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Folder ID: 1769174

Dates: 3/17/1947 - 5/29/1947

Fonds: Records of the Office of the President

Sub-Fonds: Records of President Eugene R. Black

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

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Washington, D.C.

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President's Black Papers - Congratulations 03

1947



**The World Bank Group Archives**  
1769174  
A1992-041 Other #: 1 209321B  
President Eugene R. Black Papers - Congratulations Correspondence - Correspondence  
- Volume 3

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<b>File Title</b> President Eugene R. Black Papers - Congratulations Correspondence - Correspondence - Volume 3		<b>Barcode No.</b>  1769174
<b>Document Date</b> March to May 1947	<b>Document Type</b> Letter	
<b>Correspondents / Participants</b>		
<b>Subject / Title</b> Congratulations Correspondence (30 letters)		
<b>Exception No(s).</b> <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict		
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# McCloy Brings Long Study to World Bank

John J. McCloy, who returns to public life as head of the World Bank, has long been concerned with the economic structure to be built in a postwar world.

A year and a half ago, when he retired as Assistant Secretary of War, the stocky attorney said he was "a little terrified" at the prospect that America might slough off her responsibilities and pull out of Germany and Japan while those nations were still on a "soup kitchen economy."

Following an inspection trip he made to Europe and Asia, where he studied occupation problems, McCloy had urged in 1945 that the United States stand by until the economic systems of warring nations could be linked with the territory involved "on a basis of mutual prosperity."

McCloy, since his resignation from the assistant secretaryship in November 1945, has been engaged in the practice of law in New York.

**Amherst Graduate**  
A graduate of Amherst, cum laude, in 1916, McCloy entered military service and won a commission in the Regular Army during World War I. He resigned the commission at war's end to return to school, and received a law degree from Harvard University in 1921.

He then engaged in the practice of law, and was sent to Paris in 1929 to take charge of a law office there. He remained until 1931 and during that time was active in the prosecution of claims against the German government for damage arising out of the Kingsland and Black Tom explosions.

His persistence in running down evidence of Germany's sabotage efforts in the United States prior to our entry in World War I resulted in the reopening of the case by the Mixed Claims Commission at The Hague.

**Became Stimson's Aide**  
He left his law firm to become Special Assistant to Secretary Henry L. Stimson on December 7, 1940, and in April, 1941 became Assistant Secretary of War.

Upon McCloy's retirement in 1945, President Truman praised him for his part in the reorganization of the War Department, for cooperation with the Department of State, development of lend-lease, and for his part in framing regulations for military government in occupied countries.

McCloy was born in Philadelphia on March 31, 1895. He is an ardent fisherman, an active member of the New York Anglers Club, and a skilled tennis player.

## Washington World Bank Elects McCloy To Presidency

By Marshall Andrews  
Post Reporter

John J. McCloy, lawyer, industrialist and wartime Assistant Secretary of War, yesterday was elected president of the 40-Nation World Bank to take office March 17.

Immediately upon his election by the board of the International Bank for Reconstruction and Development, McCloy announced appointment of Robert L. Garner of New York as vice president. President Truman meanwhile sent to the Senate the nomination of Eugene Black, jr., of New York, to replace Emilio G. Collardo as United States director.

McCloy's election fills a vacancy which has existed since resignation December 4, 1946, of Eugene Meyer, owner of The Washington Post and the bank's first president. The post of vice president has been vacant since the death of Harold D. Smith on January 24.

Meyer said yesterday he considered the bank "extremely fortunate" in its selection of McCloy and predicted he would prove "an admirable leader" in the bank's task of assisting in world reconstruction.

The need for the bank in reconstruction and development work,

See BANK, Page 2, Column 8.

## Truman Opens

# BANK

From Page 1

Meyer said, is greater than ever. He added that everyone who knew McCloy as a lawyer and as Assistant War Secretary "admires him for his intelligence, courage and integrity."

McCloy explained at a news conference late yesterday that he had first declined the offer of the Bank's presidency and then had accepted only when he was assured he could have about him people who could carry out the principles he believed necessary for proper operation of the Bank. These principles, he said, had been "confused with personal ties," an occurrence he termed "most unfortunate."

McCloy deplored "the misunderstandings and difficulties created as a result of published reports of the terms under which I undertook this job."

"I believed it necessary," he said, "to have in the bank a knowledge of securities and their marketing if it is to be a going concern instead of merely distributing its own capital. I am not a banker and felt that I should have a sense of confidence, that I should have close to me people who were trained in banking and could fill in the gaps in my own knowledge. So I chose Robert Garner, a trained banker, to be my vice president with all that implies."

## Black Experienced In Securities

He pointed out that Black was "highly experienced" in marketing securities. It was "a good thing," he said, that a large part of the bank's funds were to be raised through the sale of securities to the public and added that the bank was "obligated to see those securities made good."

"I believe," he said, "that the structure of the bank is such that this can be done."

McCloy said Collado, whose resignation was sent to President Truman yesterday, would remain at the bank for an indefinite time "to assist his successor and to continue with some of the work he has been doing." Collado, said McCloy, "has performed a tremendous service for the bank. He was in its earliest organization and has worked hard and long and the bank owes him a great debt." He said he did not know what plans Collado had after his temporary work with the bank was finished.

He did not accept the presidency, McCloy said, on the basis of any written agreement with the directors concerning his methods or policies. Nor did he accept the post on the basis of demands for radical changes in its organization and the conduct of its business.

## Organization Can Function

"I think the organization should be studied carefully," he said, "to see if it can be improved. I am convinced we've got a working organization now that can function. There is a disposition on the part of the board to cooperate closely with the staff."

He added that he was "thinking of forming a marketing division in the bank to conduct the sale of its securities. He said he would resign from his Wall Street law firm and from "whatever banks I am connected with." His continued connection with several industrial concerns, he said, would be studied in connection with his new work.



# McCloy Named World Bank Head; New York Men Become Aides; Loan Policy Outlined

## Eugene Black Named Executive Director, Robert L. Garner, Vice President

John J. McCloy, New York lawyer and wartime Assistant Secretary of War, has accepted appointment to the presidency of the World Bank.

Mr. McCloy will be assisted in key executive positions by Eugene Black, Jr., Chase National Bank vice president, who will become executive director of the Bank; and Robert L. Garner, financial vice president of General Foods Corp. Mr. Garner will become vice president of the Bank.

The privilege of selecting as his aides men with broad banking and investment experience was a condition upon which Mr. McCloy's acceptance of the presidency was contingent.

### Authority of President Broadened

Another major condition was insistence that certain changes be made in the policies of the Bank to strengthen and broaden the authority of the president.

Along with these requisites, Mr. McCloy is reported to have insisted that the lending policies of the Bank be tightened; and that strong standards be set for determining loans with subordination of political considerations.

The positions of president and vice president of the Bank have been vacant for some time. Eugene Meyer, owner of the Washington Post and the first president of the Bank, resigned in December. Shortly afterward, Harold D. Smith, vice president of the institution, died of a heart ailment, leaving the Bank without an active head.

Mr. Black, upon confirmation by the Senate, will succeed as executive director, Emilio G. Collado, 36-year-old former State Department economics specialist who has resigned.

Under the direction of its first president, Eugene Meyer, the Bank had merely been going through its preliminary organization. There reportedly were differences of opinion among officials of the Bank, which slowed the establishment of policies for the Bank.

### Difficulties Believed Resolved

These difficulties, it is believed, have been resolved by the new appointments and by the policy changes demanded by Mr. McCloy.

Although the Bank in theory has been ready to make loans for nearly a year, no advances have been extended.

Yesterday's changes, however, are likely to be followed quickly by the initial commitment. It is understood progress on two loans is very far along.

These loans will be out of the Bank's capital funds and will involve no public financing. That will come later as the grants increase in number and size.

Mr. McCloy brings to the operation of the Bank a philosophy which many in the banking and investment banking field regard as a fundamental requirement to the success of the

foreign loans. He helped to organize the First War Loan Drive in the Second Federal Reserve District in 1942.

Mr. McCloy, who is 52 years of age, became Assistant Secretary of War in April, 1941, in which office he served until November, 1945. He traveled extensively in connection with his duties in that capacity and visited nearly all fronts. He attended, also as a representative of the War Department, several of the Big Three war conferences.

## Comment

R. C. Leffingwell, chairman of the executive committee of J. P. Morgan & Co. Inc., and Assistant Secretary of the Treasury in World War I, said:

"The appointment of Mr. McCloy and his acceptance of the presidency of the World Bank is good news. No civilian did greater service to our country than he. His experience as Assistant Secretary of War and as a lawyer has well fitted him for his high task. His distinguished colleagues, Eugene Black and Robert Garner, are admirably qualified to support him. The World Bank has a great opportunity to aid in reconstruction and development abroad. In proportion as it succeeds in that undertaking it will promote peace and prosperity for all of us. Everyone must wish the Bank and Mr. McCloy and his associates the fullest success in this high enterprise."

Winthrop W. Aldrich, chairman of the Chase National Bank and chairman of the President's Committee for Financing Foreign Trade: "With the senior positions at the International Bank now filled again, the Bank has every prospect of fulfilling its vital part in world reconstruction. This management deserves and will have the confidence of the institutional and private investors in this country that will assure a market for its securities."

Elliott V. Bell, N. Y. State Superintendent of Banks:

"This troubled world can take courage from the news that John J. McCloy, Robert L. Garner and Eugene R. Black have agreed to manage the International Bank for Reconstruction and Development.

"There has never been any serious question about the soundness of the World Bank idea. Such an institution is desperately needed at this time. The one question practical men have asked is: Will the bank have good management? That question has now been answered.

"With these able men in charge, we can all have renewed confidence in the Bank. An important step has been taken toward world recovery and economic peace.

W. L. Hemingway, chairman, Mercantile-Commerce Bank and Trust Co., St. Louis:

"The announcement of Mr. McCloy's acceptance of the presidency of the Interna-

## McCloy Urges "Calculate Risk" Loans, More Emphasis on Bank's Security

From THE WALL STREET JOURNAL Washington Bureau

WASHINGTON—John J. McCloy, who will take office as president of the World Bank March 17, promised yesterday that his administration would move quickly to make decisions on pending loan applications and security issues.

At a news conference yesterday, following his election by the bank's executive directors, Mr. McCloy made the following points:

1. That more emphasis should be placed upon the issuance and marketing of Bank's securities.

2. That the bank's organization should be re-examined with particular emphasis seeing whether the relationship between executive directors and the president could be improved. Mr. McCloy is understood to feel that the president should have more authority.

3. That he intends to rely heavily on banking advice on his new vice president, Robert L. Garner, former financial vice president of General Foods Corp. and vice president and treasurer of the Guaranty Trust of New York.

4. That the new executive director for the United States, Eugene L. Black, former vice president of the Chase National Bank, will be charged with a good deal of the responsibility for preparing bank security issues.

5. That there is no "personal animosity" between him and the late executive director for the United States, Emilio Collado, who will remain with the Bank for a while at Mr. McCloy's request to help the new president through the present transitional period.

6. That he feels it's the Bank's duty to make loans because the world "can't eat half rubble and half built" and that he intends to take "calculated risks" in making loans.

7. That he's thinking of setting up a marketing division in the Bank to arrange financing.

Mr. McCloy confirmed rumors that he had been offered the Bank presidency before, but had turned the job down. He said he'd been asked to make certain suggestions for improving the operations of the Bank and that upon making such suggestions had been asked if he'd take the job if his suggestions were adopted.

He said he was convinced that the Bank "has a working organization now that is functioning." He indicated the door was open for further changes, however.

He stressed the fact that he had no banking background himself and therefore intended to rely heavily upon Mr. Garner to "fill in the gaps."

Mr. McCloy stressed the necessity of the Bank's obtaining additional capital through the sale of its securities.



and investment... fundamental requirement to the success of the institution.

He is understood to feel that the whole concept of the Bank depends upon the sale of its securities to the investing public and accordingly an essential requisite is that the Bank issue only prime securities.

#### Purely Political Loans Opposed

He is opposed to loans purely for political considerations but concedes political considerations may be a factor in a loan that would have been made anyway.

The World Bank has suffered in stature by the internal conflicts which have slowed its functions.

Mr. McCloy is confident, however, that nothing has happened to it that can fundamentally interfere with the purpose for which it has been formed provided the Bank has good objective management.

Before public loans can be initiated by the Bank, legislation will be required in many states to make the securities eligible for the big investors such as insurance companies and banks.

Already a major step has been taken toward that objective.

Early this week a bill was brought up for consideration in Albany to make bonds of the International Bank for Reconstruction and Development legal investments for insurance companies in New York State.

The bill would limit their commitments in the bonds to 5% of their total assets. Insurance companies domiciled in New York State own more than 50% of the assets of all American insurance companies combined.

The new executives will bring to the Bank support from private financial quarters which it has lacked up to this time. The announcement of their appointments brought quick endorsement from banking and investment banking officials.

The American Bankers Association said: "The experience of Mr. McCloy and his associates in business and on the international scene gives assurance of soundness in the important task of the International Bank." The statement issued by the Association's president, W. C. Bailey, added that its members "will wish to cooperate in every way possible to make the bonds of the Bank attractive to individual investors in this country." The Association believes, Mr. Bailey said, that the Bank can make loans in a way mutually satisfactory both to the borrower and to the Bank.

#### Types of Securities Undetermined

It was indicated yesterday that much additional study would be required before the Bank would be in a position to outline the type of security it might offer and the interest rates. This applies, particularly, it was stated, to the safety factors in back of any proposed public offering.

The executive director of the Bank, Mr. Black, has an important influence in developing its policies. He is the representative of the National Advisory Council on Government fiscal affairs, and in this capacity he becomes the chief administration spokesman in its affairs. He confers on the Bank's program with the Secretaries of State, Treasury and Commerce and the chairman of the Export-Import Bank and Federal Reserve System.

To this position, Mr. Black brings long experience in the investment banking and commercial banking business. He is not yet 50 years of age. During the past two or three years he has done considerable foreign work for the Chase National Bank and recently returned from two months in Europe in connection with foreign credits.

Mr. Garner is 53. Prior to his association with General Foods he was vice president and treasurer of the Guaranty Trust Co. Before that he was with the Guaranty Co., working on the underwriting of both domestic and

The announcement of Mr. McCloy's acceptance of the presidency of the International Bank and of his able assistants, Mr. Eugene Black and Mr. Robert Garner, is encouraging evidence that the affairs of the Bank will be in capable hands. If these gentlemen are clothed with the power to administer the affairs of the Bank in the way that is customary for bank executives to operate, we can expect prompt and competent action by the Bank to help in the difficult tasks of reconstruction in this troubled world. By following the statutes of the Bank and using their good judgment and experience, confidence in the Bank will be secured and it will be enabled to perform the functions for which it was created."

Henry Bruère, president, Bowery Savings Bank:

"Now the World Bank seems off to a good second start with a fine staff of leading officers. World stability, so necessary for the encouragement of thrift and protection of savings, should be greatly advanced by a wise administration of the World Bank. Messrs. McCloy, Garner and Black, I am confident, will make an outstanding contribution to the progressive and prudent management of the Bank."

Gordon S. Rentschler, chairman of the National City Bank of New York:

"Under the proposed organization and assurances it provides as to the character of operations, there seems reason to have confidence that the Bank will serve a useful function in this difficult period of transition." have asked is: Will the Bank have good man-recovery and economic peace.

Bank's obtaining additional capital through the sale of its own securities



# American Banker

The Only Daily Banking Newspaper

Vol. CXII No. 50

NEW YORK, SATURDAY, MARCH 1, 1947

Price Seven Cents

## Bailey Lauds McCloy Election; Pledges A. B. A. Support of Bank

Following election of John J. McCloy to head the International Bank for Reconstruction and Development, C. W. Bailey, president, American Bankers Association, expressed the Association's approval and assured the World Bank of its co-operation.

By C. W. BAILEY

Members of the American Bankers Association will be delighted to know that John J. McCloy has accepted the presidency of the International Bank for Reconstruction and Development, and that he will have associated with him Mr. Eugene Black, vice-president of the Chase National Bank, New York City, and Mr. Robert L. Garner, formerly of the Guaranty Trust Co., New York City, and now financial vice-president of the General Foods Corp.

At the time of the Bretton Woods hearings before Congress the American Bankers Association announced itself as favoring the establishment of the International Bank for Reconstruction and Development, now known as the "World Bank." In the program of co-operation in which the nations of the world are now participating the World Bank has a most important part to play in establishing economic stability and encouraging production throughout the world by making loans for productive purposes.

