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Sub-Fonds: Records of President Eugene R. Black

ISAD(G) Reference Code: WB IBRD/IDA EXC-02

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THE WORLD BANK  
Washington, D.C.

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The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

**PUBLIC DISCLOSURE AUTHORIZED**

President Black Papers - Speeches

01

1959



1769195

A1992-041 Other #: 3 Box # 209323B

Records of President Eugene R. Black: Speeches - Speeches 01

**DECLASSIFIED**

WBG Archives



Speeches Black  
N.Y. Southern Club

33

December 17, 1959

Dear Mr. Baxter Jackson,

It was kind of you to arrange to have the material on the Southern Society sent to me.

I am enclosing, for your interest, copies of two of Mr. Henry Grady's speeches. The third I am withholding since I think Mr. Black may want to quote from it, and I would not want to risk any duplication.

May I trouble you to have these copies returned eventually? They are all that I have and I may well find them useful on future occasions.

Sincerely yours,

Enc.

Nathaniel McKitterick  
Room 223

Mr. Baxter Jackson,  
Chemical Corn Exchange Bank,  
165 Broadway,  
New York, N.Y.

12th Summer  
BURGENSTOCK Sch. Bank.



CROSS REFERENCE SHEET

**COMMUNICATION:** LETTER

**DATED:** September 2, 1959

**TO:** Mr. Black

**FROM:** Mr. F.W. Schulthess  
Swiss Credit Bank  
Zurich, Switzerland

**FILED UNDER:** Alpha - Schulthess Mr. F.W.

**SUMMARY:** Re Mr. Black's speech at Burgenstock; enclosing a copy of  
his speech.

Ack. by Mr. Black LETTER dated Sept. 10, 1959

CANADA - Nat. Defence  
Coll. Ontario



Eugene R. Black  
- Canada.

June 22, 1959

Dear Admiral Storrs:

I am sorry that my numerous preoccupations here and in New York have prevented me until now from telling you what an enjoyable time I had when I spent Friday morning, June 12, with your group. I can truthfully say that, for once, remaining on my feet more than two and one half hours, speaking most of the time, was a real pleasure. I enjoyed the sharp questions that your "students" asked and I hope that they were as content with the answers.

Yours sincerely,

(Signed) Eugene R. Black

Eugene R. Black

3  
M

Rear Admiral A.H.G. Storrs, D.S.C., C.D.  
Commandant  
The National Defence College  
Fort Frontenac  
Kingston, Ontario  
Canada

MMM:P

From: Rear Admiral A.H.G. Storrs, DSC, CD

*Speicher Black  
Canada*

DEPARTMENT OF  
NATIONAL DEFENCE



CANADA

NATIONAL DEFENCE COLLEGE  
FORT FRONTENAC  
KINGSTON

JUN 22 REC'D

June 18, 1959.

*File  
6126159*

Dear Mr. Black,

I write to express my gratitude and appreciation to you for taking the time from your very full schedule to talk to the College last Friday.

Your lecture on affairs in the Middle East contributed so much to our studies here. The skilful and patient way in which you answered our many questions made this session even more rewarding.

I am sorry that your visit here was so hurried and that we could not have provided better weather for your travels but please be assured of how much we all learned from your most informative morning.

Also, I am most grateful for your endorsing your honorarium cheque to the College. We have several small but pressing needs which this money will satisfy and I will write you at a later date advising what has been done because of your generosity.

Yours sincerely,

*Anthony Storrs*

Eugene Black, Esq.,  
President,  
International Bank for Reconstruction and Development,  
1818 H Street N.W.,  
Washington 25, D.C.



NATIONAL SERVICE COLLEGE  
FORT MONROE  
KINGSTON

JUN 18 1959

I am pleased to inform you that your application for admission to the National Service College has been accepted.

Your admission is subject to the following conditions:

1. You must be a resident of the United States.

2. You must be at least 17 years of age.

1959 JUN 22 AM 10:07

RECEIVED  
BANK MAIL ROOM





CANADA

# National Defence College

IN REPLY PLEASE QUOTE NO.

NDC Pers

Fort Frontenac,  
Kingston, Ont.,

APR 10 1959

*Call Sunday*

*Mr. Black is going to which is being by Mr. who is in Ottawa.*

*Mr M = Killenich  
Please advise him that I will leave Ottawa early in the morning on June 12th + arrive in time*

Dear Mr. Black:

This letter might be called a social supplement to the letter which our Commandant, Rear Admiral A.H.G. Storrs, wrote you on 11th March suggesting that you come and lecture to us on Friday 12th June.

We do not yet know whether you will be able to do this, but as the College will be on tour from today until the 1st of June I should now like further to suggest that if you are able to lecture to us on 12th June you should plan to arrive on the afternoon of 11th June. Admiral Storrs wishes me to say that he and Mrs. Storrs hope that you will stay with them while you are in Kingston. He has, however, been good enough to say that if you arrive on 11th June, I may include you, as well as Admiral and Mrs. Storrs, in a dinner which I am arranging for that evening in the Officers' Mess at the College. This would give us all much pleasure and might serve as well to acquaint you with the atmosphere of the College in advance of meeting the student body.

While it is rather soon to propose exact travel times (as schedules are apt to change with the coming of summer) there is at the moment an Eastern Airlines plane which leaves Washington at 11:00 in the morning and arrives in Watertown, New York, at 2:46 p.m., where you would be met by an army staff car and driven over the Thousand Islands Bridge to Kingston, perhaps two hours drive. This would give you an opportunity to rest and relax before your evening meal. I do not know yet just what time we shall dine or whether we shall dress but if you thought you could come we would of course send you these particulars in plenty of time.

It may be that you will have your own plane and would prefer to fly direct to Kingston but I should warn you that there is not an all-purpose landing field in Kingston and you should cause inquiries to be made first.

The College will be back from its travels at the beginning of June and I do not doubt that long before then we shall know whether we can hope for a lecture from you and perhaps by the beginning of June you could let me know whether you thought you might dine with us.

Yours sincerely,

*S. Morley Scott*  
S. Morley Scott,  
External Affairs Member,  
Directing Staff.

Eugene Black, Esq.,  
President,  
International Bank and Reconstruction Development,  
Washington, D.C.

*File 8-559*

*1 April 1959  
Some friends as to  
pick me up at Kingston  
with his bank  
very  
reservation  
getting  
then  
or  
leaving  
Please  
W  
know  
who  
to  
says  
EKB*

RECEIVED





DEPARTMENT OF  
NATIONAL SERVICE

International Development  
External Affairs

Kingston, Ontario

APR 12 1959

April 1959

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Yours sincerely,

G. Morley Scott,  
External Affairs Member,  
Directing Staff.

RECEIVED  
BANK MAIL ROOM  
1959 APR -6 AM 11:45  
International Development  
Washington, D.C.

*Handwritten notes on the left margin:*  
I will be in Kingston on Friday 12th June.  
I will be in Kingston on Friday 12th June.  
I will be in Kingston on Friday 12th June.  
I will be in Kingston on Friday 12th June.

*Handwritten notes on the right margin:*  
Mr. Morley Scott  
External Affairs Member  
Directing Staff  
12th June 1959

DETROIT Economic Club

Alcox



Speaker - Black  
Econ. Club of Detroit

September 24, 1959

Dear Mr. Crow:

*Aug 10*  
Please accept my apology for not having acknowledged your letter sooner, but I have been out of the country and just recently returned.

Thank you very much for sending me the "Silver Anniversary Progress Report" of The Economic Club of Detroit.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Allen B. Crow  
President  
The Economic Club of Detroit  
920 Detroit Free Press Building  
321 West Lafayette Avenue  
Detroit 26, Michigan

cml

The Economic Club of Detroit

920 DETROIT FREE PRESS BUILDING  
321 WEST LAFAYETTE AVENUE  
DETROIT 26, MICHIGAN

AUG 10 REC'D

August 10, 1959

The Honorable Eugene R. Black  
President  
International Bank for Reconstruction  
& Development  
1818 H Street, N.W.  
Washington 25, D. C.

Dear Mr. Black:

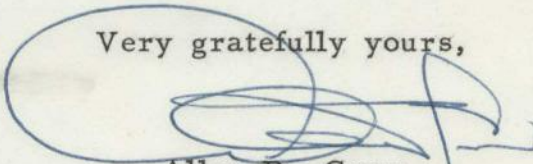
On page 12 of our "SILVER ANNIVERSARY PROGRESS REPORT" of The Economic Club of Detroit, you will find a reference to the notable address with which you generously favored our members and guests on April 20, 1959.

Also, you may be interested in noting the names and subjects of the other distinguished Guest Speakers who similarly favored us during our 1958-59 season.

Further, we shall welcome any suggestions which you will bring to our attention at any time of others who might participate with us in promoting better business and better government, particularly here in Michigan.

Again we congratulate you most heartily upon the many friends whom you made, both personally and in support of the objectives for which you spoke so effectively on this occasion, that we were privileged to hold in your honor.

Very gratefully yours,



Allen B. Crow  
President

C:l  
Enc.

Ack Sept 24



The Economic Club of Detroit

820 DETROIT FREE PRESS BUILDING  
221 WEST LAZAVETTE AVENUE  
DETROIT 26, MICHIGAN

August 10, 1959

AUG 10 1959

The Honorable Eugene R. Black  
President  
International Bank for Reconstruction  
& Development  
1818 H Street, N.W.  
Washington 25, D. C.

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Very gratefully yours,



Allan B. Crow  
President

CC:  
Enc.

RECEIVED  
BANK MAIL ROOM  
AUG 10 PM 10:47  
1959

Aug 10 1959

The Economic Club of Detroit

JUN 5 REC'D

920 DETROIT FREE PRESS BUILDING  
321 WEST LAFAYETTE AVENUE  
DETROIT 26, MICHIGAN

June 3, 1959

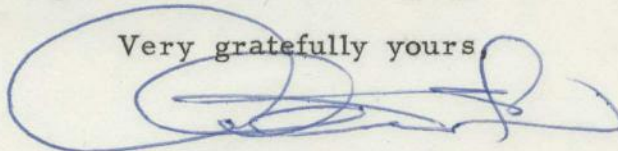
The Honorable Eugene R. Black, President  
International Bank for Reconstruction & Development  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Mr. Black:

Attached is a copy of Page 92 of the May 25 issue of U.S. News and World Report, in which you will note is a further quotation from the notable address with which you recently favored us at the luncheon which we were privileged to hold in your honor under the auspices of The Economic Club of Detroit.

Certainly, based upon your broad and successful experience in providing aid where it is needed and appreciated most around the world, this recognition in important quarters is most significant and encouraging.

Very gratefully yours,



Allen B. Crow  
President

C:R  
Enc.

1959 JUN 3 10:20 AM  
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The Economic Club of Detroit JUN 5 Rec'd

320 DETROIT FREE PRESS BUILDING  
321 WEST LAFAYETTE AVENUE  
DETROIT 26, MICHIGAN

June 3, 1959

The Honorable Eugene R. Black, President  
International Bank for Reconstruction & Development  
1818 H Street, N.W.  
Washington 25, D.C.

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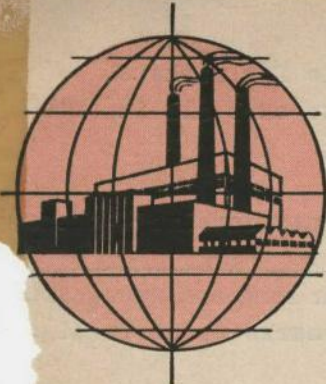


Allen B. Crow  
President

O.R.  
Enc.

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BANK MAIL ROOM  
1959 JUN -5 AM 9:54





# Business Around the World

DETROIT • LONDON • RIO DE JANEIRO

>> Foreign-car sales continue in a sharp uptrend in the U.S.

Americans have bought nearly twice as many foreign cars this year as in the corresponding period of last year. The foreign-car share of this year's expanding market continues at around 8 per cent, as in 1958.

Detroit estimates are that foreign-car sales this year will be around 600,000, as against 383,000 last year.

Big question for foreign cars is what impact the introduction of Big Three "compact" cars will have on their sales. Around two thirds of the foreign automobiles sold in the U.S. have price tags below \$2,000. Makers of these models don't expect the new "compact" American cars to cut into their sales seriously.

Many foreign models selling above \$2,000 have certain sports-car characteristics that are important selling points. Their makers also believe their market in the U.S. won't be much affected by the Big Three's "compact" cars.

Rightly or wrongly, foreign-car makers, as a whole, aren't showing great apprehension about their sales prospects in the U.S. Rather, the reverse.

>> It's not only in automobiles that imports have been burgeoning this year. Big year-to-year increases were shown in imports of many manufactured products during the first quarter. To mention a few:

Steel-mill products, up 97 per cent; cotton goods, up 28 per cent; agricultural machinery and implements, up 28 per cent; leather manufactures, up 21 per cent; pottery, up 12 per cent; photographic goods, up 8 per cent.

Imports of all finished manufactures were up 24 per cent.

>> Import competition continues a sore point with American manufacturers of heavy electrical equipment, such as large turbines and generators.

Foreign firms have very frequently submitted low bids on contracts for such equipment to be installed in federally financed dams in the U.S.

Chief U.S. companies in this field have asked the Government to limit imports of these types of equipment, and to embargo all imports of hydraulic turbines. The reason cited is that, in time of war or other emergency, repairs on European-made equipment would be very difficult, involving ocean transport.

On May 7, a British firm, English Electric, submitted the low bid for eight hydraulic turbines for the Big Bend Dam in South Dakota. The low bid is more than 30 per cent below the lowest bid by a U.S. company.

A new "gimmick" appears in this British bid. The turbines will be built in Toronto by a Canadian affiliate of English Electric. Servicing and repairs would thus be done in Canada, not in Britain.

This provision of the bid gets around the "emergency repair" point raised

(over)



by the American companies. It's another move in the struggle for markets.

Washington's decision on the U.S. industry's petition to curb all imports of heavy electrical equipment is expected in a few weeks.

>> U.S. foreign aid, the form it's going to take, the amounts involved--these things are getting their annual batting around in Congress.

Eugene R. Black, president of the World Bank--a man with long and successful experience in international loans--has been making public remarks about foreign aid recently that are worth noting. Some excerpts:

"I am sure there would be less confusion and debate here and abroad over the American Government's efforts to promote economic growth abroad if as much emphasis was placed on the quality of help offered as on the quantity. As it is, the two words 'foreign aid' have become so elastic that they now embrace a host of special objectives--military, political and commercial, as well as economic--so that it is often not at all clear just what is being attempted in a given instance....."

"When ..... loans and grants are used, as they have been, to aid, abet and perpetuate policies in other countries which make economic growth virtually impossible, then we are asking for trouble. The result, as we have seen in more than one country recently, is a deterioration of the other nation's economy and a reaction, sometimes violent, against the very programs which were supposed to help..... These are serious weaknesses."

Mr. Black doesn't think "you can buy people with aid." He takes a dim view of "political" loans made chiefly for the purpose of winning friends.

"By now, I think, the limitations of this approach are plainly apparent. If the purpose of a particular offer of aid is to win gratitude, then the donor is likely to think the act of giving ..... will of itself achieve the purpose. Whether the financing is for a project which is feasible, or whether it meets an economic need of some priority, tend to become secondary considerations....."

"There are in ..... underdeveloped countries unhappy monuments to the wastefulness of this kind of approach--the great irrigation dam thrown across a valley whose soil is actually unsuited to cultivation; the steel mill able to stay in operation only with the help of high tariffs and taxpayers' subsidies....."

On "giveaways," Mr. Black has this to say:

"The difference between effective assistance and a 'giveaway' is not the difference between a loan and a grant; it is the difference between an insistence on sound financial and economic policies and no such insistence."

>> For the first time, a high Government official in Brazil is proposing that private oil companies be allowed to produce oil alongside of Petrobras, the national oil monopoly. Brazil's production now falls far short of her needs.

Petrobras, because of limited funds, can't do the systematic drilling and exploration needed in many sections of Brazil believed to be rich in oil. Only 58 drills are operating in a territory larger than the continental U.S.

Under this proposal, private companies would be granted concessions, but would have to divide any oil fields discovered with Petrobras, would be allowed to refine only half the oil they produce, with Petrobras to refine the rest.

Success of the U.S. oil firms drilling in Argentina undoubtedly has something to do with this change of heart in Brazil. However, the idea is meeting with major opposition in nationalist circles in the Brazilian Government.



The Economic Club of Detroit

MAY 11 REC'D

920 DETROIT FREE PRESS BUILDING  
321 WEST LAFAYETTE AVENUE  
DETROIT 26, MICHIGAN

May 9, 1959

The Honorable Eugene R. Black  
President  
International Bank for Reconstruction  
& Development  
1818 H Street, N. W.  
Washington 25, D. C.

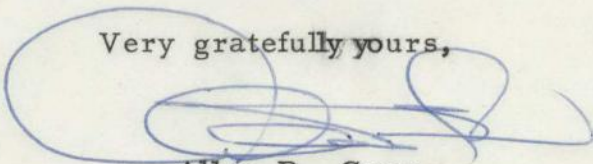
Dear Mr. Black:

Enclosed the writer is handing to you copies of the transcript of the notable address with which you favored those present at the luncheon that we were privileged to hold in your honor under the auspices of The Economic Club of Detroit, Monday Noon, April 20th, in the same form in which it is being distributed to our members and others who have made request for the same.

You will note, agreeable to your request, that we have omitted any reference to the Question and Answer period, and that we are enclosing a copy of an editorial from the New York Times concerning your address which has recently come to our attention.

Certainly you extended your wide circle of friends both here in Detroit and throughout Michigan, during your recent brief stay among us, and we congratulate you most heartily upon the many favorable comments which we are continuing to receive from those best informed regarding current and prospective international affairs for the program which is going forward under your able administration in reconstruction and development around the world.

Very gratefully yours,

  
Allen B. Crow  
President

C:1  
Enc.

Ack May 12

1028 MAY 11 11:42

RECEIVED



The Economic Club of Detroit

820 DETROIT FREE PRESS BUILDING  
321 WEST LAWAYETTE AVENUE  
DETROIT 26, MICHIGAN

MAY 11 1959

May 9, 1959

The Honorable Eugene R. Black  
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International Bank for Reconstruction  
& Development  
1818 H Street, N.W.  
Washington 25, D. C.

