



Source: Black, 17-21 September 1962, speaking at Annual Meetings World Bank and its two affiliates, World Bank Group Archives

BLACK, Eugene Robert

American Banker and third President of the International Bank for Reconstruction and Development (IBRD) or World Bank (since 1956 World Bank Group) 1949-1962

By **Michael G. Schechter** · Version 1 October 2014

Was born 1 May 1898 in Atlanta, Georgia, and passed away 20 February 1992 in Southampton, Long Island, New York, United States. He was the son of Eugene Robert Black, lawyer and banker, and Gussie King Grady, homemaker. On 8 June 1918 he married Elizabeth 'Dolly' Blalock. They had one daughter and one son (also named Eugene Robert). After her death on 2 April 1928 he married Susette Heath on 25 January 1930. They had one son.

On film (21 April 1952): www.archive.org/details/gov.archives.arc.95750

Biography

Black was born into a family that was both wealthy and well-connected. His father, who was a lawyer and banker, became Governor of the Federal Reserve Bank of Atlanta and later briefly Chair of the Federal Reserve Board of Governors (1933-1934). His mother was the daughter of Henry Woodfin Grady, a famous journalist, orator and spokesperson for the New South. In 1918 Black graduated cum laude from the University of Georgia, where he majored in Latin. He served briefly as an ensign in the United States (US) Navy in the First World War, summing up that period of his life as: 'I was the seasickest ensign who ever went to sea' (Black Named 1965: 54). Following the war he joined the Atlanta office of Harris, Forbes & Co., a New York investment firm. When the firm was reorganized as Chase-Harris-Forbes Corporation, he became the district manager for Atlanta. He rose to be Assistant Vice-President in 1933, just before the company fell victim to the depression. That same year he joined Chase National Bank of New York as second vice-president. He moved from the Atlanta office to New York City in 1934. There he gained a reputation as an expert on the bond market. In 1936 he was offered the position of Under Secretary of the US Treasury, but opted to stay

with Chase National, where he was promoted to Senior Vice-President in 1937. During the latter part of the Second World War, Black became increasingly involved with Chase's international dealings.

After the war, while in Europe Black heard rumors about John McCloy being appointed as second president of the International Bank for Reconstruction and Development (World Bank in short). Upon his return to the US, he met with McCloy about Europe's needs and urged him to accept the post. McCloy made his nomination as President of the World Bank contingent on Black being appointed as US Executive Director. US President Harry S Truman concurred and appointed Black to the post in February 1947. Black was just what the World Bank in Washington DC needed at that time: he was very effective in marketing the Bank's bonds. McCloy also came to rely heavily on him for advice and support; thus, while McCloy did not get his wish to have Black formally appointed as a member of his staff *and* as the US Executive Director, it happened informally (Kraske 1996: 49 and 51). Black spent a lot of time lobbying members of the US Congress and state assemblies to pass the requisite laws so the World Bank could fundraise in the US. In May 1949 McCloy resigned as World Bank President to become US High Commissioner for Germany. Black was McCloy's choice to be his successor. After initially resisting the position, as he wanted his career to be with Chase, Black relented and allowed Truman to nominate him. He was elected and took office effective 1 July 1949. Subsequently he said that he found that there was more 'inner satisfaction' in being President of the World Bank than making money (Kraske 1996: 77). Not surprisingly, the transfer of the Bank leadership from McCloy to Black was relatively seamless.

