in the long run is necessary for a viable

and enduring solution of social ills. As in so many other economic questions we have to choose our priorities and live with the consequences. I believe that we do best when we make economic development our highest priority but moderate it by social concern, recognizing that, while doing this, we may be delaying the process of overcoming the economic backwardness of many peoples, but still ready to do so because of the human beings involved.

(4) Paragraph 44 speaks of "inequitable trade relations between powerful nations and weak nations." I think there is little use or merit in such descriptions. This point of view was held for many years by leading economists who were troubled by the fact that international trade by itself had not brought about the modernization of the economies of more backward areas. We now understand that although all countries gain from trade, more has to be done than merely trade. We do have to do something to transfer resources from the richer countries to the poorer countries. This used to be done by the mechanism of private capital, but for well-known reasons this mechanism does not work in the case of many poor countries. We still should be encouraging trade at the highest possible levels between the less developed and developed countries, and it will be "inevitable" that the products of modern industry will command much higher prices in real terms than the products of more backward industry - a situation which prevails within every industrialized economy as well as between industrialized and less industrialized economies. What we need to overcome this seeming injustice is to develop the less developed countries. We do not need to compensate countries for being poor, what we need to do is overcome their reasons for being poor.

(5) Paragraph 49 speaks of "superfluous wealth of rich countries." This is the kind of phrase which gives an economist much cause to pause. In economic terms even richer countries feel a shortage of resources. The transfer of resources from the richer to the poorer countries will not be those resources which are regarded as surplus, because none will be so regarded; instead they will be resources which will be transferred because a high enough priority is given to the development of the poor countries so that the richer countries deliberately forego either some consumption in their own countries or some improvement in their own material welfare.

(6) Paragraphs 57-61 seem to be an attack on the principles of free trade. I think these paragraphs reflect an over-simplification of the many economic problems that flow from the existence of national boundaries. National boundaries bring a political factor into all economic relations, including trade. For the economist the simple answer is to eliminate the economic significance of political boundaries, and I need not elaborate on how difficult this is in practice! I feel that the less developed countries need to be encouraged to be more competitive rather than less competitive, even

recognizing the difficulties which may flow from competition. There is no need to be doctrinaire regarding such questions as free trade, as I do feel that we are learning through cooperative international effort how to achieve common action among governments. Governments now are a major part of economic life. We really have no choice except to arrive at some technique of coordination of such policies. International trade does not take place in an environment free of governmental policies, but at the same time it is easy to slip from a recognition of this problem to a seeming distaste for the rigors of competition.

Economics is a dismal science, but only in the short run. Lord Keynes is often quoted as saying that in the long run we are all dead. With this I profoundly disagree - it may be that only in the long run are we all alive!

I hope that the above comments, together with those of my colleagues may be of some use.

Sincerely yours,

Irving S. Friedman

COMMENTS ON ENCYCLICAL

- (1) Agree - "development cannot be limited to mere economic growth" (para.14)
- (2) Emphasis on scale of values - "avarice is the most evident form of moral underdevelopment" (para.19)
- (3) Subordinate right of private property to certain values - "Primary community exigencies" in cases of conflict public authorities need to seek a solution - example: against income transfers abroad when inflict damage on those countries by doing this. (Does not examine economic causes of such actions - therefore solution sought may be wrong - give example of cause of capital flight - where solution of self-protection (when \_\_\_\_\_) even defeats community.
- (4) Description of economic system in para.26 (p.20) unfortunate (- material incentives, e.g. profits, rent, wages) are basic to economic system - competition is mechanism of achieving efficiency of production and responsiveness of production to changing demands - private ownership necessary for incentive system to work - but all describe system that doesn't exist anywhere: seems either like strawman for argument - or reflect ideology unfriendly to system which are characterized by large degree of private ownership, however, varied in form - Note incentives and competition needs also felt now by even socialist planned economies).
- (5) Agree "Development demands transformation, innovations that go deep".
- (6) Para.33 says "individual initiative alone" and "mere/<sup>free</sup>play of competition" could never assure successful development. Probably wrong - but in any case off the target - governments intervene not because there would be no development or because income distribution becomes more uneven - but to accelerate development in time, affect its content, i.e. more education and health than might otherwise prevail or more agriculture or industry and to

affect distribution of income and levels of employment - indeed key difficulties arise because of trying to pursue at times conflicting objectives (from economic viewpoint) of more production versus increased efficiency while improving social welfare, avoiding cycles in employment and narrowing inequalities in income distribution - thus as in para.34 "To speak of development is in effect to show as much concern for social progress as for economic growth" is fine, but in terms of economic policy may lead to short-run policies which hamper growth, which in long-run is necessary for viable solution of social ills.

- (7) Some unfortunate references from economic viewpoint - para.44 - "inequitable trade relations between powerful nations and weak nations" - problem is not that they are inequitable - all gain from trade - but that economically backward nations export products of unskilled labor or only very few involved in production of goods which command relatively good prices (example: tourism) - need is to diversify and modernize economies - while efforts to make trade "more equitable" may prove politically attractive - but keep poor countries continuing to produce commodities of relatively less value - need is for resources from rich countries to help diversify - not higher prices from primary products - reconciliation is part of income from higher prices set aside for diversification - a theoretical possibility, but probably applicable only in limited cases of actual products (example: coffee). Moreover, if seen as problem in "equity," higher prices paid may not be used to finance diversification. If means weaker nations do work in with bargaining prices over tariffs and op----- - agree - but removal of business markets of richer countries will not result in higher prices for exports of LDC's - maybe even the reverse - but will encourage their more rapid economic development.



- (8) Para.49 - speaks of "superfluous wealth of rich countries" - a value judgment - in economic terms even richer countries feel shortage of resources - always question of priorities not superfluity.
- (9) Agree on argument set forth for unilateral approach to development - (paras. 51-55) - question need for another new institution - but this is a practical matter - but must be realistic in economic sense (see para.54 especially) - economic development as described and executed in those paragraphs will bring about major changes in social and political life - countries must be free to choose the paths of change - but change there will be and therefore inevitable resistance from some to such changes - may find it easy to seek scapegoat in concept of foreign interference.
- (10) Paras.57, 58, 59, 60 and 61 - seem to be an attack on the principles of "free trade" - but obstacles to more desirable international economic relations go beyond those mentioned - question of how to organize all of economic activities in all communities everywhere - profound question of feasibility - many economic problems flow from existence of national boundaries - also danger of illusory premises which divert attention from what can be done - need for cooperative international effort - but based on what is - vision combined with sincerity for immediate need to change.
- However, can agree with essence of view.

Whole Encyclical

Basically economic system is subordinate to value system - so it is now in reality - at times seems as though this not recognized and therefore may create suspicion as to why it is not recognized - believe more fruitful approach (already reflected in para.60) - is to emphasize need to extend concept of concern

to all people, not just nations - this to me is essence of Encyclical and why I welcome and profoundly agree with it. If governments agreed to accept this concern in economic policy-making, world could be transformed - probably still have strong elements of competition, profit motive, wide differences in economic distribution within and among nations (as in every rich country today) but helping poor to develop would become high priority for governments of rich countries and magnitudes of assistance as well as forms and methods of assistance would reflect this concern. By willingness to recognize that only when pursuing development of poor are rich countries really responding to this concern - based on fact that national objectives are served by this true internationalism. Now too often governments' economic development is not the primary motive even when resources are given or lent to developing countries - within this philosophy - confusion, frustration and ill-will follow - this is where I would center my criticism rather than on the economic system as such - because the system is flexible and adaptable - it is simply not being used adequately to accelerate development in poorer countries. Conflict is not between one economic ideology and another; but between concept of limited concern versus world-wide concern.

November 15, 1967

Dear Monsignor Bordelon:

I am enclosing the comments of the various members of the Bank staff on the Papal Encyclical.

I am hoping to have my comments ready to be sent over to you later today, or tomorrow morning.

Sincerely yours,

Irving S. Friedman

Monsignor Bordelon  
Director  
Secretariat for World Justice and Peace  
1312 Massachusetts Avenue, N.W.  
Washington, D.C.

Blue copy

November 15, 1967

Dear Governor Raschid:

As you requested at the Rio Meeting, I am pleased to enclose several documents on the subject of the relation between the monetary policy and development. In addition, there are available a number of UNCTAD publications on this subject which you may have already seen; for example, International Monetary Issues and the Developing Countries (TD/B/32, TD/B/C.3/6, 1 November 1965); The International Monetary System 1958-1965 (TD/B/31, TD/B/C.3/5, 10 November 1965); The Adequacy of Reserves of Developing Countries in the Post-War Period (TD/B/34, TD/B/C.3/9, 10 November 1965), etc. As you will notice, the enclosed report entitled "Value Linking of Domestic Bond Issues" prepared by the Economics Department of the Bank is still in draft form. This is being revised and will be published at a later date.

I regret the delay in forwarding these documents, but since the Rio Meeting I have had to participate actively in the work and Hague meeting on IDA replenishment and in the general meeting of the Intergovernmental Group on Supplementary Finance and consequently, have been away from my desk in the Bank for a good part of the time. However, I hope they will be of some assistance to you.

With warm regards,

Sincerely yours,

Irving S. Friedman

Irving S. Friedman

Enclosures

Mr. M. Raschid  
Governor  
State Bank of Pakistan  
Karachi  
Pakistan

SKBhatia/AKamarck:rk  
November 13, 1967

Mr. Mario Parreaguirre

November 14 1967

Irving S. Friedman

French Lessons

Mr. David Kochav has mentioned a desire to brush up on his French -- his inclusion in an early advanced class would be appreciated.

Thank you.

cc: Mr. Kochav

Mr. Sarma

November 9 1967

Irving S. Friedman

UNCTAD II Representation

Unless you object, I have agreed with Mr. Lemuth that our UNCTAD mission will consist of Karasz, yourself, and some other person from the Economics Department.

I have discussed this with Karasz and told him that I wanted you to be the one who is responsible for all and any discussions on Supplementary Finance. If that means the mission was too small I would be glad to add a fourth person to it, however, we agreed to start on this basis with your acting as Deputy Head of Mission but with a special priority to Supplementary Finance. I would hope to be able to attend during that period of time when Supplementary Finance was at a critical stage in the discussions and would rely on your judgment to inform me on this.

cc: Mr. Kamarck

November 9 1967

Dear Mr. Taub,

Would you please express to Governor Horowitz my thanks for the Bank of Israel's contribution to the Society for International Development. It is much appreciated.

With kind regards,

Yours sincerely,

(signed) Irving S. Friedman  
Irving S. Friedman  
The Economic Adviser to the President

Mr. Y.J. Taub  
Secretary General  
Bank of Israel  
Jerusalem  
Israel

cc: Mr. Andrew Rice

Mr. Woods

November 9 1967

Irving S. Friedman

Charter of Algiers

I think you will be interested in seeing this if you haven't already. All of it really is interesting, although it represents a hodge-podge of many ideas, but you will be particularly interested in Part C on Development Financing, pages 14-17.

Prebisch will be giving us a copy of a summary of the meeting which he is having prepared and which we might distribute to our senior staff and Executive Directors if we wish.

Mr. Lemuth



November 1 1967

Dear Mr. Plumptre,

Your letter arrived after Mr. Friedman's departure for Europe. We expect him back in the office the week of November 13.

I am sure he will be very pleased to learn that you and Mrs. Plumptre are planning a visit here in late November and will be looking forward to seeing you both.

He will, of course, write you himself on his return.

Yours sincerely,

(Daphne McGregor)  
Secretary to Mr. Friedman

Mr. A.F.W. Plumptre  
Principal  
Scarborough College  
University of Toronto  
West Hill  
Ontario  
Canada

October 31, 1967

Dear Sir Cyril:

Thank you for your letter of September 25 enclosing copy of your speech given in Ottawa in 1965.

We are happy to provide some additional material bearing on your continued interest in the problem of the growth of world population. In order to be useful this has to be somewhat longer than can be accommodated in a letter. Accordingly, I am enclosing it in the form of a memorandum which has been prepared by the Bank staff. I would like to emphasize that this is largely a summary of existing information known to us and the sources have been identified in case you wish to refer to them. I feel sure that you will realize that this memorandum is for your personal use and should not be quoted as representing the views of the World Bank Group.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Sir Cyril Osborne, J.P., M.P.,  
Welford House  
Welford Place  
Leicester  
England

### Population and Food Supply

According to the U.N. "medium" projections, world population is expected to increase between 1960 and 1980 by 43%, and by the year 2000 reach a level 103% above that of 1960. The absolute figures are as follows:

#### World Population in billions according to the UN "medium" projections:

	<u>1960</u>	<u>1980</u>	<u>2000</u>
World	3.0	4.3	6.1
LDC	1.0	1.2	1.4
Developed regions	2.0	3.1	4.7

Future food requirements are based on this medium projection, and it should be noted that the UN projections assume that a sizable reduction in fertility will occur in the less developed countries (defined as Africa, Asia and Latin America). Should these forecasts be too low, world population could be substantially higher, and what is equally important, the proportion of people in LDC's would be larger. Thus a greater imbalance between food output and requirements than that which is currently projected may result between the various regions of the world.

To trace the implications of such unprecedented rates of growth on food requirements and output, it is useful to distinguish between three aspects of the problem. The first is the relationship between the size of the population and the capacity of the earth to sustain such a size. The second is the rate of growth of population relatively to the rate of growth of food production and the third is a distribution problem, namely

the relationship between the rate of growth of population and food output in the developed and the less developed areas.

As far as the first aspect is concerned, it should be noted that the earth is not, or cannot be expected to become, "overpopulated" in the sense that it is unable, or will become unable to support the present population size or any size resulting from any conceivable increase in the present population, for a long time to come. Estimates of how many people the earth can sustain under present levels of consumption have been made, <sup>1/</sup> and the results are as follows. If we assume that all land that is cultivable (with heavy capital expenditures), is brought under cultivation using present techniques, then it would suffice to feed 6-7 billion people, which is the figure expected for the year 2000. If agricultural techniques are assumed to improve in such a manner that the average yields now prevailing in developed countries are also assumed to prevail in all presently cultivated areas, then the resulting output is sufficient to feed 10 billion people. If this area is extended to include all cultivable land then the number rises to over 65 billion. Finally, average yields in developed countries differ widely and if the most advanced techniques prevalent in developed countries were applied, then yields per acre would double. Thus, without taking into account future technological innovations, it is seen that by applying the current most advanced techniques to all potentially cultivable land the earth can sustain more than 120 billion people. The calculations quoted above are admittedly at the higher end of several other estimates, and although one may not wish to attach too much confidence in this figure, the conclusion that the earth can feed any reasonable increase in population in the coming century is inescapable.

The above estimates refer to the earth's potential. Whether this potential can be mobilized quickly enough to keep up with the rate of population growth and avoid starvation, is, however, another matter. Here the relevant comparison is that between the relative rates of growth of population and food output.

In the above calculations, the ability of a society to generate the required savings to supply the capital needed for such an expansion, as well as the technical ability of a predominantly illiterate population to apply the newest techniques is not taken into account. Looking at the potential is not enough. One must look at the economic, technological and institutional factors that may or may not realize this potential.

Here it is instructive to look at past rates of growth of population and agricultural output, and given the future expected growth of population to work out the required growth in agricultural output, given that (a) present food consumption per head is to be maintained, or (b) that consumption per head is to rise to a level where it is assumed that there is no longer any malnutrition.

In a study by the Director of Statistics of the FAO, <sup>2/</sup> the following estimates were made:

	<u>Index of increase in total food output required to eradicate malnutrition (1960=100)</u>	
	<u>1980</u>	<u>2000</u>
World	168	267
LDC's	202	361

These show the required total expansion in food production (including animal food) that is necessary to eradicate malnutrition. The figures assume a rate of population growth that corresponds to the "medium"

forecasts of the UN. Furthermore, according to this study, 10-15% of the world's population was 'undernourished' and a further 35-40% were 'mal-nourished'.<sup>3/</sup> Finally these forecasts assume an equal distribution of food for everyone. Given the large inequalities in income distribution, this study concludes that for the world as a whole total food production should be doubled by 1980 and tripled by 2000.