We believe that these loans can be made in a way to be mutually satisfactory both to the borrower and to the Bank. While credit is but one of the elements necessary for economic stability, it is an important one when properly safeguarded and extended under terms whereby the principal

(Continued on page 5)

## McCLOY NAMED WORLD BANK HEAD WITH GARNER AS VICE-PRESIDENT; E. R. BLACK TO SUCCEED COLLADO

### Appointments End Confusion Which Followed Meyer Resignation.

American Banker Bureau

WASHINGTON, Feb. 28. — The executive directors of the International Bank for Reconstruction and Development today announced the election of John J. McCloy, New York lawyer and former Assistant Secretary of War, to be president of the Bank, and Robert Livingston Garner, financial vice-president of General Foods Corp., to be vice-president.

At the same time it was announced that Emilio Collado, executive director of the Bank, had resigned, that Eugene R. Black, vice-president of the Chase National Bank, New York City, had been named to succeed him, and that the nomination had been sent to the Senate for approval.

These developments ended the uncertainty which has existed regarding the direction of the Bank since the resignation early this year of Eugene Meyer, newspaper publisher.

The selection of Mr. McCloy, who takes up his duties March 17, caused no surprise, since it had long been rumored. The naming of Mr. Garner, however, had not been so long discussed.

In sending Mr. Black's nomination to the Senate, President Truman said he had accepted Mr. Collado's resignation "with heartfelt thanks and appreciation."

Mr. Black, the son of a former head of the Federal Reserve Board, has recently returned from Europe where for two months he made a study of foreign monetary problems. The position of ex-

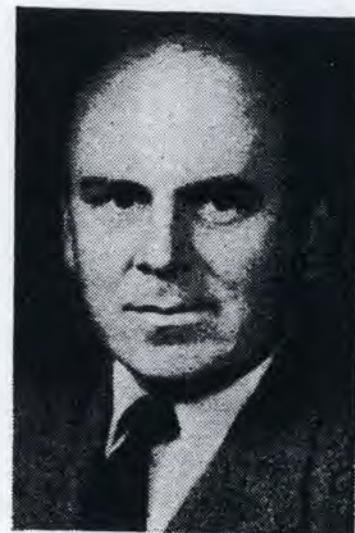
(Continued on page 5)

## Wide Financial Experience Joined In World Bank Heads

Biographical Sketches of the Executives Selected To Head Operations of the World Bank.

**JOHN J. McCLOY**  
President of the International Bank for Reconstruction and Development

Selected To Direct IBRD Operations



**John J. McCloy**  
PRESIDENT

His election gives the World Bank an operating executive with a top-notch background in banking, law, government and international affairs.



**Eugene Black**  
EXECUTIVE DIRECTOR



## McCloy World Bank Head; Garner, V.-P.; Black Named for Collado Post

(Continued from page 1)

Executive director pays \$17,500 a year, tax free.

Mr. McCloy, the new president, was born in Philadelphia, March 31, 1895. He is a graduate of Amherst and Harvard Law. In the First World War he was operations officer on the Verdun and Moselle fronts.

His first law connections were with Cadwalader, Wickersham and Taft in New York. In 1940 he was named special consultant to the Secretary of War and latter Assistant Secretary.

His citation for the distinguished service medal mentions his efforts on behalf of lend-lease and planning for organized government in the occupied countries.

Mr. McCloy is a brother-in-law of Lewis A. Douglas, former U. S. Director of the Budget, and president of the Mutual Life Insurance Co., who this week was named by President Truman as Ambassador to Great Britain. Mr. Lewis was the first financial executive rumored to be sought to give his services to head the World Bank.

Mr. Garner is a native of Bolton, Miss., a former vice-president and treasurer of Guaranty Trust Co., New York. He is 63 years old, and a graduate of Vanderbilt University. He took courses in journalism at Columbia University and in World War One served in the infantry in the Seventh Division.

## RENTSCHLER APPLAUDS APPOINTMENT OF McCLOY

Commenting yesterday on the appointment of John J. McCloy, New York lawyer and war time Assistant Secretary of War, as president of the International Bank for Reconstruction and Development, Gordon S. Rentschler, chairman of the National City Bank of New York, said:

"Under the proposed organization and assurances it provides as to the character of operations, there seems reason to have confidence that the Bank will serve a useful function in this difficult period of transition."

## BAILEY LAUDS McCLOY ELECTION FOR WORLD BANK

(Continued from page 1)

amount of the loan can be amortized on a schedule to fit the conditions prevailing in the borrowing nation and without working undue hardship on its people.

The banks of the United States, members of the American Bankers Association, will wish to co-operate in every way possible to make the bonds of the Bank attractive to individual investors in this country. The experience of Mr. McCloy and his associates in business and on the international scene gives assurance of soundness in the important task of the International Bank.

## Wide Financial Experience Joined In World Bank Heads

(Continued from page 1)

de Gersdorff, Swaine & Wood, until July 29, 1931, when he resumed practice in this country.

In the Summer of 1940, Mr. Stimmons, the Secretary of War, requested him to come to the War Department, and on Oct. 8, 1940, he was appointed executive consultant to the Secretary of War. On Dec. 16, 1940, he was appointed Special Assistant to the Secretary of War. He became the Assistant Secretary of War on April 22, 1941, serving until November, 1945, when he returned to practice as a member of the firm of Milburn, Tweed, Hope, Hadley & McCloy.

He travelled extensively in connection with his duties as the Assistant Secretary of War, visiting practically all fronts and attending as a representative of the War Department several of the Big Three war conferences.

During the war, in addition to his regular position, he was appointed chairman of Combined Court Affairs Committee of the Combined Chiefs of Staff. He was awarded the Distinguished Service Medal by President Truman for his services in the war.

Mr. McCloy was married to Miss Elizabeth Zinsser on April 25, 1930. They have two children, John, Jr., born on November 1937, and Ellen, Jr., born on July 1941.

## EUGENE R. BLACK

Nominated as United States Executive Director of the International Bank for Reconstruction and Development

Mr. Black was born in Atlanta, Georgia, in 1898. The son of Eugene R. Black, former Governor of the Federal Reserve System, Mr. Black was graduated from the University of Georgia with honors and served as an Ensign in the Navy in World War I. He became associated with Harris Forbes & Company in 1920. Subsequently, he was an officer of the



### **EUGENE R. BLACK**

Nominated as United States Executive Director of the International Bank for Reconstruction and Development

Mr. Black was born in Atlanta, Ga., in 1898. The son of Eugene R. Black, former Governor of the Federal Reserve System, Mr. Black was graduated from the University of Georgia with honors and served as an Ensign in the Navy in World War I. He became associated with Harris Forbes & Company in 1918. Subsequently, he was an officer of Chase-Harris Forbes Corp., later becoming vice-president of the Chase National Bank. In the Third War Loan Drive Mr. Black was Director of the Banking and Investment Division, New York City, and was prominently connected with the other various War Loan drives. In the past two or three years he has done considerable foreign work for the Chase National Bank, just returning from a two months' trip to Europe in connection with foreign credits. His home is at Princeton, N. J. In addition to Mrs. Black, his family consists of a daughter, Mrs. Peter Campbell, and two sons, Eugene Robert Black, Jr., and William Heath Black.

### **ROBERT L. GARNER**

Newly appointed Vice-President of the International Bank for Reconstruction and Development

New York and associated with the Guaranty Co., working on the underwriting of both domestic and foreign loans. He helped to organize the First War Loan Drive in the Second Federal Reserve District in 1942. He is a member of the Banking Board, State of New York. Mr. Garner lives in New York City. He has a son, Robert W. Garner, and a daughter, Joan F. Garner.

2. Yes. Upon the evidence the court granted a motion for a directed verdict in favor of the holder for the amount of the note, on the ground that the contentions of the maker's estate were without merit. [Ridgeway v. Ridgeway (1946. N. J.) 46



### **JOHN J. McCLOY**

**President of the International Bank for  
Reconstruction and Development**

Mr. McCloy was born in Philadelphia, the son of John Jay and Anna Snader McCloy, on March 31, 1895. He received his preliminary education at Peddie School, Hightstown, N. J. In the Fall of 1912, he enrolled in Amherst College, Amherst, Mass., from which he was graduated with honors in 1916. He then entered Harvard University, Cambridge, Mass., as a law student.

At the outbreak of the First World War, Mr. McCloy discontinued his law studies to enter the Plattsburg Training Camp in May, 1917. He served in France with the American Expeditionary Forces as a Captain of Field Artillery. He returned to resume the study of law and graduated from the Harvard Law School in 1921. He commenced the practice of law in July of 1922 after admission to practice and became a member of the firm of Cravath, de Gersdorff, Swaine & Wood, New York City, on July 1, 1929.

Mr. McCloy travelled in France and Italy, and other European countries between June, 1927, and 1928 on business of his firm, and on April 25, 1930, took charge of the Paris office of Cravath,

*(Continued on page 3)*

### **Eugene Black**

**EXECUTIVE DIRECTOR**

Senate approval of his election is regarded as certain.



### **Robert Garner**

**VICE-PRESIDENT**

His selection gives the World Bank a top-rank investment executive.



## McCLOY IS ELECTED WORLD BANK HEAD

**Black, His Choice for Director,  
Named by Truman—Garner  
to Be Vice President**

**By CHARLES HURD**

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 28—John J. McCloy, 51 years old, a former Assistant Secretary of War and a New York attorney, was elected today as President of the International Bank for Reconstruction and Development, effective March 17. The executive directorate also approved two other important appointments, as desired by Mr. McCloy.

The greatest change made to meet the desires of the new President-elect of the bank was the nomination of Eugene R. Black, vice president of the Guaranty Trust Company of New York, to succeed Emilio G. Collado as United States Executive Director. The second act necessary to win acceptance by Mr. McCloy of his own position was approval of his appointment of Robert L. Garner of New York, vice president of General Foods, to the vacant position of vice president of the bank.

President Truman sent to the Senate today, as required by law, the nomination of Mr. Black to the directorate. At the same time he accepted Mr. Collado's resignation with warm thanks for his services. The bank's vice president needs only approval by the executive directors of the new president's choice.

Thus the bank, with a potential

Continued on Page 13, Column 2



# McCloy Accepts Election to Head World Bank, With Picked Aides



**John J. McCloy**  
*President*



**Eugene R. Black**  
*Executive Director*

Continued From Page 1

capital of almost \$8,000,000,000 and pending loan applications totaling almost \$2,000,000,000, came into a position to function after ten dormant weeks while a search was conducted for a successor to Eugene Meyer, first president.

Although Mr. McCloy and Mr. Garner will not begin active work until March 17, and Mr. Black, son of a former Governor of the Federal Reserve System, must await Senate confirmation of his appointment, there was evident immediately a new feeling that the Bank was in business.

Mr. McCloy stated emphatically in a press conference late today that he viewed the Bank's responsibility as the making of constructive loans on the basis of "calculated risk." He indicated that such operations would start in the near future.

By coincidence, the World Bank completed its reorganization on the eve of the beginning of operations by its companion agency formed under the Bretton Woods agreement, the International Fund. The fund will begin tomorrow to act as a stabilizing and lending agency for governments in the foreign-exchange field, covering all major powers except Russia. The Bank is expected to facilitate economic recovery in war-torn lands while the fund assists commerce and



**Robert L. Garner**  
*Vice President*

The New York Times

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exchange field, covering all areas of powers except Russia. The Bank is expected to facilitate economic recovery in war-torn lands while the fund assists commerce and payments by countries that are short of dollars.

Significance of Appointment

The importance attached to Mr. McCloy's appointment lay in the peculiar position of the World Bank vis-a-vis the Government of the United States.

The bank is an international agency, and Mr. McCloy's salary of \$30,000 is exempt from United States income taxes. Furthermore, operations are directed by a board of twelve executive directors from as many countries and supervised by governors who number one for each of the forty nations in the bank. The United States put up one-third of the capital for the bank.

Yet, the lending program envisaged for the bank is based entirely on the supplying of funds from countries which have surplus resources, and particularly dollars with which countries undergoing reconstruction can buy American materials. The only countries which have dollars to spare are the United States and Canada.

This means that loans to be made, except for a relatively small sum of money derived from the paid-up part of the bank's capital, will be raised by selling the securities of the bank in the United States. For that reason, since a president could hardly be named from a potential borrowing nation, the president of the bank should be a citizen of the United States or a Canadian. President Truman entrusted selection of the man to be "elected" to John W. Snyder, Secretary of the Treasury.

Mr. McCloy was approached along with some other possible heads for the bank, and once turned down the offer. Then, in January, he consented to reconsider, conditional on finding experienced banking and finance men to work with him. Mr. McCloy made several visits to Washington and Secretary Snyder made at least two trips to New York in the course of this search.

The term of the new president is set at five years, but Mr. McCloy declined to state whether he expected to remain the full period. He pointed out, furthermore, that the president might be removed at the pleasure of the directors.

As one of his first acts, Mr. McCloy said that Mr. Collado would remain for a temporary period as his special assistant.

McCloy's Statement on Election

He issued a statement on his election, as follows:

"I am honored that the executive directors of the International Bank of Reconstruction and Development have elected me as president. In accepting the office I do so with a feeling of deep responsibility for the important and heavy task ahead.

"The world is in an most uncertain state, yet there are many peoples in it who have the will to work and the skills to produce. Loans alone will not and cannot accomplish all that must be done but some working capital productively employed can greatly help.

Robert L. Garner  
Vice President

The New York Times

was a constructive place for rehabilitation loans. He emphasized his insistence that "a large part of the bank's capital be raised by the sale of securities to the investment public."

"Of course the public must be protected," he added. "I believe that the structure of the bank is such that this can be accomplished."

Mr. McCloy said there had been considerable misunderstanding about his long delay in accepting the proffered post, but that personalities had not entered into the delay. He indicated that his first concern was assurance that "the bank become a going concern rather than a mere distributor of its own capital."

Describing his assistants, he said that both have had wide experience in the distribution of securities, and he reiterated that there is every reason to believe that the bank directors and the staff, including himself, would work together in the fullest harmony.

Mr. McCloy said he would resign his law partnership, but that he had not decided whether to divest himself of certain corporate directorships.

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"The world is in an most uncertain state, yet there are many peoples in it who have the will to work and the skills to produce. Loans alone will not and cannot accomplish all that must be done but some working capital productively employed can greatly help. The International Bank was designed as one of the instruments by which the world might better achieve the objectives for which the war was fought. With the help of the many excellent and highly trained men who compose its directorate and staff and with the continued cooperation of all the member countries, the bank, I believe, can accomplish the good purpose for which it was created."

#### **Urges Securities as Investments**

In an informal discussion of the bank, Mr. McCloy said he was "convinced" that the world could not remain "half rubble and half well-built," and that he felt there



# McCloy Elected World Bank President

Eugene Black nominated to succeed Collado as U. S. Executive Director. Robert L. Garner appointed institution's Vice-President. Reshuffle follows concern over securities' distribution to investors and the guarding of their interests. Measure introduced permitting purchase by New York insurance companies.

Breaking the ten-week personnel log-jam which has been holding up the operations of the International Bank for Recon-



John J. McCloy

Eugene R. Black, Jr.

Robert Garner

struction and Development, its Executive Directors on February 23, formally announced the election of John J. McCloy as President of the institution, the nomination of Eugene R. Black to the post of United States Executive Director (in place of Emilio G. Collado, resigned), and Robert L. Gardner to the vacant Vice-Presidency.

Mr. McCloy will assume office March 17, Mr. Garner's appointment becomes effective immediately, while Mr. Black's assumption of duties must await his confirmation by the Senate. As the Bank's Articles of Agreement make no specific provision for a Vice-President, Mr. Garner's appointment technically follows Sec. 5(b), which reads:

"The President shall be the chief of the operating staff of the

Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general

*Biographical notes on the background of Messrs. McCloy, Black and Garner appear on page 1279.*

control of the Executive Directors he shall be responsible for the organization, appointment and dismissal of the officers and staff."

While it had been generally supposed that Mr. McCloy's acceptance of the presidency was conditioned on drastic organiza-

(Continued on page 1279)



Under Article II, Sections 7 and 8, the balance of 2% of the capital subscription became payable within 60 days after the Bank began operations, i. e., on or before Aug. 24, 1946. The United States accordingly paid an additional \$63,182,500 to the Bank on June 28, 1946. The Bank, in accordance with Article II, Sections 5, 7, and 8, called for an additional 3% (\$95,250,000) as of June 25, 1946, payable on or before Nov. 25, 1946. This call was likewise paid on June 28, 1946. The total paid to the Bank by the United States as of Oct. 31, 1946, amounted, therefore, to \$158,750,000.

