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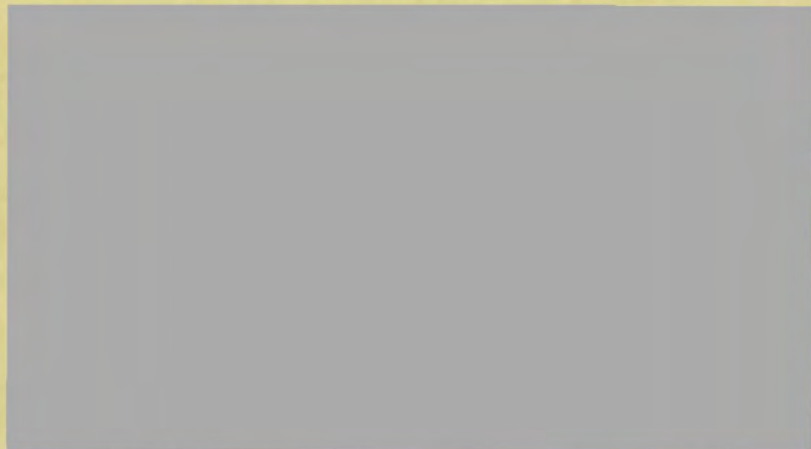
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President Eugene R. Black speeches

1956, Jan - Feb



The World Bank Group  
**Archives**



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President Eugene R Black Speeches - January to February 1956

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Speeches by Mr. Black -- 1956

- 2/18/56 Address to the National Farm Institute, Des Moines, Iowa
- 3/21/56 Address to the Economic Society of Zurich, Zurich, Switzerland  
"The World Bank as Lender and Borrower" A Ten Year Report
- 4/18/56 Mr. Black's ECOSOC Speech, New York, N.Y.
- 5/8/56 Address at the Annual Dinner of the Conn. Chamber of Commerce,  
Hartford, Conn.
- 9/25/56 Presentation Speech, Shepton Park Hotel, Washington, D.C.  
*9/27/56 Closing Remarks of Mr. Black - ICB A. B.*
- 10/16/56 Address to the Los Angeles World Affairs Council
- 10/19/56 Address to the National Association of Supervisors of State Banks,  
San Francisco, California, "International Lending -- Then and Now"
- 12/5/56 Address to the National Association of Manufacturers at New York,  
Wednesday, December 5, 1956. "Your Business and Your Country's  
Business Overseas"
- ~~12/26/56 Mr. Black's Statement on Hungary~~ *Press Release Book; also Statement Book*



2/10/56 - 60c

3/21/56 - 50c



(With Mr Black's notes  
from speech copy)

COMMON SENSE AND ECONOMIC AID

Address by Eugene R. Black, President of the  
World Bank, to the National Farm Institute  
Des Moines, Iowa  
February 18, 1956

Mr. Chairman:

I am very grateful for this opportunity to appear before the National Farm Institute, and am glad to respond to the suggestion that I tell you something about the operations of the World Bank.

Beyond that, speaking as an American from the vantage point of experience in the Bank, I want to express some views on the subject of American economic aid to other countries. This is a subject about which there is already much confusion, and there is likely to be still more confusion about it as the result of current offers of Soviet economic aid in Asia and the Middle East. Some of you may also expect me to say something about the High Dam project in Egypt; so I will say a few words about that as well.

The business of the Bank is economic development. In nearly all of the world outside North America and Western Europe, the idea of economic development is new. About two persons out of every three in the free world have had little or no contact with 20th century technology, with modern methods of production in industry and agriculture, or with anything like the best that modern medicine and schooling can provide.

Production is low, earnings are low, standards of living are low. In South Asia, for instance, the per capita intake of food a day is less than half the calorie value consumed in the United States. And while statistics do not need

always to be taken at face value, the fact that per capita income in Ceylon is calculated at \$115 a year, in India at \$65 a year, in Pakistan at \$55 and in Burma at \$50 -- is nevertheless an indication that most of the 600 million people in these countries are living at the level of bare subsistence.

Now the developed countries do not owe the underdeveloped countries a living. But the idea is of long standing that an international flow of capital can be of mutual benefit to both investor and recipient. It was this idea that helped bring about a great expansion of prosperity in North America and Western Europe in the 19th century -- an idea of which Americans, as recipients, and the British, as investors, were among the chief beneficiaries. And it is this idea, of international investment as a means to economic expansion and mutual benefit, on which the World Bank is founded.

The Bank has now been in operation for nearly 10 years, and has invested about 2-1/2 billion dollars in public and private projects in 40 different countries. Our first loans were made in advance of the Marshall Plan to help maintain a flow of imports from the United States that were essential to reconstruction in Western Europe.

