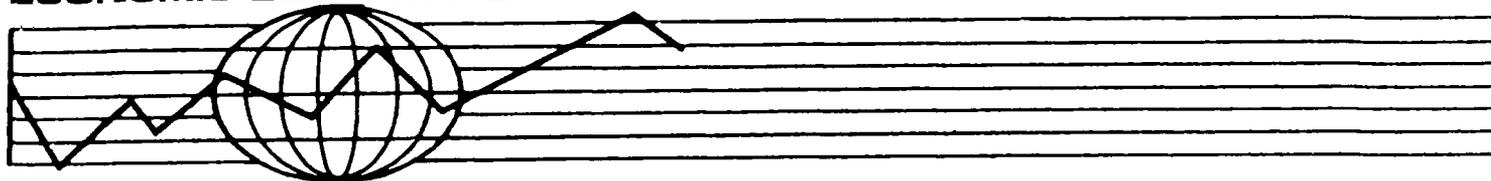


**ECONOMIC DEVELOPMENT CENTER**



**A REEXAMINATION OF PROFESSIONAL AND  
POPULAR THOUGHT ON ASSISTANCE FOR  
ECONOMIC DEVELOPMENT: 1949-1952**

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by

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A keexamination of Professional and Popular Thought on  
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Introduction

This paper seeks to examine the expectations and motives behind original United States aid to developing countries. The paper takes as its starting point the Act for International Development of 1950, first proposed as the fourth point of President Harry S. Truman's inaugural address of January 20, 1949. In this speech he proposed

... a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.<sup>1</sup>

This program was to consist of two parts. The first was a technical assistance program which would help transfer modern techniques and know-how to the less developed areas (LDA's). In Truman's words:

The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical<sub>2</sub> knowledge are constantly growing and are inexhaustible.

The second part of the program authorized the Export-Import Bank to issue guarantees to private investments in developing countries against certain risks peculiar to foreign investment.

The Point IV program as it came to be called marks a logical beginning in American development assistance policy. Prior to it U.S. aid to developing areas had been sporadic, with the limited objectives of winning political support, relieving exceptional disasters in specific countries, or assisting in post World-War II reconstruction. With the significant exceptions of aid to East Asia and Latin America, previous aid had not focused on development as an issue. The Point IV program was thus the United States' first attempt at a global program to attack the root causes of development on a long term basis.

As a study of Point IV, this paper does not attempt to cover the earlier work done in Latin America and East Asia. For detail on these programs, see History of the Office of the Coordinator of Inter-American Affairs (Washington: GPO, 1947) and The Program of the Joint Commission on Rural Reconstruction in China (Economic Cooperation Administration pamphlet 1951). These programs were significant but limited to certain geographical areas. The paper also does not cover the concurrent work being done in the United Nations. For a study of this see "United Nations Technical Assistance," Background Paper No. 74, United Nations Department of Public Information (January 1953).

Today's conventional wisdom is that the Point IV program was a sincere but misguided attempt by the United States to extend the successes of the Marshall Plan to the developing world.<sup>3</sup> It is popularly believed that during the 1950's experts believed that underdevelopment stemmed from a lack of infrastructure which made private investment unprofitable. By transferring large amounts of financial capital to the developing areas, the government would make possible the construction of large infrastructure projects. This would establish the proper climate for private investment in the industrial sector. Since the Marshall Plan had resulted in dramatic improvement in the Gross National Product of Europe, a similar program would succeed in other regions as well.

This paper reexamines that belief by studying the writings of the period. As a first step it reviews the major legislation involved. The second part of the paper synthesizes academic writings of the period. In order to see which views influenced the legislation, it then reviews some of the testimony given at congressional hearings on the authorization and appropriation of funds for these programs.

This study will conclude that the ideas behind these original development programs largely mirror those held today. Although their understanding of the development process was not as refined or detailed as we see today, the men and women behind the Point IV legislation were far from naive in their beliefs. They understood that economic development was a long and complicated process which depended upon political, technical, and social, as well as economic, factors. The program they proposed concentrated primarily on small scale technical projects which would now be classified under basic needs. As such it was seen as the antithesis rather than a copy of the Marshall Plan.

#### The Legislation Behind Point IV

The Point IV program first surfaced as a major part of President Truman's inaugural address. It seems clear that its inclusion was due largely to the initiative of the White House. The role played by the State Department is less clear. The State Department apparently had not been involved in developing the original program.<sup>4</sup> Its inclusion in the speech was based largely on decisions by the White House staff, particularly Clark Clifford, who wanted a new initiative to present to the American public. However, Johnathan Bingham attributes the Point IV idea to Benjamin Hardy of the State Department.<sup>5</sup> According to Bingham, the Hardy proposal had been rejected by the State Department before it was brought to the White House. Bingham indicates that its inclusion in the inaugural speech was opposed by the State Department leadership.