The above study was severely criticized with respect to its assumptions concerning the minimum level of calorie requirements that were used. Consequently it is instructive to compare future needed increases in output on the assumption of a continuation of present standards of per capita consumption. One study<sup>4/</sup> that looked at the actual trends between 1934-38, and 1960-61 and then went on to project these trends to 1980, gave the following figures:

Total annual Grain Production, net trade and availability in million metric tons

Developed regions	<u>1934-38</u>	<u>1960-61</u>	<u>1980</u>	<u>2000</u>
Production	334	476	679	897
Net trade	+11	-15	-35	-68
Availability <sup>1</sup>	345	461	644	829
Index (1960=100)		100	139	180
LDC				
Production	316	633	662	1,034
Net trade	-11	+15	+35	+68
Availability <sup>1</sup>	305	648	697	1,102
Index (1960=100)		100	156	246

+ sign = net imports (exports minus imports)

- sign = net exports

<sup>1</sup> availability = requirements at present levels of per capita consumption

Underlying these projections were the following assumptions. Requirements were assumed to remain constant. Population was assumed to grow to

6.27 billion by the year 2000<sup>5/</sup> and production was assumed to grow at the same rate. These requirements may be compared with the previous estimates, but the new aspect of these projections concerns the distribution problems. The assumptions concerning the increase in production of the LDC's relatively to the developed countries are extremely liberal: total production is assumed to grow by 53% to 1980 and 139% to the year 2000 for LDC's as opposed to 43% and 88% respectively for developed countries. This assumes a reversal of past trends since between 1934-38 and 1960/61 the observed rates of growth were 42% for LDC's against 51% for developed countries.<sup>6/</sup> However, even under such assumptions the extent to which LDC's will become deficit areas is likely to increase. This results from the fact that equal percentage changes in population and output lead to increasing absolute discrepancies in the difference between demand and output, provided one starts with a deficit. This kind of increasing dependence has been going on since the thirties, and is likely to continue in the future.

Briefly, the conclusion is as follows. The earth's resources, when supplemented by capital and human skills, are sufficient to support a population size many times larger than that which can be expected by the year 2000. As far as the relative rates of growth of population and agricultural output, the past record is that since the thirties grain output per head has increased for the world as a whole, though not for all developed regions. The new feature of the period 1960 to 2000 is that population growth is expected to be much higher for the LDC's than for developed regions. The problem is then more one of distribution rather than total supplies, and the question of whether the LDC's will be able to feed themselves still remains to be seen. Even if they are successful, there should be no doubt as to the grave costs imposed by the fast rates

of population growth. In this context, it is worth pointing to studies that have concluded that investment in population control in LDC's is about 100 times as effective in raising income as investments in alternative strictly economic projects.

All the above forecasts did not extend beyond the year 2000. Although no forecasts have been made for a later period, it should be pointed out, that later developments are likely to be less serious than those occurring between now and the year 2000. The reason for this is two-fold. On the one-hand, there is likely to be a deceleration in the rate of population growth of the world as a whole and in particular in the rate of growth of the LDC's. In historical perspective it has always been the case that a fall in birth-rates has followed a decline in death-rates though with a substantial time-lag. LDC's are now at the stage where death-rates have fallen and are still falling, but with few exceptions the birth-rate has remained constant. The latter can be expected to fall, both through the current efforts at family planning and the massive attempts at education, which is the chief variable affecting fertility. Thus by the year 2000 not only will the rate of population growth be lower, but the average level of income and education will be higher. This will mean that more capital and skills will be available to make maximum use of the earth's resources. Thus the biggest challenge is that of the immediate future, as a result of the unprecedentedly high rates of population growth.



1. By K.M. Malin, "Food Resources of the Earth," paper presented at the U.N. World Population Conference in Belgrade, 1965.
2. P.V. Sulhatne and W. Schulte, "Forecasts of Nutritional Requirements and the Expected Levels of Demand for Food," paper presented at the U.N. World Population Conference in Belgrade, 1965.
3. Undernutrition is defined to mean an inadequacy in calories intake, such that if allowed to continue for a long time there is either loss of normal body weight for the same physical activity or reduction in physical activity for the same body weight or both. 'Malnutrition' is defined to mean the lack or inadequacy of one (or several) essential nutrients, such that if made good, the clinical signs of specific deficiency diseases are eliminated. Malnutrition refers to a deficiency in the quality of the diet.
4. Man, Land and Food: Looking Ahead at World Food Needs, by Lester R. Brown, Published by the U.S. Department of Agriculture, Economic Research Service, Regional Analysis Division.
5. This is the figure derived from the 1958 UN projections, and is slightly higher than that used in the estimates for future requirements assuming no malnutrition.
6. The comparison is not strictly fair because in the 1960-2000 period the rate of population growth of LDC's is projected to be relatively higher to that of developed countries, than in the 1934-38 to 1960 period. Since total output depends in part on total population, we can expect a faster rate of growth of output of LDC's relatively to developed countries in the future. However, this is a minor point to bear in mind and the judgment that such projected trends are 'optimistic' is still true.

October 31 1967

Dear Mr. Dell,

Enclosed please find my updated text for the next edition of the Britannica Book of the Year on Economic Development.

Please excuse the delay, but I have been dreadfully busy, including spending much of my time overseas.

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, Ill. 60611

## DEVELOPMENT, ECONOMIC

1. In 1966 the developing countries<sup>1/</sup> as a group increased their gross domestic product (GDP)<sup>2/</sup> around 5%, about the same rate as the average for the 1960's - 4.8% per annum. Per capita income growth throughout the sixties has been much lower - only about 2.3% per annum, because of the high rate of growth of population (2.4% per year).
2. The average income growth rate of 2.3% per capita for developing countries as a whole conceals wide differences among regions. In certain developing areas, progress was considerably slower. South Asia has had a per capita growth rate of less than 1% in 1960-65, Africa only 1.4%, Latin America only 1.7%. On the other hand, the Middle East and the developing countries of Southern Europe, achieved much more than the average, while East Africa has grown at the average rate for all developing countries. However, even in areas which have experienced low rates of growth, particular individual countries have done quite well in 1966. There are at least 25 countries in different parts of the world with greatly differing domestic resources and conditions in which gross domestic product grew during 1966 at a per capita rate of more than 2.5%. (These include Bolivia, Colombia, Costa Rica, Greece, Guatemala, Honduras, Jamaica, Kenya, Korea, Malaysia, Mexico, Nicaragua, Nigeria, Panama, Peru, Philippines, the Republic of China, El Salvador, Spain, Tanzania, Thailand, Trinidad and Tobago, Turkey and Venezuela.)

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<sup>1/</sup> The term "developing countries" refers, unless otherwise indicated, to all countries of Asia, except Japan and the Sino-Soviet countries, of Africa, except South Africa, of Latin America and the Southern European countries Greece, Malta, Portugal, Spain, Turkey and Yugoslavia. The group covers 1,640 million people or more than 70% of the world's population outside of the Sino-Soviet ones.

<sup>2/</sup> Gross domestic product equals gross national product minus net factor payments on foreign investments.

### Financial Position of Developing Countries

3. Total exports of developing countries in 1966 are estimated to have grown at about 7% - roughly the same rate as the average rate experienced in the previous five years. This was once again considerably lower than the increase of over 10% in the total exports of the industrial countries. As a result the relative trade position of these countries has continued to decline. Their share of world exports was reduced to 23% last year against 25.3% in 1960. This slower growth in the export trade of developing countries reflects their heavy dependence on primary products. Their sales of these commodities have been increasing at a much lower rate (5.5% per year on an average in the 1960's) than the expansion per year (9.5%) in the export volume of manufactured goods. Further, the average price level of primary commodities did not change between 1960 and 1966, in contrast to a rising trend in the average prices of manufactures. The World Bank "primary commodities price index for low and medium-income countries" in 1966 was fractionally less than the average level in 1965. On average primary commodity prices generally rose during the first four months of 1966 because of continued increases in food and copper prices, but the index dropped steadily in later months due to declines in the prices of agricultural raw materials, meat and sugar.

4. Excluding the developing countries of Southern Europe, the aggregate imports of developing countries in 1966 rose at the relatively high rate of 7% compared with an increase of 4.7% per year between 1960 and 1965. The increase was specially notable in East Asia, where imports rose by 15%, probably because of higher foreign exchange earnings in that area. On the other hand imports of Africa increased by only 3%. India and Pakistan

experienced a reduction in the absolute value of imports in 1966 because of special factors, such as the slowdown in aid flows following the outbreak of hostilities in the fall of 1965, which aggravated a severe shortage of foreign exchange.

5. The combined trade deficit of developing countries, excluding Southern Europe, was about \$1.2 billion in 1966, about the same as in the three previous years. This deficit would be much larger were it not for the inclusion of major petroleum-exporting countries, which have large trade surpluses. The combined trade deficit of all other developing countries in Africa, Asia and Latin America has fluctuated around \$5.5 billion in the last few years (see Table 2).

6. The major source of finance for investment in the developing countries is their own savings. The net contribution of foreign capital to investment varies widely among countries and, though it is not possible to generalize, may broadly be thought of as amounting to from 20% to 25% of the total. Thus, the bulk of the resources for economic development in the poorer countries continues to come from within, though foreign capital plays a crucial role in providing the means with which to purchase the vital imports of investment goods.

7. Data on savings are often unreliable and become available only after a considerable time lag, but the available evidence suggests that developing countries are endeavoring to increase the ratio of savings to income. In at least 18 countries for which data are available, domestic savings reached or exceeded the level of 15% of gross domestic product on an average over the period 1963 to 1965. In a number of developing countries the proportion of savings out of additional income (usually called the marginal savings ratio)

is higher than the average savings/income ratio, suggesting that average savings ratio over time is also rising.

8. These countries are, however, only a fraction of the total number usually classified as developing. In a majority of developing countries the savings rate is significantly lower than 15% and some of them have even registered declining rates over time. Savings estimates made from the World Bank and U.N. sources for 1964-65 showed wide variations in the levels achieved. For the 14 countries in Latin America for which data were available, the ratio of savings to gross national income averaged 16.4% over the period 1960 to 1965 as compared with an average ratio of 9.7% for ten countries in Africa over the same period. In contrast few of the more advanced countries save less than 20% of their national income.

9. Helped by the inflow of foreign resources, gross investment in most developing countries was higher than domestic savings. The available data on rates of gross domestic capital formation in 48 developing countries during 1963 to 1965 show that 28 were devoting 15% to 20% of gross domestic product (GDP) to capital formation during the early sixties and six other countries had achieved investment rates of over 20% during the period. From year to year, the ratio of investment to GDP has varied according to the level and movement of consumption - public and private - as well as the inflow of resources from abroad. The net contribution of foreign capital to the investment in developing countries has tended to decline in the recent years because of a slackening in the inflow of foreign capital at a time when the outflow of interest and profits from the developing countries has been rising sharply. In 1965 and 1966, the net payments of investment income on private and public capital by developing countries amounted to about a half of the gross inflow of official capital.

10. Apart from efforts to increase savings and investment, considerable improvement has been made by developing countries in effectively using the resources available through long-term development plans or programs. Much valuable experience has been gained in drawing up such programs and, although implementation has proved difficult, there is an increasing tendency to set realistic targets consistent with sound monetary and fiscal practices and with each country's available resources.

Official Financial Assistance

11. This brief record of developing countries' recent economic development must be viewed within the context of the international efforts being carried out to quicken their pace of growth. Both national agencies and the private sector, in developed countries, as well as international organizations, continue to study the problems of development and to improve the means by which financial assistance is made available to developing countries.

12. The need for development finance in less developed countries continues to rise. Three major factors are responsible for this: the growth of population, calling for a continuous expansion of the productive structure of each economy; the efforts to achieve higher growth in per capita income than experienced hitherto; the increase of repayment obligations as well as interest and dividend charges on development finance loaned to or invested in developing countries.

13. A part of the gap between the need for foreign exchange on the one hand and the export earnings of developing countries on the other has been filled by bilateral foreign aid of industrialized nations, by financial assistance through multilateral institutions and by private foreign investment and loans.

14. Naturally enough, external capital flowing into developing countries tends to seek out those investment prospects that meet high technical and economic standards. In the past, however, the lack of managerial, organizational and technical expertise in developing countries has often hampered the preparation of investment projects. Individual developed countries and private companies, as well as international organizations have been providing technical assistance to developing countries in order to increase their portfolio of projects and facilitate the inflow of foreign capital. In 1966 technical assistance by DAC members totalled \$1.1 billion, an increase of 15% over 1965. The multilateral organizations (e.g. various agencies of the United Nations, the World Bank Group, the Inter-American Development Bank) also extended over \$200 million in technical assistance in 1966.

15. The ability to prepare projects is not the only way to facilitate larger inflow of external capital in developing countries. Both individual donor countries and international organizations in their aid-giving policies stress the importance that individual developing countries follow satisfactory general economic policies. These policy requirements endeavor to assure that external capital is utilized well and that each recipient country does give priority to policies which can ensure its eventual self-sustaining growth. As a result of the development experience of the past, today, developing countries with reasonably satisfactory general economic policies do have sufficient projects and programs to justify considerably higher levels of capital inflow. The World Bank has estimated that these countries could utilize some \$3-\$4 billion per annum more in development finance than has been available in the recent past.



16. Unfortunately, however, while external capital needs of developing countries are rising, the volume of private and official capital available from industrialized nations is showing signs of stagnation. A number of industrialized countries are experiencing difficulties in meeting the competing claims for investment resources within their own economies. The difficulties being experienced in the balance of payments of the largest capital exporting countries, the United States and the United Kingdom, impose limitations on the magnitude of exports of capital from these countries. In addition, during most of 1966 interest rates on long-term capital markets continued to advance, and in certain cases had reached levels not experienced since the 1920's. There was some decline in these rates by the end of the year; but by mid-1967, they had risen to well above the level prevailing since the twenties.

17. Partly as a consequence of this tighter financial situation in a number of developed countries, there has been very little increase in the overall level of development assistance provided by the high-income countries during the last six years. Table 3 shows that total assistance in 1964 was less than in 1961. In 1965, however, there was a small increase in the flow of capital mainly due to a substantial rise in the private capital. The year 1966 on the other hand - saw a decline in the volume of capital flows - this time due to a decrease in the flows of private capital which more than offset the increase achieved in the flows of official capital.

18. According to the preliminary estimates of the Development Assistance Committee of the Organisation for Economic Cooperation and Development, the flow of official capital from DAC member countries to developing countries

and to multilateral institutions, net of amortization, amounted to about \$6.4 billion in 1966. Official assistance thus increased by some \$200 million from 1965 and was about \$400 million higher than the average of the five years 1961 to 1965. Most of this increase was accounted for by smaller aid providers, especially Australia, Denmark, Japan and Sweden; aid from Canada almost doubled in 1966 over 1965. The aid disbursements of the four largest donors - United States, France, United Kingdom and Germany - showed virtually no increase, a decline in French aid being little more than offset by small increases in the other three.

19. Tighter financial conditions in developed countries are also reflected in the composition of financial flows. The share of grants in official bilateral assistance has been declining markedly and in 1966 it was about 63% as against 76% in 1961 (see Table 4). On the other hand, average terms of bilateral loans have softened in 1966. The average interest rates of development loans committed by DAC members was 3.1%, compared to 3.6% in 1965. It is too early to know whether the improvement in 1966 is an indication of a trend or merely a regaining of the average terms of 1964, following the hardening in terms which took place in 1965.

20. In 1966 the multilateral organizations concerned with providing financial assistance to developing countries (chiefly the World Bank, the International Development Association, the European Development Fund, the Inter-American Development Bank, the European Investment Bank, and various U.N. agencies) again increased their gross disbursements (\$1.4 billion in 1966 against \$1.2 billion in 1965). Commitments remained at the same level as last year - but at the level of \$2 billion are still substantially higher than disbursements. The rise of interest rates in the capital markets has

already affected the operations of those institutions which tap them: the lending rate of the World Bank rose from 5.5% to 6% in 1966. The increase in the interest rates charged by multilateral organizations implies that the debt burden of developing countries will rise on this account too.

21. Table 6 shows the rising debt burden of developing countries.

Between 1962 and 1966 service payments on external debt of 95 countries for which data are available, increased by \$1.3 billion. Debt service payments of amortization and interest over these years has grown at an average annual rate of 10%, considerably faster than the increase in exports of goods and services by developing countries as a group. The sharpest increase in debt service payments was for developing countries in South Asia, East Asia and Africa. Between 1962 and 1966, these payments more than doubled in East Asia, increased by about 90% in South Asia (mainly in India and Pakistan), and rose almost 75% in Africa. On the other hand, the increase was considerably less for Latin America, although the absolute amounts of debt service payments by countries in that region have been very large. In turn, payments by countries of Southern Europe and Middle East have risen at a relatively moderate rate. If the obligations of a number of larger debtors had not been rescheduled or refinanced to avoid debt crises the average rate of increase in service payments would have been considerably higher.

22. The increase in debt service payments has been accompanied by an increase in the total outstanding debt of the developing countries. The outstanding debt of 95 countries grew at the rate of about 16% per year from 1962 to 1965 inclusive. By mid-1966 their total debt had exceeded \$41 billion.