As of Sept. 25, 1946, the Bank called an additional 5% of the capital subscription of all members payable by Nov. 25, 1946, and it has also given notice that it intends to make two additional calls of 5% each, payable by Feb. 25, 1947, and May 26, 1947, respectively. The United States payment on each of these calls will be \$158,750,000, so that a total of \$635,000,000 will be paid in on capital subscription by the United States. The remainder of the United States subscription to the capital stock of the Bank will not be called unless funds are needed to make payments to investors to meet obligations of the Bank.

In accordance with the Bretton Woods Agreements Act, the United States will exercise its option to deliver non-negotiable non-interest bearing demand notes in exchange for dollars in needed in the Bank's operation as provided in Article V, Section 12, of the Bank Agreement.

There follow herewith biographical sketches of the Bank's three new key officials.

**JOHN J. McCLOY**

John J. McCloy, President of the International Bank for Reconstruction and Development, was born in Philadelphia, the son of John Jay and Anna Snader McCloy, on March 31, 1895. He received his preliminary education at Peddie School, Hightstown, New Jersey. In the fall of 1912, he enrolled in Amherst College, Amherst, Massachusetts, from which he was graduated with honors in 1916. He then entered Harvard University, Cambridge, Massachusetts, as a law student.

At the outbreak of the World War, Mr. McCloy discontinued his law studies to enter the Plattsburg Training Camp in May, 1917. He served in France with the American Expeditionary Forces as a Captain of Field Artillery. He returned to resume the study of law and graduated from the Harvard Law School in 1921. He commenced the practice of law in July of 1922 after admission to practice and became a member of the firm of Cravath, de Gersdorff, Swaine & Wood, New York City, on July 1, 1929.

Mr. McCloy travelled in France and Italy, and other European countries between June, 1927, and 1928 on business of his firm and on April 25, 1930 took charge of the Paris office of Cravath, de Gersdorff, Swaine & Wood, until June 29, 1931 when he resumed practice in this country.

In the summer of 1940 Mr. Stimson, the Secretary of War, requested him to come to the War Department, and on Oct. 8, 1940, he was appointed expert consultant to the Secretary of War. On Dec. 16, 1940, he was appointed Special Assistant to the Secretary of War.

He became The Assistant Secretary of War on April 22, 1941, serving until November, 1945, when he returned to practice as a member of the firm of Milbank, Tweed, Hope, Hadley & McCloy.

He travelled extensively in connection with his duties as the Assistant Secretary of War, visiting practically all fronts and attending as a representative of the War Department several of the Big Three war conferences.

During the war, in addition to his regular position, he was appointed Chairman of Combined Court Affairs Committee of the Combined Chiefs of Staff. He was awarded the Distinguished Service Medal by President Truman for his services in the war.

Mr. McCloy was married to Miss Ellen Zinsser on April 25, 1930. They have two children, John, Jr., born on Nov. 5, 1937, and Ellen, Jr., born on July 16, 1941.

**EUGENE R. BLACK**

Mr. Black, nominated as U. S. Executive Director of the World Bank, was born in Atlanta, Ga., in 1898. The son of Eugene L. Black, former Governor of the Federal Reserve System, Mr. Black was graduated from the University of Georgia with honors and served as an Ensign in the Navy in World War I. He became associated with Harris Forbes & Company in 1918. Subsequently he was an officer of Chase-Harris Forbes Corporation, later becoming Vice-President of the Chase National Bank in the Third War Loan Drive. Mr. Black was

Director of the Banking and Investment Division, New York City, and was prominently connected with the other various War Loan drives. In the past two or three years he has done considerable foreign work for the Chase National Bank, just returning from a two months trip to Europe in connection with foreign credits. His home is at Princeton, N. J. In addition to Mrs. Black, his family consists of a daughter, Mrs. Peter Campbell and two sons, Eugene Robert Black, Jr. and William Heath Black.

**ROBERT L. GARNER**

Mr. Garner, newly appointed Vice-President of the World Bank, was born in Bolton, Miss. in 1894. He attended Columbia Military Academy and Vanderbilt University, Nashville, Tenn. In World War I he served as Captain of Infantry, 77th Division. Mr. Garner is financial Vice-President and a director of General Foods Corp with which company he has been associated since 1943. From 1925 to 1943 he was Vice-President and Treasurer of the Guaranty Trust Co. of New York and, prior that was associated with the Guaranty Co., working on the underwriting of both domestic and foreign loans. He helped to organize the First War Loan Drive in the Second Federal Reserve District in 1942. He is a member of the Banking Board, State of New York. Mr. Garner lives in New York City. He has a son, Robert V. Garner, and a daughter, Joan Garner.

**BANKING WORLD IS ENTHUSIASTIC**

With the announcement of the new officials, enthusiastic statements of approval were issued by several prominent banking officials, as follows.

Statement of Winthrop W. Aldrich, Chairman of the Chase National Bank, and Chairman of the President's Committee for Financing Foreign Trade—"With the senior positions at the International Bank now filled again, the Bank has every prospect of fulfilling its vital part in world reconstruction.

"This management deserves and will have the confidence of the institutional and private investors in this country that will assure a market for its securities."

R. C. Leffingwell, Chairman of the Executive Committee of J. P. Morgan & Co. Inc., Assistant Secretary of the Treasury in the First World War, said: "The appointment of Mr. McCloy and his acceptance of the presidency of the World Bank is good news. No civilian did greater service to our country than he in World War II. His experience as Assistant Secretary of War and as a lawyer has well fitted him for his high task. His distinguished colleagues, Eugene Black and Robert Garner, are admirably qualified to support him. The World Bank has a great opportunity to aid in reconstruction and development abroad. In proportion as it succeeds in that undertaking it will promote peace and prosperity for all of us. Everyone must wish the Bank and Mr. McCloy and his associates the fullest success in this high enterprise."

Statement by Elliot V. Bell, Superintendent of Banks, on The International Bank for Reconstruction and Development—"This troubled world can take courage from the news that John J. McCloy, Robert L. Garner and Eugene R. Black have agreed to manage The International Bank for Reconstruction and Development.

"There has never been any serious question about the soundness of the World Bank idea. Such an institution is desperately needed at this time. The one ques-

tion practical men have asked is: Will the bank have good management? That question has now been answered.

"With these able men in charge we can all have renewed confidence in the bank. An important step has been taken toward world recovery and economic peace."

Statement by W. L. Hemingway, Chairman, Mercantile-Commerce Bank and Trust Co., St. Louis—"The announcement of Mr. McCloy's acceptance of the presidency of the International Bank and of his able assistants, Mr. Eugene Black and Mr. Robert Garner, is encouraging evidence that the affairs of the bank will be in capable hands. If these gentlemen are clothed with the power to administer the affairs of the bank in the way that is customary for bank executives to operate, we can expect prompt and competent action by the bank to help in the difficult tasks of reconstruction in this troubled world. By following the statutes of the bank and using their good judgment and experience confidence in the bank will be secured and it will be enabled to perform the functions for which it was created."

tional changes, it is now understood that such projected plan have been dropped. It is felt that the basic shortcomings instead have been repaired by the enlistment of Mr. Black's expert and practical abilities in securities marketing, a move which Mr. McCloy made to repair the previous fault of the investor not being properly represented.

It is highly significant that on Feb. 25, a resolution was introduced into the New York State Legislature permitting the insurance companies to invest in World Bank bonds up to 5% of the total resources of each company. The Legislature has already made the bonds legal investments for savings banks in the State.

In this connection and also because of technical considerations bound up with the printing and distribution of the Bank's bonds, it will be necessary for the institution to have a New York office. In addition to liaison with the insurance companies, the need for frequent and close contact with commercial banks and insurance companies, as well as with the New York Federal Reserve Bank, will no doubt require an office in the New York financial center.

Mr. McCloy feels that while the President has tremendous moral responsibility for the repayment of the Bank's obligations, he himself is familiar mainly with their form rather than their worth—the latter being a banking rather than a legal function. Mr. Black, he feels, is admirably equipped to function as his lieutenant in this regard.

Mr. Garner, who for several years in the early 1920s was in the underwriting of bonds rather than in their distribution, presumably will be responsible for the Bank's staff work prior to the Executive Directors making a decision on loans.

Although the Bank has pending loan applications of almost \$2 billions, it can be assumed that the institution will make no loans until Mr. McCloy assumes his duties March 17.

**Capital Subscriptions**

The Articles of Agreement of the Bank [Article XI, Section 2 (b)], require the payment of 1/100 of 1% of the capital subscription of each member country at the time of signature of the Articles. These payments were treated in the same way as the initial payments to the Fund. Accordingly, the United States paid the Bank \$317,500 under this clause. Total payments by all member countries aggregated \$737,000.



# World Bank Goes Wall Street

Professional bankers, not diplomats, will set policy now. This rules out purely political loans. With McCloy as its president, damage to bank's credit rating may be repaired easily.

There is a long story behind the drastic shakeup now going on in the management of the World Bank. And the moral is this: If you want to borrow money, don't snub your bankers.

The Treasury and the State Dept. gave Wall Street a quick brushoff a couple of years ago when they hustled through their plans for the International Currency Stabilization Fund and its companion, the International Bank for Reconstruction & Development.

Diplomats and Treasury experts handled all the negotiations at the Bretton Woods conference (BW—Jul. 29'44, p17). When Congress finally approved U. S. participation, the same diplomats and Treasury experts strawbosed the job of setting up the bank and fund.

• **Surrender**—While all this was going on, the big banks and investment houses sat and waited. A lot of water has gone over the dam since the days when Grover Cleveland had to go to J. P. Morgan for help. But the money market still can be a mulish thing, and there's a limit—even these days—to what the Treasury can make it do if the big banks won't go along.

Within the past few months, the silent disapproval treatment has begun to tell. The Treasury and State Dept. now have surrendered control of half the Bretton Woods machinery. They still run the affairs of the fund, but Wall Street is quietly taking over the bank.

No official will say all this in so many words, but the current shakeup

in the bank's management makes it perfectly plain. From here on, professional bankers, not professional diplomats, will set the policies for what is potentially the biggest lending institution in the world.

• **Trio From the Street**—So far, the reshuffle has brought three new men—all with Wall Street backgrounds—into the bank's top jobs. Additional changes up and down the line probably will follow as the new management puts down roots.

John J. McCloy, big-time corporation lawyer and former Assistant Secretary of



John J. McCloy

death of Harold Smith, former director of the government Budget Bureau.

• **"Calculated Risks"**—The three appointments put an all-Wall Street team in control of the bank. Translated into terms of lending policy, this means that the State Dept.'s plan to use bank loans as bait in its foreign policy will get a flat turnaround.

Any loans that the bank makes will be based mainly on economic factors. It will not hand out money for purely political purposes, although no one will be surprised if countries such as France get a better deal than some of the Russian satellites, such as Poland. McCloy expects to take risks on his loans, but he intends that they shall be "calculated risks." He wants nothing to do with projects that offer no hope of repayment.

With Black as executive director, McCloy can make this sort of policy stick no matter what other countries have to say. The removal of Collado breaks the State Dept.'s hold on the bank entirely—which is why New York bankers insisted on it even though they like Collado personally.

• **No Choice**—All this, of course, is bitter brew for the State Dept. But there was no way to avoid swallowing it. By the time McCloy stated his terms for taking over as president, the only choice the bank had was to accept or to go out of business.

If it is going to make anything more than a few token loans, the bank will have to borrow money from American investors. And to float loans in the American money market, it must line up the big banks and financial houses behind it.

When Eugene Meyer was president, the bank commanded a fair amount of confidence on the strength of his reputation (BW—Nov. 2'46, p17). Meyer resigned without giving an explanation,



Eugene Black

War, is taking over immediately as president. This spot has been vacant since last December when Eugene Meyer, the first president of the bank, suddenly handed in his resignation.

Eugene Black, vice-president of the Chase National Bank of New York and son of a famous Federal Reserve governor, will be the new U. S. executive director. This is a key job, because the U. S.—as the only real source of capital today—will dominate the bank. To put Black in, President Truman had to ask for a resignation from Emilio G. Collado, public service career man and former economic adviser in the State Dept., who had been the U. S. executive director since the bank was set up.

Robert L. Garner, financial vice-president of General Foods and former vice-president of New York City's Guaranty Trust, will be the bank's new vice-president. He takes the job left vacant by the



Robert L. Garner



but the word soon leaked out that he had tangled with the State Dept. over the question of loans for political purposes. That almost wrecked the bank's credit once for all.

• **On His Own Terms**—The only hope from then on was to get a prominent Wall Street man to take over as president. Half a dozen men—including McCloy—were approached and turned it down flat.

Meanwhile, the bank's borrowing prospects sank lower and lower. The executive directors got more and more desperate as each day went by. Finally, they went back to McCloy and asked him to look over the layout and name his terms.

• **Tune Changes**—As soon as McCloy accepted, the atmosphere warmed amazingly. Bankers all over the country came out with statements of satisfaction. The Dewey administration introduced a bill in the New York legislature to allow insurance companies to buy securities of the bank—a piece of key legislation that had been held up while the search for a president went its dreary rounds.

It looks now as though most of the damage to the bank's credit rating has been undone. If Wall Street continues to get its way, things may go a good deal smoother from here on. Meanwhile, bankers are keeping a watchful eye on the currency stabilization fund—and biding their time.

## Tariff Compromise

G.O.P. pact with Clayton will give businessmen a chance to bring before the public any harmful effects on trade.

Businessmen are to get a greater chance to be heard on effects of tariff cuts made under the Hull reciprocal trade program.

That is the really significant news in President Truman's executive order of Feb. 25 reorganizing the government's administrative machinery for handling this program.

• **Deal**—Politically, the order was issued to ratify a deal between Senators Arthur H. Vandenberg of Michigan and Eugene D. Millikin of Colorado—acting as G.O.P. Senate spokesmen—and Under Secretary of State Clayton, under whose aegis the trade program falls.

Vandenberg and Millikin promised that the Republican Congress would not interfere with the Administration's proposed 18-nation trade agreement negotiations, scheduled to begin in April at Geneva. In exchange, Clayton agreed to modification of the working procedures for handling tariff cuts.

• **Provides an "Out"**—Truman's order specifically does three major things:

(1) It stipulates that each reciprocal

trade agreement shall have an "escape" clause permitting the President to modify or withdraw tariff concessions made under the trade program if they prove harmful to domestic business.

(2) It empowers the Tariff Commission, an independent agency responsible to Congress, to inquire on its own initiative into the effects of any tariff cuts; to advise the President, publicly, of their effect on business.

(3) It provides that the government interdepartmental committee which compiles the basic information on which U. S. negotiators base their concession talks with foreign representatives shall report directly to the President instead of to the State Dept.

• **Counting on Publicity**—Point two is the modification of particular concern to business.

In its inquiries into effects of tariff cuts, the Tariff Commission is directed to hold public hearings. Business interests, and others, may come before these hearings and tell their troubles that have resulted from a trade pact.

While the President is not bound to modify any tariff cut on the commission's recommendation, the fact that the recommendation is to be made public is expected to exert influence.

• **It's Long Enough**—This "truce" between the Administration and the Republican leaders doesn't satisfy all objectors to the reciprocal trade program. For example, not Sen. Hugh Butler, Republican from Nebraska, nor Rep. Harold Knutson, chairman of the powerful House Ways & Means Committee.

It does, however, satisfy enough of the Republicans—and dissident Democrats—to assure that there will be no successful congressional revision of the trade treaty act during its present term on the law books, which is until June, 1948. That's long enough to permit the Administration to complete its scheduled bargaining with the 18 nations.

Also, by that time, it is expected that the proposed International Trade Organization under U. N. will have been set up and ratification of its charter by the U. S. will be before the Senate.



### MANY WINGS FOR A NEW VENTURE

The new "commander" of a surplus air force surveys his 895-plane fleet at Fort Hicks, Tex. Homer Snowden, Dallas oil man, paid War Assets Administration over \$100,000 for a fieldful of planes. Too good to scrap, they will be reconditioned—for an additional \$400,000—and resold, with Latin America a likely market. Meanwhile, another citizen-owner of an air force, Martin Wunderlich of Jefferson City, Mo. (BW—Aug. 24 '46, p15), reports that the job of melting down his 5,000 planes for scrap will start in a few weeks.

### FOR HAPPIER TOURISTS

In Oregon, tourist travel is a major industry. Only lumbering and agriculture surpass it.

So that the state's businessmen may derive the greatest benefits from this trade, Oregon officials have recently launched a brace of tourist host schools. Here, Oregonians will be taught the economic importance of keeping tourists happy, and how to do it.

Oregon's Advertising Club, the state's highway department, and a governor's tourist committee are sponsors of the project. Last year they conducted eight schools. This year they plan on 25.



