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Irving S. Friedman Chron Files

1968

2



The WBG Bank Group  
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Mr. Mohamed Shoaib

March 28, 1968

Irving S. Friedman

Economic Committee Meetings

I would like to extend to you an invitation to attend the meetings of our Economic Committee.

I have asked Mr. Owen, our secretary, to send you the necessary documents.

cc: Mr. Owen

March 29 1968

Dear Professor Letiche,

On Mr. McNamara's behalf I would like to thank you very much for your letter of March 20 and the enclosures. These will be brought to his attention when he assumes his duties here at the Bank.

I hope you don't mind my taking the liberty of reading your articles. As you probably know it is a subject of great interest to me.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Professor J.M. Letiche  
Department of Political Science  
University of California  
Berkeley  
California 94720



April 2 1968

Dear Mr. Rey,

I must apologise for not acknowledging your letter of March 14 sooner, but I was out of the country when it arrived.

I am looking forward to reading the attachments.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Andrew Rey  
Lyndell Farm  
R.D. 2  
Downington, Pa. 19335

P-1

March 28 1968

Dear Lucius,

Thanks for your letter of March 22,  
and I will be very glad to see Benedict.

When will he be arriving? As he will  
be here for some time I'm sure we can work  
out a mutually convenient time when he  
gets here.

Kind regards,

Yours sincerely,

Irving S. Friedman

Mr. L.P. Thompson-McCausland  
Treasury Chambers  
Great George Street  
London, S.W.1



(Beirut)

March 26 1968

Dear Dr. Dunne,

Thank you for your letter of March 14. I am sorry that it was not answered sooner, but it arrived when I was in New Delhi attending the UNCTAD Conference.

I appreciate the invitation to attend the Beirut Conference and I believe that it will be a particularly interesting and important one. I would like to attend if my calendar of duties permit. At this moment in time I cannot say because Mr. McNamara, our new President, is taking up his duties next Monday and I would like to discuss my travel plans with him before giving you a final reply.

In any case I am planning to have the paper on The Development Performance of the past Twenty Years ready for you in advance of the meeting.

Hoping to see you soon.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

The Reverend  
George H. Dunne, Ph.D.  
Conference on World Cooperation for Development  
Ecumenical Center  
150 Route de Ferney  
1211 Geneva 20  
Switzerland

*Original to  
File*

March 26, 1968

Dear Professor Fink,

Your letter of February 27 to Mr. Woods has been referred to me. I am sorry that I have not answered sooner, but I was away at the UNCTAD meeting in New Delhi.

I read with interest your suggestion on changing the price of gold. I believe you will agree that your suggestion is based on two assumptions - one that the price of gold must eventually rise and, secondly, that it would be easier to prevent a large sudden increase through the suggested gradual rise. I am sure that you are familiar with the similar suggestions that have been made in this field.

Thank you again for the opportunity to read your letter.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Professor William H. Fink  
College of Business and Public Administration  
Department of Economics  
The University of Arizona  
Tucson  
Arizona 85721

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



*Canada spend*

March 28 1968

Dear Mr. Dixon,

Thank you for your letter of March 22. Thank you also for the warm invitation to my wife from Mr. Carr and Mr. Bald, and I do hope she will be able to accompany me, but I am not certain.

Fifty copies of my remarks will be air-mailed to the address below if ready in time, otherwise I will bring them myself.

I am planning to leave Washington on Eastern Airlines Flight 628, which is due in Toronto at 11:24, and look forward to meeting you all.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Keith G. Dixon  
General Manager  
Canadian Importers Association Inc.  
2249 Yonge Street  
Toronto 7  
Canada

Woods

Mr. George D. Woods

March 27 1968

Irving S. Friedman

"Stockholm Meeting"

On this question as to when the "Stockholm meeting" was taking place, the reason I thought it was starting Thursday rather than Friday, the Deputies of the Ten are to meet tomorrow, to be followed by a meeting of the Ministers on Friday and Saturday.

The attempt is going to be made to reach agreement on the many items in dispute on both the creation of the EDRs and reform of the Fund. The sense of urgency comes from the desire to help calm the foreign exchange markets by being able to announce something constructive and definitive on these matters.



*(Recalled from  
Woods office)*

Mr. George D. Woods

March 27, 1968

Irving S. Friedman

Unreleased Part II Countries' Subscriptions to IDA

I believe you will find the attached material of interest. It results from various suggestions you have made over time that this matter was worthy of further study.

Mr. Tamagna and I have discussed this matter on a number of occasions and, as you will see, he has also discussed this with other people, including Bill Diamond and Hugh Scott.

cc: Mr. Knapp

March 27, 1968

Dear Sir:

I have pleasure in acknowledging safe receipt of your check for US\$19.81. Mr. Friedman will be donating this to some worthy charitable institution.

Sincerely yours,

Ruby G. Watson  
Secretary to Irving S. Friedman

World Trade  
206 Sleater Road  
Bombay 7, India



Mr. George D. Woods

March 27 1968

Irving S. Friedman

An Agenda for the Grand Assize

I appreciate that the group in charge of the Grand Assize will want to write its own terms of reference as well as its own final report. However, it is hoped that this memorandum might help in any such deliberations. Words like "should" represent a point of view - not instructions!

I. The Final Product

The Grand Assize should be directed towards producing a relatively short statement setting out the major findings, conclusions and policy recommendations. It should be primarily directed to the governments of the industrialized countries, including the Soviet Union. The Grand Assize should not try to make a comprehensive study of economic development. It will probably receive a number of memoranda and studies from governments, universities, research institutes and the World Bank Group. It should invite these to furnish memoranda and studies to help it make up its mind but it should not bog itself down by setting itself up as a research body and commission studies to cover the field comprehensively. The central objective should be to produce a policy action report, not to build up a deposit of studies to be mined by research workers over the next generation. Its report should be addressed to governments. (It is possible that one of its conclusions might be a call for a new Bretton Woods Conference, to bring about a reorganization of the entire development effort, but the objective should always be to influence governments.)

II. The Major Headings to be Covered

- A. The record of economic development since World War II:
  1. The record of the developing countries
    - a) Success stories, analysis of the causes;
    - b) The failures, i.e. countries that at the end of 20 years are no better off or are worse off than they were in 1946; the causes.
    - c) The record of the other LDC's.
  2. The record of the industrialized countries in the extension of economic aid. This would cover an analysis of:
    - a) Magnitudes and quality, including the terms of aid;
    - b) Analysis of distribution to recipient countries and the non-economic as well as economic criteria that this illustrates;
    - c) Evaluation of the relative burden borne by the various aid-givers.



3. Analysis of those elements of the world economic environment during this period that had an impact on economic development, i.e. the shift to POL as an energy source, the impact of technology on the demand for primary products, the growth rates in the developed countries, the self-sufficiency policies of the Soviet Bloc, decolonization, etc.

B. The development problems facing the developing countries now:

This should cover an analysis of the major development problems faced at the present time by the developing countries, region by region and country by country.

C. The economic development goals attainable by 1975, 1985, 2000, assuming reasonably satisfactory performance by the developing countries on the basis of each of the following major alternatives:

1. Continuation along present lines of the aid organizations, amounts, and aid and other international economic policies;
2. Assuming optimum economic aid organization, aid amounts, and aid and other economic policies;
3. Assuming a constant progression from 1 to 2 by 1975.

D. The optimum solutions in developed country policies in:

1. Technical assistance;
2. Research program for the LDC's;
3. The extension of economic aid, (a) amounts, (b) the techniques of lending (including such topics as multi-year aid commitments, program vs. project, and local currency financing, terms and conditions, etc.);
4. International trade and commodity policies.

E. Optimum and feasible performance standards for the LDC's:

This should include, in addition to the normal economic criteria such as rates of savings, effective planning and so forth, population control policies, investment in armaments, measures to bring about needed cultural and institutional changes.

F. The organizational implications of:

1. An optimum solution;
2. A reasonably feasible but improved solution over the present.

This might well include Supplementary Finance, an international organization to coordinate research on problems of the developing countries, even possibly consideration of a merger of the regional banks into the World Bank Group.



G. New Financing Ideas.

This section would cover discussion of proposals for new financing techniques; e.g. special taxes to reach percentage of national income targets, doubling or tripling the contributions of countries to World Bank paid-in capital, use or even the special creation of SDR's to make contributions to IDA, use of repayment of certain official bilateral loans and credits to LDC's as mechanism for contributing to IDA or otherwise providing concessional funds, investment by balance of payments surplus countries of their surpluses in World Bank Group securities, use of the results of the exploitation of the Continental Shelf and ocean bottom for financing development, and so forth.

This memorandum has had the benefit of discussions with others in the economic group.



D R A F T  
March 27, 1968

CANADIAN IMPORTERS' ASSOCIATION

Evaluation of World Economy

It is always a pleasure for me to have an opportunity to visit Canada again. My interest in Canadian affairs goes back a long time. [ When I was still a graduate student at Columbia University I had the great opportunity to be closely associated with Professor Bartlet Brebner, who taught, among other things, Canadian economic history. From then on out I have always had some reason or other to be concerned with Canadian affairs - first in the U.S. Treasury and then in the International Monetary Fund, and now in the World Bank. ] I am particularly honored and pleased to be able to speak to the Canadian Importers' Association, because most of my career has been centered on problems relating to international trade, whether problems of tariffs, exchange restrictions, exchange rates, quantitative restrictions, fiscal policy, international capital movements, etc. It is because I am of the conviction that the expansion of international trade is a pre-requisite for an expanding world economy that I have found such fascination in these problems throughout my career. Whether one's focal point is found in the problems of the richer industrial developed countries, or in the poorer developing countries, what they have in common is the beneficial effects of expanding their trade. I share with you the conviction that in removing obstacles to the freer flow of trade, we are serving not only the enlightened self-interest of countries, but also the interest of humanity.

Today our attention tends to be focused on international financial problems. The headlines of our newspapers vie with one another in dramatising our so-called monetary crises. Wherever I go I find that more people want to speak to me about gold, the dollar, the monetary system, and such matters, than about other aspects of the world economy. It is indeed a tribute to the mystique and



glamor associated with gold that, unlike most problems of economics, it can be the center of interest of peoples in all walks of life. I don't intend today, however, to focus my comments on the gold situation. With your indulgence I would rather review what I consider some of the major financial issues which affect international trade with which we are all so deeply concerned. I am sure that others at this Conference will also address remarks to this subject, as well as other aspects, such as tariff policy and domestic economic policy. The questions I would address myself to, are briefly: Do we have an adequate international financial system? If we don't, what should we do about it? If we do, why the repeated crises? Where does the expansion of development finance to the less developed countries fit into this picture? What are the prospects for the foreseeable future?

If I may say at the outset I will not try to give a balanced or detailed presentation of this very comprehensive subject of international finance. I will, however, be glad to furnish on request, the details and the statistics behind what I will say. I will instead try to share some thoughts with you, particularly those which may provoke some thinking on these aspects which tend to be neglected in current public discussions.