Although we have continued to lend in Europe, most of our operations since 1947 have been carried out in underdeveloped countries. These countries are not poor because they lack natural resources, but because they have not yet done enough to develop the resources they have. To give you two extreme examples: Despite a hydroelectric power potential of some millions of kilowatts, West Pakistan today has less than 50 thousand kilowatts of electric generating capacity based on water power. Honduras, a farm country which is one of the largest in Central America, has only 20 miles of paved road.

The fundamental task which the loans of the Bank are helping to carry out is to construct or enlarge the basic facilities essential to modern economies.

Since reconstruction, we have lent \$660 million for the expansion of electric power services. We have lent another \$600 million for transportation facilities -- to buy equipment for the construction or operation of motor roads, railroads, ports and inland waterways.

We have lent a quarter of a billion dollars for industry, and a little less than that for the improvement or expansion of agriculture through land reclamation, irrigation and farm machinery. Finally, we have lent about \$140 million for programs of development embracing projects in several or all of these basic fields.

A few minutes ago, I referred to the Bank's "business", and I used that term advisedly. We do not pay our bills from your taxes; we support our activities out of our own earnings. Our loans are being repaid on schedule -- indeed, we have received more than \$110 million of repayments ahead of time. Our net income is running at a rate of around \$25 million a year, and our reserves out of earnings and commissions amount to more than \$200 million.

So far from competing with private capital, the Bank has worked actively -- and successfully -- to encourage the participation of private capital in international investment. While we began our lending operations nine years ago out of payments which our member governments made for shares of our stock, our most important source of new capital has been private funds.

We have tapped that source most often by the sale of our bonds, of which \$860 million worth are now outstanding. We have also sold some \$225 million worth of our loans to other investors, who either buy them out of our portfolio or participate in the loans when they are made.

Up to now, I have spoken in terms of dollars, but only as a convenient way of describing sums that include other money as well. The Bank is an international organization, and its sources of finance are by no means confined to the

United States. We have lent 17 different currencies in all; and in recent years, half of our new loan funds -- from foreign government subscriptions to our capital, from our sales of bonds to foreign investors, and from earnings -- have come from outside the United States.

The fact that the Bank is an international organization is of advantage to the governments of developed countries, including the United States, because it enables them to share out development costs with private investors and with each other.

The Bank's international character also gives rise to another advantage of greatest importance -- and that is the opportunity to work effectively and closely with borrowers and borrowing countries in ways, that for the most part, are not equally open to individual governments in their dealings with other nations. Precisely because we are international, we cannot in truth be charged by our borrowers with operating from selfish motives of profit or economic exploitation, nor can we be charged with discriminating between different countries for reasons of politics, strategy or diplomacy.

Another and shorter way of saying this is that we can, and do, apply business-like standards to our lending. The Bank lends, in the normal course, for specific projects. We do not finance the whole cost of those projects; the borrower himself must make a substantial investment, and is usually required to find all those funds needed for local expenditures on labor and materials. We estimate that our \$2.5 billion of lending is being matched by well over \$3 billion of other investment.

We pick and test projects with a great deal of care. We visit the field and get our applicants to demonstrate how the project fits in with the rest of the economy and whether it promises to be sufficiently productive and important to justify the borrowing involved. We send engineers and other technical people

to see whether the project will actually work, to check specifications, construction plans, production costs, market prospects and any other matters that may affect the outcome.

We follow projects carefully from the start. As the project progresses the borrower sends us reports on construction, arrival of goods, expenditures and other details. And at intervals, we send our people to see whether plans are working out as expected, or whether some help is needed to iron out technical or organizational difficulties. Throughout the life of the loan, moreover, we periodically send out people to make a quick check-over of the economy of the borrowing country; and they report to us any developments that may have a bearing on the repayment of our loan or on possibilities of future investment.

Economic development, however, obviously does not come about through the execution of this or that particular project. The effects of even the best project may be lost in an economy that is going adrift; and the whole process of development requires intelligent use of a country's resources as a whole. It calls for the wise budgeting and direction of public investment toward realistic goals, and it requires public economic and fiscal policies that will support private initiative and private investment.

The Bank hammers very hard at this matter of encouraging private enterprise and private investment within the underdeveloped countries themselves. We have worked for proper government policies, and we have declined to support government ventures in fields of industry which should be competitive and for which, under the right circumstances, private capital could be found.

In short, the Bank is not only interested in projects, but in whether the underdeveloped countries are themselves making the most of their own opportunities. We discuss these considerations with prospective borrowers before we lend; we offer advice on these matters when we feel that it is useful to do so; and not



infrequently our decision to lend or not to lend depends upon the outcome of these discussions. In more than one case, we have decided that our most effective contribution to development can be made by shelving loans until the prospective borrower has begun to straighten out his own affairs, and to do what it lies within his power to do with resources already at his disposal.

In other words, the Bank has not tried to be popular. We have tried to be effective and to win respect. And it is generally recognized, I think, that in these things, we have succeeded.