Congress began considering Point IV legislation shortly after President Truman's inaugural address. Congress considered each part of the program separately. Each party presented its own bill authorizing a technical cooperation program. The first bill, supported by the Administration, was sponsored by the chairman of the Foreign Affairs Committee John Kee and labeled H.R. 5615.<sup>6</sup> It found that the U.S. had a common interest in the material progress of all peoples and established an official policy to promote the development of economically underdeveloped areas of the world.<sup>7</sup> To achieve this, H.R. 5615 authorized the President to enter into technical cooperation programs with funds to be appropriated in the future.<sup>8</sup> It also authorized the creation of an Institute of International Technical Cooperation within the State Department.<sup>9</sup> The Kee bill sought the participation of the United Nations and other international organizations wherever practicable and encouraged the involvement of private agencies and persons.<sup>10</sup>

Congressman Christian A. Herter of Massachusetts introduced the Republican alternative, known as H.R. 6026.<sup>11</sup> It placed much greater emphasis on the role of private investment in the process of development.<sup>12</sup> The Herter bill sought to establish a Foreign Economic Development Administration within the State Department.<sup>13</sup> The United States would enter into bilateral treaties and agreements with other nations as a condition to their participation in the program.<sup>14</sup> These agreements would protect private investment from uncompensated expropriation, foreign exchange restrictions, and double taxation.<sup>15</sup> They would also create joint commissions to oversee each nation's economic progress.<sup>16</sup>

Besides providing a better environment for private investment, H.R. 6026 directed the Administration to support Export-Import Bank loans to participating nations.<sup>17</sup> The Bank could extend loans only when the project to be financed was economically sound and private financing was unavailable.<sup>18</sup> A Board con-

sisting of twelve private persons with experience in foreign trade would review these findings.<sup>19</sup>

Under the Herter bill, the Administration would also sponsor technical missions in the fields of health, sanitation, agriculture, and education, and provide assistance on increasing economic efficiency.<sup>20</sup> Although H.R. 6026 allowed for participation in United Nations programs, it did not permit the government to transfer control over the method of spending appropriated funds.<sup>21</sup>

On June 5, 1950, Congress passed into law a compromise bill known as the Act for International Development.<sup>22</sup> Like the Kee bill, it recognized a common interest in the freedom and economic and social progress of all peoples, a progress which could be furthered through a cooperative endeavor to exchange technical knowledge and skills and to encourage the flow of investment capital to less developed areas.<sup>23</sup> Such a program could make its maximum contribution only where there was an adequate understanding of the mutual advantages of private investment. Investors had a duty to develop local resources in a wise and efficient manner, to bear a fair share of the nation's tax burden, and to provide their workers with adequate wages and working conditions.<sup>24</sup> For their part, host nations needed to realize the importance of creating a climate capable of attracting business investment.<sup>25</sup>

Congress placed several restrictions on the scope of the program. Agencies reviewing requests for aid were to consider whether the assistance was part of a balanced and financially sound program for integrated development.<sup>26</sup> They were also to examine whether private capital was available either internally or externally in amounts sufficient to finance the projects without public assistance.<sup>27</sup> The Administration could authorize assistance only where the recipient nation:

- (1) paid a fair share of the program's cost,

- (2) provided all necessary information concerning the program and gave it full publicity,
- (3) sought to fully integrate the program into its overall technical cooperation policy,
- (4) made effective use of the program's results, and
- (5) cooperated with other nations in the mutual exchange of technical knowlege and skills.<sup>28</sup>

Finally the Act directed the termination of any program which was inconsistent with American foreign policy.<sup>29</sup> Congress also retained oversight powers by providing that it could terminate any program by a joint resolution of both Houses.<sup>30</sup> It also directed the President to prepare an annual report of all operations under the Act.<sup>31</sup>

The Act sought the greatest practicable participation of private agencies and persons.<sup>32</sup> Partly to ensure this, it established an advisory board of up to thirteen private individuals drawn from voluntary agencies, business, labor, agriculture, health, and education to advise and consult with the program's administrator concerning the general policy of technical assistance.<sup>33</sup>

Where desirable, a joint commission composed of nationals of both the U.S. and the recipient nation would oversee assistance to each nation.<sup>34</sup> As part of their duties these joint commissions could prepare studies recommending specific projects contributing to economic development.<sup>35</sup> The Act also authorized the President to participate in and contribute to multilateral programs of technical assistance wherever possible.<sup>36</sup>

A total of \$35 million was authorized to establish such a program.<sup>37</sup>

#### Academic Literature

Around 1948 a number of articles and reports dealing with the subject of economic development began to appear. Many of these were published in economic and foreign affairs journals. During this time the U.S. government commissioned

two major studies on development policy. In 1949 President Truman ordered William P. Gray to prepare a report on America's international economic policy.<sup>38</sup> When Dwight D. Eisenhower became president, he commissioned his own study prepared by a specially-created board under the chairmanship of Nelson A. Rockefeller.<sup>39</sup> Finally, the United Nations formed its own group of experts, including W. Arthur Lewis and Theodore Schultz to prepare a study on economic development.<sup>40</sup>

Taken as a whole, these writings indicate a broad concensus of intellectual opinion on the nature of economic underdevelopment and the general policies which would help alleviate it. Most authors agreed on a number of basic points.<sup>41</sup>

There was widespread recognition that any program to promote economic development would have to be coordinated and comprehensive.<sup>42</sup> It would need to focus on a number of interrelated fields at once such as health, education, infrastructure, and agriculture.<sup>43</sup> Fragmentary assistance limited to certain fields or of short duration was unlikely to accomplish much.<sup>44</sup>

