



**A NEW CONCEPTION
of
U.S. FOREIGN AID**

**A Joint Statement by the
NPA Joint Subcommittee
on U.S. Foreign Aid
and the
NPA Board of Trustees
and Standing Committees**

NATIONAL PLANNING ASSOCIATION

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Preface

As authorized by the NPA Steering Committee, a Joint Subcommittee representing the various constituent groups of NPA was established last fall to reappraise the U.S. foreign aid program and seek to develop a Policy Statement of conclusions and recommendations for consideration by the members of the NPA's Board of Trustees and Standing Committees. Mr. Walter Surrey, a member of NPA's Board, Steering and International Committees, served as Chairman of this Joint Subcommittee. The other members of the Joint Subcommittee were: Robert E. Asher, Meyer Bernstein, Richard M. Bissell, Jr., H. van B. Cleveland, Alphonse de Rosso, J. K. Evans, Joseph S. Farland, Harry L. Graham, Samuel P. Hayes, Jay Lovestone, Arthur Moore, Ferris S. Owen, James G. Patton, Lauren K. Soth, and David J. Winton.

The result of the Subcommittee's deliberations, this Joint Statement on *A New Conception of U.S. Foreign Aid*, was submitted early in 1969 to the members of NPA's Board of Trustees and Standing Committees for signature by those who wished to take this action. The names of the signers follow this Preface.

In a Policy Statement of this length and complexity, there are bound to be some differences of opinion which cannot be reconciled. For the purpose of public education, NPA encourages those who are willing to sign a statement as a whole, but who disagree with specific parts of the analysis or recommendations, to express their differences in signed footnotes. The footnotes to this Policy Statement are printed at the end of the text.

A handwritten signature in cursive script that reads "John Miller". The signature is written in black ink and is positioned to the left of the typed name.

Executive Secretary

Members of the NPA Joint Subcommittee on U.S. Foreign Aid, the NPA Board of Trustees, and the NPA Standing Committees on Agriculture, Business, Labor, and International Policy signing the Joint Statement on

A New Conception of U.S. Foreign Aid

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* See footnotes to Statement.

A New Conception of U.S. Foreign Aid

In a recent statement,* the National Planning Association explained the reasons for reaffirming its belief that the United States, as the world's wealthiest nation, whose citizens have traditionally been concerned for the welfare of others, should continue to commit a measure of its resources to further the development of societies in Asia, Africa and Latin America. We concluded that, without such a commitment, U.S. relations with the countries of those regions cannot reflect either America's national interests or the distinguishing values of its culture.

Also, it was our hope that the existing U.S. foreign aid program could be sustained at an adequate level while its organization and procedures were reexamined. We believed it essential to make improvements which would command the kind of popular, political and professional support that a continuing commitment must have. Unfortunately, the program has meantime lost so much support, particularly in the Congress, that action to implement the results of study and rethinking must now be taken urgently.

In part, declining support in the Congress and among opinion leaders reflects changing attitudes and focus of interest in the United States not directly related to the achievements and deficiencies of the foreign aid program. The cost, frustrations and disillusionments of the war in Vietnam have lessened support for foreign aid. The new realization of the importance of development here at home, in the cities and among minority groups, has diminished the sense of urgency for development abroad. The annual ordeal before the Congress, in which the program has to be authorized and funded anew each year in both Houses, has produced exasperation and impatience even among some of its friends on Capitol Hill. More-

* See the NPA Joint Statement "Constructively Resolving the Crisis in the U.S. Foreign Aid Program" in Robert E. Asher, *International Development and the U.S. National Interest* (Washington, D.C.: National Planning Association, July 1967).

over, there are deeper reasons for the dissatisfaction with the U.S. foreign aid effort. While continuing to support strongly the necessity for foreign aid, a growing number of professionals have begun to feel that, in the course of the 1960s, the existing approaches and procedures have become less relevant to the changing needs and capabilities of the recipient countries than they should and could be.

It is with meeting these criticisms constructively that this statement is primarily concerned. To this end, it presents a concept of development assistance which, we believe, is relevant to the 1970s, and explains the changes in the organization and procedures of the U.S. foreign aid effort that follow from it. Our purpose is to make U.S. foreign aid a more effective means of helping those willing and able to help themselves.

The Changing Requirements of the Development Assistance Relationship

When, early in the 1950s, the focus of U.S. foreign aid began to shift from Western Europe to Asia, Africa and Latin America, Americans were conscious of a need and an opportunity which they wanted to meet. The need and the opportunity were results of the dynamic impact of Western values and institutions on the traditional societies of Asia and Africa and the still largely agrarian societies of Latin America. Throughout these regions, the modernizing leadership groups became increasingly infused with the desire to obtain the fruits of accelerated economic growth—a desire that was intensified by the worldwide dislocations and the inspirational slogans of World War II, by the passing of European colonialism in the postwar years, and by the competing promises of the period of the cold war.

Yet few, if any, of the new nations of Asia and Africa and the older nations of Latin America were equipped either by their past histories or by their former colonial rulers with the attitudes and skills, the institutions and resources needed to motivate and manage the profound sociocultural changes involved in the complex processes of economic growth and political modernization. The United States was uniquely willing to respond to their need in consequence of its own impelling sense of mission and its conception of an effective cold war strategy. It was uniquely able to grasp the opportunity so provided because of its unparalleled wealth and the acceptability of its assistance in view of the fact that it had never been a major colonial power.

With the benefits of hindsight, we can understand how the characteristics of this situation determined the nature of the initial development assistance relationship between the United States, as the first and by far the largest donor of foreign aid, and the recipient countries in Asia, Africa and Latin America. During the 1950s, not only did the former have to provide the bulk of the capital and technicians required by the latter but, with

a few notable exceptions, it also had to supply much of the sustained initiative, the substantive ideas, the organizational and administrative experience, and the techniques of program planning and project design without which the money and the experts could not have been put to work. And Americans, due to the values and norms of behavior of their own dynamic and achievement-oriented society, were eager to play so active and directive a role. The result during the 1950s and early 1960s was a foreign aid relationship in which Americans, serving in both governmental and private capacities, took the lead in promoting and organizing a host of initiatives at the *macro* level of broad development policies and at the *micro* level of individual capital investment and technical assistance projects.

This active and directive U.S. approach to development assistance has, however, become less necessary for most recipient countries in the course of the 1960s in consequence of the development progress that has so far been achieved. Thanks in part to the activities and the urging of American officials and development experts during the past 15 years, there are today increasing numbers of people in the governments and leadership groups of even the remotest and least developed countries who are aware that it is possible for them to accelerate and guide the processes of economic growth and sociocultural change. They know that, if they wish to speed their countries' transformation, they must agree upon practicable development objectives and adopt and carry out policies capable of achieving them. They understand that, if they expect to get financial and technical assistance from abroad, they have to prepare, or obtain help in preparing, programs and projects which are relevant to their development goals and meet the donors' minimum standards of utility and efficiency. In the smaller and still predominantly traditional societies, the leadership groups may not yet have adequate knowledge of the specific kinds of policies, programs and projects that would be most conducive to accelerated economic growth. But they do know that, if they wish it, they have to undertake measures—whatever they may be—specifically designed for this purpose. Thus, many people in the leadership groups of Asian, African and Latin American countries no longer expect, as they did in the earlier years, that economic growth and social progress would result either automatically from national independence or effortlessly from massive foreign aid.

The situation today is different. The leadership groups, both traditional and modernizing, still have difficulty in agreeing on development objectives and assigning a high enough priority to them compared with the other competing national, group and individual goals. This is a political problem and, while the ability to solve it can be improved by the availability of external assistance, the will to do so cannot be imported. Moreover, an effort to generate the necessary consensus and commitment from outside—particularly by officials of the most powerful nation in the world—tends to exacerbate rather than to lessen the problem.

Its severity varies from country to country. But, even in the few nations

that have so far demonstrated an effective commitment to economic growth and the capacity to adopt and carry out the necessary policies and programs, there is as yet insufficient evidence to determine whether these prerequisites for economic advancement have become sufficiently institutionalized to survive the passing of the particular ruler, regime, or other special condition that made them possible. In these circumstances, the provision of effective development assistance by the United States is more difficult and its effects more ambivalent than in the earlier period. Skillful American support can strengthen those portions of the leadership groups that are seeking an effective consensus for development objectives, as has been the case in several countries during the mid-1960s. U.S. advice and financial assistance can also contribute to the formulation and implementation of the specific policies and programs required to achieve such goals. But, there is danger that an overly directive U.S. effort may be counterproductive not only for the recipient country but also for the United States.