APRIL 7, 1947

## World Bank's Office Opens in N.Y. Next Week

### Extensive Campaign Set to Sell Obligations to Public and Investment Bankers

By H. Eugene Dickhuth

The opening of the world bank's New York office next week will signal the beginning of an extensive educational campaign throughout the country, preparatory to selling the bank's obligations to investment bankers and the public, it was learned yesterday.

E. Fleetwood Dunstan, vice-president of Bankers Trust Co., who will be in charge of the New York quarters of the International Bank for Reconstruction and Development as from April 15, disclosed that officers of the bank would visit key states throughout the Union in order to discuss possible legislation similar to that passed in New York which would make world bank obligations legal investments.

A ruling by the Comptroller of the Currency is likewise expected in due course stating that the purchase of obligations of the world bank would be permissible within national banks' legal lending limits, which is 10 per cent of capital and surplus.

#### Literature in Preparation

A well known advertising agency in New York is understood to be working on a series of booklets and general literature explaining the functions and operations of the institution. After approval of this printed matter by the executive directors wide distribution of the pamphlets among institutional investors is expected.

There is a good deal of favorable response to this fundamental approach by the new management headed by John J. McCloy, world bank president, who succeeded Eugene Meyer. For it is generally felt that the lack of knowledge of what the bank can do, and is endeavoring to accomplish, is mainly responsible for the resistance which has been developing in various quarters throughout the country.

Without wide investment support, however, the bank's operations would be doomed to ultimate failure, it is felt. After the educational preliminaries have been concluded, the first debenture issue is to be floated either before or after the first actual loan has been made.

Interest Rates in Doubt

Gets World Bank Post



E. Fleetwood Dunstan

## Dunstan Named to Head World Bank Office Here

The International Bank for Reconstruction and Development will open an office in New York City on April 15 to facilitate marketing of the bank's forthcoming debentures, John J. McCloy, president, announced yesterday.

The office will be in the Federal Reserve Bank building at 33 Liberty Street he disclosed. E. Fleetwood Dunstan, whose appointment as director of marketing and research for the World Bank, was also announced by Mr. McCloy, will be in charge of the New York office and will assume his duties there on April 15.

Mr. Dunstan, who has been vice-president of the bond department of Bankers Trust Co., New York, "will be in contact with investing interests throughout the country and will have charge of arrangements relating to the sale of the bank's debentures," Mr. McCloy said.

Earlier in the month, Mr. Dunstan directed the operation involved in marketing the \$200,000,000 Michigan bond issue, which was the largest state or municipal issue ever marketed.

## WORLD BANK MOVES TOWARD BOND SALE

### Debenture Offering in July or August Seen—'Educational' Staff Is Being Expanded

The International Bank for Reconstruction and Development, its personnel problems settled, will grant its first loan in the near future, an authoritative source reported yesterday. France is to lead, with Denmark likely to follow as a successful loan applicant. Upon completion of these credit arrangements, the bank hopes to offer its debentures by July or August.

The bank's officials are seeking to complete initial lending and borrowing operations before September when the institution's board of governors will meet in London. At that time, it is hoped that the administrators of the World Bank will be able to present a picture of actual, effective operations.

John McCloy, president of the bank, reported last week that it would open on April 15 a marketing office in the Federal Reserve Bank Building, 33 Liberty Street. The center for sale of World Bank debentures will be headed by E. Fleetwood Dunstan, vice president in charge of the bond department of the Bankers Trust Company. Eugene Black, former vice president of the Chase National Bank of New York and now United States executive director of the World Bank, will supervise sale of the debentures.

The bank's public relations staff is being expanded and an "educational" campaign is planned to acquaint investors and the public with the objectives of the organization.

Loan applications by foreign countries were listed during the week by Mr. McCloy. To date eight Governments have sought funds for reconstruction or development. To meet all loan requests the bank would have to borrow \$1,600,000,000 from the investing public.

In addition to France's request for \$500,000,000, Czechoslovakia is asking for \$350,000,000. Chile, Denmark, Iran, Luxembourg, the Netherlands and Poland also are seeking assistance. Greece intends to submit an application but has not completed its reconstruction plans.

The bank has present resources of only \$562,000,000, although an additional call of 5 per cent of its capital has been authorized. When this capital is paid in, resources will amount to \$721,000,000.

Most of the loan requests, although vigorously pressed, are not in such shape that favorable early action may be expected, it was said.



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been made.

#### Interest R

The application of France for \$500,000,000 is expected to be the initial credit to be acted on by the management. There is still much uncertainty about the interest rates which can be obtained from borrowing countries and the ones to be paid American investors.

The Bretton Woods agreement provides that the minimum spread between loan and borrowing must be 1 per cent and that it must not exceed 1½ per cent. Hence, if the debentures to be sold in this market were to bear 3 per cent interest, France would have to pay at least 4 per cent for the loan.

Whether one or both of these rates would be tenable and practicable will remain a matter of negotiation for some time. The matter involves money-market conditions and rates in lending and borrowing countries, the status of the issue market, private and government, as well as psychological factors at the time of marketing.

Discussion of these and other related questions, as a liaison between the bank management in Washington and the investment community centered in New York, will rest upon the personnel of the New York office which expects to keep in closest contact with the public and the press, according to Mr. Dunstan.



# Foreign Lending: New Setup

## World Bank's Plans for Using Dollars to Aid Recovery Abroad

### Safeguards that protect U. S. investors in case of default by a borrower

U. S. private investors are about to be asked to start taking over the job of putting the world back on its feet. Up to now, taxpayers have had that job, because the U. S. Government itself has been financing world recovery, partly on a loan basis and partly on a relief basis.

But, beginning this summer or early autumn, investors are to be offered securities of the new International Bank for Reconstruction and Development, and the Bank is to make recovery loans abroad out of the proceeds of these sales. Officials hope to raise at least \$7,000,000,000 in this way in the next few years.

The U. S. Government, thus, is about to bow out of one important phase of foreign lending. This Government will continue to make big loans in cases where the aims are more political than economic. Also, the U. S. Export-Import Bank is to make smaller loans as needed to stimulate this country's world trade. But for long-term recovery loans, in cases where U. S. political interests are not involved, foreign applicants are being referred to the International Bank. That is the job for which the Bank was set up under the Bretton Woods Agreements.

Many countries are scheduled to draw on the Bank in years ahead to finance high-cost recovery projects. What the world expects from the agency is shown in loan applications already filed:

France wants \$500,000,000 to finance a long-range recovery program, but less than half of that is likely to be approved immediately.

Poland is trying to get \$600,000,000 to carry on a four-year reconstruction and development program. She may get \$100,000,000 or more in 1947.

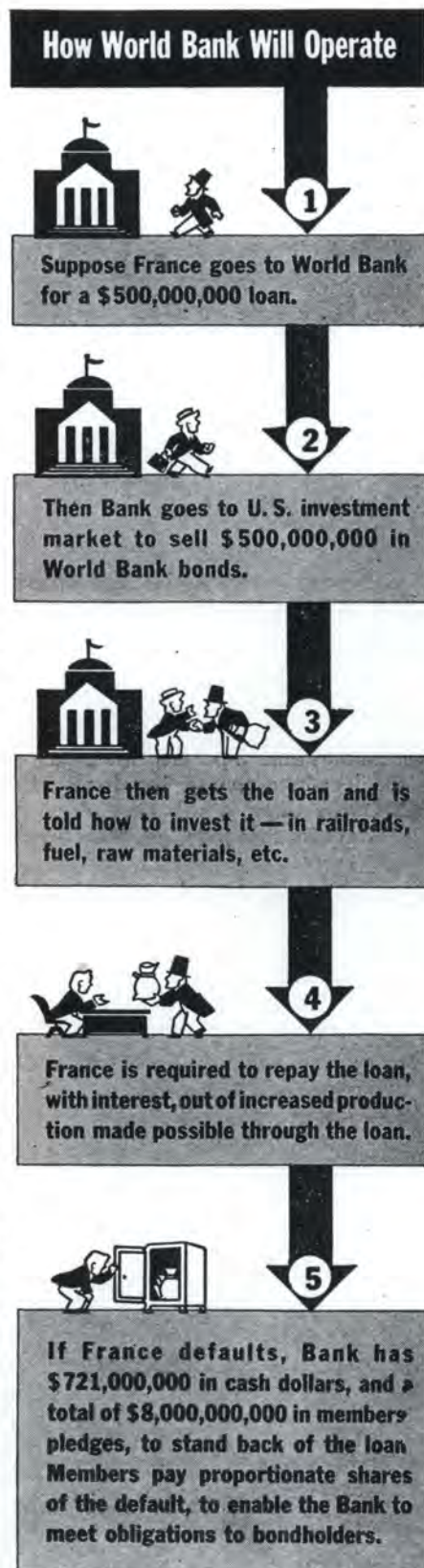
The Netherlands seeks \$500,000,000, but this application is low on the Bank's list, because some of the supporting papers have not yet been filed. The Dutch are not likely to get more than \$100,000,000 this year.

Czechoslovakia requests \$350,000,000 to pay for imports she will need, but she is likely to get less than \$100,000,000 in 1947.

Iran is asking \$250,000,000 for a recovery plan to take five to seven years. She may get as much as one fifth of that this year.

Denmark seeks \$50,000,000 for her recovery program. She may get the whole amount this year.

### How World Bank Will Operate



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Chile wants \$40,000,000 to develop power plants, railways and other industries, and may get the whole amount.

Luxembourg has an application for \$20,000,000 for reconstruction. This one, too, may be granted in full.

Greece is preparing an application, but has not yet named an amount. This loan, however, is likely to be delayed until Greece is able to show the Bank that she is a good risk.

Loan applications already before the Bank, thus, add up to \$2,310,000,000, and others are on the way. However, until the Bank is able to get some money from the U. S. investment market, it is likely to hold the total volume of loans below \$700,000,000.

The Bank's capital position shows why. Altogether, the Bank is capitalized at a little over \$8,000,000,000, representing the total subscriptions of 43 member governments. Eventually, it can lend up to the amount of its capital. However, only 20 per cent of that amount has been called in, and the Bank cannot call in any more unless it is needed to prevent a default on the Bank's own obligations.

Of the \$1,600,000,000 now on hand, only \$725,000,000 is in gold or U. S. dollars, and no applicant wants to borrow in any currency except dollars. Thus, the Bank now has only \$725,000,000 it can lend, and it is unlikely to let all of that out until it starts getting in more dollars from private investors.

A slow start on the lending program, therefore, is in prospect. How fast the tempo is stepped up later will depend upon how well the U. S. investor takes to the securities the Bank is to offer.

How the Bank will work. The accompanying chart shows how U. S. private money will be made available to foreign countries through the International Bank. In more detail, the process will be this:

A loan is requested by one of the Bank's 43 member governments. Say the French Government asks for a loan of \$500,000,000. Actually, a private company could borrow money with a member government's consent, but officials think there will be few loans to borrowers other than governments. Along with the application, the French Government files complete statements on what the money is to be used for—rebuilding factories, buying locomotives in the United States, laying in raw materials of various kinds. The French also file details on their recovery plan, and show that the loan they seek is essential to that plan. The Bank staff studies the application, and might even send a rep-





—Harris & Ewing

WORLD BANK'S McCLOY & GARNER  
... a slow start for the lenders?

representative to France to see if there is a good chance that the projects to be financed by the loan will generate the earnings necessary to insure repayment. At last, having found everything in order, the Bank approves the application. It might approve the whole amount at once or only part of it, leaving the rest to be considered in later years.

**Securities are issued** by the Bank, if it develops that there is not enough money already in the Bank's till to finance the loan to France. Since the loan to France is to be in dollars, the issue is offered in the U. S. market.

These securities, when they are offered to the public, are not likely to be identified with the French loan. They will simply be offered to raise money for the Bank's common pool, which will be drawn on for all the Bank's operations. They will bear whatever interest the market demands. Some officials think 3 per cent will produce all the long-term money the Bank will need. Others think it will take 3½ per cent. Maturities will vary, probably from 10 to 25 years.

**The loan is made** with the proceeds of the securities sale. It is not paid out in a lump sum, but is merely set up by



RECONSTRUCTION IN POLAND  
... private investors hold the key

the Bank as a line of credit against which the French Government may draw as needed for specified projects. The Bank tells the French in detail what those projects can be, and no others can be paid for out of the loan.

The French, within those limits, can let contracts for machinery, equipment and raw materials. The Government controls the money, and can, if it wishes, relend dollars to private French concerns to carry out projects that the Bank has approved. But whoever does the spending, whether it is the Government or private companies, the Bank maintains a constant watch to see that the money is used only for approved purposes.

**The loan is repaid** over a period of years, say 20 or 25 years, with interest and a commission for the Bank of 1 to 1½ per cent. Altogether, France may have to pay 4 to 5 per cent. The theory, however, is that the projects the French undertake with the loan will create enough earning power so that they can repay both the principal and the interest without running the Government short of dollars. As France repays the loan, the Bank builds up its own dollar resources so that it can pay off the interest and principal of its own obligations when due, using any extra dollars for additional loans abroad.

**If France defaults**, that does not mean that investors in Bank bonds lose their money. The Bank draws on whatever dollars it has on hand, including the reserve fund it has built up through its own profits, to pay off its obligations. If that is not enough, the Bank calls on member countries to pay in their proportionate shares of the dollars it needs to make its securities good. The loss, if any, is borne by the Bank or its member governments, not by the investor. Each member country holds back 80 per cent of its subscription to meet any default on a Bank loan. This 80 per cent amounts to \$6,400,000,000, of which the U. S. share is \$2,540,000,000. Altogether, the U. S. subscription is \$3,175,000,000, nearly 40 per cent of the Bank's capital.

**The private investor**, thus, is protected by the fact that 43 member countries stand back of the Bank's obligations. Furthermore, the Bank cannot lend more than its capital and surplus, and officials say the loan volume never will reach the limit. With that limitation and the other safeguards under which the Bank is to operate, officials say the agency can ride out a long world depression without getting into financial trouble.

The men now heading the Bank—John J. McCloy as president and Robert L. Garner as vice president—are not likely to depart from these safeguards. Theirs is the banker's viewpoint, and they can be expected to make the loan policy conform to banking standards.



## Wall Street and the World Bank

By HERBERT M. BRATTER

Correspondent voices opinion recent top-flight executive appointees will return to their Wall Street careers after initial bond selling arrangements have been completed.

WASHINGTON.—There seems to be some ground for the opinion here that John J. McCloy and the chief lieutenants he is bringing



Herbert M. Bratter

into the World Bank view their Washington careers as only a temporary interruption of their work in the financial and business world centered around Wall Street. The supposition is that the job which the Administration has given Wall Street, and which the Street has accepted, is principally that of seeing that the resources of the World Bank are applied to the intended purposes; in other words, that the Bank raises the necessary funds through bond issues on the American and Canadian markets—primarily—and make whatever loans seem wise and appropriate. This process, under efficient and experienced management and with the necessary State banking and insurance legislation enacted, should not take more than, say, two or three years. Thereafter, the work of the Bank will presumably not require the presence in its board and management of such men as McCloy, Garner, Black and Fleetwood, and those men will be free to return to the fields in which they have made their careers. Judging by the way they have gone about their work at the

Bank to date, the likelihood is that they will be able to return to their former careers with their World Bank flotations very successfully achieved.

When Mr. McCloy held his first Washington press conference as President of the Bank he was asked how long he intended to remain with the international institution, but avoided a direct answer. This tends to support the foregoing theory.

Another question being asked in Washington is whether amendment of Federal banking legislation to permit commercial banks to act as dealers in World Bank securities will be sought. The question suggests itself because most of the new personalities in the Bank have a commercial banking background.



## A BUSINESS REGIME FOR WORLD FUND

The New Deal influence is disappearing from the International Monetary Fund and the International Bank for Reconstruction and Development, the world's twin money agencies set up at the Bretton Woods monetary conferences in 1944.

The U.S. money planners who engineered the two organizations are moving out, and they are being replaced by businessmen and bankers. That development promises an overhauling of policies and practices in world money management.

**The Fund** is just now beginning to feel the shift in policy and personnel. Harry D. White, one of the New Deal's top money men and a coauthor of the Bretton Woods plan, has resigned as U.S. executive director of the Fund, and reports are widespread that he will be replaced with a professional banker. Whoever gets that job will be in position to dominate the Fund's executive directorate.

President Truman is being urged by some banking groups to appoint Eugene R. Black, a New York banker who already has been named U.S. executive director of the International Bank. These groups feel that if Mr. Black were named to both jobs, it would be a step in the direction of consolidating the Fund and Bank, which has been urged all along by the American Bankers Association.

There is no indication that Mr. White was under any pressure to resign, even though he was the last of the New Deal group still on the job as a major policy maker for the Bretton Woods institutions. But now that the vacancy has been created, there will be great pressure on Mr. Truman to appoint a professional banker rather than a Government career man.