Secondly, economic development required a balanced pattern of growth within less developed areas (LDA's).<sup>45</sup> This meant that industrialization would have to move beyond the extractive industries into activities involving processing, manufacturing, and import substitution.<sup>46</sup> More importantly, it also meant that countries would have to devote attention to their agricultural sectors, focusing on expanding agricultural productivity and establishing small scale cottage industries within rural areas.<sup>47</sup> Contrary to later perceptions, writers of the time stressed rural development as a prerequisite to broader economic growth.<sup>48</sup>

There was also agreement on the nature of development programs. Modest but well-researched projects were more likely to succeed than large, ambitious ones.<sup>49</sup> There was a real limit to the ability of LDA's to absorb capital and

technology.<sup>50</sup> Ignoring this constraint was likely to result in waste and inefficiency.<sup>51</sup> To facilitate this a lot of the initial finances would go into surveys of national needs and resources to match technical skills to the conditions within each nation.<sup>52</sup> Economic and technical assistance programs of the West, if attempted at all, should be conducted on a generous scale.<sup>53</sup> Excessive concern with cost and rates of return would only slow down the pace of development and create friction between donors and recipients, as would unnecessary conditions on receiving such aid.<sup>54</sup> Partly to alleviate this, the involvement of international agencies in the development process received wide support.<sup>55</sup> Finally, donors would have to avoid pursuing economic or trade policies which conflicted with the broader results of their technical assistance program.<sup>56</sup> This meant opening up domestic markets to increased LDA production and eliminating disincentives to the flow of capital abroad.<sup>57</sup>

One of the primary targets of development efforts would have to be the improvement of a nation's human capital through expanded health and education services.<sup>58</sup> Although some writers were strongly concerned about the degree to which population growth impeded economic development,<sup>59</sup> all recognized that improved public health was crucial to increases in human productivity.<sup>60</sup>

There was also a great deal of agreement on the nature of economic underdevelopment. The primary characteristic of such a system was low labor productivity caused by a lack of accompanying factors of production.<sup>61</sup> To eliminate this shortage, the LDC's needed a positive rate of saving.<sup>62</sup> Unlike Europe, however, low productivity in LDA's was compounded by a situation of absolute poverty, making it difficult to accumulate a surplus of production over consumption which could be used for reinvestment.<sup>63</sup> Part of the solution thus lay in transfers of capital from the West to the less developed areas.<sup>64</sup>

Under classical economic theory this transfer of funds would occur automatically.<sup>65</sup> There was great doubt, however, as to whether these flows would actually be sufficient.<sup>66</sup> In many cases developing areas lacked the physical and human capital necessary to attract private investment. As a prerequisite to private capital flows, public economic and technical assistance would have to finance the creation of a climate in which future investments could profit.<sup>67</sup>

Most disagreement took place over the nature and extent of government attempts to finance capital movement overseas.<sup>68</sup> Many experts believed that, in order for developing areas to obtain the capital needed to finance economic growth, the United States would have to begin a program of large loans and grants.<sup>69</sup> Others felt strongly that the government should confine its efforts to sponsoring technical exchange programs and encouraging developing countries to establish favorable climates for private investment.<sup>70</sup>

#### Testimony at the Congressional Hearings

Both Houses of Congress held annual authorization and appropriations hearings on the technical assistance program from its inception. The first authorization hearings, held in 1949-50, dealt exclusively with the new Point IV program. From then on, however, testimony on technical assistance was incorporated within hearings on the overall foreign aid bill. This paper covers the original authorization<sup>71</sup> and appropriation<sup>72</sup> hearings for technical assistance, the first hearings on authorizing Export-Import Bank investment guarantees,<sup>73</sup> and the 1952 authorization hearings.<sup>74</sup>

The testimony at each hearing reflected a number of different views on the nature of economic development. Over half the testimony came from Administration officials justifying budget requests. Congress did allow some opportunity for the expression of public views, although it often

confined this to short ten-minute statements and the reprinting of written statements in the record. Almost all the private speakers were affiliated with an organization. Somewhat surprisingly, Congress did not call in any outside experts to comment on the Administration's program. As a result there are no unaffiliated representatives of the academic community at the hearings.

#### A. The Administration Viewpoint

Most of the Administration's testimony came from officials within the State Department or agencies under it. The statements of other Departments dealt largely with their perceived role in the new program. Taken as a body, this testimony gives a clear picture of how the Administration viewed the nature and extent of its program.

The basic premise behind the Administration's policy was that underdevelopment stemmed from two shortages; a shortage of knowledge and a shortage of capital. The Point IV program would limit itself to meeting the first shortage by projects designed to transfer technical information and know-how. Most of the external capital needed for investment would have to come from the private sector. In those areas, such as infrastructure and social services, where private business could not capture enough of the benefits to make investment profitable, the Export-Import Bank and the International Bank for Reconstruction and Development would extend loans.

The Administration strongly supported the concept of Point IV embodied in the Kee bill. It based this support on economic, political, social, and humanitarian grounds.<sup>75</sup> Of these, economic and political (security) justifications received the most emphasis. Purely humanitarian concerns rarely appeared as a major selling point in the Administration's testimony.