23. The rapid expansion of debt service obligations in recent years has now become a matter of grave concern to the international community. In a number of cases, the burden of servicing debt has become so acute that it has required arrangements for rescheduling of past debt (e.g. Ghana and Indonesia in 1966; Argentina, Brazil, Chile, Liberia and Turkey in previous years). The nature of the debt problem facing the developing countries and its close relationship to the terms of aid are evident in the case of India. As a proportion of merchandise exports, India's debt service payments increased from 13% in 1962 to 22% in 1966, resulting from an 82% rise in debt service obligations while exports increased by only 14%. India's existing debt and its terms imply an even heavier burden in the future. If there is no change in the terms of present debt and if additional aid is forthcoming in reasonably adequate amounts on terms similar to those of aid given in 1966, the absolute level of annual debt service may double by the early 1970's and triple by the end of the decade. In this case, debt service obligations might increase to 30% or 40% of export earnings, depending on the rate of export expansion.

24. Unless the terms of aid become more appropriate and commensurate with the debt-servicing capacity of the developing countries, debt crises are likely to become more frequent and more persistent in the future. The short-term solution to the problem for the countries already in difficulty may lie in rescheduling or refinancing arrangements for debt service payments due in the next few years, but the longer-term and more basic solution depends on the size and terms of future aid, which would have to be on concessionary terms to low-income countries, if they are to help in containing the debt problem.

25. It is in this context of rising indebtedness at a time when the need for external capital in the developing world is increasing, that the recent proposal by the President of the World Bank Group to increase the resources put at the disposal of the International Development Association assumes special significance. The IDA, an affiliate organization of the World Bank, makes low interest loans (0.75%) with a maturity period of fifty years for sound and economically worthwhile projects in those poorer of the developing countries, which are following appropriate economic policies. A substantial increase in the resources of this Agency, which is being considered by the member countries, would add significantly to the availability of concessionary development finance for developing countries, and would thus help in meeting the problem of rising debt servicing burdens.

#### Private Capital Flows

26. While public financial flows to the developing countries registered some increase in 1966, private flows according to preliminary estimates showed a sharp fall. Such flows had increased substantially between 1964 and 1965 to nearly \$4.1 billion, but fell back in 1966 to \$3.4 billion (net of amortization). The most serious drop was in the private flows from the U.S., which declined from the level of \$1,870 million in 1965 to \$980 million in 1966.

27. Private capital flows to less developed countries take three main forms: direct private foreign investment (in plants, mines, plantations); purchase of stock and bonds of existing companies in developing economies; and lending to public or private parties. The private sector of industrial countries also participates in the financing of activities of multilateral agencies by purchasing participations in their loans, and by buying their bonds. Direct investment is the most important of these forms, representing

about 60% of private capital exports. A complete statistical picture of the geographical distribution of private direct investment among developing countries is not available, but partial data for the U.S., France and the U.K. show that a large part of private investment tends to be concentrated in a few countries, particularly those producing petroleum.

#### New Initiatives

28. During the past year, much interest and concern has been focused on the food situation in the less developed countries and on whether world supplies of food will be large enough to sustain population increase and to improve the per capita food supply in these countries. Although agricultural production has been lagging badly in a number of countries for a number of years, the situation was aggravated in 1965, when food production in the world as a whole failed to increase and actually declined in the developing regions. This setback was followed by a recovery of production in 1966 but the per capita availability of food was still below the 1964 level. The overall picture during the last two years has been dominated by food shortage in India where for a second successive year food production was severely curtailed because of the failure of monsoons. As a result, in 1965-66 food aid shipments to India reached a record level of 11-12 million tons of grain. For the year 1966-67 the food aid shipments are likely to be only slightly below that level. Fortunately the experience of recent years has led to a change in attitude towards agriculture at the top policy level in many less developed countries, and a number of them are taking measures to increase investment in food production. India, for example, has strengthened her efforts in this direction, and with the help of a new agricultural strategy hopes to be self-sufficient in food by 1971.

There is now an increasing awareness that in the long run the food problem of the developing regions has to be solved by increasing output in these areas rather than by imports from the more advanced countries.

29. However, it remains clear that there will be a need for large-scale shipments of food to less developed countries for at least the next few years. The scale of the food aid problem has led to a new, if limited initiative on the part of the donor countries written into the recently concluded Kennedy Round under the auspices of the GATT. The negotiating parties have agreed to contribute food aid to the extent of 4.5 million tons of grain annually for three years. Contributions may be made in the form of food grains or cash. At current values they would have an approximate annual value of \$250 million. Operational procedures and details of the program are still to be worked out by a Food Aid Committee composed of contributing countries.

30. The uneasiness with the circumstances described above have figured prominently during the last year in discussions of the Development Assistance Committee of the OECD and the United Nations Trade and Development Board, as well as in various other international forums. There were a number of major initiatives taken this year which were of special interest to the developing countries. The first was the agreement on tariff reductions under the so-called Kennedy Round negotiations which were concluded on June 30, 1967. This agreement, whereby the negotiating parties agreed to cut tariffs by 50% on a broad range of industrial goods, represents the most comprehensive assault on barriers to international trade that has ever taken place. A detailed analysis of the significance for developing countries of concessions made by all industrialized countries is

not yet available, but from the analysis of U.S. concessions, it seems that as a result of this agreement, trade opportunities open to the developing countries today are somewhat better than before. It is estimated that U.S. concessions benefiting the developing countries cover \$900 million of their exports to the United States in 1964; \$500 million of which applied to manufactured or semi-manufactured products from developing countries. The concessions to the developing countries under the Kennedy Round have been made without reciprocal tariff reductions in keeping with the negotiating principle accepted by all the industrial countries that full reciprocity could not be expected from the developing countries. However, since most of the agreements covered industrial goods, it is clear that trade among the industrialized countries will be the major beneficiary of the Kennedy Round.

31. After years of negotiations the Board of Governors of the International Monetary Fund approved in the fall of 1967 an outline plan for special drawing rights on the IMF. This would provide for the first time, a machinery to meet the need, as and when it arises, for a supplement to existing reserve assets. The new reserves would take the form of additional drawing rights in the IMF and would be automatic in the sense that there will be no policy conditions attached to their use. The developing countries would participate fully in this facility, and their access to the special drawing rights, like the industrial countries, would be determined by their quotas in the IMF. The plan is a contingency plan in the sense that it would come into operation only after there was a consensus at some future date that there existed a shortage of international liquidity. This facility might enable the developing countries to pursue their development objectives in a more orderly and efficient manner.



32. In December 1965, the staff of the World Bank had put forward a scheme designed to protect development programs from the disruptive effects of unexpected export shortfalls by providing supplemental resources under certain conditions. The scheme was examined by a group of governmental representatives, which held a number of meetings in 1966 and 1967 to consider the proposal. The group is preparing a report of its findings for further consideration by the second session of the UN Trade and Development Conference to be held in New Delhi in early 1968.

33. The Boards of Governors of the IMF and the World Bank also adopted in the fall of 1967 a resolution that the World Bank and IMF staffs in consultation with each other make two separate studies of the possible solutions to the problem of stabilization of prices of primary products and their economic feasibility. This resolution proposed by France and a group of French-speaking African countries, was approved in spite of differences of views among industrial countries on the feasibility of international price stabilization schemes. The studies when completed will be submitted to the Boards of Governors of the World Bank and the IMF.

October 31, 1967

October 31, 1967

Sir Anthony Percival, B.C.,  
President, Berne Union  
Export Credits Guarantee Department  
Barrington House, Gresham Street E.C.2  
London, E.C.2, England

Dear Sir Anthony:

We welcome your suggestion, made during the last General Meeting of the Berne Union in Montebello, that you visit the IBERD with a few other representatives of the Berne Union in order to discuss informally practical means of increasing the cooperation between the Berne Union and the IBERD.

In the near future we shall submit to you a tentative agenda covering the fields of information and of policies to be discussed. Mr. Nespoulous-Neuville will be in touch with you in order to arrange the date of your meeting here, at your convenience, and at the convenience of all other participants.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman  
The Economic Adviser to the President

1. Mr. Alter
2. Mr. Kamarck

October 31 1967

Irving S. Friedman

Argentina

When I was in Buenos Aires, during the course of my informal conversations I asked whether I could have the latest data available on development in Argentina. They promised to send some material which has now arrived.

Your comments would be appreciated.

File from Krieger Vasena (first report-provisional-for 1968 prepared  
by Direction de Politica Economica y Financiera.

WBG ARCHIVES

October 31 1967

Dear Monsignor Gremillion,

I am afraid that I have somewhat delayed answering your letter of October 9, but did first want to have a chance to speak to Monsignor Bordelon. We had a good talk and for part of the discussion we were joined by Mr. David Fulton of our staff, who is in our Information Department and is very much interested in these affairs.

As you might readily guess we have a number of people in the Bank who are very much interested in these kind of activities and who would really be quite eager to be of help. The persons who are in charge of relations with outside institutions are:

Mr. Richard H. Demuth  
Director, Development Services Department, and

Mr. Michael L. Hoffman, Associate Director.

Mr. Hoffman has already participated in at least one meeting with the people in the World Council of Churches.

I believe that if you decide to ask a Bank representative to come to the meeting in Brussels the Bank will respond affirmatively. Although the formal invitation should be addressed to Mr. Demuth I hope that I will be able to represent the Bank myself. If that should not prove feasible we would almost certainly send someone else from Washington or Paris.

Please be assured that if I do not come it will not reflect any lack of interest or concern on my part, but quite the contrary -- it will be a matter of keen disappointment. I would like very much to continue to be as much help as possible on a personal basis as well as helpful as an officer of the World Bank. In any case I hope that we will be having an opportunity of seeing each other soon.

With warm personal regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman  
The Economic Adviser to the President

Very Reverend  
Monsignor Joseph Gremillion  
Pontificia Commissio Justitia et Pax  
Palazzo San Calisto  
Vatican City

cc: Mr. Demuth

DECLASSIFIED

AUG 16 2023

October 30 1967

PERSONAL

WBG ARCHIVES

Dear Jorge,

I enjoyed our conversation in Rio -- unfortunately it was much too short, but I do hope we will have more occasions to chat with each other -- if nothing else it helps to maintain morale in this most difficult field of development finance.

I was pleased with your reaction to my suggestion that your Bank become a Patron of the Society for International Development. I do hope that it will be possible for you to contribute somewhere between \$1,000 to \$2,000 a year. Our larger Patrons contribute considerably more but a contribution of the magnitude I am suggesting would be most helpful to us.

I am very eager to have our institution establish itself all over the world and also put ourselves into the position to make small contributions in setting up chapters in the poorest areas where such funds are needed. For such cases a relatively small amount of money may be of strategic importance in bringing a chapter into existence.

I am enjoying this personal activity of being Treasurer of the Society as I think it supplements what I do in professional life.

May I thank you again for your friendly attitude in this matter?

With warm regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Jorge Sol Castellanos  
Director  
Banco Centroamericano de Integracion Economica  
Tegucigalpa  
Honduras

cc: Mr. Andrew Rice

October 26, 1967

Mr. Fulton

450

Thank you. Please note minor change.

Irving S. Friedman

(Draft - paragraph from Mr. Woods -  
Mr. Rist's speech)

October 26, 1967

Mr. Demuth

845

Does this look all right?

Irving S. Friedman

(Letter to Watanabe on proposed population  
conference.)

October 26 1967

Dear Bill,

Thank you for your letter of October 23 1967. I am pleased to have been invited to be a visiting specialist for the Seventh SEANZA course, and I am sure that I would enjoy participating in the course and having a chance to talk to you and others in Ceylon. Incidentally I believe the World Bank would be quite prepared to pay my expenses for the trip.

However, I would like to comment briefly on the suggested topic. For one thing, I would prefer to have a topic which brings me to Ceylon in July rather than August, since I don't think I can come in August. Secondly, in terms of my current interest, I would really like to do something which is more related to the inter-relation between monetary policy and development, or at least focuses on the problems of developing countries. Thus I am more attracted to the different topics in Part II or Part V(f). Of course Part VII would be quite easy for me.

If I simply don't fit into your course, I would not feel at all offended if you find someone else. I do know how hard it is to put together a course of this kind.

I was very glad we had a chance to see each other in Rio, and hope it will not be too long before we see each other again. May I congratulate Ceylon again on your appointment as Governor? I am sure you will find it a challenge and a source of great satisfaction.

With warm regards to you and Daisy,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. W. Tennekoon  
Governor  
Central Bank of Ceylon  
Colombo  
Ceylon



PERSONAL

DECLASSIFIED

AUG 16 2023

October 25 1967

WBG ARCHIVES

Dear Jorge,

I was glad we had the opportunity to see each other in Rio -- I wish the occasions came more often!

I think you will be interested to know that a number of Central Banks in Latin America and elsewhere have agreed to become Institutional Members of the Society for International Development contributing \$500 a year. I am thinking of setting up a separate category for such contributors.

I do hope it will be possible for the Central Bank of Chile to participate in this manner. With this additional fund I hope to be able to continue our policy of keeping student dues throughout the world much lower than others, and also to have some money for starting chapters in the poorest areas.

I need not say that I am doing this entirely in my personal capacity as Treasurer of the SID.

Looking forward to seeing you in Washington this winter, and with warm regards to the family,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Jorge Marshall  
Manager  
Research Department  
Banco Central de Chile  
Santiago  
Chile

cc: Mr. Andrew Rice

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AUG 16 2023

WBG ARCHIVES

October 25 1967

PERSONAL

My dear Anjaria,

You will recall that when Edna and I visited Bombay I spoke to you about the possibility of the Reserve Bank of India becoming an Institutional Member of the Society for International Development. I think you will be interested to know that a number of leading central banks in developing countries are becoming institutional members contributing about \$500 a year. I am thinking of setting up a separate category for such institutions called Participating Members.\*

I appreciate that you may have a problem in providing foreign exchange but it would be possible for us to accept the contribution in whole or in part in Indian rupees. We do hope that Andy Rice will be visiting in India and we may well have other expenses in India for which we could use these funds.

I know that this is a very small matter, considering the problems with which your institution is dealing, but I am sure you agree that SID makes a significant contribution to our common problem; otherwise you and I would not be devoting as much time to it as we have in the past and hope to in the future.

Please regard this as a purely personal communication.

With warm regards to you and your wife,

Sincerely,

(signed) Irving S. Friedman

Irving S. Friedman

\* or some other name.

Mr. J.J. Anjaria  
Deputy Governor  
Reserve Bank of India  
Bombay  
India

cc: Mr. Andrew Rice

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AUG 16 2023

October 26 1967

PERSONAL

WBG ARCHIVES

My dear Sami,

I was most disappointed that you weren't at our Rio meeting -- there were so many things to talk about. However, at the moment I would like to write to you in a purely personal capacity.

For some years I have been the Treasurer of the Society for International Development, which you know. A number of major central banks in developing countries are becoming Institutional Members contributing \$500 a year. I am thinking of setting up a separate category for such contributors.

I do hope that your Bank can also become an Institutional Member making a contribution of \$500 a year. With these funds I hope that we will be able to continue our policy of having much lower membership fees for students throughout the world. I also hope to be able to provide some funds in our poorest areas for the purpose of starting new chapters. It would of course, be important in many ways for the Society to have the Bank Markazi Iran to be one of its Institutional Members.

What are the chances of your being in Washington soon? If you are coming please let me know in advance, and keep some free time to come out to our home and have dinner with my wife and myself.

With warm regards,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. M. Sami  
Governor  
Bank Markazi Iran  
Teheran  
Iran

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AUG 16 2023

October 26 1967

PERSONAL

WBG ARCHIVES

My dear Takeshi,

I must apologise for not writing sooner to you about the suggested Population Conference. I had wanted to be able to get George's personal views on this before writing further.

I find that he is sympathetic to the idea that the World Bank would co-sponsor with the Asian Bank a conference on this matter. I told him of our conversations, including the possibility of having such a meeting of Finance Ministers at the time of your Governors' meeting, with you acting as Chairman of the conference. He thought this was a good idea from many points of view and would be happy to cooperate.

I presume the next step would be to put this on a somewhat more formal basis and I intend to discuss it with others in the Bank who are concerned. You may wish to discuss it with your people further, and we will be in touch as to the next step. Since, as you know, the U.S. people were the origin of the suggestion, I am also taking the liberty of telling them that Woods is receptive to the idea of being a co-sponsor with the Asian Bank. I have not told them yet and they of course may have some ideas of how to initiate it on a more formal level.

I was very glad you could attend my small luncheon -- please keep Thursday of the next Governors' Conference free for a repetition.

With warm regards,

Sincerely,

Irving S. Friedman

Mr. Takeshi Watanabe  
President  
Asian Development Bank  
Commercial Center P.O. Box 126  
Makati  
Rizal  
Philippines

cc: Mr. Demuth  
" Kamarck

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AUG 16 2023

WBG ARCHIVES

PERSONAL

October 26 1967

Dear Dr. Real

I am afraid that I have had a lapse of memory. I had thought that I had written to you on return from Argentina the other week, but on asking my secretary today she tells me I have not.