The international financial system is a complex combination of private banking and other financial institutions in many countries, central banks and governments, particularly their ministries of finance or treasuries. Most of the activities of the international financial system go unnoticed in the day-to-day private transactions among firms and individuals which make possible the international movement of goods and services and private capital without which the world economy would come to a standstill. The magnitude of these transactions has grown rapidly and the number of private financial institutions involved keeps multiplying. One measure of the growth is the holdings of



foreign exchange by banks, outside of official reserves; from 1958 to 1966, these have more than trebled, rising from \$7 billion to \$23 billion. The Euro-dollar market alone now has reserves exceeding \$15 billion. In the same period, international bond issues also trebled, rising from \$1 billion to \$3 billion. Among the major central banks of the world, particularly those in North America, Western Europe and Japan, in close collaboration with the Bank of International Settlements, there has evolved an intricate system of mutual support for their currencies through so-called swap lines, which now total more than \$14 billion. Quotas in the International Monetary Fund have been increased from \$8 billion in 1948 to \$21 billion in 1968. The governments as represented in the International Monetary Fund have accepted a code of behavior in the field of international monetary relations of which the principal ingredients for the purposes we are considering today, are adherence to exchange rates changed only with the concurrence of the IMF and the avoidance of restrictions on current payments. In effect, this has meant a system in which most of the major exchange rates of the world tend to be fixed for long periods of time while international trade and services are freed from the hampering effect of exchange controls.

This international financial system was to some extent rebuilt and to some extent brought newly into being over a considerable period of years extending roughly from the end of World War II to the end of the 1950's. It involved major and, at times heroic, changes in the domestic monetary fiscal and other policies of governments concerned. It reflected a common agreement that this kind of system was best suited to serve the needs of their own national economies and provide the framework for expanding international trade and flows of capital.



There were many setbacks, including, for example, the need for Canada to have a fluctuating exchange rate, but steady progress was the rule. From time to time it involved changes in major exchange rates such as sterling in 1949 and in 1967 and the French franc in 1957 and 1958, but again exchange rate stability, rather than instability, has been the rule. Discrimination in trade was reduced and tariffs lowered, restrictions on international trade became less important. There were major landmarks in this history, including the beginning of operations of the IMF in 1946 and 1947, the formation of the European Payments Union followed by the European Monetary Agreement, the series of successful multilateral tariff negotiations conducted by the GATT -- most recently the so-called Kennedy Round, the establishment of European currency convertibility under the IMF at the end of 1958, and the establishment of the Common Market.

The existing international financial system has shown remarkable strength and resiliency in coping with dramatic changes in the world economy and surviving major strains, despite the blaring headlines to which we have now become so accustomed during the last few years.

First let me draw your attention to some of the major changes in the world economy which have taken place during this period of time within the framework of this international financial system; indeed, in many cases these changes could not have been made without the prevailing international financial system. Leaving aside the immediate period of years after the war, as essentially years of re-building and reconstruction, let us look for a moment at what happened in the 1950's and 1960's. The Gross National Product of the West European countries increased from 1950 to 1967 by 118%. At the same time there were marked differences among these European countries. While Germany grew by 160% over this period, France and the United Kingdom grew by 104% and 62% respectively. The exports of these countries rose to \$20 billion



in 1950 and \$50 billion in 1960, and in 1967 to \$89 billion, or an increase of 338% over the entire period. Although world trade had grown in the same period by the spectacular increase of 245%, Europe's trade had grown even more. During this same period Japan began to see the fruits of an economic policy focused on the need to increase the output and efficiency of Japanese industry and accomplished primarily by continuing emphasis on the pursuance of domestic policies designed to keep Japanese exports attractive in foreign markets and avoid diversion of exports to domestic consumption. Japanese exports increased at an average 16% per year. This economic performance was greatly facilitated by a policy of liberalizing imports which provided not only the needed raw materials and component parts for industry, but also provided competition from industries abroad, without which Japanese industry might never have been spurred to its achieved heights of present-day efficiency.

Canada, during the same period, showed a similar remarkable expansion in its economy and its foreign trade, although not as spectacular as that of Western Europe and Japan. The United States also experienced a decade of remarkable growth although, as was expected and indeed to some extent deliberately designed, the growth in the U.S. economy was not as rapid as that of Western Europe or Japan. We sometimes tend to forget that the United States in the 1940's and 1950's took many steps to encourage the rapid growth of the European and Japanese economies, including the encouragement of the formation of the Common Market, and to encourage a redistribution of monetary reserves to strengthen the currencies of these countries.

This period also saw the expansion in population from 2½ billion in 1950 to nearly 3½ billion in 1967. New states of a number and variety unthought of came into existence, and we still haven't seen the end of this phase of state



building. Modern technology, which was brought dramatically to the attention of the common man through the space achievements of the late 1950's, spread throughout the world and most particularly, throughout the developed world. Outstanding feats of communication, transportation, research and development became so commonplace as to lose their newsworthiness, and, of course, this process still goes on.

I could continue for some time on this cataloguing of major changes but I cite these as examples rather than a comprehensive catalogue of the changes in the world economy since 1950. What is for me truly remarkable is that the international financial system has been able to adapt itself to these major changes without fundamentally affecting its essential ingredients. In previous generations other international financial systems endured over relatively long periods of time, but these had not been periods in which such rapid and large changes characterized economies all over the planet. The international financial system today is dealing with what can only be regarded as a planetary economy. What used to be called the world economy was indeed only part of the entire planet, but this is no longer true.

In addition, to these changes in the world economy, we have seen major strains not related to the growth in the economy itself. These strains have had their genesis largely in other causes, although the changes in world economy could well have been one of the contributing factors. Allow me to give you some examples of these. One example is the domestic social and economic difficulties of the United States, particularly as reflected in its budgetary problems. The U.S. budgetary difficulties and the resulting monetary consequences cannot be attributed to the expansion of the world economy but find their roots in international difficulties as well as in deep social problems. The protracted U.S. balance of payments deficit which now pre-occupies so much attention of governmental authorities everywhere can only,



in small part, be attributed to the expansion of the world economy. Mostly the too have their origins essentially in causes not related to the expansion of the world economy.

Repeated rumors of currency devaluations leading to large speculative capital movements have characterized international financial relations for many years; they too were not the inevitable accompaniment of an expanding world economy, but instead were closely related to private guesses on what governments were or were not likely to do. Increased hoarding of gold, fears of U.S. private business taking over industries abroad; increasing reluctance by monetary authorities outside of the U.S., particularly in Western Europe, to accumulate ever larger balances of U.S. dollars; the stagnation in the net outflow of capital to less developed countries; these and other strains have shaken confidence in the international financial system. They have raised questions whether the progress we have made until now in freeing international trade from restraints of all kinds can be maintained. They have led already to restraints on capital movements which are defended primarily on the grounds of unavailability. They have led to fears that the system of exchange rate stability and freedom from restrictions on current payments cannot be maintained. Indeed, they have caused a number to become positive advocates of such changes.

However, while there have been some important setbacks and there have been growing fears, the international financial system remains essentially the same; certain undesired events have not occurred. We have not slipped back into an era of competitive exchange rate adjustments with beggar-thy-neighbor policies ruling major governments. We are striving to achieve even more tariff reductions of which the Kennedy Round was the latest example. We have seen no major default on international indebtedness and the prompt payment of international bills is still regarded as normal. The world economy continues to expand. Inflationary pressures continue to be felt as a capital scarcity which has



characterized the whole post-war period, continues to prevail. High interest rates rule in all capital markets -- in some cases at virtually unprecedentedly high levels. But in no major economy have inflationary pressures become unmanageable. Balance of payments difficulties beset a number of countries and in some cases attempts to cope with the difficulties have thus far not been successful. But throughout all the international financial system has continued to operate with extraordinary efficiency.

My own explanation for this phenomenon is that the reasons are a combination of the resiliency of the private sectors, particularly the banking and trading communities in the industrial countries, together with the widespread conviction that the countries concerned have a common interest in the defense of the international financial system. This view does not, of course, argue that there is no room for adaptation or strengthening of the system. Such adaptations and strengthening are going on constantly and further alterations are being considered most carefully, as can be read on the front pages of newspapers all over the world. The continuing system of mutual support among central banks, to which I have referred before, did not exist ten years ago. The International Monetary Fund is a much stronger and more influential institution than in earlier years. The many international discussions over recent years have indicated that if there is international agreement that more international liquidity needs to be created, this can be done within the framework of existing international monetary institutions. The recent change in the exchange rate for sterling indicated that it was possible for a major country to change its exchange rate without bringing about a wholesale change in the exchange rate of other major countries, or in other words, that there was willingness of other countries to allow a major industrial competitor to improve its competitive position if necessary, to cope with its balance of payments difficulties as long as the change made was not so large as



to be regarded as unfair or unreasonable. The frequent meetings which have taken place in Europe and North America on the so-called gold problem may be perplexing in their frequency and technicalities but they reflect the recognition that decisions in this field in an inter-dependent world of today cannot be made unilaterally by any one country. A return to economic nationalism is a constant threat and evidence of backsliding in this direction can be seen but, if the balance sheet is struck today, I believe the totality is that we have not returned to economic nationalism, we have not yet thrown out the baby with the bath. However, this is not to say that we will not do so. To avoid fatal errors we must distinguish carefully the causes of our present international difficulties from their effects and recognize the progress that is being made in the world economy, the causes of such progress, and the role of the present international financial system in achieving and maintaining this progress.

We are indeed living in difficult times, but I am convinced that as long as the international will to collaborate and cooperate exists, the present international system can be adapted to changing conditions without restricting the growth of world economy or world trade on the one hand, or unleashing unwanted and uncontrollable inflationary forces on the other. Of basic importance is the avoidance of serious inflationary pressures in the major industrial countries by the pursuance of careful monetary and fiscal policies, together with the pursuance of international policies designed to permit the expanding world economy to function smoothly and efficiently. Our four major compass points should be growth in the world economy, expanding international trade, avoidance of inflation, and acceleration of the development process in the poorer countries. If we measure suggestions for change in the international financial system by these criteria, we need not fear the



consequences of such change. I may, of course, be proven wrong, but my own conviction is that for the foreseeable future the fundamental ingredients in the international financial system will remain and indeed it will be found wise and desirable to try to undo the backsliding that has taken place as soon as this is feasible.