Last Sunday morning, I returned from two weeks of discussions in Cairo with Colonel Nasser, the Prime Minister of Egypt, and with members of his government concerning the carrying out of the project to build a multi-purpose dam on the Nile River. I want to mention this briefly because it is a subject of current interest and because it may illustrate in particular some of the points I have already made in general.

As some of you are aware, the project consists of three elements. One is the construction of the High Dam itself. Another is the use of water stored by the dam to extend perennial irrigation to some two million acres of land, or about a third more than are perennially irrigated at present, and including 1.3 million acres not now irrigated at all. The third element is the installation of a large hydroelectric power plant, along with the necessary distribution facilities, which will more than double the present supply of electricity and help the continuing growth of industry in Egypt. *(Size of reservoir - note on Mr. Bladis speech copy)*

The Bank was informed late in 1952 that the Egyptians intended, if possible, to carry out this project. I myself discussed it with the Egyptian authorities on a visit I made to Cairo as part of a general trip to the Middle East early in 1953. The Bank has been in close touch with the planning and preparation of the project since that time, and has been, <sup>assistance</sup> some/in that regard. Our own experts spent

five months in Egypt in 1954 and 1955, making a detailed study. That study was carried forward by another field trip this past autumn, and was continued in discussions with representatives of the Egyptian Government who visited the Bank for a month this winter.

We believe -- as do private experts of international repute -- that the project is entirely feasible. Further, we estimate that when the project is in full operation -- which will not be for another 15 years or more -- the value of new agricultural and industrial production and of other benefits will within a short span of years be more than equal to the investment required for the project. *Note on Speech copy: This is the biggest single project ever to be carried on*

But in the meantime, the problem of financing is a large one. We began close discussions of this with the Egyptian Finance Minister in the Bank during November; and at the invitation of the Prime Minister, I went to Cairo two weeks ago to discuss it further.

The estimated cost of the project and ancillary works is \$1,350,000,000, of which some \$400 million represents private investment. Our discussions centered on the balance -- \$950 million -- which will take the form of government expenditures. In line with the Bank's usual practice, the Egyptian Government will take the responsibility for \$550 million needed in Egyptian currency for local labor, services and materials. That leaves \$400 million needed in other currencies for equipment and services that will have to come from abroad.

I felt that of this amount the Bank could lend half, or \$200 million, but that it would be necessary for the Egyptian Government to find elsewhere the remainder of the foreign exchange needed. Before I went to Cairo, the American and British Governments had offered grant funds of \$70 million -- enough, it is estimated, to cover the foreign-exchange costs of diverting the Nile from its *Copper dam* bed and completing the foundation of the Dam. The two Governments also indicated

that they would be prepared at a later date, in the light of the then existing circumstances, to give sympathetic consideration to financing the later stages of the project, as a supplement to Bank lending.

The position of the two governments, however, was contingent on lending by the Bank. At the invitation of Colonel Nasser, I therefore went to Egypt to discuss with the Prime Minister himself the circumstances under which the Bank would be willing to participate in the financing of the project. Most important, it was necessary to know whether the Egyptian Government was determined not only to give the necessary financial support to the project, but also to budget other public investment prudently and with foresight, so as to avoid bringing the project -- and, indeed, the economy of Egypt itself -- into jeopardy. During my visit to Cairo, the Prime Minister and I reached an understanding which was satisfactory to me.

Now I can hear some of you saying that it does not make sense to be putting up money for an undertaking that surely will have as one of its results the increased production, among other things, of cotton and rice -- commodities already in surplus in the United States and in other producing countries. But I believe this is a seriously mistaken view.

Why? Because it assumes that the only way to solve the problem of surpluses is to limit production. It assumes that the world already has enough farm products to keep itself decently fed and clothed -- an assumption that is clearly untenable. It assumes, moreover, that the world economy will never be, and can never be, any larger than it is now -- and this, too, flies in the face of all reason.

In Egypt itself, by the time the High Dam project is fully in operation 15 years or more from now, there will be nine to ten million more Egyptians than there are today, and they themselves will be pressing a larger claim on what Egypt

produces. At the same time, there will be 35 million more Americans pressing demands on the American farm economy. And in the world at large, there will be half a billion more people for the world economy to satisfy.

To say that there are world surpluses of some commodities, then, is to view only the top of the iceberg, for there is a good deal more to the situation than that. Even in an immediate sense, another part of it is that there are surpluses, not because there is no need for what is surplus, but because there are too few customers to pay for it. And in the not too long run, the danger is at least as likely to be one of scarcity as one of surplus.

Now, the development of production and of earnings -- agricultural and otherwise -- is a way to mitigate the problem of scarcity, and it is a way to develop paying customers. That is one of two compelling reasons I can see for the economic aid which the United States, and for that matter, other developed countries, are giving to less developed countries today.