There is an inherent difficulty in a development assistance relationship between the wealthiest, most powerful, and most achievement-driven society on the planet and new or newly awakened nations. Each recipient country is struggling in its own way to evolve a minimum sense of cultural identity and consensus on national purpose amid the incompatible modern and traditional elements of which it is composed and the conflicting interests and goals pursued by its various leadership groups. Such nations naturally resent being pressured by outsiders, even for their own good, and especially when the foreigners seeking to influence them are so much richer, more powerful, and more successful in the activities involved than they are. This always latent resentment becomes manifest if the pressure applied by the Americans is too overt, strong, or unskillful, regardless of how well-intentioned it may be. When it does, the recipient country carries out the advice given only half-heartedly or resorts to subterfuges, often blaming the United States for the subsequent failures.

In this way, the relationship between the United States and the recipient countries is embittered and their mutual purpose in promoting development is frustrated. Or, less likely today after the lesson of Vietnam but still within the range of the possible for the future, the consequence may be the unintended assumption by the U.S. government of more and more of the military, political and economic responsibilities of sovereign authority in the recipient country.¹ In the last few years, instances of resentment and other counterproductive effects can be found even in countries that have demonstrated the greatest capability for managing their own affairs and which, therefore, might have been less susceptible to such reactions.

These effects have not, however, been the result of unsound U.S. advice. Indeed, in the 1960s, American advice at the *macro* level of broad devel-

¹ For footnote by Arnold S. Zander see page 26.

opment strategy—that is, the allocation of investment among sectors, particularly for agriculture and education; fiscal and monetary policies; liberalization and incentive measures to stimulate private sector development and private foreign investment; etc.—has generally been excellent, reflecting steady improvement in understanding the economic growth process *per se*. Nonetheless, economic growth is not synonymous with political modernization and sociocultural change. It does not automatically bring about these other constituents of the highly complex phenomena subsumed under the misleadingly simple term “development.” Nor, conversely, can a high rate of economic growth be sustained for very long without related political and sociocultural changes. Most U.S. officials—as well as many development experts—tend in operational practice, if not always in reflective discourse, to equate economic growth with development. This has meant that, in contrast to the clarity of their understanding of economic problems, they have often failed to grasp the importance of the modernization of political and social institutions, the inculcation of new attitudes and skills, and the adaptation of North American and West European agricultural and industrial technologies to the quite different cultural and physical conditions of Asian, African and Latin American countries.²

The consequences of this major disparity in understanding the other aspects of sociocultural change as compared with economic growth can be most clearly seen in that portion of the U.S. foreign aid effort consisting of technical assistance projects. In both the country missions and the Washington headquarters of the U.S. Agency for International Development (AID) and its predecessors, a substantial majority of the professional personnel is engaged in initiating, designing, negotiating, and staffing such projects, and they tend to be the most active and insistent American officials in pressing the recipient countries to undertake them. Moreover, lacking adequate knowledge of the noneconomic aspects of the development process, they have been prone to excessive enthusiasm for changing fashions in development panaceas. U.S. assistance for community development, public administration, economic planning, educational investment, agricultural extension services, the new seeds, etc.—all necessary components of an effective development strategy in most countries—has at one or another time been individually proclaimed to be the critical means to rapid and substantial progress. During the past two decades, these tendencies have contributed to the failure of many technical assistance and related investment projects to produce results of sufficient magnitude and long enough duration to justify their costs. Once again, the consequences have been frustration, disappointment and exasperation on both sides of the development assistance relationship.

It should also be stressed, however, that in the course of the 1960s,

² For footnote by Robert E. Asher see page 26.

substantial progress has been made in increasing the effectiveness of U.S. foreign aid. The notable improvements in AID's advice on economic growth policies have already been mentioned. Another major forward step has been AID's increasing emphasis on "self help" by the recipient countries. These and other advances in the U.S. foreign aid effort should now be followed by further adaptations that reflect the changes that have to be made in the development assistance relationship in consequence of the development progress achieved in recent years. In general terms, the necessary next step is to carry out the full implications of the self-help criterion. So far, it has been applied to the policies and activities of the recipient countries. But, to be fully effective, the logic of self help must also govern the behavior of the donor countries, particularly of the United States. It means not simply American insistence that, as a condition for obtaining U.S. aid, the recipient countries must allocate more of their own resources to development purposes and follow policies more conducive to economic growth. Equally important, self help also implies that the initiatives and decisions countries take about how to use their resources for development must be in the deepest sense their own, not those of Americans.

Thus, the major change that has to be made is to transfer resources and skills to the recipient countries in ways that more effectively evoke and sustain their own initiative and self responsibility. This means that, while continuing to provide sound advice to those leadership groups committed to development, the inhibiting effects of U.S. activism have to be substantially reduced, if not in all cases eliminated. Such a reconciliation is by no means easy, for American activism is not a superficial characteristic that can be quickly removed by adopting a new official policy. As already indicated, it has very deep roots in American culture; indeed, it is inseparable from the achievements and continued progress of American society itself. Hence, the U.S. foreign aid effort needs to be structured and administered in ways conducive to a more *reactive*, rather than *active*, posture on the part of the officials engaged in carrying it on.

Today, an increasingly popular prescription for easing this problem—as well as, it is believed, to obtain other benefits—is to multilateralize the provision of foreign aid.^{3, 4} By this is meant transferring to international organizations the responsibility for allocating and dispensing all, or a substantial part, of the resources which the United States is willing to devote to development assistance. Certainly, sound policy advice, insistence on adequate performance standards, and direct involvement in proposing, designing and administering programs and projects are, at least initially, less resented and less inhibiting of self help and self responsibility when they come from an international agency, in which the recipient countries are

³ For footnote by Joseph A. Beirne see page 26.

⁴ For footnote by J. L. Locke see page 26.

also represented, than bilaterally from a large donor nation. For this reason, as explained below, we favor increased use of multilateral means. But, multilateralization is not a panacea nor could it be made the sole—or even the major—channel for U.S. foreign aid for some time to come.^{5, 6, 7}

The first reason is that the national interests and world responsibilities of the United States require it to retain a substantial bilateral aid capability not only so that it can provide assistance rapidly in special situations but also because, when knowledgeably and skillfully applied, its influence for sound development objectives can be effective. Particularly for the latter reason, the United States needs to be able to participate with other donor nations and international agencies in aid-giving consortia, whose conditions for assistance and concerted advice to recipient countries it has been and should go on influencing in desirable ways.

The second reason is that the United States already supplies nearly half—in some cases even more—of the resources available to international financing and technical assistance organizations. Hence, additionally transferring to them all or the bulk of U.S. bilateral funds without corresponding increases in the contributions of other donors would seriously compromise the international character of these agencies—the very quality being sought.

Third, with the principal exceptions of the World Bank group (the International Bank for Reconstruction and Development, the International Development Association, and the International Finance Corporation) and the International Monetary Fund, the international financing and technical assistance agencies have not yet for the most part adequately demonstrated the capacity for exercising effective influence for sound development policies or even for allocating their resources on the basis of objective substantive criteria rather than of the expedient principle that every member is entitled to a “fair share.” However, as explained below, we believe that the transfer of some additional U.S. bilateral funds to international organizations may be a useful means of strengthening their willingness and ability to overcome such deficiencies.

If complete or substantial multilateralization is not a practicable solution, the alternative is to build on the improvements already made in the U.S. bilateral aid effort so that it goes further toward meeting the new requirements for an effective development assistance relationship. In the pages that follow, we discuss briefly the main types of U.S. development assistance and AID's organization and procedures and suggest various ways in which they might be restructured and financed to accomplish this objective.⁸

⁵ For footnote by Robert E. Asher see page 26.

⁶ For footnote by Meyer Bernstein see page 27.

⁷ For footnote by Eugene W. Burgess see page 27.

⁸ For footnote by Solomon Barkin see page 27.

Development Loans

In financial terms, the largest category of development assistance provided by the United States consists of loans to purchase imported equipment and services for capital investment projects (called "project lending") and to pay for the imports needed to implement a comprehensive national or sectoral program (called "program lending"). During the last few years, three-quarters of project and program lending has been directed to seven countries (Brazil, Chile, Colombia, India, Indonesia, Pakistan, Turkey).

Development loans are intended to foster the achievement and maintenance of a rate of economic growth sufficiently in excess of the rate of population increase to raise per capita income significantly. These loans are not supposed to be used for emergency purposes, although, as in the case of Indonesia in recent years, it may not always be possible to distinguish sharply between developmental and emergency uses.