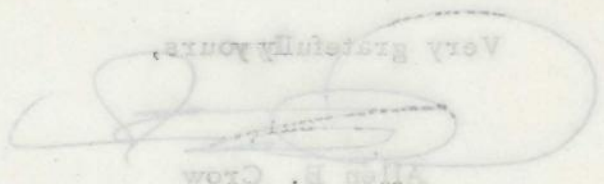
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President

Ad. May 12

C:1  
Enc.

1959 MAY 11 AM 11:45

RECEIVED  
BANK MAIL ROOM

"WHAT ANSWER  
TO THE CHALLENGE  
OF INTERNATIONAL POVERTY?"

Guest Speaker

THE HONORABLE EUGENE R. BLACK  
Washington, D. C.  
President  
International Bank  
For Reconstruction and Development

BEFORE THE ECONOMIC CLUB OF DETROIT

Monday Noon, April 20, 1959  
Veterans Memorial Building  
12:15 P.M.

PRESIDING OFFICER

JOSEPH M. DODGE  
Chairman  
The Detroit Bank & Trust Co.

ALLEN B. CROW  
President  
The Economic Club of Detroit



(The meeting was opened by President Allen B. Crow, who presented Joseph M. Dodge, Chairman, The Detroit Bank and Trust Company, as Presiding Officer.)

JOSEPH M. DODGE: Thank you, Mr. Crow. Guests and members of The Economic Club:

Our guest speaker is the head of a unique organization with a unique mission. He presides over a bank with stockholders of 68 sovereign governments; with bondholders in almost all countries of the non-Communist world; and with borrowers, which include government agencies and private enterprises, in 49 different countries and territories.

If you ruffle through the Bank's loan portfolio, you will have some idea of how international the World Bank really is. You will find loans denominated in more than three dozen currencies; and, if you look carefully, one loan which is denominated in 18 different currencies.

Under Asia there is about a billion and a quarter dollars in loans; under Latin America nearly a billion; and under Africa, more than half that much.

There are loans ranging in size from one amounting to \$80 million to help build the huge Kariba Gorge power dam in Central Africa, to one amounting to a quarter of a million to help build a communications center in Iceland.

There are no defaults on these loans. In fact, if you look at the balance sheet you will note accumulated profits amounting to some \$260 million over the past 12 years.

Besides lending money, the Bank runs a Staff College in Washington to which senior civil servants come from the world over to discuss and debate the financial and economic facts of life.

It offers a host of technical services to its members.

And lately, as you who read the newspapers know, our speaker has been called on to mend fences among its farflung stockholders.

A recent project was his successful negotiation in settlement of the Suez Canal dispute. Similar demands for his services testify to the respect and confidence of other nations in his ability and integrity.

If the World Bank is a complicated institution, it works -- and it is peculiarly adapted to this complicated world. But the man who nursed it along to its present, preeminent place in the world of international finance, manages to carry his burden with the ease and charm of an Atlanta gentleman entertaining visitors in Magnolia Time.



Our speaker grew up with the words of another champion of economic development ringing in his ears. His maternal grandfather was Henry Grady, the eloquent architect of the New South, who could say to a Yankee audience in 1866 -

"We have sowed towns and cities in the place of theories, and have put business above politics. . . . We have let development take root and spread among us until now we are ready to lay odds on the Georgia Yankee, as he manufactures relics of the battlefield in a one-story shanty and squeezes pure olive oil out of his cottonseed, against any Down-Easterner that ever swapped wooden nutmegs for flannel sausages in the Valley of Vermont!"

His father, who was Governor of the Federal Reserve Bank of Atlanta, and later of the Federal Reserve Board, was no less eloquent.

With this formidable reputation to uphold, our speaker never made a public speech until he was 40!

But he has been at it, at home and abroad, ever since. He is a notable example of a man who carried a successful career in investment banking and commercial banking into an outstanding government and international career.

It is a special personal pleasure for me to present The Honorable Eugene R. Black, President and Chairman of the Executive Directors of the International Bank for Reconstruction and Development, whose subject is "WHAT ANSWER TO THE CHALLENGE OF INTER-NATIONAL POVERTY?" Mr. Black.

(Applause)

EUGENE R. BLACK: Mr. Crow, Mr. Dodge and gentlemen:

It is a very great pleasure to be here, and I must apologize for being such a difficult guest. I first promised to come here last November and then in January, and have just finally shown up now. I appreciate your degree of tolerance in continuing to extend me an invitation.

In spite of these delays I have been anxious to get to Detroit ever since Joe Dodge suggested the idea. This Club has built up the reputation of being a place where people in public life like to come and speak their mind when they think they've got something to say. I suspect that this reputation stems in large part from members like Joe Dodge who have made such generous contributions of their time and their talents to public service.

When I think of the number of times that Joe Dodge has responded to calls for help from Washington, and how often he has left his mark on events in recent years, it makes me very proud to be able to appear on the same platform with him.



Mr. Dodge referred to my coming from Atlanta and magnolia blossoms. A few years ago I was in Paris and I had my first press conference in Paris. I walked in the room and there were about 30 reporters in the room. I said, "Before we start this press conference, I would like to ask if all of you ladies and gentlemen speak English?" A fellow on my right spoke up and said, "Probably better than you do -- where are you from, Georgia or Alabama?" (Laughter)

Today I want to talk for a few minutes about three recent events in the affairs of the World Bank which I hope will suggest to you that there is more order in this turbulent world than appears on the surface.

The World Bank lends money mainly for very expensive things like power plants and railroads, road systems and port facilities. We get our money almost exclusively now from private investors in the Free World who either buy our bonds or participate in our lending operations in one way or another. Most of our borrowers are governments who are new to the business of governing and are trying to govern in an orderly fashion populations which are becoming increasingly aroused against a life of poverty. This may seem an improbable set of conditions under which to do much business, particularly banking business, in these chaotic times.

Yet, as a matter of fact, we are getting so large a volume of promising proposals from our borrowers that we are asking our 68 member governments to double our authorized capital. The United States Congress, as you probably know, has been considering this request and it is one of the events I want to refer to today. At the same time we have just announced our first public sale of bonds in Germany, amounting to 200 million D-Marks, and it was very heavily over-subscribed. This is the largest issue of bonds we have yet tried to market outside of the United States. This event I mention because it is the result of a new order in Europe's finances which I think has implications far beyond the operations of the Bank. Then recently the World Bank sponsored meetings with the representatives of five nations to work out ways and means of helping India over a difficult hurdle in its Second Five-Year Plan. Here again is an instance of order in the world which provides hopeful implications for the future.

Let me consider each of these events briefly, starting with our bond issue in Germany.

For a long time now, our bonds have been well received in the market in Switzerland and here in the United States. We have also sold issues of bonds in Canada, Holland and the United Kingdom. But we have always felt that we could sell a lot more bonds outside the United States, particularly in Europe, when the price was right, and the interest rate was right. Now market conditions in Germany -- and in other European countries -- offer good prospects. At the moment we are negotiating our first bond issue in Belgium which we expect to float shortly an issue of 500 million Belgian francs.



These good prospects are not just the result of the World Bank's achievements; more important, they are the result of the success of Free World policy, and particularly American government policy, over the past ten years or so. Financially speaking, our first object in the postwar decade was to restore the competitive position of the industrial nations of Western Europe and Japan after the ravages of World War II. I think from every point of view financial independence is preferable to being more or less poor relations of the United States, as was the case in some degree with all of these nations just a very few years ago. We can say today that to a large extent our objective has been won, and that "phenomenal" is not too strong a word to express the success of the past 10 years. Last year the stamp of success was clearly marked on the records. In 1958 alone more than \$3 billion net of United States private capital was invested abroad, a substantial part of this in the industrial nations of the Free World. In the same year more European governments and other governments came to the American capital market with bond issues, and found buyers there, than any time since the War. As a matter of fact, in the last year Norway, Denmark, Australia, Austria, Rhodesia, Jamaica, Belgium, the Belgian Congo, South Africa and New Zealand all successfully floated bond issues in the American market; and a few years ago, none of those countries could have done this. This year Japan has sold bond issues in the American market, and this week Italy will follow suit -- both just since the War. (This Path issue will probably be announced tomorrow.)

And in 1958 it became possible for any trader who could earn Sterling or Guilders or Deutsche Marks or almost any West European currency with his merchandise to change those currencies into dollars at will.

It would be tragic, I think, if controversy over the recession here last year and its after-effects eclipsed the fact that we have achieved our long-sought goal of restoring the financial strength of the Atlantic Community. It would be particularly tragic if, in our preoccupation with short-term movements in our own economy, we adopted policies which had the effect of undoing what we have built up so painstakingly in the international economy. I ask, for example, those of you who are concerned over the fact that last year the United States shipped abroad some \$3 billion in gold out of Fort Knox, to think a moment before jumping to conclusions. The United States still has about a third of the Free World's gold reserves. What was lost last year was more than matched by what was gained in private investment abroad. If we traded some liquidity, which we did not need, for the acquisition of real wealth abroad, isn't it really a pretty good trade -- the kind of trade, in fact, we've been trying to make for 10 years now?

I do not say that all the business of the post-war decade has been completed. For one thing there are still restrictions on dollar imports into Western Europe -- and, for that matter, restrictions against European imports into the United States. But these exceptions do not dent the degree of success achieved in the postwar decade. We can say now that financial relations among the industrial nations of the non-Communist world have become something like normal, if anything is normal in this changing world.

\* \* \* \* \*



Our bond issue in Germany, and our hope of being able to follow suit in other European countries soon, are but symbols of the restored financial strength of the Free World's industrial nations. At the same time we have had considerable evidence that these same nations are now willing and able to bring a measure of their restored strength to bear on the outstanding economic problem of this day -- the problem of poverty in the countries of the Free World which have yet to achieve their industrial revolution.

More and more so-called underdeveloped countries are building up the organizations and adopting the administrative practices necessary to invest money in a way that promises to lead to higher living standards in those countries. One proof of this progress came last year when the World Bank's volume of lending increased 75% over the average of the previous three years. We are now lending some here between \$700 million and \$800 million a year.

In the face of this substantial increase in our business, we had to look to our own sources of capital. Since we raise virtually all our money in the private markets, we naturally looked to strengthening our links with those markets. Our major link, particularly with the American market, is the guarantee which stands behind our bonds in the form of that portion -- 80% -- of our authorized capital which is subscribed by our member governments but which may only be called to meet the service of our own bonded debt. Therefore our directors recommended doubling our authorized capital -- increasing it from \$10 billion equivalent to about \$20 billion -- but leaving all of the increase uncalled, and thereby more than doubling the amount of the guarantee behind our bonds. We believe that this action will help assure our ability to raise all the funds we will need for a good many years to come.

I am pleased to say that this proposal has had a very kind reception in Congress as well as in the British Parliament and elsewhere in Europe -- and, as a matter of fact, all over the world. Here is further evidence, I think, that the Free World's industrial nations are ready and willing to divert a measure of their restored financial strength to helping overcome poverty where poverty is so much the root cause of disorder in the world.

\* \* \* \* \*

The momentum of development in some of our member countries has carried them to the point where they cannot prudently borrow further funds abroad on conventional terms of interest and repayment. This is probably the most difficult fact of economic life facing the Free World's industrialized nations today for it involves each one deciding how much it is in its national interest to give further financial help in the form of what is loosely called "foreign aid". Now this is money over and above normal lending operations. I do not intend to plunge into this complicated matter today, but I will cite one instance which suggests that there is growing order here, too.



The country concerned is India, which perhaps presents today the greatest challenge of all. In India under-nourishment and mass unemployment are living realities for more than 375 million people. (Incidentally the population is increasing there about 5 million net a year.) At the same time India has taken economic development into the center of its life, with all the radical changes economic development inevitably entails. No one privileged to play even a small part in India's great adventure today can help but feel that the destiny of free institutions in the 20th Century will be profoundly influenced by the extent of India's success in absorbing these changes without sacrificing respect for individual liberty.

India is the World Bank's biggest borrower; we have invested in India more than half a billion dollars, almost all to help finance projects in the current Second Five-Year Plan. It was natural, then, that when signs of a foreign exchange crisis appeared in India last summer, the Bank should take the lead in convening a meeting of interested nations to see what could be done. The Second Five-Year Plan had already been cut back to the core; the Indians faced a stark choice: either more foreign exchange had to be found somewhere or still further cutbacks, some which might involve abandoning projects already started, would have to be made.

Last August and again this March the Bank called a meeting and sat down with representatives of Canada, the United States, Britain, Germany and Japan, to see what could be done. We hoped that by bringing several nations together at one time we could obtain a broad measure of agreement on what India's needs were, and how they should be met in the light of the measures which India herself was prepared to take to bring matters under control. As it turned out, both meetings were successful; the foreign exchange will be forthcoming and the momentum of India's development effort will not have to be slowed further at this time because of a foreign exchange shortage. The response encourages me to think that a community of interest exists in the Free World which could support more permanent, collective arrangements for meeting emergencies like this.

\* \* \* \* \*

The financial strength of the Free World has been restored. Partly because of the threat of Communism, partly for other reasons, there is a growing realization that the most compelling challenge in the chapter of history now being written is how to help the poorer nations in our midst find an escape from poverty -- an escape, not into the jaws of Communism, but one in which there is a chance that free institutions will take root and grow. And there is a growing realization that this challenge applies equally to all free nations and commands a collective use of their resources and resourcefulness.

There are, in short, encouraging signs of order in the non-Communist world -- signs of a growing response to what is clearly the most difficult challenge which we face over the long run. But if we are to build on these hopeful beginnings there is one fact which must always be reflected in any policies or arrangements we may adopt to serve our ends. That fact is that a good deal more than just money is needed to overcome poverty.



From the point of view of a development banker -- I suppose that's what you might call me -- the most difficult problem by far in giving effective help to these people is the problem of promoting the right economic and financial policies. Now I could give you a hundred illustrations of what I mean by "the right economic and financial policies"; they would range all the way from checks on inflationary pressures to laws and regulatory practices which allow public utilities to pay their own way and set aside out of revenues something towards their expansion -- and not be subsidized by the government. But you are as familiar with the prerequisites for economic development as I am. Certainly Joe Dodge is, as was shown by the wonderful job he did in Japan. The point is that if financial assistance is to be effective, both lender and borrower must agree on such policies, however they may be adapted to the peculiar circumstances of a given country. This is true whether the assistance is made from one nation to another or through regional or international organizations. It is true whether the assistance goes in the form of loans or grants or something in between.

The admittedly fine line between what is economic and what is political often makes us very shy about talking about sound economic and financial policies with the representatives of other countries. Certainly, those who would like to make a political manifesto out of these ideas are guilty of crossing that line. We should leave it to the Russians to say that there is a hard and fast set of rules which a poor country or a poor society must follow if it is to escape poverty today. We should leave it to the Russians to say to the leaders of these countries that they must be willing to ride roughshod over the entrenched habits and customs of their people and to impose wholly new institutions on them with all the repressive paraphernalia of totalitarianism in the name of economic growth.

We should avoid slogans and make it crystal clear that our values tolerate great diversity in economic matters as well as political forms. But this does not mean that we have to fall into the hopeless position that virtually any policy goes when it comes to economic development. If a society is to grow richer in this day and age, there are economic and financial facts of life which must be respected whatever the social and political framework. To the extent that it is in our interest to help, we must insist on a respect for these facts of life. Otherwise, our desire to help will very probably be dissipated in frustration, if not actually turned to harm.

I am sure there would be less confusion and debate here and abroad over the American government's efforts to promote economic growth abroad if as much emphasis was placed on the quality of help offered as on the quantity of help. As it is, the two words "foreign aid" have become so elastic that they now embrace a host of special objectives -- military, political and commercial, as well as economic -- so that it is often not at all clear just what is being attempted in a given instance. And to the extent that the United States is trying to promote economic development with "foreign aid" funds, money is all too often loaned or given away without first insisting on thrashing out the difficult but inescapable conditions for making that aid effective.



By failing to emphasize quality as much as quantity, the really important idea behind "foreign aid" is losing its appeal not just here at home, but abroad too. When, far from reflecting the financial and economic facts of life, loans and grants are used, as they have been, to aid, abet and perpetuate policies in other countries which make economic growth virtually impossible, then we are asking for trouble. The result, as we have seen in more than one country recently, is a deterioration of the other nation's economy and a reaction, sometimes violent, against the very programs which were supposed to help.

These are serious weaknesses. It would be a great tragedy if "foreign aid" became discredited here and abroad because the economic objective got lost or because we weren't ingenious enough to create with other countries a community of interest around the kind of sound economic and financial policies necessary for economic growth. It would be a tragedy because there is no more constructive idea in our whole foreign policy than the idea behind foreign aid to relieve poverty in those nations of the non-Communist world which are experiencing both a Reformation and an Industrial Revolution in the face of very heavy odds.

My whole experience in the World Bank confirms me in my belief that when the objective is clear, a community of interest can be created around the right kind of policies. And it doesn't require what one commentator called "a band of saints with masters' degrees in Economics." We have loaned about \$4.5 billion for development projects in 49 different countries and territories. All of these loans have carried conditions of one sort or another, conditions designed as much to protect our borrowers as ourselves. They have been accepted partly because our borrowers know we have no political axe to grind, but mostly because our borrowers have agreed that the conditions are necessary for the effective use of our money. And later on we have been thanked for the conditions imposed as they realize that these conditions were just as much in their interest as in ours. Every loan has posed special problems of adapting knowledge and experience to a particular environment, but all have reflected, I think, the facts of economic life which must be faced if a society is to escape poverty in these times.

And let me emphasize, we would have had to do these things -- to ask these conditions -- even if we had been giving the money away rather than lending it. The difference between effective assistance and what is called a "giveaway" is not the difference between a loan and a grant; it is the difference between an insistence on sound financial and economic policies and no such insistence.

