THE PER JACOBSSON FOUNDATION

ECONOMIC DEVELOPMENT

The Banking Aspects

Lecture delivered by
David Rockefeller

Commentaries by

Felipe Herrera | Shigeo Horie

September 22nd, 1967 - Rio de Janeiro

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FOREWORD

In 1964 The Per Jacobsson Foundation was established to assist in carrying forward the work to which Per Jacobsson had devoted his distinguished career, particularly in the Bank for International Settlements and the International Monetary Fund. The original sponsors of the Foundation are shown in an Appendix to this publication. The work of the Foundation has consisted of sponsoring and arranging lectures by eminent specialists in the field of international financial cooperation, publishing these lectures in English, French and Spanish, and distributing them to a wide mailing list throughout the world.

The present volume of Proceedings is the fourth in the series. In it will be found the text of the lecture delivered by David Rockefeller on the subject "Economic Development--The Banking Aspects" at the Hotel Gloria, Rio de Janeiro, on Friday, September 22nd, 1967, as well as the texts of commentaries provided by Felipe Herrera, President of the Inter-American Development Bank, and Shigeo Horie, Chairman of the Committee on International Finance, Federation of Economic Organizations of Japan, together with answers given by Mr. Rockefeller to written questions submitted from the audience.

References to previous volumes, including information regarding their availability, may be found on the last page.

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by
Eugenio Gudin
President, Instituto Brasileiro de Economia,
Fundação Getulio Vargas

PROFESSOR EUGENIO GUDIN: Ladies and gentlemen, I am glad today to have the opportunity of using this gavel, made of Bretton Woods timber and given to me in 1952, to call this meeting to order.

It is a great pleasure and honor for me, as a sponsor of this Foundation, to welcome you to Brazil.

We come here once more to render our homage to our great friend, Per Jacobsson, whom I had the pleasure of knowing for a number of years. I had the opportunity of dealing with him several times and getting to know a really great man, with his soundness of judgment, his acute mind, his capacity to analyze, and his boldness to take decisions.

So when my good friend Mr. Burgess asked me to be the sponsor of this Foundation in Brazil, I accepted with great honor and great pleasure, because really Per Jacobsson is one of those men whose memory stands out among us, and he represented something new in the International Monetary Fund.

Now, I know that you are going to have an excellent and most interesting lecture given by a great banker. Between having to listen to an economist, as I am, or to a banker, I can assure you that a banker is much more pleasant to hear. Thank you again for coming.

OPENING REMARKS

by
W. Randolph Burgess
President, The Per Jacobsson Foundation

Professor Gudin, I can't tell you what pleasure it gives us all to have you, as one of the original sponsors of the Per Jacobsson Foundation, to welcome us to Rio. All of us here wish to express our great thanks for the welcome we have received from you, from President Leme of the Central Bank, and from all the others on every side who obviously have made such tremendous and successful efforts to give Rio an aspect of welcome.

This is the fourth lecture in the series sponsored by The Per Jacobsson Foundation. I am happy to see in the audience before me several of those who have lectured in the past so effectively. These lectures have been distributed widely over the world, both through the Foundation and, in seven or eight languages, through translations made by central banks and others. So that our influence extends well beyond the present audience.

Now, you all have before you the program of the lecture which contains Mr. Rockefeller's very impressive biography, so I don't need to repeat that. I simply want to say that Mr. Rockefeller, along with Professor Gudin, was one of the early sponsors of the Foundation. No one has served the cause of development in Latin American better than Mr. Rockefeller and members of his family. He is particularly equipped to talk about exactly this subject. Without more ado I introduce to you my good friend David Rockefeller.

ECONOMIC DEVELOPMENT —THE BANKING ASPECTS

Lecture by
David Rockefeller
President, The Chase Manhattan Bank

The opportunity to address so distinguished a gathering as this is in itself a privilege, and to be invited to do so in memory of Per Jacobsson is an honor I shall always cherish.

It was my good fortune to have an acquaintance with him that stretched over some twenty years. He was, in my judgment, a truly great economist -- a flexible and pragmatic thinker who fully recognized the importance of the classical monetary disciplines, yet never fell into the trap of adhering to those disciplines simply for their own sake. He was also a man who gave the lie to those who would dismiss economics as "the dismal science". A person of infectious warmth and delightful wit, he could endow an economic report with the same excitement and elegance that he brought to his detective novels.

Perhaps the most remarkable fact about Per Jacobsson, however, was that he was simultaneously a thinker and a doer. Though he delighted in arguing economic theory, he never lost sight of the day-to-day problems plaguing a world that too often fails to adhere to theoretical models. Precisely because of these characteristics, he would, I think, have taken a lively interest in the matters I want to discuss with you today. For my subject -- "Economic Development: The Banking Aspects" -- involves a complex interaction of theory and practicality.

I am sometimes tempted to believe that the United Nations should reconsider its decision to christen the 1960s the "Decade of Development". The cynic might feel that a far more appropriate label, given the mood of our era, would be the "Decade of Discouragement". Not since the Rev. Thomas Malthus "mathematically" demonstrated that the human race was not going to be able to feed itself much longer has pessimism about mankind's long-term prospects flourished as it does today. Economists and sociologists, journalists and demographers all view with alarm the massive gap between the living standards of the industrialized nations and those of their less developed neighbors. Unless that gap can be narrowed rapidly and dramatically, they insist, disaster lies ahead.

I would not want to suggest that the pessimists are simply crying wolf as a scare tactic. The "development gap" is painfully real and, if it continues to widen, may, indeed, have dire consequences. But I, for one, think there are reasons to be more hopeful. The grim forebodings of the pessimists rest upon a conditional clause, "if past trends continue". In my opinion, it cannot be assumed automatically that past trends in the developing nations, insofar as they have been adverse, will necessarily continue.

As far as the population explosion goes, there is at least one knowledgeable observer who believes that it is already abating. Dr. Donald Bogue, who heads the University of Chicago's Community and Family Study Center, argues that widespread government support for family planning, together with improved methods of contraception, has recently begun to reverse the population trends in many areas. Though he concedes that the statistical evidence is still fragmentary -- primarily because population statistics are never up to date -- Dr. Bogue declares that the new, more encouraging trends will begin to show up sharply in the censuses of the 1980s.

Not all observers are as sanguine as Dr. Bogue. The Population Council, for example, concedes his basic point that birth rates are likely to abate in the years ahead. But its experts argue that even if family planning techniques were used to their maximum effectiveness, the world population in the year 2000 would still be 5.3 billion people -- which, in itself, is a frightening figure.