A good many other reasons are put forward, both for and against, economic aid. Most of them, I think, confuse rather than clarify the issue. We hear it said, for example, that such massive amounts of aid are needed that to satisfy them would work serious damage on the American economy. I just do not believe that. It assumes that everything can be, and must be, done at once. But the fact is that the rate at which the underdeveloped countries can absorb new capital is limited; and that the number of useful projects on which public funds can be properly and effectively spent is far from infinite. The danger, in my opinion, is not that we shall try to do too much, but rather that we will find it possible to do too little.

We also hear arguments in favor of foreign aid, on the grounds that it is a useful tactical instrument, both in commerce and other spheres of international relations. It is sometimes thought, for instance, that aid offers a convenient

way to dispose of surpluses. But the matter is obviously not so simple as that. In a situation when the world supply of some commodities is in surplus, to force excess production onto world markets may undermine the export position of some of the very countries we are trying to help by other means; and it may complicate rather than assist our foreign policy -- of which, after all, economic aid is only one part.

Perhaps the most popular argument of all is that economic aid is valuable because it can win friends for the United States and the democracies of the west. This kind of thinking in the past has already kept aid from being effective as it might have been, because it has emphasized the act of giving -- or in some cases, of lending -- at the expense of careful attention to the study and selection of projects for economic merit.

On the recipient side, too, the friendship theory has not infrequently had unfortunate results which were quite the opposite of those intended. It has encouraged a supplicant attitude on the part of some underdeveloped countries, and has made it quite logical for them to feel resentment when one of them does not receive as much aid as some other. And in a few cases, the notion that American aid was intended to buy their favor has caused underdeveloped countries to decline that aid altogether.

To follow the friendship theory to its logical extreme, moreover, would lead the United States and other western countries into a popularity contest with the Russians. In my personal opinion, we already have had enough experience to know that offers of Soviet aid may involve, as the farmer said of his cow, "More moo than milk." If we decided to give milk every time that Moscow moos, we would soon be dry.

After all, to believe that economic aid can win friends is to take altogether too simple a view of international relations; and I think we must always

remember the warnings of experienced diplomats that friendships cannot exist between nations in the same sense as it exists between one person and another. Indeed, if aid could win us friends in the sense that some people believe, the United States, after the expenditure of scores of billions of dollars since the war, already would be far and away the most befriended nation on earth.

What can exist between nations is mutual self-interest, based on geography, history and many other factors -- a complex in which aid can only be one part. I think that the United States, both acting on its own part and making the fullest possible use of international organizations like the Bank, can wisely and realistically support aid for economic development; and I think so because the United States itself will benefit from the growth in world production, markets and trade that economic development can help bring about. I think one important conclusion that follows from this is that the United States should give support to economic aid continuously, and not according to the rising or falling barometer of pressures in world politics.

I spoke a moment ago of two compelling reasons to support economic development. The second is that the course of development will become a more and more important factor in determining the kind of world we ourselves live in. The political and economic revolution that we ourselves helped begin in the 18th century is now beginning to march through many parts of the underdeveloped world. Wherever the revolution marches, we see political, economic and social institutions in the process of change.

The form in which these institutions begin to crystallize is of the utmost importance to us. In our days as a young republic we looked on the existence of monarchies as inimical to our own existence; in our own time, we have learned that Communism and other forms of authoritarianism can come into sharp and even armed conflict with our own ways of life.

Now, we cannot impose our institutions on other countries. But through aid to economic development we can help those countries to make a choice which they will consider to be in their own interests and which would run in our favor as well. Today in the underdeveloped countries, men are likely to think that they have a choice only between extremes --- between slow starvation and quick revolution, between poverty and planned economies; between hopeless inertia and disciplined obedience to political leaders who themselves may represent extremes.

Economic development and rising standards of living can help fortify men against extremes. Men who have faith in their own future and the future of their own countries are not likely to sell themselves short to demagogues or their country short to the kinds of foreign influence that would be inimical to us. In a better economic environment, there is a better chance for men to appreciate those values of freedom and democracy which mean so much in the west and so little in Moscow. If aid to economic development can help men prize and assert their independence, then it is something greatly worth doing. And if along with our aid we can demonstrate the validity of our own principles of freedom of individuals and of enterprise, then I think we are making some progress toward shaping the kind of world which we ourselves want. I think this is worth doing -- not reluctantly and hesitantly, but on a scale and with a constancy of purpose equal to the importance of the task.

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Address to the Canadian Club of Montreal  
by Eugene R. Black,  
President of the World Bank  
January 16, 1956

READING COPY



Your invitation for me to speak here today was a most welcome one. The relations between the World Bank and Canada -- your financial community and your government -- have long been close and cordial. This opportunity to speak to the Canadian Club of Montreal in its Golden Jubilee year allows me to make a token repayment on the debt of gratitude which the Bank owes to the people of Canada.