- Because the effects of development assistance are manifested only over the long term and many recipient countries are already overburdened with external debt, U.S. development lending has been and we recommend should continue to be on concessionary terms, involving low—preferably nominal—interest rates, very long maturities, and initial grace periods of at least a decade before debt servicing begins.

The concentration of development loans on seven recipients has been in part necessitated by the scarcity of funds appropriated to AID, and in part reflects the conviction of U.S. officials that these countries have the best prospects for rapid and substantial development and are politically important to the United States. We can only deplore the first reason.

- We recommend that greater and more assured resources be made available to the U.S. foreign aid agency to help finance sound development strategies in a larger number of countries.

With respect to the second reason, however, we are concerned that the assessment of favorable development prospects tends to be based too narrowly on size or current performance. While other criteria of development progress are included in AID's decision making, their role is usually nominal owing to the difficulty, if not the impossibility, of quantitatively measuring them and to the tendency to disregard the interdependencies among economic growth, political modernization, and sociocultural change.

- Therefore, we urge that, in the allocation of U.S. development assistance, a determined effort be made to base it on a broader and longer-term conception of the nature of the development process.

This means paying greater attention to countries whose economic systems may not be as large, diversified or advanced as those of the presently favored seven but which are also beginning to manifest growing willingness and ability to accord development (in the fullest sense of the term) a high enough priority and to adopt policies conducive to achieving it. For, in the last analysis, *sustained* development progress results only from institutionalization of the necessary motivations, attitudes and skills and not from concentrating available foreign aid resources on helping a few selected countries to achieve some target rate of economic growth. There have been too many countries hailed as examples of notable economic performance whose satisfactory rates of growth have proved to be temporary.

In recent years, program lending has been increasing while loans to finance particular capital investment projects (for example, roads, bridges, dams and irrigation facilities, school construction, etc.) have been declining as proportions of total American development assistance. In addition to its direct benefits in financing imports, program lending is believed to provide a favorable opportunity for U.S. officials to persuade the recipient countries to adopt economic policies more conducive to growth. As noted in the preceding section, U.S. influence has in fact been more effectively used in the last few years to induce recipient countries to follow sound development strategies. But, the opportunity to do so made possible by program lending also increases the danger that excessively active and directive American initiatives in the policy making of the recipient countries will contribute to the counterproductive tendency described above.

- To lessen this tendency, we recommend that the practice of providing U.S. development lending through consortia including other donor nations and the World Bank group be continued and expanded to the maximum possible extent, and that greater use be made of the international financing institutions as agents for allocating and administering U.S. foreign aid funds.

Consortia of donors are already operating for several countries, and this practice should be extended to all of the larger recipients. Although a consortium may appear to be a "ganging up" of wealthy donors on a poor recipient, this has not been the case in practice. In fact, the advice given to recipient countries by a group of donors is as acceptable as, and sometimes more acceptable than, that provided directly by the United States. A consortium usually has the additional advantage of increasing and making more calculable the total aid available to them.

Further, a continuing authorization should be given to the U.S. foreign aid agency permitting it, at discretion, to transfer up to one-third of its development assistance funds to appropriate international institutions. To date, only the World Bank group has been following sufficiently objective criteria and has been adequately staffed to influence the recipient countries effectively toward sound development objectives and policies.⁹ Accordingly, we favor transferring a significant amount of U.S. development aid funds to the World Bank group—which means largely to the International Development Association (IDA)—in addition to the U.S. contributions for the periodic replenishments of IDA's regular funds.

- In this connection, we urge that the overdue U.S. contribution to the current IDA replenishment be appropriated as rapidly as possible.

With respect to the other international financing agencies—notably the regional development banks for Latin America and Central America and those not yet fully in operation for Asia and Africa—we believe that the prospect of obtaining such additional American contributions should be used as a means for inducing and helping them to increase the size and improve the professional and managerial qualifications of their staffs, and to make their decision criteria and operating procedures more substantive and objective.

U.S. funds, in addition to the regular American contributions, that are transferred to IDA—and hopefully soon to the regional development banks—would, as explained above, significantly increase the share of their resources derived from the United States, unless other donors increased their contributions, which they should in any event be urged to do. However, this tendency to impair their international character could be partly restrained in two ways. First, such transfers would be limited to not more than a third of the funds available to the U.S. foreign aid agency for development lending. Second, the U.S. capital so obtained could be segregated in a special fund, as has been the case with the Social Progress Trust Fund of the Inter-American Development Bank. Moreover, use of a special fund account would make possible the tying of this additional aid to procurement in the United States, for as long as the U.S. balance-of-payments deficit continued to be of international concern, without seriously breaching the World Bank's principle of requiring its own funds to be used for procurement on the basis of competitive international bidding.

The ability of the U.S. foreign aid agency to carry out a broader and longer-term conception of the development process is severely handicapped by the uncertainties inherent in its dependence on annual authorizations and appropriations. We believe that an essential prerequisite for

⁹ For footnote by Robert E. Asher see page 28.

a more effective U.S. development assistance effort is continuity of authorization and greater calculability of funding. In our judgment, the best way to achieve this result would be to revive the Development Loan Fund concept as an integral part of the U.S. foreign aid agency, preferably with an indefinitely continuing authorization or, if not, with authority to operate for a specified time period of not less than five years. The necessary funds can be provided in three ways:

- *Our strong preference would be for an authorization empowering the U.S. foreign aid agency to call upon the Treasury Department to issue appropriate U.S. government securities to a substantial total—say \$7 billion—during a five-year period.*
- *Our second choice would be an arrangement similar to that of the Export-Import Bank, under which the foreign aid agency would be empowered to issue the same amount of its own securities, guaranteed by the U.S. government, during a five-year period.*

The disadvantage of this arrangement compared to the first is that specific appropriations would be required to provide funds for the payment of interest. The third and least desirable method is the existing arrangement requiring annual appropriations to fund development lending.

Supporting Assistance

The second type of foreign aid is supporting assistance—that is, the provision of economic resources to enable countries to deal with the non-military aspects of emergency problems, such as external aggression and internal subversion, post-emergency reconstruction, natural disasters, etc. In the last few years, almost all U.S. supporting assistance has been going to five countries—the Dominican Republic, Laos, South Korea, South Vietnam, and Thailand. Supporting assistance is not supposed to serve long-term developmental purposes but, again, the distinction is not sharp, and such aid has fostered development, as in the case of South Korea. Nonetheless, because it primarily helps to restore or maintain economic capabilities, rather than to increase them, and the recipient countries involved are usually too weak or too poor to assume substantial repayment obligations even on concessionary terms, supporting assistance should continue to be on a grant basis.

Essentially, this form of foreign aid is provided for immediate or short-term foreign policy reasons rather than for long-term developmental purposes. As such, the effectiveness of supporting assistance is not unduly impaired by dependence upon annual appropriations. Therefore, even if, as recommended above, the U.S. foreign aid agency is authorized to obtain funds for development lending for five-year periods, we believe that

no compelling reason exists for abandoning annual appropriations in the case of supporting assistance. Indeed, since an unconscious tendency inevitably operates for such subsidies to persist indefinitely, it may be desirable to subject them to an annual review by the Congress.

Food Aid ¹⁰

That the United States should help feed those stricken by famine is universally acknowledged. For reasons both of national interest and of humanitarian concern, Americans will want to continue providing emergency relief, whenever needed, on a generous scale.

The establishment of a large food aid program in the 1950s was in part a response to these humanitarian motives, as well as to the American desire to encourage development abroad. But, the program was also a response to the accumulation in the United States of vast stocks of surplus agricultural commodities. The practice of using these resources at once to feed hungry people, foster their development, and relieve the burden of surpluses appealed to Americans not only for its humaneness but also for the practical mutuality of its benefits.

Over the past decade, much more food has moved abroad to recipient countries in an effort to help them accelerate their development than has been shipped for humanitarian emergency purposes. The impact of this food on individual lives has sometimes been dramatic. Now, however, the changing environment in which development is proceeding calls for a careful reassessment of the relationship of food aid to agricultural growth in recipient countries.

For one thing, surpluses no longer overhang the American farmer; future food aid will directly increase U.S. government expenditures instead of merely digging into surplus stocks. Moreover, and more important, there is now underway a profound change in the prospects for agricultural development which calls for new emphases and new cautions in U.S. food aid. In 1954 when P.L. 480 was passed, the population-food outlook seemed dismal indeed. The population aspect of the problem still is far from resolved, but new elements of hope have begun to emerge affecting the food aspect. The most significant is the development through intensive adaptive research of new responsive varieties of wheat and rice suitable for such countries as India, Indonesia, Mexico, and the Philippines. Another auspicious development is the increasing realization, supported by considerable empirical research, that—despite the persistence of traditional attitudes—farmers do respond to price differentials if the economic conditions facing them are favorable and they are able to obtain a substantial share of the benefits of their increased productivity.