Perhaps, then, the best thing that can be said of population trends is that they remain a dangerous threat and an imponderable. But when it comes to the purely economic aspects of the development process, it is possible to talk with more certainty. Here, the outlook also seems to be far less bleak than it is often portrayed.

Taken as a whole, the developing nations have made notable economic advances in the past decade. Their industrial output has doubled during this period, as has the production of their mines. Their steel production has tripled; their export earnings in the past two years alone have shown an annual increase of about 8 per cent; and their transportation systems have expanded vastly. Most significant of all, perhaps, some of the developing nations such as Taiwan, Korea and Mexico have achieved overall rates of economic growth far outstripping those prevalent in the industrialized nations.

Moreover, there is no visible reason why, in the years ahead, this kind of growth should not become the rule rather than the exception for developing nations. A recent study by Herman Kahn's Hudson Institute draws a startling conclusion. It is, the report argues, entirely conceivable that by the end of this century the number of people living in poverty-stricken, pre-industrial societies could be reduced from two-thirds of mankind to only one-eighth. At first blush, this may seem a wildly optimistic statement. But it is solidly based upon a trend which the pessimists too often overlook. I refer to the remarkable progress of the new "science" of economic development.

I say "new" because, odd as it now sounds, the techniques of transforming pre-industrial societies into industrial ones did not become a matter of major international concern until after World War II. Economic development in its present sense, in fact, only began to move out of the realm of academic discussion in 1949 when the World Bank first started to make sizeable loans to developing countries.

Since then, however, development has become one of the world's outstanding growth industries. Organizationally, the World Bank has been supplemented by such other international bodies as the Inter-American Development Bank and the Asian Development Bank. On the national level, there are a number of agencies primarily or exclusively concerned with foreign aid -- the largest, of course, being the U.S. Government's Agency for International Development.

In addition, the resources of the great universities of Europe and America are constantly being used to further the technology of development. A team of economists and other experts from Harvard University contributed importantly to Pakistan's highly successful development program. Many private foundations are also involved. As a single instance, let me cite the International Rice Research Institute in the Philippines where, under the guidance of an international board of trustees and backed by American foundation money, a multinational corps of scientists is at work to improve yields and find better and more disease-resistant strains of the world's single most important food crop--rice. Their investigations have already met with spectacular success. It should also be noted that the number of men around the world with professional knowledge of economic development is now estimated at more than 100,000.

Out of all this activity has come an impressive accumulation of practical experience and tested doctrine. Complex as the field of economic development has become, however, it seems to me that the essential lessons which have been learned can be simply summarized. In fact, I would suggest that they can be reduced to three key propositions:

1. As a group, the developing nations do not suffer from a lack of national resources, but rather from underutilization of their existing resources.

2. A major reason for this underutilization of resources lies in the fact that the developing nations are painfully short of capital. Just how short is arguable, but the World Bank's estimate that they could usefully absorb $3-to-4 billion a year more in aid than they are currently receiving seems reasonable and suggests, at least, an order of magnitude.

3. Even if capital is made available to a developing nation in massive quantities, however, it will not insure economic progress. That will occur only if the capital is intelligently used -- which involves making hard and sometimes unpopular decisions at every stage of the development process.

It is with this third point -- the intelligent utilization of capital -- that the role of private enterprise, in my view, becomes vital to the development process. For historic reasons familiar to all of you, a great many of the developing nations came to independence under leaders heavily influenced by socialist economic thought. The result is that a number of them still cling to the notion that public ownership of the means of production offers the only sure path to economic growth. Where such nations court private foreign investment at all, they do so only as a measure of expediency and without enthusiasm or conviction. Unhappily, not enough has been done by the aid-giving nations to explain and support the role of private investment. Until relatively recently, official statements in Western capitals on the need for private participation in the development effort have all too often been mere lip-service.

All this is highly unfortunate, for a dispassionate look at the history of the last twenty years leads to the conclusion that private foreign investment is an indispensable catalyst in economic modernization. Not long ago, after returning from protracted tours of Asia and Africa, an eminent American journalist somewhat ruefully remarked: "You know those socialist revolutions which I used to think were a necessary phase in the economic development of the emerging nations? Well, they don't work. What does work is a kind of capitalist revolution."

On the record to date, it is hard to dispute that statement. For it is in precisely those nations that have been most suspicious of private foreign investment where progress has been slowest. There is, for example, Cuba where, after nearly a decade of Marxist planning, the Soviet Union is now obliged to spend $1 million a day to keep the economy even remotely viable. There is Guinea where, despite the aid efforts of the Eastern European nations and China, economic conditions have actually deteriorated. There is also, I regret to say, Burma where the attempt to run a national economy like an army commissary has produced almost total stagnation.

In contrast to these, look at the nations where economic development has gone best: Taiwan which has now reached the point where it no longer needs U.S. economic aid; Mexico and Thailand which enjoy annual growth rates of about 7 per cent; South Korea which from inflation-ridden poverty is emerging as a dynamic industrial economy. Without exception, all these countries have carefully fostered an economic climate in which their own entrepreneurs and private foreign investors can operate with confidence.

What, precisely, did private foreign investment bring to these nations that was so necessary to their progress? To begin with, of course, money.

Of the approximately $80 billion which has flowed into the developing countries in the past decade, private investment has supplied $30 billion. And it seems to me highly unlikely that government aid agencies could -- or would -- have supplied that $30 billion had private investors not been willing to make it available.

Capital per se is only part of what private investment has to offer. But in any event the job cannot be done by either business or government alone. Clearly, some of the indispensable ingredients of economic development can be supplied only through government-to-government aid. The creation of infrastructure and the improvement of national educational systems, to my mind, fall into this category. But it seems to me equally clear that there are other development functions which private investment can perform far better than any government aid program -- and some which *only* private investment can perform. What's more, these functions include some which lie at the very heart of the development process: the transfer of technology, the development of financial and managerial skills, the creation of commercial activity and markets, and the mobilization of local resources.

Nothing, to my mind, illustrates this point more strikingly than the respective roles of the various financial institutions concerned with development. All of them, in one sense or another, deal with the basic motor force of development: the creation and deployment of capital. Yet when they are functioning properly, each of the major elements of the world financial system makes a different contribution to the growth of the developing nations.

Quite obviously, some of the most critical needs of the developing countries can only be met, outside government-to-government arrangements, by the great international lending agencies. The world's commercial banking system cannot satisfy the massive need for development capital in those nations which must borrow at the "soft loan window". But here the International Development Agency and the regional development banks will step in. Similarly, the commercial banking system cannot as a rule perform another vital function of the international agencies: namely, the financing of infrastructure -- roads, railroads, schools and power plants. Yet the creation of modern infrastructure is essential to the development process and often it is an immediate prerequisite of a major private investment project.