Black preserved the authority of the World Bank presidency while improving the relationship between the Bank President and its Board of Directors. His way of ensuring that things went smoothly in the Board was to consult very widely ahead of time and often informally with those directors relevant to the passage of whatever he had in mind. His principal achievement, however, was the establishment of the Bank's credit and its reputation for probity and strict standards. During Black's tenure as President, the World Bank developed the concept of the project loan, which permitted it to meet private market tests of sound finance. This allowed Black to sell Bank bonds, for the first time, outside the US. He began with the United Kingdom and Switzerland, even though Switzerland was not a World Bank member. He did this in part because Swiss francs were fully convertible and he kept emphasizing that the Bank had to be more than a 'dollar bank'. But he also did it because he wanted to lend Swiss francs to Yugoslavia, knowing it would be easier for Yugoslavia to repay Swiss francs than US dollars (Oliver 1995: 42). Black's negotiation of a loan to Yugoslavia is particularly revealing. He personally negotiated the loan with Yugoslav President Josip Broz Tito. Black's attitude toward borrowers was 'less standoffish than that of his predecessors; he wanted an intimate banker-client relationship with member countries' (Mason and Asher 1973: 96-97). Because he wanted Titoism to succeed, he even waived the condition that a borrower had to settle arrears before getting a loan. Thus the loan to Yugoslavia was a rare deviation from Black's strong commitment to only making loans using economic rationality and those that could stand up to the market, which he contended had allowed the Bank to be independent and impartial (Le Prestre 1989: 142-143). Because of this deviation Black actually would have preferred that Tito rejected the offer. Black was outspoken in his criticism of bilateral aid because he believed that while the Bank could impose certain conditions, if the US (or some other country) insisted upon the same requirements it would be damned for interfering in the internal affairs of the recipient country. Brazil, Guatemala, Indonesia and a proposed loan to the British Colonial Development Corporation were instances where the conditions Black imposed led to significant criticism: 'At home and abroad, Mr. Black benefited from an acute mind, an engaging Southern drawl and a lack of vanity. He also brought a bluntness that disabused heads of state and finance ministers of any notion that he was an international Santa Claus' (Eugene R. Black 1992). Black frequently argued that bilateral aid inevitably involved using political rather than economic criteria in deciding what countries would receive loans and grants (Kilpatrick 1962). In spite of this perspective, there is some evidence that 'Black's Bank' rushed or relaxed conditions on

loans to Iraq, Iran and Iceland because of encouragement and pressure from the Bank's key constituents, namely the United Kingdom and the US (Kapur et al. 1997: 104-105).

The World Bank's focus on economic development began under Black, in part because there was not any more lending for reconstruction to be done, once the Marshall or European Recovery Plan (1948-1952) had come into being. To assist in this endeavor, he enthusiastically supported the establishment of a body that could do both research and training, what evolved into the Economic Development Institute. Moreover, with the addition of the International Finance Corporation (IFC, established in 1956) and the International Development Association (IDA, established in 1960), as Bank affiliates, the World Bank during Black's presidency became the World Bank Group. While the idea of the IFC was actually suggested by Robert L. Garner and supported by his Assistant Richard Demuth and supported by McCloy before Black took over as President, he pursued the idea in spite of opposition by the US government and even within the Bank. Black's support of the IDA was a fundamental shift for him from the early 1950s when he had been dead set against the idea of multilateral programs that would make concessional capital transfers (grants or loans) at softer than market terms to poor countries (Kapur et al. 1997: 12). His shift was in no small part because he wanted to undermine the support for the Special United Nations Fund for Economic Development (SUNFED). He believed that if there had to be a soft loan window, it was better that it be attached to the World Bank, where rich countries had more control due to weighted voting, than to the United Nations Secretariat (Van de Laar 1980: 57). When asked in 1961, if the Bank would be more successful if it were the *only* lending institution for economically less developed countries, Black replied: 'Yes, Yes, I think so. The strength of the World Bank is our ability to speak frankly to those countries and to insist upon their carrying out their policies' (Oliver 1995: 43). As a consequence, as Bank President he opposed the establishment of regional development banks, whether in Asia, Africa or Latin America. He also believed that the International Monetary Fund (IMF), under the leadership of Per Jacobsson, was not sufficiently stringent in its conditions for making funds available to member states, as exemplified in its dealings with Colombia. Accordingly, relations between the World Bank and the IMF were often contentious and competitive and relations between Black and Jacobsson were similarly strained (Mason and Asher 1973: 546-547 and 547n).