Another conviction I would like to share with you is the belief that the inevitable concentration of attention on the financial problems of the developed countries hides a much more profound threat to the international financial system. Underneath the roaring and foaming surf and spectacular mountainous waves which now seem to characterize our financial international relations and which capture our attention, there is a deep and terribly strong current which is endangering the international financial system, namely the failure to find a solution to the problems of the less developed countries. Our experience since the end of World War II indicates that it is in the poorer countries that we find the causes of international friction and even military operations. Those countries which have found themselves embroiled in such international hostilities have been the very ones that have been causes of the most serious disturbances to the international financial system. (I am, of course, leaving aside entirely the question of the justification or reasons for these military or defense operations.) However, whether we look at France in the 1950's, or England in the 1950's, or the U.S. in the 1960's, we find that it is the ~~an~~ need to have very large defense expenditures at home and abroad which make it difficult for these countries to achieve the kind of international behavior compatible with the smooth functioning of the international financial system. These international difficulties frequently had their genesis in the poorer developing countries. Large defense expenditures inevitably mean huge budgets and unwanted budgetary deficits. They also inevitably have a large foreign exchange component. A combination of these



factors make the maintenance of domestic monetary stability and a viable external payments position very difficult. They may well create situations which call for either drastic reductions in ordinary domestic expenditures, or very large increases in taxes, combined with restrictive monetary policies, if serious inflation and balance of payments difficulties are to be avoided. To adopt such harsh policies, there is need for public understanding and support. There is also need for international understanding, since the international financial system in the ultimate depends on international cooperation. Friction and hostilities which arise in the less developed poorer countries thus raise serious problems for successful domestic and international financial management. But continued peaceful relations with the developing countries will be most difficult to achieve as long as they experience repeated frustrations in their efforts to improve their economic and social wellbeing. If social, economic and political instability in the developing countries leads repeatedly to the need for huge budgetary expenditures and large budgetary deficits and large protracted balance of payments deficits in the developed countries, the viability of any international financial system will be brought into question. It is essentially for these reasons that I believe that the future of the international financial system is closely linked with the future of development finance.

At this point we may look briefly at the experience of the poorer developing countries. Before beginning any further comments it is probably desirable to point to a wellknown fact but one which cannot be over-stated in importance. Of the somewhat more than 3.4 billion people on this planet, well over 2 billion live in these poorer countries. When we talk about the fate of humanity we are talking about the fate of these people in these countries. These countries vary a great deal in political systems from communist China to democratic India - in levels of income from the unbelievable



per capital levels of \$60 or less in some countries of Africa and Asia, to countries like Argentina, which are close to European standards. In social and cultural terms, from ancient societies like those in the Near East to new countries like those in Africa. I emphasize this because inevitably we are driven to generalization about these countries and too often forget the great diversity underneath these generalizations. These countries too have seen growth in the post-war period. Indeed, their rates of growth are comparable with those of Western Europe but the very low levels from which they began mean that in order to close the gap between themselves and Western Europe they will have to some day enter much more rapid rates of growth such as those we have witnessed in Japan and in Southern Italy. In the meantime, these countries have to make every effort to make economic development their top priority in domestic politics. Indeed, unless they do so, whatever else the rest of the world does can be of little avail. Most of the development effort -- about 80% of it -- is financed with resources from these countries themselves. Even if the developed countries were to provide the \$4 billion more of development finance which we estimate these countries could use effectively and productively today, the percentage of resources which would come from their own efforts would still be about the same, 80%. Some indication of the significance of this \$3 to \$4 billion gap is seen by measuring it against the present net outflow of official funds to these countries of about \$6 to \$7 billion per year, while what it means for the providing countries may be roughly seen in the fact that the developed countries of Western Europe, North America and Japan, are now growing at a rate of about \$60 billion per year or a combined national income of \$1,500 billion a year.



The question is not whether to shift the burden of development from the less developed countries to developed countries -- this cannot be done -- the question is whether the developed countries are prepared to make it possible for the developing countries to achieve and maintain rates of growth made possible by the efforts of these developing countries. The need to educate, the need to control population, the need to improve food production, the need to achieve efficient export industries, the need to have viable political and social systems -- these and other needs can only be met by the efforts of the peoples in these countries. The contribution of the richer developed countries, however, is not made less by these facts, for in giving access to the exports of the poorer countries to the markets in the developed countries and in providing the critically needed additional capital in the form of foreign exchange, it is possible to set and keep in motion the mechanism of accelerated growth without which there is little or no hope for the future.

I have just returned from attending the United Nations Conference on Trade and Development in New Delhi. For many it seemed to be a failure of a conference. For me it was a failure of the countries of the world to recognize the urgent need to collaborate more closely and more effectively in their mutual interest.

I have now come to my final point. The international financial system which we have is one that we have chosen to have. It is a mechanism and a means to achieve desired objectives. It must be tested by standards of efficiency and feasibility. It must be able to meet the unexpected crises as well as the expected day-to-day events. No international financial system can be or should be immune to criticisms and suggestions for change. But in assessing the efficiency of the system and in judging the need for change as a basis for advocating any particular change, the underlying strengths and benefits of a system as well as its seeming shortcomings, should be taken into



account. Our present system has come into existence only after much experience and failures of other alternatives. Pollyannish optimism is out of place in a hard-hearted field like finance, but also out of place is unwarranted and unrealistic cynicism or pessimism.

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CANADIAN IMPORTERS' ASSOCIATION

Evaluation of World Economy

It is always a pleasure for me to have an opportunity to visit Canada again. My interest in Canadian affairs goes back a long time. [ When I was still a graduate student at Columbia University I had the great opportunity to be closely associated with Professor Bartlet Brebner, who taught, among other things, Canadian economic history. From then on out I have always had some reason or other to be concerned with Canadian affairs - first in the U.S. Treasury and then in the International Monetary Fund, and now in the World Bank.] I am particularly honored and pleased to be able to speak to the Canadian Importers' Association, because most of my career has been centered on problems relating to international trade, whether problems of tariffs, exchange restrictions, exchange rates, quantitative restrictions, fiscal policy, international capital movements, etc. It is because I am of the conviction that the expansion of international trade is a pre-requisite for an expanding world economy that I have found such fascination in these problems throughout my career. Whether one's focal point is found in the problems of the richer industrial developed countries, or in the poorer developing countries, what they have in common is the beneficial effects of expanding their trade. I share with you the conviction that in removing obstacles to the freer flow of trade, we are serving not only the enlightened self-interest of countries, but also the interest of humanity.

Today our attention tends to be focused on international financial problems. The headlines of our newspapers vie with one another in dramatising our so-called monetary crises. Wherever I go I find that more



people want to speak to me about gold, the dollar, the monetary system, and such matters, than about other aspects of the world economy. It is indeed a tribute to the mystique and glamor associated with gold that, unlike most problems of economics, it can be the center of interest of peoples in all walks of life. I don't intend today, however, to focus my comments on the gold situation. With your indulgence I would rather review what I consider some of the major financial issues which affect international trade with which we are all so deeply concerned. I am sure that others at this Conference will also address remarks to this subject, as well as other aspects, such as tariff policy and domestic economic policy. The questions I would address myself to, are briefly: Do we have an adequate international financial system? If we don't, what should we do about it? If we do, why the repeated crises? Where does the expansion of development finance to the less developed countries fit into this picture? What are the prospects for the foreseeable future?

If I may say at the outset I will not try to give a balanced or detailed presentation of this very comprehensive subject of international finance. I will, however, be glad to furnish on request, the details and the statistics behind what I will say, I will instead try to share some thoughts with you, particularly those which may provoke some thinking on these aspects which tend to be neglected in current public discussions.

The international financial system is a complex combination of private banking and other financial institutions in many countries, central banks and governments, particularly their ministries of finance or treasuries. Most of the activities of the international financial system go unnoticed in the day-to-day private transactions among firms and individuals which make possible the international movement of goods and services and private



capital without which the world economy would come to a standstill.

Data?

The magnitude of these transactions has grown rapidly and the number of private financial institutions involved keeps multiplying. Among the major central banks of the world, particularly those in North America, Western Europe and Japan, there has evolved an intricate system of

Figures on  
swaps -  
size of IMF?

mutual support for their currencies through so-called swap and other similar arrangements and with the close collaboration with the Bank of International Settlements and the International Monetary Fund. The governments as represented in the International Monetary Fund have accepted a code of behavior in this field of which the principle ingredients are adherence to exchange rates charged only with the concurrence of the IMF and the avoidance of restrictions on current payments. In effect, this has meant a system in which most of the major exchange rates of the world tend to be fixed for long periods of time while international trade and services are freed from the hampering effect of exchange controls.

This international financial system was to some extent rebuilt and to some extent brought newly into being over a considerable period of years extending roughly from the end of World War II towards the end of the 1950's. It involved major and, at times heroic, changes in the domestic monetary fiscal and other policies of governments concerned. It reflected a common agreement that this kind of system was best suited to serve the needs of their own national economies and provide the framework for expanding international trade and flows of capital.

There were many setbacks, including the need for Canada to have a fluctuating exchange rate, but steady progress was the rule. From time to time it involved changes in major exchange rates such as sterling



in 1949 and the French franc in 1959, but again exchange rate stability, rather than instability, was the rule. Discrimination in trade was reduced and tariffs lowered, restrictions on international trade became less important. There were major landmarks in this history, including the beginning of operations of the IMF in 1946 and 1947, the European Payments Union followed by the European Monetary Agreement, the series of successful multilateral tariff negotiations conducted by the GATT, the establishment of European currency convertibility under the IMF at the end of 1958, the establishment of the Common Market and most recently the Kennedy Round of tariff negotiations.

This international financial system has shown remarkable strength and resiliency in coping with dramatic changes in the world economy and surviving major strains, despite the blaring headlines to which we have now become so accustomed during the last few years.

First let me draw your attention to some of the major changes in the world economy which have taken place during this period of time within the framework of this international financial system - indeed, in many cases these changes could not have been made without the prevailing international financial system. Leaving aside the immediate period of years after the war, as essentially years of rebuilding and reconstruction, let us look for a moment at what happened in the 1950's and 1960's. The Gross National Product of the European countries increased from 1950 to 1960 by \_\_\_\_\_% and by \_\_\_\_\_% from 1960 to 1967. At the same time there were marked changes among these European countries. While Germany grew by \_\_\_\_\_% over this period, France and the United Kingdom grew by \_\_\_\_\_% and \_\_\_\_\_% respectively. The international trade of Europe grew even more



spectacularly. The exports of these countries rose to \_\_\_\_\_ in 1950 and \_\_\_\_\_ in 1960, and in 1967 \_\_\_\_\_, or an increase of \_\_\_\_\_%. Although world trade had grown in the same period by the spectacular increase of \_\_\_\_\_%. Europe's rise in the total had grown even more. During this same period Japan began to see the fruits of an economic policy focused on the need to increase the output and efficiency of Japanese industry and accomplished primarily by continuing emphasis on the pursuance of domestic policies designed to keep Japanese exports attractive in foreign markets and avoid diversion of exports to domestic consumption. Export increases of over 15% a year became commonplace for the Japanese economy. This economic performance was greatly facilitated by a policy of liberalizing imports which provided not only the needed raw materials and component parts for industry, but also provided competition from industries abroad, without which Japanese industry might never have been spurred to its achieved heights of present-day efficiency.