Our host country Brazil, in fact, provides an excellent illustration of this in the highly successful Brazilian company known as ICOMI (Industria e Comercio de Minerios), which in 1947 received a concession to extract one of the world's major manganese deposits in what was then a remote area of Brazil on the north bank of the Amazon. Before Brazil's manganese could be mined, 122 miles of railroad had to be built through the jungle and parts of the Amazon dredged to permit the passage of ocean-going ships. These mighty tasks were performed by private enterprise but with government assistance: the Industria e Comercio de Minerios is 51 per cent owned by private Brazilian interests and 49 per cent by Bethlehem Steel. They were financed by loans from the Export-Import Bank.

Essential as the role of the international lending agencies is, however, it is the commercial banks, in my perhaps prejudiced opinion, which make the most basic and flexible contribution to the development process. It is the commercial banks which funnel and counsel private capital in its movements from the industrialized countries into the developing ones. This is vital to the interests of the developing countries because foreign capital often can generate export earnings where local capital cannot. Almost 40 per cent of Latin America's exports, for example, emanate from firms created by U.S. investment. And, of course, that is by no means the complete measure of the importance of the capital flow which the commercial banks facilitate. To use Latin America as an example again, businesses created by U.S. investment account for one-tenth of this continent's production and pay one-fifth of its taxes.

Helping foreign investment move into the developing countries, however, is only the beginning of the commercial banking system's role in the development process. Through their loans, investments, and financial counseling, the commercial banks also perform the all-important task of mobilizing local capital and channelling it into new and expanding businesses. Such funds go directly to producers of goods and services. Often, they go to enterprises so small that no governmental program would be concerned with them.

I should like to emphasize, however, that the channelling of capital is by no means the only function which commercial banks serve in developing countries. In greater or lesser degree, these banks mirror in their operations nearly all the benefits which private foreign investment brings to a nation in the throes of economic modernization.

A few moments ago, I mentioned the transfer of know-how and technology as one of the functions private enterprise can perform more effectively than a government aid program. This, I know, is often thought of as a concomitant of industrial investment. And so it generally is. Here in Brazil, for example, the Ford Motor Company and Volkswagen have helped raise the level of automotive technology while IBM, National Cash Register and Burroughs are imparting know-how in the field of data processing.

Bankers, of course, have made their contribution as well. For example, five years ago, when Chase Manhattan became affiliated with Banco Lar Brasileiro, we acquired a group of fine Brazilian bankers as partners. At the same time, we were able to introduce to the partnership new techniques of credit analysis and financial counselling that were of material service to Banco Lar customers. As time goes on, we see other banks in Brazil adopting some of the same techniques, so the process works to the benefit of the Brazilian banking system and economy, as a whole. We have also been able to make similar contributions to improve banking and managerial skills through our associated banks in Venezuela and Peru. We hope shortly to do likewise in Honduras and Colombia.

In a closely related field, private enterprise also excels -- that is, in the mobilization of the human resources of a developing country through personnel training. This can be done on the spot, as has been demonstrated so effectively for petroleum technologists by Aramco in Saudi Arabia and for merchandising personnel by Sears Roebuck and others in several Latin American countries.

Some years ago, our bank began a series of credit seminars for bankers from the developing countries. These seminars last for three months and expose the participants to the basic principles and modern organization of commercial bank lending, with special emphasis on methods of lending to new businesses. The response to these seminars and the continuing demands for further sessions convince me that they are making a significant contribution to commercial banking and through it to the development process in many parts of the world.

So far, I have been discussing the operations of commercial banks in their traditional form. But, as you are all aware, the role of U.S. banks has been considerably expanded by their so-called Edge Act investment subsidiaries. These institutions, which can make direct equity investments as well as loans, have given increased flexibility to the financial system. Many of the leading banks in the U.S. which conduct important overseas business now have them.

Just how flexible Edge Act subsidiaries can be is well suggested, I think, by the varied activities of our own Chase International Investment Corporation. CIIC, which has now been in full operation for about ten years, is currently involved in some 30 projects in 20 different countries. These projects range from a textile mill in Nigeria to a tin mining operation in Bolivia, and include such other diverse activities as a steel mill in Turkey, a paper mill in Guatemala, and an equipment leasing company in Mexico.

The established pattern of investment is to set up a three-way partnership -- the three partners, typically, being CIIC, local capital and a firm with technical know-how from the U.S. or one of the other industrial nations. The Edge Act corporations serve several purposes. They help mobilize and channel local capital resources. They offer a vehicle for small and medium-sized U.S. industrial companies to move into the developing nations, and for local groups already in the developing nations to find and economically employ outside capital. And, finally, they perform an entrepreneurial function which, to my mind, is particularly important. For no nation ever has enough creative people who can contribute to development in the practical terms of finance, production and distribution.

In this connection, one of the most heartening phenomena of recent years has been the spread of private development banks. They have become a particularly valuable tool of the Edge Act investment subsidiaries. The unique opportunity of the private development bank is to be found in the fact that many aspiring entrepreneurs in developing nations lack either the funds or the knowledge to produce the engineering and financial data necessary to attract capital. These services the development bank can furnish. In some cases, in fact, the banks actually do the preliminary studies on their own initiative and then look around for an entrepreneur to take over. In so doing, they give major impetus to small and medium-sized industries, as well as, in many cases, to large industrial complexes. Directly or indirectly, they help foster in developing countries an awareness that, in the early stages of development, construction of secondary industry, as well as development of the underlying infrastructure, is just as necessary as the construction of steel mills or hydroelectric plants -- and sometimes these lesser enterprises do considerably more to stimulate sound economic growth.

To indicate the breadth of involvement of the private development banks, I might mention the Industrial and Mining Development Bank of Iran. Since its organization in 1959 with the help of U.S. capital, this bank has taken part in the financing of some 230 industries, running the gamut from tea processing to steel finishing. It is now entirely staffed by Iranians, and the Iranian ownership has been increased from its original 60 per cent to more than 80 per cent. Obviously, this bank has made a worthwhile contribution to the country through its investments. It's interesting to note that the bank has figured in certain side benefits to Iran, such as the introduction of the concept of independent auditing to the Iranian business community and laying the preliminary groundwork for a local stock exchange. Similar success stories can be told about a number of other private development banks, including notably those in Pakistan and Greece.

As I see it, one of the most important contributions which private financial institutions have to make to the development process consists of injecting a greater degree of economic realism into the calculation of the political authorities.