First of all I would like to thank you for your kind reception and complete cooperation in Buenos Aires. I found our conversations most useful and I think they will be helpful in current and future relations between Argentina and the World Bank. I do hope that we will have many occasions to talk to each other.

If I may now speak in a completely personal capacity I would like to thank you for your positive response to my request as Treasurer of the Society for International Development that the Central Bank of Argentina make a contribution of \$500 a year. I am thinking of establishing a separate category of such contributors and you will be pleased to know that a number of banks have agreed to contribute this amount a year.

As you know I hope to be able to use the increased income from these contributions from central banks to enable SID to continue its policy of much lower dues to students throughout the world and to use some additional sums to help start chapters in the poorest areas.

With warm regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Dr. Pedro Eduardo Real  
President  
Central Bank of Argentina  
Buenos Aires  
Argentina

cc: Mr. Andrew Rice

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AUG 16 2023

October 26 1967

PERSONAL

WBG ARCHIVES

Dear Senor Gomez,

Paulo Pereira Lira tells me that he spoke to you about the possibility of the Central Bank of Brazil becoming an Institutional Member of the Society for International Development. I am enclosing a brochure about the Society which will give you the essential information.

A number of Central Banks in Latin America, Asia and elsewhere are becoming Institutional Members, although I am thinking of setting up a separate category for such contributors. These Central Banks will be contributing \$500 a year to the Society. With these funds the Society will be able to continue its policy of charging a much lower student membership fee than for others all over the world. I also hope to have some funds to help finance the beginning of chapters in the poorest areas.

I do hope that it will be possible for the Central Bank of Brazil to join with other major central banks in developing countries in this activity.

Thanking you for giving this your consideration,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Senor Eduardo Gomez  
Chief, Economics Department  
Central Bank of Brazil  
Rio de Janeiro  
Brazil

cc: Mr. Andrew Rice

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AUG 16 2023

PERSONAL

WBG ARCHIVES

October 26 1967

WBG ARCHIVES

Dear Jorge,

I enjoyed our conversation in Rio -- unfortunately it was much too short, but I do hope we will have more occasions to chat with each other -- if nothing else it helps to maintain morale in this most difficult field of development finance.

I was pleased with your reaction to my suggestion that your Bank become a Patron of the Society for International Development. I do hope that it will be possible for you to contribute somewhere between \$1,000 to \$2,000 a year. Our larger Patrons contribute considerably more but a contribution of the magnitude I am suggesting would be most helpful to us.

I am very eager to have our institution be able to substantiate itself all over the world and also to put ourselves into the position to make small contributions in setting up chapters in the poorest areas where such funds are needed. For such cases a relatively small amount of money may be of strategic importance in bringing a chapter into existence.

I am enjoying this personal activity of being Treasurer of the Society as I think it supplements what I do in professional life.

May I thank you again for your friendly attitude in this matter?

With warm regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Jorge Sol Castellanos  
Director  
Banco Centroamericano de Integracion Economica  
Tegucigalpa  
Honduras

cc: Mr. Andrew Rice

DECLASSIFIED

AUG 16 2023

PERSONAL

WBG ARCHIVES

October 25, 1967

Dear Governor Horowitz:

You will recall that I spoke to you about the possibility of the Bank of Israel increasing its annual contribution to the Society for International Development.

A number of central banks in developing countries have now agreed to contribute \$500 a year to the Society and I hope that the Bank of Israel can do likewise. I am thinking of setting up a separate category of such institutions. I am very eager to be able to continue our policy of much lower membership dues for students and also to begin to have some funds to help start new chapters in the poorest areas.

I need not tell you about the Society since you have been among its earliest and warmest supporters as well as an officer! I also need not say that this is being written in a purely personal capacity.

With kind regards to you and Mrs. Horowitz,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. David Horowitz  
Governor  
Bank of Israel  
Jerusalem  
Israel

cc: Mr. Andy Rice



October 23 1967

Dear George,

I am taking the liberty of sending the enclosed to you. Ken has to fill out this form, which has to be sent on to the Selective Service System. He will know what to do with it.

It is mainly routine -- on the other hand it is one of those things which has to be done right. To be sure that he gets it I thought it would be best to send it to you, and if you could drop him a note to come into the office to fill it out I would appreciate it very much. I will at the same time be writing to Ken to tell him what I am doing with it, but am suggesting you might drop him a note to decrease the likelihood of some mail lapse fouling up the works.

I am attaching a copy of my present itinerary. I do hope we might have a chance for a chat in Paris over the weekend, and would appreciate it if you would tell others in the office that I will be there over the weekend and will be happy to see anyone who wishes to have a chat.

With warm regards,

Sincerely,

Irving S. Friedman

PS: Ken's present address is: c/o Madam Gautier  
28 Bv. Jean Jaures  
Boulognes/Seine  
Paris 16<sup>e</sup> France

Mr. George Wishart  
IBRD  
4 Avenue d'Iena  
Paris 16<sup>e</sup>  
France

October 23 1967

Dear Ken,

I am enclosing a copy of my travelling plans for the next two weeks. I am also enclosing a copy of a letter I sent to George Wishart. I thought it best to send him the form for your student's deferment because it might have less chance of getting lost if sent to the World Bank office in Paris.

I was most interested in your last letter and I am sure we will have a lot to talk about when we see each other.

I would appreciate it if you would try to get some word to me in Geneva, either directly or through the World Bank Paris office on what your plans will be for the weekend I hope to be in Paris. You probably have it, but just to make sure, the office address and phone no. is:

4 Avenue d'Iena  
Paris 16<sup>e</sup> Phone: 553-2510

If you find George Wishart isn't in, you might ask for his secretary, Mrs. Leconte -- or Mr. Karasz or his secretary. Mr. Karasz's home phone is 647-4848.

There is little to report from home. Johnny is in the midst of applying for colleges, and he and I are planning to go up to New England next Thursday and Friday to visit Amherst, Tufts, Harvard, and possibly Haverford en route, since it is near Philadelphia. Johnny is, of course, applying for a number of other colleges, but he did want to apply for these and he is trying to set up appointments to see somebody in the office of admissions.

October 24 1967

Dear Governor Nordal,

Thank you very much for the copy of Iceland 1966. It looks quite interesting and will be of help in finding facts about Iceland.

I am sorry we did not have much time to chat in Rio -- I hope it can be rectified in the not too distant future.

Sincerely,

Irving S. Friedman

Mr. J. Nordal  
Governor  
Central Bank of Iceland  
Reykjavik  
Iceland

Mr. M.M. Mendels

October 24, 1967

Irving S. Friedman

Instead of our sending a separate but virtually identical memorandum, is it possible for us to have a joint memorandum to the Executive Directors through our two Secretaries?

Fund proposed draft on Study on Problem of Stabilization of Prices of Primary Products (from G. Nicoletopoulos).

October 24, 1967

Dear Sidney,

Thank you for your letter of October 18 enclosing copies of draft Articles of Agreement for a supplementary financing agency. We will be taking a close look at them in due course and I'm sure that they will help in the process of reaching an international understanding on our proposal.

I agree, however, that it is unlikely that this aspect of the subject would come up for consideration for some time.

With kind regards,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Sidney Dell  
UN Conference on Trade and  
Development  
New York, N.Y.

cc: Mr. Kamarek  
" Sarma  
" Isaiah Frank  
" Broches

October 24 1967

My dear Krieger Vasena,

Thank you very much for the documents.  
I will bring them to the attention of others  
in the Bank who are interested and will be  
sending comments later.

With warm regards,

Sincerely yours,

Irving S. Friedman

His Excellency  
Adalbert Krieger Vasena  
Minister of Economy and Labour  
Buenos Aires  
Argentina

October 24 1967

My dear Bishop,

Thank you for your letter of October 19 and the invitation to attend a symposium and convocation on Pope Paul's encyclical on the Development of Peoples to be held at your University on November 21.

I am looking forward to attending.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Most Reverend  
John J. Dougherty  
Auxiliary Bishop of Newark  
President  
Seton Hall University  
South Orange  
New Jersey 07079

Page 3 - replacement for first paragraph

I am aware, of course, that Sweden's motives for participating in the Bank and other international organizations are not primarily commercial. Sweden's initiative at the UNCTAD in 1964 in seeking a solution to the important problem of disruption to development caused by unexpected short-falls in export receipts and her continuing support for practical solutions reflects Sweden's deep concern with the developing countries. But work resulting from the activities of the World Bank Group, carrying Swedish goods and the evidence of Swedish expertise all around the world, is not unimportant to a nation immersed in the complexities and opportunities of international trade.

October 20, 1967



*Send to you file misc*

October 20 1967

Dear Mr. Farag,

Thank you for your letter of September 21, which arrived during my absence from Washington. I am glad that my address to the Canadian Political Science Association at Ottawa, Canada, on June 7 was of some help to your work.

As requested by you, I am sending a copy of the Bank's study entitled Supplementary Financial Measures to you under separate cover. The Bank has not published any material on the performance criteria of developing countries as such. However, I am enclosing copies of the Bank's Annual Reports which may be of some use to you in this connection. With regard to items 1 and 2 of your letter, I would suggest that you contact the OECD in Paris, which has published two documents on this subject, namely, Development Assistance Efforts and Policies -- 1967 Review (September 1967), and The Flow of Financial Resources to Less-Developed Countries, 1961-1965 (1967). With reference to your request for GNP per capita statistics, the U.S. Agency for International Development has published Growth Rates and Trend Data by Region and Country (March 1967). You might like to write to them for this. I regret to inform you that since the Bank documents on the other points you mentioned (items 3, 4, 7 and 9 of your letter) are of a strictly confidential nature, it is not the practice to release them outside the Bank. However, I hope the documents which are being mailed to you will be of some assistance.

I wish you success in finishing your book. I am sure it will be of great interest to many people.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. George D. Farag  
P.O. Box 255  
Alexandria  
United Arab Republic

Mr. Andre Nespoulous-Neuville

October 19 1967

Irving S. Friedman

Visit of Sir Anthony Percival

I found your memorandum most interesting and would like to pass it on to Mr. Woods. However, I need some more specific recommendation as to what to do next regarding Sir Anthony Percival visiting the IBRD -- for example, do we send him an invitation, are you in touch with him, etc.?

Also, this memorandum should indicate what we are doing so that Mr. Woods would both be informed and could react to the suggestion if he wished to do so.

*Copy to General Felt*

October 19 1967

Dear Dr. Shah,

Thank you for your letter of September 28, 1967. I appreciate your having taken the time to write me your views on the Bank Scheme and the German proposal; I enjoyed reading them.

From the beginning we tried to build a Scheme which would serve the intent of the UNCTAD Resolution by encouraging development planning in the LDC's and by assisting in orderly development process according to internationally agreed standards and criteria. Export projections play a central role in our Scheme not because of any mystical belief in the powers of prediction or their accuracy but simply because they are essential and necessary to good development planning. How does one plan the future activity without establishing some expectation with regard to resources available? We are, of course, aware of the limitations of projections and are constantly trying to improve them; but it is just as well to remember that shortfalls occur not necessarily because projections are "bad" in any technical sense but also because unpredicted changes occur in the world economy. I do not really think that we can escape from the link between a supplementary finance scheme and export projections, if the objective is to protect a development program. Also, I do not think that an 'ad hoc' treatment of supplementary finance would provide the needed degree of certainty which is essential to a planned developmental effort.

These are just a few thoughts; I hope we would have a chance to talk some more when we meet for the meeting of the Inter-Governmental Group in Geneva at the end of this month.

With best wishes,

Yours sincerely,

Irving S. Friedman

Dr. V.C. Shah  
Embassy of India  
583 Av. Louise  
Brussels  
Belgium

Mr. Woods

October 19 1967

Irving S. Friedman

I thought you might be interested in glancing at the attached note, particularly the second paragraph.

Tamagna is a regular part-time consultant with us and spends two days of every week at the Bank. He has been working for some time on the question of improving the mobilization of resources in the developing countries by the use of appropriate financial institutions. He has a rich background in this field. He has also done quite a bit of work on European and U.S. finance. For many years he was with the Federal Reserve system but during the last ten years or so has been a professor of money and banking and an advisor to the Banca d'Italia and the BIS.

Att:

cc: Mr. Tamagna  
F-1160

October 19, 1967

- |    |               |      |
|----|---------------|------|
| 1. | Mr. Broches   | 810  |
| 2. | Mr. Kamarck   | 800  |
| 3. | Mr. Avramovic | 1033 |

This looks all right to me. Your reactions would be appreciated.

Irving S. Friedman

(Memorandum from Nicoletopoulos of October 19 -  
Study on Problem of Stabilization of Prices of  
Primary Products)

Mr. George D. Woods

October 19, 1967

Irving S. Friedman

Speech to be made in Stockholm, Sweden

The draft speech to be made in Sweden suggests the possibility of a study by a dozen or more leading world experts in the whole field of development, etc. I would like to make a few brief comments for your consideration which, I recognize, involve judgments I cannot conclusively prove to be right:

- (1) I wholeheartedly endorse the idea of a top level or "summit" meeting. However, I believe, as you have advocated in the past, that this should be a top level political meeting, preferably of heads of state. I think it possible that the Prime Minister of Canada, for example, might be willing to take the initiative in exploring with other heads of state the feasibility of having a meeting of this character without waiting for the results of a study along the lines suggested.
- (2) What seems needed is a top level political decision that the problem of development is urgent, needs a much higher governmental priority and cannot wait until public opinion is sufficiently educated to an understanding of the needs of other countries to insist with their political representatives that these needs must be met. I believe that these educational efforts are of firstclass importance for any sustained effort of development, but the necessary urgent political decisions cannot wait for the benefits of these efforts.
- (3) We have a wealth of information on development. In fact our problem today is that we are swamped with material which is coming off governmental and private publishing presses. Moreover, the leading experts in the field of development in all countries have repeatedly made public statements as well as written articles and books supporting the need for more development finance and for new approaches. Indeed it is fair to say that every major political leader today is on record as recognizing the need for development and even recognizing its urgency. However, what is still lacking is the political decision, as taken in Canada and Sweden, to act despite the fact that foreign aid programs have no constituency. I think we suffer not from a knowledge, or institutional gap - where expert knowledge is most helpful, but a political will gap. This is the opposite of 1947/48.
- (4) I am fearful that if the effort is made along the lines suggested it will divert the attention from the desirability of a top level political summit conference along the lines you have advocated before. Moreover, for governments already looking for excuses to delay action, the study might provide a way of postponing action. Were it not for this, I would, of course, not be against a new study as proposed, since more studies always bring to light some new facts and new suggestions.
- (5) If it is still your judgment to advocate a study by world experts in the field of development, then I would hope that the experts chosen would not be elected for their expert knowledge, but rather because of their present and future (not past) political influence in their communities.
- (6) I have not tried to suggest any language on this point to Mr. Grenfell, because in previous speeches good language has already been used to advocate the view I am trying to express.

Copy Reached 15 Mr. Greenfield

Mr. Woods's Speech in Stockholm

Insert A, page 15

The balance of payments effects of the transfer of such resources is at most very small in the overall picture of external payments and receipts of the developed countries. In no case would they be anything except a very minor factor in any <sup>serious</sup> balance of payments deficit which may be experienced by such countries.

October 19, 1967

October 18, 1967

Dear Dr. Guenther:

Thank you for your invitation to the Bankers' Forum to be held on October 27 and 28.

I very much regret that I will be unable to attend as I will be out of the country, but I do hope you will invite me again.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Dr. Harry P. Guenther  
Dean  
School of Business Administration  
Georgetown University  
Washington, D.C. 20007



October 19, 1967

Mr. Emile Despres  
Brookings Institution, Room 710  
1775 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

(Copy of Suppliers' Credits Study of  
April 3, 1967)

Mr. Andrew M. Kamarck

October 18, 1967

Irving S. Friedman

Rio Seminar

If you have not done so, do you think it would be worth while making a memo for the files, or for John Williams, on our Rio meeting?

Mr. Ugo Sacchetti

October 18, 1967

Irving S. Friedman

Papal Encyclical

I would appreciate it if you would try to bring these memos together into a single memo.

I must say I am rather disappointed in some of them for reasons which will become obvious as you read them. They don't speak much for the economics profession!

October 18 1967

Dear John,

I was glad to receive your letter of October 14. I do think it would be worth your while to come to Washington and have spoken to our Assistant Director of Administration who is in charge of personnel. He suggests that you write directly to him:

Mr. R.A. Clarke  
Assistant Director of Administration Dept.  
Personnel  
IBRD 1818 H Street NW.

I see no reason why you should not suggest that you would prefer to come on a Friday if that is more feasible.