\* \* \* \* \*

I have tried to suggest in these few remarks that all is not chaos in our world -- that there is hopeful and constructive work being done which offers something to build on by way of increasing the margin of order. Of course, no one can guarantee that if we follow the courses I have suggested, we will actually succeed in fostering both economic growth and nations in which free institutions will take root and grow. There is no certain connection between economic growth and freedom so it is impossible to argue that success is assured.



But the existence outside of the Communist empire of the world's richest nations, which are also the world's freest nations, exhibiting a great variety of political forms and economic institutions, should be fact enough to give all but the very timid among us reason to have courage in our convictions. We should, in view of the Free World's great strength, scoff at those pessimists, among whom the Communists are numbered, who say that today no poor society can get rich which does not first reduce its members to the status of ants in a bureaucratic anthill.

If we want, we can bring to bear a very powerful and persuasive influence on the historic tide of change which is sweeping the globe today. Just as we gave rise to that tide through spreading our ideas and material achievements into every corner of the world, so we can hope to turn that tide to promote political and economic progress consistent with our concepts of the dignity of man.

We can; that is, if we become as hard-headed as we are already big-hearted. We will never be loved for the quantity of our riches, but we can earn respect for the manner in which we employ them.

(Applause)

JOSEPH M. DODGE: Thank you very much, Mr. Black. I am sure we all enjoyed this explanation of the World Bank's work which isn't too familiar to everyone. The meeting is adjourned.

A D J O U R N M E N T

1960  
ENGLAND-Inst. of Bankers



Speech Black -  
Eng. Inst. of  
Bankers

February 23, 1960

Dear Walter:

Please accept my thanks for sending me  
the Journal of the Institute of Bankers which  
contained my speech and also for the photograph.  
This was very thoughtful of you and I am glad  
to have both.

I read in the papers where you have left  
for Africa and I certainly wish you all manner  
of success in this most important undertaking.  
I am sorry, however, that I will miss seeing you  
on my coming visit to London this week. I am  
of course very anxious to hear the results of  
your trip after you return.

Best regards,

Very sincerely yours,

ISI Gene

The Rt. Hon.  
Viscount Monckton of Brenchley  
The Institute of Bankers  
10 Lombard Street  
London, E.C. 3, England

ERB:cm1



THE INSTITUTE OF BANKERS



10 · LOMBARD STREET  
LONDON · E · C · 3

*Personal,*

2 February, 1960.

*Dear Gen,*

You might like to have the enclosed Journal of the Institute of Bankers containing your lecture on 1 December and the photograph taken before the meeting.

*Yours on  
Walter R. B.*

Mr. Eugene R. Black,  
President,  
International Bank for Reconstruction and Development,  
WASHINGTON D.C.,  
U.S.A.

*Ack Feb 23*



THE INSTITUTE OF BANKERS



SECRETARY  
HENRY EASON

10 · LOMBARD STREET  
LONDON · E.C.3

TELEPHONE:  
MINING LANE 3531

*Speeches. Black. Eng-  
Inst of Bankers  
file*

**Air Mail**

D/G

10th December, 1959.

Dear Mr. Young,

Many thanks for your letter of 8th December and for the authorized version of Mr. Black's lecture. In our Journal we use Times Roman 10 on 12 and our page size is different from yours and so I am afraid that we shall not be able to reproduce the lecture by a photo offset process.

I am most grateful to you for all the help you have given me over this matter.

Yours sincerely,

Assistant Secretary

G.R. Young, Esq.,  
Assistant Director of Information,  
International Bank for Reconstruction and Development,  
1818 H Street, N.W.,  
WASHINGTON 25, D.C.

RECEIVED  
DEC 11 1959







INSTITUTE OF DIRECTORS  
London • ENGLAND 1969



Spencer Black G.M.D.  
Bankers

16

July 15, 1959

Dear Mr. Eason:

I am sorry that this is the first opportunity I have had to answer your letter of 18th June.

I shall be very pleased to participate in the program for the series of five lectures to be given in London in November and December, under the general title "The Pound Sterling Today" and I shall be in London to give the lecture "Britain and the World Bank" which you have scheduled for December 1.

One of the Vice Presidents of the Bank, Mr. W.A.B. Iliff, will be in London during August and he will get in touch with you to discuss the detailed arrangements.

Yours very truly,

IS/ERB

Eugene R. Black

Mr. Henry Eason  
Secty., The Institute of Bankers  
10 Lombard Street  
London, E.C.3 England.

WAB Iliff/eb

*Spencer Black Institute of D*

JUN 24 REC'D



**INSTITUTE OF DIRECTORS**  
10 BELGRAVE SQUARE · LONDON · SW1  
Telephone: Belgravia 3601

RR/OB.

22nd June, 1959.

Eugene Black Esq.,  
International Bank for  
Reconstruction & Development,  
Washington 25,  
D.C.,  
U.S.A.

*Dear Black,*

Many thanks for your friendly letter of June 15th.

Although, as I said, we are disappointed that you couldn't address our meeting this Autumn - we are all delighted to learn that you will do your best to be with us in the Autumn of 1960.

I will see that you are informed of the actual date as early as possible.

*Yours sincerely,  
Robert Renwick*

Sir Robert Renwick.  
Deputy Chairman of Council.



JUN 24 1959



INSTITUTE OF DIRECTORS  
10 BELGRAVE SQUARE LONDON SW1  
Telephone Belgrave 3801

24th June 1959

ENB.

Essex Bank Ltd.  
International Bank for  
Construction & Development  
Washington D.C.

D.O.  
U.S.A.

*John Black*

I have pleasure in acknowledging  
letter of June 15th.

Although, as I said, we are  
disappointed that you could not advise our  
meeting this Autumn - we are all delighted to  
learn that you will do your best to be with  
us in the Autumn of 1960.

I will see that you are  
included in the next date as early as possible.

*Robert Bennett*

Robert Bennett  
Director of General

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1959 JUN 24 AM 10:51

THE INSTITUTE OF BANKERS

JUN 22 RECD



SECRETARY  
HENRY EASON

10 · LOMBARD STREET  
LONDON · E.C.3

TELEPHONE:  
MINING LANE 3531

By Air Mail

18 June, 1959.

Dear Sir,

The Institute of Bankers in conjunction with the University of London is planning a series of five lectures to be given in London in November and December of this year under the general title The Pound Sterling Today. The programme for the series is :

- 3 November: A World View of Sterling.
- 10 " : A European View of Sterling.
- 17 " : Sterling and the Developing Territories.
- 24 " : Sterling and the Dollar.
- 1 December: Britain and the World Bank.

I wonder whether you are likely to be in Europe towards the end of the year and, if so, whether there is any possibility of your being able to give the lecture scheduled for 1 December. Both the Institute and the University would be honoured if you would undertake this task for us.

Perhaps you would be kind enough to let me know what you feel about this.

Yours faithfully,

*[Handwritten signature]*

Secretary

Eugene R. Black, Esq.,  
President,  
International Bank for Reconstruction  
& Development,  
WASHINGTON 25, D.C.,  
U.S.A.

*Mr. Black*  
*Please see me on this*  
*Erns*  
Ack July 15

RECEIVED



THE INSTITUTE OF BANKERS



10 LOMBARD STREET  
LONDON E.C.3

SECRETARY  
HENRY BARON

21 LONDON  
MINCHING LANE 2021

By Air Mail

18 June, 1959.

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Perhaps you would be kind enough to let me know what you feel about this.

Yours faithfully,

Secretary

Eugene R. Black, Esq.,  
President,

International Bank for Reconstruction

1959 JUN 22 AM 10:17

WASHINGTON 25, D.C.,  
U.S.A.

RECEIVED  
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*Handwritten notes:*  
1959 JUN 22 AM 10:17  
Secretary  
Eugene R. Black  
International Bank for Reconstruction  
Washington 25, D.C.  
U.S.A.

*Speyer Black -  
Inst of Directors*

AIR MAIL

June 15, 1959

Dear Sir Robert:

*June 3*

It is kind of you to renew your flattering invitation to address the Institute of Directors. I was particularly sorry not to be able to make the date this fall, but as I told Bill Harcourt the prospects are that I will be on the run for the remainder of the year and I have already crossed the Atlantic seven times since January 1.

I will right now set aside the Fall of 1960 for a trip to England with your invitation in mind. Thank you again for leaving the door open as I do very much want to meet with your group.

Sincerely,

(Signed) Eugene R. Black  
Eugene R. Black

Sir Robert Kenwick  
Deputy Chairman  
Institute of Directors  
10 Belgrave Square  
London SW1, England

*Ack June 22*

NMcK:esp





JUN 8 REC'D

**INSTITUTE OF DIRECTORS**  
10 BELGRAVE SQUARE · LONDON · SW1  
Telephone: Belgravia 3601

RR/OB.

3rd June, 1959.

Eugene Black Esq.,  
International Bank of  
Reconstruction & Development,  
1818, H. Street, N.W.,  
Washington, D.C.,  
U.S.A.

*My dear Black,*

I was so sorry to hear from Bill Harcourt that you felt you could not accept our invitation to you to address the Institute of Directors' Annual Conference in November - but I do of course understand that with somebody as busy as you, it is very difficult to fit in such engagements.

However, the Council have discussed this matter and, on behalf of my colleagues, I write to you now to ask you if you would consider accepting the same invitation for next year - I cannot as yet give you the exact date but it will be at the end of October or beginning of November.

I can assure you that you would have a first-class audience who would be honoured and more than pleased to listen to you.

*Yours sincerely,*  
*Robert Renwick*

SIR ROBERT RENWICK.  
Deputy Chairman.

JUN 8 1959



INSTITUTE OF DIRECTORS  
10 BELGRAVE SQUARE LONDON W.1  
Telephone BELGRAVE 3801

3rd June, 1959

MR/OB.

Eugene Black Esq.,  
International Bank of  
Reconstruction & Development,  
1818 H. Street, N.W.,  
Washington, D.C.,  
U.S.A.

*[Handwritten signature]*

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I can assure you that you would have a first-class audience who would be honoured and more than pleased to listen to you.

*[Handwritten signature]*

1959 JUN - 8 AM 11: 49

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ROBERT RENNICK  
Chairman



Investment Bankers  
of America Mar. 1959

*Spencer Black Invoy (B) d*  
*Annex*

MAR 11 REC'D

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March 9, 1959

*7 files*  
*3/17/59*

The Honorable Eugene R. Black  
 International Bank for Reconstruction  
 and Development  
 1818 H Street, N.W.  
 Washington 25, D.C.

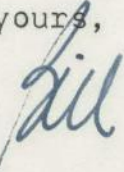
Dear Gene:

Again I apologize for leaving our luncheon last Thursday, but I am sure there was only one loser -- myself. Upon my return to our office I found most glowing reports of your review of the Egyptian situation. Thanks ever so much for being with us -- you are a loyal and most revered friend.

With warmest regards,

Sincerely yours,

W. D. Kerr



WDK:eh



INVESTMENT BANKERS ASSOCIATION OF AMERICA

425 THIRTEENTH STREET, N.W.

WASHINGTON 4, D.C.

March 6, 1959

*Files*  
*3/17/59*

Dear Gene:

This is just a note to say thanks again for talking to our group yesterday at luncheon. It was a fitting conclusion to a very interesting program and of course, as usual, you did a hand-painted job. I hope I didn't make you late for any of your appointments by bringing up Mr. Nasser, but I felt sure everyone there would be interested in your observations about that very interesting character.

With best regards, and again many thanks for your helpfulness,

Cordially yours,

*Murray*  
Murray Hanson

The Hon. Eugene R. Black  
International Bank for  
Reconstruction & Development  
1818 H Street, N.W.  
Washington 25, D. C.

MAR 2 REC'D

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February 27, 1959

*File*  
3/17/59

The Honorable Eugene R. Black  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Gene:

As I promised some days ago, I am sending you herewith two copies of the list of the members of our group who will be attending the luncheon on Thursday, March 5, at 12:30 p.m. The place of the luncheon has been changed; cocktails will be in the Cabinet Room and the luncheon will be in the Pan American Room at the Mayflower.

With best regards, and looking forward to seeing you at that time,

Cordially yours,

*Murray*  
Murray Hanson

MH:eh  
enc.

1959 FEB 30 10:10 AM  
RECEIVED





Representatives of the  
INVESTMENT BANKERS ASSOCIATION OF AMERICA  
who will attend the  
Meeting of Executive and Conference Committees  
and National Committee Chairmen  
Washington, D. C.  
March 4-5, 1959

WILLIAM D. KERR

Partner, Bacon, Whipple & Co., 135 South La Salle Street, Chicago  
President, Investment Bankers Association

WILLIAM M. ADAMS

President, Braun, Bosworth & Co., Penobscot Building, Detroit  
Vice President, Investment Bankers Association  
Member, IBA Executive Committee

ALBERT T. ARMITAGE

President and Director, Coffin & Burr Incorporated, 60 State St., Boston  
Past President, Investment Bankers Association  
Member, IBA Conference Committee

CURTIS H. BINGHAM

President and Director, Bingham, Walter & Hurry, Inc., 621 South  
Spring Street, Los Angeles  
Chairman, IBA Arrangements Committee

~~H. LAWRENCE BOGERT, JR.~~

~~Partner, Eastman Dillon, Union Securities & Co., 15 Broad St., New York  
Chairman, IBA Syndicate Committee~~

ROBERT B. BLYTH

Vice President, The National City Bank of Cleveland, 623 Euclid Ave.,  
Chairman, IBA Governmental Securities Committee Cleveland

T. JERROLD BRYCE

Partner, Clark, Dodge & Co., 61 Wall Street, New York  
Past President, Investment Bankers Association  
Member, IBA Conference Committee

CHARLES A. CAPEK

Vice President, Lee Higginson Corporation, 231 S. La Salle St., Chicago  
Chairman, IBA Finance Committee

ROBERT E. CLARK

Executive Vice President, Calvin Bullock, Ltd., One Wall St., New York  
Chairman, IBA Investment Companies Committee

JULIEN H. COLLINS

President, Julien Collins & Company, 105 South La Salle St., Chicago  
Past President, Investment Bankers Association  
Member, IBA Conference Committee



WARREN H. CROWELL

Partner, Crowell, Weedon & Co., 650 South Spring St., Los Angeles  
Vice President, Investment Bankers Association  
Member, IBA Executive Committee

SHELBY CULLOM DAVIS

Partner, Shelby Cullom Davis & Co., 116 John Street, New York  
Chairman, IBA Insurance Securities Committee

H. H. DEWAR

Partner, Dewar, Robertson & Pancoast, Milam Building, San Antonio  
Past President, Investment Bankers Association  
Member, IBA Conference Committee

W. YOST FULTON

President, Fulton Reid & Co., Inc., Union Commerce Building, Cleveland  
Chairman, IBA Small Business Committee

PAUL F. GENACHTE

Director, Atomic Energy Division, The Chase Manhattan Bank, 18 Pine St.,  
Chairman, IBA Nuclear Industry Committee New York

WALTER M. GIBLIN

Partner, Hornblower & Weeks, 40 Wall Street, New York  
Chairman, IBA Aviation Securities Committee

MURRAY HANSON

Managing Director and General Counsel  
Investment Bankers Association, 425 13th Street, N.W., Washington

DAVID J. HARRIS

Partner, Bache & Co., 140 South Dearborn Street, Chicago  
Chairman, IBA Group Chairmen's Committee

EDWARD HOPKINSON, JR.

Partner, Drexel & Co., 1500 Walnut Street, Philadelphia  
Past President, Investment Bankers Association  
Member, IBA Conference Committee

WILLIAM C. JACKSON, JR.

President, First Southwest Company, Mercantile Bank Bldg., Dallas  
Past President, Investment Bankers Association  
Member, IBA Executive Committee  
Chairman, IBA Nominating Committee

THOMAS M. JOHNSON

President, The Johnson, Lane, Space Corporation, 721 Broad Street,  
Chairman, IBA Public Utility Securities Committee Savannah

RALPH F. LEACH

Treasurer, Guaranty Trust Company of New York, 140 Broadway, New York  
Chairman, IBA Research Committee

W. CARROLL MEAD

Partner, Mead, Miller & Co., Charles & Chase Streets, Baltimore  
Vice President, Investment Bankers Association  
Member, IBA Executive Committee

GEORGE A. NEWTON

Partner, G. H. Walker & Co., 503 Locust Street, St. Louis  
Chairman, IBA State Legislation Committee

MICHAEL PESCATELLO

Vice President, The First National City Bank of New York, 55 Wall St.,  
Chairman, IBA Industrial Securities Committee New York

FRANK L. REISSNER

President, Indianapolis Bond and Share Corporation, 120 E. Market St.,  
Chairman, IBA Membership Committee Indianapolis

ALFRED J. ROSS

Partner, Dick & Merle-Smith, 48 Wall Street, New York  
Chairman, IBA Railroad Securities Committee

WALTER A. SCHMIDT

Partner, Schmidt, Roberts & Parke, 123 South Broad St., Philadelphia  
Past President, Investment Bankers Association  
Member, IBA Conference Committee

ROBERT O. SHEPARD

President, Prescott, Shepard & Co., Inc., National City Bank Bldg.,  
Chairman, IBA Education Committee Cleveland

WALTER H. STEEL

Partner, Drexel & Co., 30 Wall Street, New York  
Chairman, IBA Municipal Securities Committee

ROBERT STEVENSON, III

Secretary & Treasurer  
Investment Bankers Association, 425 13th Street, N.W., Washington

ARTHUR L. WADSWORTH

Vice President, Dillon, Read & Co., Inc., 46 William Street, New York  
Vice President, Investment Bankers Association  
Member, IBA Executive Committee



MEXICO ECOSOC Meeting

Mr. Black

November 3, 1959

George R. Young

1959 Speech to ECOSOC in Mexico City

An interesting use of your ECOSOC speech has been made by ICE, the electric power authority of Costa Rica. Attached is a reprint from ICE's June newsletter to its employees, which carried extensive quotation of your remarks on the need for adequate charges for power.

There is reason to believe that ICE are also using your speech in a wider field. The President of Costa Rica is stuck with an election pledge he made not to authorize price increases which would raise the cost of living. One way out of his dilemma is to change the existing law which requires presidential approval of power rate increases, and this reprint may be directed to that purpose.