These two changes combine to have major implications for the pros-

¹⁰ For footnote by James G. Patton see page 28.

pects for agricultural development over the next decade. Only when farmers can afford to produce more, can and will they supply the growing food requirements of their nations. The new seed varieties require increased purchases by farmers of fertilizers, pesticides, and other inputs. They will necessitate new investments in irrigation, water control, and other types of infrastructure. This means that prices must be sufficiently remunerative and stable so that farmers can afford to run the risk of producing for the market in a modernizing economy. In the past, however, the availability of U.S. food aid has frequently enabled recipient governments to temporize about undertaking new agricultural incentive policies and to hold down food prices for the urban population. In consequence, prices have often been too low to enable farmers to meet the financial obligations incurred for fertilizer and water use. Thus, the very food aid supposed to help a nation develop can stifle the initiative of its farmers, the only source from which its new growth in agriculture can come.¹¹

This situation imposes a heavy responsibility on those who administer the U.S. food aid program. Because the new developments in agriculture are so promising, it is now more important than ever to ensure that American food aid does not drive down agricultural prices in the recipient countries and prevent their farmers from responding to rising food needs. The argument that food aid must always be good because it increases total resources requires modification. Instead, food aid has to be used selectively if it is to further agricultural development. There are, for example, some cases where worthwhile "food-for-work" programs have been devised. Research reveals another relevant area where food aid has been successful—that of market stabilization. With the assurance of food aid stocks to fall back on, governments can risk the food supply and price fluctuations inherent in the transition from a scarcity-oriented direct control policy to a new market-oriented policy with emphasis on incentives and market stabilization. Other uses of food aid are, however, more problematical.

- Hence, we recommend that there should be a periodic reexamination of the food aid program to make certain that it is not inhibiting farmer initiative or postponing adoption by the recipient governments of modern agricultural development policies.^{12, 13}

Furthermore, under recent Congressional authorizations for P.L. 480, the level of food aid will begin to decline and this trend ought to be con-

¹¹ For footnote by Isador Lubin see page 28.

¹² For footnote by Robert E. Asher see page 29.

¹³ For footnote by J. L. Locke see page 29.

tinued as the new possibilities for agricultural progress in the recipient countries are realized.

We believe that the level, country allocations, and terms and conditions of food aid should be determined by the U.S. foreign aid agency, although operating responsibilities should continue to be delegated to the Department of Agriculture.¹⁴ Having overriding responsibility for the welfare of the U.S. farmer, the Department of Agriculture should not be put in a position where it is required to make policy decisions that might conflict with its primary obligation.

Technical Assistance¹⁵ and Development Research¹⁶

Nothing is more important than to keep open and expand the channels for adapting and transferring technical knowledge and skills from the United States to the transitional societies of Asia, Africa and Latin America.

Technical assistance has been at once the least controversial part of the U.S. foreign aid effort and the most difficult to administer effectively. By far the largest group of professional personnel hired by or under contract to AID are technical assistance experts. Although no systematic, comprehensive evaluation has yet been made of the effectiveness of their work, such evidence as is available appears to indicate that much technical assistance has been unsuited to the particular conditions in which it was applied and, in consequence, its effects have been transitory. These deficiencies are all the more regrettable in view of the fact that the benefits of successful technical assistance projects are greater compared with their costs than those of other forms of aid.

The successful transfer of technical knowledge and skills requires much more than the techniques themselves. The *Report of the President's Science Advisory Committee on The World Food Problem*, issued in May 1967, put the matter in perspective when it stated:

Through some almost inexplicable twist in communications, there is a persistent impression that agricultural science already has the answers to problems of increasing food production [overseas]. This misunderstanding has given rise to the 'know-how-show-how' fallacy, the idea that practices responsible for our own outstanding agricultural success can be applied with equal effectiveness in far different climes and cultures. This view is as erroneous as it is entrenched. . . . *The ability to find answers* through basic and adaptive research and through technological innovation within a country is distinctly different from *already knowing the answers*.

As in agriculture, so in all the other fields of technical assistance, not

¹⁴ For footnote by J. L. Locke see page 29.

¹⁵ For footnote by Walter H. Wheeler, Jr., see page 29.

¹⁶ For footnote by James G. Patton see page 30.

only are "basic and adaptive research" needed, but it is also essential to have systematic empirical evaluation of past and ongoing activities if significant and enduring transfers are to occur on a substantial scale.

The shortcomings of the technical assistance part of the U.S. foreign aid effort reinforce, and are in turn exacerbated by, the counterproductive effects in the recipient countries of excessive U.S. activism. In our judgment, a radical change in the basic approach and organization of U.S. technical assistance is needed. Essentially, two objectives must be accomplished: substantial improvement in understanding the complexities of sociocultural change in Asia, Africa and Latin America on the part of those responsible for allocating technical assistance funds; and reorganization of the administration of the U.S. technical assistance effort so as to reduce the role of U.S. government officials and stimulate the initiative and self responsibility of the recipient countries. We believe that these objectives can best be achieved by separating technical assistance from the other types of U.S. aid and removing direct responsibility for it from the U.S. government.

- *Accordingly, we recommend the establishment of an autonomous Technical Assistance and Development-Research Institute to be located in Washington and financed jointly by the U.S. government and by contributions from private organizations, especially foundations.*

The Institute would have four major functions:¹⁷

a) To act as a facilitating and referral agency for those overseas seeking technical assistance from appropriate institutions and individuals in the United States;

b) To encourage the formation of special organizations in the United States to provide technical assistance under contract to recipient countries;¹⁸

c) To conduct "in house" research and to make grants for research projects to be undertaken by universities and private research organizations, nonprofit and profit, both in the United States and in the recipient countries; and

d) To finance technical assistance at the request of the governments and appropriate private institutions of the recipient countries.

As a general rule, we believe that the great majority of technical assistance experts who provide advice, training, instruction and demonstration—as distinct from conducting surveys—should be the "hired hands" of those

¹⁷ For footnote by James G. Maddox see page 30.

¹⁸ For footnote by Meyer Bernstein see page 31.

utilizing their services. This means that as much technical assistance as possible should be provided under straightforward commercial contracts between American organizations and recipient governments and private institutions. Hence, the Institute should consider itself primarily a facilitating and referral agency for those from overseas who desire to obtain technical assistance. On the initiative and at the request of governments and other appropriate organizations in the recipient countries, the Institute would help clarify and formulate the need for technical assistance, would advise on the sources from which the requisite knowledge and skills could be obtained, and would facilitate contacts between those seeking and those capable of furnishing the services involved. *But, the Institute should not itself provide the services requested.* The exception to this principle would be making surveys to determine the need for and the methods of undertaking requested technical assistance projects. To assure objectivity and to provide the information needed for its own decision making, such surveys should be done by the Institute itself or under contract to it.

The second major function of the Institute would be to encourage the formation and maintenance of special kinds of organizations in the United States to supply technical assistance services abroad. As yet, only a few organizations specifically intended to provide some or all of the services required exist in the United States. A most useful function of the Institute would be to stimulate and assist the establishment of additional organizations or companies either as independent profit or nonprofit entities or as affiliates of universities on the model of the Harvard Development Advisory Service. By doing so, the Institute would be helping to create a vitally needed career environment for people with the professional training and the motivation to spend their lives working in transitional societies as project technicians, instructors and advisors.

The sponsorship and financing of research on the development process and on technological adaptation should be another major function of the Institute. As organizations conducting operations, AID and its predecessor agencies have never been able to devote adequate attention and resources to social science and technological research nor, with a few notable and recent exceptions (e.g., the new wheat and rice varieties), have they been able to draw upon and utilize effectively such research done by others. As an autonomous, professionally staffed organization without major operating responsibilities, the Institute would be in a much better position to undertake and sponsor the kind of research needed to increase understanding of how new attitudes and skills can be effectively and durably inculcated in transitional societies, and how the technologies of North America and Western Europe can be successfully adapted to the different sociocultural and physical environments of Asia, Africa and Latin America. Such understanding is essential for improving the effectiveness of government officials and of experts concerned with development both in

the United States and in the recipient countries.