Black, who was described as '[t]all, bald, informal and pleasantly approachable', 'soft spoken', 'keen minded' and enjoying 'a reputation for being studious but not stuffy' (Black 1950: 56), also gained a reputation as an important, and sometimes successful, mediator. Davidson Sommers (1989: 50), an attorney who worked at the Bank for years, said: 'Black was brilliant in mediation' and 'very good in negotiations'. He worked hard to reconcile differences between the British and the 1951 government of Mohammad Mossadegh in Iran and Indian and Pakistani differences over the Indus River Basin, to secure Western funding for the Aswan High Dam in Egypt, and then to negotiate claims that arose as a consequence of the 1956 Suez Crisis. Black was quite upset when the US withdrew its funding for the Aswan Dam for what he saw to be purely political reasons: 'I have never made a secret of the fact that the greatest disappointment in my life was when Secretary of State John Foster Dulles, after encouraging the World Bank to take on this project ... withdrew the support of the U.S. government at the last minute. This was a decision with which I thoroughly disagreed' (Black 1969: 131). Still, Black agreed to negotiate claims as a consequence of the Suez Crisis at the behest of UN Secretary-General Dag Hammarskjöld (Mason and Asher 1973: 641), who had consciously cultivated improved relations with Black, a fairly vivid contrast between the World Bank's presidents and Hammarskjöld's predecessor, Trygve Lie. Black, himself, was aware that the Bank's reputation on Wall Street had become secure enough to 'withstand the apparent stigma of better relations with the UN' (Mason and Asher 1973: 565). But in spite of Black's 'cordial personal relationship' with Hammarskjöld, he politely rejected the latter's suggestion that the IDA have a special relationship with the UN. It was Black's view that 'the formal institutional links between IDA and the United Nations and other specialized agencies should follow the same pattern as has been established in the case of the Bank' (Mason and Asher 1973: 569 and 749). This is in contrast to his receptiveness to International Labour Organization (ILO) Director-General David A. Morse's overture to him to have the ILO and World Bank

set up an International Institute for Building Loans, which would make mortgages available for lower income groups. Black recognized that the building sector was important for employment and economic growth.

Throughout Black's thirteen years as President, the World Bank grew consistently. In that time the Bank was transformed from a relatively unknown institution with a potential for making a modest difference in the world to one that was viewed by many as having already made a significant difference. Its membership increased, its resources increased and its technical advice came to be seen as almost as important as its loans. Black (1960) spoke of 'development diplomats', those who illuminate choices so that politicians and civil servants, especially in economically less developed countries, could weigh the costs and benefits of alternative courses of action. The World Bank's primary activity was financing infrastructure projects, which were large in size and capital intensive, destined to last a long time: dams, roads, railroads and power plants. During the 1950s more than 80 per cent of the investments in economically less developed countries went to the energy and transport sectors. The preference was for financing single and well-defined development projects, as contrasted to more general programmatic frameworks. By financing large public works projects, the World Bank acquired leverage to influence the macroeconomic variables of a country. While no loans were made for education while he was President, Black came a long way from the statement he made during a mission to Colombia in 1952: 'We can't go messing around with education and health. We're a *bank*' (Benjamin 2007: 67, italics in original). A decade later he was quoted as saying: 'We are forced by our circumstances into trying to fashion a whole new orchestra of financial instruments designed specifically ... to implant and cultivate in the underdeveloped world the many factors that make a society productive' (Benjamin 2007: 67).

