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It is a great pleasure and honor to be asked to attend this dinner even though I am now called upon to perform for it. What with the high sophistication which attends all writers who have travelled far and been places, I wish it were possible for me to do nothing more than to sit here and absorb.

Once on my feet, however, my instincts are to go through my usual routine and tell you about the corporate structure of the International Bank for Reconstruction and Development, to suggest to you how wise are its policies, how talented its staff, and how worthy its objectives. When the Bank was first formed it was considered a mighty institution with enormous potentialities. It was never as big as some of the headlines painted it but it was something extraordinary both as to its size and purpose. Today, with new agencies being set up or talked of to cover so-called dollar shortages in all parts of the world it would appear that we have some formidable competitors in the recovery field. This is particularly so when such agencies derive their money from the public treasury and are not concerned in many situations whether the money is repaid or not as long as very general objectives are attained.

I am not complaining, however, of a lack of borrowers. The advent of these other agencies and these larger sums directed to basic recovery not only, in my judgment, do not render ineffective the work that the Bank may do but greatly increase its possibilities for effective operations. They will if well administered tend to bring about the sooner that state of economic equilibrium or near equilibrium which will enable the Bank to function in its most appropriate field with more confidence and greater security. The European crisis has had the tendency to educate the public better as to the appropriate functions of the Bank and to moderate some of the transports with which the organization of the Bank was initially hailed in 1944. It is now realized that it is not and cannot be the overall financier of the accumulated balance of payment deficits of the world nor is it the financier of the accumulated five-year plans of the world. It is, or can be, a continuing international banking facility capable of financing or rather assisting to finance economically strategic and productive projects throughout the world where the local efforts justify such assistance. It has real flexibility and even if some piece of financing cannot be termed a "project" in the strict sense, the Bank can undertake it if it is shown that it is productive and stimulating to trade and recovery. If there is a limitation upon the amount of capital it may provide because it is necessary to appeal to investors for its capital, that is likewise the Bank's strength and I venture to say that, by reason of this attachment of the Bank's activities to the necessity of competing with other investing possibilities in the capital market, there lies perhaps the greatest element of the Bank's strength and independence.

The Bank appears small now in relation to the Marshall Plan but if it can be, as it was designed to be, the bridge between government and private financing, if it can restimulate the flow of private capital about the world, its potentialities will compare favorably with those of the Marshall Plan and it will continue a useful existence long after the Marshall Plan has passed from the scene. The Bank's role in the future, as in the past, will be to make productive loans with good prospects of repayment. Such loans will be the more possible if a broad base is given to the reestablishment of a sound European economy by the proposed recovery program.

But I repress the instinct to talk more about the institution of which I am a member, partly because I am not really attempting to sell bonds, at least to this audience, partly because the events of the past few weeks have crowded in upon us so closely as to direct our attention to other subjects.

I wish we could approach a solution of the world situation today with the certainty that the application of definite rules would achieve definite results within a definite period. It would be so much easier if this were the case. All we would need to do would be to learn our rules slavishly and follow them completely.

I am reminded and also comforted by a story of Winston Churchill which, as writers you may appreciate, if you have not heard it too many times before. It seems that Mr. Churchill, after working on a draft of a particularly important and inspiring speech, sent it over to the Foreign Office for their comments prior to his delivering it. In the course of the draft speech Churchill had ended one of his mighty passages with a proposition. In about 24 hours the speech came back with no comment of substance upon it, but a Foreign Office purist had neatly encircled the offending proposition and caroted it back up to its proper place in the sentence. The Prime Minister took one look at the correction, roared his rage, and immediately dispatched a note to the Foreign Office, "This is the type of arrant pedantry," the note ran, "up with which I will not put." I am inclined to think that there are many rules in the book which will have to be re-examined and even defied before we are finished with this matter of world recovery. The imponderables are so great and the cross currents so complex that I very much doubt that the familiar rules can be successfully applied to the extremely fluid world situation that we now face.

In the first place the whole concept of aid on the scale undertaken since the end of the war and now further contemplated under the European Recovery Program is without precedent in history. Its very size and generosity provoke problems which no economists or politicians have hitherto ever been called upon to face. Take merely the now famous problem of the counterpart - and we shall hear much more about it, I believe, before we are finished. I refer to the use of local currency to be derived from sale of goods received in the form of grants from the United States. In the case of, say, Italy if the proposed or rather talked of dollar grants are forthcoming and are converted into lire at free rates the total sum would compare with the entire outstanding currency issue of the country. If the United States is to dispose of that many lire, some objective group must and should control it. We have already had the experience of the dissipation of similar funds in the case of UNRRA and it is clear that not to exercise control over the local currency proceeds of these grants invites inflationary and other wasteful tendencies whose

baneful effects could readily frustrate the objectives of the entire grant. This is only one of the new and perplexing problems which this great adventure in international economics poses.