In the program's first years, its economic effects received the most emphasis. The Point IV effort of technical assistance and investment guarantees

would go far toward eliminating poverty and increasing living standards. Since extractive industries accounted for much of the developing world's economic power, their expansion would increase the supply of raw materials available to the West.<sup>76</sup> In addition, the United States had most of the physical capital and consumer goods desired by other nations. One of the chief obstacles to expanded trade with LDCs was their lack of purchasing power in dollars, the so-called "dollar shortage."<sup>77</sup> By helping developing nations expand their exports and earn dollars, the U.S. would build up the market for its own exports and expand the world economy.<sup>78</sup> Supporters of the bill often pointed to the fact that there was a positive correlation between a nation's GNP and the amount of American imports it purchased.<sup>79</sup>

The Administration also focused on the political-security benefits of the program. The first hearings were held shortly after the communist victory in China.<sup>80</sup> There was a popular perception that Soviet-style communism was threatening to spread to other areas of the world as well.<sup>81</sup> One of its chief weapons was the ability to appeal to traditionally downtrodden groups with false promises of economic growth and equality. The Point IV program, by dealing with the underlying causes of poor productivity in key areas such as agriculture, forestry and fisheries, would counteract this propaganda with positive action.<sup>82</sup> It would show people everywhere that freedom, not communism held the key to economic prosperity.<sup>83</sup> By stressing areas such as health, education, and other social services, the technical exchange program would concentrate directly on improving the way people lived.<sup>84</sup> This would reduce the chances of social unrest and lead to political stability.<sup>85</sup> A key component of this effort lay in convincing recipient nations that the U.S. was not just acting in its own self-interest or attempting to establish economic imperialism but was truly concerned with meeting the needs of LDC's.<sup>86</sup>

The Administration also spent a great deal of time laying out the proposed structure of the program. The first part of Point IV would consist of a technical assistance program. This program would concentrate on small scale projects with the purpose of transferring useful knowledge and techniques to developing areas.<sup>87</sup> Much of this would consist of sending American experts into rural areas to train the local population.<sup>88</sup> The program would also fund the education of local citizens in the U.S.<sup>89</sup> Pilot projects played a key role in the program. Once the usefulness of a particular method was demonstrated to LDC's, they themselves would invest in its expansion.<sup>90</sup> The underlying philosophy of such programs was similar to that behind the Peace Corps initiative launched over a decade later. The initiative of proposing possible projects lay with the recipient nation.<sup>91</sup>

Because of its limited scope, the program's cost could be kept down. In most cases the recipient nation would provide most of the capital, paying for all local costs and a share of the total exchange costs:<sup>92</sup> This portion would increase as projects matured and demonstrated their value to local citizens.<sup>93</sup> The program would concentrate its efforts on the exchange of knowledge, not capital.<sup>94</sup> This would help LDA's overcome their critical shortage of skilled personnel.<sup>95</sup> The program would not be involved in either the funding or construction of large capital projects.<sup>96</sup> Administration officials repeatedly assured skeptical congressmen that the program would not involve the large capital expenditures of the Marshall Plan.<sup>97</sup>

Because of its emphasis on the transfer of knowledge between individuals, the availability of adequately trained, competent personnel appeared as the main bottleneck to the program's expansion.<sup>98</sup> Around 2,500 people were needed the first year alone.<sup>99</sup> Supporters repeatedly stressed the importance of sending the proper people abroad.<sup>100</sup> To facilitate this, the Administration promised wherever possible to use private agencies already doing similar work.<sup>101</sup>

Actual coordination of the program would come under a newly established Technical Cooperation Agency (TCA) within the State Department. This agency would supervise each nation's participation in the program; specific technical assistance projects, however, would be handled by the government agency best equipped to work in the area.<sup>102</sup> Under an agreement between the TCA and the ~~Economic~~ <sup>Administration</sup> ~~European Cooperation Agency~~ (ECA), there would be no duplication of efforts.<sup>103</sup> The Point IV program would not undertake bilateral programs in Europe, with the exception of Turkey.<sup>104</sup> The ECA would continue to handle technical assistance to colonies until its authorization expired in 1952.<sup>105</sup> This assistance would be integrated with existing programs in Europe dealing with agriculture, forestry, industry, mining, and transportation.<sup>106</sup> In both the colonies and Turkey, Point IV would limit its efforts to fields which condition economic development, especially health, education, and basic training.<sup>107</sup> In all other countries, TCA would operate alone.

Many speakers viewed the program as merely a natural extension of successful programs in other areas.<sup>108</sup> In particular, they stressed previous efforts in China and Latin America, often by private agencies.<sup>109</sup>

Finally, Administration officials saw the need for a sustained commitment toward development.<sup>110</sup> Progress would be slow and often intangible.<sup>111</sup> One speaker saw the possibility of a fifty year program.<sup>112</sup> Unlike the Marshall Plan which had a life expectancy of four years, Congress was warned not to expect quick or dramatic results.<sup>113</sup>

The Administration recognized that technical assistance alone would not produce economic development. In order to take advantage of new techniques, LDC's would need investment capital. To the extent possible, this would have to come from within the LDC's themselves.<sup>114</sup> The extent of their poverty would prevent this from being enough, however, necessitating a flow of external capital.<sup>115</sup>

Most of the outside capital would have to come from the private sector, which could transfer with it the managerial and business skills necessary to make investments profitable.<sup>116</sup> One of the main reasons why private funds were not moving abroad was the negative climate which existed in most developing areas.<sup>117</sup> The principle deterrents included unstable political conditions, balance of payments problems, and government interference with private foreign investment.<sup>118</sup> This, together with the high rate of return available at home, made foreign investment unattractive.<sup>119</sup>

