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December 27, 1971

Dr. Erven J. Long
Agency for International Development
Technical Assistance Bureau
Washington, D. C., 20523

Dear Dr. Long:

Enclosed is a typed report by myself, as chairman of the subcommittee which evaluated the Harvard Project, Comparative Studies of Resource Allocation and Development. Attached to the chairman's report is a series of comments on the individual projects in the proposal which have been compiled by me from my own written comments and those of Dr. Smuckler and Dr. Heady, also of the subcommittee.

I received a letter from Frank Moore dated December 15th indicating that the intensive review of the Harvard Project has been called off. If this is true, then we were laboring under a misunderstanding at the December 20th and 21st RAC meeting. Members of my subcommittee wished to have a report some time soon on the Harvard Project to determine whether the individual projects in the overall proposal had been rewritten more satisfactorily before research proceeded. I assured them that this would be no problem since an intensive review was to get underway in the spring, and therefore the RAC would receive an interim report in the form of an intensive review. Now that the intensive review has been called off, this will not be the case. Perhaps all that is needed is a report at the next RAC meeting on the progress of this project to ensure that AID staff monitoring was effective in requiring Harvard to delineate their projects more carefully.

You should feel free to send copies of the enclosed report of the subcommittee and its attachments concerning the individual projects to the Harvard people. I would prefer, however, that the names of the members of the subcommittee not be passed on to the Development Advisory Service.

With best regards,

Sincerely yours,

Charles R. Frank, Jr.

Charles R. Frank, Jr.
Professor of Economics and
International Affairs

CRF:jd

Enc.

cc: Frank J. Moore

December 27, 1971

Report of the Chairman of the Subcommittee on
Comparative Studies of Resource Allocation and Development

All of the members of the subcommittee felt unsure of their roles in evaluating this proposal. The uncertainty stemmed from a number of concerns.

First, the proposal as formulated asks for support on a series of disparate projects, organized into five main topical areas. As such it is difficult to evaluate the project as a whole. Some parts of the proposal seem to be well thought out and promise significant research findings which are likely to assist AID in its policy making. Other parts of the proposal are extremely vague and promise little in the way of interesting research results. Some of the subcommittee members thought that no one of the five topical areas would qualify as a separate project for RAC approval although some of the sub-topics are reasonably well-formulated. Most of the individual projects under the five main topics, however, are ill-defined, propose questions that are not researchable, and do not specify the methodology to be used.

Secondly, since the proposal involves a series of projects of varying quality and bearing differing degrees and kinds of relationship to each other, some of us asked ourselves whether the proposal made sense as a research program. A research program, however, ought to have a common, unifying theme, for example, a common methodological approach or a common set of issues or hypotheses examined in different institutional settings. The proposal as written, however, provides no unifying theme. In fact, the grouping of projects into five topical areas seems a bit forced. For example the proposal to study "Development with Small Domestic Markets" involves five studies which are very poorly integrated. Even if we were to conclude that the proposal should be viewed as a research program, we are uncertain as to whether the RAC review procedure for research proposals is appropriate and whether the program ought to be considered for a 211 (d) institutional grant. We are not here to evaluate an institutional grant so such a consideration would have to be made in another context.

A third way to view the proposal is as a request for an AID contribution to the DAS program in the broadest sense. In an A.I.D. internal memo of July 26, the suggestion is made that the "extension be based upon financing Harvard research (for personnel) returning from DAS overseas assignments not financed by A.I.D., "and that the availability of research financing makes it possible for Harvard to recruit better personnel and maintain a list of competent consultants..." We have not been provided with any materials (e.g. the Ford Foundation evaluation of the DAS effort) to judge the overall DAS contribution to A.I.D.'s goals and the importance of A.I.D. research support for the DAS advisory effort. In any case, viewed in this way, the proposal most certainly ought to be considered in the context of 211 (d) financing.

In addition to the above misgivings concerning the proposal, the proposal was criticized on two important general grounds. First, the work of the DAS has had and promises to have little impact in the LDC's in terms of building up local research capabilities. Few papers are co-authored by LDC economists and few have appeared in LDC publications. Secondly, one sub-committee member points out that the research has been and is expected to be conducted almost entirely by economists. There seems to be little attempt at an interdisciplinary approach except in one of the projects proposed under the topic, "Organizing for Agricultural Development."

There seems to be a consensus among the subcommittee members that the proposal as a whole is poorly written, is not well planned, and is badly integrated. On the other hand, I think we all agree with one sub-committee member who writes in his comments on the proposal:

"Anyone familiar with the commendable work of the Development Advisory Service over the years and in a number of different countries must weigh carefully any request for support submitted by Harvard University in behalf of the DAS. Its past and present membership reads like a roll call of economic development leaders. Its alumni include individuals who have provided major leadership to the Agency for International Development, The World Bank, and the Ford Foundation. It is an organization of great intellectual and program strength with an unusual depth and breadth of experience, and an enviable record of successes mixed with some failures. Even though the jewel in its crown, Pakistan, has been tarnished by recent events, the record and reputation of the DAS among persons seriously concerned with development assistance must be taken as an important consideration in evaluating this proposal. This introduction is another way of saying that one should not turn aside lightly a serious proposal for support from the DAS."

I think the consensus of the committee members is that all things considered they would like to recommend the requested funding for at least 12 months. When the subcommittee members sent their comments to me, they were not aware of the proposal for an 18 month extension of support. I don't know whether they would go along with an 18 month extension, but I think the tone of their comments indicates that they would probably not favor an extension beyond 18 months.