Attachment

GRY/js





# Office Memorandum

Mr. Black's speech  
ECOSOC

TO : Mr. H.N. Graves, Rm. 216 IBRD  
FROM : Dorothy Wescott  
SUBJECT : *DW*

DATE: April 13, 1959.

Attached is a note based on Mr. Black's speech at ECOSOC, which we propose to publish in this week's issue of our International Financial News Survey. If you wish to make any corrections, will you please send them to us by Wednesday, April 15, 10 a.m. (Fund Building, Room 1210). If we do not hear from you by that time, we shall assume that no correction is to be made.

*Correction phoned  
in as noted  
M/R*

Att.

4.13.59.

## Public Utility Finance in Underdeveloped Countries

In an address <sup>at</sup> to the 27th Session of the UN Economic and Social Council in Mexico City on April 10, Mr. Eugene R. Black, President of the International Bank for Reconstruction and Development (IBRD), <sup>reviewed the work of the Bank during the past year and</sup> outlined steps being taken to increase the capital of the Bank <sup>and</sup> ~~also mentioned proposals that would provide additional capital for development--among them proposals for regional institutions in Latin America and the Middle East.~~ ~~He~~ He emphasized the importance for developing countries to mobilize their own capital to the fullest possible extent. This, he said, was particularly important for investment in public utilities. The IBRD has so far lent more than \$3 billion for power projects, road and rail programs, and other public services. In each case, however, the borrower had also had to invest considerably larger sums from its own sources of capital; and Mr. Black stated that there is no practical way to raise this money unless a substantial part of it is generated by the utilities themselves through adequate charges to the users of their services. Adequate utility rates--which mean rates that enable utilities not only to cover the real cost of their services but also to retain out of earnings substantial sums each year to help finance the expansions needed to sustain further growth--are especially important in a country where there is no organized capital market. Mr. Black ~~mentioned~~ criticized the view that subsidized utilities, and in particular artificially cheap power, are necessary to attract industry and commerce, pointing out that the cost of electric power is usually only a small fraction of the total cost of production. "The enormous sums, from domestic savings and from foreign investors, which are needed to keep utility services abreast the rapidly rising demand, make it imperative to discard old-fashioned ~~misplaced~~ emotional attitudes toward utility finance and substitute



commonsense economy. This, in turn, meansadequate rates; it means the prompt adjustment of rates at times of rising costs; it means realistic valuation of assets and normal depreciation allowances."

Source: International Bank for Reconstruction and Development, Press Release, Washington, D.C., April 10, 1959.

Speech by Black  
ECOSOC

**HOLD FOR RELEASE**



INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON 25, D. C. TELEPHONE: EXECUTIVE 3-6360

Address by Eugene R. Black, President of the  
International Bank for Reconstruction and Development  
before the 27th Session of the Economic and Social Council of the  
United Nations, meeting in Mexico, D.F.

TO BE HELD FOR RELEASE UNTIL DELIVERY HAS BEGUN, EXPECTED  
TO BE ABOUT 10:30 A.M. FRIDAY, APRIL 10, 1959

Mr. Chairman, Members of the Council:

To appear before the Economic and Social Council here in Mexico is a special pleasure. When the Bank's Board of Governors held its Annual Meeting here seven years ago, we all felt that it was highly appropriate to be holding our discussions in a country where the process of economic development was fully under way. Now, even more than then, the visitor has a chance to see at first hand an economy in the process of vigorous growth. I hear that along the west coast of Mexico, more real wealth has been created in the past ten years than in the previous three hundred. In this region, the desert has truly been made to bloom: water has revived the land, and the fruit of the land has revived the towns and cities.

The Bank, through its loans, has been able to participate in development not only in the west, but in many other parts of Mexico as well. We have been impressed by the serious attention which Mexican leaders for the past 25 years have been giving to development, by the steadfast confidence of the country in a succession of able national administrations, and above all, by the energies and adaptability of the Mexican people themselves. Mr. Chairman, your Council could not have chosen a more interesting and appropriate place in which to carry on its discussions.

\* \* \* \* \*



When I last met with the Council, I told you that our rate of lending had reached a level markedly higher than any that had gone before. I can tell you today that we actually have exceeded the pace of which I spoke last year. In the past 12 months, the Bank has made 34 loans -- about one every ten days -- and has lent the equivalent of more than 750 million United States dollars.

About \$150 million of that lending was for projects in the Latin American republics, nearly all of it to enlarge projects or programs which we have been helping to finance in years past. Power programs accounted for the largest part: in Mexico, we lent \$34 million to help the Federal Electricity Commission expand its services; in Brazil we made a loan for the largest hydroelectric project yet undertaken in Latin America.

In Europe we lent about \$90 million. A feature of this lending was that most of it was carried out in conjunction with issues of the borrowers' bonds in the New York market. In Africa, we lent \$110 million, including our first loans -- both for transportation -- in Nigeria and the Sudan. Our rate of operations continued to be highest in Asia. There we made our first loan in the Federation of Malaya and lent over \$400 million in all. The bulk of this amount was committed for projects in India and Japan; and in conjunction with one loan from the Bank, Japan sold its first public offering of bonds in New York since before the war.

\* \* \* \* \*

As Chairman of the International Finance Corporation, I want to tell you that the Corporation's operations are also gathering momentum. You have before you IFC's Second Annual Report and the Supplement which describes its activities up to the beginning of last month. The Supplement shows that since the Annual Report the Corporation has made four investments: in an industrial rubber plant



in Australia; in a cement plant in Brazil; in flour milling in Guatemala; and in an industrial steel forging plant in India.

IFC has now made 14 investment commitments totaling \$13.3 million in seven countries. We estimate that every dollar invested by IFC has been accompanied by three dollars and a quarter of industrial and private capital, totaling about \$45 million. This illustrates the role of the Corporation in using its capital to supplement and attract other and larger amounts of capital, both domestic and foreign.

During the past year, members of IFC's management and staff have visited 38 countries, either to examine and discuss specific projects or to make contact with private businessmen and explain IFC's policies and operations. The Corporation considers this direct and personal contact an effective means of telling its story and stimulating the flow of proposals to it.

The Corporation continues to receive a substantial number of eligible investment proposals. It now has under consideration a considerably larger number that appear promising than it did a year ago. It is reasonable to believe that the Corporation will show a rising number of investments in each successive year, as happened in the case of the Bank.

\* \* \* \* \*

The Bank's technical assistance activities, in the nature of things, attract less attention than some of the other work of the Bank; but they continue undiminished in variety and importance. This week, for instance, a mission engaged in drawing up recommendations for a development program in Libya completes its field work and begins to return to Washington. The Bank has just sent to the Government of Thailand a report and recommendations on measures for economic development. The report results from a collaboration of more than a year



between a Bank mission and Thai economists; and in many cases, the report records recommendations that already have been put into effect. Similar survey missions are now being organized to go to Tanganyika and Venezuela. The Bank has continued to station representatives in the field whenever it appeared they could make a special contribution to development; and as you will remember, Bank representatives have been playing a special role in the study of development planning in Ecuador and Peru.

The Bank has been helping to carry out work of unique importance in the peaceful use of atomic energy. As you know, we and the Italian authorities two years ago organized a comprehensive study of the economic feasibility of an atomic power plant in Southern Italy. The study came to a final phase a few months ago when an international panel of experts, organized by the Bank, submitted to the authorities an analysis of the tenders received for the construction of the plant. This analysis examined the various alternatives which today's technology offers for the development of electric power from atomic fuels. The Bank intends in the near future to publish an extended summary of the panel's report, for its interest to professionals in the atomic energy field.

The Bank continues to encourage the growth and establishment of industrial development banks in many parts of the world. Right now we are assisting in the proposed establishment or reorganization of banks of this type in such widely scattered places as Bangkok, Lima, Teheran and Taipei. We helped launch a new industrial finance corporation in Karachi last spring which includes stockholders from Japan, the United Kingdom and the United States as well as Pakistan. And we are continuing to provide assistance of various types to other development banks which we have sponsored and helped to finance, in Ethiopia, India and Turkey. Because of the growing importance of this field of activity -- which



is still new and about which we still have much to learn -- we undertook last May to gather together in Washington the executive officers of industrial development banks in 11 different countries to discuss operating problems and policies of common interest.

When we met last year, I mentioned that the Bank stood ready to give all the help it could to the United Nations Special Fund, the new United Nations venture which was then in the final phase of planning. I can now report that the Bank has been actively collaborating with the management of the Fund, has detailed members of its own staff to assist the Fund in its organizing period, and is suggesting developmental surveys that the Fund may wish to consider for inclusion in its program of work. The Bank will continue to assist in any way possible.

As you know, the Bank has been acting as mediator in a number of disputes between member governments. The signing of a compensation agreement between the United Arab Republic and the reorganized Suez Canal Company last July was followed, in February, by a financial settlement between the Governments of the United Kingdom and the U.A.R. I am glad that the Bank was able to be of service in both these matters.

Of longer standing is the Bank's effort to bring the Governments of India and Pakistan together over the use of the waters in the Indus River system. Discussions between the Bank and the two governments are still continuing.

\* \* \* \* \*

Members of the Council are aware that most of the money the Bank lends is raised in the world's capital markets. Our rising rate of lending and our growing rate of disbursements on loans have required us to expand our borrowings. The past 12 months, in fact, have been one of the most active marketing periods in our history. We have sold just over \$630 million of bonds and notes -- three



fifths of it outside the United States. One fifth of it was sold for currencies other than United States dollars; and this amount included the sale in Germany just a few days ago of the largest issue of World Bank bonds ever to be offered to the public outside the United States.

The question of the Bank's capital, as you know, has been under study by our Board of Governors. A few weeks ago, the Board voted unanimously to approve a general doubling of the Bank's authorized capital, with certain further additions as well. It remains for the individual member governments to take specific steps to increase their subscriptions; and this action, I am glad to say, has been nearly completed by a number of member countries, including the United States and the United Kingdom. These steps do not, in most cases, call for additional cash payments to the Bank, but they will greatly enlarge the backing for the Bank's borrowings.

A number of other proposals have been made that would provide additional capital for development -- among them, proposals for regional institutions here in Latin America and in the Middle East. All in all, the prospects are good that the amount of public capital available for international assistance to development will continue to increase.

\* \* \* \* \*

This circumstance should be a powerful incentive for the developing countries to mobilize their own capital to the fullest possible extent. If there is a strong base in domestic savings, capital from outside may provide the necessary margin of success in the development effort; without it, no amount of international capital is likely to bring lasting success.

The Bank sees this in many aspects of the development process, but nowhere more so than in the field of public utilities. The Bank itself has lent more



than \$3,000 million for power projects, road and rail programs and other public services. This is better than three-quarters of all our development lending. In Latin America, nearly nine-tenths of our investments have been in power and transportation projects. And in all these cases, the Bank's loans provide only part of the prodigious costs involved. Our borrowers have had to invest considerably larger sums out of their own sources of capital.

A steadily expanding supply of essential public utility services is a requisite of economic growth in all underdeveloped countries today. Over the next decade, many thousands of millions of dollars in capital for these services must be found. There is simply no practical way to raise this money unless a substantial part of it is generated by the utilities themselves through adequate charges to the users of their services.

The Bank has been laboring this point for a very long time. We have held that it is dangerous for a developing country to be sentimental or politically expedient about things like railroads and power plants; that policies based on these attitudes only create an intolerable drain on the savings which are the lifeblood of every country's future prosperity. We have said that adequate utility rates are especially important in a country where there is no organized capital market. By "adequate" rates we have meant rates which enable utilities not only to cover the real cost of their services but also to retain out of earnings substantial sums each year to help finance the expansions which inevitably will be needed to sustain future growth. And we have made no distinction in advocating adequate rates between privately-owned and publicly-owned utilities.

We have at times been accused of being unduly rigid, if not even dogmatic in our insistence on these things. But in retrospect I am glad we have been firm. To be equipped financially for the long pull ahead, free governments have



no real alternative to allowing their utility managers to set adequate rates -- and then to adjust them promptly and proportionately whenever the cost of providing the services increases. There is simply no other way of attracting development capital -- domestic and foreign, private and public -- to these expensive but indispensable development enterprises.

I feel the Bank's insistence on sound utility finance is being vindicated today by events in many member countries. All over Latin America and in many other parts of the underdeveloped world, officials charged with the job of finding capital for development are themselves struggling to get a recognition of the simple principle that utilities should pay their way. President Frondizi of Argentina, in explaining his courageous stabilization program recently put the matter bluntly: "The deficits of the State enterprises can be traced to three essential causes: bad organization, excess of administrative personnel, and (utility) tariffs that are below the cost of operating the services.... No effort will be spared to achieve a reduction in the costs of these services and an improvement in their economic yield...."

Similarly, in Brazil, President Kubitschek recently said, "The impossibility of seeking in the investing public, or in the re-investment of profits of the utility itself, resources for the expansion of (utility services) transfers to the public budget or to government banks the whole of the responsibility for financing indispensable expansions, a burden which they will never be able to bear without directly or indirectly resorting to vast issuances of money. The resulting inflation, contaminating the whole economic body of the country, will then be the price to be paid for discouraging the best way of financing public services, i.e., through the users themselves."



Similar statements are being made in Chile and here in Mexico.

In India, today, the government is adopting new regulatory policies for its power utilities and the reason why is very instructive. One of the sources of domestic revenue counted on to finance India's Second Five-Year Plan has been yielding more by a good deal than had been expected. That source is the Indian railroads. The Indian railroads over the duration of the plan will have contributed, even after allowing for depreciation, the equivalent of half a billion dollars out of operating surpluses. This is no windfall; it is the result of good financial management. Because the Indian railroads do not represent a charge on the government's ordinary budget, because they provide so significantly for their own expansion and modernization from their own revenues, the government will have more resources available for things like schools and public health services. Quite naturally India's development authorities now want to get a similar result from their power utilities.

India's experience shows dramatically how, by relieving the general taxpayer from the burden of utility subsidies, more resources are available for the more human development needs. At bottom every underdeveloped country faces the same choice: Do you want subsidized power or do you want more schools? Do you want a free ride on the railroad or a city sewer system? These choices may be disguised in a rich country, though they exist there too, but in a poor country they stand out starkly against the scarce supply of savings available for development.

What in many minds has confused this harsh but inescapable choice, of course, is the notion that somehow subsidized utilities -- particularly artificially cheap power -- are necessary to attract industry and commerce. Why this notion has gained so much currency I do not understand. It is true



that large amounts of power are needed at low cost to make aluminum manufacturing pay. But for almost all other industries now being contemplated in the underdeveloped world it is how much is available, rather than how much is charged, which attracts industry.

A study prepared a few years ago showed that over a representative range of industries here in Mexico the cost of electric power averaged only 1.7% of total costs of production. The percentages ranged from a high of 3.8% in the paper industry to a low of 1% in textiles. In foundries and metal manufacturing operations it was 2%; in food processing, 1.6%; in wood-working industries, 2.4% and so on. If you compare power costs to the total value of production, the average percentage drops to 1.2%. This study did not cover all the industries in Mexico: in the cement industry power costs are a more important share of the total. But still, these figures make it most difficult to argue that it is marginal differences in the price of power which encourage or discourage an industry from establishing in a given location.

On the other hand, the price of power can make all the difference in the world when it comes to providing an adequate power supply. A case in point is the huge Kariba Gorge project in Central Africa. This project is being built in two stages. The first involves damming the Zambesi River and installing half a million kilowatts of capacity; it will cost about \$225 million. The second will bring capacity up to 1.2 million kilowatts at a further cost of about \$100 million.

When the project was first presented to us, the Rhodesian authorities said they intended to sell the power cheap. The rates they suggested, in fact, would have resulted in an actual loss. This faced the Bank with a big problem. Far from approving rates which would return a loss in the first stage, we wanted



rates which would return a substantial part of the money needed for the second stage, since we felt that without both stages the project could not justify the enormous investment involved.

After careful studies, the Bank recommended rate increases to yield about 35% more revenue from the first stage. Because this looked like a large increase the Bank undertook at its own expense a detailed survey of the power markets in the area to see how power users, present and potential, would be affected by such an increase. In no case, even among those industries which were very large power users or promised to be so in the future, was the increased cost more than a very small fraction of total costs. And everywhere we found willingness, if not eagerness, to pay a little more if that would mean a reliable and adequate power supply.

Today the first stage at Kariba is nearing completion. Instead of promising to be a monumental drain on the resources of the Rhodesian Federation, it promises to pay its way and to provide practically all the money needed to build the second stage. And the price of this promise can literally be figured as a fraction of a penny per kilowatt hour on the electricity bills of Kariba's many and diverse customers.

The case for making other utilities, like railroads, contribute capital from their own earnings for their own expansion is, I grant you, not so simply put. But, as the Indian railways show, there are great benefits to be had if these services can be financed outside the regular budget. As far as railroads are concerned, it can be said at the very least that direct subsidies for operating expenses from government revenues almost always represent an expensive luxury for a developing country. Any unnecessary or excessive expenditures on the provision of essential railway service, even if they can be financed



without inflation, can only mean less resources available for real development needs and for job-producing investment.

The strain on a developing country of the doctrine of artificially cheap power rates is bad enough. When the costs of other utilities are kept artificially high through what President Frondizi has called "bad organization" or "an excess of administrative personnel," the strain may well become intolerable. Make no mistake about it; the strain falls not upon any small group of people who might be able to bear it; it falls upon those least able to bear it -- those whose standards of living are most susceptible to inflation, those who pay the general excise taxes which most governments in developing countries rely on for the bulk of their domestic revenues. When these strains are justified as a means of accommodating commerce and industry, it simply amounts to soaking the poor to subsidize the rich.

If I have stated the case for sound utility finance in emphatic terms, it is only because I feel it hard to exaggerate how important this issue is to continued economic growth. I do not mean to minimize the great difficulties member governments face in trying to move from where they are now to such a position. We are not, after all, starting from scratch; everywhere there are more or less heavy legacies from the past to overcome which make it impossible to correct bad financial practices overnight. The problem is to get from where we are today to a position better suited financially for the long pull ahead.