To reverse this situation, the government proposed a series of initiatives aimed at making foreign investment more secure.<sup>120</sup> One of these was the negotiation of bilateral treaties of friendship, commerce, and navigation with other countries.<sup>121</sup> These treaties sought to establish a better climate for foreign investment by ensuring adequate compensation for expropriation, and guaranteeing, among other things, a reasonable opportunity to remit earnings and withdraw capital, and reasonable freedom to manage, operate, and control enterprises; they also provided for the personal security and nondiscriminatory treatment of foreign investors.<sup>122</sup>

A second strategy was a three-point program by the Department of Commerce to encourage constructive investment.<sup>123</sup> The first step was a census of the estimated \$18 billion worth of investments already abroad.<sup>124</sup> Of this, \$11.3 billion was believed to be direct investment, mostly in the extractive industries of Venezuela, the Near East, and Canada.<sup>125</sup> Secondly, the Department would provide industry with up-to-date information on foreign developments which provided opportunities for private investment. This information would include the status of local laws, the host nation's capital structure, local tax rates, and exchange availability.<sup>126</sup> Lastly, in order to meet the program's underlying objectives, the Department would urge businesses to provide technical assistance as an integral part of their investment.<sup>127</sup>

The most important initiative, however, was an investment guarantee program under the direction of the Export-Import Bank. The Administration recognized that, however comprehensive, treaties and information programs would not eliminate all the risks associated with foreign investment.<sup>128</sup> To reduce these risks even further, and thus increase private investment, it proposed a self-funding guarantee program which would insure qualifying investments against risks peculiar to foreign investment.<sup>129</sup> In evaluating these risks, the Bank would consider each nation separately, extending guarantees only if the host nation demonstrated a willingness to cooperate in establishing a proper climate.<sup>130</sup>

The major risk guarantees would cover was inconvertibility.<sup>131</sup> Bilateral treaties could not totally eliminate this risk since no nation would surrender sovereign control over its economy, and since the dollar shortage was not entirely the fault of the LDC's.<sup>132</sup> Other risks which the bill might cover were expropriation without compensation and loss due to war.<sup>133</sup> Only the former was included in the Administration's bill.<sup>134</sup> The program would not guarantee that an investment would be profitable or ensure against ordinary business risks such as Acts of God.<sup>135</sup>

As proposed, the Bank would offer guarantees to certain investors for a fee.<sup>136</sup> These fees would go into a reserve fund from which claims would be paid.<sup>137</sup> The government would be subrogated to the investor's claim once it paid off on a guarantee.<sup>138</sup> The Bank promised not to seek priority status for its claims, however, in order to avoid creating further currency shortages.<sup>139</sup>

The main purpose was to attract new, productive capital to the LDC's, primarily from small business.<sup>140</sup> The program would not cover existing investments abroad.<sup>141</sup> Such an extension would exhaust the Bank's resources and provide investors with a safe route to withdraw committed funds.<sup>142</sup> Existing investments would still receive protection from bilateral treaties, however.<sup>143</sup> The

guarantees also would not cover investments of only financial resources without accompanying capital.<sup>144</sup> This thus excluded the sale of foreign bonds in American markets.<sup>145</sup>

The Bank would consider investments on a case-by-case basis.<sup>146</sup> In order to qualify, each must demonstrate an ability to increase productivity and production overseas in a manner suited to the resources and markets available.<sup>147</sup> They should be efficiently managed and should increase the host country's net exports and dollar earning capacity.<sup>148</sup> Most importantly, they should help further the process of development and improve national welfare.<sup>149</sup> In evaluating each project, the Bank would also look at the host country, the character of the investor, the nature of the enterprise, and its economic practicality.<sup>150</sup> The Bank would consult with the host country in each case and refrain from extending guarantees to any projects it opposed.<sup>151</sup>

As part of this evaluation some speakers recognized that investors had positive obligations to their host nations.<sup>152</sup> One way of fulfilling these duties was to allow ample opportunity for local participation.<sup>153</sup> Fear of exploitation was not present, however, a fact which one official attributed to increased investor consciousness.<sup>154</sup> The administration also dismissed fears that tying the government to the fate of foreign investment would increase the chances of U.S. intervention in support of private investors.<sup>155</sup>

Although there was no explicit limit on the amount of guarantees the bank could undertake, all obligations would count fully against the Bank's current authorization, the program would not require appropriation of any new funds.<sup>156</sup> Due to the experimental nature of this program great flexibility was vital to its success.<sup>157</sup>

Underlying the entire discussion was the assumption that increased foreign investment would benefit the U.S. through greater security and goodwill,

increased exports, and greater global prosperity.<sup>158</sup> Yet, in spite of interest on the part of other nations, and the support of the business community, no one was certain that such a program would result in greater foreign investment than was already occurring.<sup>159</sup>

The Administration also recognized that certain investments, due to their nature, would be unable to obtain private funding.<sup>160</sup> In such cases LDC's could obtain loans from the Export-Import Bank and the World Bank.<sup>161</sup> These loans could take place only where adequate private financing was not available.<sup>162</sup> Although the terms were not specified, the loans were to be near the market rate, grant assistance was not an option except in certain situations where Congress authorized emergency assistance to meet extreme disasters.<sup>163</sup>