Mr. White is acting head of the Fund during the absence of Managing Director Camille Gutt, who is in Europe. He will stay on the job until Mr. Gutt's return on May 10.

**The Bank** recently has undergone almost a complete reorganization at top policy levels.

Former Assistant Secretary of War John

THE UNITED STATES NEWS

J. McCloy, New York lawyer with banking connections, is the Bank's new president. He took the job on his own terms, which included the privilege of naming the men for other top posts in the Bank.

Robert L. Garner, of New York, an official of General Foods Corp., was appointed vice president.

Mr. Black, a vice president of the Chase National Bank of New York, became U.S. executive director. He was Mr. McCloy's choice to succeed Emilio G. Collado, a former State Department career man who had worked with Mr. White and other New Dealers in setting up the Bank and



MR. BLACK

... a step toward consolidation?

Fund. Mr. McCloy insisted that Mr. Collado be replaced with a banker.

Chauncey G. Parker, a Washington investment banker, has been appointed director of the Bank's administrative department, a new unit organized by Mr. McCloy.

E. Fleetwood Dunstan, vice president of the Bankers Trust Co. of New York, has been named director of marketing. In that job, Mr. Dunstan will be in charge of the Bank's New York office, now being established. He will direct the selling of Bank securities, which is to start this summer or autumn as a means of raising money for recovery loans abroad.

**The banker's viewpoint**, as these facts show, promises to prevail hereafter in the agencies conceived largely by New Deal money planners. That suggests a more conservative approach to world money problems than was anticipated when the Bretton Woods program was set up. The Bank definitely is turning to the right. President Truman's choice of a successor for Mr. White will provide an important clue to the direction the Fund is to take.



## WORLD BANK TIE-IN WITH U. N. IS CLOSE

Plans Worked Out to Allow Aid to Needy Nations, Provided Sound Loans Are Possible

By THOMAS J. HAMILTON  
Special to THE NEW YORK TIMES.

LAKE SUCCESS, N. Y., April 5.—Plans to establish contact between the United Nations and the International Bank for Reconstruction and Development have now been worked out. The World Bank is the only likely source of funds for an ambitious United Nations' program of help for war-devastated countries.

In authoritative quarters, however, it was emphasized that the Bank holds firm to its position that all loans it makes must be good business risks, which will justify it in selling the necessary securities to American investors. France and Denmark are now the leading contenders for the first loans to be made by the Bank.

Whether the Bank's rigid requirements will permit an extensive program of aid remains to be seen. It was learned in this connection that John J. McCloy, new president of the Bank, intends to appoint a permanent liaison officer with the United Nations, and is now seeking a person to fill this responsible post.

Mr. McCloy also has authorized the bank, which is nominally, at least, a UN agency, to negotiate an agreement with the United Nations defining their exact relations.

### Bank Cool Up to Now

Despite numerous requests by the United Nations, the bank until recently had refused even to discuss such an agreement, declaring that it was too busy. Like numerous other international organizations established during the war and afterward, the bank is considered a "specialized agency" of the United Nations but has worked completely apart.

The initiative in establishing contacts with the bank, whose headquarters are in Washington, was taken a few days ago at the direction of Trygve Lie, Secretary General of the United Nations. His decision resulted primarily from the need to take some action to help the organization recover from the crushing blow it received from President Truman's decision to carry out the \$400,000,000 aid program to Greece and Turkey independently of the United Nations.

In any case, the bank would not have been able to take over any of the Truman proposals, since it is barred from making loans for armaments, and Greece is a poor credit risk anyway.

However, it is realized here and in Washington that other countries also will require help, particularly as result of developing economic difficulties in Europe. Since the United States alone cannot supply the money necessary, this responsibility rests almost entirely upon the World Bank.

### Lack of Ready Funds Noted

Although the Bank's inaction thus far resulted partly from the resignation last autumn of its first president, Eugene Meyer, and the delay that followed before Mr. McCloy agreed to succeed him, the principal reason was the fact that

it had no real money to lend. Until the last of the initial 20 per cent of its capital is paid in next month, in fact, it will still have no money.

Since most persons think of the Bank's \$3,000,000,000 capital as limitless, this lack of ready cash, and the fact that the Bank will always have to rely upon public subscriptions to provide most of its loans, has not been generally understood.

Actually, the Bank will never have, even theoretically, more than \$1,600,000,000, or 20 per cent of the \$3,000,000,000, to lend. The remaining 80 per cent will be paid in only if that sum is necessary to pay off any loans that may be defaulted.

The Bank's working fund actually is less than half of the \$1,600,000,000, for each member paid its subscription in its own currency. French francs, for example, do not meet the situation. Although it may find perhaps \$50,000,000 in other acceptable currencies, the Bank's actual loan fund is limited almost entirely to the \$725,000,000 to be provided by the United States.

That is because the nations needing loans must have them in dollars; the United States, of course, is not the only possible source of the rolling stock, machinery and other capital goods needed in Europe and Asia, but the other producer countries, such as Great Britain and Sweden, also insist on being paid in dollars.

### Many Nations Ask Loans

Obviously, it is said, the Bank cannot lend all its dollar working capital, even though it will retain a commission of 1 or 1½ per cent on each loan to maintain its reserve.

Assuming, for illustration, that the bank found it possible to lend \$500,000,000 from its working capital, this is exactly the amount requested by France, and would leave no reserves for the additional \$1,100,000,000 already requested by Denmark, Czechoslovakia, Chile, Iran, Luxembourg, the Netherlands and Poland.

Greece already has announced her intention of asking for a loan, and other countries are expected to follow.

This money must be provided by securities floated in the open market, and specifically in the United States since only dollars can be used by the borrowers. That is the reason, an authoritative spokesman said, why the bank cannot allow itself to become merely an instrument of the United Nations Economic and Social Council or of the agencies it has created.

### Bank to Review Economic Studies

The bank, it was said, will welcome the studies to be prepared by the economic commissions for Europe and the Far East, which were created last month by the Economic and Social Council, just as it has already studied carefully the report on Greece by the Food and Agricultural Organization, another United Nations "specialized agency."

These studies, however, are not expected to yield the extremely detailed information—comparable to that submitted by borrowers in

this country from the Reconstruction Finance Corporation—required by the bank. Above all, it was emphasized, the Bank will make its own decision, granting that a loan is needed, on whether the prospects of repayment justify making the loan.

Issues floated by the Bank will not be earmarked for any specific country, but in any case they must rate as prime securities, which will be accepted by insurance companies and other large investors, it was explained. The interest rate will necessarily be higher than that paid for United States bonds for comparable redemption periods, but will have to be lower than that usually paid on foreign dollar loans. Payments of 6 or 8 per cent would soon devour the principal and make the loan useless to the borrower.

### Office Opens Here April 15

The Bank will open an office in New York on April 15 to test market reaction and clear the way for marketing the securities. It is expected that working-capital funds and proceeds from the sale of securities will be sandwiched in all the early loans.

The \$6,450,000,000 of capital not paid in will, of course, be available ultimately to make good any defaulted loans. But the American investor, naturally, would have to be paid in dollars, so this fund in practice is limited mostly to the \$3,000,000,000 for which the United States guarantee would apply.

This aspect, in turn, emphasizes the need of maintaining public confidence in the bank's loans. Ultimately, it expects to lend perhaps \$8,000,000,000. Just as banks are careful about making GI loans, even though 80 per cent of the

principal is guaranteed by the Federal Government, American investors want to be sure that, apart from the United States guarantee, the World Bank's loans are made according to sound banking principles.

### Staff of Experts Forming

Such is the bank's position, and Mr. McCloy, together with his close friend, Eugene Black Jr., a former vice president of the Chase National Bank, who has been named as United States executive director, is now assembling a staff of experts to make a detailed study of the soundness of each application in terms of the actual equipment to be bought, its price and availability and the like.

These steps take time and, in addition, it is necessary to clear the way for purchase of the securities by insurance companies, savings banks and other institutions. This has been forbidden in Wisconsin, but is now permitted in New York, the life insurance center of the nation. Like arrangements are being made in Pennsylvania.

Authorization has not been received, however, from Massachusetts and California, despite the importance of Boston and San Francisco investors.

It is an open question, therefore, whether these rigid requirements will permit the Bank to make its loans in time, and particularly to help the countries most in need. But because the Bank's constitution makes it depend so largely upon sales in the open market, the Bank feels that sound policy will not permit it to be obligated by the recommendations of the United Nations.



## CHANGES DISCUSSED— FOR WORLD BANK

Special to THE NEW YORK TIMES.

WASHINGTON, March 27—Changes in the structure of the International Bank for Reconstruction and Development to make its board of directors a supervisory body rather than a day-to-day operating group are still under discussion, it was learned today. The suggestion may be presented at the annual meeting of the bank's board of governors which is scheduled to be held in London in September.

One effect of the change, if made, would be to leave the president of the bank as its principal executive officer, rather than an administrative official subject to constant check in operations by the board.

Informal discussion of the change in the status of the directors were held in various quarters long before John J. McCloy was elected to the presidency for a five-year term. Mr. McCloy has expressed no opinion upon it. Nevertheless, financial students here believe the change would be consistent with the autonomy granted to him in the negotiations leading up to his acceptance of the presidency.

The World Bank has twelve executive directors: one each from its five major members and seven of other nationalities, who represent groups of smaller members. The president of the bank presides over the board as chairman but may vote only to break a tie. Each of the directors has a suite of offices in the bank's headquarters here, and they hold full-time jobs. Much of their time is taken up with committees.

The articles of agreement for the bank, as drawn at Bretton Woods, anticipated a busy schedule for the directors, particularly in the formative period, but some observers believe this period is about ended. Loans will be made soon and this will signify the end of the policy-development period.

The directors normally have met in two weekly sessions, but these meetings are reported to have become less urgent as the bank has settled into its routine. Since Mr. McCloy assumed the presidency, they have been reduced to one each week and some directors are reported to feel that even weekly meetings hardly are necessary.

## Italy a Member Of World Bank, Its 42d Nation

### First Ex-Enemy Country's Share Is \$360,000,000; Plea for Loan Expected

WASHINGTON, March 27 (AP).—Italy formally joined the International Bank and Monetary Fund today, thus becoming the first former enemy country to be accepted into the twin multi-billion-dollar institutions.

Italian Ambassador Alberto Tarchiani signed the articles of agreement on behalf of his country at a ceremony at the bank and fund headquarters.

The Italian government's appli-

cation for membership ~~was~~ approved at the first annual meeting of the bank and fund's board of governors in Washington in October.

Italy's quota in the fund and bank will be \$360,000,000.

By signing the articles, Italy becomes the forty-second country to join the fund and bank. Syria and Lebanon, whose applications for membership were approved at the same time, must join by April 15.

Although no announcement was made, Italy is expected to apply for a substantial loan from the bank soon.

### \$10,000,000 in German Exports

BERLIN, March 27 (AP).—The merged economy of the Anglo-American zones of Germany will produce more than \$10,000,000 worth of German goods for export in March, bringing the value of export deliveries for the first three months of the merged operations to \$30,000,000, the joint export-import agency announced today.



*The Block*

# Officials Weigh Plan to Reduce World Bank to \$4 Billion Scale

By M. F. LAM

WASHINGTON, March 20. — A plan to limit the operations of the International Reconstruction Bank to a scale of approximately \$4,000,000,000 instead of the \$10,000,000,000 at which the bank is capitalized has been under discussion, it was learned here today.

Top officials of the bank, questioned about the plan, said however, that any such limitation on its operations would have to be referred back to the Governments of World Bank members, since it would constitute a fundamental change in the basis of operations as contemplated in the articles of agreement.

The proposal, it was disclosed here, first came up during the period in which the World Bank was without a president. It arose in connection with policies which might be adopted which would give assurance to the financial community and, in general, aid the bank in getting off to a start in its operations.

### Held Possible

While it is recognized that early operations of the bank will be largely dominated in dollars, since funds will be raised in the American market, a decision to limit the bank's operations to the amount of its hard currency capital—United States and Canadian dollars—would be quite a different

thing, and would involve, over a long period, a loan flotation and a lending scale of considerably less than half of the bank's present potential.

There is no indication here that the possibility of such a limitation has been entirely eliminated, despite the fact that officials say adoption of the limitation would require approval of the bank's board of governors, if not of the governments themselves. It is now too early to say what specific policies will be adopted with respect to the possible scale of bank operations, but the question will certainly arise when officials get down to the question of issuing bank debentures to raise lending funds.

### McCloy Assumes Office

The bank's new president, John W. McCloy, only assumed office Monday and a bond division has not yet been set up in the bank. Hence, policies on bank debentures are probably less developed at this stage than other policies due to the fact that, with the exception of the bond division, the bank's organization has been substantially complete for some time. Due to this situation, it is not yet clear how much support there is for a program for limitation of the bank's effective operations to a \$4,000,000,000 scale.

One of the major advantages of

(Continued on Fourth Page)

such a plan would be the greatly improved terms on which the bank could secure from the investment community the funds which it will require for its loan operations.

There are several ways in which a limitation on the scale of the bank's operations could work:

### Could Issue Debentures

1. The bank could issue debentures which included as their terms a stipulation that the bank would limit itself to the issuance of total debentures not to exceed a stipulated amount. This might be the total represented by the hard currencies.

2. The bank might give an assurance that its debentures would be so limited, without including this stipulation in the debentures. This would probably be less effective than the other, but would put at rest most doubts that the bank's securities will be "made good."

3. Finally, the bank might simply proceed to operate on the basis of its hard currencies. This wouldn't make any difference for some time, since loans will not be made up to \$4,000,000,000 or debentures issued to that amount right off. However, this would not offer any reassur-

ance, if this were needed, to investors, since they would not know what to expect later. One of the main advantages would be lost.

A \$1,000,000,000 scale of World Bank operations would represent a striking contrast with the type of operations contemplated when the institution was formulated at Bretton Woods. At the outset, consideration was given to bank loans amounting to three or four times the bank's capital, or loans which might total as much as \$30,000,000,000 to \$40,000,000,000. The more "conservative" delegates at the Bretton Woods conference, including Marriner Eccles, stood pat for a limitation of loans equal to the bank's capital and they won out in the end.

The World Bank emerged with a capital of around \$10,000,000,000 and a potential scale of lending operations equal to but not exceeding that. If a decision were now made to hold the bank's debentures—and consequently its loan scale—to a hard currency basis this would make the bank a \$4,000,000,000 institution, slightly bigger than the U. S. Export-Import Bank which is authorized to make loans up to \$3,500,000,000.



*Mr. Black*

# Washington Roundup

By RAY MOULDEN  
Chicago Journal of Commerce Bureau

## U. S. Assembles Petroleum Price Data

WASHINGTON, March 25.—The Justice Department is building up quite a backlog of information on gasoline and petroleum product price increases in all parts of the country. For months the Federal Bureau of Investigation has been digging up price data for the antitrust division based on alleged uniform industry action in boosting prices when price controls were ended.

Now the antitrust division has broadened the inquiry to take in the recent and continuing price rises on crude gasoline, kerosene and fuel oils. There have been three broad rises in crude prices since ceilings were scrapped last year, and each has brought the department a flood of complaints and strong pressure for another antitrust action against the industry.

The department is not saying much about the various investigations, other than to confirm their enlargement. So there is no way yet of knowing whether the agency is turning up anything that it may think requires formal action. However, it can be said that when prices rose with some uniformity as Office of Price Administration controls were lifted, there was disposition in the government to find this a logical result of released pressure against price ceilings, rather than any so-called "conspiratorial" move.

Recent crude price rises have been attributed by Standard Oil of New Jersey to increased producer expenditures for new drilling equipment.

## China-Korea

A \$1,000,000,000 series of United States loans to China and Korea are under consideration for presentation to Congress after the Greco-Turkish credits are arranged.

These may be lifted from the anti-Communist category and handled wholly as rehabilitation measures. If the latter course is taken, it is possible the administration may direct the Export-Import Bank to go through with its promised \$500,000,000 loan to China and then ask Congress for the Korean aid on a straight government loan basis.

Export-Import Bank's China commitment expires June 30; theoretically, the nation could exercise that option any time now. But it was implicit in Secretary of State Marshall's China negotiations that the loan would not be forthcoming, unless the civil war ended. Despite the bitter Marshall denunciation of the Chinese Nationalists and Communists, however, the export loan commitment was never withdrawn.

For Korea, the administration is working out a long-range rehabilitation program covering the southern sector. While the aggregate to be spent there may approach \$500,-

000 ultimately, it is probable the Congress would be asked to provide the credits in several smaller bites. The idea is to make the country self-supporting as soon as possible by building up industry and rehabilitating food production.