Still the enormous sums, from domestic savings and from foreign investors, which are needed to keep utility services abreast the rapidly rising demand, make it imperative to discard old-fashioned, emotional attitudes towards utility finance and substitute common sense economy. This, in turn, means adequate rates; it means the prompt adjustment of rates at times of rising costs; it



means realistic valuation of assets and normal depreciation allowances. If these sound like strange slogans with which to rally people in search of a better material life, they nonetheless go to the heart of the matter. I congratulate those leaders in member countries who are speaking out so courageously for the right to make utilities pay their own way. They are pointing out one unavoidable requirement for escaping the mass poverty which is our common enemy.

\* \* \* \* \*

By singling out utility rates and their special relation to economic growth, I do not mean to leave the impression that all economic development can be reduced to this. Utilities are just as often the victims of inflation as they are the cause of it. And the gathering momentum of development in many member countries makes urgent a whole range of measures for financial stability if the resources which are available -- domestic and foreign -- are to lead to the higher living standards we all are working for.

In the Bank we stress these special matters because we want to see this race run to the finish. With so many countries now in full stride, it is tremendously important that we don't put unnecessary hurdles in our way, that the track be kept clear so economic growth can continue to gather speed. We in the Bank do not feel we are on the sidelines in this race; we feel we are running with each one of you. We are not disinterested observers, but partisans who want to win just as much as you do.



MINNESOTA Macalester  
College

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: June 20, 1960

TO: Mr. Black

FROM: Mr. Eldon S. Hendriksen  
Associate Professor  
Of Business Administration  
Washington State University  
Pullman, Washington

FILED UNDER: ~~Art. Int.~~ *Lassun Un. Wise*

SUMMARY: Reprinting of ~~the~~ Mr. Black's commencement address delivered  
at Macalester College on June 8, 1959



*Specimen Black - Macalester  
X Griggs B. G.  
Alpha  
AUG 13 REC'D*

**MARSH & McLENNAN**  
INCORPORATED

W-1291 FIRST NATIONAL BANK BUILDING

BENJAMIN G. GRIGGS  
VICE PRESIDENT

SAINT PAUL 1, MINN.

*Files  
Sept 22*

August 11, 1959

Mr. Eugene R. Black  
International Bank for Reconstruction & Development  
1818 H. Street, N. W.  
Washington 25, D. C.

Dear Mr. Black:

President Harvey M. Rice of Macalester College has officially acknowledged your recent gift of \$750.00 to establish thereby the Eugene R. Black Endowed Scholarship Fund at the college.

As chairman of the Development Council of Macalester I want to add my own very warm personal thanks for your magnificent contribution.

It was a pleasure to meet you here recently and I can assure you that your informal remarks at the luncheon following Convocation made a most significant impression on everyone present.

Most sincerely yours and again thanking you.



BGG:DF

1959 AUG 13 11:00 AM  
RECEIVED

AUG 13 RECD

MARSH & MELBANK

W-100 FIRST NATIONAL BANK BUILDING

SAINT PAUL, MINN.

BENJAMIN G. BRIGGS  
VICE PRESIDENT

File  
2/25

August 12, 1959

Mr. Eugene R. Black  
International Bank for Reconstruction & Development  
1818 M. Street, N.W.  
Washington 25, D.C.

Dear Mr. Black:

President Harvey M. Rice of Rochester College  
has officially acknowledged your recent gift  
of \$750.00 to establish thereby the Eugene R.  
Black Endowed Scholarship fund at the college.

As chairman of the Development Council of  
Rochester I want to add my own very warm personal  
thanks for your excellent contribution.

It was a pleasure to meet you here recently and  
I can assure you that your informal remarks at  
the luncheon following Convocation made a most  
significant impression on everyone present.

Most sincerely yours and again thanking you.

*[Handwritten signature]*

BGB:TW

RECEIVED  
BANK MAIL ROOM  
1959 AUG 13 AM 11:00



JUL 23 REC'D

*Speakers Black -  
Macalester*

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

OFFICE OF  
THE PRESIDENT

July 21, 1959

*File  
8/11/59*

Mr. Eugene R. Black, President  
International Bank for Reconstruction and Development  
Washington 25, D. C.

*July 15*

Dear Mr. Black:

It was nice to receive your recent letter concerning your visit to Macalester College at Commencement time. I am sure you know without my telling you that your address at Commencement was extremely well received.

We were delighted to have you for lunch at the bank. The people there were most complimentary about your remarks.

I do propose to come in for a brief visit on one of my trips to Washington. I might say, also, that presently I plan to attend the annual meetings of the Bank and Fund in September.

With kind regards, I am

Sincerely yours,

*Frederick L. Deming*  
Frederick L. Deming  
President

FLD: B

RECEIVED  
BANK BUILDING ROOM  
JUL 23 1959

JUL 23 1959

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

July 21, 1959

OFFICE OF  
THE PRESIDENT

File  
8/1/59

Mr. Eugene R. Black, President  
International Bank for Reconstruction and Development  
Washington 25, D. C.

Dear Mr. Black:

It was nice to receive your recent letter concerning your visit to Macalester College in Cambridgeport, Minn. I am sure you know without my telling you that your address at Cambridgeport was extremely well received.

We were delighted to have you for lunch at the bank. The people there were most complimentary about your remarks.

I do propose to come in for a brief visit on one of my trips to Washington. I might say, also, that presently I plan to attend the annual meeting of the Bank and Fund in September.

With kind regards, I am

Sincerely yours,

*Frederick L. Hennings*  
Frederick L. Hennings  
President

THB

RECEIVED  
BANK MAIL ROOM  
1959 JUL 23 AM 10: 11



Speech Blank  
- Harold

July 16, 1959

Dear Harold: - *William J. Tunell*

Please accept my apology for not having written you before this but I have had to return to Europe and have just come back.

First of all, thank you for your invitation to Macalester and again thank you for the two books on De Gaulle which I am sure I shall enjoy. I also appreciated your sending me the newspaper clippings. All in all my visit to Macalester was a great pleasure and it was very nice to have a chance to see you again.

Best regards.

Sincerely yours,

*W. J. Tunell*

Mr. Harold E. Wood  
First National Bank Building  
Saint Paul, Minnesota

ERB:mel

*Spencer Black  
- Macalester*

July 15, 1959

Dear Mr. Deming:

Please accept my apology for not having written you sooner but I have just returned from a trip to Europe.

First of all, I want to thank you for the extremely nice lunch which you gave for me in Minneapolis as well as for your other courtesies to me while there. My visit to Macalester was delightful and one of the most pleasant things about it was the opportunity of meeting with you. I also thank you for sending me the clippings.

When you are in Washington I hope you will be sure to let me know.

Best regards.

Very sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Frederick L. Deming  
President  
Federal Reserve Bank of Minneapolis  
Minneapolis, Minnesota

*Ack July 21*

ERB:mel



MACALESTER COLLEGE  
SAINT PAUL 1, MINNESOTA

JUN 11 REC'D

OFFICE OF THE PRESIDENT

June 9, 1959

Mr. Eugene R. Black, President  
International Bank for Reconstruction  
and Development  
1818 H Street NW  
Washington 25, D. C.

Dear Mr. Black:

Your appearance at my first commencement at Macalester College was a source of tremendous gratification and pleasure to me and the prestige and significance you added to our College by being our commencement speaker and accepting an honorary degree from us will continue to be one of the highlights in the history of Macalester.

Your message was one of the most significant of the commencement addresses that will be delivered anywhere in the country this year. It made a deep and lasting impression upon our seniors and all who were in the audience.

Your gracious personality, your warm sense of humor and your delightful companionship made the commencement ceremonies one of the most enjoyable I have ever experienced.

Your willingness to turn the honorarium, which I was prepared to pay to you for your address, over to the College in order that we may establish the Eugene R. Black Endowed Scholarship is also one of the most thrilling of all of the outcomes of your visit with us. It is a great pleasure for me to tell you that your Scholarship will appear in our new catalog, and as soon as a copy is available, I shall send you one.

Also, upon the first occasion that I can be in Washington I certainly will take your kind invitation seriously and telephone you to see if it would be possible for you to let me drop in briefly to see you.

With deep appreciation, continuing gratitude, and highest personal esteem, I remain

Most cordially yours,

*Harvey*

Harvey M. Rice  
President

*Ack July 15*

HMR:AME

cc: Mr. Harold Wood

1822 JUN 11 AM 1:33  
RECEIVED  
DANK AND ROOM



JUN 11 Rec'd

MACALESTER COLLEGE  
SAINT PAUL 1, MINNESOTA

June 9, 1959

OFFICE OF THE PRESIDENT

Mr. Eugene R. Black, President  
International Bank for Reconstruction  
and Development  
1616 H Street NW  
Washington 25, D. C.

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With deep appreciation, continuing gratitude, and highest personal esteem, I remain

Most cordially yours,

Harvey M. Rice  
President

MR:AMR  
cc: Mr. Harold Wood

1959 JUN 11 PM 1:33

RECEIVED  
BANK MAIL ROOM

Mr. Black



*Speech Black.  
Macalester*

COMMENCEMENT ADDRESS BY EUGENE R. BLACK, PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AT  
MACALESTER COLLEGE, SAINT PAUL, MINNESOTA, JUNE 8, 1959

### The Power of Your Heritage

President Rice, Ladies and Gentlemen of the Trustees, Distinguished  
Members of the Faculty and Guests, Men and Women of Macalester:

I am honored to have been asked to come here today. Macalester has earned a very enviable reputation for a sophisticated outlook on the world. Your achievements refute quite adequately those who still like to regard this great midwestern heartland as the seat of provincial isolationism. This stereotype, like so many stereotypes we have about the world, lingered in the public mind long after it ceased to represent a true picture. But I would say that now it has been finally laid to rest, thanks in no small part to the leadership of communities like Macalester.

A much more accurate cliché about the world, one which has great currency today, is that we live here on an island of great wealth surrounded by a world beset with poverty. I would guess that this is the subject of more commencement speeches this year than ever before. In a variety of ways graduating classes all over the United States are being told how great is the contrast between the wealth of their society and the poverty of most of the rest of the world. And they are being urged to understand why this great disparity of wealth is important to them.

You have every right to challenge those of us who harp on this fact and to demand from us some persuasive explanation of why you should take our warnings to heart. After all, it is one thing for the head of a rich family to expound to his son and heir the duties and responsibilities which

inherited wealth brings with it; but it is quite something else for men in public life to expound to college graduates the duties and responsibilities which come because their nation is very rich. While all the great religions command from the rich charity for the poor, none of the great nations in history has considered the material poverty of other nations as a matter of first importance. And the first duty of free governments, rich or poor, has been to mind their own business. Why should you be asked to get ready to mind the business of millions of people with whom you appear to have very little in common, simply because they live lives of material poverty today just as they have throughout all their history? Why should you who still have to work out your own careers and who have before you so many fascinating and exciting opportunities -- why should you be expected to take the problems of these people into your lives, too?

I am not going to pretend that this is an easy question which has an easy answer. You know as well as I that the societies of the human race today live together in an intimacy never before shared in history, and living this way has faced mankind with more uncomfortable and complex problems than he has ever faced before. Science and technology may have shrunk the world, but they have enlarged the world's problems out of all proportion with the past. In these circumstances nothing is harder than to make valid generalizations about fundamental facts of life such as the great disparities of wealth in the world.

But there is one generalization that I think is valid and is stressed too little in the United States today. There is too little recognition of the fact that it is our own successes which have made the problem of world poverty of unique importance. We and the other nations of the western world first



showed man that there was an alternative to poverty; we demonstrated this by promoting the spread of science and technology and the radical idea that man can have at least some say over his own destiny. In the process we upset, more or less completely, all the traditional societies of the world and made it impossible for people there to continue to live in poverty or to leave to others the management of their affairs without feeling that they were losing their national, racial and individual self-respect.

To show just how powerful our impact has been on these poor societies, let me recount three very vivid impressions which I brought home with me from my visit this past month to India, Egypt and Pakistan.

In New Delhi a cabinet minister spoke to me anxiously of a most serious miscalculation that had been made. India's population, instead of increasing at the expected rate of 5 million a year has, in fact, been increasing at the rate of 8 million a year. Already 400 million people live in India in an area about two-fifths the size of the United States; most of you will command as a starting salary an income fifty times larger than India's annual per capita income. The new population estimate cannot help but affect the government's painfully worked-out programs for eliminating the spectre of mass starvation.

Now why is India's population exploding, as the experts say? Such evidence, as is available, suggests that the population was fairly stable fifty years ago and had over the centuries risen only slowly. All of a sudden it began to increase in great spurts.

The reason is that thanks to the spread of public health practices and to developments in medicine, Indians are living longer. Life expectancy has gone up from about 25 years to about 38 years in my lifetime -- not a very

long life expectancy by our standards, but quite enough to upset the delicate balance of India's traditional economy. While the population was stable or grew only slowly India's millions, if they lived in material poverty, did not lack for the bare necessities of life. Nor was there a shortage of arable land. But while 85% of India's families today still scrape a living from the land, there has long since ceased to be enough land to go around. In some areas plots have been divided and subdivided and subdivided again until they have become so small as to defy the application of modern farming methods. And while industry has been developed rapidly in India, it has not grown nearly enough to draw the excess population away from the countryside. Today more than 75 million Indians -- almost one-fifth of the population -- are landless laborers and tenants, unemployed for much, if not all, of the year. Another 3 million constitute a pool of more or less permanent unemployed in the cities.

Next time you hear or read of India's population problem remember it is the direct result of the promotion of science and technology in the field of public health -- one of the successes for which we of the west became famous. To this extent, at the very least, you cannot escape some involvement in a problem that is all too obviously explosive in more ways than one.

While in Egypt I saw along the Suez Canal one of the most incredible sights I have ever seen. For long stretches along the banks thousands of men and boys were carrying rock and earth to build new levees for a wider canal. They had little equipment other than their bare hands. The going wage, I was told, was forty cents a day plus bonuses for those who broke up the most rock or lugged the largest amount of earth. Yet my engineers informed me that more was being accomplished in a given shift than they had



ever seen in a comparable operation elsewhere, even with all the mechanical aids of the construction industry.

What released this enormous energy? Something called nationalism. Egypt, like most underdeveloped countries today, is obsessed with a desire to reassert its pride in its own history and institutions and to recapture for itself something of the place it once held in the world. All over Egypt the banners of nationalism are flying, and like all nationalism, Egypt's is a mixture of genuine patriotism and fierce resentment against real or imagined subjugation in the past. While Egypt's leaders are denouncing more or less violently all entangling alliances with foreigners, they are along the Suez Canal desperately trying to show the world that they can go it alone.

If the human effort seems appalling to those of us used to the comfortable working conditions here in the United States, it is largely a measure of the strength of this force called nationalism. And to a considerable extent we made nationalism a strong force by making it impossible for people who had seen our ways and who had learned something of our vast store of scientific and technical knowledge to accept any form of dependence on us. By promoting science and technology and the idea that man can have at least some say over his destiny, we lead people to regard national independence as necessary for national and racial self-respect. To this extent again you cannot avoid involvement not just in Egypt, but in all the poor and newly-independent countries of the world which are reacting to the impact of our ideas and achievements in ways very similar to Egypt.

In Pakistan, as you know, representative government has recently been discarded in favor of a military dictatorship. This has been the rule rather

than the exception in the poor countries of Asia, the Middle East and Africa. While I was in Karachi I heard an explanation from an old friend of mine. "In your country," he said, "Congress may take six months or more to debate a simple law, but a decision is finally reached and you can afford the delay. Our Parliament never could come to a decision and we couldn't afford even to delay. You see we simply have to do something about feeding our people and giving them some hope in a future which promises a little less misery and discomfort."

Perhaps more than in the other two illustrations I have cited you cannot escape involvement in this dilemma. For the case of Pakistan and the other countries which have discarded representative government shows how much more success we have had at making poverty intolerable than we have had at making democracy possible. It illustrates how much greater has been the impact of our material achievements than has been the impact of our ideals.

Pakistan, like all newly-independent governments, learned quickly that the fact of national independence does not automatically bring with it the economic betterment that people of an underdeveloped country need and want so desperately. The fact that there was not even enough economic progress to make democracy possible damages our cause almost as much as it hurts the people of Pakistan. Perhaps we could not have prevented the failure of representative government there; I do not know; but at least we should examine our record to see if in any way we promoted the failure. If our real aim is to foster the growth of free societies, then we must face the fact that we have made it impossible for such societies to co-exist for long while the population stagnates in poverty. Whatever other political aims we may have, this fact is not altered by them.



It would take many more illustrations to show the full impact of your heritage on the poor societies of the world. In every corner of the globe now at least some people have seen our image of modern economic man and have been inspired to emulate him. Everywhere this has caused destruction of the fabric of society and set in motion currents of change among peoples whose habits and attitudes towards life and work had not previously changed for centuries.

And it is little wonder. In most of the poor societies of the world revolution upon revolution is still needed in people's habits and attitudes towards life before there can be an escape from poverty. This modern economic man we have created is a complicated being; he is like a machine in that to function efficiently he must have the right parts connected in the right ways. While we know all that needs to be known to create him -- all the technology and all the necessary policies and institutions to make him effective -- we still have not discovered how to communicate this knowledge to others without running a grave risk of turning out robots instead of men.

There is no simple answer to this dilemma. If the free nations of the world have an alternative to poverty which is applicable in the poor societies today and which does not do violence to the tenets of freedom, we cannot hope to sell it like soap or preach it like religion. It can only be induced by example and by working together with the peoples of these poor societies constantly and patiently at tasks designed to raise living standards. If this is the hard way, no other way is consistent with freedom.

Should we make the sacrifices for such an uncertain task? Should we pay the price to see that our alternative has a real chance to work? Is a free society capable of having the stamina to undertake such a necessarily long

and frustrating job? You will have to answer these questions again and again in your lifetime.

If you are to be true to the aims and ideals of your fathers, you will have the courage to find affirmative answers to these questions. Your forebears saw in the power of science and technology -- and in the radical idea that man could have some say over his destiny -- tremendous power for good. If you are to stand for anything in your time, it must be to maintain the balance of hope in this fundamental proposition. This is the responsibility of free societies everywhere. And today what better way is there of discharging this responsibility -- what other way is nearly so hopeful -- than by devoting a good measure of our resources and our resourcefulness to helping these people find a humane alternative to the poverty which we have done so much to make intolerable?