The State Department also proposed to make maximum use of the United Nations, its specialized agencies, and other multilateral organizations.<sup>164</sup> Drawing upon these institutions would multiply the financial and human resources available to development projects.<sup>165</sup> It would serve to strengthen the ability of these organizations to act as constructive forces in international affairs.<sup>166</sup> Finally, it would help eliminate some of the conflicts which arose between the donor and host in bilateral assistance by easing the suspicions of the recipients.<sup>167</sup>

The Department of Labor stressed that the program's success depended upon its ability to benefit the workers of the Third World.<sup>168</sup> To ensure this, it cited programs in the field of labor aimed at upgrading the level of skills.<sup>169</sup> More importantly, Labor mentioned the need to develop adequate working standards and improve living conditions.<sup>170</sup> To ensure this, the government would protect workers from exploitation and ensure that they received a fair share of the benefits of increased productivity.<sup>171</sup> The Department supported extending the principles of collective bargaining, unionization, and minimum working con-

ditions to the Third World.<sup>172</sup> In addition, the U.S. would support programs to provide services such as unemployment insurance, employment agencies, and retraining centers.<sup>173</sup> These programs would be run both bilaterally and through the International Labor Organization.<sup>174</sup>

#### B. Business Interests

Most of the testimony on private enterprise's perception of economic development came from established organizations such as the U.S. Chamber of Commerce and the Detroit Board of Commerce, and individuals sympathetic to its cause such as Norman M. Littell and Congressman Herter. Few individual businesses engaged in foreign investment spoke before the committees.

The business community stressed the idea that the greatest potential LDC's had of developing themselves lay in attracting private investment.<sup>175</sup> Only private sources could provide the large amounts of capital needed for investment without threatening the economic health of the United States.<sup>176</sup> In addition, only the private sector could bring with it the managerial and business skills needed to make industry efficient.<sup>177</sup> In their view the central problem of underdevelopment was low productivity resulting from inferior capital, management, and supervision.<sup>178</sup>

The main reason private investment was not meeting the needs of LDC's lay in the failure of developing nations to establish climates competitive with those in the West.<sup>179</sup> Thus much of the initiative rested with LDC's; if they followed the proper policies, the private sector would respond favorably.<sup>180</sup>

According to this view, the government's role in development consisted largely of encouraging positive initiatives on the part of LDC's.<sup>181</sup> Negotiating bilateral treaties was a major part of this.<sup>182</sup> These treaties should commit LDC's to giving private investment the same treatment public enterprises received, eliminating double taxation, providing prompt and adequate

compensation for expropriation, and otherwise creating an atmosphere suitable for private investment.<sup>183</sup> Many thought the successful negotiation of these treaties should be a prerequisite for participation in the technical assistance program.<sup>184</sup>

The business community was divided over the issue of investment guarantees. Many enterprises already committed to ventures abroad felt that any guarantee program should cover old investments as well.<sup>185</sup> To do otherwise would put them at a competitive disadvantage against newer activities.<sup>186</sup> A few companies even opposed the issuance of any guarantees, arguing that it merely encouraged uncompetitive investment abroad at the expense of the American capital market.<sup>187</sup>

Most businessmen favored some form of guarantee program, however. Even with bilateral treaties, businesses would still face unacceptable risks investing abroad.<sup>188</sup> The government could help encourage foreign investment by covering some of these risks.<sup>189</sup> A major disagreement with the administration came over which risks the program would cover. The business community wanted guarantees to cover inconvertibility, expropriation, and all other government acts.<sup>190</sup> Repayment should not be limited to sunk capital but should cover lost earnings and profits as well.<sup>191</sup>

Some speakers criticized the guarantees of the Marshall Plan.<sup>192</sup> These operated on a government-to-government basis with guarantees counting as official assistance.<sup>193</sup> The acceptance of new investments was within the government's discretion and reduced the amount of other aid it could receive.<sup>194</sup> As a result Europeans had a strong motive to discourage use of the program.<sup>195</sup> In extending guarantees to the developing world, the U.S. must ensure that they did not compete with other programs of the Export-Import Bank.<sup>196</sup>

In its operation of the technical assistance program, the government should be careful not to compete with private enterprise.<sup>197</sup> Instead, it should limit

its activities to technical assistance in those fields in which government had demonstrated special competence, such as health, education, agricultural extension, and social services.<sup>198</sup>

The business community was especially concerned that the government avoid competing with the private sector in providing capital to the developing world.<sup>199</sup> Such a program would quickly bankrupt the United States economy while accomplishing little.<sup>200</sup> The U.S. should not undertake equity investments.<sup>201</sup> Loans by the Export-Import Bank and the World Bank must be available only in cases where private funds were not.<sup>202</sup> Above all the U.S. should impress LDC's with the need to follow appropriate policies to attract private investment.<sup>203</sup> If they did the business community would respond with new investments.<sup>204</sup> If LDC's failed to do so, they should not be able to appeal to government programs with the argument that the private sector was not doing its job.<sup>205</sup> To help ensure this neutrality, the business community pressed for legislation mandating the fullest use of private enterprise and establishing a board of businessmen to oversee compliance with the requirement.<sup>206</sup>