Canada, during the same period, showed a similar remarkable expansion in its economy and its foreign trade, although not as spectacular as that of Western Europe and Japan [check out]

Give figures.

The United States also experienced a decade of remarkable growth although, as was expected and indeed deliberately designed, the growth in the U.S. economy was not as rapid as that of Western Europe or Japan.

Give figures.

We sometimes tend to forget that the United States in the 1940's and 1950's took many steps to encourage the rapid growth of the European and Japanese economies, including the encouragement of the formation of the Common Market. This decade also saw the expansion in population, which has continued into the 1960's. New states of a number and variety un-

Give figures.



thought of came into existence, and we still haven't seen the end of this phase of state building. Modern technology, which was brought to the attention of the common man through the space achievements of the late 1950s, spread throughout the world and most particularly, throughout the developed world. Outstanding feats of communication, transportation, research and development became so commonplace as to lose their newsworthiness, and of course this process still goes on.

I could continue for some time on this cataloguing of major changes but I cite these as examples rather than a comprehensive catalogue of the changes in the world economy since 1950. What is for me truly remarkable is that the international financial system has been able to adapt itself to these major changes without fundamentally affecting its essential ingredients. In previous generations other international financial systems endured over relatively long periods of time, but this had not been periods in which such rapid and large changes characterized economies all over the planet. The international financial system today is dealing with what can only be regarded as a planetary economy. What used to be called the world economy was indeed only part of the entire planet, but this is no longer true.

In addition to these changes in the world economy, we have seen major strains not related to the growth in the economy itself. These strains have had their genesis essentially in other causes, although the changes in world economy could well have been one of the contributing factors. Allow me to give you some examples of these. One example is the domestic social and economic difficulties of the United States, particularly as reflected in its budgetary problems. The U.S. budgetary difficulties and the resulting monetary



consequences cannot be attributed to the expansion of the world economy but find their roots in international difficulties as well as in deep social problems. The protracted U.S. balance of payments deficits which now preoccupies so much attention of governmental authorities everywhere can only, in small part, be attributed to the expansion of the world economy. Mostly they too have their origins essentially in causes nonrelated to the expansion of the world economy. Repeated rumors of currency devaluations leading to large speculative capital movements have characterized international financial relations for many years; then too were not the inevitable accompaniment of an expanding world economy, but instead were closely related to private guesses on what governments were or were not likely to do; increased hoarding of gold, fears of U.S. private business taking over industries abroad; increasing reluctance by monetary authorities outside of the U.S., particularly in Western Europe, to accumulate ever larger balances of U.S. dollars; the stagnation in the net outflow of capital to less developed countries; these and other strains have shaken confidence in the international financial system. They have raised questions whether the progress we have made until now in freeing international trade from restraints of all kinds can be maintained. They have led already to restraints on capital movements which are defended primarily on the grounds of unavailability. They have led to fears that the system of exchange rate stability and freedom from restraints on current payments cannot be maintained. Indeed, they have caused a number to become positive advocates of such changes. However, while there have been some important setbacks and there have been growing fears, the international financial system remains essentially the same; certain undesired events have not occurred. We have not slipped back into an



era of competitive exchange rate adjustments with beggar-they-neighbor policies ruling major governments. We are striving to achieve even more tariff reductions of which the Kennedy Round was the latest example. We have seen no major default on international indebtedness and the prompt payment of international bills is still regarded as normal. The world economy continues to expand. Inflationary pressures continue to be felt as a capital scarcity which has characterized the whole post-war period, continues to expand. High interest rates rule in all capital markets -- in some cases at virtually unprecedentedly high levels. But in no major economy has inflationary pressures become unmanageable. Balance of payments difficulties beset a number of countries and in some cases attempts to cope with the difficulties have thus far not been successful. But throughout all the international financial system has continued to operate with extraordinary efficiency.

My own explanation for this phenomenon is that the reasons are a combination of the resiliency of the private sectors, particularly the banking and trading communities in the industrial countries, together with the widespread conviction that the countries concerned have a common interest in the defense of the international financial system. This view does not, of course, argue that there is no room for adaptation or strengthening of the system. Such adaptations and strengthening are going on constantly and further alterations are being considered most carefully, as can be read on the front pages of newspapers all over the world. The continuing system of mutual support among central banks, to which I have referred before, did not exist ten years ago. The International Monetary Fund is a much stronger and more influential institution than in earlier years. The many international discussions over recent years have indicated that if



there is a common agreement that more international liquidity needs to be created, this can be done within the framework of existing international monetary institutions. The recent change in the exchange rate for sterling indicated that it was possible for a major country to change its exchange rate without bringing about a wholesale change in the exchange rate of other major countries, or in other words, that there was willingness of other countries to allow a major industrial competitor to improve its competitive position if necessary, to cope with its balance of payments difficulties as long as the change made was not so large as to be regarded as unfair or unreasonable. The frequent meetings which have taken place in Europe and North America on the so-called gold problem may be perplexing in their frequency and technicalities but they reflect the recognition that decisions in this field in an inter-dependent world of today cannot be made unilaterally by any one country. A return to economic nationalism is a constant threat and evidence of backsliding in this direction can be seen in many places, but, if the balance sheet is struck today, I believe the totality is that we have not returned to economic nationalism, we have not yet thrown out the baby with the bath. However, this is not to say that we will not do so. To avoid fatal errors, we must distinguish carefully the causes of our present international difficulties from their effects and recognize the progress that is being made in the world economy, the causes of such progress, and the role of the present international financial system in achieving and maintaining this progress.

We are indeed living in difficult times, but I am convinced that as long as the international will to collaborate and cooperate exists, the present international system can be adapted to changing conditions



without restricting the growth of world economy or world trade on the one hand, or unleashing unwanted and uncontrollable inflationary forces on the other. Of basic importance is the pursuance of careful monetary and fiscal policies in the major industrial countries, together with the pursuance of international policies designed to permit the expanding world economy to function smoothly and efficiently. Our four major compass points should be growth in the world economy, expanding international trade, avoidance of inflation, and acceleration of the development process in the poorer countries. If we measure suggestions for change in the international financial system by this criteria, we need not fear the consequences of such change. I may, of course, be proven wrong, but my own conviction is that for the foreseeable future the fundamental ingredients in the international financial system will remain and indeed it will be found wise and desirable to try to undo the the backsliding that has taken place as soon as this is feasible.

~~Need for consensus international - also directly crises generated in LDC's activate both internal and external discussions - take needed decisions~~ <sup>discussions</sup> ~~get needed international cooperation essential to system.~~

Another conviction I would like to share with you is the belief that the inevitable concentration of attention on the financial problems of the developed countries hides a much more profound threat to the international financial system. Underneath the roaring and foaming surf and spectacular mountainous waves which now seem to characterize our financial international relations and which capture our attention, there are deep and terribly strong currents which are endangering the international financial system, namely the failure to find a solution to the problems of the less developed countries. Our experience since the end of World War II



indicates that it is in the poorer countries that we find the causes of international friction and even military operations. Those countries which have found themselves embroiled in such international hostilities have been the very ones that have been causes of the most serious disturbances to the international financial system. I am leaving aside entirely the question of the justification or reasons for these military or defense operations. However, whether we look at France in the 1950's, or England in the 1950's, or the U.S. in the 1960's, we find that it is the need to have large defense expenditures at home and abroad which make it most difficult for these countries to achieve the kind of international behavior compatible with the smooth functioning of the international financial system. These international difficulties frequently had their genesis in the poorer developing countries. Large defense expenditures inevitably mean huge budgets and budgetary deficits. They also inevitably have a large foreign exchange component. A combination of these factors make the maintenance of domestic monetary stability and a viable external payments position very difficult, if not impossible. Moreover, they create situations which call for either drastic reductions in ordinary domestic expenditures, or very large increases in taxes. At the same time, because these hostilities tend to take place in distant lands, and for reasons which are not always self-evident to all, have often been characterized by wide internal and international disassociation. The internal disassociation makes it difficult to obtain the necessary financial measures to cope with the consequences of the large defense expenditures. The international disassociation makes it difficult to obtain the international cooperation which is a vital pre-requisite for the functioning of the i



international system. Continued peaceful relations with the developing countries will be most difficult to achieve as long as they experience repeated frustrations in their efforts to improve their economic well-being. If social, economic and political instability in the developing countries leads to the need for huge budgetary expenditures and large budgetary deficits, and large protracted balance of payments deficits, the viability of any international financial system will be in question. It is essentially for these reasons that I believe that the future of the international financial system is closely linked with the future of development finance.

At this point we may look briefly at the experience of the poorer developing countries. Before beginning any further comments it is probably desirable to point to a wellknown fact but one which cannot be over-stated in importance. Of the somewhat more than three billion people on this planet, over two billion live in these poorer countries. When we talk about the ~~future~~ fate of humanity we are talking about the fate of these people in these countries. These countries vary a great deal in political systems from communist China to democratic India - in levels of income from the unbelievable per capita levels of \$60 or less in countries of Africa and Asia, to countries like Argentina, which are close to European standards. In social and cultural terms, from ancient societies like those in the Near East to new countries like those in Africa. I emphasize this because inevitably we are driven to generalization about these countries and too often forget the great diversity underneath these generalizations. These countries too have seen growth in the post-war period. Indeed, their rates of growth are comparable with those of Western Europe but the very low levels from which they began mean that in order to close the gap between themselves and Western Europe they will have



to some day enter much more rapid rates of growth such as those we have witnessed in Japan and in Southern Italy. In the meantime, these countries have to make every effort to make economic development their top priority in domestic politics. Indeed, unless they do so, whatever else the rest of the world does can be of little avail. Most of the development effort - about 80% of it - is financed with resources from these countries themselves. Even if the developed countries were to provide the \$4 billion more of development finance which we estimate these countries could use effectively and productively today, the percentage of resources which would come from their own efforts would still be about the same, 80%. Some indication of the significance of this \$3 to \$4 billion gap is seen by measuring it against the present net outflow of official funds to these countries of about \$6 to \$7 billion, while what it means for the providing countries may be roughly seen in the fact that the developed countries of Western Europe, North America and Japan, are now growing at a rate ~~xxx~~ of about \$60 billion per year or a combined national income of \$1,300 billion a year.

The question is not whether to shift the burden of development ~~xxx~~ from the less developed countries to developed countries -- the question is whether the developed countries are prepared to make it possible for the developing countries to achieve and maintain rates of growth made possible by the bootstrap operations of these developing countries. The need to educate, the need to control population, the need to improve food production, the need to achieve efficient export industries, the need to maintain viable political and social systems -- these and other needs can only be met by the efforts of the peoples in these countries. The contribution of the richer developed countries, however, is not made less



by these facts, for in giving access to the exports of the poorer countries to the markets in the developed countries and in providing the critically needed additional capital in the form of foreign exchange, it is possible to set and keep in motion the mechanism of accelerated growth without which there is little or no hope for the future.