Ideally, of course, this should be a purely indigenous process. It is one in which the central bankers of the developing countries can play a key role. I am in complete accord with my friend Louis Rasminsky when he suggests, as he did in last year's Per Jacobsson lecture, that central bankers ought to feel "a special responsibility to act as the conscience of the community" so far as the maintenance of price stability is concerned. But, as we all know, governments, in industrial as well as in developing nations, do not always follow or even welcome the advice of their central bankers. There is no use blinking at the fact that policies conducive to sound economic growth have not always sprung up indigenously in the developing countries.

How then can political authorities be persuaded to take those economic measures necessary to produce a climate in which genuine development can occur? In some cases, this has been quite successfully achieved through guidance and assistance from governmental aid agencies. Technical assistance and advisory missions can sometimes help to make the probable consequences of various policies more clear to the decision-making authorities in a developing country. All of us are also aware of instances in which a discreet use of incentives has helped to bring about important reforms.

Clearly, the private banker -- or private businessman of any kind -- is not in a position to compete with the World Bank or IMF on this score. Nonetheless, the private businessman can, I think, help significantly to tip the scales in favor of a rational and pragmatically proven approach to economic development. He can do this, in part, by speaking up publicly on issues on which he is qualified to have a judgment. But his most important influence lies in the example he sets and the results he achieves for his shareholders and the host country through his economic performance.

To illustrate, I should like to consider briefly the role of agriculture in the development process. Far too often, government planners in the developing nations have treated agriculture as a stepchild. Too many of them have preferred to concentrate the bulk of their capital resources on industry. Too few of them have been prepared to take unpopular measures, such as raising food prices, which could make farming a profitable occupation. The result is that in the developing world as a whole, agricultural output per capita is probably lower today than it was five years ago.

This is obviously ill-advised and dangerous in political as well as in human terms. Mass hunger is hardly conducive to social stability which is a prerequisite of any kind of national progress. Beyond that, however, neglect of agriculture is extremely unwise, in my opinion, in purely economic terms. The general stimulus that a substantial increase in agricultural productivity can give to a developing economy is often underestimated. Increased agricultural productivity means, in addition to lower food costs, increased income for farmers -- who, in many developing countries, now live largely outside the market economy. The more meaningful introduction into the market economy of millions of rural families holds out the possibility of an explosion in consumer demand and increased economic growth rates.

In the achievement of such an "agricultural explosion," governments clearly can play a major role through the extension of technical assistance and the improvement of marketing facilities. But any government which wants to improve its nation's agricultural base must, above all, create an economic environment in which farming pays. It is not, I think, any accident that this has been the pattern in such countries as Thailand, Taiwan and Mexico -- in other words, in those nations which have enjoyed the highest rates of general economic growth.

The reason for this seems quite clear: the most productive farming is that done for profit. Mexico's agricultural advances are commonly attributed not to its communally-owned farms but to its hundreds of thousands of private farms. Some of the best farmers in India belong to a new class of landowners who want to make money not out of tenants but out of the agricultural industry itself.

Such men, too, can get a kind of assistance from private enterprise that they are unlikely to get from a government program. Recently, more than a score of U.S. corporations which process farm products or manufacture agricultural necessities have formed a committee to explore ways in which they can profitably participate more extensively in the upgrading of agriculture in the developing nations.

As another illustration, more than a dozen years ago, Chase Manhattan launched a program to improve cattle-breeding in the Republic of Panama. Using trained agronomists as advisers, we encouraged ranchers to upgrade their stock and their land, scientifically, with the help of bank loans. To date we have loaned over $40 million in the northwestern area of Panama. The results have been most satisfactory. Individual ranchers have prospered and expanded their operations to as much as triple their original size. The country as a whole has profited, since it is now a net exporter of beef rather than an importer. A similar program of agricultural lending is now getting underway in the Dominican Republic, and we intend to initiate others in the near future.

Things are not always that easy, and I do not want to leave you with the impression that I regard the development process as a simple one. On the contrary, I recognize that it is infinitely complex and challenging. For the developing nations are seeking to compress into a single generation processes which took the older economies centuries to accomplish. To telescope time in this fashion, a nation must have a high sense of purposefulness. Specifically, as Professor J.K. Galbraith has put it, before a developing nation can achieve substantial economic progress, it must first achieve four other things: (1) a considerable degree of literacy, (2) a large measure of social justice, (3) a reliable apparatus of government, and (4) a clear understanding of what development involves.

The last of these requirements, though the least specific, is vitally important. It calls, among other things, for a clear understanding of the potential of private enterprise. For private enterprise can play its role in the development process only if the developing countries recognize the crucial character of that role. "Know-how", Paul Hoffman has said, "cannot be exported; it has to be imported".

Fortunately, an increasing number of countries, both aid-giving and aid-receiving, are showing a greater awareness of that fact. In my own country, AID has been receptive to such private enterprise initiatives as the International Executive Service Corps. IESC, as some of you know, provides a means for companies in developing countries to obtain the services of skilled managers as temporary consultants. The managers are all volunteers -- some on loan from U.S. corporations, others retired executives. Uniformly the response to this program in the developing countries is enthusiastic, and the demand for the services of these volunteers is growing constantly. The IESC consultants have a role beyond merely straightening out organizational and financial snarls in their host companies. They contribute to the economic sophistication of the business communities in which they work. This, in turn, leads to a pragmatic appreciation of the fact that private foreign investment is an absolute necessity for growth.

On a worldwide basis, I believe that the understanding of these facts is gaining ground. There have been, it is true, some setbacks such as the recent wave of nationalization in Tanzania. But the new mood visible in such countries as Ghana and Indonesia seems to be more representative, and is very encouraging.

We must all hope this trend will continue. For if history, in the end, looks back upon the 1960s as having been truly a Decade of Development, it will be partly because governments and private enterprise have developed and expanded a partnership in the international war on poverty.

For myself, I believe that this decade *will*, in the end, prove to have been a turning point in the history of the developing areas, and that the seed sown in the 1960s will bear rich fruit in the decades ahead. Despite the inevitable discouragements attendant upon the development process, those of us who are optimists have more grounds for our optimism than ever before. We can at last point to a number of once-impoverished nations which have achieved genuine economic breakthroughs -- and can identify several others in which the preconditions for such advances now exist. We can assert, without fear of contradiction, that our understanding of the development process has, after years of trial and error, attained a considerable degree of sophistication. That this is true is demonstrated in part by the development of increasingly effective techniques for the transfer of capital, technology and entrepreneurial skill. But it is also demonstrated by the emergence of a complex of institutions, financial and otherwise, which bring to the development process a diversity and flexibility unimaginable a relatively short time ago.