### C. The Labor Viewpoint

Labor organizations tended to show strong support for the Point IV initiative. They equated success with tangible improvements in the living standards of the working and peasant classes. Projects should be geared toward meeting the needs of their intended beneficiaries since American prosperity was directly linked to the purchasing power of the world's poor.<sup>207</sup>

In relation to private investment, this meant Congress must ensure that effort went into protecting and improving local living standards as well as to ensuring the security of foreign investments.<sup>208</sup> The program should not serve as a cover for exploitation and excessive profits for business. Instead, Congress should make sure that workers shared in the benefits of increased pro-

duction through higher wages and better working conditions.<sup>209</sup> One way to do this was the promotion of free trade unions which could engage in collective bargaining with business groups.<sup>210</sup>

The labor community showed strong support for opening up trade with the rest of the world.<sup>211</sup> It specifically discounted the threat of increased LDC production competing with American jobs.<sup>212</sup>

#### D. Agriculture

Organizations representing American agriculture voiced strong support for a comprehensive Point IV program. Although they stressed the need to expand industrial production in both rural and urban areas,<sup>213</sup> most of their comments focused on rural development. While the U.S. could not by itself create development abroad, it could promote the proper self-help policies within LDA's and encourage private investment.<sup>214</sup> Because of its success in the United States, the farm community strongly advocated an active role for the government in sponsoring agricultural extension services, cooperatives, land grant colleges, and experiment stations.<sup>215</sup> These methods had already proven successful in Latin America.<sup>216</sup>

Like labor, the agricultural producers were not concerned with the threat of competition from LDC's.<sup>217</sup> They saw increased food production as a necessary prerequisite to development and expected that most of it would be consumed internally rather than exported.<sup>218</sup> These organizations also supported heavy involvement by the U.N.<sup>219</sup>

#### E. Charitable Groups

A large variety of religious and civic groups adopted a more humanitarian attitude toward the proposed program. These groups tended to be less concerned with the political or strategic possibilities behind Point IV.<sup>220</sup> Instead they

found their main rationale in the moral implications of conditions overseas.<sup>221</sup> For them, the primary purpose of the program was to meet local needs by raising low productivity and low living standards.<sup>222</sup> As such, it formed the moral underpinning of American foreign policy.<sup>223</sup>

These groups measured the program's success largely in terms of its effect on poverty. They stressed the need to isolate the program from political considerations.<sup>224</sup> To ensure this, all groups gave strong support to heavy involvement of the United Nations and other multilateral agencies.<sup>225</sup> This would reduce the suspicion of LDC's toward the new initiatives of the West and lessen the amount of friction between donor and recipient nations.<sup>226</sup> It would also give the U.S. access to a wider body of technical expertise in the field.<sup>227</sup>

These groups advocated a broad, long term effort.<sup>228</sup> They supported an active role by the government in creating the economic and physical infrastructure necessary to make private investment possible and were skeptical of claims that private investment would arrive in sufficient amounts once it received proper guarantees.<sup>229</sup> As a result of this skepticism they were more concerned that the benefits of development go to local citizens and not foreign capitalists.<sup>230</sup> Many sought assurances that the government would not use the program to underwrite breathtaking profits due to exploitation.<sup>231</sup> Private investment should be tailored to the needs and priorities of the host nation and not vice-versa.<sup>232</sup> They also stressed the role private organizations such as their own should play in the program.<sup>233</sup>

This group of speakers also tended to stress successful programs of the past, especially those in China and Latin America.<sup>234</sup> These programs demonstrated what a few dedicated people could do when provided with the proper support and funding. The new effort was to be an extension of these efforts to the level of official policy.<sup>235</sup> Although a few groups desired increased capi-

tal expenditures in the future,<sup>236</sup> most were content with limiting the program to technical as opposed to economic assistance.

#### F. Congress

Although many senators and congressmen on both the authorization and appropriations committees expressed skepticism about various parts of the program, few opposed the principle behind it. According to party lines, their views generally followed one of two main philosophies.

The liberal view, supported by most Democrats, favored the Administration's proposal. They viewed it as a significant extension of previous efforts and a bold new foreign policy initiative.<sup>237</sup> If properly run it would become a major cornerstone of U.S. policy overseas.<sup>238</sup>

This side tended to be skeptical about the willingness of the private sector to move large sums of capital overseas.<sup>239</sup> Although they supported the idea of encouraging such investment through guarantees and the elimination of double taxation,<sup>240</sup> they questioned the degree to which this would eliminate the need for public funds.<sup>241</sup> Many were concerned that, left to themselves, American firms would exploit the developing countries through low pay and sweatshop conditions.<sup>242</sup> To counteract this the law should require private investment to raise the living standards in LDC's and reward increased production with higher wages.<sup>243</sup>

The conservative side, whose main proponent was Congressman Herter of Massachusetts, favored his alternative bill which placed greater emphasis on the need to attract private investment as a prerequisite to successful development.<sup>244</sup> They supported the view of the business community that the main reason greater investment was not occurring was the hostile conditions existing overseas.<sup>245</sup>

This view favored making improvement of investment climates a condition to participation in the technical assistance program.<sup>246</sup> It discounted the threat

of corporate exploitation and concentrated instead on the dangers of excessive government involvement.<sup>247</sup> In particular the government should be careful that its activities did not compete with the public sector.<sup>248</sup> They tended to favor explicit restrictions on the agency's scope of power and discretion.<sup>249</sup>