I have just returned from attending the United Nations Conference on Trade and Development in New Delhi. For many it seemed to be a failure of a Conference. For me it was a failure of the countries of the world to recognize the urgent need to ~~work~~ collaborate more closely and more effectively in their mutual interest.

I have now come to my final point. The international financial system which we have is one that we have chosen to have. It is a mechanism and a means to achieve desired objectives. It must be tested by standards of efficiency and feasibility. It must be able to meet the unexpected crises as well as the expected day-to-day events. No international financial system can be or should be immune to criticisms and suggestions for change. But in assessing the efficiency of the system and in judging the need for change as a basis for advocating any particular change, the underlying strengths and benefits of a system as well as its more obvious shortcomings, should be taken into account. Our present system has come into existence only after much experience and failures of other alternatives. Pollyannish optimism is out of place in a hard-hearted field like finance, but also out of place is unwarranted and unrealistic cynicism or pessimism.

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March 26, 1968

Mr. Dyck

206

I don't disagree with your judgment on Kubota, but would appreciate knowing the basis of your judgment.

Thanks.

Irving S. Friedman

(Corres. with Koichi Kubota)



March 26, 1968

Mr. John Adler

873

Yes. Although I think it would  
justify a regular meeting!

Irving S. Friedman

(Economic Committee meeting on  
India before Consortium meeting)



March 26, 1968

Mr. de Vries

873

I agree, and will, at the appropriate time, discuss this idea with Mr. McNamara.

Irving S. Friedman

(Bank Discussion of Economic Studies and Economic Policy - think this should be done by Economic Committee before being finally presented to President.)



Mr. George D. Woods

March 26, 1968

Irving S. Friedman

Suggestion by Ed Martin of a meeting of Key "Aid" People

I saw Ed Martin at the UNCTAD meeting in New Delhi. Both he and Kristensen were visiting the UNCTAD meeting. Martin mentioned that he was trying to arrange an informal and off-the-record meeting of key people in the aid field. The names he mentioned to me were yourself, Mr. McNamara, Bill Gaud, Paul Hoffman, Maurice Strong, David Bell, and someone whose name I cannot recall from the Rockefeller Foundation.

At the moment he said he was having trouble arranging for a "sponsor" for the meeting. I gathered, from a completely separate conversation with Maurice Strong, that the latter had suggested to Martin that such a meeting take place because ordinarily the heads of aid agencies did not have a chance to meet on an off-the-record basis. However, I gather that Martin is pushing the idea more rapidly than Strong had originally envisaged.

You may, of course, know all this, but the above is sent to you just in case.



March 26, 1968

Dear Dean Little:

I am taking the liberty of writing to you about the date of my lecture. You will recall that in your letter of February 20 you indicated that if I encountered some difficulties perhaps I could lecture on August 7 instead of July 31. It does seem now that August 7 would be a better date for me, and, if the dates could be switched, I would appreciate it very much. However, if they cannot be switched at this date, I will stay with the July 31 date.

I would appreciate your letting me know as soon as you can whether a switch is possible.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

Dean J.R. Little  
Associate Dean of the Faculties, and  
Chairman, Summer Lecture Series Committee  
University of Colorado  
Boulder, Colorado 80302



March 26, 1968

Dear Mr. Dell:

Thank you for your letter of March 15.

I am looking forward to receiving the first edition replica set of the Encyclopaedia Britannica. It should be fascinating.

Sincerely yours,

Irving S. Friedman  
The Economic Adviser to the President

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



March 18 1968

Dear Mr. Horie,

On Mr. Friedman's behalf I would like to acknowledge receipt of your letter of March 9 enclosing your speech The Defense of Dollar and Japan.

Mr. Friedman is at present out of the country but this will be brought to his attention on his return.

Yours sincerely,

Daphne McGregor  
Secretary to Mr. Friedman

Mr. Shigeo Horie  
President  
The Institute for International  
Studies and Training  
Tokyo  
Japan



March 14 1968

Mrs. Eliason -  
Information Dept. Room : 461

Doris:

Mr. Friedman, as per the attached copy of the letter from Monsignor Carlo Ferrero, promised to have the Pro Deo Association placed on our mailing list for future Bank documents.

On checking with Professor Tamagna he also said he would have mailed to the Association "significant publications" - including Bank and IFC Annual Reports since 1961.

Your assistance is much appreciated. Thanks.

*Raph*



March 14 1968

Dear Monsignor Ferrero,

On Mr. Friedman's behalf I would like to acknowledge receipt of your letter of March 4 (ref: Prot.n.: CF/3302) to let you know that our Information Department will be mailing the material to you.

Mr. Friedman is in India, but we expect him back in the office March 25.

Yours sincerely,

Daphne McGregor  
(Secretary to Mr. Friedman)

Monsignor Carlo Ferrero  
International Pro Deo Association  
Viale Pola 12  
Rome  
Italy

cc: Professor Tamagna  
Mrs. Eliason



*Sent to Dennis Anderson, Canada*

ASIA

INDIA (this list could be extended indefinitely)

I.G. Patel, Chief Economic Advisor to Government of India, Ministry of Finance  
J.J. Anjaria (presently Deputy Governor, Reserve Bank)  
B.K. Nehru  
B.K. Lall  
Professor K.N. Raj (now in EDI-IBRD)  
Krishnamoorthi (now Vice President, Asian Development Bank)  
Krishnaswamy (Director, EDI-IBRD)

PAKISTAN

Governor S.A. Hasnie (former Governor State Bank of Pakistan)  
Anjad Ali  
Anwar Ali (now Saudi Arabian) Monetary Agency, Jedda

THAILAND

Mrs. Suparb Yossundara (Bank of Thailand)

JAPAN

Gengo Suzuki (Bank of Japan)  
Takeshi Watanabe (President, Asian Development Bank)  
Saburo Okita (Japan Economic Research Center, Tokyo)  
Shigeo Horie (Japan Institute for International Studies and Training)

AUSTRALIA

Sir John Crawford

AFRICA

Sir Arthur Lewis  
Chief Adebo (UN)  
Tom Mboya  
Mamoun Beheiry (African Development Bank)



MIDDLE EAST

IRAN

Mehdi Saami (now Governor, Bank Melli, Teheran, Iran)  
Abdol Ebtahaj (Iranian's Bank, Teheran, Iran)

ISRAEL

Governor David Horowitz, Bank of Israel

SUDAN

A.R. Merghani, Governor Bank of Sudan, Kharthoum

U.A.R.

A.M. Kaissouni  
A. El Grithi

LEBANON

Paul Klat

LATIN AMERICA

ARGENTINA

Dr. Raul Prebisch, Secretary-General UNCTAD  
Adalbert Krieger Vasena (now Minister of Economy & Labor)  
Roberto Alemann

BRAZIL

Octavio Bulhoes  
Roberto Campos  
Professor Gudin, Varga Institute

CHILE

Raul Saez  
Jorge Marshall (now with CIAP temporarily)  
Felipe Herrera (Inter-American Bank)  
Luis Escob (ED-IBRD)



CUBA

Felipe Pazos (Inter-American Bank)

MEXICO

Rodrigo Gomez (Director General, Banco de Mexico, S.A.)

Javier Marquez (CEMLA)

Victor Urquide

Fernandez Hutardo (General Manager, Bank of Mexico)

March 12, 1968



March 12, 1968

Mr. Kamarek

800

Would you please handle the attached  
memo from Mr. Stone in my absence.

Irving S. Friedman

Memo of March 11 from Mr. Stone on the  
Study on the Concept of Net Aid



March 12, 1968

Mr. Kamarck/Mr. Owen

What should we do next? If necessary, I would appreciate Mr. Kamarck handling this in my absence.

Irving S. Friedman

(Maubouche/Payson to Lejeune back-to-office report On Tunisia of March 11)



DECLASSIFIED

AUG 16 2023

PERSONAL

March 12, 1968

WBG ARCHIVES

Dear Barbara:

As promised yesterday I am attaching some names of people whom I would recommend, if available, as professors of economics even though they are now engaged nearly entirely in non-academic activities. These are people whom I know very well. If I think of some more similar names, I will pass them on to you.

I am quite dismayed at what is going on at the UNCTAD Conference. Perhaps you can be of some help. For a few years Prebisch has been following quite a moderate line and counselling his LDC members to try to be practical, restrained and understanding of problems elsewhere in their demands. In addition we have been trying for years to get countries to agree to the notion of improved economic performance and the need for, in effect, limiting their sovereign freedom of action in this respect through understandings with international institutions. The vehicle for this advocacy has been the Supplementary Finance Scheme which has now, miraculously enough, been unanimously endorsed at UNCTAD by the LDC's individually and in their regional groups! It is an unbelievable chance in a lifetime for constructive enduring action. Now after years of hoping for acceptance of their viewpoint, the developed countries are reacting by a negative attitude on nearly everything of any importance, particularly with respect to anything costing money but also, it seems, with respect to anything involving general agreement on a serious change in commercial policy vis-a-vis the LDC's. Some seem to take a ghoulish delight in the prospect of UNCTAD's failure, as though the failure would be in that of an institution rather than of the world!

I hope that when I get to New Delhi I will find that the reports which I have been reading are over-pessimistic. It is still not too late for something constructive to happen since the last week always counts the most. I also hope, for the sake of all of the countries, that in the last week, the U.K., the U.S., Germany, France and Japan, will not act in such a way as to weaken greatly the progress made in constructing mutually useful relations between the developed and the less developed countries.

Please regard this as a personal communication. I meant to say something like this to you yesterday but we got off on different matters. As always, I enjoyed our brief chat very much.

Yours,

Irving S. Friedman

Lady Jackson  
Sheraton Commander Hotel  
Cambridge, Mass. 02138



The following are recommended names. I will not try to give even a brief curriculum vitae. I will confine myself to mentioning their nationality, approximate age and particular strength. All have PhD's in economics.

W. JOHN R. WOODLEY - Canadian, about 43: rich experience in Latin America as well as other countries - strong in money and banking. (International Monetary Fund)

BAREND A. de VRIES - Dutch, about 43: rich experience in Latin America and development problems - strong in mathematics. (World Bank)

UGO SACCHETTI - Italian, about 50: rich experience in Latin America and other areas - strong in theory, money and banking. (World Bank)

SUBIMAL MOOKERJEE - Indian, about 40: strong in international trade theory, money and banking, fully experienced with many LDCs including Latin America, though not as much in Latin America as those already mentioned. (International Monetary Fund)

RAVI GULHATI - Indian, about 35: rich experience in development problems - very strong in modern theory and statistics. (Ministry of Finance, Government of India)

JORGE MARSHALL - Chilean, about 45: rich experience in domestic monetary and fiscal problems of developing countries - good in statistics. (now Director of Economics Department, Central Bank of Chile)

R.M. SUNDRUM - Burmese, about 45: excellent on development economics, also excellent in mathematics and statistics; one of the best all round economists on the Bank or Fund staff today. (World Bank)

NB: I have deliberately avoided the names of any Englishmen, as you suggested.