I think the consensus of the committee would be that the 12 or 18 month extension should be terminal. Any DAS proposal after this one should be evaluated in light of A.I.D.'s redefined research goals as they emerge from this year's evaluation of all ongoing projects. A.I.D. might want to insist that any new DAS proposal have more LDC impact, particularly in the form of helping to build LDC research capabilities or that new proposals have an interdisciplinary cast. Most importantly, the A.I.D. should decide whether the DAS proposal is for project or institutional support. If the former, each project should be evaluated separately and on its own merits. Certainly some of the proposed projects in the current A.I.D. package cannot

stand alone as serious projects. If any new grant is to be institutional it ought either to have a unifying theme or be considered in the context of the whole DAS operation.

Other miscellaneous comments were made by the sub-committee members, the most important of which were the following:

(1) Many of the most prominent individuals associated with the proposal are expected to devote very little time to the proposed research and some, e.g. Dr. Chenery, are well-occupied at present and there is little assurance that they can devote any meaningful time to the project.

(2) Many publications are cited as evidence of the results of past A.I.D. support. It is difficult to be sure that these papers were the result of A.I.D. support and a cursory look at the publications reveals few citations of A.I.D. support.

Attached is a specific critique of individual projects, incorporating the comments of all sub-committee members.

Thoughts on Specific Projects in the Harvard University Proposal to AID:

Comparative Studies of Resource Allocation and Development Policy

The project proposals are very diverse and vary considerably in quality. The weakest of the five topical areas are:

C. Development with Small Domestic Markets, and

E. National Development strategy

Comments on all of the topical areas follow:

A. Public Policy for Public Enterprise

There is little good research on the role of public enterprises in the development process. Research on public enterprises could make a significant contribution of new knowledge and be very useful for institutions concerned with problems of economic development and modernization. There are a number of major issues concerning public corporations with policy relevance for both less developed and developed countries which require more basic research than has been done to date. These include the following:

1. What are the relevant criteria to evaluate the success or failure of public enterprises?

2. Given the various criteria, what is the effect of ownership and control on the performance of public enterprises. For example, what are the effects of management contracts, joint venture arrangements, partial public and private control, partial domestic and partial foreign control, and decentralized versus centralized governmental control of public enterprises?

3. How do social and political conditions affect the performance of public enterprises? For example, does the degree of ethnic differences existing in a social structure effect the management and performance of public enterprises? Does the degree of democratic participation and the amount of political competition play a role? What effect do foreign policy goals have on successful development of public enterprises?

4. What is the effect of the economic environment on public enterprise performance? How do economic controls, the foreign exchange regime, level of tariffs and subsidies in the economy, the state of development of financial markets, and the rate of inflation affect the performance of government enterprises?

No one would expect the Harvard group to attack all these questions. The projects under this heading, however, which seem most central to these issues are those by Edward Mason and Mr. Williams. One project seems to have the very limited aim of discerning whether there are significant differences

in labor incentives between public firms and private firms. The MacAvoy project involves testing a number of pricing, investment, taxation and control hypothesis, but the hypotheses are not specified. In contrast Mr. Williams has set out a number of important hypotheses, collected the data, and proposes a way of performing tests. Professor Mason will examine the important question of the influence of international financial institutions on public enterprises.

B. Alternative Financial Systems for Development

This topic involves a number of very important questions on the role of financial institutions in the development process. This is a very difficult project to tackle, but if anyone can do the job, David Cole should, given his experience in dealing with monetary and fiscal policies and knowledge of financial institutions in a number of developing countries. Cole has formulated his proposal in terms of a number of relevant hypotheses, and has a very interesting proposed methodology to test these hypotheses. He will try to relate the financial development to a number of different economic policies, including interest rate policy, monetary policy, and taxation policy. He proposes to deal with a number of countries who have experienced very rapid financial development and his case studies should be very helpful in providing some of the answers to the questions he asks. The language of the proposed study of financial institutions, however, exemplifies some of the pretentiousness and sweeping generalities which abound in the entire DAS proposal. For example, on p. 35, the statement is made: "The basic hypothesis of the proposed work is that a properly designed financial system can be an efficient instrument for mobilizing and allocating savings."

C. Development with Small Domestic Markets.

This section of the proposal is one of the weakest. It is composed of several studies, none of them seeming to fit together well and varying in quality. The most interesting is the specific proposal of Daniel Schydlowsky to study of the effects of capacity utilization on trade and comparative advantage. This is a much neglected and crucial question for economies which have exhausted the import substitution stage of industrialization. The Selowsky and Taylor study of trade liberalization in Chile seems to be very much a duplication of the Behrman research on Chile funded by AID through the National Bureau of Economic Research. The Morawetz, Stern, Mallon proposals are very vague and unspecified.

D. Organizing for Agriculture Development

Of all the proposals suggested this could be the most exciting, innovative, and interesting for policy. One of the important questions concerning introduction of new technology is the social and political context in which it is introduced. The project is the only interdisciplinary one in the entire Harvard proposal. A competent interdisciplinary team is expected

to do the research. The constituent parts of the study seem to be well-integrated into a carefully designed research frame. Unfortunately, however, the authors of the proposal do not indicate their awareness of other studies along similar lines, including those already sponsored by A.I.D. Thus the question of duplication arises and considerable effort to draw together existing, relevant research ought to precede the initiation of this project.

E. National Development Strategy.

This is by far the weakest part of the proposal. There is no well designed research frame. Hypotheses and questions as postulated for this study seem much too broad and unspecified to really provide a framework for analysis.