The Institute should have its own "in house" capability to conduct necessary social science and technological research, as well as the power to make grants for these purposes to nonprofit and profit institutions not only in the United States but also in the recipient countries. The Institute needs an "in house" research capability to provide the data and insights necessary for its own operations and to attract to its staff the kind of first-rate, well-trained professionals in the social sciences and technologies it will require if it is to carry out its responsibilities effectively. Stimulating the interest in research and the ability to undertake it of the recipient countries would also be among the Institute's most important contributions.¹⁹ The Institute should disseminate the results of its own and others' relevant research both directly to the U.S. government agencies concerned with development and through appropriate publications, whose distribution in the recipient countries it should subsidize, if necessary.

The final function of the Institute would be to finance technical assistance projects at the request of governments and appropriate organizations in the recipient countries if other sources of financing are not available. The Institute's financial assistance should be provided on either a grant or a loan basis depending on the nature of the project and the repayment capabilities of the recipient country. To the maximum possible extent, the funds should be made available to the government agencies and other organizations of the recipient countries so that they themselves can hire the American experts required. However, there may be a limited number of situations—for example, a project covering several countries—in which the Institute would directly contract for the needed technical services. Requests to AID and other U.S. government agencies for technical assistance should be referred to the Institute for judgment as well as finance.

The Institute should be chartered by act of Congress as an autonomous nonprofit tax-free institution, like the National Academy of Sciences, for an initial period of 10 years, after which its charter could be renewed, if desirable. To facilitate the use of professionals from private institutions for a year or two and to attract high calibre staff, the Institute should not be subject to Civil Service regulations. Its negotiating, contracting and auditing procedures should be modelled on those of the large private foundations and not of AID. The Institute's directors would be appointed by the President for staggered terms, and should include the administrator of the U.S. foreign aid agency and other appropriate government officials; persons from foundations, corporations and other private contributors; and professionals from the various social science and technological disciplines pertinent to the development process. Directors in the latter category should constitute a majority. The board of directors would

¹⁹ For footnote by William H. Yaw see page 31.

appoint the Institute's executive officers, approve the annual budget, review proposed grants and loans, and determine general policies.

With respect to financing, it is clear that the bulk of the Institute's resources would have to be provided by the U.S. government.

- *The preferred method of financing the Institute's activities would be for the U.S. government to endow it with sufficient U.S. government securities, held in trust for it by the Treasury Department, to yield an income of approximately \$300 million a year.*

Our second preference would be a substantial U.S. government contribution—say \$1 billion—to cover the Institute's expenditures for several years; and such contributions would be repeated every few years, as is done for IDA and other non-U.S. government institutions, both international and domestic. The least satisfactory arrangement would be to make the Institute dependent on annual appropriations.²⁰

Aid For Private Enterprise Development ^{21, 22}

We believe that a more successful effort to foster greater U.S. private investment in the development of the private sectors in Asian, African and Latin American nations can be achieved only by means of a corporation actively managed by representatives of U.S. private enterprise. Efforts in the past to stimulate private sector development have met with limited success in part because, as official arms of the U.S. government, AID and its predecessor agencies have been dealing primarily with other governments and perforce have been more concerned with the development of their public sectors. One consequence of this limited ability to encourage investment in the private sector and to secure sufficient personnel with extensive and high-level business experience has been that, except for commodity sales and guarantees, American business tends to regard involvement with the U.S. foreign aid program as too often inefficient and generally unsatisfactory.

- *Our decided preference, therefore, would be to charter by act of Congress a Private Enterprise Development Corporation which would be wholly owned by private investors but with a minority of the directors appointed by the President,*

among whom should be the Administrator of AID and other appropriate government officials.

²⁰ For footnote by A. M. Lederer see page 31.

²¹ For footnote by Otis Brubaker see page 32.

²² For footnote by Alphonse de Rosso see page 32.

The Corporation would assume the function of carrying on the existing guaranty, Cooley loan, and investment survey programs. It should receive a substantial initial loan from the U.S. government on liberal terms, as well as an undertaking by the U.S. government to guarantee the Corporation's public bond issues so as to assure the availability of additional resources when needed. Its major activity would be to make equity and loan investments in Asian, African and Latin American countries in new or expanded private sector projects undertaken and managed by U.S. private investors, by indigenous private investors, and by the two together. The Corporation's loan and equity investments should be entitled to the same guaranty coverage and premiums as those of other private investors. A full faith and credit guaranty of the United States should support the guaranties issued by the Corporation, with the latter serving as the administrator of this program and the conduit for payment of claims. The existing investment survey program should be continued, funded, if possible, from the guaranty premiums to the extent they exceed payments on claims or by a U.S. government contribution that would be sufficient for several years.

We recommend this wholly privately owned arrangement because it places private enterprise activities in the hands of the private community, freed from the delays and limitations imposed by U.S. government intra-agency clearances and interdepartmental reviews of individual loans and business risk guaranties, by Civil Service restrictions and salary scales, and by the existing cumbersome negotiating and contracting procedures. In addition, the establishment of the Corporation would place responsibility for stimulating private enterprise development in an organization whose exclusive purpose would be to deal with such matters, and where the attitude toward increased private investment, both indigenous and foreign, would be positive. A substantial additional benefit of a wholly private corporation would be that, unlike a government agency, it would be able to make equity investments and, therefore, would diminish the harmful tendency of many projects in the recipient countries to be light on equity and overburdened with debt.

If, despite the government guaranty, the risks inherent in Asian, African and Latin American countries deter the U.S. private community from investing in such a corporation, or if political or policy objections prevent the Congress from making funds available on liberal terms to a wholly private company, our second choice would be a COMSAT-type of arrangement, with the U.S. government holding up to 50 percent of the shares, and perhaps providing a 50 percent business risk guaranty on the shares acquired by American private investors. This form of corporation would enjoy many of the benefits of the wholly private institution, including a single purpose, a private industry salary scale, and exemption from other Civil Service requirements. However, it might be difficult to

exempt it also from interdepartmental project reviews. Moreover, even if the U.S. government's participation in the Corporation were limited to a minority equity position, recipient countries might nevertheless object to its making substantial equity investments in their industrial, mining and other important sectors. This consideration, plus the greater U.S. government involvement, might in turn reduce the usefulness of the Corporation's activities in the recipient countries, as well as its ability to attract experienced talent from the private community. If the COMSAT approach is adopted, therefore, we urge that a formula be devised at the outset looking toward the transfer of the U.S. government's shares to private investors when the Corporation reaches a point of profitability and, therefore, is more attractive as a commercial investment.

As a third possibility, although we believe it to be the least desirable, the Corporation might, at the outset, be wholly government-owned and wholly government-financed. It would still obtain the benefits of single purpose. However, in these circumstances, an exemption from Civil Service requirements, and salaries comparable to those of the private community may be more difficult to secure. The existing cumbersome interdepartmental approval procedure for each individual project would probably be continued. Not only to avoid these limitations but also to obtain the benefits of private management, we believe that, if this approach is adopted as a practical first step, it should be with the unmistakable purpose of moving as rapidly as possible to the COMSAT-type formula and then to complete private ownership.

To stress as we do the desirability of freeing the Corporation from time-consuming and burdensome reviewing and contracting procedures does not mean that it would or should be without supervision by appropriate branches of the U.S. government. The minority of directors appointed by and responsible to the President in the wholly private version that we prefer would be privy to all of the Corporation's activities and should certainly be charged with representing the public interest.²³ In addition, the relevant committees of the Congress would at any time be able to review the Corporation's operations and query its officers on its policies and procedures. Finally, the Corporation would be required to publish full reports on its operations. In these ways, the Corporation would be under continual public supervision without impairing its effectiveness.

Regardless of which of the three forms may be adopted, the Corporation should also be charged with the function of fostering private sector development in the recipient countries by means additional to increased U.S. private investment. This would consist essentially of stimulating private indigenous entrepreneurship through technical assistance, training programs, informational services, etc., as well as research into the nature

²³ For footnote by Otis Brubaker see page 32.

of the difficulties involved and how they might be overcome. The Corporation should receive periodic contributions from the U.S. government for this purpose.

While we believe each of the approaches suggested above would provide distinct advantages over the existing system insofar as private sector development is concerned, we are convinced that a full measure of success will not be achieved until the Corporation is both administered and owned by the private sector.²⁴

Restructuring the U.S. Foreign Aid Effort

The changes we have suggested in the various types of foreign aid provided by the United States would go far toward transforming AID from a large institution extensively engaged in overseas operations into a much smaller organization primarily concerned with policy making and the allocation of funds, part of which would be administered by other agencies. The major structural alterations we propose are the shift of technical assistance and private enterprise development to autonomous institutions; and the transfer of up to a third of the funds available for development lending to the World Bank group and, when and as they qualify, to other international financing agencies. These structural modifications, and the analysis of the changing requirements for an effective development assistance relationship, on which they are based, have two further implications for AID's method of operating and organization.