## World Bank

Eugene Black, the new United States executive director of the World Bank, is in New York this week, attempting to work out final arrangements for a New York branch office of the agency.

The New York office would handle the important negotiations with bankers and underwriters preliminary to and during the issuance of the bank's debentures. Mr. Black is also conferring with several prominent industry men in an effort to select one of them as a director of marketing for the bank's securities program.

It is expected new Bank President John J. McCloy may be able to announce this important bank acquisition by week's end.

## Speed Issues

Material progress toward an initial debenture issue by Summer is now necessary, since the World Bank already has on hand applications or letters of intent seeking \$2,310,000,000 in credits, or about three times the amount of United States and Canadian dollars that will be paid into the bank by the end of May.

Since only a few of the initial loans, or parts of them, will be made from capital, fund raising becomes a paramount necessity of the institution, if it is to expedite its major entrance into the lending field.

## Loan Details

The following nations have asked for these amounts:

Poland—\$600,000,000 (over four years); France—\$500,000,000; The Netherlands—\$500,000,000; Czechoslovakia—\$350,000,000; Iran—\$250,000,000; Denmark—\$50,000,000; Chile—\$40,000,000; Luxemburg—\$20,000,000.

All but Chile have asked for the cash for reconstruction; Chile wants the money for an ambitious development program. Most advanced of the loan applications, as would be expected, since it was first filed, is that of France: However, this has not yet entered the negotiation stage, the final area prior to announcement.

## France First

Mr. McCloy has been reviewing the extensive paper work on this loan and it is expected he will begin final discussions shortly.

A part of this credit and the Chilean and Danish loans probably will be made first, out of capital. Then the bank will launch its first securities issues to raise cash for the rest of the French commitment and to provide funds for other credits as they are approved.



# BUSINESS & FINANCE

## BANKING

### In the Nick of Time

For many a month, the World Bank had dangled over a precipice like a melodrama heroine. Last week, while financiers cheered lustily, the Bank was snatched from disaster's clutches. Its rescuer was no wavy-haired glamor boy, but John Jay McCloy, 51, a bald and chunky Manhattan corporation lawyer who had done a bang-up administrative job as Assistant Secretary of War.

Jack McCloy did not become a hero by the simple act of accepting the Bank's presidency (salary: \$30,000 a year, tax-free). What made McCloy look good to businessmen was the efficient way he had gone about cleaning up the troubles of the Bank before he took over.

McCloy knew why Washington Publisher Eugene Meyer had quit as the Bank's president last December and why two other men had subsequently turned down the job (TIME, Dec. 16, *et seq.*). Under the rules, the Bank's president could be held responsible if the Bank's loans went bad. But the Bretton Woods charter did not give him nearly enough power to go with his heavy responsibilities. He took all his orders from the Bank's twelve full-time executive directors, one from each of twelve member nations.

In effect, this meant that the president, in spite of his high-sounding title, was actually under the thumb of the U.S. executive director, who, because of the huge U.S. investment in the Bank, controls the biggest bloc of votes on the board. And the U.S. executive director was bossy, ambitious Emilio Gabriel Collado, 36, longtime New Deal economist. Many bankers feared that Collado was likely to put too heavy an emphasis on the political instead of financial merits of loans.

**Big Broom.** Knowing this, McCloy refused the presidency when it was first offered to him in December. But he dished out a blunt appraisal of the Bank's faults. McCloy's bluntness won such favor that Secretary of the Treasury John Snyder offered him the job again—on his own terms.

McCloy accepted with the understanding that, no matter how the Bank was set up on paper, he would be boss in fact as well as in title. To play safe, he demanded—and got—the resignation of "Pete" Collado. (Washington gossiped that Collado would soon go to China to lend a hand in stabilizing the currency.)

To take Collado's place the Bank picked a McCloy man, Eugene R. Black, 48, lean, laconic vice president of Manhattan's big Chase National Bank, who has recently returned from a two-month study of European credits. (His appointment is the only one that must be confirmed by the Senate.)



JOHN MCCLOY

Harris & Ewing



EUGENE BLACK

Newspictures



ROBERT GARNER

*The heroine was saved.*

Carew-Caldwell

To take the late Harold D. Smith's job as vice president of the Bank, new President McCloy picked Robert Livingston Garner, 52, financial vice president of General Foods Corp. Garner, an infantry captain in World War I and former treasurer of the Guaranty Trust Co. of New York, will advise McCloy on securities floatations. These two banking men eliminated any objection to McCloy on the grounds that he knew too little about banking for the job.

**Calculated Risks.** The new team, recruited from the private financing community, did wonders for the Bank's prestige, which had fallen dangerously low. Private bankers warmed still more at Jack McCloy's first discussion of the Bank's lending policies.

"The Bank," said he, "is fundamentally sound and has an important job to do. The world cannot exist half rubble and half skyscraper. . . . In making loans, it is impossible to eliminate political considerations entirely. It is the Bank's function to take calculated risks. But every possible step should be taken for the protection of its bonds. The securities of the Bank must be made prime, because in the long run its success is dependent upon the cooperation of the financial community."

This was the kind of talk Wall Streeters had long wanted to hear. Now, after five months of inaction, the World Bank could finally get down to the business of reconstruction throughout the world. There are already requests for eight loans totaling \$2.3 billion. One or two of them, said Jack McCloy, were "pretty far along." They might be made out of the Bank's subscription capital.

The issuance of securities, which would finance the bulk of future loans, was still a relatively long way off. But McCloy was already busy on the practical task of selling them. Even before he publicly took over, a bill was all set to be introduced in the New York State legislature making the Bank's bonds legal investments for New York State insurance firms. As insurance firms "domiciled" in New York own 50% of all U.S. insurance assets, this would open the door, when & if the bill is passed, to one of the biggest groups of bond buyers.

## AUTOS

### Drive Them off the Floor

Kaiser-Frazer Corp. laid off 750 employees a fortnight ago after what it termed a "straight-from-the-shoulder" explanation: "Since engine deliveries are not keeping pace with schedules, we are in the process of reducing personnel to conform to the delivery of engines." Last week, in what appeared to be an attempt to remedy the shortage, K-F leased part of the Detroit plant of Continental Motors Corp., which had been supplying its



# CHICAGO

## JOURNAL OF COMMERCE

### Washington Roundup

3-10-47

By RAY MOULDEN  
Chicago Journal of Commerce Bureau

#### Mexican Credit Expected to Follow Truman

WASHINGTON, March, 9.—Shake-down result of President Truman's visit to Mexico is expected to be a \$225,000,000 series of credits jointly financed by the World Bank and Export-Import Bank.

This eventually will require some time to develop fully, but the negotiations have been under way for some time and Mr. Truman's official visit simply makes certain the ultimate success of the Mexican applications. Mexico has served notice on the International Bank that it will be in shortly with application for an undetermined amount of credit. At the same time, the Mexican ambassador presented the Export-Import Bank with a tentative program calling for between \$213,000,000 to \$225,000,000 in credits.

This latter was in broadest of terms, the ambassador approaching this government on the basis of what will the United States consider feasible for the Export Bank to undertake and how much should the World Bank be touched for? Moreover, Mexico wants the United States to provide it with some economic blueprints, translating the broad objectives sought into a specific financial program. In addition, we may lend-lease some economic planners to our southern neighbor.

#### Aleman's Trip

Mexican President Miguel Aleman's forthcoming visit here, will be the signal for the Export Bank, the National Advisory Council and World Bank officials to get down to cases.

The council has been working on Mexico's generalized proposals for a month and this point it appears a wide variety of credits will be needed, including long-term development financing of the World Bank type, medium and short term credits and specific exporter-importer loans particularly inherent to the Export Bank.

There is also an indication that the Export Bank is prepared to go somewhat beyond its new policy against development loans in the case of Mexico and underwrite most of the financing, if need be. This is on the theory that Mexican problems are American problems, more local or hemispheric than international, and hence the Export Bank may be the proper source for the bulk of the credit.

#### War Powers Strategy

Administration strategy on proposed extension of the second war powers act is to wait until next week, when its expiration deadline is a fortnight away, then attempt to scare Congress into swift enactment without hearings.

The cry will be that the government's foreign commitments are in jeopardy, that allocation and export-import control powers must be retained to insure success of the foreign relief program, notably the European-Greek security measures.

Dr. Dennis FitzGerald, Hoover committee economic advisor and secretary general of the International Emergency Food Council, already has pronounced sentence of failure on export grain commitments and continued upsurging prices

unless allocation powers are given new life after March 31.

#### World Bank

The International Bank now undoubtedly has extremely tight ties with Wall Street, but that does not mean, as some have said, that the agency will move to New York. However, a bond marketing office will be opened there shortly for the necessary close touch with financial organizations.

Latest gag here is the bank would need no rental space, since it could simply use the Chase National Bank offices being vacated by new United States director Eugene Black, Jr., Chase vice president, or the New York Federal Reserve Bank, where new World Bank President John J. McCloy unofficially accepted the assignment.

Robert L. Garner, General Foods vice president, incoming vice president of the international institution, spent last week getting acquainted with bank officials, and Mr. McCloy is doing the same this week. He takes over officially next Monday, after which it is thought there will be little delay in getting out some loans.

#### French First

The French loan doubtless will be the first commitment made.

Mr. McCloy already has gone over the extensive material processed by the staff on the \$500,000,000 financing, integral part of the Monnet rehabilitation program from France. This sum is needed for 1947, and the probable course will be to commit the bank to lend the entire sum in the year, with first allocation of cash against the credit somewhere in the neighborhood of \$200,000,000. Later, when securities are marketed, probably by early Summer, the balance can be drawn down as needed.

To lend France less than the \$500,000,000 asked would seem a poor investment, since success of the Monnet program and consequent French ability to repay any credit, depends on receiving the full sum this year.

Chile's \$40,000,000 application, involving a series of development projects, may not be granted in full at once, since one or two of the programmed items are still fairly tenuous. The same goes for Denmark, which seeks \$50,000,000 in agricultural rehabilitation financing.

#### 'Looted Securities'

The Treasury and the Federal Reserve banks are working out an arrangement designed to offset an anticipated influx from Europe of so-called "looted securities."

These are issues of American corporations that were held by European nationals from whom they were stolen by the Nazis. Millions of dollars worth of such securities are known to be floating around Europe, and more and more are being picked



# CHICAGO JOURNAL OF COMMERCE

## Enter John McCloy

The accession of John J. McCloy to the presidency of the World Bank represents a victory for "economic" rather than "political" considerations as a basis for loans by the \$8,000,000,000 institution.

Mr. McCloy will have almost untrammelled authority in carrying out his policies—in administering a businesslike lending agency, concentrating on moderate-sized loans at a high rate of interest and backed by ample security.

Mr. McCloy has brought with him Eugene Black, Jr., supplanting Emilio Collado, regarded by some observers as an advocate of "political" loans. Actually such loans are barred by the bank's charter. Mr. Collado was an advocate of action rather than inaction.

However, if his departure serves to strengthen confidence in the bank and to create a wider market for its debentures, then Mr. Collado in the role of sacrificial goat will serve a useful purpose. As co-sponsor of the Bretton Woods agreement and co-operative international assistance, he was not exactly the fair-haired boy with holders of orthodox ideas of banking.

Mr. McCloy's philosophy of money lending is in tune with the times. The United States is bedevilled with requests for foreign aid—wheat for Germany and Austria, more UNRRA supplies for China (to be converted into cash), financial help to Greece and Turkey . . . money, money, money. A great weariness has come over the American taxpayer. Already staggering under a crushing burden of public debt (\$261,561,393,163) he feels little enthusiasm for increments to his back-breaking load. A world bank, unsaddled with bad debts, would avoid further bowing down of the U. S. businessman, ultimate chief supporter of the bank, under a weight of financial obligations.

Insurance writers, large commercial banks and other financial houses are strongly pro-McCloy. His appointment is a momentous one for the World Bank and for the principle of sound fiscal policies in semi-official banking.



CHICAGO  
JOURNAL OF COMMERCE

3-5-47

*World Bank*

Most financial people feel the way Messrs. McCloy, Garner and Black took over the World Bank was un-

pleasant but now that the skids are greased by Wall Street and the big insurance companies, the bank should really go places.

That is, there should be little doubt of substantial and successful securities issues, but also little doubt that the agency will operate with a very conservative, high interest rate, loan policy. American financial markets would be pleased, in other words, and would-be foreign borrowers considerably disturbed. The cost of rehabilitation and reconstruction doubtless will be materially increased.



CHICAGO

# JOURNAL OF COMMERCE

## Washington Roundup

By RAY MOULDEN  
Chicago Journal of Commerce Bureau

### SEC Expects IBA to Revise Stand

WASHINGTON, March 5.—The Securities and Exchange Commission anticipates possible revision of the Investment Bankers Association position on limited alterations in Section 5 of the 1933 securities act, following the current West Coast tour of Edward Hopkinson, IBA president. IBA has maintained the position that legislative proposals for this session should be confined to relatively minor changes in Section 5, while

the National Association of Securities Dealers, Inc., is pushing for full recasting of the section, particularly to permit tentative sales of securities during the registration incubation period.

It is felt in SEC circles that substantial support given the NASD proposals in recent weeks have been communicated with some emphasis to Mr. Hopkinson during his tour of the Central states, South and Far West. Since IBA was unable to present the final draft of its proposal to SEC before Mr. Hopkinson departed, there is belief the version ultimately to be submitted may be substantially broadened, possibly to coincide with NASD's position.

Obviously this would materially strengthen the industry's position and help insure commission support of the proposals for presentation to Congress.

### Exchange Act Moves

The commission staff is swinging to the belief that unless proposed extension of disclosure requirements to over-the-counter securities transactions is included in the first round of suggestions to Congress, this substantial increase in regulation will be lost for this year.

The staff will meet with the full commission next week, upon return from a western speaking tour of Chairman James Caffrey, in an attempt to settle finally the scope of legislative proposals and whether the over-counter program should be attacked at this time.

Involved are suggestions made to the last Congress for amendments to the 1934 exchange act requiring the same disclosure for over-counter issues of firms with \$3,000,000 or more assets as now obtains for securities listed on exchanges. These so-called Purcell proposals were adopted by the commission in a unanimous report to Congress, including a favorable vote of Mr. Caffrey. He has since indicated considerable interest in their revival and the SEC staff obviously considers them vital.

### Over-Counter Fears

Over-the-counter brokers and dealers have some fear of lost business in event these proposals become law, since there doubtless will be some transfer of unlisted business to listed status, the regulatory requirements being the same.

SEC officials recognize the fear and sympathize with it. They are anxious not to hurt any segment of the industry and obviously want to go as easy as possible in expanding regulation. But the feeling is that only relatively large issues will be shunted into the listed brackets and that there will be a substantial residue for over-counter trade in issues of firms under the \$3,000,000 assets ceiling.

Following next week's commission meetings, SEC anticipates a second round of industry conferences at which the final legislative program will be crystallized.

### World Bank

Insurance industry decision to back legislation making World Bank debentures eligible investments in New York State actually adds only about \$1,000,000,000 to the potential market for these securities, expected to make their initial appearance in about three months.

Elliot Bell, New York banking superintendent and financial advisor to Gov. Thomas E. Dewey, in announcing underwriter and Dewey administration support for the legislation, said its passage would provide a market of \$2,000,000,000. However, this was on the assumption that all types of insurance companies would be prospective purchasers.

World Bank officials believe only the life companies will be interested, and with their assets of around \$20,000,000,000 will be able to invest up to 5 per cent of that sum in International Bank debentures, or about \$1,000,000,000.

Prior to introduction of the New York legislation, induced apparently only by final election of John J. McCloy as bank president, with Robert L. Garner of General Foods as vice president and Eugene Black, Jr., of Chase National as United

States executive director, United States officials had made substantial progress under unfriendly conditions toward supplying a market for the securities.

### Markets Open

Retiring United States Director Emilio Collado had managed to persuade states to begin work on enabling legislation, which with eligibilities already approved, would provide the following markets:

Savings banks—70 per cent of these institutions having aggregate assets of \$17,500,000,000; commercial banks—94 per cent of these agencies, eligible up to 10 per cent of assets, including the twelve states that now bar such investment by such banks; trusts—open market in most sections.

Insurance legislation is active in the legislatures of Massachusetts, Pennsylvania, California, New Jersey, and Washington. It is not necessary in Connecticut. Banking legislation is pending in Ohio and Connecticut.

### Saw N. Y. Squeeze

Had New York State remained recalcitrant, World Bank officials felt they had sufficient markets to proceed with issues and probably to squeeze New York firms by competition from other states, so that the former would ultimately give in.

With the New York firms, the bank's debentures will be eligible investments for 80 per cent of an industry with \$48,500,000,000 of assets.