Mr. Broches

March 12 1968

Irving S. Friedman

"A Survey of Decision-Making in International Management System"

You will recall that on March 1 I sent to you a copy of the memorandum sent to me by Professor Aliber of the University of Chicago, for help in the preparation of more or less comparable papers.

I would appreciate that whoever you designate could contact Mr. Louis Pouliquen (extension 3994), who is helping me on some other aspects of this matter. As you know I will be away for a couple of weeks and I will appreciate it if this could be pushed ahead during my absence.

cc: Mr. Pouliquen



Canadian Importers - April 4 1968

Some Key Aspects in International Economic  
Relations

1. Like to try to synth            experience of recent years -- involves simplification and interpretation -- but both are necessary to make judgments on outlook and on public policies suitable to the outlook.
2. Outstanding Characteristics of World Economy - Post-War Period
  - (a) period of unusual expansion and growth -(figures and comparison with earlier periods).
  - (b) avoidance of ~~xxxxxxxxxxxx~~ deep and prolonged economic depressions - the era of recessions, not depressions (evidence).
  - (c) universality of expansion -- all areas and nearly all countries -- (evidence) - increasing disparities among countries because of different rates of growth of population trends and in different stages of economic process -- but all expanding.
  - (d) fantastic growth of world trade - again disparities by country and sectors -- problem - varying            countries and sectors - but public are different and more manageable because of expanding world economy -- role of Kennedy Round -- to a large extent failures of ~~xxxx~~ countries to export enough for ~~own~~ needs must be found in their own policies -- not in world economy.
  - (e) viable system of exchange rates - some changes - ~~ix~~ ex. Canadian dollar - but mostly stable rates not altered frequently - US dollar rate vis-a-vis currencies in development world seem reasonable - have avoided ills of competitive exchange depreciation and "beggar thy neighbor" policies - countries eager to avoid depreciation - few experiments in upward            - also point to caution in changing exchange rates - made possible by avoidance of services inflation in developed countries and prolonged recessions.



(f) re-establishment of international currency or monetary system - European currencies became convertible at end of 1950's - clear recognition of advantages of general convertibility system - many are fearful of ability to maintain it - but question is how to defend system - in 1940's and 1950's question was how to bring into existence. Recent set-backs are causes for concern - but system is basically functioning - at times we seem to yearn for days when exchange controls gave artificial semblance of order, forgetting frustration and ills which accompanied use of such controls.

(g) role of certain countries into "development" stage in recent years - (Italy), Japan, Australia.

(h) agric ultural revaluation (see Gaud speech)

(i) existence of mechanism for international collaboration in major fields: e.g., monetary matters, capital flows and trade.

### 3. Areas of Concern

(a) persistent capital shortage - high interest rates and rising costs - prices and wages (long-run phenomenon).

(b) rigidities in public sectors expenditure - need and demand for large public sector expenditures - to changing consumption standards - new technology, increased population, , rising defense expenditures, etc.

(c) existence and impact of high tax structures - (some evidence of how high) - makes management of economics internal and external more difficult.

(d) shortage of capital for private sector - means capital investments of relatively low marginal productivity - long-haul return - in public sector - at expense of more rigid lighter yield of productive private investments - important for growth, e.g., most important for poorer countries - new technology means rapid combined with new opportunities for profitable investment. Market mechanism doesn't help choice between public and private sectors - but rational decisions imperati



(e) difficulties at best in managing economies under existing circumstances - great reliance on recognition of need for international ~~assistance~~ compensation and mutual help - particularly vulnerable to political disharmonies.

(f) growing gap between poor and rich countries - expectation of growing wider - difficulties of raising development finance in world of capital shortages, or conversely, budgetary difficulties, monetary tightness and concern about balance of payments outlook and management.

(g) growing external indebtedness of LDCs - of needed restricting of debt and more concessional terms when interest rates hardening and concern with budgets becoming more acute.

(h) fear of effects of major interruption in freedom of will, capital flows - circular flows of capital of crucial importance for continuation of expanding world economy - based on freedom from exchange restrictions or full convertibility of currencies.

(i) continued talk of devaluation, liquidity crises, etc. - shaking confidence and making capital and management more difficult.

4. Outlook

(a) dependence on international collaboration - not at mercy of uncontrollable forces.

(b) must recognize we are in period of continued growth everywhere - pools of idle savings anywhere and technology rapidly changing - new situation in world economic history.

(c) careful consideration - with latest available decision-making techniques - to investment decisions - private and public - must get national (and international) consensus on priorities - differs radically among countries.

(d) manpower situation tight - but outlook very different as agricultural revolution in LDCs releases manpower, while while technology and education make available manpower much more productive (see Woods speech at UNCTAD and SID)



(e) real basis exists for continued expansion of world economy - question is whether management of economies can cope with delicate and sophisticated problems, internally and internationally. Can do, if realistic and hard-headed in seeing new world conditions and realizing approaches to national problems so long anachronistic and doomed to failure -- successful public policy making in democracies is hard - but quite achievable - and surely desirable - shows that public opinion can understand and support wise public policies in economic field - but only if facts are clearly presented, alternatives frankly discussed and choices courageously made.



TO: Mr. George D. Woods  
FROM: Irving S. Friedman  
SUBJECT: Some Thoughts on the Grand Assize

You will recall that I had said I would like to submit to you some further thoughts on possible content of the Grand Assize. In this connection I have looked again at my memorandum to you of December 29, 1966. Although it is addressed to the question of the content of a possible international conference at the highest political level to reconsider development finance, I believe that the material contained therein is still relevant for the Grand Assize proposal. For convenience I am attaching a copy. I will not try to repeat what is contained in the attachment.

Following are some additional comments which might be useful:

1. Evaluation of past development effort and ways and means of improving it.

This exercise would cut across much of the material under other captions but is distinct in itself. It would first try to answer such questions as what has been the experience of the past twenty years -- has aid been, on balance, a failure or a success -- to what extent has development efforts been helped or hindered by the existence of aid -- why hasn't more progress been made -- why haven't the developing countries been able to do more in mobilizing and in efficiently allocating resources -- how might the deficiencies and techniques be overcome in whole or in part?

It would also include an analysis of how far the policies of donor countries have been ~~successful~~ for the success or failure of aid, including such terms as tying, continuity, etc. It would probably also want to say something about aid coordination. As for the future, it could address itself to such questions as why give aid -- how to give aid -- how to measure aid -- how much aid should be given -- terms and conditions of aid, etc.



Of growing interest is the role of aid as an influence on internal development performance.

The evaluation of past performance whether on the project sector or national level is one of the large gaps in our understanding of the development process. It is quite conceivable to establish machinery for doing this. An exercise like Grand Assize might help identify how useful it would be to do this and how far it might go.

## 2. Development Programming -- Content and Execution

There is considerable controversy as to the usefulness of development programming and how it might be improved. This needs careful analysis not only of the content of programs and how they have worked out, but also why they have not developed along anticipated lines -- how they might have been improved -- how past mistakes might be avoided, etc. There is general agreement against unrealistic planning but planning or programming of development is likely to endure as a mechanism of economic analysis and policy making even though at present it is experiencing many of the ills of infancy.

## 3. Development Lending

There are certain major issues in development lending as distinct from aid which could be usefully evaluated. These include program -v- project lending -- local cost financing -- principles for allocating limited funds among recipients -- techniques in sector and project allocation -- the uses and limitations of cost benefit analysis and development lending as a leverage for good development performance, particularly the inter-relations of some of the issues mentioned before with the question of how to obtain better development performance.



4. Aid and the Balance of Payments

This issue has become increasingly more important and more difficult. It might be quite useful if it could be discussed divorced from IDA or in other immediate policy questions. However, if the formula found for IDA proved generally acceptable, particularly in the U.S., it may provide a way by which to handle this problem at least for the foreseeable future.

5. New Mechanisms for Development Finance

New mechanisms should not imply new institutions but rather how to use existing national and international institutions in different ways, e.g., financing buffer stocks, supplementary finance, debt renegotiations, links between new sources of liquidity and development aid, special taxation for financing development aid, tax concessions for private investments in LDCs, etc. Closely related are such questions as future role of suppliers' credits and possibilities of more extensive cooperative and coordinated efforts, such as joint financing.

6. Advice on Development

For a variety of reasons developed countries and international organizations give advice to LDCs about their development plans and related policies. In retrospect how sound has been the advice given -- has advice given been founded on economic knowledge and thinking -- how could it be improved? How much does the world spend researching the development problems of the LDCs -- of what is spent how much is used by LDCs in recognizing and finding solutions to their problems -- would more research on development problems be desirable -- if so how should it be done, directed and financed -- how should research results be gotten into productive use, etc.



Mr. Cavanaugh and Mr. Hulley

March 11 1968

Irving S. Friedman

Identifiable Programs in the U.S.

Mr. Hirschtritt of the U.S. Treasury telephoned to inquire about two matters regarding identifiable programs in the U.S.

(a) Is there any explanation for the fluctuations in identifiable procurement, particularly in recent months, and

(b) Why has it been so low very recently.

He said they were interested in having not merely a statistical presentation of the facts but some analysis of why it had occurred. I told him I would refer the problem to the two of you but am, of course, interested in the answers to these queries.

cc: Mr. Knapp



Mr. George D. Woods

March 11, 1968

Irving S. Friedman

Supplementary Finance - UNCTAD

I presume that you have been informed of the information coming from our mission in UNCTAD regarding discussions on Supplementary Finance. It seems that the technical meetings have been finished and now the back-room work has begun in earnest.

I get the impression that the line-up is about the same, some developed countries, e.g. Sweden and The Netherlands, plus the LDC's, vigorously supporting, some developed countries giving it a kind of worried support (of which the U.K. would be the outstanding example), and Japan, Germany, France and the U.S. continuing to raise questions and technical issues. The underlying problem is, I believe, that the Scheme would cost money.

In the past the Germans and Japanese were mostly concerned about the technical problems involved using export projections and relating financial commitments to such export projections. They seemed to believe that it meant an open-ended commitment on the amount of financial support which a country might receive. The French had stressed the Commodity Agreement approach as an alternative to supplementary finance, which they repeatedly stated represented an attempt to deal with international economic problems through the use of the price/market mechanism instead of international regulation of markets - price fixing in the consuming countries, producer controls in the exporting countries, and international agreements to obtain compliance. The Americans have kind of floated around expressing wonder about what should be included in policy packages and weren't there other uncertainties facing the developing countries that ought to be considered.

In this connection I was particularly interested myself in the statement of the Economic Commission for Africa. Despite my natural bias, I was surprised at their enthusiastic support for the supplementary finance scheme, as it is their part of the world which is talking most about commodity arrangements in addition to the French.