I would also like you to come, if possible, when I plan to be in Washington. I am doing a lot of travelling and at the moment I know I will be away from October 30 through November 10. It looks as though I will be away again in Europe in December but at the moment I just don't know when so I guess it is better to ignore it at this time.

With best regards to you and Betsy,

Sincerely yours,

Irving S. Friedman

Mr. John Isbister  
407-A Butler Avenue  
Princeton  
New Jersey 08540

cc: Mr. Clarke

Mr. Sarma

October 18 1967

Irving S. Friedman

UNCTAD & DAC

Aprespos your going to Paris for the week beginning October 23 to participate in the informal talks on Supplementary Finance, I wonder whether it would be a good idea to take Jalan with you?

You may take this as my agreement to this if you think it is a good idea.

October 18 1967

Dear Ken,

Please excuse my dictating a letter to you, but I have been so swamped with work and exhausted when I get home, and I did want to get this note off to you.

My present plans are to go to Geneva on October 30 where I will be staying at the Hotel des Bergues. On the following Friday, November 3, I hope to go to Paris and stay until Sunday night when I will leave for The Hague and the meeting being held there. Unless you hear otherwise from me, I will be staying at the Rafael in Paris. Please leave a message for me, indicating that you have received this letter and when we might see each other.

If there are any slip-ups or questions you can call the Paris office since they will know my plans. In fact it is probably a good idea to check with them sometime during the week of October 30. If you want to speak to me during that week you might call me collect at the Hotel des Bergues early in the morning or you might relay a message to me through the Bank Paris office.

Looking forward to seeing you soon,

October 18 1967

Dear Gene,

Thanks for your note. I'm sorry I won't be able to make lunch with you on the 30th or the 31st as I will be in Geneva then.

I will be out of town just before that but I may be at home on Sunday the 29th. Do please call us, the number is 365-5023.

Sincerely,

Irving S. Friedman

Mr. Eugene Staley  
1455 Seale Avenue  
Palo Alto  
California 94301

October 18, 1967

Mr. Avramovic

1033

xx

Irving S. Friedman

(Memo from Polak of October 17 on Stabilization of  
Prices of Primary Commodities - Mr. Avramovic to  
draft reply for Mr. Friedman)



October 16, 1967

My dear Coutinho:

I am very pleased that I was able to see you during my stay in Rio and very much enjoyed our outings together. Thanks again for the book and recordings - I hope to see you soon in Washington.

My trip to Argentina was also pleasant.

With warm regards to the family and best of luck in your new venture.

Sincerely yours,

Irving S. Friedman

Mr. Antonio Coutinho  
Rua Marechal Francisco de Moura 108  
Apartment 201  
Rio de Janeiro, Brazil

October 16, 1967

Dear Wynne:

You will recall that when we spoke on the telephone last you mentioned that you planned to be in Washington some time in November. I was looking forward to seeing you then, since there are many things to talk about.

Therefore, I thought you might be interested to note that I have to be in Europe for IDA replenishment and other reasons between October 30 and November 9 or 10. I do hope this will not interfere with our seeing each other.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. A.F.W. Plumptre  
Principal  
Scarborough College  
University of Toronto  
Ontario, Canada

October 16, 1967

Dear Governor Raschid:

Thank you so much for your letter of October 3. I enjoyed our chats very much and do wish to thank you for your invitation to be your personal guest when I visit Pakistan.

I am not sure when I may be coming to Pakistan - perhaps after the UNCTAD meeting, but I will let you know to see whether a visit is convenient to you at that time.

Thank you also for your comments on Dr. Islam. I have met him and he strikes me as being very good. I am now discussing with others in the Bank his possibility of joining our staff.

Hoping to see you soon,

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mr. M. Raschid  
Governor  
State Bank of Pakistan  
Karachi, Pakistan

October 13 1967

Dear Monsignor Bordelon,

Thanks for your letter of October 5 and copies of your September letters.

If my schedule permits -- and as of now it looks hopeful -- I will be delighted to attend the convocation on the Development of Peoples in Newark on November 21.

I believe you return to Washington about Wednesday next. Would you be free for lunch on the 23rd? David Fulton of our Information Department is quite interested in meeting you and if the Monday is fine for you will include him also.

Looking forward to seeing you,

Sincerely,

Irving S. Friedman

Monsignor Marvin Bordelon  
Director  
Secretariat for World Justice and Peace  
1312 Massachusetts Avenue NW  
Washington DC 20005

October 13 1967

Dear Mr. Duran,

Thank you very much for your letter and the enclosed pictures. They are an excellent memento of my meeting with the President. As you know, I enjoyed my stay in Buenos Aires and found it most instructive and useful.

I will pass on your wishes to Harold Graves and Jorge Bravo.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Alfredo Duran  
Press Adviser to the  
Ministry of Economy and Labor  
Buenos Aires  
Argentina

*General Files*

October 13 1967

Dear Mr. Shaw,

Thank you for your kind remarks on my address "International Problems of Economic Development".

I am sure your article in the September 27 issue of American Banker is of interest and I look forward to reading it.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Alejandro E. Shaw  
President  
Banco Shaw  
Casilla de Correo 3697  
Buenos Aires  
Argentina

Mr. Ugo Sacchetti, Mr. Nespoulous-Neuville and  
Mr. Tamagna  
Irving S. Friedman

October 13 1967

Suppliers' Credits

In view of the attached are we or are we not going ahead with our various studies, particularly the one on export credits from developing countries?

I would also appreciate knowing what Ugo said to Kerass in Paris.

Thank you.

Ugpa -

DECLASSIFIED  
DATE 05/01/2001  
BY 60324VBS

October 13 1967

Dear Mr. Beheiry,

Thank you very much for your thoughtful letter of September 30 1967 replying to ours of August 21.

With respect to the study by the IBRD on Export Credits from Developing Countries, perhaps by the time you receive this letter we will have had a chance to chat in Washington.

I will, of course, keep you posted with respect to the progress of our Study.

Sincerely yours,

Irving S. Friedman

Mr. Mamoun Beheiry  
President  
African Development Bank  
Abidjan  
Ivory Coast



**DECLASSIFIED**

AUG 16 2023

PERSONAL

October 12 1967

**WBG ARCHIVES**

Dear Mr. Ihara,

Thank you very much for sending me a copy of the photograph taken in my office.

It is an honor to be in the same photograph with you, and another souvenir of a number of very enjoyable conversations we have had together.

I do hope that we will be seeing each other in Tokyo, Washington, or elsewhere.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Takashi Ihara  
Chairman, Board of Directors  
and President  
The Bank of Yokohama Ltd.  
Yokohama  
JAPAN

October 12 1967

Dear Mr. Stein,

I found your letter of September 25 very interesting and would like to encourage the idea of a National Economists Club here in Washington. For myself I do find that the facilities here at the World Bank do usually preclude or make unnecessary the use of any outside clubs.

I would, however, be interested in learning the outcome of your preliminary survey. Could we have a national economists club which was less ambitious in providing dining and other facilities but still enable us to get together on a professional basis from time to time?

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Herbert Stein  
The Brookings Institution  
1775 Massachusetts Avenue NW  
Washington DC 20036

Mr. Consolo

October 12 1967

Irving S. Friedman

UNCTAD Representation

I guess we ought to reply that our delegation will be Friedman, Sarma and Jalan, although in my own case I may only be there for part of the time.

(Letter from Prebisch to Woods dated Sept. 18 1967

October 12 1967

Dear Anwar,

Thanks for your letter which arrived after I left for Rio -- it was good to see you again.

You may be interested in seeing a copy of the talk I made in Canada this year, and I enclose a copy.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Anwar Ali  
Saudi Arabian Monetary Agency  
P.O. Box 394  
Jeddah  
SAUDI ARABIA

October 12 1967

Miss Schmitt:

I have inquired among a number of people who are well acquainted with leading Hungarian personalities.

One person thought that this might be the same Virany he knew, by correspondence, back in 1945/46. That Virany was full of impractical suggestions about everything and my friend's view was that if it was the same Virany it would be best to ignore him.

Others did not seem to have heard of him at all, from which I would gather he is not likely to be someone whom Mr. Woods has known, or of importance in Hungarian financial or political circles. I assume that we don't want to pay for his plan, which is what he seems to suggest!

Irving S. Friedman

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**AUG 16 2023**

**October 12 1967**

PERSONAL

**WBG ARCHIVES**

My dear Mr. Minister,

May I thank you again for a very exciting, instructive and enjoyable time in Buenos Aires. I enjoyed particularly the opportunities we had for our private talks and also found most worthwhile my discussions with other people in the Government and outside. I was of course pleased with the opportunity to meet the President and to exchange some thoughts with him.

You may be interested in the attached excerpt from a memorandum I wrote to Mr. Woods on my visit to Argentina, particularly in light of our last conversation.

May I say that I was also most favorably impressed with a number of the younger men in the Government. It is pleasing to see professional talent being both well used and well recognized.

With best wishes for every success, and please call upon me if I can be of any help.

Sincerely yours,

Irving S. Friedman

His Excellency  
S. Adalbert Krieger Vasena  
Minister of Economy and Labor  
Buenos Aires  
Argentina

(Excerpt from memorandum to Mr. Woods from Irving S. Friedman of October 10 1967)

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The economic program which took a distinct turn last March with the devaluation of the peso from about 255 to 350 to the dollar, has now entered a new phase. For the moment the Government is successfully coping with the inflationary problem. The Government's revenues are much above expectations and public expenditures are below expectations as investment expenditures have tended to lag. Some savings have been made in State enterprises but this is only a small beginning. The Government's borrowings from the Central Bank are relatively small and considerably below the ceilings agreed with the Fund. Some industrial recession is being experienced but nothing that seems serious at the moment. However, there is the danger of a revival of inflation for two completely different reasons. One is the possibility that the industrial recession will become more pronounced, with a corresponding reduction in revenue. At the same time the public expenditures, including investment expenditures, are rising. This could lead to a need for new taxes, which are already considered high, or increased borrowing from the Central Bank. (Public savings from a decrease in Government expenditures in State enterprises is likely to be small in any case.) On the other hand there is the possibility that the new optimism will lead to a rather large increase in private investment. There are some signs that this is happening, such as the increase in the inflows of foreign funds, both from foreign firms and repatriation of Argentinian capital. If this private investment boom coincides with the planned increase in public expenditures, inflationary pressures could result both with respect to prices and wages. The Government is searching for a way to increase public expenditures as a means of vitalizing the private sector, but it does not assume that both would happen simultaneously. Krieger Vasena and Governor Real of the Central Bank say that if the latter does happen they can hold back on enough of the new public investment to prevent a re-emergence of serious inflation. In essence the problem is how to go from the present growth rate, nearly zero, to something more acceptable (say) 5% a year without a recurrence of inflation. My own judgment is that this can be done, given the other favorable circumstances mentioned above, but it will take very skillful management by the economic and financial team. I found Krieger Vasena and others quite willing to discuss frankly these possible difficulties and they seemed prepared to move in one of a number of different directions depending on developments.

Mr. David Fulton

October 10 1967

Irving S. Friedman

International Development Conference

Mr. Rist has kindly agreed to do this speech, and I have so informed Mr. Andrew Rice.

I would appreciate it if you would telephone Mr. Rist and be of any possible help.

Thank you.

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Dear Arthur,

I am replying to your letter of 3rd October in which you suggest that whoever will be attending the meeting on supplementary financing to be held in Geneva on 30th October should also attend a meeting of the DAC Working Party on UNCTAD Issues, which will be discussing some aspects of the Bank study on 27/28th October in Paris.

Sarma will be in Paris at the time of the Working Party meeting and will be going on to Geneva. Irving and Bimal Jalan are also going to Geneva. Irving may be able to attend the Working Party meeting on October 28 as well as Sarma. It depends in part on how the plans for the IDA meetings materialize.

With kind regards,

Sincerely yours,

Richard H. Demath  
Director  
Development Services Department

Mr. Arthur Karasa  
I.B.R.D. - European Office  
4 Avenue d'Iena  
Paris 16<sup>e</sup>  
FRANCE.

Mr. Emmett J. Rice

October 11, 1967

Irving S. Friedman

Supplementary Finance

This is the material which I promised you some time ago on  
Supplementary Finance.

Attachments:

Supplementary Financial Measures - A Study Requested by  
The United Nations Conference on Trade and Development - 1964  
Reprint from "The World Today" - In Defence of Development -  
April 1966

SecM66-148 UNCTAD Meeting on Supplementary Financial Measures -  
May 9, 1966

TD/B/C.3/AC.3/Conf.Room Paper/1 - A Comparison of IMF Scheme  
for Compensatory Finance and IBRD Proposals on Supplementary  
Financial Measures - October 11, 1966

Draft of memo Jalan to Files - Lunch with Mr. Southard, et.al. -  
November 15, 1966

TD/B/C.3/44 - TD/B/C.3/AC.3/17 - Trade & Development Board -  
Second session Report - Intergovernmental Group on  
Supplementary Finance - April 4, 1967

Memorandum from Sarma to Friedman - UNCTAD Committee on  
Invisibles and Financing related to Trade: April 1967:  
New York - April 20, 1967

EC/O/67 - 18 - Supplementary Financial Measures: Additional  
Papers - January 31, 1967

International Problems of Economic Development - Address by  
Irving S. Friedman to The Canadian Political Science  
Association, Ottawa - June 7, 1967

Mr. Hideo Suzuki

October 11, 1967

Irving S. Friedman

You will recall that some time ago I mentioned that John would like to write a letter to the Japanese family thanking them for his stay with them, and I asked whether you might be able to arrange to have it translated for him. You kindly suggested that your daughter might be able to do this. I am attaching John's letter (with a typed copy). Should you have any difficulty, please let me know.

Thanks.

Oct. 11 1967

UNCLASSIFIED

Mr. Lars Lind

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YMBG ARCHIVED

Could I get help on this? I will  
await your answer before replying to  
the letter. Thanks.

(Indian Souvenir Volume: request for article  
by first week of November)

*Project to draft letter  
declining 10/19*

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AUG 16 2023

October 11 1967

PERSONAL

**WBG ARCHIVES**

Dear Felipe,

I promised to convey a message from Felix Elizalde to you -- perhaps the easiest is to send a copy of his letter to me.

I am sorry that business took you away from Rio before our luncheon. Everyone missed you. Put it down for next year!

With kind regards,

Sincerely,

Irving S. Friedman

Mr. Felipe Herrera  
President  
Inter-American Development Bank  
808 17th Street NW  
Washington DC 20577

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PERSONAL

SEP 19 2023

October 11 1967

WBG ARCHIVES

Dear Governor Machado,

I would like to thank you again for your favorable response to the suggestion that the Central Bank of Venezuela become an institutional member of the Society for International Development, making an annual contribution of \$500 per year.

I am enclosing a brochure of the Society. I hope that with these additional funds we will be able to extend our activities among students and make some small financial contribution to the formation of chapters in our poorest countries, where even a small financial outlay is most difficult.

I need not say again that I am doing this purely in a personal capacity as Treasurer of the Society.

With warm regards and hoping to see you soon,

Sincerely yours,

Irving S. Friedman

Mr. Alfredo Machado Gomez  
President  
Central Bank of Venezuela  
Caracas  
VENEZUELA

Encl.

cc: Mr. Andrew Rice

October 11 1967

Dear Governor Raschid,

I am very sorry that I missed you when you visited here, and thanks for your note.

I am also very pleased that you responded so favorably to the suggestion that the State Bank of Pakistan become an institutional member of the Society for International Development, making an annual contribution of \$500 per year.

I am enclosing a brochure of the Society. I hope that with these additional funds we will be able to extend our activities among students who make some small financial contribution to the formation of chapters in our poorest countries, where even a small financial outlay is most difficult.

I need not say that I am doing this purely in a personal capacity as Treasurer of the Society.

I have taken the steps to send you copies of some material which you might find interesting to read, as well as placing you on the mailing list for the kinds of material we discussed in Rio.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. M. Raschid  
Governor  
State Bank of Pakistan  
Karachi  
Pakistan

Encl.

cc: Mr. Andrew Rice

October 11 1967

Dear Governor,

I did not want to bother you with this at the Conference, however, I spoke to Suparb about the possibility of the Bank of Thailand becoming an institutional member of the Society for International Development, and having a number of leading central banks from developing countries making an annual contribution of \$500 per year.

I hope that with these funds the Society will be able to extend its activities among students and help get Chapters going in some of our poorest countries where even small financial outlays are very difficult.

I am sure that Suparb can tell you much about the activities of the Society since she is a leading member.

Needless to say I am doing this entirely on a personal basis in my capacity as Treasurer of the Society.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Puey Ungphakorn  
Governor  
Bank of Thailand  
Bangkok  
Thailand.

cc: Mr. Andrew Rice



October 11 1967

Dear Mr. Carr,

I am most pleased to accept your invitation to speak at the 1968 Annual Conference of the Canadian Importers Association in Toronto on April 4 next.