HAROLD E. WOOD  
FIRST NATIONAL BANK BUILDING  
SAINT PAUL

JUN 15 Rec'd

June 11, 1959

Dear Gene:

Under the glow produced by your thirty-six hours in the Twin Cities, I meant to write you Tuesday morning a confirming "thank you". You did a superb job at Macalester, as I knew you would, and your remarks at the luncheon were memorable. You must remember that, out here, we don't get the direct word which New York and Washington provide. When it comes to such students as those at Macalester, it's a great thing for them to see in the flesh and hear the men who are making history. Again, many many thanks.

One of our local bookstores is mailing you the two volumes of De Gaulle. I hope you enjoy them as much as I have the first volume, and am now dipping into the second. Attached is the review of the second volume by John Chamberlain in yesterday's Wall Street Journal. You may not have seen it.

Again thanks, and my best to you.

Sincerely,



Harold E. Wood.

Mr. Eugene R. Black  
President, International Bank  
for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C.

Ack July 16

1959 JUN 12 AM 11:38

RECEIVED

HAROLD E. WOOD  
FIRST NATIONAL BANK BUILDING  
SAINT PAUL

JUN 15 1959

June 11, 1959

Dear Gene:

Under the glow produced by your thirty-six hours in the Twin Cities, I meant to write you Tuesday morning a confirming "thank you". You did a superb job at Macalester, as I knew you would, and your remarks at the luncheon were memorable. You must remember that, out here, we don't get the direct word which New York and Washington provide. When it comes to such students as those at Macalester, it's a great thing for them to see in the flesh and hear the men who are making history. Again, many many thanks.

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Again thanks, and my best to you.

Sincerely,



Harold E. Wood.

Mr. Eugene R. Black  
President, International Bank  
for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C.

Att 2/10/10

1959 JUN 15 AM 11:36

RECEIVED  
BANK MAIL ROOM



N.Y. SAVINGS ASSOC.

Spencer Black - N.Y. Savings

November 4, 1959

Dear Henry: - *wrong 6x29*

We are delighted to learn that Gene Black's talk had a good reception from the Savings Bankers.

I shall certainly give you points on being even wetter than Elinor or I on that famous Monday. Actually the Association should have a special medal struck for the "Grand Order of the Web Foot."

As to Gene's expenses, he was more than pleased to take on this assignment and desires that we bear all costs of his trip. I hope very much that this will be satisfactory to the Association.

Sincerely yours,

William L. Bennett  
Office of Information

Mr. E. Henry Powell  
General Secretary  
The Savings Banks Association  
110 East 42nd Street  
New York 17, New York

WLB:fp



PRESIDENT  
EDWARD J. PIERCE  
PRESIDENT  
HARLEM SAVINGS BANK  
NEW YORK CITY

VICE PRESIDENT  
CHARLES W. GLEASON  
PRESIDENT  
THE GREEN POINT SAVINGS BANK  
BROOKLYN, N. Y.

TREASURER  
STUART A. LYMAN  
PRESIDENT  
THE FRANKLIN SAVINGS BANK  
NEW YORK CITY

ASSISTANT TREASURER  
MORRIS D. CRAWFORD, JR.  
EXECUTIVE VICE PRESIDENT  
THE BOWERY SAVINGS BANK  
NEW YORK CITY



MANAGING DIRECTOR  
GEORGE M. PENNEY  
110 EAST 42ND STREET  
NEW YORK CITY

GENERAL SECRETARY  
E. HENRY POWELL  
110 EAST 42ND STREET  
NEW YORK CITY

DIRECTOR OF BANKING OPERATIONS  
EDWIN B. LAMONT  
110 EAST 42ND STREET  
NEW YORK CITY

DIRECTOR OF PUBLIC RELATIONS  
KENNETH L. VIRCH  
110 EAST 42ND STREET  
NEW YORK CITY

*The* SAVINGS BANKS ASSOCIATION  
OF THE STATE OF NEW YORK  
110 EAST 42<sup>ND</sup> STREET  
NEW YORK 17, N.Y.

October 29, 1959

Mr. William L. Bennett  
International Bank for Reconstruction  
and Development  
Washington 25, D. C.

Dear Bill:

Thanks ever so much for your very nice note which I will pass along to Judge Penney and Ed Lamont who are out of the office today. We are happy that you enjoyed your trip and will promise to do a better job with the weather next time. At least I did my best to get as wet as you did.

Everybody was most enthusiastic about Gene's talk, and it was wonderful of him to do it. We had hoped that he would be able to enjoy the entire cruise and it was too bad that he was able to be with us such a short time. I know Ed Pierce has written him.

If he hasn't already sent along the statement of his expenses, you might remind him and we will see that it is taken care of promptly.

Sincerely yours,

EHP:ame

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NEW YORK SAVINGS BANKS ASSOCIATION  
OF THE STATE OF NEW YORK  
110 EAST 42<sup>ND</sup> STREET  
NEW YORK 17, N.Y.

October 29, 1959

Mr. William L. Bennett  
International Bank for Reconstruction  
and Development  
Washington 25, D. C.

Dear Sir:

Thank you so much for your very nice note which I will pass along to Judge Betway and Ed Lamont who are out of the office today. We are happy that you enjoyed your trip and will promise to do a better job with the weather next time. At least I did my best to get as wet as you did.

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Sincerely yours,

EHP:ams

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*Speech Black N.Y. Savings*

PRESIDENT  
EDWARD J. PIERCE  
PRESIDENT  
HARLEM SAVINGS BANK  
NEW YORK CITY

VICE PRESIDENT  
CHARLES W. GLEASON  
PRESIDENT  
THE GREEN POINT SAVINGS BANK  
BROOKLYN, N. Y.

TREASURER  
STUART A. LYMAN  
PRESIDENT  
THE FRANKLIN SAVINGS BANK  
NEW YORK CITY

ASSISTANT TREASURER  
MORRIS D. CRAWFORD, JR.  
EXECUTIVE VICE PRESIDENT  
THE BOWERY SAVINGS BANK  
NEW YORK CITY



OCT 29 1959

MANAGING DIRECTOR  
GEORGE M. PENNEY  
110 EAST 42ND STREET  
NEW YORK CITY

GENERAL SECRETARY  
E. HENRY POWELL  
110 EAST 42ND STREET  
NEW YORK CITY

DIRECTOR OF BANKING OPERATIONS  
EDWIN B. LAMONT  
KENNETH L. VIRCH  
110 EAST 42ND STREET  
NEW YORK CITY

DIRECTOR OF PUBLIC RELATIONS  
KENNETH L. VIRCH  
110 EAST 42ND STREET  
NEW YORK CITY

*The* SAVINGS BANKS ASSOCIATION  
OF THE STATE OF NEW YORK  
110 EAST 42<sup>ND</sup> STREET  
NEW YORK 17, N.Y.

*Files  
11/5/59*

October 28, 1959

Mr. Eugene Black, President  
International Bank for Reconstruction  
and Development  
1818 'H' Street, N. W.  
Washington 25, D. C.

Dear Mr. Black,

May I express to you my deep appreciation of your kindness in taking the time from your very busy schedule to appear on our Convention program.

I have heard nothing but praise for your most interesting talk about the World Bank and I regret that your engagements limited the time you could spend with us.

With every good wish,

Sincerely yours,

*Edward J. Pierce*  
President

OCT 29 1959  
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MEMBER OF THE BOARD OF DIRECTORS  
EDWARD J. HENNING  
110 EAST 42ND STREET  
NEW YORK CITY

MEMBER OF THE BOARD OF DIRECTORS  
CHARLES W. OLSON  
110 EAST 42ND STREET  
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MEMBER OF THE BOARD OF DIRECTORS  
STUART A. LEVINE  
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MEMBER OF THE BOARD OF DIRECTORS  
ROBERT J. BROWN  
110 EAST 42ND STREET  
NEW YORK CITY

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MEMBER OF THE BOARD OF DIRECTORS  
ROBERT J. BROWN  
110 EAST 42ND STREET  
NEW YORK CITY

OCT 29 1959



THE SAVINGS BANKS ASSOCIATION  
OF THE STATE OF NEW YORK  
110 EAST 42ND STREET  
NEW YORK, N.Y.

File  
11/2/59

October 28, 1959

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International Bank for Reconstruction  
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1818 'H' Street, N.W.  
Washington 25, D.C.

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With every good wish,

Sincerely yours,

Edward J. Henning  
President

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*Speech Black W. J. J. J.*

October 27, 1959

Dear Russell:

It was nice seeing you on the Nieuw Amsterdam and once again I find myself indebted to you for your nice comments about my speech. The trip was an interesting one in spite of the bad weather plus the hurricane problem.

Best regards,

Sincerely yours,

*15/ Gene*

Mr. Russell Prudden  
Prudden's Digest  
124 E. 91st Street  
New York, N.Y.

ERB:cml



bond issues; and current reserves are \$433 Million. All this strengthens ground for international and lasting peace.

**THE IMPORTANCE OF - to N.Y. State's banking system** was ably covered by Dr. Raymond **SAVINGS BANKING** Rodgers of N.Y. Univ., who concluded "there is no economic justification for current attacks on savings banks, and it is unfortunate the public doesn't understand this." Also he deplored fact that "some, either through ignorance or for selfish purposes, mislead the public." Again, "there are controlling economic reasons for small banks & big ones, for commercials & savings banks, or they would not have developed side by side. It is selfish to "attempt to turn the small banks against the large ones and the commercials against savings."

**NEW U.S.  $4\frac{1}{4}$ 'S** - An article in 10/19 "World-Telegram" by Fin. Writer Edmour Germain tells of disclosure after private discussions at convention - that to avert drain on thrift funds, some savings bankers are notifying Treasury of preparedness to provide it with new funds to finance its long-term needs at  $4\frac{1}{4}\%$ , to extent that Treas. is ready to pre-refund some of its  $2\frac{1}{2}\%$  &  $2\frac{3}{4}\%$  issues held by such banks. Recent 5% Notes were reported as a drain on many banks equal to a year's normal investment in mortgages. Idea is for banks to buy (in dollar amounts) same volume of New  $4\frac{1}{4}$ 's as Treasury is willing to pre-fund of lower-yield issues.

**NEVER A DULL MOMENT** - Ocean trips can be quite exciting! Before leaving Hoboken, the new & world's 5th largest liner "Rotterdam" and the big cruise ship "Nieuw Amsterdam" played "musical chairs" by switching piers in the Hudson River to accomodate incoming passengers and outgoing bank cruise delegates. Then after a rainy day in Bermuda, announcement of fast-approaching Hurricane "Judith" meant quick moving of the big ship out into the ocean to avoid possible hurricane damage less probable there than at anchor in the shallow Bermuda harbor waters. Everyone had a "wet" time from the deluge of rain but not from their Hamilton purchases which were all bonded and deliverable in New York City.

**SPEECHES AVAILABLE** - Copies of the various speeches and other items mentioned in this Digest are available from us if you will enclose a 12¢ stamped self-addressed envelope for each. Many are worth careful perusal.

**HIGHER DIVIDEND RATES** - In today's "W.S. Journal" survey, it is reported that more S&Ls in Chicago, Toledo, etc., will up rates to 4%, effective next Jan. 1. Competition from Treas. Notes is a factor. Re this, many S&Ls must pay more for borrowed money as six F.H.L. Banks have increased rates on loans to S&Ls.

**WATCH DELINQUENCIES** - Keep in mind that personal income since mid-July has been harder hit by steel strike than the Adm. previously estimated. And here's a warning: Consumer Credit delinquencies at banks increased in August, first full month of strike - first time since Feb. While percentage of overdue loans was still substantially below last year, latest ABA Report warns current rise should be watched closely.

**Note:** Although there has been subdued talk of credit controls if inflationary pressures increase, Prof. J.I. Bogen of N.Y.U. writes today that length of steel strike and uncertainty about lasting industrial peace "have lessened threat that the credit stringency will reach an acute phase during current quarter." **A Big Question:** How much will expected 1960 auto sales add to current all-time-high Consumer Credit total of \$48 Billion?

**NON-REPORTED INTEREST** - A new headache may be in offing for savings institutions! Perhaps so as the Treasury has indicated again its concern that many savers are not reporting interest & dividends for taxation. Wants cooperation from banks and S&Ls, or enforced withholding may be ahead, similar to withholding of wages. Some observers say banks could forestall drastic legislative action by voluntary cooperation. One proposal is for institutions to put appropriately-phrased slips in the mail with some thoughts about amount of taxes to be paid.



is assuming scandalous proportions," adding, "I am grateful that you have brought it out in the open." Note: Lack of space will not permit our "digesting" this letter but we suggest you read in detail if you wish to be informed about both sides of controversy. (Write us for copy.)

"WHAT KIND OF SIXTIES?" - was ably discussed by Chm. H.C. Alexander of Morgan Guaranty Trust Co., who made a hit by saying: "I neither solicit nor accept savings deposits," and also stressing that "each kind of institution has its own advantages, its own special opportunities to serve, and grow, and prosper - or to fail."

As to what kind of Sixties we will have, Mr. Alexander said we would grow in size and activity, but - how sound will that growth be? Much will depend on "how intelligently we as a nation will manage our economic affairs." Although there are strikes & other blemishes now, "money panic talk is without foundation - interest rates are not to go through the roof." The banking system is heavily loaned but not "loaned up." However, other very pressing problems will worsen and become critical if available remedies are not applied. Some are: 1) Loss of gold although "our gold stock is still more than ample;" and 2) deficit in our international payments.

THE REMEDIES - include: 1) Need to export more goods. Building up export sales is "one of the toughest jobs we face in Sixties;" 2) Need to urge other countries to drop discriminatory restrictions against our goods; 3) not putting on our own import restrictions; 4) get our allies to carry a larger share of capital outlays for underdeveloped areas; 5) go slower in encouraging our export of private capital (but without real restrictions); and 6) make our currency so sound & yields in our investment market more attractive so that foreign capital invested here will not leave.

THE U.S. DOLLAR - Briefly, a number of other world currencies have greatly strengthened and the dollar's margin of superiority has been reduced. Confidence in the Dollar remains strong, but 1) "Budget deficits are bad;" 2) management of huge Govt. debt is complicated; 3) "the 4 $\frac{1}{4}$ % ceiling should come off;" 4) too much short-term financing invites inflation and is dangerously close to creating funds. "Treasury doesn't want a printing press;" and 5) wages should be closely related to productivity.

Without trying to sound an alarm, Mr. Alexander stressed that above problems can be solved and their dangers averted, "but only if they are tackled with the will and determination to overcome them." This should be the business for all of us and if we win the battle, the Sixties "may well be the best years we have so far enjoyed."

THE DOLLAR IS SOUND - Somewhat in line with Mr. Alexander's remarks, Pres. Eugene Black of the World Bank said the American Dollar is today an international currency second to none, and he is sure that the talk of lack of confidence in certain quarters "is but a passing phase." Believes that European nations "know that discrimination against Dollar trade reflects a hangover from past fears rather than the realities of today's trading world."

The point is that "being a banker for the world involves maintaining a healthy balance of payments without regarding every period of gold outflow as a crisis of confidence." Many of today's problems and remedies reflect "a natural position for the banker of the Free World"... and most of the problems "are primarily the result of the tremendous achievements of the past decade." Note: The Development Loan Fund, in a major policy innovation, announced yesterday that in the future its loans to underdeveloped countries must normally be spent on American goods.

GROWTH OF THE WORLD BANK - also was covered in a very interesting manner by Pres. Black who described the difficulties encountered in building big dams and other utilities which will help raise the standard of living of thousands of people in many parts of the world. Also told of Bank's rapid growth in 10 years - "as lender, as borrower, and as an Agency inevitably caught up in the currents of international diplomacy." Has loans over \$4.5 Bil. in 50 different countries; deals in 30 different currencies; has had no defaults anywhere; has floated 49 successful



*Speech Black  
N.Y. Savings*

WORLD BANK



# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON 25, D. C. TELEPHONE: EXECUTIVE 3-6360

Address by Eugene R. Black, President of the  
International Bank for Reconstruction and Development  
before the Annual Convention of the Savings Banks  
Association of New York, aboard the Nieuw Amsterdam,  
October 20, 1959

## GROWTH OF THE WORLD BANK, 1949-1959

It's good to be at sea again with the New York State Savings Banks Association.

You will remember, you signed me on as a speaker aboard this same ship almost exactly ten years ago this day. At that time the World Bank had hardly gotten its sea-legs. I accepted your gracious invitation then to express my thanks for the confidence this group had already shown in the Bank's promise. It was your group which more than any other helped us to establish the legality of World Bank bonds for investment by savings banks and fiduciary trusts in the United States. When we needed support most, you gave us the support we needed.

That would be reason enough for me to welcome this second invitation to report to you on what the Bank is doing. But the fact is your support has never wavered in the ensuing ten years. Today, in so far as we are able to estimate these things, savings banks appear to hold nearly a quarter of the \$1 billion of our bonds and notes outstanding in the United States. And somewhat more than half of that quarter is held by members of your organization. If the World Bank has now proved itself seaworthy in the heavy seas of international finance, your continuing support has helped account for this in a most tangible way.

\* \* \* \* \*



What a difference ten years can make! When I was here in 1949, a round of devaluations had just swept Western Europe and the Marshall Plan was just being launched to try to restore to our wartime allies the economic and financial independence which we all felt was indispensable if they were to remain politically independent. All sorts of new and untried schemes were being hatched and here at home business and finance were being exhorted as never before to go out into the world and carry to others the benefits of the growth and prosperity which they had so successfully brought to fruit in the United States. It was a time of troubles, but of boundless confidence.

Today we can say that as far as the Atlantic Community of nations is concerned -- and Japan, too -- there were few more successful and constructive decades in history. The economies and the currencies of Western Europe and Japan have been restored and an atmosphere has been created in which the flow of capital across national boundaries has reached a volume few of us would have dared to predict in 1949.