But, I believe that the worldwide struggle against poverty is now at a point -- common to many human endeavors -- when, after great effort and great achievement, men begin to grow weary because the end of the battle is not clearly in sight. This, of course, is precisely the moment when it is vital not to lose heart. It is my profound conviction that, if we persist in our efforts, the future of the historically deprived masses of Asia, Africa and Latin America can be made infinitely brighter than anyone could have imagined a generation ago.

* * *

MR. BURGESS: Thank you very much, Mr. Rockefeller, for a practical, down-to-earth, and very convincing presentation. As I understand it, you are calling in question a basic truism that has a wide circulation and, if I do not read the papers incorrectly, was repeated yesterday in the United Nations. That truism is that the richer countries are getting richer and the poorer are getting poorer.

As I understand it, you are saying that "it ain't necessarily so".

And that, I think, furnishes a good basis for the discussion we are going to have, led by two very skilled people, and in which I hope others will take part. I take great pleasure in calling on Mr. Felipe Herrera, who is the President of the Inter-American Development Bank, was formerly head of the Central Bank of Chile, and is a man who has had an infinite amount of experience with exactly these questions about which David Rockefeller has been talking.

ECONOMIC DEVELOPMENT —THE BANKING ASPECTS

Commentary by
Felipe Herrera, President,
Inter-American Development Bank

Nothing could be more gratifying to me than this opportunity to participate in the activities of The Per Jacobsson Foundation, established in memory of that extraordinary personality, with whom, like many of you, I had the privilege of cultivating a long official relationship and a personal friendship.

Among the many recollections I have of him, I particularly remember that when I left the Board of Executive Directors of the International Monetary Fund in early 1960 to assume the Presidency of the Inter-American Development Bank, Per Jacobsson told me something that keeps its total validity today: "Regional institutions", he said, "can only be effective if they are internationally minded." This thought reflected the conjunction of his ample vision of the international scene with his European approach, cultivated during his association with the Bank for International Settlements, a forerunner of regional financial institutions.

Few were in a better position than Per Jacobsson to understand the contrast between the abstract internationalism based on the assumption of absolute equality of nations, which became fashionable in the years immediately after World War II, and the realities, as shown by the different conditions and problems experienced in international economic relations by the world's nations, as a result of differences in economic structures and degrees of development. This experience induced nations in several areas of the world to seek ways of cooperation leading to regional groupings for purposes of development or for other important tasks, such as the reconstruction of European countries. Today economic regionalism constitutes a reality that nobody challenges and which in turn has led to the establishment and development of regional financing institutions.

I am also very pleased to have this opportunity to participate in this exchange of ideas with my very good friend David Rockefeller. Since I first met him in 1954, I have followed his intense activity as a leading private banker and, in particular, I have appreciated his permanent interest and dedication to issues of public interest and his support for initiatives to strengthen international financial cooperation with developing countries. His observations on the banking aspects of economic development at this Lecture once again reflect his great concern with the problems of economic growth.

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In coming to Mr. Rockefeller's address, I would first like to comment on the population and development issue. In my view, the widening gap between the economically more advanced nations and the developing countries is not the result of the slow process of growth of the latter, but especially of the constantly accelerated progress of the former, supported by their very large economic resources and the impressive technological capacity made possible by those resources.

The population explosion in the less developed areas is the consequence of the international transfer of very simple but effective public health and medical techniques, in the fields of epidemiology, maternal and pediatric care, and improvements in sanitation, that resulted in a spectacular reduction in mortality rates while birth rates remained practically unchanged.

In Latin America there has been an increasing awareness concerning efforts to restrain population growth, including family planning, as has been evidenced in recent meetings and debates at the national and regional levels. However, the preoccupation with the problem should not distract our attention from the basic requirements for economic development. On the contrary, we should look with increased energy into ways to transfer technology and resources to expand economic activity at equally dramatic rates. The impressive achievements of comtemporary technology, together with a sustained and growing effort in international cooperation, should contribute to the solution of the over-all development problem.

I would like to add that I believe Latin America is not faced at present, as could be the case in other areas of the world, with a ''Malthusian crisis''. Let me quote to that effect Professor Montague Yudelman, of the University of Michigan, who in a report prepared for the Bank on *Agricultural Development in Latin America*, noted: ''The available evidence tends to indicate that production and consumption are rising *pari passu* with population increase and that average real per capita consumption is not falling. This conclusion indicates that there is, at this time, no ''Malthusian crisis'' in Latin America. However, the present situation leaves no room whatsoever for complacency. In the short run, output and productivity will have to rise substantially in order to attain the growth targets postulated by the Alliance for Progress. Looking to the longer run, output and productivity will have to rise very substantially to provide food and fiber for the estimated 600 million persons who will be living in the region by 2000 A.D.''

* * *

This brings me to Mr. Rockefeller's observations on the priority of this sector in the growth process. I could not agree more with his view that we need in Latin America to transform agriculture into a dynamic force for economic development.

It is encouraging to see how in recent years the Latin American agricultural sector has been given a very high priority in the current development effort of practically all countries. The Inter-American Development Bank takes pride in its contribution to the strengthening of this attitude. About 800 million dollars, or 40 per cent of our loans, have been applied to agricultural projects and to infrastructure facilities benefiting rural areas. The Bank's loans for agricultural projects represent about fifty per cent of the total received in this field by Latin America from international and bilateral public financing agencies from 1961 to date.

It is also encouraging to note, as Mr. Rockefeller pointed out, the growing interest of private investors, including banks and industrial corporations, in participating directly in agricultural development, or in the so-called "agribusiness community."

I wish to stress that in agriculture, as in other fields of development, there are ample opportunities for cooperation by private banking and business in the more advanced countries, with the governments and business sectors of the developing countries, and with international, regional and bilateral agencies. Their contributions, particularly through the transfer of productive technological innovations, of managerial ability and of marketing aggressiveness, could be of great significance to the major task ahead of us.

However, by emphasizing the priority of agricultural development we should not overlook the indivisible character of the complex development process. The recent report on the World Food Problems by the U.S. President's Science Advisory Committee puts it very clearly when it says: "The problem of food production is but one part, albeit a very important part, of the enormous problems of economic development in the poor nations."

Mr. Rockefeller quoted Professor Galbraith's very lucid enunciation of the prerequisites for economic progress, namely, achievements by the developing countries in literacy, social justice, public administration and the understanding of the development process. I am in full agreement with this view. It must be realized, however, that in order to achieve these prerequisites, the developing countries may have to undergo difficult, and sometimes painful, political and social changes, to overcome regressive structures that block progress and modernization.