Commercial banks have received no formal approval from the currency comptroller as to these bonds, and probably will not in advance. They may proceed to invest in them, subject to review by examiners in the periodic surveys conducted by the comptroller's office. Legislation may be introduced to permit commercial bank trading in the debentures.



**NEW HEADS FOR THE  
WORLD BANK**

The International Monetary Fund began official operations in the field of short-term international credit balances on March 1, and now that the International Bank for Reconstruction and Development has been given a new team of operational heads in the persons of Messrs. McCloy and Garner, with Eugene Black slated to succeed Emilio Collado as U. S. executive director of the bank, we can expect action on long-term international loans on a sound and constructive basis.

The International Bank got off to a disconcertingly ragged start. But the delays in its functioning may have been for the best. Certainly we have a more sober and realistic view of the limping character of the world now than was possible immediately after termination of war. To some extent the non-functioning of the World Bank reflected the clash of two concepts of international finance—political versus economic, as it were.

The World Bank was politically conceived, and projected as a political mechanism, with a nod to the fact that it should also justify itself economically. In the writing of the Bretton Woods Act into U. S. legislation, conservative legislators and representatives of organized banking strove to minimize the political character of the World Bank set-up and increase its economic character. Now, with the advent of Messrs. McCloy, Black and Garner, it is apparent that the economic aspect will be paramount in World Bank operations.

Such loans as the World Bank now makes in foreign countries will be for economic reconstruction and development, and the political factors which might enter into the according of such loans will be minimized. It would be better, we are sure, if the World Bank's advances to foreign countries were called investments, rather than loans, for they will have to be made on a "work-out" basis. The means of repayment under the McCloy regime will have to be reasonably visible at the time the World Bank makes funds available to a foreign country as a borrower.

With the Bank now guided by the philosophy that it must minimize political consideration and maximize economic factors in making its loans, it is natural that Mr. Collado, who has been credited with being one of the original authors of the Bretton Woods plan, should drop out of the picture. His concept of the Bank, arrived at as a member of the staff of the U. S. Department of State, has always been weighted to a heavy degree by an understanding of the need for political credits in the international game of power and peace.

It was natural also that many bankers and financial figures should have feared that too much politics in the Bank's loans would impair its solvency and make its securities less than top-

desirable by investors. The problem of the Bank in selling its bonds to the investing and institutional public, it seems clear, has been of major influence in putting Messrs. McCloy, Black and Garner in the driver's seat. They can be expected to conduct the affairs and advances of the Bank in a manner calculated to inspire the confidence of the investing public.

The political concept of the place of the World Bank in international affairs has been shared by some of the executive directors representing other countries on the Bank's board. There may be other resignations, therefore, to follow Mr. Collado's. Some of these executive directors have been eager to "bring home the bacon" for their particular countries in the form of World Bank loans. Mr. McCloy's acceptance of the presidency of the Bank is understood to have been conditioned upon the willingness of these executive directors to become more in the nature of vice-presidents or board members of the Bank, rather than as "executives."

Looking at the picture from the viewpoint of the investor and U. S. taxpayer, the outlook for the World Bank is now much better than it seemed possible it would be when it was deteriorating in public esteem and the internal wranglings which led to the resignation of Eugene Meyer as president were in the news. We can be sure that under its new heads, the World Bank will take a reasonable view of the political importance and need of advances which will help in the economic reconstruction of foreign nations. But we can be particularly sure that such loans as it makes will be as economically justified and as financially sound as it is possible to make them.



Shravan Science  
Monitor

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BOSTON, TUESDAY, MARCH 4, 1947

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## Editorials

### World Bank: Opportunity and Pitfalls

Hardly a more dramatic moment could be imagined for the entrance of the World Bank and the International Monetary Fund actively into the world scene. For Americans have just been shocked into a new alertness to their international responsibilities.

But, besides being dramatic, the moment should be auspicious, too.

It is from American resources that the Bank and Fund must procure most of what the world needs: American goods; American dollars with which to buy the goods. If the operations of the Bank and Fund were to depend on a business-as-usual attitude among Americans, those operations might be curtailed to a point where the useful political influence of the world financial agencies would be nil. But if those operations take place in an atmosphere conditioned by general American awareness of the constructive political part which American economic power can and indeed must play throughout most of the world, the future of the Bank and Fund will be assured.

By an odd coincidence, the Bank and Fund seem to be making their world debut together. To be sure, the Bank has been officially in operation for about eight months. But during this time little besides the enlistment of personnel has been accomplished. For after Eugene Meyer resigned from its presidency, the Bank was without a head until John J. McCloy accepted that position on his own terms. The Bank can now get down to business on approximately \$2,000,000,000 in loan applications.

The Bank has replaced the out-to-lunch sign with "Open for Business." So far, so good. But it would be a pity if the American people imagined that the causes which delayed its operations can now be forgotten. Those influences must still be watched closely if the Bank is to perform adequately all the functions foreseen for it when

its charter was being debated at the Bretton Woods Conference in 1944.

With due acknowledgment of Mr. McCloy's outstanding qualifications for its presidency, we should not ignore the fact that his terms for accepting the job included the displacement of a State Department official by a Chase National Bank official, Eugene Black. Mr. Black is also eminently qualified. But this appointment seems to promise an increase of private banking philosophy in the direction of the World Bank and a consequent decline of emphasis on international political considerations in the granting of loans.

One other important question about the new setup in the Bank's administration is: What will be the attitude of the powerful McCloy-Black team toward the International Monetary Fund?

This Fund and the Bank are complementary. But there are good reasons why they should operate with a large measure of independence. The monetary fund is an international currency pool in which member countries have certain rights not subject to any veto. In the Bank, however, there is an American veto on dollar loans. If American influence in the Bank is used to merge the two institutions, as some private bankers have urged, then the veto will be extended to the Fund. This would have unfavorable political repercussions in many countries, and would represent a withdrawal by the United States from an international commitment. We might then see an untimely and indeed chronic setback for American political influence issue from a source well fitted to accomplish a better purpose.

We join the many who wish the Bank and Fund a bright future as they take up their world task. General understanding of the enormous political implications of the activities of these two agencies will help to assure that future.





# A New World Bank

By Sylvia F. Porter

The leadership of the World Bank, history's first attempt at global banking, has moved from Washington to Wall Street. The entire character of this \$8 billion institution will undergo a fundamental change with the election and appointment of the new triumvirate — John J. McCloy as president, Eugene R. Black as U. S. executive director, Robert L. Garner as vice president. Whether this startling shift in power and policy will turn out good or bad for us and the world cannot yet be forecast. But on one point there is no question:

The new World Bank isn't and won't be the institution envisioned by the United Nations at the Bretton Woods parley in 1944.

On the surface, the news lies in the dramatic changes in the personnel managing an institution of unparalleled size and financial importance. This news is:

The election of McCloy, former Asst. Secretary of War to succeed Eugene Meyer as president of the Bank. McCloy's background is New York law. He is a hard-headed, widely respected, shrewd man.

The nomination of Eugene R. Black, a vice president of the

Chase National Bank to succeed the State Dept.'s Emilio Collado as America's representative on the Bank's 12-man executive board. Black's background is banking and bond selling. He is the son of the former Governor of the Federal Reserve System.

The appointment of Robert L. Garner, former financial vice president of General Foods Corp. to succeed the late Harold Smith as vice president of the international institution. Garner's background also is banking and bond selling. For years, he was associated with the Guaranty Trust Co.

That's the news. Now the per-

sonnel mess that has stymied this gigantic organization for weeks, that has battered its prestige to an unmerciful degree, is over.

Now the Bank can start working again, studying it \$2 billions of loan applications from needy lands, making arrangements for the sale of its own bonds to American investors.

Now finally, after almost three years of tortuous delay and bungling, the institution created by the United Nations to help finance the world's rehabilitation and development may begin rehabilitating and developing.

**BUT THAT'S JUST THE "SURFACE"** news. The real story may be found in the "little" things.

Little things like the meeting that was held in the heart of Wall Street just prior to the personnel announcements to introduce the new officials to a group of top-notch bankers and financiers and to give this special audience the background of the resignation and appointments.

I've covered this beat for many a year now. This was the first time in those years that I've watched New Yorkers getting a "Washington story" first. And getting it in Wall Street, at that. A subtle point—but oh, what a significant one.

Little things like the reaction of the big-time investors to the

news that "men who know what it is all about" and "who have met a payroll" were replacing the "do-gooders" in this critically important institution.

I've been following the World Bank's development since the preparation of the first drafts of the charter. This was the first time I noted potential investors eager to emphasize the value, not the risk, of the Bank's to-be-issued obligations.

Little things like the fact that as soon as it was certain that McCloy would take over and Black would replace Collado, a bill was introduced into the State Legislature to permit New York insurance companies to buy the Bank's bonds.

The bill could have been introduced before this—but it wasn't. Now the Bank is "different." And the bill will pass in a couple of days.

**THE LITTLE THINGS TELL** the tale of what is happening within this institution. Beyond doubt, its lending policies will be more conservative, its management will act along more traditional, accepted lines than originally contemplated.

Perhaps this will be good. Perhaps the change was essential, considering how world relationships have changed since 1944. All we can do is hope so, for this

Bank has a key part to play in the reconstruction of nations, in the elimination of the world's economic cancers.

It must play that part well or all of us—here and through the rest of the civilized world—will bitterly regret it.



### McCloy Accepts

The International Bank for Reconstruction and Development has at last found a president. The election of Mr. John J. McCloy, New York lawyer and former Assistant Secretary of War, ends a ten-week search for a successor to the former president, Eugene Meyer, who resigned in December. The long interval between Meyer's resignation and McCloy's acceptance has been damaging to the bank's prestige. The delay engendered doubts as to the soundness of the bank's charter. Rumored personality conflicts within the institution reinforced these doubts. Mr. McCloy's acceptance opens a way to end both the doubts and the rumors.

Though the World Bank is only one of the institutions created to bring order out of post-war chaos, it is a highly important one. Reconstruction in many countries set back by the war awaits loans which only this institution can make. Most of the funds which the bank will lend must come from the American investing public.

This fact has been partially responsible for the long delay in selecting a president. It was necessary that the man chosen be one who would command the respect and confidence of the American financial community. The incoming president and the men he has chosen for the vice presidency and executive directorship, Mr. Robert L. Garner and Mr. Eugene R. Black, measure up to this need. The bank should be able in the near future to get on with its vitally important international business.

~~Indeed~~ Mr. McCloy's acceptance of the bank's presidency has already borne fruit. The Export-Import Bank, which is financed by \$3,500,000,000 of United States funds, has announced that it will stop making emergency reconstruction loans and will revert to its statutory function of advancing credits to finance trade and promote long-range commerce between this and other countries.

Since the end of the war this aspect of the institution's operations has been subordinated to the matter of emergency lending. Now, with the World Bank once more in a position to take over reconstruction financing, the Export-Import Bank can resume its vital trade promotion job.

The growing creditor position of the United States makes the matter of financing an increased volume of imports highly important. Our exports will inevitably decline if we do not import more goods from abroad. In addition, foreign debtor nations will find it impossible to make interest and principal payments on loans extended by the United States unless such payments can be financed by exports to us. The Export-Import Bank has uncommitted lending authority of \$919,000,000 remaining out of its original authorization. There can be no better employment of these funds than to facilitate an increased volume of commodity exchange between the United States and other nations.



March 2, 1941

## SHIFTS CLEAR WAY FOR WORLD BANK

Choices of McCloy and Black  
for Top Positions Restore  
Financial Confidence

### PROGRAM STILL TO COME

Plan of Operations Including  
Raising of Funds Expected  
in Four to Six Weeks

By GEORGE A. MOONEY

The appointment of Eugene Black Jr., a vice president of the Chase National Bank, as United States director of the International Bank for Reconstruction and Development neatly solves a problem which had threatened the bank's prospects, financial observers remarked yesterday. Until the current arrangement was worked out, whereby John J. McCloy, wartime Assistant Secretary for War, agreed to accept the presidency of the bank on condition that Mr. Black become United States director, no candidate could be induced to accept a presidential post that was so largely nominal. Now, however, because of the close understanding that exists between the two men—friends and business associates in the sense that Mr. McCloy has been a legal counsel for the Chase National Bank—no difficulties are expected to develop in their relationship.

Previously, because of the continuing delay in naming a successor to Eugene Meyer, who resigned as president in December, certain financial observers formed the opinion that the only way around the impasse was by a change in the bank's by-laws to strengthen its president's authority over the directors and curtail the United States executive director's powers. The executive director, however, held his veto powers by virtue of the National Advisory Council's support, and this body had been deliberately established by Congress to safeguard United States interests as against the bank's president, an "international" official.

### Organizational Changes Dropped

Despite the difficulties involved in such a problem, it was believed by many that some kind of organizational change was necessary if the bank was to obtain a president and begin functioning. Various methods were considered but they have been abandoned, it has been disclosed by an authoritative spokesman.

In fact, in the circumstances that now exist, any change of this type in the organizational structure of the bank would be most unfortunate, it was pointed out. Mr. McCloy, while a brilliant executive, is no banker—merely a "bankers' amanuensis," as he has termed himself—while Mr. Black, engaged in banking and the marketing of securities most of his life, is ideally placed in the key position. Such a set-up, in the opinion of investment men, is certain to engender full confidence for the bank's future.

The replacements on the World Bank's top administrative staff, including Robert L. Garner, vice president of the General Foods Corporation and former banking executive, as new vice president of the international institution are not likely, however, to result in any immediate operational developments. Despite the prolonged delay in the bank's actual functioning, inevitably, another four to six weeks are expected to elapse before the new administrators can announce a decision regarding operation. Although eager to get started, the new officials' business commitments here probably will occupy the next two weeks, and after that they must become acclimatized in their new posts.

No decisions regarding the future have yet been formulated, it was learned, and whether or not an initial loan will be made before the bank's debentures are offered has not been determined. Nor has any decision been made among the applications for loans already on file, although it is understood that the request of France will receive first attention.



# McCloy Named, World Bank to Clear Loan Jam

## New Head Favors Action to Rebuild World; Pleas for \$2,000,000,000 on File

*NY Herald-Tribune*

By Jay Reid 3/1/47

WASHINGTON, Feb. 28. — Formal announcement today by the executive directors of the World Bank that they had unanimously approved John J. McCloy, former Assistant Secretary of War, to become its president cleared the way for action on post-war reconstruction loan requests now totaling \$2,000,000,000.

Mr. McCloy, a New York lawyer, told a press conference later that he was convinced "the world can't exist half rubble and half well built." He said that the capital wealth of the world should be employed on behalf of "people who can make good use of it."

He emphasized in addition that "the investing public should be protected in the securities they buy, and every effort made to have these securities made good."

Mr. McCloy explained the principles he will apply to the forty-nation, \$8,000,000,000 bank's problems after discussing them with the directors in the morning and learning the results of their vote, cast in a second meeting in the afternoon.

### Garner Vice-President

At this session the directors also gave unanimous approval to Robert L. Garner, vice-president and

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### Mr. McCloy Accepts

It is good news that the World Bank has a president again, in the person of Mr. John J. McCloy. His appointment makes it possible to hope that the bank will now be able to turn its attention to such urgent matters as consideration of its months-old loan applications and the issuance of its bonds.

Mr. McCloy reversed his previous decision to decline this important appointment after receiving assurance that he would enjoy greater authority than his predecessor, Mr. Eugene Meyer, and after agreement to his choices for the posts of vice-president and American director. The men chosen, Mr. Robert L. Garner and Mr. Eugene R. Black, enjoy the confidence of the banking community, and Mr. McCloy considered this essential if the bank's debentures were to find a market. Mr. Black replaces Mr. Emilio G. Collado, and the change is interpreted as meaning that the bank's loan policy will be more conservative.

This is not to say that no risks will be taken. Indeed, the whole function of the bank is to take risks—calculated risks. Its policy must be to find a balance between the calculation and the risk, and the new appointments mean that there will be more of the former and less of the latter than would have been the case had Mr. Collado's views prevailed.

It would be premature to pass judgment on the bank's policy before its character has become more apparent in such concrete terms as action on individual loan applications. Obviously the bank should not make loans so risky that the existence of the bank is jeopardized. Obviously, also, it should not be so conservative that it fails to contribute effectively to international reconstruction and development—the purpose for which it was created. Whether a golden mean actually exists and can be found will depend on many circumstances beyond the control of the bank itself. It will depend, for instance, upon the success of the embryonic International Trade Organization, and, in an even more fundamental sense, upon the development of international relations including the nature of the peace settlement.