This brings me to the whole matter of the administration of the Recovery Plan. You hear much of the type of man needed for this task - some say he must be a businessman, some that he must be a statesman, that he must have wide knowledge, that he must have a distinguished record of administration behind him, that he must be tactful, that he must be realistic, that he must be imaginative. He must combine the diligence of a bird dog with the patience of Job. I doubt that there is anyone who combines the qualities which the job so obviously needs. Yet a man will one day be selected and I venture to say that whoever he may be and with all his likely shortcomings, given a substantial record of ability and character he will somehow get along and the task will be well administered, assuming only he does not receive too much advice or have too many bosses. Many things he can do and yet many things are bound to occur over which the administration will have absolutely no control and some of them may well determine the success or failure of the entire venture. What is important is that the public as a whole and the press, the Congress, and the recipients adopt a tolerant and understanding attitude toward this supremely difficult task of administration. With the best men administering there will still be irritating misunderstandings, crudities of operation, and frustrations, all of which are present in the formation of any hastily erected agency, to say nothing of the peculiar difficulties of this one. These difficulties will all be superimposed on the never easy relationship of debtor and creditor, or of donor and donee, and all the while I think we can count on a virulent and vigorous propaganda emanating from the enemies of recovery seeking to exploit mistakes, to misrepresent motives, and generally to poison people's minds against the program.

Unless people in this country, but more particularly people in the countries which are to be the recipients of the aid, understand the difficulties of administration, submerge their own selfish interests, and above all keep in mind that this adventure is a mark of generosity and good will without, as I have said, a precedent in history, it may fail. History is full of examples where the dominant world power has sought to repress its competitors and bend their economies to its own purpose. There are none that I know of on anything like this scale where the chief effort is to rebuild former friend and former enemy alike to a position where they may vigorously compete with the donor. It may be truly said that this is only a matter of self-interest, but the least that can be said of it is that it is one of the examples of enlightened self-interest of which the pages of history thus far have been all too blank.

How the program is to be administered in Washington is important but how it is to be administered in Europe is even more important. We have already seen some encouraging signs of European cooperation in both the economic and political field in Europe but it cannot be too heavily emphasized that it is upon the initiative and cooperation of the Europeans that successful progress of the program primarily depends. I would urge that somewhere at the core of the administration in Europe there should be set up an organization which is something more than a group of national representatives who usually are unable to accomplish more than a series of political compromises. Rather, it is essential, in my judgment, that there be an international staff owing allegiance to no national government but to the admini-

stration headed by a European director of recognized independence, courage, and ability. The director would not be merely a mouthpiece for the American agency though he would act under its general directions. His strong relatively independent position would enable him to serve as the focal point for the common endeavours of all the participants. His organization, of course, would have to operate in full cooperation with the American agency and his recommendations therefore would ordinarily be acceptable to that agency, but the latter would always have the final say as to the use of American funds.

I see many advantages in the establishment of such a European organization. In brief, I believe it would tend to disarm partisan opposition to the Marshall Plan within the European countries, it would increase the prospects that decisions would be made on a broad-gauge economic basis, and it would help to enlist the full cooperation of European governments and nationals.

This appeals to me as a particularly good suggestion because of my experience with such a staff in the International Bank, but the time has come when further debate or discussion as to method of operation is less important than action. The deadly analogies of the recent news leave us little time for diplomatic maneuvers, little time to debate just how much is exactly needed for the first year's effort or how well articulated the administration can be made. Grim events have occurred and if I may step out of my role as head of an international organization for a moment I would say that the day has arrived for the United States to be clear and prompt rather than overprecise.

One can truthfully say that dollars cannot save the world; that many other things must also be enlisted. There is such force behind the suggestion that political and even military steps must likewise be taken, or that this or that other area of the world must also be helped but the fact remains that economic aid to Europe is not only a mighty weapon, it is the first one we have drawn and this is no time to brandish it halfheartedly. There are too many people who are uncertain, tired, and fearful who look again to the west for hope. Bear in mind that most officials and politicians, as well as businessmen in Europe have something more to fear today than loss of prestige, office, or profits. It takes courage and hope to resist. There was a Polish proverb in the days when the Poles were being oppressed by the czars and the kaisers of the time. It was "God is very high and France is far away." Such a philosophy justified many compromises yet it never completely prevailed no more than it will today. Great powers of strength and resistance to oppression remain in the world and they can be mustered again in favor of freedom, only no uncertain note can be blown on the trumpet at the outset.

I have heard it said that our constitutional system does not adequately become our position as a world leader. With all its advertised defects, particularly as they show up in a political year, the system has been tested frequently and severely enough in our history to cause us to hesitate to change it. Under it we have acted with strength, and unison in real emergencies. At any rate we can neither change it nor allow it to stultify us now. While other proposals are forming and while still more ominous events portend let us not forget that the best clear chance for peace lies in the prompt economic recovery of Europe. It is important, however, that we get on with it. To be sure the United States must stand strong before the world today and it is foolish to suppose in this world that your influence can reach far without strength but the opportunity which the economic recovery of Europe and its closer integration today affords must not be missed. With all our other wise preparations this still remains the first and most promising objective for us to achieve.