As these changes are made, and social justice achieved, it will be possible to promote a responsible and complete mobilization of a nation for an effort which would bring opportunities of progress and improvements to all sectors of its population. The Mexican experience, as mentioned by Mr. Rockefeller, is a confirmation of this point.

We have listened to Mr. Rockefeller explain how, in spite of the efforts already made, progress in less developed areas has not reached in recent years the required pace to achieve an adequate rate of growth.

The more important source of external resources to developing countries, that is, international trade, continues to show an adverse evolution; while it is possible for industry in the advanced countries to increase prices of its products in the face of increasing costs, and to provide subsidies and protection to their farmers to enable them to stay in business, developing countries continue to be subject to downward pressures in the prices of many of their primary export commodities, and must face too many restrictions and limitations in their access to international markets of the more advanced countries.

In the international financing side, we have observed, with concern, that it is becoming increasingly difficult to mobilize the additional amount of public and private resources that are need to increase capital investment in developing countries at a reasonably faster rate than the one now prevailing.

This situation gives banking in general, and development banking in particular, including national and international, public and private banking, a vital and critical role in the present field of international cooperation for development, many aspects of which have been eloquently described and analyzed by Mr. Rockefeller.

* * *

In closing, I would like to recall an observation of Per Jacobsson on economic development which I think has a particular meaning in the context of the responsibilities of public and private banking in the progress of the developing countries. In his address at the IMF meeting in Vienna, in 1961, he said: "Economic growth can be compared with the construction of a good house, with stability as its foundation. A good house can only be erected on a solid foundation. Preparing the foundation, however is not sufficient. There must be further initiative and activity, and the necessary resources must be acquired, to complete the building".

And let me add, making use of Per Jacobsson's vivid image, that we bankers have a key responsibility in this building task for economic growth.

* * *

MR. BURGESS; Thank you very much, Mr. Herrera, for your very substantial contribution to the subject we are considering here.

Now we turn to another side of the world for evidence on this subject. Mr. Shigeo Horie was until recently the Chairman of the Bank of Tokyo, the largest of the commercial banks of Japan. He has freed himself from those day-to-day activities to give more time to economic analysis and writing, at which he has distinguished himself, and he is now Chairman of the Committee on International Finance of the Federation of Economic Organizations. We will be delighted to hear from Mr. Horie.

ECONOMIC DEVELOPMENT --THE BANKING ASPECTS

Commentary by
Shigeo Horie, Chairman,
Committee on International Finance,
Federation of Economic Organizations

At the outset, allow me to say that it is really a privilege for me to have the opportunity of commenting before this distinguished audience on the excellent lecture delivered by my good friend, Mr. David Rockefeller.

This occasion brings back vividly the memory of the late Per Jacobsson, who also was a good friend of mine. I remember our acquaintanceship, beginning in 1936 when I was stationed in London and from time to time worked with the Bank for International Settlements in Basle where Dr. Jacobsson was head of the Monetary and Economic Department of that Bank. After he became the Managing Director of the International Monetary Fund, I had the chance of renewing my friendship with him at least once a year at the Fund's annual conference.

The subject of today's lecture, "Economic Development--the Banking Aspects", reminds me of the opening remarks Dr. Jacobsson made at the annual conference of the Fund held in New Delhi just ten years ago, which I attended. In his remarks, he emphasized the importance of the economic development of the developing countries, and, in his far-sighted wisdom, devoted a considerable part of his remarks to discussing various important problems in this connection. Among these problems the one of great interest to me in connection with Mr. Rockefeller's lecture was how to harmonize effectively the use of the domestic savings of the developing countries with foreign resources. Let me quote his own words:

> "To promote development at a quicker pace than the underdeveloped countries' own savings will permit, there is therefore need of resources obtained from abroad --and not only from official agencies, but also from private sources. We have not so far arrived at a generally accepted and coherent view of the ways in which their domestic savings and foreign resources can best be harmonized to promote development with stability".

In his closing remarks at this New Delhi conference, Dr. Jacobsson again referred to this problem and asserted that the Fund would proceed with a study of the subject. I firmly believe that Mr. Rockefeller's lecture here today constitutes an adequate answer to the problem. Mr. Rockefeller has pointed out that the intelligent utilization of capital holds the key to promoting the economic advancement of the developing countries and that private foreign investment is an indispensable catalyst in this connection. He has highly appraised the role of commercial banks in funnelling and counselling private capital in its movements from the industrialized countries into the developing ones.

I believe that what Dr. Jacobsson meant by the appropriate and rational harmonization of domestic savings with foreign resources was nothing but intelligent utilization of capital. In my view, such capital utilization cannot be realized by private capital alone, and, for the development of infrastructure inclusive of agriculture, a developing country will have to rely heavily on official resources from advanced nations, or international financial organizations. It is understood, of course, that the utilization of private capital has its own limit in respect of risks involved and scale of projects.

There have been several cases in which reliance on official resources without regard to private capital has caused economic development to fail. If a developing country fails to exert effort to modernize the economy and promote its efficiency through the induction of private capital, there is a risk that the infrastructure which has developed will lack animation. In this sense, as Mr. Rockefeller has wisely pointed out, private foreign investment is an indispensable catalyst for what he termed the "intelligent utilization of capital" for the promotion of economic advance in the developing countries.

In this context, the role played by commercial banks as consultants on matters pertaining to this type of foreign investment, or as the supplier of local funds needed for development projects is quite significant. I am in a position to assert this positively from the experience I gained during my long term as president of an international commercial bank, The Bank of Tokyo. I am confident that activities of commercial banks in this sphere will be all the more diversified in the future, and, through these activities, they will contribute a great deal toward the economic uplift of the developing countries.

Let me now consider the problem as it arises in Southeast Asia where my country, Japan, is situated. In recent years there has been a favorable tendency in this connection. That is to say, most of the countries in Southeast Asia have become increasingly active in attracting foreign private capital. Understandably, this is in sharp contrast to the past behavior of these developing countries, for most of them depended heavily on governmental aid or other funds from foreign official sources for their economic development.

As you know, Thailand and the Republic of China earlier instituted legislation to facilitate the inflow of private foreign capital; this has gone a long way toward promoting their rapid economic advance. Subsequently, the Republic of Korea, the Federation of Malaysia, and Indonesia took similar action, and very soon the Philippines also is to enact a foreign investment law for similar purposes.

Of course, the investment environment differs from country to country, and there still remain various obstacles standing in the way of attracting foreign investment. But, as there is a definite trend toward freeing the inflow of foreign capital, these impediments will be removed one by one. That accounts for the expectation, widely held, that the role of commercial banks as a channel of foreign funds to finance development projects in Southeast Asia will rapidly become more important in the period ahead.