In fact, the degree of success achieved in the past decade seems to have taken many people by surprise. Some even seem to be worried about it. Thus in the United States there is concern over the fact that today America owns only about half the Free World's gold supply while in 1949 it owned something over 60%. And in Western Europe governments cling to restrictions against dollar trade long after the pressing need to conserve dollars has been overcome. On the surface there appears to be less confidence now that we have achieved a degree of financial order and stability in the Free World than there was when the nations of the Free World were more or less poor relations of the United States.



I am sure that this is but a passing phase. At our recent Annual Meeting I saw plenty of evidence that the European nations know that continued discrimination against dollar trade reflects a hangover from past fears rather than the realities of today's trading world. And at the same time I think that we in the United States will come to learn that part of being banker for the world involves maintaining a healthy balance of payments without regarding every period of gold outflow as a crisis of confidence. The United States has, in effect, swapped a considerable amount of liquidity in the form of gold for new, productive investments abroad -- just the kind of swap we were most anxious to achieve in 1949. If we now have to look to our balance of payments -- to look more carefully to our own costs and guard more carefully against inflationary pressures at home -- this is a most natural position for the banker of the Free World.

As I see it we have achieved, in the Atlantic Community anyway, something like normal financial relationships -- if anything can be called normal in these changing times. As such today's problems are primarily the result of tremendous achievements in the past decade.

\* \* \* \* \*

Rapid growth over these ten years has become a common place. You know that; the assets of your members have increased by some \$12 billion or more than 100% in those years. And we know it, too. The World Bank has grown out of all recognition to what it was in 1949. But rather than recite for you a long and dreary list of statistics, let me talk about the Bank in its three distinctive roles -- as lender, as borrower and as an agency inevitably caught up in the currents of international diplomacy. Let me give a few brief impressions of our work in each of these roles with only enough statistics to set the background.



When I was here in 1949, the Bank had committed only some \$600 million in loans in eight different countries. Now we have committed more than \$4,500 million in fifty different countries. Then we were only dealing in two currencies -- dollars and Swiss francs -- now we deal in 30 different currencies.

As a lender the Bank has proved a remarkably flexible instrument. While you are all familiar with the kinds of loans the Bank makes, these loans, in fact, tend to serve separate and distinct purposes in each of our borrowing countries. Where there exists already a considerable understanding of the importance of monetary stability and of the various techniques necessary for the wise investment of capital, our loans serve to support fairly broad economic objectives. This is the case with our big borrowers -- India, Italy, Japan and Australia among others. Then there is another category of loans -- to me the most interesting -- in which we have helped to finance pioneering projects in an underdeveloped country which promise to change the countryside in most dramatic ways. Let me describe two of these latter loans by way of illustration -- a small one and a big one.

\* \* \* \* \*

Let me take the big one first: You all know that the Bank made a large loan to help finance the Kariba Gorge power project in Central Africa; it remains in fact the biggest single project loan we have made -- \$80 million equivalent. The building of this project was an adventure, ranking with the most exciting which engineers and financiers have ever undertaken.

Back in 1955 when the Bank was approached by the Government of the Federation of Rhodesia and Nyasaland, the Copper Belt in Northern Rhodesia was burning wood to produce power. Either new thermal plants would have



to be built, together with new rail lines and new coal mines to supply those plants, or the Rhodesians would have to fulfill an age-old dream of civil engineers and dam the Zambezi, which flows, ferociously in the spring and like a placid stream in the fall, through one of the world's most remote hinterlands. The Federation Government said that their consultants, a team of English and French experts with world-wide experience in building dams, thought Kariba the best bet. They wanted to know if we agreed and would back them.

It was a tall order. They wanted, as a first stage, to build a dam, which would create a reservoir 130 miles long -- the largest man-made lake in the world -- and attach to it a power station with a capacity of 500 megawatts. As a second stage they wanted to increase the capacity of this station to 600 megawatts and then build another of the same size on the other side of the river -- making a grand total of 1,200 megawatts. They wanted this great power dam to serve two areas -- one nearly 275 miles away to the north, the Copper Belt, the other nearly 400 miles to the south, the cities of Salisbury and Bulawayo, industrial centers of Southern Rhodesia. Between these two groups of consumers there was absolutely nothing save a handful of tribal Africans and a great many wild animals.

Now this was, despite its spectacular specifications, one of the best documented requests we ever received at the Bank. But we knew that before we took the plunge we had to question every single document.

First we challenged the cost estimates, and sure enough they went up. They started at \$148 million but by the time they had been reviewed by the borrowers' consultants and checked by a chartered accountants office in London they had risen to \$322 million.



Then we checked the consultants' estimate of the market and the probable rate of growth of that market. After all, 1,200 megawatts is a lot of capacity to build in one of the most sparsely inhabited regions in the world. To check this point we took the unusual step of hiring our own team of consultants; they not only confirmed the market estimate submitted by the borrower, they went it one better. Of course, we settled for the lower of the two estimates!

We paid special attention to the borrower's proposed rate policy. We had read some disturbing statements by officials of the Federation Government who were promising "cheap" power from Kariba. The financial plan proposed was based on rates which would not have permitted Kariba to operate in the black until the second stage installations had been virtually completed. There was no provision for setting aside capital out of the first stage operations to help finance the second stage. We wouldn't buy any of this so we set about persuading the Federation authorities to set rates that not only would allow a profitable operation right from the start, but which would yield funds by the time they were needed to finance 50% of the second stage. We won our point and when Kariba goes on stream the rates charged will not be cheaper, but just about the same as other power rates prevailing in the country. This means the Federal Government will already have provided for half the money needed to install the second half of Kariba's capacity.

At this point we agreed to the loan, and then started one of the most elaborate international competitions for contracts that has ever been undertaken. An Italian firm ended up with the construction contract and British firms captured most of the equipment contracts. The dam, incidentally, was designed by a Frenchman. These groups, together with the



Federation and its consultants, worked together so well that very substantial savings below cost estimates were realized. From these savings it was possible to increase the height of the dam 20 feet, to install an additional generator, originally scheduled for the second stage, and to tie the town of Lusaka in N. Rhodesia into the power system while still ending up some \$14 million under the estimates.

The building of the dam was not without its unexpected adventures. Just after the first coffer dam was built in 1957 it was flooded when the Zambezi went on a rampage which exceeded anything on record. A year later, after construction had been put back on schedule, the river again revolted, this time pouring water through the narrow Kariba Gorge at a rate twice the normal flow over Niagara Falls. Once again the coffer dam was flooded and this time bridges were swept away, roads washed out and buildings destroyed. It was shortly after this devastation that I happened to visit Kariba. Yet by the end of 1958, after stepping up the rate of construction, the building program was again on schedule.

This January, right on schedule, Kariba will transmit its first power. The lines will have been built over the vast, almost uninhabited, scrubland of Northern Rhodesia to the Copper Belt. By April power will be flowing south to Salisbury. For some months now water has been building up in the huge lake behind the Kariba dam, causing probably the greatest migration of wild animals since the days of Noah's ark. Such few people as lived in the area have long since been moved, their tribal homes sacrificed in the name of paving the way for a brand new community on one of the world's last frontiers.

\* \* \* \* \*



Kariba was a big project. The Karnaphuli Paper Mill in East Pakistan was a little project -- at least in terms of the money we lent. Our loan was for only \$4.2 million equivalent in dollars, sterling and Italian lire. But Karnaphuli is just as exciting a story. Let me sketch just the barest details.

This paper mill is located in the hills above Chittagong in East Pakistan -- or East Bengal as it was called before partition. The land is about as different from Central Africa as any land could be. Here is one of the most crowded pieces of real estate on earth, yet the people living there have until recently been almost entirely cut off from the outside world.

Here all is jungle where until the war few outsiders went except to hunt tiger and wild elephants. It is a tangled mass of densely forested hills, ravines and cliffs, interlaced with swamps and water courses which through much of the year are raging torrents. You see it rains on the average of 100 inches a year in East Pakistan; 500 inches a year have been recorded.

The people for the most part practice the age-old system of shifting agriculture which still is common both in Asia and Africa. In the winter they select a patch of relatively light jungle, cut out for themselves a rough clearing and then in the spring burn it off. When the ground is burned to an inch or two deep and has cooled off, sowing begins. The seeds -- cotton seeds, rice, melons, cucumber and others -- are all mixed up in a single basket and a small portion of the mixture is planted in holes in the clearing. In July corn is harvested; in September, vegetables and grain; in October and November, cotton. The next year a new clearing is made and the process starts again. Unfortunately, it takes the land in one of these clearings about ten years to recover from the beating it takes from one year's cultivation in this manner.



Hardly sounds like a place to build a paper mill. But there is one prime asset: an enormous supply of a special kind of bamboo which the natives use in the building of their stilted houses, and which in other countries has been used to make quality paper. Largely on the strength of this the Pakistan Government drew up plans for a paper mill and approached us to help finance it.

I wish I had time to tell the full story of this amazing paper mill. It is a story not without some very harrowing incidents. The majority of the workers employed at the start had never left their villages, much less had any experience with factory work. There was no pool of experienced management to draw on in Pakistan; all had to be trained. Equipment and materials in large part had to be shipped into the site by sampans, often a perilous voyage on the always treacherous rivers.

There were many difficulties on the production line and between management and labor. One mill executive from West Pakistan was killed in a riot, touched off by resentment among the Bengalis at so many intrusions and so many overlords from outside their community. During one brief period through a gigantic miscalculation of the market the mill produced enough blotting paper to serve the needs of Pakistan for several decades. In more than one year the company's accounts didn't make an appearance until many months after they were due.

It is an understatement to say that the World Bank and the Pakistanis learned a lot through the building of the Karnaphuli Paper Mill deep in the heart of the Chittagong Hills. But we lived through it together, ending up with considerable mutual respect and today along the Karnaphuli River there are two miles of well-planned buildings consisting of an integrated



pulp and paper mill, modern offices and a colony for the company's 3,000 workers. Production has reached some 25,000 tons of wrapping and writing paper a year, allowing Pakistan to dispense with some \$5 million equivalent in annual imports.

If you were to visit this mill, you would be quick to notice differences from a modern western paper mill. There are still operating difficulties. The labor force is high by western standards. Many workers come from miles away and have to leave their families behind because there is no housing for them near the mill. The starting wage of \$15 a month might shock you.

But there has been notable progress. All the foreign management personnel, save only the present general manager, a Swiss, have left and Pakistanis, many of them from Bengal, have taken their jobs. If the living conditions of the workers still leave a great deal to be desired, the wages being paid are twice as much as the local sampan owners get for paddling their cumbersome craft from dawn to dusk along the waterways of East Pakistan. It is enough to support the wage earner and the many dependants who by local custom look to him as the breadwinner. It is an income immune from the hazards of famine and flood that have from time immemorial plagued the surrounding country. It is the beginning of an escape from the cruel predicament of an exploding population pressing upon diminishing reserves of arable land.

The mill, which started as a government-owned project, now has some 28,000 private stockholders who together hold a majority of the stock. Some of these stockholders subscribed as little as \$2.10 for a single share. And the plant has begun to show a profit and is declaring annual dividends of  $7\frac{1}{2}\%$ .

\* \* \* \* \*



Is it a good loan, you will ask? Can a banker take these exotic items into his portfolio and still remain a good banker? To those questions I will only give one brief answer. We have received, so far, more than one billion dollars equivalent in interest and principal repayments from our borrowers. Nowhere has there been a default.

\* \* \* \* \*

The financial story of the Bank is more familiar to you, but to me it has been no less exciting.

When I was here in 1949, we had made only three issues of our bonds, two in the United States and one in Switzerland. At the same time beyond the United States subscription, we had yet to receive more than token payments from our other members from their paid-in capital. And we had hardly begun to make contacts with private financial institutions in the matter of persuading them to participate in our lending in one way or another.

We have now, long since received and loaned out the bulk of the capital initially subscribed and paid in by our 68 member countries. From this source we have had the equivalent of about \$1.5 billion, of which the American subscription accounts for only slightly more than a third. More and more of this capital is coming back to us in principal repayments and is being relent. But for some time now by far the most important source of our new resources has been the private capital markets. Two-thirds of the funds we have had available for lending has come from these markets.

Up to date we have floated 49 successful bond issues. Besides Switzerland and the United States, we have entered the public markets of Canada, Britain, the Netherlands, Belgium and the German Federal Republic. Naturally, we have raised dollars for the most part; the American dollar



is today an international currency second to none. But we have also raised the equivalent of \$300 million in sterling, guilders, Belgian francs, Swiss francs, deutsche marks and Canadian dollars. And about \$680 million, or about 40%, of our dollar debt is held abroad. We have grown very international in this department since I saw you last. More than half of our total debt outstanding is held outside the United States in some 42 different countries.

The market for our bonds inside the United States has also grown very rapidly. As you are no doubt aware, there has been during this time a marked shift in our major buyers. While savings banks and insurance companies dominated our lists up to 1955, about half our debt outstanding in the United States is held by pension funds -- corporate, state and labor union funds -- and philanthropic foundations. This is to some extent a natural result of the prevailing pattern of interest rates. What is important to us is that we have during this period picked up a substantial number of new buyers. In just two issues last year we identified 277 first-time buyers.

While the market for our bonds has been expanding apace, we have also established a great number of contacts with private financial institutions here and abroad who have participated in our lending in one way or another. In all some 150 commercial banks, insurance companies and other public and private financial institutions have participated with us at the time of lending or have bought out of our portfolio to the tune of nearly \$600 million.

The financial story of the Bank is one of widening markets and the progressive internationalization of our debt. Recently, as you know, a new chapter in this story was opened when our member governments voted to renew and replenish their guarantees behind our bonds by voting to double our



authorized capital. No further paid in subscriptions were involved in this exercise, but the uncalled subscriptions of most members were increased by better than 100%. In the case of the United States, this action increases the effective American guarantee from \$2,540 million to \$5,715 million. Considering that our outstanding funded debt today is under \$2,000 million, the present size of the American guarantee alone would seem quite sufficient to cover our outstanding liabilities in full for many years.

But we do not rest on guarantees, as you know. Since 1949 when I was here before, our annual net earnings have increased each year to a record of \$45.6 million in the year that ended last June. Our total reserves, which stood at \$22 million in 1949, stand at \$433 million today.

\* \* \* \* \*

This brings me to my final comments -- on the role of the Bank as an instrument in international diplomacy. I said we have been unavoidably involved in international diplomacy. This is because what are commonly called international development problems are more often than not concerned with the domestic policies of the underdeveloped countries. Since we are charged with promoting sound economic policies and the sound management of economic affairs, we are, in every loan operation, inevitably involved in diplomacy.

That we survive in this heady atmosphere is, I think, almost solely due to the fact that we are an international organization. The inevitable conditions we attach to our loans gain acceptance from us where they might not gain acceptance from a national organization very largely because we are not wrapped in the flag of any one nation. And when we have disagreements with a borrower, which we most assuredly do, the disagreements are not cause for recalling ambassadors or mobilizing armies. In fact, we try never to



lose contact with a member country no matter how serious our disagreements may be. With us there is always another chance and another day in which business may be done.

As you are aware we have been drawn into some international disputes which are not directly connected with our lending operations. We were asked to mediate between the shareholders of the former Suez Canal Company and the United Arab Republic after the Suez incident. We were further asked to mediate the financial claims between the United Kingdom and the U.A.R. That both of these discussions have been translated into agreements which are now being carried out is strong testimony to the worth of an international development organization. It is this fact, not any tricks of personal diplomacy, which made agreement possible.

For nine years now we have been trying to bring about a similar agreement between India and Pakistan over the disputed question of the division of the waters of the Indus Basin. Here is the largest irrigation network in the world, equal to all the irrigated land west of the Mississippi. The livelihood of some 40 million people depends directly or indirectly on this river system.

In 1954, after two years of study and discussions with the two parties, the World Bank put forward a proposal for a settlement which involves the construction of a system of works - canals, barrages and reservoirs - which would take ten years to build and which would cost about one billion dollars.

Since 1954 the Bank has been discussing this proposal with India and Pakistan in all of its many details. We are now working on the text of an International Water Treaty. The costs of the project are far beyond the



financial capacity of India and Pakistan, so the Bank has gone out in search of financial aid. The Bank itself would participate and we have had encouraging assurances of financial help from the governments of Australia, Canada, Germany, New Zealand, the United Kingdom and the United States.

In my opinion there is only one realistic escape from the kind of predicament in which India and Pakistan find themselves over the Indus Waters: that escape is massive economic development through which both nations gain so much that the dispute is forgotten. Since neither party to the dispute, nor both together, have anywhere near the resources needed to effect such an escape by themselves, the international community must ask itself whether it will act or let the opportunity pass. The stakes are very high; on the one hand this is obviously an undertaking that will test the mettle of engineers and financiers as few development projects have ever done; on the other hand, if the dispute were left to fester much longer, it could lead to progressively dangerous tensions between the two countries.

That we can genuinely hope that international cooperation will be available to settle this dispute is to me immensely heartening. For just as India and Pakistan can look for a hopeful escape from their differences through economic development, so can many other nations today who are wasting their energies in conflicts with their neighbors. And every concrete achievement there is strengthens the ground on which international peace rests and gives substance to mankind's hope that it can be a lasting peace.



Pilgrim's Dinner

Speeches Black  
-Pilgrims

June 9, 1959

Dear Sir Christopher:

I wanted to write you this letter to thank you for the invitation to address the Pilgrim dinner, as well as for the various courtesies extended to me. It was a great experience and I feel a distinct honor. I have now received the booklet enclosing my speech and wish also to thank you for sending it.

I hope to see you on one of my frequent visits to London.

With best regards,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Sir Christopher Chancellor, C.M.G.  
General Manager  
Reuters Ltd.  
85, Fleet Street  
London, E.C. 4,  
England

ERB:cml



June 9, 1959

My dear Lord Birkett:

I wanted you to know how much I enjoyed the Pilgrim dinner and how grateful I am for the invitation to be the guest of honor.