The Bank has now been operating for nearly 10 years. Our aim has been three-fold: to help the peoples of the free world to increase their output of useful goods and services; to promote a higher volume and better balance of world trade; and to raise the standards of living in our member countries.

In pursuit of

In pursuit of these aims, the Bank has now lent, for productive projects and programs, the equivalent of some 2½ billion dollars.

About two-thirds of this amount has been lent in what are called the underdeveloped areas of the world. If the globe consisted of 60 or 70 nations like Canada, there would be no need for a World Bank. You have great resources and an enormously productive economy here, a confidence that inspires you to invest in your own future, a way of doing things that attracts large amounts of investment from other countries. The way in which you are developing your country provides a model which many other nations might observe to their own benefit.

There is, however,

There is, however, only one Canada. And, apart from North America and Western Europe, our free world is a place where poverty is the rule rather than the exception, where perhaps two human beings out of every three are just beginning to glimpse what has been done elsewhere by modern methods of production, by modern science and modern medicine. (The conditions of the underdeveloped peoples, the frustrations some of them feel with their present way of life, are sources of internal and international tension. They are one reason why world politics is so disturbed today, and why parts of the world offer such fertile soil for the seeds of violence and subversion.

The state of the

The state of the postwar world has been such that it has been necessary for free countries to associate themselves in common defence. But, if we are to get at some of the underlying causes of our postwar difficulties, there must also be international cooperation in the field of economics and finance. Canada has already given leadership in this field, first with an extensive program of overseas aid during the period of reconstruction in Europe; second, with the fund she is making available to the Commonwealth countries of south Asia under the Colombo Plan; and third, with the substantial and respected part she is playing in international organizations.

Canada is a vigorous

Canada is a vigorous partner in the World Bank. In fact, if I were to speak of personalities only, and not of finance at all, the Bank would still have a considerable debt to acknowledge. Through a succession of distinguished citizens, Canada has had an influential voice in our affairs from the beginning -- first, R. B. Bryce, Secretary of the Cabinet in Ottawa, then Graham Towers and Donald Gordon, and now, for the past six years, Louis Rasminsky, have been on our Board of Directors. The Secretary of the Bank, who is a sort of combined chief of protocol and man of all work, is a Canadian. And, in fact, of our staff of 475 men and women in Washington, one out of every nine is a Canadian.

Among our 58 member

Among our 58 member countries, Canada is geographically the biggest, and from a financial and industrial point of view, is one of the most important. When the Bank's charter was written in 1944, it was clear that some members expected to be borrowers for many years to come. Others expected, at least ultimately, to assume the position of creditors and, through the Bank, to provide the funds necessary for progress toward objectives in which they believed. This they could do in two ways: by letting the Bank make loans from their subscriptions to its capital, and by letting us raise additional money by selling bonds in their capital markets.

From the first,

From the first, Canada was a country to whom the Bank could look for material as well as moral support. When Canada joined the Bank, she paid in 65 million United States and Canadian dollars as her subscription to our capital stock. Of this amount, 58½ million was in Canadian dollars, and could be lent by the Bank only with the consent of the Canadian Government.

Beginning in 1948, Canada was one of the first countries to release any considerable amount of its own currency to the Bank for lending. Since May 1952, we have had the entire original Canadian-dollar subscription available for loans, in any of our member countries and on a convertible basis. While many of our

European members have now

European members have now made releases to us on various conditions, it was the United States and Canada on which we relied almost entirely for subscribed capital during our first five years of life; and these are still the only two members whose currency we have on a completely convertible basis.

The Canadian capital market has also been a valuable source of finance to the Bank. We have floated three issues of bonds in your market -- in 1952, in 1954 and in March of last year. Last summer, at the premium called for in the sale agreement, we retired the first of these issues, seven years in advance of maturity.

We now have a balance



We now have a balance of \$40 million worth of Canadian-dollar bonds still outstanding, and these securities are well known in your market. Canadian investors have also bought our United States dollar bonds. All in all, from capital subscription and from bonds still outstanding in Canada, we have had in the neighborhood of \$130 million of loan funds from Canadian sources.

Now this money was made available as a matter of enlightened self-interest -- made available, I presume to think, because your business community and your government believe that the Bank is a business-like institution, and one whose activities in the world will be a constructive force bringing a general benefit to Canada as well as to the other members of our

members of our institution.

Nevertheless, it was not to be expected that your virtue would go without any specific reward. The Canadian industrial and exporting community has, in fact, directly benefited from the loans of the Bank. Up to now, our borrowers have chosen to buy in Canada more than \$100 million worth of goods and services they need for projects we are helping to finance. The variety of what Canada has supplied gives remarkable testimony to the versatility of Canadian production. It has ranged all the way from railway locomotives and industrial equipment to a shipment of 300 pedigree cattle which just a couple of months ago left the port of Montreal on its way to Peru.

The Bank has made

The Bank has made 140 loans.