I am attaching an extract of the statement made by the spokesman for the Economic Commission for Africa at the Plenary session in Delhi.

Attachment(1)



In Africa, the preponderance of the agriculture sector, the dependence upon international trade in primary commodities, and the narrowness of the range of exports, all contribute to create conditions of maximum economic insecurity. Therefore, although the scheme for Supplementary Financing is being planned on a relatively modest scale, our member countries attach the greatest importance to it as a means of providing them with greater security.

It would in any case take many months to go through all the necessary organisational steps towards the establishment of the scheme of Supplementary Financing. This period of waiting should not be further lengthened by a failure of the present Conference to agree on the principle of establishing the scheme. Secondly, it would appear that enough work has been done for the Conference to be able to agree on the principal features of the scheme for Supplementary Financing. Thirdly, the Conference should be able to adopt a time-table for the establishment of the machinery for administering the scheme, including a time-table for the discussions to work out solutions to the few remaining technical problems.



DECLASSIFIED

AUG 16 2023

March 11 1968

WBG ARCHIVES

PERSONAL

Dear Helen,

It was very nice indeed to hear from you again after all these years. I am glad to know that you are enjoying your new activities.

Thank you for sending me your recommendation on Mr. Cedric Nathan. I am bringing this to the attention of others as well. You may be sure that he will be given the fullest consideration.

I have been enjoying my new assignment. It has meant going back to the kind of pressure work reminiscent of the early days of the Fund. I appreciate very much your kind remarks about me. If I may indulge in some self-flattery may I say that the testimonial which I have valued the most in my professional work was written to me by Mrs. Austin Shannon after Austin died. According to her letter, Austin had said the night before that I was the one person in the Fund on a senior level with whom he could disagree and still be friends. I have tried to keep this as a model in my work in the Bank as well.

Perhaps if you do come to the Annual Meeting we can engage in some sentimental reminiscing!

With warm regards,

Yours sincerely,

Irving S. Friedman

Mrs. Helen Thompson  
The Standard Bank Limited  
10 Clements Lane  
Lombard Street  
London EC.4  
England



NOT SENT

MORAJAI DESAI  
Deputy Prime Minister  
New Delhi

MARCH 11 1968

INDIA

FRIEDMAN MY ECONOMIC ADVISER PLANS TO BE IN NEW DELHI MARCH FIFTEEN  
TOTWENTYTHREE TO ATTEND UNCTAD CONFERENCE (STOP) WOULD APPRECIATE VERY  
MUCH YOUR FINDING TIME FOR HIM TO CALL ON YOU AND OTHERS YOU THINK  
APPROPRIATE (STOP) WARM REGARDS

WOODS

Office of the President



(Incoming letter sent to Pryor  
for info)

March 11 1968

Dear Mr. Dixon,

Thank you for your letter of March 1 and your kind action in reserving accommodation for my wife and I at the Inn on the Park. I will advise you as soon as I am more certain of my arrival time and flight number.

For my talk I am thinking of a title such as Some Key Aspects in International Economic Relations. If this does not seem suitable from your point of view, would you kindly let me know. I shall probably avoid any lengthy comments on devaluation and international liquidity in my speech because of the delicacy of these subjects at this moment. I'm afraid that no matter what disclaimers I make, my nearly twenty-two year association with the Fund and the Bank will cause listeners to take any comments as "official". However, I'll keep your interests in mind and do my best.

I am looking forward with pleasure to meeting with you and your associates.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Keith G. Dixon  
General Manager  
Canadian Importers Association Inc.  
2249 Yonge Street  
Toronto 7, Canada

cc: Mr. Pryor



Mr. Cavanaugh and Mr. Hulley

March 11 1968

Irving S. Friedman

Mr. Hirschtritt of the U.S. Treasury telephoned to inquire about two matters regarding identifiable programs in the U.S.

(a) Is there any explanation for the fluctuations and identifiable programs, particularly in the last six months, and

(b) Why has it been so low.

He said they were interested in having not merely a statistical presentation of the facts but some analysis of why it had occurred. I told him I would be referring the problem to the two of you but am, of course, interested in the answers to these queries.

cc: Mr. Knapp



March 11 1968

Dear Denny,

Here is a list of names which might be useful.

I am leaving tomorrow night for UNCTAD. I do hope that it manages to accomplish something constructive. It is easy enough to understand why the Conference is finding it so difficult to be even a modest success, but I think another failure would make even more difficult constructive progress in the future.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Denis Hudon  
Asst. Director General  
External Aid Office  
Ottawa, Canada



Mr. Andrew Kamarck

Irving S. Friedman

March 7 1968

I do believe the time has come for a study on the economics of import subsidization as a basis for Bank policy attitude on its own activities and on giving advice to various coordinating groups.



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AUG 16 2023

Confidential

Mr. George D. Woods

WBG ARCHIVES

March 7, 1968

Irving S. Friedman

Favorable Effects of IBRD and IDA Administrative Expenditures on Balance of Payments

In the light of the continuing U.S. concern about the balance of payments effects of IBRD and IDA operations (as well as the new concern with tourist expenditures) it may be useful to consider the positive effects of IBRD and IDA administrative expenditures for salaries, consulting fees, travel, and other expenses:

1. About 80% of IBRD and 95% of IDA administrative expenses are estimated to be in the United States and the remainder in other countries.<sup>1/</sup> Along with other international organizations here, the World Bank Group is classified as foreign in U.S. statistics on the balance of payments.<sup>2/</sup> Thus the IBRD and IDA disbursements which are used to buy goods and services in Washington and elsewhere in the U.S. constitute earnings of foreign exchange by the U.S.; they are a positive item in its balance of payments.

2. The largest item in the Bank's total administrative expenses is payments for personal services; in this category virtually all salary payments to Bank staff stationed in the U.S. benefit the U.S. balance of payments. Another large item is travel expenses; they are at worst a "neutral" factor when foreign carriers are used and surely a positive factor to the U.S. balance of payments whenever U.S. carriers are used; because most of the international flights of the Bank staff originating in Washington are on U.S. carriers, a large part of the Bank's travel expenses constitutes a positive contribution to the U.S. balance of payments. Other large items which contribute positively to the U.S. balance of payments are for U.S. consulting services to members, training programs, U.S. bond issuance costs, staff benefits and office occupancy. These figures are not "large", but they are not insignificant. For example, they are more than 50 percent of any balance of deficit impact likely to have been felt from the proposed \$400 million p.a. IDA replenishment, even without any balance of payments safeguards!

3. IBRD and IDA expenditures in other countries have no direct effect<sup>3/</sup> on the U.S. balance of payments, as they are considered to be transactions between foreigners. The direct effect on the U.S. balance of payments of Bank operations in, for example, Mexico is as neutral as German operations in Mexico. Thus, expenses of the Bank and IDA in other countries for visiting or resident missions do not affect the U.S. balance of payments. (Of course, they do favorably affect the balances of payments of the other countries concerned.)

4. A more detailed analysis from this viewpoint of administrative expenditure could be made, if believed useful.

<sup>1/</sup>See attached table.

<sup>2/</sup>Published quarterly in the Survey of Current Business, U.S. Department of Commerce.

<sup>3/</sup>In U.S. balance of payments statistics, account is taken only of direct or "first-round" effects of a transaction. The estimation of indirect effects resulting from the original transaction is considered too uncertain to be used in statistics.



IBRD and IDA Administrative Expenses<sup>1/</sup>  
(in millions of US dollars)

<u>Fiscal Year</u>	<u>Total</u>	<u>Estimated in US</u>	<u>Estimated outside US</u>
1962/63	18	16	2
1963/64	21	18	3
1964/65	28	21	7
1965/66	35	28	7
1966/67	40	31	9

---

Source of Data: Treasurer's Department.

<sup>1/</sup> Includes payments for consulting services to member countries,  
and bond issuance and other financial costs.

International Finance Division  
Economics Department  
March 7, 1968



March 7, 1968

Dear Mrs. McNeal:

Thank you very much for your help in arranging the reception last night for the S.I.D. participants. Many people expressed their appreciation of the excellent arrangements.

Sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mrs. Mae W. McNeal



I.G. PATEL  
MINISTRY OF FINANCE  
NEW DELHI

MARCH 7 1968

FULL RATE

INDIA

EYE AND PROBABLY EDNA EXPECT ARRIVE NEW DELHI FRIDAY FIFTEENTH  
STAYING ASHOKA LOOKING FORWARD SEEING YOU WARM REGARDS

IRVING

Irving S. Friedman  
Office of the President



RAUL FERRISCH  
UNCTAD  
NEW DELHI

MARCH 7 1968

FULL RATE

INDIA

ARRIVING NEW DELHI FRIDAY FIFTEENTH PROBABLY ACCOMPANIED BY  
WIFE (STOP) HOPE EARLY CHANCE TO SEE YOU WARM REGARDS

FRIEDMAN

Irving S. Friedman

Office of the President



INTRAFRA  
NEW DELHI

MARCH 7 1968

FULL RATE

INDIA

NO. 18 FOR KARAGE

EXPECT ARRIVE NEW DELHI FRIDAY FIFTEENTH BOAC 780 AT 0420  
PROBABLY ACCOMPANIED BY MY WIFE (STOP) WOULD APPRECIATE YOUR  
ALSO INFORMING GILMARTIN AND CONFIRMING ARMOKA RESERVATIONS (STOP)  
BOOKED TO RETURN MARCH 23 (STOP) THANKS

FRIEDMAN

Irving S. Friedman  
Office of the President



INTBAPRAD  
LONDON

MARCH 7 1968

LT

ENGLAND

NO. 50

EXPECT ARRIVE LONDON TWA 704 WEDNESDAY THIRTEENTH 0905  
WIFE  
STAYING BROWNE'S (STOP) MY/WILL PROBABLY BE WITH ME (STOP) CONFIRMED  
RESERVATIONS TO LEAVE THURSDAY BOAC 780 AT 1330 FOR DELHI REGARDS

FRIEDMAN



March 7, 1968

Dear Mr. Both:

Thank you very much for your help in arranging the reception last night for the S.I.D. participants. Many people expressed their appreciation of the excellent arrangements.

Sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Cornelius Both  
Dining Room Manager



Mr. McNamara

March 5 1968

Irving S. Friedman

Attached hereto is a letter from a Dr. George Szego, together with enclosures which I was asked to handle on your behalf.

I am also attaching my reply. It seemed best to keep it non-committal.

In the meantime I have taken the liberty of having a few of the staff, including myself, read the attachments in case you would like to have any comments from us on them.

Attachments



*(To Gen. Files)*

MAR 7 - 1968

Dear Mr. Horie,

I have just received the copy of the English translation of the panel discussion held between Professor Wakimura, Professor Tachi, and yourself.

I am sure I will find it most stimulating and look forward to reading it.