Thank you for your dinner invitation and also the International Cocktail Party -- I will be delighted to attend both and hope that Mrs. Friedman will be coming with me.

Kind regards,

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Ernest P. Carr  
President  
Canadian Importers Association Inc.  
2249 Yonge Street  
Toronto 7,  
Canada

cc: Mr. David Fulton

(For inclusion in Mr. Woods's Stockholm speech)

The Swedish authorities also showed their deep concern with the problems of the developing countries and their willingness to take <sup>us</sup> our leadership in supporting new initiatives in the proposal which was made at the UNCTAD Conference in 1964 relating to Supplementary Financial Measures. This proposal, commonly referred to as the Swedish/U.K. Proposal, pointed to the problem that developing countries from time to time have experienced serious disruption in their development programs because of unexpected declines in their export proceeds which are by far their largest single source of foreign exchange. As a consequence of this initiative the Bank staff prepared a study on Supplementary Financial Measures which has been under serious consideration by an intergovernmental group established for this purpose by the U.N. Trade and Development Board. Widespread interest has been shown <sup>for</sup> the Bank staff proposal and governments everywhere are now formulating their attitudes on this proposal, which is expected to be one of the principal items on the agenda of the forthcoming UNCTAD meeting in New Delhi in February 1968.

I hope that it will be found possible for governments in the years to come to reach agreement on some scheme along the lines suggested by the Bank staff since I believe that in so doing they would greatly strengthen the constructive efforts of the developing countries in pursuing the kinds of economic policies necessary for successful development.

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AUG 16 2023

Mr. George D. Woods

October 10, 1967

Irving S. Friedman

WBG ARCHIVES

Visit to Argentina - October 2 - 11, 1967

I visited Argentina at the request of Mr. Krieger Vasena, Minister for Economy and Labor. (We have been friends since the early 1950's and have had many occasions to discuss privately economic and financial policies of Argentina.) I had three or four long private chats with Krieger Vasena and, at his urging, spoke to the leading Ministers and Secretaries, the Governor and other officials of the Central Bank, and business leaders in the private community, most of whom I spoke to on a personal basis from previous acquaintance. On the last day, at the suggestion of Krieger Vasena, I had a private chat with President Ongania with only a translator present. I will not try to summarize my "findings" but instead try to contrast briefly the situation and outlook as I found it last week as compared with earlier visits to Argentina.

1. There is a "smell" of success about the present governmental team and policies. There is the kind of enthusiasm which I have not seen for years coupled with a realistic appraisal of the very difficult problems which remain to be solved, including the deplorable state of the railways and other State enterprises, the need to re-establish business confidence at home and abroad in the future of the country, the difficulty of getting an appreciable flow of new foreign capital in view of the unhappy foreign investment experience in Argentina in recent years, the continued existence of a large number of peronistas in the country, particularly in the trade unions, who are able to point to the existing inequalities in the distribution of wealth as a way of propogating their own philosophy.
2. Argentina is now experiencing a combination of favorable circumstances which is likely to happen only once in years.

(a) Firstly, Argentina is enjoying a very good market for its exports, particularly of foodstuffs and is likely to do so for the foreseeable future. Export earnings are \$500 million a year more than in recent years, which makes many things possible including handling of the large foreign debt, which was not long ago a cause for despair. Moreover, it softens the deflationary impact of any anti-inflationary program and makes it more tolerable. Under the circumstances a deep or prolonged recession in the Argentine becomes most unlikely.

(b) Secondly, there is excellent talent in key positions of leadership. In the past able Ministers for Economy had not been able to bring in the same kind of team. For various reasons men of other outlook, temperament or persuasion remained in key positions, such as the head of major State-owned enterprises; they were run as autonomous "empires" within the Government.

The Minister for Economy simply could not get their cooperation in implementation of his policies. Krieger Vasena has recognized this problem by bringing virtually an entirely new team into all of the key jobs. In addition he has reinforced this top team with able young men. The business community seems to be cooperating in providing able people when requested.

(c) There is a remarkable team spirit among the economic leaders. Moreover, there is a similar friendly relationship between those in office and the leaders of business out of office, including the many ex-ministers. I heard very little backbiting and critical gossiping which used to characterize so much of private discussion in Buenos Aires. Furthermore, there is recognition that in addition to this able leadership there is need to get the right kind of staff and to build better morale. Low government salaries continue to hamper government recruitment, but steps are being taken to convert State enterprises into so-called private corporations owned by the State in order to insulate the management and staff of such enterprises from the regular civil service standard regulations. There is much more likelihood that this kind of staff will implement the decisions taken at the top than in the past.

(d) The prevailing view is that there is strong political leadership at the top. The President emphasized that he recognized that his government was an unconstitutional government and that it was desirable as soon as possible to re-establish a constitutional government. However, he expressed the conviction of the armed forces that constitutional government should not be re-established until the critical economic and social problems had been dealt with successfully. He also emphasized that individual liberty would be preserved. He indicated strong support for the economic team and program. When I asked Krieger Vasena for his private views on the political situation, he said that at present the economic team had support of all of the groups except perhaps the extreme nationalists. The early stages of the new regime had tried to follow the line of the nationalists but the experience had been so disastrous that all of the nationalists looked to the economic team to provide a way out of their economic and social difficulties. He indicated that the nationalists as well as the President and various liberal-conservatives had asked him to take the position. He thought there might be a problem in the future when and if the present urgent problems had been overcome of what would be the next political phase. He favored a return to constitutional government, but perhaps the nationalists, particularly the more extreme nationalists, might support the few in favor of a continued military rule. I believe that one of Krieger Vasena's important sources of strength is that he clearly is not trying to be a rival to the President and that some of his friends in Buenos Aires may unwittingly be doing him harm by talking of him as a possible successor to President Ongania.

3. The economic program which took a distinct turn last March with the devaluation of the peso from about 255 to 350 to the dollar, has now entered a new phase. For the moment the Government is successfully coping with the inflationary problem. The Government's revenues are much above expectations and public expenditures are below expectations as investment expenditures have tended to lag. Some savings have been made in State enterprises but this is only a small beginning. The Government's borrowings from the Central Bank are relatively small and considerably below the ceilings agreed with the Fund. Some industrial recession is being experienced but nothing that seems serious at the moment. However, there is the danger of a revival of inflation for two completely different reasons. One is the possibility that the industrial recession will become more pronounced, with a corresponding reduction in revenue. At the same time the public expenditures, including investment expenditures are rising. This could lead to a need for new taxes, which are already considered high, or increased borrowing from the Central Bank. (Public savings from a decrease in Government expenditures in State enterprises is likely to be small in any case.) On the other hand there is the possibility that the new optimism will lead to a rather large increase in private investment. There are some signs that this is happening, such as the increase in the inflows of foreign funds, both from foreign firms and repatriation of Argentinian capital. If this private investment boom coincides with the planned increase in public expenditures, inflationary pressures could result both with respect to prices and wages. The Government is searching for a way to increase public expenditures as a means of vitalizing the private sector, but it does not assume that both would happen simultaneously. Krieger Vasena and Governor Real of the Central Bank say that if the latter does happen they can hold back on enough of the new public investment to prevent a re-emergence of serious inflation. In essence the problem is how to go from the present growth rate, nearly zero, to something more acceptable (say) 5% a year without a recurrence of inflation. My own judgment is that this can be done, given the other favorable circumstances mentioned above, but it will take very skillful management by the economic and financial team. I found Krieger Vasena and others quite willing to discuss frankly these possible difficulties and they seemed prepared to move in one of a number of different directions depending on developments.

4. Krieger Vasena and others stressed the crucial role of investments in the new phase that has begun in Argentina. I agree with them that without a successful investment program - both private and public - not only will the Argentinian economy continue to stagnate, but the stabilization program will fail. They are, of course, most enthusiastic about involving the World Bank in their investment program, partly to get additional financial resources, but mostly to enhance Argentina's reputation in financial circles and to get the benefit of the criticism of their programs by our staff. (Incidentally, I was most impressed by the constructive role Mr. Murray Ross, the economist in the Western Hemisphere Department, has played in deepening the understanding of the Argentinian economists of their problems and in helping them to achieve better analysis and improved data. They repeatedly expressed appreciation of his contribution.)

5. Krieger Vasena requested that a Bank economic mission to review his investment program and economic situation go, perhaps, in January, together with the Fund (or at some other time, or separately, as the Bank preferred). I told him I would discuss this with Mr. Alter and Mr. Kamarck.

6. I also had some conversations - rather brief - with respect to plans for a bond issue in Europe; the situation with respect to suppliers' credits; Argentina's adherence to the ICSID; listened to some of their views about Chocon, etc. I will be glad to tell you, or others interested, about what was said on these topics. I have already reported briefly to Mr. Broches on ICSID. Mr. Chadenet will surely report more on Chocon. I repeated what you had said in Rio to Krieger Vasena, emphasizing that we based our views on economic criteria. Chocon or not, Argentina could well emerge as a major Bank borrower in the coming years.

cc: Mr. Knapp  
Mr. Kamarck  
Mr. Alter

Proposal for balance of payments safeguards for contributions  
to Second IDA replenishment

The following outlines the basic principles and main elements of a scheme for balance of payments safeguards for contributions to the second IDA replenishment:

1. Basic Principles

(a) Countries eligible under the balance of payments safeguard scheme would be those which maintain that they are in serious balance of payments difficulties and such difficulties were being aggravated by IDA operations.

Countries would make this determination for themselves, but would provide the IDA with the supporting factual information and data. This information and data would be checked by the IDA staff with the IMF staff. Unless there were questions as to factual accuracy, the statement of the country as to its serious balance of payments difficulties would not be subject to challenge.

(b) The contributions to IDA would be made by all Part I countries in the shares agreed to by the Part I countries. As in the past these contributions could be made in the form of non-interest-bearing, non-negotiable notes to be encashed when and in such amounts as needed by IDA to meet disbursements under credits extended by IDA. Such contributions would be paid irrespective of the balance of payments situation of the contributing countries. Moreover, IDA would make credit commitments against the entire amount of these contributions.

(c) The balance of payments relief for countries maintaining that they were in serious balance of payments difficulties would come from the timing of the encashment of such notes. At the same time the scheme would ensure that IDA would always have sufficient funds to meet payments or procurement financed with IDA credits. IDA-financed contracts would continue to be awarded on the basis of international competitive bidding.

(d) A country would be given an absolute assurance that during the three years during which it was making contributions to the second IDA replenishment (fiscal years 1968/69, 1969/70 and 1970/71) there need be no negative impact on its balance of payments from IDA credit operations under the new replenishment if it continued in balance of payments difficulties.

(e) Countries which avail themselves of the balance of payments safeguards during the three-year period would be called upon to provide a larger proportion of the financing of outstanding credits made under the second replenishment during subsequent years. Correspondingly, countries which were called upon to encash more than their pro-rata share of their contributions during the three-year period would be called upon to encash a smaller proportion of their contributions in the subsequent years. In essence, the scheme would provide the IDA management with the mechanism for distributing calls for the encashment of IDA contributions in such a way as to mitigate the balance of payments effects of IDA operations on countries in serious balance of payments difficulties.

(f) A country in serious balance of payments difficulties would not be placed in the position whereby the operations of the balance of payments safeguards for another country in serious balance of payments difficulties would cause hardship to it.

(g) Contributions from future replenishments could not be used to extend the period of postponement of encashment of contributions to this second replenishment.

## 2. Outline of Scheme

(a) Countries in serious balance of payments difficulties and desirous of availing themselves of the provisions of the proposed scheme could so inform the IDA at the beginning of IDA's fiscal year. The IMF would certify as to the factual accuracy of the data which the country would be requested to submit to substantiate the existence of a serious balance of payments difficulty.

(b) This right to request balance of payments relief would exist during the three years when contributions to the second IDA replenishment were being made.

(c) During any year in which a country in serious balance of payments difficulties requested special treatment, the IDA management would not request encashment of the contributions from such country except to the extent of identifiable IDA procurement in that country.

(d) During any year in which a country or countries in balance of payments difficulties requested postponement, other countries would be asked to accelerate their encashments on a pro-rata basis, i.e., proportionately to their contributions.

(e) A country in serious balance of payments difficulties which at the same time found its balance of payments position assisted by IDA credit operations could be asked to accelerate their encashments on a pro-rata basis. However, in the case of such countries they would not be asked to accelerate encashments to the point where this would exceed the level of identifiable procurement in that country.

(f) After the three-year period referred to above had lapsed, no country could request postponement of any subsequent encashment of its contribution on a pro-rata basis irrespective of balance of payments position or pattern of IDA procurements.

(g) Countries which had requested postponement of encashments and were no longer in serious balance of payments difficulties would begin immediately to encash a larger than pro-rata proportion of their share of total contributions to meet disbursements under credits. The countries which had previously accelerated their encashments, would now be encashing amounts smaller than their pro-rata shares. One way of doing this is to regard any postponed amount as equivalent to a new contribution and to adjust the shares of all other contributors.

(h) If, however, <sup>the</sup>postponing country continues to be in balance of payments difficulty after the end of the three-year period, the already postponed amount could be put at end-of-queue. This would mean that the postponed amount would not be called on until other contributions had been fully encashed. However, contributions of other countries from a subsequent replenishment could not be used to extend the duration of the queue.

(i) The encashment of contributions by the Bank could take place at a different rate from that of other contributions, if needed to serve the objectives of this scheme.



Mr. George D. Woods

October 9, 1967

Irving S. Friedman

"Inflation in Latin America" - A Study by Professor Mikesell

Apropos our conversation the other day, you may be interested in seeing the attached study, especially pages 38 to 44. This study was prepared at the request of the subcommittee on American Republics Affairs of the Committee on Foreign Relations of the U.S. Senate.

Mikesell's conclusion is that long-run viability and satisfactory economic and social progress in Latin American countries (and for that matter in the LDCs) is not likely to be realized in the absence of reasonable price stability.

In the LDCs inflation frequently originates with a sharp decline in export earnings or with some other type of balance-of-payments disequilibrium which is not always the result of policies followed by the country. In this context, Mikesell feels that the Bank staff proposal for Supplementary Financial Measures would make a significant contribution by guaranteeing against unexpected export shortfalls, and recommends that the U.S. give it favorable consideration. "The essential merits of the World Bank scheme ..... are that it does not involve automatic compensation for reductions in exports whatever the cause, and that it provides for assistance closely integrated with a country's development program." (p.41)

In the trade field, Mikesell recommends lower tariffs on imports of goods from Latin America, but is somewhat doubtful about international commodity agreements. Here also he would prefer something along the lines of Bank staff proposal which in his opinion constitutes "a more cheaper and more reliable" means of dealing with the export problem of LDCs. Our attitude has always been that there was no conflict between Supplementary Finance and international commodity agreements; they could exist simultaneously. If the world succeeds in agreeing on a larger number of commodity agreements and operating them successfully, there will still be need for Supplementary Finance but the magnitude of need might be significantly less.

Mr. Michael Hoffman

October 6 1967

Irving S. Friedman

International Development Conference

Should we recommend that Mr. Woods do this?

Andy has asked me whether I would be prepared to do it if Mr. Woods didn't. I told him I would do my best to help if it was compatible with other activities in the office.

Encl:

Letter from Andrew Rice, dated Sept. 13 1967

September 29, 1967

Mr. George D. Woods

Alan Dudley came to speak to me during the course of the morning's speeches. (This was before your speech had been made.) He asked whether you intended to proceed in the near future to call together those most concerned with the IDA replenishment. I told him what you intended to say in your speech and he was very pleased. He said that the U.K. delegation had been talking about taking some initiative on their own, but would be happy not to if it was understood that you planned to take the initiative very soon. He also mentioned that he hoped that there would first be a meeting of officials.

He indicated that he had been speaking to various delegations (he did not indicate on what level). He reported that the Canadians, Dutch and others, were enthusiastic about proceeding quickly. The French, however, talked in terms of the end of November (he may have meant October but did say November). The Germans he said were non-committal as to timing, the Japanese indicated that they were prepared to come to meetings if the Germans and French would come. He wondered whether the U.S. would come. I expressed the personal view that I thought that they would come to a meeting of major donors.

Sir Alan indicated that he and the others in the U.K. delegation would do nothing further on the question of meetings until they had heard from us. I told him that we would keep him, or his delegation, informed. He is leaving today - at the end of the afternoon or early evening.