Canadian suppliers have shipped goods under more than 40 of them, and Canadian equipment has done yeoman service on Bank-financed projects around the world. It has helped the bottlenecks in the railway systems that were strangling the economy of India five years ago; it has helped solve transportation problems in Australia and South Africa; it has helped increase supplies of electric power in Mexico and Brazil; and it is today working in 20 different countries. One of the largest contracts ever awarded for the purpose of a Bank-financed project is even now being filled by the Dominion Steel & Coal Company here in Montreal -- a contract for the supply of some 175,000 tons of rail for the 1,000-mile long Pacific Railway of Mexico.

Pacific Railway of Mexico.

Some Canadian exports under Bank loans have been financed with funds that originated in the United States, and some ~~of these exports~~ have been financed by the dollars that have been made available from Canada. But, in any case, of the bread you have cast on the waters, a considerable amount has come back. And it will keep on coming back.

Mr. Chairman, I hope that you and the members of the Canadian Club of Montreal will forgive me for dwelling at this length on the relationships between Canada and the Bank. But it is a constructive story, and one that I don't have the opportunity to tell as often as I would like.

Now, with your indulgence,

Now, with your indulgence, I should like to turn quite briefly to the way in which the World Bank does its job, and to those broader benefits that I think may accrue to Canada from economic progress in the less developed areas of the world.

First of all, let me tell you that the Bank is a business institution. We make loans for which private capital is not available, but we do not court unreasonable risks. The best evidence of that are these: first, our loans, without exception, are being repaid as due -- in fact, more than \$100 million worth have been repaid well in advance. Second, our reserves, built up from earnings and commissions, are now over \$200 million.

Our principal task,

Our principal task, in the underdeveloped countries, has been to help build up the kind of economic base which will make possible more production, more earnings and savings, and more capacity and opportunity to invest. Here in Canada, your transcontinental railway system and your extensive use of hydroelectric power resources have been vital to economic growth. It should come as no surprise to you, then, to learn that the Bank's biggest investments -- amounting to well over \$1 billion, have been precisely in these two fields, of electric power and transportation services.

We have lent about a quarter of a billion dollars for industries basic to the development of particular countries -- as in the case,

as in the case, for instance, of our 31-million-dollar loan for the private production of iron and steel in India. We have lent another quarter of a billion for agricultural development. Finally, we have lent \$140 million for development programs embracing several or all of these different kinds of development.

The Bank lends, in the normal course, for specific projects. We pick and test out those projects with a great deal of care. Both private and governmental applicants have come to know that they must show us some specific project or program of demonstrable usefulness. To find out how things stand, we visit the field and get our applicants to demonstrate to us how the project fits in with the rest of the economy,

of the economy, how urgently it is needed right now, whether it will satisfy a lasting need, or whether there are more important things on which outside capital could be used. We send our engineers and other technical people to see whether the project will actually work, to check specifications, construction plans, production costs, market prospects and any other matters that may affect the project. If necessary, as is not infrequently the case, we recommend changes in the project before we agree to go ahead.

From the first, the Bank had to be concerned with a good deal more than engineering designs. We are helping to finance undertakings of a kind or on a scale never before attempted in many of our member countries.



member countries. These, in their turn, often require not only new machinery and new skills, but also new kinds of organization and new formulations of policy. So the Bank, at the same time that it has lent for equipment, has given advice on the organization of authorities to administer ports and maintain highways; it has helped create new credit institutions, both public and private; it has assisted in the development of capital markets; it has assisted in the development of higher standards in the public administration of economic and fiscal affairs. The Bank, above all, has tried -- and with some success -- to instill the concept that governmental investment must be budgeted and directed toward realistic goals, and in such a way as to

in such a way as to support rather than obstruct private initiative and investment.

(Egypt)

One of the Bank's chief aims is to stimulate private investment, and we are one of the chief vehicles for carrying private funds abroad. The sale of our bonds is one instrument for doing that; and at present, we have \$860 million worth outstanding, in Canada, the United States and 25 other countries in both hemispheres. Another instrument is the sale of parts of our loans to other investors, who either buy from our portfolio or participate in the loans when they are made. These sales, which for some years past have been made without our guarantee, now amount to \$225 million. Finally, we have on three occasions

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Now, as you well know, Canada engages in more international trade per head than any other country in the world -- and I cannot imagine any country that in an economic sense has a bigger stake in this process of economic development and growing markets. That is why I think Canada's participation in the World Bank is in the interests of all Canadians.

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Throughout the underdeveloped countries-- which is to say most of the world -- there is an intense yearning for better living. The pauper peoples are no longer content to live in poverty, for in this day of modern communications, they know what life is like elsewhere.