The first relates to the practice of country programming, which is the major conceptual means of providing substantive content to the American desire to influence the development policies and plans of the recipient countries. A country program aims to present a comprehensive and detailed quantitative model of the economy concerned, but it usually contains considerably less information depending on the availability of data and the professional skills of the U.S. personnel involved. Based on it, U.S. aid officials decide upon the particular development policies, sectoral programs, and investment and technical assistance projects that each recipient country should have and the kinds and amount of U.S. and other external assistance that it should obtain for carrying them out. Country programming is certainly a necessary procedure for rationally allocating U.S. aid but, as generally practiced, it contains an important weakness and a serious potential danger. Paradoxically, the more that the former is overcome, the greater the latter will be.

The weakness of country programming reflects the practice of equating economic growth with development. Country programs tend, in consequence, to be mono-dimensional, focused on quantitative economic relationships and their projections, and do not take adequately into account

²⁴ For footnote by A. M. Lederer see page 32.

the other dimensions—political, social, cultural—that distinguish a real-life functioning economy from an econometric model. The potential danger is the growing temptation, as increased economic data become available and as country programs incorporate more and more of the non-economic factors significant in the development process, for U.S. officials to act upon their improved knowledge. At a certain point, which varies from country to country, the expanding range and greater detail of U.S. efforts to influence the recipients' policies and programs are bound to generate the counterproductive effects we described at the beginning of this statement. The danger from this source of excessive U.S. activism can be lessened, we believe, by deliberately limiting country programming to analysis of the broad development strategy and related general policies appropriate for each recipient country in the light of its past history; its existing social structure, cultural characteristics, and economic capabilities; and its political prospects for achieving and maintaining the consensus needed to adopt and carry out effective development measures. Country programming should serve as a multi-dimensional intellectual framework for making U.S. aid more relevant to the complexities of the development process, and not as a guide and stimulus to detailed economic and social engineering.

The second implication relates to AID's country missions, which are the main operating instruments for exercising American influence in the recipient countries. In close proximity to, if not always in continuous contact with, their counterparts in the recipient government ministries, the U.S. officials and technical assistance experts on the staffs of the missions naturally tend to be the most active and insistent of U.S. foreign aid personnel in pressing the countries to adopt the policies and programs they believe desirable. Hence, inhibiting the counterproductive effects of excessive American activism means, among other measures, reducing the size and responsibilities of the country missions—a step that would be made possible by the changes in the various forms of U.S. aid proposed above.

Although, in the last few years, some country missions have been abolished and others reduced in size, these developments have resulted primarily from the shortage of funds and the concentration of U.S. aid on the few countries believed to have the best economic growth prospects, and not from recognition of the changing requirements for an effective development assistance relationship. With the removal from AID of technical assistance, which employs the bulk of the agency's substantive personnel, the country missions would be *ipso facto* greatly reduced, and further cuts in their size could be made if country programming were limited to concern with broad development strategy and related policies. Indeed, if these and the other changes recommended above were to be adopted, it ought to be possible—and it certainly would be desirable—to limit the resident substantive staffs of U.S. missions in even the largest

aid-receiving countries to a small number of first-rate economists, and to remedy the existing deficiency of other social science skills by adding to them a perceptive political scientist and a broadly trained sociologist or anthropologist.

For the same reasons, the staff of the Washington headquarters of AID could and should be considerably reduced. No technical assistance and private enterprise personnel would be needed, and the ancillary personnel concerned with contracting procedures and accounting and auditing, as well as the staffs of the country desks, functional divisions, and food aid program, could be cut substantially below their existing levels. The aim should be to staff AID/Washington and the country missions with a smaller number of more highly qualified people than the averages in these respects that obtain today. However, the need to maintain continuity until completion of existing projects and programming activities and to avoid the personal hardship and injustice of sudden dismissals will make a rapid reduction of AID's size inadvisable.

If our preferred recommendations for reorganizing and funding the various forms of U.S. assistance are adopted, it would mean that the Congress would not have to authorize foreign aid anew each year and appropriate all of the money required for it, as must now be done. The present procedure is an abuse of the legislative process. It is unrealistic, we believe, for already burdened legislators to be expected to review seriously a whole complex of foreign aid activities each year and, moreover, to do so in a way that makes them appear to sit in judgment on the foreign and domestic policies of a host of sovereign nations. Even with the best will in the world, the present procedure invites a kind of rhetorical activism from the Congress that has encumbered the U.S. foreign aid effort with a multitude of often unrelated legislative restrictions, and that can and sometimes does seriously impede the conduct of effective diplomacy, as well as defeating the long-range development purposes that most of U.S. aid is intended to serve.

The restructuring of the U.S. foreign aid effort we propose will permit the Congress to exercise a more effective control on a function by function basis. Although the main types of U.S. development assistance would be financed for periods of several years, their replenishments could be so scheduled that the Congress would have the opportunity periodically to make a thorough review of each separately. This would permit a much more substantive and rational reexamination by the Congress of the constituent parts of the U.S. foreign aid effort than now occurs.

We believe that the removal of technical assistance and private enterprise responsibilities from AID would not seriously impair coordination of the different types of aid. Located as they must be in Washington, both the Technical Assistance and Development Research Institute and the Private Enterprise Development Corporation would be able to maintain continuous liaison at the operating level with AID and other U.S. govern-

ment agencies concerned with development. The presence on their boards of directors of the administrator of AID would provide a formal channel through which inconsistencies in policies could be resolved and disagreements settled through top-level negotiations. The fact that sectoral programs and capital investment projects financed by AID would often require a technical assistance component and, conversely, that technical services financed by the Institute would often make some capital investment desirable would help to produce cooperation between the two organizations without impairing the effectiveness of the former or the independence of the latter.

However, there are three other respects in which better coordination is needed and would be feasible under the arrangements we propose. These are: (a) between the U.S. foreign aid effort and the foreign policy and international security interests of the United States; (b) between foreign aid and the other aspects of U.S. foreign economic policy (e.g., trade policy, investment policy, international monetary policy, etc.); and (c) between U.S. development assistance efforts and those of other nations and of international organizations. To bring about these different kinds of coordination, we believe that it would be desirable to revive the position of Under Secretary of State for Economic Affairs, with responsibility for supervising all aspects of U.S. foreign economic policy, including foreign aid; for handling the relationships between U.S. foreign economic activities and the international political and security interests of the United States; and for maintaining effective liaison with the development assistance activities of other donor countries and international agencies.

With AID substantially reduced in size and largely transformed into a policy making and funding agency, further steps could be taken in the process, initiated early in the 1960s, of better integrating it with the Department of State. By involving foreign aid officials and regular foreign service officers in Washington and the country missions closely with one another on a day-to-day basis, the former would learn to relate their own work more realistically to international constraints, and the latter would benefit from the much deeper understanding of the complexities of the development process and the more up-to-date social science training that a properly staffed AID would have.

Finally, the changes in the U.S. foreign aid effort we propose take into account an unfortunate fact of life concerning the prospects for continued Congressional support of this activity. It has become clear in the course of the 1960s that the Congress is willing to appropriate adequate funds for foreign aid only in years when the President is willing personally to apply direct and strong pressure for this objective. Granted the urgency of other international problems confronting the United States and the mounting pressures of domestic difficulties, will the new Administration be any more willing or able than the old Administration to place foreign aid sufficiently high on the list of important issues for the President

to use his personal prestige and influence on its behalf? If not, in the absence of such Presidential leadership, there is no prospect of a substantial increase in appropriations nor may it even be possible to arrest the downward trend of the past three years in the event that the existing foreign aid arrangements are unchanged. The first year of a new Administration, when both the President's influence with the Congress and the latter's good will toward him are at their greatest, provides the best—in this case, perhaps the only remaining—chance of restructuring the U.S. foreign aid effort in a way that will ensure continuity, adequate funding, and greater responsiveness to the changing needs of an effective development assistance relationship with the recipient countries.

In sum, our recommendations are designed to evoke initiatives from those in the transitional societies whom the United States is trying to help and to inhibit the temptation to press American initiatives on them. They are intended to enable Americans to participate in the challenging work of development assistance in ways that restrain well-motivated impulses to do for others rather than to help others do for themselves. Our proposals, we believe, will make the U.S. foreign aid effort more relevant to the changing requirements, at home and abroad, of the 1970s.²⁵

²⁵ For footnote by Robert E. Asher see page 32.