In addition to this, the Asian Development Bank has been established successfully and is now moving forward to augment the necessary supply of development funds in this area. For instance, the Japanese Government is now planning to supplement the Bank's activity through the establishment of the Asian Agricultural Development Fund. Japan and other advanced nations, including the United States of America, are expected to contribute to this Fund. Moreover, another development of importance in the Southeast Asian region is that moves toward establishing an "Asian Payments Union" have lately become active. As you may know, Professor Triffin produced a concrete plan for the Union, and the plan was deliberated on by the study group of experts at the meeting of the United Nations Economic Commission for Asia and the Far East held in Bangkok last August. I would go so far as to say that there is a strong possibility of the Union being established, in view of the intense interest shown by the Commission and the current state of affairs in its member countries. Should the proposed Union push forward regional cooperation among Asian countries, it would prove a powerful incentive to the promotion of economic development in that part of the world.

The direct purpose of the proposed Asian Payments Union is to streamline settlements between member countries under clearing arrangements involving credit grants in some form or other. If industries of the member nations could expand their markets throughout the region covered by the Union, the economic development of the individual countries would benefit much from resultant growth in their exports.

Furthermore, the expansion of markets will constitute an influential factor inducing private foreign investment. This, together with the receptive attitude of developing countries toward foreign capital, will enhance the intelligent utilization of capital of which Mr. Rockefeller spoke.

I believe that if the war in Vietnam ends, or even if it should be reduced to some extent, the aid and cooperation from the advanced nations towards the economic reconstruction of Southeast Asia would be accelerated. I would very much like to see this situation come about.

In concluding my comment, allow me to quote again the words of Dr. Jacobsson. In his remarks he stated that the underdeveloped countries would have to attend to their own credit-worthiness if they were to be successful in attracting private foreign capital and he defined the "requisites of credit-worthiness" to mean the avoidance of inflation and fair treatment of foreign investment. Without these two requisites, a developing nation can hardly expect a satisfactory inflow of foreign capital, which in turn makes more difficult that essential aspect of economic development, namely, the intelligent utilization of capital. Essentially, achieving these requisites is a task to be performed by the country concerned. As Mr. Rockefeller has pointed out, however, there is no assurance that policies will be pursued in the direction desired. I am of the opinion that, not only international financial institutions such as the International Monetary Fund and the World Bank, but private financial institutions should provide appropriate advice to the developing countries, and give support to these countries in enhancing their credit-worthiness.

* * *

MR. BURGESS: Thank you, Mr. Horie. I know that to everybody in this audience it is extremely pleasing to have something good said about what is going on in Southeast Asia, and particularly to learn about the growth of private credit institutions and the spreading out of their interests to spots beyond their national borders, led by the Asian Development Bank. And I confess that Mr. Horie's statement about the development of a Payment Union for that area was news to me, and sounded promising. Certainly there is no place in the world where it is more important to get started instruments of international cooperation; so what Dr. Horie has said to us is most pleasing.

Now we are coming to the question-and-answer period. But before we open that up, I'd like to know if Mr. George Woods, whose business is development, would like to add something on this subject.

MR. GEORGE WOODS: That was a very good talk. I subscribe unreservedly to everything David Rockefeller said, and I hope I will be able to get those same general ideas across at my Governors' meeting on Monday next.

In the matter of collaboration, we in the World Bank have found it very easy, and very fruitful I might say, to cooperate on numerous occasions with the Inter-American Development Bank - our sister institution. And I think the new regional banks that are coming into being, in Africa and, more recently, in Asia, will continue in the spirit of collaboration we found possible and fruitful with the Inter-American Development Bank.

MR. BURGESS: Now we have plenty of time for further discussion. A number of questions have been passed in; Mr. Rockefeller has them in his hand and he can answer them as he pleases.

RESPONSE TO QUESTIONS

by
David Rockefeller

The first question that I have here says: "Do you believe that the measures pointed out in your speech will enable countries lacking raw materials to achieve social peace?"

I have two observations to make on that: In the first place, there have been instances of countries lacking in great wealth of mineral or natural resources which have done very well. I am thinking particularly of South Korea which, as a result of the Korean War, was bereft of most of its natural resources, but which is now coming along very well indeed. Another is Taiwan. Although that country has some important natural resources, its development has not been a result primarily of these resources. In the case of these countries, outstanding human resources, plus foreign aid, made possible satisfactory economic and social development.

The other point that I would make is that there are a number of countries, perhaps particularly in Africa, which I should think, if they are to ever be economically viable, will have to associate themselves in some kind of a regional organization, just as the European nations found that the Common Market was desirable to make possible a more advantageous allocation of resources.

I would expect in the next ten, twenty, or thirty years to see a substantial expansion of regional economic groupings. This may well be the answer to the question that was raised.

The next question: "What is your opinion of the special drawing rights? Do you regard this as a solution for world economic problems or merely a step toward a solution?"

The proposal, of course, has not yet been acted on, and I wouldn't want to anticipate what Mr. Schweitzer and his distinguished Board might do in the next few days. But, assuming that they were to adopt the proposal to create special drawing rights within the Fund, which I believe the Board of Directors has approved in principle. I feel that it would be a very useful step towards making available additional international liquidity, should this be necessary in the next few years. It may not prove to be the final step. It may well be that, in the longer run, it will be desirable to go farther. But personally I feel very happy that it is being accomplished in this evolutionary way, rather than going immediately to the reserve unit, which was another possibility.

The next question: "Will you please give your views on the role of private enterprise in the formation of the Latin American Common Market?"

As Chairman of an organization called the Council for Latin America and, through it, a participant in CICYP, the Consejo Interamericano de Comercio y Producción, I am strongly in favor of the Latin American Common Market. Most of the businessmen I have talked to share that view. CICYP on a number of occasions has come out strongly in favor of LAFTA, the Latin American Free Trade Area, urging private groups to do the most they can to help it.

Just exactly what that role should be remains a question. I understand that there is in formation at the present time an Action Committee made up of Latin Americans drawn from the private and the public sectors. The Committee is modeled to some extent after the organization that Jean Monnet built up immediately after World War II which was so helpful in the establishment of the European Common Market.

I hope very much that the Action Committee comes into being very shortly and that it becomes an active, effective group, as I believe that the governments of the Latin American countries need further support, and perhaps even prodding, from the private community.

If such an organization comes into being, there have been discussions, initiated by Senator Javits, to establish an International Cooperating Committee of Europeans and Americans to work with the Latin American Action Committee.

Here again I think that such a committee could be very constructive; I hope that it is formed soon.