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It is something more than coincidence, I think, that the trouble spots of recent years -- parts of the Far East, of the Middle East and of Africa -- are also areas where actual standards of living are in sharpest contrast with the standards to which people aspire. I do not mean to say that the causes of international tension, of big wars and little wars, begin and end with economics. But I do deeply doubt that we can have a politically stable world unless it is also one in which economic progress is being made.

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To help the underdeveloped countries lift themselves to new ways of working and living, then, is also to increase our own chances of living our own lives in peace. The World Bank is one instrument, among many, that is attempting to prod the pace of economic development. In terms of the world scene, the operations of the Bank are of close concern to you as Canadians with a stake in the future of your country. I believe that what the Bank is doing and helping the underdeveloped countries to do can truly be seen as a vital part of one of the most urgent tasks of today -- the task of rooting out the poisons of poverty and war, and of sowing the seeds from which stability and order in world affairs can grow --

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Address to the Canadian Club of Montreal  
by Eugene R. Black,  
President of the World Bank  
January 16, 1956

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READING COPY

Your invitation for me to speak here today was a most welcome one. The relations between the World Bank and Canada -- your financial community and your government -- have long been close and cordial. This opportunity to speak to the Canadian Club of Montreal in its Golden Jubilee year allows me to make a token repayment on the debt of gratitude which the Bank owes to the people of Canada.

The Bank has now been operating for nearly 10 years. Our aim has been three-fold: to help the peoples of the free world to increase their output of useful goods and services; to promote a higher volume and better balance of world trade; and to raise the standards of living in our member countries.

In pursuit of



In pursuit of these aims, the Bank has now lent, for productive projects and programs, the equivalent of some 2½ billion dollars.

About two-thirds of this amount has been lent in what are called the underdeveloped areas of the world. If the globe consisted of 60 or 70 nations like Canada, there would be no need for a World Bank. You have great resources and an enormously productive economy here, a confidence that inspires you to invest in your own future, a way of doing things that attracts large amounts of investment from other countries. The way in which you are developing your country provides a model which many other nations might observe to their own benefit.

There is, however,

There is, however, only one Canada. And, apart from North America and Western Europe, our free world is a place where poverty is the rule rather than the exception, where perhaps two human beings out of every three are just beginning to glimpse what has been done elsewhere by modern methods of production, by modern science and modern medicine. The conditions of the underdeveloped peoples, the frustrations some of them feel with their present way of life, are sources of internal and international tension. They are one reason why world politics is so disturbed today, and why parts of the world offer such fertile soil for the seeds of violence and subversion.

The state of the

The state of the postwar world has been such that it has been necessary for free countries to associate themselves in common defence. But, if we are to get at some of the underlying causes of our postwar difficulties, there must also be international cooperation in the field of economics and finance. Canada has already given leadership in this field, first with an extensive program of overseas aid during the period of reconstruction in Europe; second, with the fund she is making available to the Commonwealth countries of south Asia under the Colombo Plan; and third, with the substantial and respected part she is playing in international organizations.

Canada is a vigorous

Canada is a vigorous partner in the World Bank. In fact, if I were to speak of personalities only, and not of finance at all, the Bank would still have a considerable debt to acknowledge. Through a succession of distinguished citizens, Canada has had an influential voice in our affairs from the beginning -- first, R. B. Bryce, Secretary of the Cabinet in Ottawa, then Graham Towers and Donald Gordon, and now, for the past six years, Louis Rasminsky, have been on our Board of Directors. The Secretary of the Bank, who is a sort of combined chief of protocol and man of all work, is a Canadian. And, in fact, of our staff of 475 men and women in Washington, one out of every nine is a Canadian.

Among our 58 member

Among our 58 member countries, Canada is geographically the biggest, and from a financial and industrial point of view, is one of the most important. When the Bank's charter was written in 1944, it was clear that some members expected to be borrowers for many years to come. Others expected, at least ultimately, to assume the position of creditors and, through the Bank, to provide the funds necessary for progress toward objectives in which they believed. This they could do in two ways: by letting the Bank make loans from their subscriptions to its capital, and by letting us raise additional money by selling bonds in their capital markets.

From the first,

From the first, Canada was a country to whom the Bank could look for material as well as moral support. When Canada joined the Bank, she paid in 65 million United States and Canadian dollars as her subscription to our capital stock. Of this amount, 58½ million was in Canadian dollars, and could be lent by the Bank only with the consent of the Canadian Government.

Beginning in 1948, Canada was one of the first countries to release any considerable amount of its own currency to the Bank for lending. Since May 1952, we have had the entire original Canadian-dollar subscription available for loans, in any of our member countries and on a convertible basis. While many of our

European members have now

European members have now made releases to us on various conditions, it was the United States and Canada on which we relied almost entirely for subscribed capital during our first five years of life; and these are still the only two members whose currency we have on a completely convertible basis.

The Canadian capital market has also been a valuable source of finance to the Bank. We have floated three issues of bonds in your market -- in 1952, in 1954 and in March of last year. Last summer, at the premium called for in the sale agreement, we retired the first of these issues, seven years in advance of maturity.