Footnotes

¹ *Arnold S. Zander*: It seems to me this reference to Vietnam, this brief judgment, is an unfortunate gratuity which adds nothing to the disquisition but rather infers that our involvement in Vietnam sprang from something other than our commitment to help resist attempted Communist subversion and conquest.

² *Robert E. Asher*: I prefer to believe that they have been unable to offer equally relevant advice on these aspects of the development process, not that they have failed to grasp their importance.

³ *Joseph A. Beirne*: I do not sympathize with the suggestions made to multinationalize certain elements of the aid program as a means of reducing "the inhibiting effects of U.S. activism." The political realities of this world have always dictated that the leading nations either exercise power or lose it. I refuse to subscribe to the neo-isolationist attitude that there is something inherently evil in attaching a U.S. label to overseas development assistance programs rather than masking our efforts under the guise of a variety of international agencies which, for the most part, are just as inefficient and bureaucratic, if not more so, as our own. In fact, most of the other leading nations of the world, some of which are opposed to our democratic political philosophy, are in effect continuing multi-varied developmental activities under their own flag.

The only way we can avoid the concept that we are the big brother to the world's less fortunate nations, or as some would prefer, the world's policeman, is always to insist—unlike the colonial and imperial powers, both past and present—that we work in those countries where we have been genuinely invited from a sense of mutual respect and friendship. If both our public and our private institutions working in the overseas developmental fields can demonstrate that their services rendered are based upon the legitimate desires of the host country, we need not fear a misunderstanding of our motives.

⁴ *J. L. Locke*: I am heartily in accord with this program, provided that the ultimate control is based upon the financial participation, in the same way that control of a corporation is based on the ownership of the stock. We have seen too many programs mismanaged locally in the developing countries. The same thing, in my opinion, applies to the World Bank group and IDA, when foreign participation is present.

⁵ *Robert E. Asher*: I agree that multilateralization is no panacea, but I believe multi-lateral agencies can and should become the major channel within a five-seven year period.

⁶ *Meyer Bernstein* (I. W. Abel concurs with this footnote): While I agree that there may be some advantages in the multilateralization of foreign aid, the reason given in the first part of the report is not one of them. Developing countries can and in fact have become just as incensed over advice offered by, say, the IMF, as by the AID. Besides, even international agencies must be staffed by experts who are nationals of one country or another. And certainly a fair share will be Americans.

An objective balance must be established between assistance administered multilaterally and assistance controlled by the U.S.A. Multilateralization *per se* should not be the goal.

⁷ *Eugene W. Burgess*: I favor more use by the United States of international agencies in channeling "money" into the underdeveloped countries. However, the "make-up" of the various commissions and study groups that these agencies put into the field poses real problems. Where social and economic assistance is involved, members of a study team coming from widely different cultural environments usually spend more time trying to compose their own differences than they do studying the environment in which the aid funds are to be spent. These multinational groups also present difficult political problems to the aid-receiving country. Solid management should go along with foreign aid, and appropriate staffing of these international agencies at headquarters and in the field should be a condition of our using them as channels for our financial assistance.

⁸ *Solomon Barkin*: I join the supporters of the Statement in their endorsement of more liberal appropriations for foreign aid.

My dissent is directed at those sections which recommend the substantial transfer of American governmental responsibility for the allocation and administration of funds and technical assistance to international agencies and for technical assistance and the stimulation of private enterprise in developing countries to non-governmental bodies. Congress is unlikely to be more generous because of the new structures, and the recipient countries will be no less aware of American influence and power if this country acts through international agencies. This nation is already shouldering too many political responsibilities thrust upon it by the initiative and behavior of private capital and enterprise abroad for it deliberately to arrange and finance for the enlargement of this area of initiative through a semi-governmental body. We must keep in mind our government's difficulties in controlling American foreign investments in advanced countries to effect a better balance in international payments before we embark with official support on this adventure in developing countries.

The Statement recognizes the great advances made in American aid policy and practice and the expertise acquired by our practitioners and policy makers. No reason is presented why it cannot be expected that considerations of a socio-economic nature or the needs for the modernization of political structures might not be absorbed within the administrative framework. Certainly, such a broadening of perspective can be more significantly achieved within our governmental structure than outside of it. Nevertheless, the Statement follows the current fashion of endowing greater competence and effectiveness to private bodies financed by direct taxes, tax exemptions (foundations), and high profits (from government contracts or oligopolistic pricing practices). No evidence is presented in defense of this position. Certainly, there is no effort made to consider the dangers and limitations of this course of action. Might not these proposed agencies follow a narrower approach as they will be more market-oriented? Whatever merits there may be in the current trend of preference respecting domestic matters, the area of foreign policy is particularly sensitive and such transfers of authority should not be proposed lightly. We must be further aware of the intense concentration of economic, politi-

cal and social private power within this country effected during the last decade through military contracts, investments abroad, and conglomerates and be wary of abetting this process through public stimulation. Do the drafters of this Statement really believe in the power of the regulators to control or direct the regulated?

The Statement concedes that only one international body currently matches the competence of American officialdom. The other agencies will have to be upgraded and we shall have to induce them to abandon their logrolling practices. American funds will have to become the primary leverage for this purpose.

The Statement does not appraise the value of further experience with governmental programs in improving American know-how and expertise in this field. The sense of despair about the possibilities of remedying American government practice which is the recurrent mood of the document is hardly the reason for abandoning the organization. Our nation and others will in the long run benefit from improvements in our administrative practices and policies both in this and other fields. The main weight of reform should be addressed to internal changes rather than to formal transfers to outside bodies over which the public will have less control. The price of overzealous promotion of private interest in foreign countries may well be higher than that paid for the directive promotion of public generosity.

Few countries stress the distinction we draw between the actions of the private and public sectors and fewer recognize it as respects foreign groups. It is certainly realistic, therefore, as relates to developing countries, that we subordinate this issue.

The Statement overlooks the simple judgment that "givers" usually exert influence, however shrewdly it is exercised, and the receivers tend to resent the donors however pure or well camouflaged their appearance may be.

⁹ *Robert E. Asher*: Objectivity, like beauty, may lie in the eye of the beholder. I am not prepared to subscribe to so negative a view of the policies and staffs of other multilateral agencies.

¹⁰ *James G. Patton* (Reuben Johnson concurs with this footnote): The United States should take the leadership in creating a worldwide raw materials reserve to stabilize agricultural and other raw material prices. Providing stable prices could encourage a selective increase in food, fiber and other raw material production which may now be needed or may be needed in the future. Monoculture is seldom good for the vast majority of people on the land in the developing countries.

Orderly marketing and stable world prices can go far to stabilize the dollar and the pound sterling. I would much prefer paper gold based upon a wide range of commodity production and price indexes than to try to patch up the gold and sterling standard.

¹¹ *Isador Lubin*: In my opinion, too much stress is given to the function of prices in affecting agricultural output in developing countries. Too frequently, the lack of output is the result of the cultural environment which places agriculture and those engaged in agriculture in a relatively low category, particularly as compared with industry. Too frequently, the public policy of developing countries glorifies industrial development and pays little attention to potential improvements that could be made in agriculture. A change in this attitude on the part of developing countries could be a factor which would influence agricultural output in a manner comparable in degree to remunerative and stable agriculture prices.

¹² *Robert E. Asher*: When food aid is made available, the terms should be at least as generous as for other commodities. The latest hardening of credit terms under P.L. 480 seems to me a step in the wrong direction.

¹³ *J. L. Locke*: I do not fear the weakening of the local farmers' initiative, as a result of an abundant supply of imported food. In our experience, this has rarely become a problem. There are areas, however, where importation of wheat, wheat flour and Bulgur has made it possible for the recipient country to export rice at prices substantially higher than they were paying under Title I, P.L. 480, for the better product, wheat. The consideration of supplying food which can be produced in the U.S. better and cheaper than a comparable food in a developing country requires more than superficial examination. Production of wheat in the United States does not deplete our resources as does the exportation of oil, coal or even timber. It strengthens the economy and reduces the reliance of the farmer on subsidies and grants. It develops trade for us and trade for the rice-producing countries. Examples of this are Taiwan, Korea and certain areas of Southeast Asia.

¹⁴ *J. L. Locke*: I had hoped that the study would indicate a consolidation of existing agencies, many of which duplicate and overlap in the foreign aid program.