While Black was a reluctant convert to social projects and to agriculture, he had little choice given changing models of development, decolonization, and the increased attention to the rich-poor divide – which Black himself cautioned might result in tensions even greater than those of the Cold War (Black Sees 1959: 19). Moreover, his travels throughout the globe, especially throughout Africa, affected his perspective on what had to be done: Black was 'a son of the American South who could turn his attention to a much larger south and understand its problems'. Moreover, his 'perspective on the development problem and on the Bank's mission was shaped strongly by his firm belief in the ideals he felt the United States embodied: individual freedom, democracy, free enterprise, and the perception of the threat of communism to those ideas' (Kraske 1996: 101 and 112). On top of all of this, Black realized that if the IDA did not move to expand the sectors in which it was active, there would be support for SUNFED, which he had sought to undermine. However, linking the World Bank to a single man's vision – one whose style of running the Bank has been referred to as a 'charming autocratic' (Kapur et al. 1997: 11) – had its downsides. For example, in spite of recognizing that population growth had to be restrained if economic progress was to be made in Asia and the Middle East, he took the position that this 'is not a field in which international agencies can do much' (Black 1962: 90), a position quite unlike that taken by Robert S. McNamara when he became the Bank President in 1968. In addition, it was only in retrospect that Black (1971: 11) stressed the need for the World Bank to provide services directly 'to the masses of peasant farmers who make up the bulk of populations of Asia, Africa, and Latin America'.

Black, in declining health, announced his retirement some five months short of the Bank's mandatory retirement age of 65. While he said he thought his retirement would be a good thing because 'letting in the new is important if the Bank is to avoid becoming a fossil and to remain a living institution' (Porter 1962), he vowed not to leave the presidency until he was satisfied the Bank would be in good hands. He thought that the Bank would be best led if either Douglas Dillon or David Rockefeller succeeded him. He knew well George Woods, who actually succeeded him on 1 January 1963, but he was not as prominent as those Black had on the top of his preferred list (Kraske 1996: 115).

Black's most notable service after his tenure at the Bank related to Southeast Asia. Seeking to bolster support for his policies there, in April 1965 US President Lyndon B. Johnson placed Black in charge of the administration's economic program in the region. His first assignment was to call UN Secretary-General U Thant and ask him what the US could do to signal its interest in supporting regional cooperation. Thant suggested support for the Asian Development Bank (ADB). Johnson agreed and it became Black's job to get the US Congress to support the establishment of the very institution that he had once opposed (Black 1969: 97-98). Although his efforts resulted in the ADB's creation in December 1965, other regional projects, most notably the Mekong River Redevelopment Commission, floundered. Black received the Medal of Freedom in January 1969 for his work on behalf of the US government.

In addition to his work for the US government, which also included serving on President John F. Kennedy's standing committee to study US foreign aid programs and as Kennedy's special adviser on the financial aspects of developing a supersonic jet transport, Black served as President of the Brookings Institution in Washington DC and of the American Shakespeare Festival Theater and Academy, and Chairman of the Overseas Development Council and of the John F. Kennedy Library, and as a trustee of Johns Hopkins University and of Oglethorpe College, the Institute for International Education, the Bowery Savings Bank, the Population Council, Inc., the National Trust for Historic Preservation and the Ford Foundation. He also served as a member of the Board of Directors of the Royal Dutch Petroleum Company, the Olin Mathieson Chemical Corporation, Julius Garfinckel and Company, International Telephone and Telegraph, *The New York Times*, Electric Bond and Share, Cummins Engine, Equitable Life Assurance Society, and the F.W. Woolworth Company. Moreover, he was appointed as a special adviser to the ruler of Kuwait and, beginning in March 1963, as a financial consultant to UN Secretary-General U Thant, who he assisted in bond marketing and debt collection, travelling to the Middle East and Europe in an effort to shrink the UN's deficit. On top of all of this, in his 'retirement' years he renewed his ties with Chase (now Chase Manhattan), serving as both consultant and director and authored *Alternative in Southeast Asia* (New York 1969), which critiqued US policy in Vietnam, but mostly focused on the need for multilateral development assistance to the region. Aside from his service as a consultant to the American Express Corporation from 1970 until 1978, Black largely retired from active business affairs after 1970. In 1992 he died in his sleep at the age of 93, probably of heart failure. His funeral was private.

May 2021: IBRD/World Bank explained in heading

Archives

- Papers relating to Black's service as President of the World Bank are located in the World Bank Archives in Washington DC
 - Reminiscences (1961) in Columbia Center for Oral History in Butler Library, Columbia University, New York
 - Black's papers and related artifacts in Hargrett Library, University of Georgia, Athens, Georgia
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