Irving S. Friedman

cc: Mr. J. Burke Knapp

I. D. A. REPLENISHMENT - MAJOR DONORS

(Averaging \$800 million per annum)

	Proposed Annual Contribution (\$ million)	Share of Proposed Replenishment (Per cent)	"Multiplier <sup>1/</sup> Effect" (in dollars) \$
<u>Part I Countries</u>			
U.S.A.	320.0	40.00	1.50
U.K.	103.7	12.96	6.71
Germany	78.0	9.75	9.26
France	66.5	8.31	11.03
Canada	44.8	5.60	16.86
Japan	44.3	5.54	17.05
Italy	32.2	4.03	23.84
All Others	110.5	13.81	
	<hr/>	<hr/>	
Total	800.0	100%	
	<hr/>	<hr/>	

<sup>1/</sup> Approximate number of dollars contributed by other contributors for every dollar contributed by the donor country.

September 23, 1967

## OFFICE MEMORANDUM

Confidential

TO: Mr. George D. Woods

DATE: September 21, 1967

FROM: Irving S. Friedman

DECLASSIFIED

SUBJECT: Notes on I.D.A.

AUG 16 2023

WBG ARCHIVES

The following notes try to summarize where we are with respect to the IDA replenishment.

U.S.: The U.S. continues strongly to support the proposal for \$600 million/\$800 million/\$1,000 million, to cover credit commitments beginning in 1967/68 with annual contributions beginning in 1968/69. Their share would be 40%, or about 2 percentage points below the last replenishment. The U.S. continues to indicate need for balance of payments safeguards but at the same time has withdrawn its own proposals. They are presumably considering your suggestion that a separate group be established of experts usually dealing with balance of payments problems from the U.S. Treasury, U.K. Treasury and possibly the German Ministry of Economy. Secretary Fowler is also considering the possibility of an informal meeting in Rio of the Governors of the three leading Part I donor countries to consider the magnitude of IDA replenishment. The U.S. now seems to continue to accept the idea that agreement on replenishment is urgent but not so urgent as to be at the expense of a larger magnitude. A relatively short delay is envisaged -- by the UNCTAD Conference in February at the latest. The U.S. does not seem to object to having a prior understanding on geographic distribution of IDA credits which might take the form of a ceiling on credits to India (or Pakistan). The suggestion has been made of an informal meeting of interested governments and you at the time of the OECD ministerial meeting in November, hopefully to reach some definite agreement, if not already reached.

U.K.: I do not know whether there has been any further Cabinet consideration of the suggested \$500 million replenishment figure of which the U.K. would take 13%. They had expressed eagerness to discuss the matter with Common Market countries. Sir Andrew Cohen at the end of your lunch with Minister Prentice said that the U.K.'s going above its share of \$500 million would be difficult, but they would do their best if others were prepared to have an IDA replenishment above \$500 million, since they did not want to hold down the level of IDA replenishment. The Minister did not take exception to this summary of the U.K. position. The U.K. Treasury officials are presumably looking further into the benefits received by the U.K. both for its balance of payments and its budget from a large IDA replenishment, since they were asked to do so by the Chancellor. The U.K. has indicated a willingness to discuss the working out by a high level technical group of satisfactory balance of payments safeguards with the U.S., but would prefer that some continental country or European countries be present. (My own judgment is that they would like to see the French present as well as the Germans, but I am not sure what their present position is; they have probably considered this matter further since the London talks.) We don't know whether the U.K. people would confine their representation in any technical group on the balance of payments safeguards to the U.K. Treasury or would feel that it ought to include others, particularly people from the Bank of England and ODM. Our balance of payments suggestion was given to the U.K. technicians for their use only. We also transmitted a copy of it to Mr. Knowlton most informally for his personal use; we do not know whether he has informed the Secretary of the contents of this suggestion.

Germany: Have thus far indicated that the Cabinet decision for IDA replenishment was on the basis of no increase, with Germany presumably continuing its past share of 9.75%. However, they agreed to have an open mind on the magnitude and to consider with the highest political authorities, including the Chancellor and the Foreign Minister, the possibility of Germany's participating in the IDA replenishment in the magnitudes suggested by the United States. They also indicated that they did not share the French concern with respect to the geographical distribution of IDA credits; they accepted the outstanding importance of India. They were prepared to take a leading role in the Common Market consideration of the proposed replenishment but emphasized that they would have to have such discussions before having a final position. (It seems likely that there will be a meeting of the Common Market Economic Ministers in October.) Germany did not seem to be too preoccupied with the question of balance of payments safeguards, but they also indicated that any agreement to replenishment was subject to a mutually satisfactory agreement on this matter. Their principal difficulties seem to be with respect to the impact on bilateral aid (which was purely politically motivated) and on the budget. The former question was going to be reviewed with Mr. Brandt, the Minister for Foreign Affairs. As for the budget, they took the point that the first contribution to the proposed replenishment could be made by Germany early in 1969 and still meet the requirements that the first contribution be made in IDA's fiscal year 1968/69, while at the same time this would bring the Germans into their next fiscal year 1969, for which firm budgetary commitments have not been made. They are doing medium-term planning which involves projections of investments and other expenditures for the next three to four years, but do not plan to have agreed firm figures except on an annual basis - what is commonly referred to as a "rolling plan."

France: The French Minister of Finance, M. Debre has indicated that France would have an open mind on the magnitude of IDA replenishment. They seem to assume that their share would continue to be the 8.3% as in the past. They raised a number of considerations, including questions of geographical distribution, the relation between contributions to IDA and overall commitments on foreign aid such as the 1% target, the nature of IDA credits, the need to consult with other members of the Common Market, and their desire to have closer relations between the Part I countries and the management of IDA. M. Debre indicated his willingness to have an open mind, after having repeated the French position in favor of a slight increase over past levels. (I did not find in Paris any authoritative interpretation of the word "slight" except to say that it meant very small. I did not find them repeating the interpretation that "very small" meant something like \$350 million, or that "increase" really meant a series of increases by \$50 million a year to a level of \$400 million.) M. Debre appreciated the fact that the IDA program on Africa had been accelerated. He also took on board your points that there could be a ceiling on credits to India and that more thought would be given to the question of the kind of investments made by IDA, which were already increasingly given for such purposes as education and small and medium-scale agriculture. M. Debre placed great emphasis on the need to consult with Common Market countries. With respect to the desire for closer relations

between the Governors of Part I countries and the management of IDA, the suggestion has been made that this could be done through establishing a Caucus of Part I Governors to deal with such broad IDA policy questions, as geographic distribution but not to deal with day-to-day management of IDA, or policy issues more appropriately discussed by the Executive Directors. To my knowledge this suggestion has not been made to the French formally or informally. The French also indicated that their agreement to any IDA replenishment was based on agreement on mutually satisfactory balance of payments safeguards.

Italy: The Italians have indicated their willingness to participate in a very large replenishment of IDA but that they would be guided by what the Germans were prepared to do. You used this fact in explaining to Minister Schiller why Germany should take the lead in the Common Market — in addition to such arguments as the commercial advantage to German exports and the ten times multiplier effect for the total magnitude of IDA replenishment from the willingness of Germany to increase its contribution. The Italians do fairly well in IDA procurement in that they can hope to get back about the magnitude of their contribution, but not more, and maybe less. In the case of Italy, however, the Foreign Office does not seem to be as strong an advocate of bilateralism, as it is in the U.K; Germany and, I gather, France. In this sense the Italian position is more like the U.S.

Japan: The Japanese have been told rather forcefully that they, on a percentage basis, do best in IDA and have most to gain from the proposed replenishment at the average of \$300 million per annum. The Japanese share is presumed to be 5.6% and no suggestion has been made to change this share, although such possibility has come up earlier in discussions with other countries, particularly the U.S., both as justifiable in its own right and as a means of offsetting the suggested decrease of about 2 percentage points in the U.S. share. The Japanese Minister of Finance, Mr. Mizuta, reiterated the difficulties for Japan in any increase in the magnitude of IDA. However, he also indicated that he was very interested in learning what the other Governors of the major Part I countries would be prepared to do. He was asked to keep an open mind on the matter until discussions among the major Part I Governors had taken place. (The Japanese are currently experiencing a sizable deficit in their balance of payments, which has been largely covered up by a short-term inflow of funds, and they do not have the large reserves characteristic of the European countries. However, from past experience, the problem should prove quite manageable, although it might prove necessary, as the Minister of Finance indicated, that the next budget as well as the current one, be fairly restrictive by Japanese standards. We have assumed from the figures and informal conversations with the Japanese authorities that they would go along with the \$300 million replenishment, if other countries were willing to do so, assuming that mutually satisfactory balance of payments safeguards were worked out.)

Supplementary Finance: The Supplementary Finance Scheme has come up only once in your discussions with Ministers — at the Bottomley discussion in London. However, there is the possibility that some countries, particularly

Germany and Japan might raise this question in connection with current IDA replenishment. In our informal talks with the senior officials we have continued to emphasize that these matters are separate and with IDA coming first. In the next few days you may be confronted by a suggestion, say German, that if IDA is replenished at \$800 million per annum, then it should also undertake the additional function of financing the Supplementary Finance Scheme. At best, a Supplementary Finance Scheme can not come into existence until about January 1, 1970, or in the third year for which you are requesting a replenishment of IDA at this time. Thus, my view is that the question of funding a Supplementary Finance Scheme is really a question for the future and, if connected at all with IDA replenishment, would more appropriately be connected with the next replenishment. Moreover, the question of Supplementary Finance is being considered by a separate group of intergovernmental experts and will be a matter for further consideration by the coming UNCTAD Conference. Governors can decide at that time to what extent their attitude towards Supplementary Finance will be affected by what they have agreed in the meantime on the proposed IDA replenishment. (No matter how large or how small the IDA replenishment may be, the problem to which Supplementary Finance is addressed will continue to exist. The additional cost of Supplementary Finance as an insurance scheme to achieve the success of all development finance efforts, including official bilateral and private efforts, would be relatively small.)

\* \* \* \* \*

I am preparing to transmit to you separately, a table or two giving key statistics which you might wish to have before you, and perhaps others, when and if there is an informal meeting of the Governors of the three or four major contributors during the Rio meeting.



*Gen. File*

September 25 1967

Dear Mr. Adachi,

On Mr. Friedman's behalf I wish to thank you for the copy of the Japan Development Bank's annual report.

Mr. Friedman is at present in Rio de Janeiro at the Bank's Annual Meeting, and your report will be brought to his attention on his return. Meantime, I am circulating it to his staff, who I am sure will find it of great interest.

Yours sincerely,

(Daphne McGregor)  
Secretary to Mr. Friedman

Mr. Tomoki Adachi  
Representative  
The Japan Development Bank  
RCA Building, 1725 K Street NW  
Washington DC 20006

September 19 1967

Dear Makoto,

Thank you for your letter of September 14. I was pleased to be of any little help in connection with the Malawi discussions. Please call on us again if we can be of any help.

I leave today for Rio and am sorry to learn you won't be attending the meetings this year. I am looking forward to seeing Mr. Ishida and Mr. Yanagita at the Conference.

Your Embassy has already contacted my office about Mr. Ohta's visit, and I will be pleased to see him during his brief trip to Washington.

With warm regards,

Y

Yours sincerely,

Irving S. Friedman

Mr. Makoto Watanabe  
The Overseas Economic Cooperation Fund  
Iino Building  
No. 1-1 Uchisaiwai-Cho  
2-Chome  
Chiyoda-Ku  
Tokyo, Japan

Mr. El Emary

September 19 1967

Irving S. Friedman

African Caucus - Opening Statement Draft

I am sorry I have not been able to give a reaction earlier. Basically, this seems to be quite all right and I have suggested a few minor changes.

One of the comments on the text itself is that I think we should be somewhat more guarded in this business of "Africanization". I can, of course, understand how these people feel, the same as they did in other parts of the world earlier, but it really is a very costly process from the viewpoint of short-run development.

Another general comment which I would like very much to have something done about, is that this draft says nothing at all about our economic work. I think the number of economic missions we have had in the last few years is very significant, not only from what we have learned and the exchange of views that have taken place, but also that we have virtually completed economic analyses which are a prelude to agreeing on projects in making loans or credits. I would therefore appreciate very much if at least a substantial paragraph is added about economic work.

If anyone in your Department needs help I am sure that Frank Owen or Sandy Stevenson would be glad to assist, but the chances are that Harold Larsen can do it well without help.

Mr. Woods

September 19 1967

Irving S. Friedman

Speech

May I suggest for your consideration the inclusion of the following sentence in the last paragraph of Page 3 of the sixth draft of your speech:

Last paragraph 6th line, after "more intense" insert:

"I have been able to meet personally with the responsible Ministers of the major Part I contributors to IDA and expect to meet with others during the course of this week."

If included, the subsequent word "and" would presumably be dropped.

WBG SEP 18 1967

WBG ARCHIVES

Mr. Tazi

1059

You will recall that you were asking me about this the other day. Please return at your convenience.

Memo from Maurice Bart & G.A. Torelli re  
International Economic Advisory Conference in Jerusalem  
August 9 and 10 1967.

MISC

**DECLASSIFIED**

AUG 16 2023

September 19 1967

PERSONAL

**WBG ARCHIVES**

Dear Mr. Smith,

I read your letter of August 24 with much interest. Thank you very much. I have passed the enclosure on to Mr. Woods.

Since you discussed the Tan-Zam Rail Link in Africa, it appears from accounts in the press that events have moved along and that an agreement has now been reached with China to finance its construction. We are, of course, not involved, but we are very interested in such large development projects in countries where we ourselves are lending.

I was glad to read the kind words you wrote about our Mr. Halbe. They are most appreciated.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mr. George Ivan Smith  
Flat 3  
97, Cadogan Gardens  
London S.W. 3  
England

INTERMEST  
RIO DE JANEIRO

SEPTEMBER 18 1967

LT

BRAZIL

ATTENTION ANDREW KAMARCK (GLORIA HOTEL)

WOULD APPRECIATE SEMINAR GROUP MEETING WEDNESDAY AFTERNOON  
PREFERABLE OR EVENING (STOP) LEAVE MESSAGE AT LEME PALACE

FRIEDMAN

Irving S. Friedman  
The Economic Adviser to the President  
Office of the President

*Low. to you Files.*

September 18 1967

Dear Dr. Shah,

Your name has been placed on our mailing list and I trust the copies of the Annual Report and Mr. Woods's statement turn up in due time.

I will be interested to hear your thoughts on Supplementary Finance at the October meeting and look forward to seeing you there.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

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



ANTONIO COUTINHO  
RUA MARECHAL FRANCISCO DE MOURA 108  
APARTMENT 201  
RIODEJANEIRO

SEPTEMBER 18 1967

LT

BRAZIL

AM PLANNING TO ARRIVE RIO WEDNESDAY 20TH 0715 VARIG FLIGHT 855  
FOR GOVERNORS MEETING (STOP) STAYING AT LEME PALACE HOTEL (STOP)  
HOPE TO BE ABLE TO SEE YOU REGARDS

IRVING FRIEDMAN

Irving S. Friedman  
Office of the President

MAURICIO BICALHO  
RUA BULHOES DE CARVALHO 399  
APARTMENT 801  
COPACABANA  
RIODEJANEIRO

SEPTEMBER 18 1967

LT

BRAZIL

AM PLANNING TO ARRIVE RIO WEDNESDAY 20TH 0715 VARIG FLIGHT 855  
FOR GOVERNORS MEETING (STOP) STAYING AT LEME PALACE HOTEL (STOP)  
HOPE TO BE ABLE TO SEE YOU REGARDS

IRVING FRIEDMAN

Irving S. Friedman  
Office of the President

Mr. Clifford F. Owen

September 18, 1967

Irving S. Friedman

Economic Committee

Would you please make a rather detailed list of subjects which you regard as being within the province of the Economic Committee, particularly in the sense that the decisions on these matters are not subject to review by anyone but the President, and serve to guide all other staff activities. They should be subjects which I, as chairman, would be able to defend and explain to all, such as Executive Directors and Representatives of countries.

The more detailed the list the better. It would not help me to have a repetition of what is in one of the minutes.

DE 1000000  
Mr. Alexander Stevenson

September 18, 1967

Irving S. Friedman

WBG ARCHIVES

Reports and Economic Aspects of Projects

Who in the Economics Department is reviewing or even reading seriously the reports dealing with the economic aspects of projects. Will this function be included in the Economic Working Party?

DECLASSIFIED

PERSONAL

AUG 16 2023

September 18, 1967

WBG ARCHIVES

Dear Monsignor Bordelon:

You have paid me the compliment of asking for my thoughts on why I felt that the Church had a unique role to play in the field of development and to put on paper some thoughts which I have tried to express before orally. Please take the following as representing some personal thoughts which I have not tried to polish.