¹⁵ *Walter H. Wheeler, Jr.*: As a whole, I think the report is excellent. I approve particularly the accent on more multilateral aid. I regret, however, that, while the report deals primarily with "investment" aid, it does not comment on or encourage the United Nations Development Program. While there are, of course, other technical aid programs, it seems to me that the UNDP is the most significant in its supply of pre-investment assistance. This, of course, includes the identifying of natural and physical resources, planning for their exploitation, establishing training institutes within the various countries, as well as establishing private research laboratories.

It seems to me that the UNDP is the best multilateral technical organization which can be found. It is certainly the largest. The paper says, "the international financing and technical assistance agencies have not yet for the most part adequately demonstrated the capacity for exercising effective influence for sound development policies or even for allocating their resources on the basis of objective substantive criteria rather than of the expedient principle that every member is entitled to a 'fair share'." This certainly does not apply to the UNDP with its implication that the program is essentially a pool of funds donated by the rich countries and doled out in fair shares to poor countries.

On the contrary, the UNDP is a genuinely cooperative undertaking based on the conception that every nation, rich or poor, has an equal stake in the success of global development and, consequently, the responsibility for speeding development progress rests with equal weight on all countries. The countries receiving aid from the UNDP bear by themselves more than half the costs involved in the aided projects.

UNDP, strictly speaking, has no development project of its own. Its function is to provide assistance marginally, but hopefully decisively, to projects in which the initiative and responsibility and commitment of resources depend more heavily upon those countries helped than they do on the UNDP.

Including the value of counterpart support by the recipient governments, contributions to UNDP have grown from \$10 million in 1950 to \$467 million in 1968. The U.S. contribution to the UNDP is substantially under 40 percent of UNDP's total contributions, without taking into account contributions from recipient coun-

tries; taking into account these contributions, the percentage is substantially below 20 percent. Sixty-one countries increased their contributions to UNDP for 1969. Only one country decreased, and that was the U.S.A. It seems to me very clear that we should back the UNDP considerably more strongly.

¹⁶*James G. Patton* (Reuben Johnson concurs with this footnote): The Statement does not emphasize sufficiently my conviction that private or public technical and economic assistance granted by the United States should be limited to areas of the world where policies of the government include the following:

A continuing agrarian reform. Such reform must include:

- a. Modern land taxation—effective enforcement of taxation.
- b. Modern taxation and enforcement on water use coupled with a substantial payment or fee for the depletion of natural resources.

The great movement of people to the cities is worldwide. The poorer the country and the more disadvantaged the people living in rural areas are, the more the poor and the landless surge to the cities. Therefore, the first element of self-help "aid" is social and economic reform. The problems of the cities are worldwide. They arise basically in almost all countries because of a lack of people-oriented land-space use policy.

In most of the less developed countries, the large land-holders are the beneficiaries of negative taxation. It is seldom that large landowners put any capital back into land or into the improvement of the living and working conditions of the people who do the work on the land. They buy more land—farm more extensively, not intensively—and if they want more income, they raise the rents.

A privately operated U.S. development corporation will not do an adequate job in providing assistance in self-help or in meeting the challenges of political conflicts arising out of "colonialism" unless its basic objective in each joint venture or single-owner undertaking is to phase out American personnel and capital and to vest in private or public interests of the country where people are being self-helped, the control of each project in terms of management, capital and all other aspects.

I suggest the possibility of establishing a quasi-public corporation of several billions of dollars which would be able to accept land, timber, minerals and other resources from the less developed countries as equity capital in a joint private or quasi-public venture.

It may be possible to set up an international corporate structure composed of multi-national regional corporations which are private in character, but which receive a substantial portion of their capital from the nation states and individuals in terms of land, water, mineral and forest resources.

A regional TVA-type of multi-nation corporation in the Middle East, in the La Plata River Basin, in Central America, in Black Africa, and in Asia, if given sufficient capital, could find ways to capitalize land and other resources in the less developed area to match the "hard capital" coming from the United States, the World Bank, and multi-national private banks and insurance companies.

¹⁷*James G. Maddox*: I agree with the recommendation to establish an autonomous Technical Assistance and Development Research Institute. It appears, however, functions of the proposed Institute, as listed and described in the following paragraphs of this section, are based on the assumption that the major weakness of U.S. technical assistance activities stems from the form of organization of AID. This, I believe, is an erroneous assumption. There has been, and will continue to be, serious personnel problems if the Institute is limited to the functions described

in this Statement. The Institute should be staffed by scientists—physical, biological and social—who are among the best in the U.S. Moreover, they should have an opportunity in their work with the Institute to maintain and improve their professional standing within their respective disciplines. Such a staff cannot be recruited and maintained if its individual members are to act mainly as “brokers” between foreign countries and technical assistance agencies in this country. Institute staff members should be given long-term appointments, professional status, and important research and educational responsibilities both at home and abroad. They should advise foreign countries on making requests for assistance, evaluate requests that are received by the Institute, and in many cases assist in providing on-the-ground assistance to the recipient country. The major challenge of the Institute will be to recruit and maintain a high-quality staff. The proposed autonomy and long-term financing provide an opportunity for the Institute to meet this challenge in a manner that AID and its predecessors have been unable to do. It should not forgo this opportunity by limiting its functions to types of activities that will not be attractive to some of the best scientists in the nation.

¹⁸ *Meyer Bernstein* (I. W. Abel concurs with this footnote): The functions of the autonomous Technical Assistance and Development Research Institute should be spelled out a little more fully. One of its purposes would be “To encourage the formation of special organizations in the United States to provide technical assistance under contract to recipient countries.”

The AFL-CIO has already embarked on such a program with respect to labor abroad. There has been established an American Institute for Free Labor Development for Latin America and the Caribbean Area, and an African-American Labor Center for Africa. Both of these are financed primarily under contract with AID, with additional funds coming from American labor unions and other private sources.

Technical training consists not only of educational courses for democratic labor union administration, but also for mutual self-help such as consumers’ cooperatives, housing cooperatives, and similar social projects.

But these organizations do not limit themselves to training. They help establish the social projects for which workers are being trained. This consists largely of seed money, the bulk of the financing being made under loans from union trust funds, such as pensions, and guaranteed by the American government.

The functions of the Technical Assistance and Development Research Institute should be expanded clearly to permit the continuation of such useful foreign aid programs.

¹⁹ *William H. Yaw*: Considering the contributions which other nations are well able to make to technical assistance and the need for adapting technical aid and research to local conditions, internationally staffed sub-institutes should be established overseas. These might be located in India, at several places in Latin America, and in Africa.

²⁰ *A. M. Lederer*: One of the primary functions of the Institute should be to concentrate in a practical and imaginative way on the development of small enterprises in industrially less developed countries, an area of development largely neglected by international and other development institutions. The various elements for a successful program to accelerate the growth of badly needed small enterprises are in existence. What is needed is an institutional effort to bind these elements together into a viable program promptly executed.

²¹*Otis Brubaker*: I have grave reservations on the wholly privately owned arrangement here advocated. As a public policy matter, public funds without public responsibility for their expenditures should not be used to further such a privately owned venture as here proposed.

²²*Alphonse de Rosso*: I seriously question the notion that a corporation established by the U.S. government would, in fact, foster greater U.S. private investment in the developing countries. The record, at least in the last ten years, would indicate that much of the foreign investment in developing countries has been made by American enterprises already involved abroad. Moreover, careful examination of this record would show that these same enterprises represent the bulk of firms with the financial and other resources required to contribute significantly to an increased flow of new investment. If they are not doing so currently, it is because environmental conditions do not warrant it.

However, I would support the proposal of establishing a government corporation if it is confined to the administration of the existing guaranty, Cooley loan, and investment survey programs.

²³*Otis Brubaker*: I would seriously question the efficacy of the minority representation by the Presidentially appointed directors here proposed. Why should we assume that an important public purpose here involved can be adequately supervised and controlled by a minority public representation on a private Board of Directors? It is not reasonable to assume that what is good for the private interest will also represent appropriate policy designed for the furtherance of the public interest.

²⁴*A. M. Lederer*: Large industrial, commercial or infra-structure projects usually attract their own international financial and technical sponsors or participants. However, the development of small enterprises in industrially less developed countries does not as a rule. Therefore, this Corporation, in cooperation with the aforementioned Institute, should address itself to a large extent to providing new and imaginative financial and technical assistance in cooperation with international agencies that will accelerate the much needed creation of small enterprises.

²⁵*Robert E. Asher*: The recommendations in this NPA Statement differ in various respects from the recommendations I make in a forthcoming publication tentatively entitled *A Forward Look at Foreign Aid*. Nevertheless, I consider the thrust so similar that I sign cheerfully and hope to dismiss as pedants those who may someday charge me with inconsistency.

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