We now have a balance

We now have a balance of \$40 million worth of Canadian-dollar bonds still outstanding, and these securities are well known in your market. Canadian investors have also bought our United States dollar bonds. All in all, from capital subscription and from bonds still outstanding in Canada, we have had in the neighborhood of \$130 million of loan funds from Canadian sources.

Now this money was made available as a matter of enlightened self-interest -- made available, I presume to think, because your business community and your government believe that the Bank is a business-like institution, and one whose activities in the world will be a constructive force bringing a general benefit to Canada as well as to the other members of our



members of our institution.

Nevertheless, it was not to be expected that your virtue would go without any specific reward. The Canadian industrial and exporting community has, in fact, directly benefited from the loans of the Bank. Up to now, our borrowers have chosen to buy in Canada more than \$100 million worth of goods and services they need for projects we are helping to finance. The variety of what Canada has supplied gives remarkable testimony to the versatility of Canadian production. It has ranged all the way from railway locomotives and industrial equipment to a shipment of 300 pedigree cattle which just a couple of months ago left the port of Montreal on its way to Peru.

The Bank has made

The Bank has made 140 loans.

Canadian suppliers have shipped goods under more than 40 of them, and Canadian equipment has done yeoman service on Bank-financed projects around the world. It has helped the bottlenecks in the railway systems that were strangling the economy of India five years ago; it has helped solve transportation problems in Australia and South Africa; it has helped increase supplies of electric power in Mexico and Brazil; and it is today working in 20 different countries. One of the largest contracts ever awarded for the purpose of a Bank-financed project is even now being filled by the Dominion Steel & Coal Company here in Montreal -- a contract for the supply of some 175,000 tons of rail for the 1,000-mile long Pacific Railway of Mexico.

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Some Canadian exports under Bank loans have been financed with funds that originated in the United States, and some ~~of these exports~~ have been financed by the dollars that have been made available from Canada. But, in any case, of the bread you have cast on the waters, a considerable amount has come back. And it will keep on coming back.

Mr. Chairman, I hope that you and the members of the Canadian Club of Montreal will forgive me for dwelling at this length on the relationships between Canada and the Bank. But it is a constructive story, and one that I don't have the opportunity to tell as often as I would like.

Now, with your indulgence,

Now, with your indulgence, I should like to turn quite briefly to the way in which the World Bank does its job, and to those broader benefits that I think may accrue to Canada from economic progress in the less developed areas of the world.

First of all, let me tell you that the Bank is a business institution. We make loans for which private capital is not available, but we do not court unreasonable risks. The best evidence of that are these: first, our loans, without exception, are being repaid as due -- in fact, more than \$100 million worth have been repaid well in advance. Second, our reserves, built up from earnings and commissions, are now over \$200 million.

Our principal task,

Our principal task, in the underdeveloped countries, has been to help build up the kind of economic base which will make possible more production, more earnings and savings, and more capacity and opportunity to invest. Here in Canada, your transcontinental railway system and your extensive use of hydroelectric power resources have been vital to economic growth. It should come as no surprise to you, then, to learn that the Bank's biggest investments -- amounting to well over \$1 billion, have been precisely in these two fields, of electric power and transportation services.

We have lent about a quarter of a billion dollars for industries basic to the development of particular countries -- as in the case,

as in the case, for instance, of our 31-million-dollar loan for the private production of iron and steel in India. We have lent another quarter of a billion for agricultural development. Finally, we have lent \$140 million for development programs embracing several or all of these different kinds of development.

The Bank lends, in the normal course, for specific projects. We pick and test out those projects with a great deal of care. Both private and governmental applicants have come to know that they must show us some specific project or program of demonstrable usefulness. To find out how things stand, we visit the field and get our applicants to demonstrate to us how the project fits in with the rest of the economy,

of the economy, how urgently it is needed right now, whether it will satisfy a lasting need, or whether there are more important things on which outside capital could be used. We send our engineers and other technical people to see whether the project will actually work, to check specifications, construction plans, production costs, market prospects and any other matters that may affect the project. If necessary, as is not infrequently the case, we recommend changes in the project before we agree to go ahead.

From the first, the Bank had to be concerned with a good deal more than engineering designs. We are helping to finance undertakings of a kind or on a scale never before attempted in many of our member countries.

member countries. These, in their turn, often require not only new machinery and new skills, but also new kinds of organization and new formulations of policy. So the Bank, at the same time that it has lent for equipment, has given advice on the organization of authorities to administer ports and maintain highways; it has helped create new credit institutions, both public and private; it has assisted in the development of capital markets; it has assisted in the development of higher standards in the public administration of economic and fiscal affairs. The Bank, above all, has tried -- and with some success -- to instill the concept that governmental investment must be budgeted and directed toward realistic goals, and

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