*Herald-Tribune*  
3/1/47

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# World Bank

## McCloy, New President, Outlines Some of His Plans for Institution

By RALPH HENDERSHOT,  
*Financial Editor.*

Times have changed around the Wall Street diggings. In the pre-1929 days bankers and others in the financial district knew just about all there was to know about national and international financial affairs. They knew because they were on the inside of things. They were consulted.

For the past several years, however, more particularly since the late President Roosevelt took up headquarters in Washington, they have been on the outside looking in. They have known what they were told, and that hasn't been too much.



Ralph Hendershot

The situation was pointed up rather strikingly earlier this week, when John J. McCloy, the new president of the International Bank for Reconstruction, called a conference at the New York Federal Reserve Bank. He invited newspapermen, and he also invited the leading commercial and investment bankers of the financial community.

### Outlines His Plans.

The purpose of the conference was to acquaint Wall Street and the general public with his attitude toward the new international organization, and some of his plans as its new head. In other words, here was a case in which the public and Wall Street was given an over-all picture of one of the most important developments in world affairs at the same time.

And Wall Street did not send its second-string men to the meeting. The top-notchers were there. Nor had they come as a result of engraved invitations. The bids to attend had gone out at the last minute via the telephone. It was an off-the-record affair, but Washington had been in the know for several days previously.

Mr. McCloy did not taken down his hair and give, either. His attitude was more like that of a schoolmaster explaining a problem to a group of students. He asked no questions, but he did answer those which were put to him quite frankly. And the questions came exclusively from the newspapermen present.

### Must Market Bonds.

Why were the bankers there? They will be called upon to sell the securities of the world bank. And, the commercial banks also will be called upon to buy large quantities of them. The bankers had been hesitant about taking on these assignments because they were not convinced of their soundness. Mr. McCloy did his best to relieve their fears.

The head of the world bank, a lawyer, played his part well. He did not profess to know all about the banking needs of the world, but announced that he had secured the services of two men who had had practical banking experience. One of these was Eugene R. Black, a vice president of the Chase National Bank, and the other was Robert L. Garner, financial vice president of General Foods, and a former vice president of the Guaranty Trust Co. Wall Street has the greatest confidence in both these men.



N. Y. Sun

2/28/47

## M'CLOY IS ELECTED WORLD BANK HEAD

Washington, Feb. 28 (A. P.).—The forty-nation World Bank elected John J. McCloy of New York today as president, filling a ten-week vacancy in that post which has delayed it from starting operations.

McCloy immediately announced appointment of Robert L. Garner of New York as vice-president, plugging a five week vacancy in that position.

Meanwhile President Truman nominated Eugene Black Jr., New York banker and son of a former Federal Reserve Board chief, to take over the post of United

States director of the bank's board, succeeding Emilio G. (Pete) Collado.

McCloy, a 51-year-old lawyer, was wartime Assistant Secretary of War. He got experience bearing on his new job in international finance by handling Lend-Lease, Military Government and State Department liaison for the Army.

## M'Cloy Is Named World Bank Head

(Bureau of Journal of Commerce)

WASHINGTON, Feb. 28.—John J. McCloy was today named president of the multi-billion International Reconstruction Bank after a re-shuffle in the bank's top personnel which resulted in the resignation of Emilio Collado, United States executive director, and Collado's replacement by Eugene Black, Chase National Bank vice president.

Today's actions open the way for the International Bank to act on some \$2,000,000,000 of loan applications. Mr. McCloy will take office March 17. He promised today "to move ahead just as fast as we can to perform the function for which the bank was created."

Mr. McCloy's first action was to

(Continued on Eighth Page)

function as it was intended to accept through the sale of its securities to the investment public." He stated that every effort must be made to "protect the investor" in the course of the banks operations.

Announcement that Mr. Black had been appointed by the bank's executive directors, and that Mr. Collado had resigned, had come earlier today. Announcement of Mr. McCloy's acceptance and his appointment to the top post followed late in the afternoon. Meeting with the press, Mr. McCloy deplored the "good bit of misinformation about the terms at which I would take this job." He said he had first rejected the offer to take the place left vacant by Eugene Meyer last December. His reason, he said, was that he did not feel qualified, not being a banker, for the job.

### Wants Trained Aides

According to Mr. McCloy's statement, he had insisted, when approached once again to head the bank, that he would not feel "confident" of his ability to fill that post unless he had "people trained in banking who could fill in the gaps of my information." Mr. McCloy referred to the fact that Mr. Garner is a "trained banker," while Mr. Black is "experienced in the marketing of securities and in the form that the bank's securities should take if they are to be properly marketed."

A bond marketing division will be established within the bank, Mr. McCloy noted.

Mr. Callado was said to have agreed to remain with the bank temporarily to assist Mr. McCloy in his initial duties. Other than that, Mr. McCloy stated that he did not know what Mr. Callado's plans were. Commenting on Mr. Collado's service with the bank, both in its formation and in its functioning since it was established, Mr. McCloy declared that the bank owes him a "great debt."

Other than saying that he plans to move ahead as fast as possible, Mr. McCloy was unable to state definitely how soon actual loan or bond marketing operations might be commenced. Asked if he had any comments on the matter of

Journal of  
Commerce

SATURDAY, MARCH 1, 1947

## Named Head of World Bank

political" loans, he stressed that emphasis is to be placed on "productive" loans. He added, however, that political situations might in some cases affect economic considerations.

### McCloy's Statement

Mr. McCloy gave out this formal statement concerning his election to the presidency of the bank:

"I am honored that the executive directors of the International Bank of Reconstruction and Development have elected me as president. In accepting the office I do so with a feeling of deep responsibility for the important and heavy task ahead.

"The world is in a most uncertain state, yet there are many peoples in it who have the will to work and the skills to produce. Loans alone will not and cannot accomplish all that must be done but some working capital productively employed can greatly help. The International Bank was designed as one of the instruments by which the world might better achieve the objectives for which the war was fought. With the help of the many excellent and highly trained men who compose its directorate and staff and with the continued co-operation of all the member countries, the bank, I believe, can accomplish the good purpose for which it was created."

Meanwhile, prominent bankers voiced their pleasure at the announcement of Mr. McCloy's appointment to the presidency of the World Bank. "Members of the American Bankers Association will be delighted to know that John J. McCloy has accepted the presidency," C. W. Bailey, president of the association, said. He also expressed approval of the appointments of Mr. Black and Mr. Garner.

"With the senior positions in the International Bank now filled again, the Bank has every prospect of fulfilling its vital part in world reconstruction," said Winthrop W. Aldrich, chairman of the Chase National Bank and chairman of the President's Committee for Financing Foreign Trade. "This management deserves and will have the confidence of the institutional and private investors in this country that will assure a market for its securities."

The appointment of Mr. McCloy and his acceptance of the presidency of the World Bank is good news," said R. C. Leffingwell, chairman of the executive committee of J. P. Morgan & Co., Inc. "No civilian did greater service to our country than he did in World War II. His experience as Assistant Secretary of War and as a lawyer has well fitted him for his high task."



## WORLD BANK CHANGES

### M. GUTT TO VISIT LONDON

From OUR OWN CORRESPONDENT

WASHINGTON, 27th Feb.

M. Camille Gutt, managing director of the International Monetary Fund, plans to fly to London on 22nd March to confer with Mr. Dalton on the preparations for the next meeting of the Fund's directors. He will afterwards visit Belgium, the Netherlands and Norway.

Meanwhile, an announcement of Mr. John McCloy's acceptance of the presidency of the World Fund is expected. It is also reported that Mr. E. T. Collado is being replaced immediately.

Mr. Eugene Black, a vice-president of the Chase National Bank, is spoken of as likely to be Mr. McCloy's principal aide. It is unlikely that the World Bank will have a vice-president in succession to Mr. Harold D. Smith.

Either before or by the time the Governors' meeting takes place in September full time service of executive directors will be eliminated—something that Lord Keynes vainly sought for in Savannah.



# McCloy Elected President Of the 42-Nation World Bank

Reaches Agreement With Truman Administration  
On Changes in Top Personnel; Gets Support  
Of Private Financial Interests

By Jay Reid

*From the Herald Tribune Bureau*

WASHINGTON, Feb. 28.—John J. McCloy, fifty-two-year-old New York lawyer and war-time Assistant Secretary of War, was elected tonight to the post of president of the forty-nation World Bank. The position has been vacant since the surprise resignation, twelve weeks ago, of Eugene Meyer, owner of "The Washington Post," and the first president of the bank.

Mr. McCloy immediately announced the appointment of Robert L. Garner, of New York, as vice president, filling a five-week vacancy.

Mr. McCloy gained experience bearing on his new position in international finance by handling lend lease, Military Government and State Department liaison for the American Army.

Under terms insisted upon by Mr. McCloy, Emilio G. Collado, the American director of the bank, a former State Department economics specialist, will be replaced by Eugene R. Black, a vice-chairman of the Chase National Bank.

Robert L. Garner, a vice-president of the General Foods Corporation, will be brought into the bank as its

vice-president. He will succeed Harold D. Smith, former director of the Federal Bureau of the Budget, who died of a heart ailment on January 23, leaving the bank without an active head.

These men are counted on to support Mr. McCloy in a new approach to the bank's loan applications by which the total of credits granted during the first two years of operation will probably fall \$1,000,000,000 or more below original administration expectations.

Mr. McCloy will take over the bank's presidency with assurance of support from private financial quarters which the bank has lacked up to this time. He has also enlisted the co-operation of Governor Thomas E. Dewey to back any change in New York State regulations needed to sell the bank's debentures there.

## Truman Nominates Black

WASHINGTON, Feb. 28 (A.P.).—President Truman nominated today Eugene R. Black jr., vice-president of the Chase National Bank of New York, as United States executive director of the World Bank. Mr. Black will succeed Emilio G. Collado, who resigned.

*Paris Edition  
N.Y. Herald Tribune  
2/28/47*



The York Post  
Daily Magazine Section

Feb. 21, 1947



# World Bank In a Mess

## Internal Conflicts Force Major Shifts in Policy, Aim

By Sylvia F. Porter

The World Bank—history's first great effort at global financing—has tottered into a personnel mess that is endangering its very life. Even before this \$8 billion institution has had a chance to start operations, it is being pushed through a major shift in purpose, policy and personnel. Even before it has had an opportunity to make one loan or issue one bond, its reputation has been battered unmercifully and its prestige has sunk to a shocking low. The biggest bank in the world is in an uproar.

And at this critical phase in international relationships, this is a tragedy.

It was back in July, 1944, when the war was still on, that 44 nations met at Bretton Woods and created this institution to extend long-term reconstruction and development loans to needy lands.

In the almost three years since then, the Bank has been formally organized.

On its board of 12 executive directors the U. S. has had Emilio Collado, once of the State Dept., to vote America's controlling interest.

As its initial president the Bank has had Eugene Meyer, a newspaper publisher and once head of the Federal Reserve Board.

In its files for months it has had loan applications totaling more than \$2 billions. It has worked on the sale of its bonds. It has worked on legislation in various states to broaden the market for its bonds.

But now, after all this, the Bank's foundations are shaking. Within a few weeks a complete shake-out will take place among the U. S. representatives. New men will be coming in with significantly different backgrounds and significantly new policies.

**WHAT HAS HAPPENED?** To put it bluntly, three things:

(1) Our relations with Russia have deteriorated since 1944 to a bottom not even dreamed of then.

Russia hasn't even joined the Bank she helped create at Bretton Woods. Several nations that would have been deemed "worthy" borrowers by the U. S. had the Bretton Woods atmosphere been maintained are now in the Soviet sphere and they're not considered so "worthy" any longer.

(2) Because of this change in the world setup, there has been deep questioning of the Bank's lending policy. Should it be as broad and general as initially contemplated? Should loans be made for political as well as economic purposes? Or should loans be made just when, to us, they seem good business risks?

(3) Since November the political picture here has changed, too. The G.O.P. Congress is looking with a critical eye at our entire foreign economic policy, of which the World Bank is a keystone.

Even though a former Congress voted U. S. participation in the World Bank, there is no mistaking the strong influence of U. S. political developments over the Bank's policies and acts.

**THE IMPACT OF THESE THREE** events has been tremendous. Last December, Meyer resigned abruptly. And the background of that resignation was a bitter conflict between him and Collado over the Bank's liberal lending program.

After Meyer's resignation several top-notch Americans refused the job even though it carries a \$30,000 tax-free salary.

Then, after one "no," John J. McCloy, a Wall St. lawyer and former Asst. Secretary of War, agreed to reconsider. For weeks he has been reconsidering. Finally he is reported ready to accept—if Collado leaves and if he is given much greater control over the Bank's lending policy and personnel.

McCloy probably will go in as president. Collado—and with him, the Bretton Woods concept of loans—will be out.

A new staff, heavily weighted with banker influence, will represent the U. S. The Bank will become more of a business proposition, less of an ambitious attempt to help the world achieve economic stability and, through that, permanent peace.

Under these restricted conditions the Bank probably will live. But it won't be the "Bretton Woods" of which we dreamed.



# McCloy's Appointment to Restore Prestige of International Bank

By JOHN W. LOVE,

Scripps-Howard Staff Writer.

WASHINGTON, Feb. 28.—John J. McCloy's acceptance of the presidency of the World Bank should give it a chance it has never had in its short but frustrated infancy.

The manner of his acceptance is perhaps more important than his taking the job, though the selection of a New York lawyer of his background signifies that Washington is admitting at last the need for the confidence of bankers and investment people. In short, New Deal ideas in the bank seem to be giving way to Wall Street practicality and judgment. Conditions Mr. McCloy laid down in his acceptance are understood to include a considerable amount of reorganization of the bank.

After two years' delay, much of it never satisfactorily explained, the bank at least should be able to undertake the tasks indicated by its formal name—the International Bank for Reconstruction and Development.

Word that the deadlock over the bank's presidency is broken should cheer all those nations which looked upon it as one of the two financial stones in the arch of world economic rebuilding. The other one, the International Monetary Fund, is about ready to do business in the field of foreign exchange, but with the World Bank neglecting its lending role, the fund would be greatly handicapped.

The break in the World Bank log jam also comes at a time when the reciprocal-trade agreements program is assured of being continued at least another year with-

out material change at the hands of Congress. A goods-hungry world has the means of carrying on trade with this country along existing lines, and new credits gradually should be opened up by the World Bank and the World Fund. Commencing in April, an attempt will be made at Geneva to reduce quotas, preferences and other barriers to trade. Thus sooner or later a great thaw is looked for.

The ban's long quest of a new president was only the most conspicuous symptom of serious childhood ailments—from bad luck to

bafling personnel difficulties. Hastily put together at the Bretton Woods conference in 1944, it got off to a contentious start in Congress subjected to one of the most remarkable propaganda campaigns ever conducted by the government. Congressmen felt they were being given the bums' rush, and some were. They were expected to accept the Bretton Woods program without changing a semicolon.

The most serious difficulties since experienced by the bank, however, were foreseen by no one. It was slow in finding its first president, even though the job pays \$30,000 a year, tax free, plus entertainment money.

Eugene Meyer of Washington patriotically accepted it, but there are indications he was not fully aware that the bank's 12 executive directors, sitting continuously at his elbow, had practical veto power over every decision of the president. The organization set-up apparently proved impossible.

In particular, the elderly and conservative Mr. Meyer had the task of adjusting his views with those of E. G. Collado, the youthful American executive director. A protege of Will L. Clayton in the State Department, Mr. Collado, now only 36, helped to put the bank together from the start. He had at his fingertips more facts and figures than his superior could pick up in months.

It is understood that Mr. Collado will be eased out in the changes now about to occur. Mr. McCloy reportedly has obtained the consent of the National Advisory Council, which originally accepted Mr. Collado, to this easing out.

## U. S. Director



Eugene R. Black.

By the Associated Press.

WASHINGTON, Feb. 28.—President Truman today nominated Eugene R. Black Jr., vice president of Chase National Bank in New York, as United States executive director of the World Bank for four years.

The nomination was announced by the White House as reports circulated that John J. McCloy, New York lawyer and wartime Assistant Secretary of War, would be named head of the bank.

If confirmed by the Senate, Mr. Black will succeed Emilio G. Collado, who resigned today. The President accepted Mr. Collado's resignation with an expression of thanks and appreciation for his services.

Mr. Black, a resident Princetown, N. J., and native of Atlanta, is a son of a former governor of the Federal Reserve System.

Mr. Black's banking and investment experience dates from 1918 when he became associated with Harris, Forbes & Co. and subsequently as an officer of Chase-Harris Forbes Corp. In the Third War Loan Drive, he was director of the banking and investment division for New York City. For the past three years he has done considerable foreign work for the Chase, having just returned from a two months trip to Europe in connection with foreign







Eugene R. Black  
Executive Director of U. S.  
International Bank for  
Reconstruction and Development