Yours sincerely,

(Signed) George D. Woods

George D. Woods

Mr. Shigeo Horie  
President  
The Japan Institute for International  
Studies and Training  
Tokyo  
Japan

ISFriedman/dm  
March 6 1968



*Original to Files  
Low copy m/c*

March 7 1968

Dear Mr. Horie,

Thank you very much for sending me a copy of the English translation of the panel discussion held between you and Professor Wakimura and Professor Tachi.

I was particularly interested in your suggestions for the creation of a world central bank with full-fledged power to create international credit. I see that you appreciate some of the practical difficulties in the establishment and functioning of such an institution, so need not repeat them.

For me, at least, the basic question is how far the international community is prepared to go in collaborating on international monetary affairs. My own personal view is that if they are prepared to collaborate, much more can be done within the framework of the International Monetary Fund, which would go a long way in the direction of creating a world central bank, including obtaining the knowledge and experience needed to establish a world central bank.

My wife joins me in sending our warmest regards,

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Mr. Shigeo Horie  
President  
The Japan Institute for International  
Studies and Training  
Tokyo  
Japan



Mr. Lars Lind

March 7 1968

Irving S. Friedman

IDA Press Release

Please note the suggested changes. I would like to be informed before the document is finally agreed if these changes are not acceptable.



March 5, 1968

Dear Mr. Rey:

Your letter of March 1 has been referred to me.

As you may know Mr. McNamara is at present away from Washington and is not expected at the Bank until about April 1. I will bring your letter and attachment to Mr. McNamara's attention when he arrives but, in the meantime, I hope you do not mind my taking the liberty of reading your letter to the Chairman of the Joint Economic Committee.

Sincerely yours,

*(signed) Irving S. Friedman*

Irving S. Friedman  
The Economic Adviser to the President

Mr. Andrew Rey  
Lyndell Farm  
R.D. 2  
Downingtown, Pa. 19335



Mr. McNamara

March 5 1968

Irving S. Friedman

Attached hereto is a letter from a Dr. George Szego, together with enclosures which I was asked to handle on your behalf.

I am also attaching my reply.

In the meantime I have taken the liberty of having a few of the staff read the attachments in case you would like to have any comments from us on them.

Attachments



March 5 1968

Dear Dr. Szego,

Your letter of March 1 1968 has been referred to me.

As you may know, Mr. McNamara is at present not in Washington and is not expected to be at the World Bank until about April 1. I will, of course, bring your letter and its attachments to his attention when he arrives.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Dr. George C. Szego  
Oakwood  
Warrenton  
Virginia 22186



D R A F T  
March 5, 1968

To: Mr. George D. Woods

From: Irving S. Friedman

Subject: Economic Work of the World Bank Group

Apropos our conversation at lunch yesterday, I think that the attached memo still represents an up-to-date statement of the Economic Work of the Bank, including the responsibilities and activities of The Economic Adviser to the President. Since then the more important changes have been:

- (1) The establishment of economic working parties to review carefully all economic reports. These economic working parties are composed of the economists in the Area Department concerned and members of the Economics Department.
- (2) Increasing the use of special meetings of the Economics Committee. Within the last two weeks we have had special meetings on Yugoslavia and Senegal. These special meetings are convened when it is believed that a full-scale review of a country's economic situation and performance by the Economic Committee is not necessary. They are attended by members of the Area Department, Economics Department and, where the Projects Department has been involved in the economic work, members of the Projects Department. They are small enough to be held in my office and are proving to be most useful.
- (3) The appointment of John Adler, as, in effect, my deputy, for ensuring that the judgments of the Economic Committee are implemented in the day-to-day work of the Bank, including the Economic Section of the President's Report and Recommendations on loans.



March 5, 1968

Mr. Knapp

Mr. Alderson

Mr. Broches

Mr. DeLoach

Mr. Shoab

As promised I attach a copy of the draft  
outline on the Study on Problems of Stabilization  
of Prices of Primary Products.

Any comments should go to Mr. Avramovic.

Irving S. Friedman



March 5, 1968

Mr. Levy

863

Can you help with this, please?

Irving S. Friedman

(Letter from Reuber of Univ of Western  
Ontario of March 1 requesting paper on real  
cost of tied aid.)



March 4, 1968

My dear Shenoy:

I acknowledge receipt of, and thank you for, your letter of February 15 and its enclosures entitled Comments on Shri G.L. Mehta's Paper "Development and Foreign Collaboration." I must say that your comments on Mr. Mehta's Paper are interesting and thought provoking.

I shall not now be arriving in Delhi until March 16. Perhaps we shall see each other there. In any case can you leave me a note on how we might get in touch.

Sincerely,

Irving S. Friedman

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



Mr. R.A. Clarke

March 1, 1968

Irving S. Friedman

Mr. Sismanedes

You will be hearing from a Mr. Sismanedes. I gather that you know about his interest in possible employment in the Bank.

Mr. Knapp and I have discussed this, and agree that the best next step would be for him to see you. I have so informed him.

March 1, 1968

Mr. Graves

847

Thanks for the opportunity to comment on this speech. I think it is quite good. I would appreciate your noting the suggestions I have made.

Irving S. Friedman

(rehashed version of Mr. Woods's UNCTAD speech as a basis for S.ID Tenth Anniversary meeting next month.)



Mr. Aron Broches

March 1, 1968

Irving S. Friedman

"A Survey of Decision-Making in International Management Systems"

Pursuant to our telephone conversation I am sending you a copy of a memorandum which was sent to me by Professor Aliber of the University of Chicago ( <sup>it</sup> which has been sent to all the participants of this Conference to be held on June 8 and 9 ) for help in the preparation of more or less comparable papers. I would appreciate very much the assistance of someone in your Department on the legal aspects.

March 1, 1968

Mr. B. King

600-A

You may find the attached of interest.

Irving S. Friedman

(Mr. Budhoo's memo of February 20 on "The  
Development of Criteria for Allocating IDA  
Resources: Synopsis of Forthcoming Paper.")



Dear Mr. Queenan,

Thank you very much for sending me the article The Great Money Controversy which I have found quite interesting. I think it is most useful to try to help enlighten professional accountants on these important matters.

I have found myself in agreement with much of what is written but perhaps would have given somewhat less stress to the importance of short-term credits and so-called liquidity for the developing countries. I might have placed somewhat more emphasis on the needs for long-term funds for capital investment. However, this is just a matter of emphasis and I found the article quite useful and am circulating it to the appropriate people in the Bank.

Thank you for your kind remarks on my retirement.

Yours sincerely,

George D. Woods

Mr. John H. Queenan  
Haskins and Sells  
Certified Public Accountants  
Two Broadway  
New York, N.Y. 10004

ISFriedman:dm  
March 1 1968

Mr. Antonio J. Macone

March 1, 1968

Irving S. Friedman

Wheat Agreement

I would appreciate it if someone in the Economics Department could let me have a brief note on the Wheat Agreement stating: (a) its essential features; (b) how it is operated; and (c) its present status.



*Mikesell file &  
Admin Gen.*

Mr. R.A. Clarke

March 1 1968

Irving S. Friedman

PROFESSOR RAYMOND MIKESSELL

I would like to take on Professor Raymond Mikesell of the University of Oregon to work with me on two problems during the summer months. I haven't tried to find out whether this would be for two or three months. It would depend on Professor Mikesell's time availability and any vacation plans he may have.

The two matters on which I would like help from him are:

1. ~~The~~ development of performance criteria and their practical application in the work of the World Bank Group, and
2. The relation between import substitute techniques and the improvement of productivity or efficiency in the LDCs.

Professor Mikesell is an outstanding authority in the field of international finance and development, and we have discussed these subjects a number of times. I would like to see him develop some of his thinking within the framework of some of our Bank problems and Bank environment in the hope that we would not only get a definitive piece of work from him during the summer, but that he would have a general impact on Bank thinking on this subject and perhaps suggest ways in which our own work might be improved in the course of our regular activities.

I know that he has a number of outstanding offers, including a number in Washington, e.g., The National Planning Association, but I think I could attract him to the Bank if we acted promptly. On salary level I think he would be in about the same category we would pay someone like Isaiah Frank.

*156*



*Special folder -  
U. of Colorado*

March 1 1968

Dear Dean Little,

Thank you for your letter of February 20. At present July 31 looks clear and we'll go ahead on the assumption that this date is now definite.

I enclose a glossy picture and the biographical sketch you requested.

I have been giving some thought to my lecture and suggest a title The Developing Countries and the Need for a New Economic Philosophy.

Yours sincerely,

Irving S. Friedman  
The Economic Adviser to the President

Dean J.R. Little  
Associate Dean of the Faculties, and  
Chairman, Summer Lecture Series Committee  
University of Colorado  
Boulder  
Colorado 80302



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FEB 14 2025

WFO ARCHIVES February 29 1968

Dear Mr. Townsend:

As promised, I attach a biographical  
note to include with the article on  
Supplementary Finance for Finance and  
Development.

Irving S. Friedman

Mr. R.B. Townsend  
Fund - 544

PERSONAL

DECLASSIFIED

February 29 1968

AUG 16 2023

WBG ARCHIVES

Dear Gil,

Just a brief note to say that you might be telephoned by a Mr. James Jennings who expects to be in New Delhi from around April 16 to 20. Jim is a friend of mine who is the principle staff member of the Catholic Bishops' group which has been set up in the U.S. to work out ways and means of obtaining implementation of the Papal Encyclical on The Development of Peoples. I have worked closely with this group and have tried to be as helpful as I could.

Jim comes from American business - the steel industry - but at considerable personal sacrifice is now devoting himself to these activities. He is traveling around the world to get a first-hand look at poverty and some of the things that are being done to cope with it.

I hoped that you might find the time to chat with him and perhaps give him some background which would enable him to understand better what he sees and what people tell him.

I do hope you are enjoying your stay in New Delhi.

Yours sincerely,

Irving S. Friedman

Mr. Wm. Gilmartin  
IBRD  
P.O. Box 416  
New Delhi  
India



P-1

February 29 1968

Dear Ken,

I hope you don't mind my dictating this letter to Daphne instead of writing personally, but it will get done much faster!

We have taken steps to put Mr. Adams on the Bank mailing list. We are not doing anything further about your library until we hear from you as to what the reactions are to the material that you have been receiving. I still have that collection of material for you which you might drive back with you when you come home next. If there is an urgent need for it we could mail it, but it is fairly bulky.

I have also spoken to Andy Rice and he will be writing either to you or Mr. Adams or perhaps both, about the formation of an SID chapter. He was very pleased to hear about your talks with Mr. Adams.

Tell Mr. Adams I would be very pleased to talk to his classes at Earlham. Perhaps when you get an SID chapter set up I might come and talk to that chapter. I do visit, from time to time, academic institutions, giving them the dubious benefit of my experience in these matters.

Mr. Kenneth Friedman  
Earlham College  
Richmond  
Indiana