The first point I would stress is the continuity of the Church. The problem of economic development and the major social and political consequences of this development are going to be with us for many generations. I regard it as a phenomenon comparable to the Renaissance or the Industrial Revolution. The course of events is unpredictable but it seems safe to say that whatever the course of events, the time period will be very long. There will be much progress and many setbacks. Countries will go through repeated crises and my own guess is that no country will be spared the agony of painful change. If this process is to go on in the most constructive manner feasible, it will need the support and guidance from enduring institutions. Past history indicates that the great churches are perhaps the most enduring of all organizations. They will be present throughout this period of future history and what they think and do will play a major part in determining the actual events. Incidentally, it is for this reason that I have also felt that the World Bank Group could play an important role. It too, though in a much lesser way and probably for not as long, is likely to prove to be an enduring organization. It too can hope to accumulate the necessary wisdom that comes with thought and experience. Therefore, I believe it inevitable that it too will play an important part in shaping the events of the future. Their continuity should provide a basis for increasingly close relations between the churches and the World Bank Group, however informal and personal.

Secondly, the field of development is essentially a non-political field in the sense that the problems which arise and the possible solutions cut across existing political lines of thought or political parties. It is truly a problem which encompasses all of humanity. It does, of course, deeply involve politics and political action and will be greatly influenced by the attitude of political groups. But in the last resort I believe its success will largely depend on the realization by the political groups and leaders that this problem should be taken out of the realm of partisan politics; human disasters are not of the stuff from which partisan politics are made.

Monsignor Bordelon  
Director, National Conference of Catholic Bishops  
1312 Massachusetts Avenue, N.W.  
Washington, DC 20005

Thirdly, the problem of development languishes from a lack of enthusiasm and widespread support; it has been overwhelmed by statistics and charts and it needs translation into the language and emotional appeals of people. It needs to be related to the value systems by which people live. Thus, it needs ties to the ethical and moral bases which govern our various human societies; this would give true perspective to the problem of development. The churches are peculiarly suited to do this job. It is not something which can be done by technical or political organizations whether national or international. The inclusion in a vivid and meaningful way of a concern for the poor of other countries in the value systems prevailing in richer countries would be a great accomplishment for any church or group of churches. If done, I believe the problem of a lethargic public would disappear - a crusade needs followers as well as leaders. I assume that, as in the past, the Church will continue to take a deep interest in the material wellbeing of its adherents and regard improvement in their wellbeing as desirable and, for the poor, ill, etc. a moral necessity.

Another thought is that development is suffering from widespread scepticism about its future, its possibilities and its accomplishments. We need people to speak out who are accepted by the community as men of reliability whose views are well based and whose code prevents the speaking of deliberate falsehoods. Church leaders cannot usually speak as "experts", but their choice of experts and causes to support would command a true hearing for these experts and these causes.

Economic development will mean great social and political change. The question is not whether the change will take place, or whether it will be easy or difficult, but whether it will be accomplished without widespread disorder and violence, within countries and among countries. Governments and their leaders will play a major part in this process because of the nature of the problem. It will be up to governments and others to provide the people capable of analyzing and understanding the facts of the problems and possible technical solutions - experts in the best sense of the world. What is needed is to ensure that in this field the proposals made and the technical judgments rendered are based on the highest possible standards of scientific objectivity and fact-finding. This, I believe, is the true role of the technicians and governments. I do not see this as the role for the Church, unless the Church takes the steps to acquire the expert knowledge which, at best, can only be acquired over a considerable period of time. I see the Church making use of this knowledge in determining what its own attitude should be to current problems and suggestions.

I believe that there is a keen desire on the part of many technicians and experts working in the field of development to make available to the Church their scientific knowledge and skills to help deepen its understanding of those problems so that the Church can make a more effective contribution.

My own experience in the World Bank would indicate that the economists in the Bank, for example, are motivated not only by the desire to practice their profession but also to make a contribution to the solution of the problems with which they deal. It is essentially for this reason that I have never had any doubts that whatever expert assistance the Church might need from economists and other technicians could be found and made available. However, if the scientific analysis and carefully based judgments of technicians can be transformed into popular policy, then there is hope that economic development can take place without excessive discord and discontent. This will require the education of people in this field in the sense of teaching them the facts and their implications. However, unless this is done in such a way as to arouse the response that these problems must be coped with adequately, the mere spread of education may prove to be futile. Thus, I see the Church taking the fruits of the work of the experts and the educators and, by combining it with their own sense of ethical and moral obligations, giving the spark that is needed to achieve active public support. To transform the slogan that "charity begins at home" to the concept that "charity is for all" is the role that I see for the Church. It will be hard even to get true and deep compassion for hungry and ill people in far-off, strange lands with differing religions, but how do you get people to understand that dams, factories, transportation facilities, educational systems, etc. are also as necessary and basic as food and medicine. From the church-supported local hospital to church support for a sophisticated telecommunications project is a tremendous leap in imagination, organization and effort, but the moral and ethical unity is there if people can be made to see it.

A practical application of this approach is that the Church tries to make the fullest use of experts and educators on every level of social and political organization, i.e. international, national, state and local. However, it should have a program of its own by which it makes clear to its adherents how the findings of these experts and the teachings of these educators are relevant to the religious precepts of the Church. This is the "expertise" that the Church should try to develop. I guess the next and final step is advocacy by the Church at every level in terms suitable to its role, but taking full advantage of the knowledge available to it from the secular world.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

September 15 1967

Mrs. Eliason: Room 461

Doris,

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

has requested that his name be "activated"  
to receive Bank publications. He is  
particularly interested in the Annual Report  
and Mr. Woods's opening statement in Rio.

Thanks very much.



Mr. Clifford F. Owen

September 15, 1967

Irving S. Friedman

Economics Committee

I would like to see a comparison of the timing of the meetings and contents of the Economics Committee's recommendations and the loan or credit proposals to the Board. I am somewhat dismayed to find that rapidly there are loan proposals and Economics Committee decisions which are way out of date.

**DECLASSIFIED**

PERSONAL

AUG 16 2023

September 15 1967

**WBG ARCHIVES**

Dear Mr. Brubaker,

Thanks very much for mailing the new check, which has been paid over to American Express Co. I enclose herewith the original check you sent.

It was very nice to meet your son, Bob, and we were very impressed with him. I hope the two boys have an interesting (and educational) time in Paris.

If ever you are in Washington, please do not hesitate to look us up.

Sincerely,

Irving S. Friedman

Mr. Robert L. Brubaker  
Attorney at Law  
205 N. Fayette Street  
Washington C.H., Ohio

September 13/67

Mr. Woods

1220

I have received a letter from Mr. George Ivan Smith to which I am preparing a reply. He attaches copy of a letter he had sent to U. S. Department and indicates he would like this sent on to you on a private and confidential basis.

Irving S. Friedman

**DECLASSIFIED**

PERSONAL

AUG 16 2023

September 12, 1967

**WBG ARCHIVES**

Dear Henry:

I have been thinking about some non-technical books on development that could be recommended to the King and the GOM. I suggest the following:

Barbara Ward: The Rich Nations and the Poor Nations  
(New York 1962)

Andrew Shonfield: The Attack on World Poverty  
(New York 1960)

Eugene Black: The Diplomacy of Economic Development  
(Cambridge, Mass. 1960)

Harry Johnson: Economic Policies Toward the Under-  
developed Countries  
(Washington 1967)

Jagdish Bhagwati: The Economics of Underdeveloped  
Countries  
(New York 1966)

This should cover the ground fairly thoroughly. About the young economist you are looking for, I may be able to suggest someone quite good; but how important is the knowledge of French?

As for my own coming, I gather that there are a number of people from the World Bank already scheduled to come to Morocco in October for various reasons. I am planning to be in Europe during the first ten days of November and could conceivably come to Morocco for a few days on the way back. In view of your own plans however, it might be better to think of something towards the latter part of January or February. I will probably be attending some sessions of the UNCTAD meeting in New Delhi and could make it a point to visit Morocco on the way out or the way back.

I hope by this time your family has been reunited. We do have a great deal to talk about and I am looking forward to your being home from the middle of November to the middle of January. At the moment there seems to be a fairly good chance that I will be home during a part of that time. We would be very pleased if you

The Honorable  
Henry J. Tasca  
American Ambassador  
Rabat, Morocco

The Honorable  
Henry J. Tasca

- 2 -

September 12, 1967

could, at least, come out and have dinner with us during your home leave. If you are planning an extended stay in Washington we would, of course, be happy to have you stay with us.

I am leaving for Rio early next week for our Annual Meeting. Please let me know as soon as you have a firm idea when you might be in Washington and where you will be staying in New York.

Sincerely yours,

Irving S. Friedman

PERSONAL

September 12 1967

Mr. Barnett - Room 6205 State Dept.

Bob,

May I send you this exchange of letters on a purely personal basis?

I would have sent it to you earlier but I have been out of the country.

Watanabe is coming in to see me tomorrow morning and if you have any comments you would care to make - however informal - I would appreciate them.

Thanks.

Irving S. Friedman.

**DECLASSIFIED**

SEP 19 2023

**WBG ARCHIVES**

September 12 1967

Dear Mr. Cooper,

I was very interested to learn of the plans for a Souvenir to help celebrate the Diamond Jubilee of the Indian Merchants' Chamber, and your request for an article from me to appear in it.

I would be quite pleased to do this, and would suggest a topic of Role of Development Finance, but am a little troubled by your deadline, October 20. Between early next week and during October I will be travelling to South America and then to Europe -- would it be possible to extend the deadline?

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. R.C. Cooper  
President  
Indian Merchants' Chamber  
76 Veer Nariman Road  
Churchgate  
Bombay 1, India

September 12 1967

Dear Lady Jackson,

I was most interested in your letter of September 2 and am very glad to assist in any way.

I completely agree with the point that intellectual vigor is necessary behind any proposals and policies which are made in our field. My own efforts in the World Bank are to have its recommendations and proposals based on the most rigorous type of economic analysis and thorough research into the background facts combining statistical and other available techniques with detailed first-hand experience in the countries being considered. This was the kind of work which preceded our estimate of \$3-\$4 billion of need for additional external capital for productive purposes, our proposal for the IDA replenishment at \$1 billion per annum, our suggested schemes for supplementary finance, etc., as well as the economic judgment we make on countries. In talking with Monsignor Gremillion and Monsignor Bordelon I have consistently urged that whatever is done by them or others like them should be based on the best available expert knowledge and that such expert knowledge could be obtained.

I have just come back from Europe and have not had a chance to discuss with George the suggestion of a "summit" of experts to discuss international policy making for the Seventies. As you probably know, George's thinking of "summitry" has been rather along the lines of top level political leaders rather than experts. However, this does not preclude the possible advisability of a summit of experts and I would like to give more thought to this idea. My basic fear of "experts" is that so often they don't do the work they are capable of doing because of other demands, and therefore do not come up with suggestions which are sufficiently well based to command attention or support.

I would be happy to talk to you about your suggestion and other related matters when you come to Washington at the time of the Williamsburg Conference -- perhaps it could be at lunch or dinner if your calendar permits.

Sincerely yours,

Irving S. Friedman

Lady Jackson  
Glatting Farm  
Pullborough  
Sussex  
England



Mr. Alexander Stevenson

September 12 1967

Irving S. Friedman

UNCTAD

You will have seen a note from Mr. Demuth about coordinating on replies to UNCTAD.

I am somewhat disturbed at this correspondence as I thought we had worked out a satisfactory procedure. I would appreciate your reporting what happened in this particular case and whether you feel we have a satisfactory procedure.

I would like to have a note that I might conceivably send on to Mr. Demuth and Mr. Woods.

Mr. William M. Gilmartin

September 12, 1967

Irving S. Friedman

Loan to I.C.I.C.I.

I would like to discuss the economic section in the President's Report on I.C.I.C.I. with you and anyone else in your Department, or outside, who helped prepare it or clear it.

Thanks.

Mr. I.P.M. Cargill

September 11, 1967

Irving S. Friedman

Indonesia Mission - Terms of Reference

I have just received a copy of a memorandum dated September 11 on the terms of reference of the Indonesia mission. An earlier version I had seen, was dated October 21, labelled "draft" and came to me in my absence in Europe.

I don't know whether the September 11 version reflects your latest thinking on this subject since it comes addressed from Mr. Goodman to Mr. McDiarmid. I do hope that you will review the appropriateness of having such broad purposes for this mission. It would seem to me that doing (b)(i) and (iii) would be a tremendous job in itself, but perhaps some of the other terms of reference would be appropriate. However when all taken together, I get the impression of a mission which is definitely going into considerable detail on the longer-term prospects and program. I would have thought that the time was not quite right for this kind of mission. If it is, perhaps you and I might discuss further the question of personnel.

Thank you.

cc: Mr. Goodman  
Mr. McDiarmid  
Mr. Stevenson

September 11, 1967

Dear Mr. Oshima:

I found your letter of August 25 on my desk when I returned today from a visit to Europe. I was very interested to learn that you had left the Japan Development Bank and are now Executive Director of the Bank of Japan. I know from personal experience how well-qualified you are for this most important position. Please accept my sincere congratulations.

May I wish you every success in your new undertaking, and look forward to the continuation of our friendship in your new capacity.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Kanichi Oshima  
Executive Director  
The Bank of Japan  
Tokyo, Japan

September 11, 1967

Dear Miss Marshall:

I found your letter on my desk on my return from a visit to Europe, with a request for a photograph. I am enclosing one which I hope will arrive in time for you to publish it with the article.

With best wishes,

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Miss A.S. Marshall  
Associate Editor  
"World Trade"  
208 Sleater Road  
Bombay 7, India

Mr. Bernard Bell

September 7, 1967

Irving S. Friedman

Loan to Singapore Telephone Board

This morning when leaving the Board meeting Mr. Flescoff, the Executive Director for France, referred to the Singapore telephone loan as a "scandal". We chatted briefly about this and he said what he was concerned about was that the waiting line for telephones in Singapore was much shorter than in many less-developed countries -- not to speak of such developed countries as France. Therefore why did we use our financial resources for such a loan?

I did not attempt to answer him but did say that we were concerned with the question of investment priorities within countries.

Mr. Flescoff's comment points to a problem which we have discussed from time to time. I guess that we would all agree that it is impossible to have a real economic judgment on an investment without having a judgment on its order of priority within a country and, for an international financial institution, of how it might be judged as compared with other possible alternative investments in other countries. We could also readily agree that this is difficult to do, particularly when it involves inter-country comparisons. However, the increasing relative shortage of funds for development finance means that the question of priorities is bound to become increasingly more acute.

Do we give enough attention to this matter? Can we defend each investment on these more sophisticated economic grounds? If not, how could we go about doing so? I would appreciate very much if you could give some thought to this within the Projects Department and discuss it with Andy Kamarcik and his people.

cc: Mr. Chadenet  
Mr. Kamarcik

September 8, 1967

Dear Father Morlion:

I have now returned to my office and have read with interest the letter dated July 11 signed by Father Aniceto Fernandez, Master General, O.P., Monsignor Carlo Ferrero and yourself.

Needless to say I am most sympathetic to the efforts of His Holiness the Pope to educate people throughout the world to the needs of the poor developing countries. I also appreciate the offer of the medal of His Holiness Paul VI. However, I regret that, as President of the Bank, it has been our regular policy not to participate in activities of the kind you describe. I am sure you will understand the reasons for our policy in such matters.

With best wishes for the success of your endeavor,

Sincerely yours,

George D. Woods

The Most Reverend  
Felix A. Morlion, O.P.  
President  
International University of  
Social Studies Pro Deo  
12, Viale Pola  
Rome, Italy

ISFriedman:rgw  
September 7, 1967

## WBG ARCHIVES

Deliberate Efforts by the World Bank Management to Assist U.S.Balance of Payments

1. The Management of the World Bank Group has consistently done its utmost to assist the U.S. balance of payments without raising the question as a matter of formal policy or international agreement. In Fiscal Year 1967 alone published data show that World Bank operations contributed a positive item of nearly \$300 million to the U.S. balance of payments, making a cumulative total of \$1,794 million as of June 30, 1967.
2. Much of this result was the effect of the regular operations of the World Bank, e.g., procurement in the U.S., interest paid to U.S. holders of World Bank bonds, etc. However, a significant portion of this assistance has been due to deliberate policies within the discretion of IBRD management. Thus, beginning in January 1965, the World Bank has invested in G.D.'s and U.S. Federal Agency issues a total of \$685 million, outstanding as of June 30, 1967. This was well over \$300 million more than funds received from sale of IBRD bonds to U.S. investors in the same period. The policy has been to invest as much as possible in G.D.'s and Agency issues irrespective of the source of U.S. dollars.
3. Aside from the balance of payments effects of our policies the sale of World Bank notes and bonds to non-Americans has greatly reduced official dollar holdings abroad. These sales of World Bank debt reduce the potential call in whole or in part on U.S. gold reserves. 58% of our total outstanding debt is held by non-Americans and 44% of our dollar debt is held by non-Americans. World Bank notes sold to Central Banks have become another form of monetary reserve assets in many countries.