One of the nicest parts of the evening was the opportunity of meeting you. I was very grateful for the nice things which you said in your introductory speech and I hope I have the pleasure of seeing you again on one of my trips to London.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

The Right Hon. The Lord Birkett  
President  
The Pilgrims  
Savoy Hotel  
London, W.C. 2, England

ERB:cml

*Spencer Black*

June 9, 1959

Dear Roger:

This is a belated note to thank you for your very complimentary seconding speech on the occasion of the Pilgrim dinner. This was a great occasion and I feel it was a great honor to have been asked to speak there. Thank you for all the nice things which you had to say about me.

I look forward to seeing you on my next visit to England, which will probably be about the first part of July.

With best personal regards,

Very sincerely yours,

*W. J. G. G.*

Sir Roger Makins, G.C.M.G., K.C.B.  
Joint Permanent Secretary  
Her Majesty's Treasury  
London, England

ERB:cml



*Speech - Pilgrims  
Black*

CROSS REFERENCE SHEET

COMMUNICATION: **Letter**

DATED: May 13, 1959

TO: Mr. Black

FROM: Philip S. Linnik  
Publisher-Editor  
Brotherhood of Men  
Mahopac. N.Y.

FILED UNDER: Alpha - Linnik P.S.

SUMMARY: Re Mr. Black's speech at the Pilgrims dinner in  
London.

Ack. by Mr. Graves **Letter** dated May 29, 1959

Other correspondence;-

**Letter** from Mr. Linnik June 20, 1959 enclosing  
copy of his letter to Mr. Dag. Hammarskjold

Ack. by Mr. Graves **Letter** dated June 26, 1959

Spunk

Address by Eugene R. Black, President  
of the  
International Bank for Reconstruction and Development  
Before The Pilgrims, London, England, Tuesday, May 5, 1959

For me it is indeed a noteworthy occasion to have been afforded the privilege of addressing this distinguished company. And around the occasion there is an element of novelty. Never before has it been thought fitting that the toast of my health should be proposed -- true, in the most gracious and felicitous terms -- by one of the most eminent criminal lawyers of our generation. But I am happy that it was to Lord Birkett that the task should have fallen: he has let me off lightly.

I am honored, too, that the toast should have been supported -- with equal graciousness -- by my old friend Sir Roger Makins -- one of the former Ambassadors to my own country, of Her Majesty the Queen.

With ambassadors -- present and former -- my associations have been less infrequent than with practitioners of the criminal law. My daily round in the World Bank is quite substantially taken up in exchanges, ceremonial and otherwise, with ambassadors of member countries of the Bank.

Although I am an American of undiluted British descent, I cannot lay claim to belong to that Pilgrim vintage that was decanted on the Massachusetts shore, some three hundred years ago.

My native state of Georgia was settled through the efforts of a Londoner, General Oglethorpe, and his protegees -- a band of sturdy, independent-minded souls, many of whom, in the words of the old Australian song "left their country for their country's good". But this brought benefits all round. By making the Atlantic crossing, General Oglethorpe's men contributed, in no small measure, to raising the general level of intelligence both in the country of their birth and in the country of their adoption.

But I have, I feel, a well-earned right to be called a Pilgrim of another sort -- exposed, and by now almost enured, to hardships undreamed of by those Englishmen who stepped ashore at Plymouth Rock. My duties as President of the World Bank send me to exotic corners of the globe with almost dizzying frequency, often at high altitudes and jet speeds not calculated to improve either my digestion or my composure of mind. Such is one of the consequences of being international.

\* \* \* \* \*

It would perhaps be appropriate if I spoke to you tonight about the family problems of the Anglo-American community. But for that, my time is too short; and anyhow these problems probably are better left to be settled in family seclusion.

My concern, as President of the World Bank, is rather with relations between the whole of the so-called economically-developed nations on the one hand, and, on the other, the vast territory that stretches round the earth from Latin America, across the continent of Africa and through the Middle East, to South and South-East Asia. For want of a better phrase, we call these lands and their peoples "the underdeveloped world".



One of your hymn-writers, whose verses grace more than one of the pages of "Hymns - Ancient and Modern", wrote this:-

"The rich man in his castle  
The poor man at his gate  
God made them, high or lowly,  
And ordered their estate."

This was the complacent philosophy of the eighteen-sixties. I am told that in this country today only poor men can afford to live in castles. But this apart -- does this comfortable philosophy hold good in the nineteen-fifties?

We of our generation have seen a rebellion against this philosophy among the people of our own countries -- indeed throughout the continent of Europe. As a result of this rebellion, extremes of wealth and poverty have been brought closer together. We have seen over the last fifty years a massive redistribution of the national wealth within our respective national boundaries on a scale unprecedented in history. And those of us who have not actively or whole-heartedly promoted this result have at least tacitly or grudgingly acquiesced in it. That this redistribution was able to come about without serious cracks in our political structures, was, I am convinced, only possible because we had been able to maintain a consistent growth in our national production. There has been a bigger national cake for all to share.

In the far lands, another revolution is just beginning to occur. Modern communications -- the radio, the motion picture, the airplane, ever-increasing contacts among nations -- have shown the people of the underdeveloped world what they are prepared to regard as a better way of life than their own. Millions and millions of people are becoming increasingly conscious, and convinced, that poverty is not necessarily "the state of life unto which it has pleased God to call them".

In every corner of the earth today people have seen the fruits of modern technological society, and everywhere people are coming to want those fruits even where they do not yet understand much about how to nurture the trees of knowledge that bear them. It is enough for them to know that they exist and that man made them.

This thought has seized the imagination of the underdeveloped world, and we have not yet, I think, begun to see its full impact. But its growth is quickening every day in the minds of millions. Before it, traditional attitudes are crumbling, and with it, the ways of life of the ancient civilizations are beginning to pass into history. More and more the only test of a tolerable civilization is whether or not it affords an escape from poverty.

Today, the peoples of the underdeveloped world are on the march. They have far to go. Consider that only a few years ago, the largest and most populous country in Central America had less than 20 miles of paved road, or that in many Asian countries the amount of machine power available per worker is less than one-fortieth of the average in the industrial countries of the west. Even more, consider the terrible toll of human life taken by poverty



and its consequences: In India, only half the babies born today are likely to live to see their fifteenth birthday; and in fact, in most of the underdeveloped world, hunger and sickness cut the length of life a good thirty years short of yours and mine.

To hear these statistics occasionally is a salutary experience. To actually look on the grim face of poverty, as more and more of us are doing in this age of traveling around the globe, is to get an overpowering impression of why the peoples of the underdeveloped world can so easily be cast into the lethargy of despair or roused to furies of envy, hatred and malice.

Today, the dominating feature of the international scene is the existence of the Cold War. The Cold War is, to say the least, complicated and magnified by the wide disparity in the living standards of the developed and the underdeveloped countries. That inequality is a source of frustration and tension. It seems to offer endless opportunities for the unscrupulous or misguided to stir up the discontent that, in any case, is latent in the underdeveloped world.

Now, if the difference in our living standards should persist -- and in some places it is growing wider -- then the resulting growth of tension may in fact come to overshadow the Cold War itself. To hazard this prediction at a time when we are so much concerned with relations among the great powers may seem to you a bit far-fetched. But it is not really so far-fetched, it seems to me, as the supposition that the Cold War itself may be the ultimate conflict of history, to be resolved only by the complete triumph of one side and the complete obliteration of the other.

Nor, looking across the seas, is it so difficult to see among the awakening peoples of Asia, Africa and Latin America the possibility of conflicts quite capable of occupying the very front of the world stage. Already, the emergence of new nations is creating new centers of decision. There is no need to labor the point, in this cosmopolis of London, that decisions taken by these emerging nations can have -- and already have had -- the most profound consequences for Whitehall and Lombard Street. There already is plenty of evidence to suggest that our children and grand-children in Britain and America will find international politics more and more concerned with events in the underdeveloped lands, and that our descendants will look back on the political scene of today with something of the nostalgia with which we ourselves look back on the political panorama of our fathers' time.

What moral may be drawn from all this? I think it is clear enough. It is that if a better and safer world for posterity is to be built, then much of the construction must take place in the underdeveloped lands; and we ourselves must play a significant part in helping these countries to achieve the new standards of life to which they aspire. This is a common task we can undertake for the common good of mankind.

The record of economic assistance tendered to the underdeveloped countries is by no means a discouraging one -- quite the contrary. But even now, it is marred by too many instances in which aid given too hastily, for



the wrong motives or the wrong objects, has fallen far short of accomplishing what it should have achieved. In extreme cases, aid poorly conceived -- far from improving the economies of receiving countries -- has actually added to the heavy burdens under which they are bending already. Far from helping to create a partnership between nations, it has on occasion aroused bitterness and even downright enmity.

Nobody has ever codified rules for contributing effectively to economic development, and I do not profess to know whether there are five, fifty or five hundred principles that might usefully serve the practitioners of economic aid. There is, nevertheless, one central proposition that I think is worth putting before you this evening.

The proposition is simply that aid -- meaning governmental assistance in its many forms -- will be most effective if it in reality constitutes a serious and well-studied effort to improve the economy of the receiving country. This proposition may seem obvious enough; yet I think it is fair to say that it is one which has received too little regard in the administration of a very large part of the funds, both public and private, that have flowed across national boundaries for the ostensible purpose of helping economic development.

For instance, it has been the fashion for some time to try to use finance as an instrument of diplomacy -- a method of winning or cultivating friends among nations, for the purpose of maintaining or improving international alignments in a time of world tension.

By now, I think, the limitations of this approach are plainly apparent. If the purpose of a particular offer of aid is to win gratitude, then the donor is likely to think that the act of giving or lending will of itself achieve the purpose. Whether the financing is for a project which is feasible, or whether it meets an economic need of some priority, tend to become secondary considerations; and whether the economic purpose of the financing is finally achieved tends to become more secondary still.

There are in a number of underdeveloped countries unhappy monuments to the wastefulness of this kind of approach -- the great irrigation dam thrown across a valley whose soil is actually unsuited to cultivation; the steel mill able to stay in operation only with the help of high tariffs and of taxpayers' subsidies, the project ill planned, and then planned again, until its cost to the intended beneficiary has been multiplied four times or five.

The dangers of waste are also present when governments use financial accommodations of one kind or another as instruments of competition in export markets. For here again, the main object is not necessarily the economic betterment of the receiving country; it is, rather, likely to be the earning of foreign exchange and the promotion of income and employment at home. Whether the exports serve a good purpose in the receiving country, and even whether the resulting debt is within the country's capacity to bear, may again be secondary considerations.



We may learn a striking lesson, I think, from some of those underdeveloped countries now undergoing the most severe shortages of foreign exchange and the worst distortions of their domestic economies. Among these countries are a number which, far from having had the least finance from abroad, have had the most.

This finance was made available, for both commercial and diplomatic motives. It was made available in quantities and at times that enabled these countries to persist in the folly of unwise economic policies, and made it possible for them to postpone the painful decisions and real sacrifices necessary to their economic progress. In these cases, neither the diplomat nor the exporter was able to take what sometimes may be the wisest decision of all -- that is, not to proffer finance in circumstances that offer no prospect that it will be effectively employed for the good of the receiving country.

Now, gentlemen, I did not come here tonight to describe a gallery of horrors. I do not mean to belittle the complexities or difficulties of diplomacy, and least of all do I intend to indict honest men engaged in an honest search for profits.

But I do mean that the successful development of the underdeveloped world is an objective so vitally important to us that it is worth pursuing for its own sake -- steadily, unremittently, and with as little regard as is humanly possible for the fluctuating temperature of international politics or the changing fortunes of international trade.

You may say that it is unrealistic to suppose that men can ever act for objectives ostensibly so far removed from their own immediate self-interest. I would be very much discouraged to think that this might be so; and I believe, moreover, that the record is beginning to show otherwise.

A great deal has been accomplished in the field of economic development, and not least has been a growth of sophistication in the advanced countries themselves. I do not think I have to argue the point, for instance, that the private investor, who still accounts for the greatest part of the flow of international capital, is in the 1950s taking a much longer-range view of the world than he did during the 1920s.

There is plenty of evidence that governments, like individuals, are capable of acquiring wisdom and of acting upon it. By now, enough fingers have been burned by project failures that the economist, the banker and the engineer are becoming increasingly important figures in the public administration of economic aid.

Continuity of foreign economic policy has never been so much of a problem for Her Majesty's Government as it has been on my side of the Atlantic. Even in my own country, however, the demand to put our foreign economic program on a more permanent footing has been becoming stronger year after year. Certain initiatives being taken in Washington, in fact, would rescue the American aid program from the annual struggle it must now pass through and put it on a long-term basis; and some such proposal, I believe, will eventually succeed.



As the operating head of an international organization, I can hardly refrain from mentioning another development that I find encouraging. That is the increasing willingness to entrust a larger share of the development task to institutions whose international character frees them from pressures to promote short-range and non-economic interests to which national governments must still occasionally succumb. Specifically, it was your Prime Minister and the President of the United States who initiated the action which by this autumn will greatly add to the capital resources of both the Monetary Fund and the World Bank. This is an expression of confidence which the Bank will do its best to continue to deserve.

\* \* \* \* \*

Let me conclude by reminding you that we in Britain and America have a special reason, rooted in history, to press forward with the task of helping to lift the standards of life in the underdeveloped countries. After all, we ourselves are largely responsible for creating something called economic man and causing millions in the world to want to emulate him. By showing people that we can create alternatives to the meager and uncertain existence led by the majority of men for ages past, we have set in motion whole societies whose lot hitherto had hardly changed for centuries.

If our own culture is to survive, we must show that we can help them, too, to create an alternative to poverty. At stake is the hope of peace in a world in which order of a kind is chiefly maintained by what Sir Winston Churchill has called "the balance of terror".

The task we undertake will not be complete in our generation, nor even in the generation that succeeds us. But with a realistic and a constructive approach -- the hardness of head and bigness of heart that any noble venture demands -- the work can be well begun. We can undertake the task, I think, in the belief that it is one of the most important for our time, and that there is no better way of signaling our determination to see our civilization survive.

GENERAL MANAGER'S  
OFFICE  
SIR CHRISTOPHER CHANCELLOR  
C.M.G.

REUTERS LTD.,  
85, FLEET STREET,  
LONDON, E.C.4.

PERSONAL

May 1, 1959.

*Dear Mr Black*

I am writing this letter to greet you on arrival. Everything is arranged for the Pilgrim dinner in your honour on Tuesday next. Lord Birkett will preside and Sir Roger Makins will propose a toast in your honour.

It is customary for the Pilgrim members to be received by the guest of honour, the President and the Chairman of the Pilgrims. Lord Birkett and I are hoping that it will be convenient for you to meet us at the Savoy Hotel at 7.15 p.m. on Tuesday at the Embankment Entrance.

I expect you will be pretty busy on Monday and Tuesday. But if there is anything that I can do for you please do not hesitate to make contact with me.

With kindest regards,

*Yours sincerely*

*G. Chancellor*

Mr. Eugene R. Black,  
Claridge's Hotel,  
Brook Street, W.1.

*Ack June 9*



Mr. Eugene R. Black  
85 Park Street  
Boston 7, MA

Mr. Eugene R. Black  
85 Park Street  
Boston 7, MA

Written  
I read  
and like C. Speed & JV

May 1, 1955

I am writing this letter to greet you on arrival. Everything is arranged for the 14th dinner in your honor on Tuesday, May 10, 1955. Lord Birkett will preside and Sir Roger Makins will propose a toast in your honor.

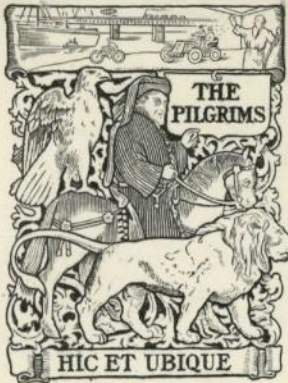
It is customary for the 14th dinner to be received by the guest of honor, the President and the Chairman of the 14th dinner. Lord Birkett and I are hoping that it will be convenient for you to meet us at the Savoy Hotel at 7.15 p.m. on Tuesday at the Exhibition entrance.

I expect you will be pretty busy on Monday and Tuesday, but if there is anything that I can do for you please do not hesitate to make contact with me.

With kindest regards,

Mr. Eugene R. Black  
85 Park Street  
Boston 7, MA

*[Faint handwritten notes and signatures]*



*Patron:*  
HER MAJESTY THE QUEEN

*President:*  
The Right Hon. THE LORD BIRKETT

*Vice-Presidents:*  
The Most Rev. THE LORD ARCHBISHOP OF CANTERBURY, G.C.V.O.  
The Right Hon. THE LORD CHANCELLOR  
The Right Hon. THE SPEAKER OF THE HOUSE OF COMMONS  
The Right Hon. THE VISCOUNT SAMUEL, G.C.B., G.B.E.  
Sir HARRY BRITAIN, K.B.E., C.M.G.  
Sir CAMPBELL STUART, G.C.M.G., K.B.E.

*Chairman Executive Committee:*  
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*Hon. Treasurer:*  
JULIAN S. CROSSLEY

*Hon. Secretary:*  
ANTHONY GISHFORD

THE PILGRIMS

SAVOY HOTEL,

LONDON,

W.C.2

JAN 27 REC'D

TEL. No. TEMPLE BAR 4057

January 23, 1959.

PERSONAL

Dear Mr. Black,

Perhaps you will remember meeting me at dinner in Johannesburg in March with Mr. Harry Oppenheimer. You told me then about shaking hands with Colonel Nasser with your left hand in your pocket and I congratulate you upon repeating the performance.

Now I am writing to you in my capacity as Chairman of the Executive Committee of the Pilgrims in order to tell you that my Committee has asked me to extend to you a most cordial invitation to be the guest of the Pilgrims at a dinner that we would like to give for you in London some time in late April or any time in May.

Every member of my Committee has a lively sense of gratitude to you for the service that you have recently rendered to this country. We would regard it as a great honour if you would join the list of a most distinguished number of American guests of the Pilgrims.

You seem to be constantly on the move and I do hope it may be possible for you to fit in a visit to London during the period that I have suggested to you.

With kindest regards,

Yours sincerely,

C.J. Chancellor

Mr. Eugene Black,  
1818 H Street, N.W.,  
Washington, D.C., U.S.A.

Ack Feb 3.