Then another question on roughly the same subject. "What can foreign banks do to foster integration and regional investment policy in Latin America?"

Whoever wrote that question must have been reading our minds at the Bank, because we have been addressing ourselves to exactly that question. I am afraid we haven't yet come up with the answer. I do think, though, that banks ought to be able to help. The free flow of goods and services between the Latin American countries will have to be financed, and the banking system certainly will play a very important role in that financing.

One of the problems in the past has been that the flow of trade from Latin America has been largely with the United States and Europe rather than among the Latin American countries themselves. There is need for much more trade among the nations of Latin America.

Here again I find it very encouraging that there is talk of regional groupings of nations which have a number of interests in common. In the recent Foreign Ministers' meeting I believe there was discussion of a regional grouping to include Chile, Peru, Ecuador, Colombia and Venezuela. This would certainly seem like a logical step and would in no wise interfere with the broader LAFTA objectives so far as I can see.

I do believe that, somewhere along the road, the private foreign banks should be able to play more of a part. And if the questioner would come back to me in a few months I hope to be able to offer better suggestions than I can now.

The next question: "In your defense of private enterprise you have overstated your case. For example, apart from the success cases you mention, do you not think that private enterprise in many developing countries has been a source of undesirable speculation and public corruption?"

I think the days of irresponsible private enterprise are largely past, particularly among the multinational companies that are operating around the world today. Private enterprise has become increasingly responsible, increasingly cognizant of its broader social responsibilities in addition to its responsibility to its shareholders to make a profit.

The next question: "Do you feel that foreign private enterprise can observe the moral disciplines and responsibility for underdeveloped countries that will prevent abuses?"

Again I am sure that there have been isolated cases of companies which have acted irresponsibly, and certainly one deplores those cases. But it is my honest feeling that the business community is increasingly aware that it cannot operate in a vacuum, that it cannot take steps for its own benefit which go contrary to the best interests of the public. If there is such a conflict, I think business has to recognize that the public interest comes first, and I don't believe I am an exception in that belief.

Obviously when you say "accept responsibility for the underdeveloped countries," I don't think that business can do it alone. It has to operate within the framework of the laws and social customs that any given country may establish. But it certainly can be helpful and, I believe, increasingly is doing so.

The last question is one that I am not sure I entirely understand. "What do you think of the problem of atomic technology research in developing countries?"

I am sure that atomic energy is going to become an increasingly important source of power in the world and that the rate of growth in use of atomic power will probably accelerate. But all the studies that we have made in our Bank -- and we have made a good many of them -- would seem to indicate that the demand for power in the world is expanding so rapidly that the conventional sources of energy will probably continue to expand and that atomic energy will merely take care of surplus requirements which couldn't otherwise be handled by conventional sources.

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MR. BURGESS: Now, the floor is open if anybody would like to ask questions orally or make a remark. Are there any more questions? If not, it is an indication that our speakers have done a thorough and exhaustive job. On your behalf I extend to them our gratitude. They have all put in a lot of work on this topic and have come long distances to be here, and we are very grateful to them.

CLOSING REMARKS

by
W. Randolph Burgess

Before adjourning the meeting, there are one or two things I want to tell you.

One is about the session next year. The Sveriges Riksbank is celebrating its 300th anniversary in May of next year. It is the oldest central bank in the world, a number of years older, for instance, than the Bank of England. The authorities of the Riksbank have very kindly given us an opportunity to hold the 1968 meeting of The Per Jacobsson Foundation as a part of their celebration at that time. The date will be May 16, 1968.

The principal speaker at this lecture will be Dr. Holtrop, who has just retired as head of the Nederlandsche Bank. He will speak on the relation of central banking to economic integration, which obviously means: What do you do about central banking when you have an integrated Europe, or in Latin America when you have a common market here, or in Southeast Asia when you have integration there? Lord Cromer, formerly Governor of the Bank of England, has agreed to lead the discussion. So we are guaranteed a very interesting meeting at that time.

Now I think most of you already know that the Central Bank of Brazil, through Dr. Leme, who was here earlier, is offering us a reception. We are very grateful, and I suggest that we now adjourn and go in to enjoy this hospitality. This meeting is adjourned.

APPENDICES

BIOGRAPHY OF DAVID ROCKEFELLER

Mr. Rockefeller has had a widely diversified group of interests, ranging from neighborhood improvement to global economic development.

His career began in 1940 as an aide to Mayor Fiorello La Guardia of New York. Following military service, he joined the International Department of the Chase National Bank (now the Chase Manhattan Bank, N.A.) in 1946. Over the next decade, he assumed positions of increasing responsibility in the bank, was promoted to vice chairman of the board in 1957, and in 1961 became President and Chairman of the Executive Committee. He is also chairman of the bank's foreign investment subsidiary participating in economic development projects in Asia, Africa, and Latin America.

In addition to his responsibilities with the bank, Mr. Rockefeller engages in a broad range of outside activities. His special interest in world affairs is reflected, in his own country, by his membership on the Secretary of the Treasury's Advisory Committee on International Monetary Arrangements, and the General Advisory Committee on Foreign Assistance Programs. He helped organize and is currently chairman of the Council for Latin America and the Center for Inter-American Relations. He is also chairman of the International Executive Service Corps, through which the managerial ability of retired business executives and some mid-career men are being made available to enterprises in the developing countries of the world. He is vice president of the Council on Foreign Relations and a member of the Economic Policy Commission of the American Bankers Association.

Mr. Rockefeller is president of the board of overseers of Harvard University, chairman of the boards of Rockefeller University and of the Museum of Modern Art, and an honorary trustee of the University of Chicago. With his four brothers he participates in a number of joint enterprises in philanthropy, economic development, and investment, both in the U.S. and abroad.

Mr. Rockefeller was born in New York City in 1915, youngest of five sons of John D. Rockefeller, Jr. Following graduation from Harvard University with the degree of B.S., in 1936, he continued his studies at Harvard, the London School of Economics, and the University of Chicago, from which he received a Ph.D. degree in economics in 1940. Mr. Rockefeller holds the honorary degree of LL.D. from Columbia University, Bowdoin College, Jewish Theological Seminary and Williams College and has been the recipient of honors from the governments of Belgium, Brazil, Lebanon, Liberia and Panama.

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DONATO MENICHELLA - Italy - Honorary Governor, Banca d'Italia

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JEAN MONNET - France - President, Action Committee, United States of Europe

WALTER MULLER - Chile - Former Chilean Ambassador to the United States

*JUAN PARDO HEEREN

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ABDUL QADIR - Pakistan - Former Governor, State Bank of Pakistan

* Deceased

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