A few congressmen were skeptical about the need for any program at all. Although they supported the general idea of technical assistance, they questioned the need for new legislation, arguing that the proposed program was authorized under existing legislation.<sup>250</sup> One member in particular, viewed the new proposals as little more than a politically motivated give-away program.<sup>251</sup>

None of the committee members supported large public expenditures in connection with the program. Many were concerned about the risk of creating a new program which could later grow to require large appropriations.<sup>252</sup> Although some recognized the need for greater public funds to compensate for insufficient private investment,<sup>253</sup> many feared that the U.S. would be forced to supply large amounts of capital in order to save face when proposed projects failed to obtain adequate funding elsewhere.<sup>254</sup> This possibility raised real concerns about its effect on the American economy, especially at a time of high deficits.<sup>255</sup>

There was also general agreement on working with UN agencies as part of the program.<sup>256</sup> There was a serious disagreement over the method of providing these agencies with funds, however. Many members of the Senate Appropriations Committee were incensed that the Administration had pledged \$10 million to a new development program within the U.N. before Congress had authorized it.<sup>257</sup> They felt that in doing so, the Administration had usurped Congress' power by forcing its hand.<sup>258</sup>

In retrospect, the original Point IV program appears to be an enlightened, if modest, attempt to address the causes of underdevelopment overseas. The government's role was not to extend beyond organizing technical assistance pro-

jects to correct the gaps of knowledge and health existing between the Third World and the West. Somewhat naively, public officials relied almost exclusively on private industry to provide the capital necessary to ensure success. Had this reliance proved justified, U.S. assistance need not have gone beyond the modest amounts needed for technical assistance. For one reason or another, however, private capital flows never approached the amounts LDC's were demanding. This unsatisfied demand, together with new political considerations, resulted in a movement of U.S. aid beyond the original small scale projects.

#### The Movement Toward Security

By 1952 the program's emphasis had changed noticeably. The Korean War added new momentum to the growing cold war, leading to a remilitarization campaign in both the U.S. and Europe. As a result, aid under the Marshall Plan continued beyond its scheduled termination date of 1952. Its rationale shifted, however, from financing the reconstruction of war-torn economies to underwriting the procurement of necessary commodities which, but for U.S. aid, would lead to a diversion of resources from the Allies' remilitarization efforts.<sup>259</sup>

Security concerns easily spilled over to discussions of economic and technical aid. A basic premise of U.S. foreign policy was that Russia would take advantage of weakness or disintegration wherever it found it.<sup>260</sup> To combat this, the U.S. sought to build up collective defense capabilities as quickly as possible on the basis of self-help and mutual aid.<sup>261</sup> Development assistance thus increasingly linked up with the overall foreign policy concerns of the U.S., including its military assistance programs. At this time the Administration was telling Congress that recent communist advances threatened the national security<sup>262</sup> and that the U.S. was in danger of losing Asia and the Middle East to Russia.<sup>263</sup> Economic and technical assistance programs were necessary to

ensure military security abroad.<sup>264</sup> As a result the political-security aspects of technical assistance quickly became its main selling point.<sup>265</sup>

These concerns affected the technical assistance program. Beginning in 1951, hearings on development aid were incorporated into those on the broader foreign aid bill, with the better part of the time devoted to the European remilitarization program. Also in that year, Congress amended the assistance Act to read:

"No economic or technical assistance shall be supplied to any other nation unless the President finds that the supplying of such assistance will strengthen the security of the United States and promote world peace, and unless the recipient country has agreed to join in promoting international understanding and good will and in maintaining world peace, and to take such action as may be mutually agreed upon to eliminate causes of international tension."<sup>266</sup>

Another manifestation of this linkage was the Mutual Security Act of 1951, which combined both economic and military assistance in the same bill.<sup>267</sup> This legislation placed the Technical Cooperation Agency under the supervision of the Mutual Security Agency.<sup>268</sup> Under this arrangement TCA was to have wide autonomy and remain insulated from security programs.<sup>269</sup> However, not all technical assistance came from TCA. In Southeast Asia, where the communist threat was most immediate, technical assistance programs came directly under the MSA which integrated them into a broader program including military aid.<sup>270</sup> The MSA also continued to handle technical assistance to the African colonies.<sup>271</sup> In spite of this large responsibility, technical assistance still comprised less than 10% of the total MSA budget.<sup>272</sup>

Another major difference between the 1952 bill and its predecessors was the dramatic increase in capital requests. The Administration targeted most of this aid for three countries; India, Pakistan, and Iran.<sup>273</sup> Due to the immediacy of the communist threat to these nations, highlighted by recent communist victories in local Indian elections, the assistance programs were to be qualitatively dif-

ferent from those elsewhere.<sup>274</sup> The TCA would supervise the transfer of large amounts of capital to this region in an attempt to accelerate the process of development and telescope twenty or more years of development into four or five.<sup>275</sup>

Even in areas where the basic characteristics of technical assistance did not change, budget requests increased, with greater emphasis placed on capital costs to accompany the regular personnel expenses.<sup>276</sup> Officials justified these expenditures as necessary complements to the exchange of knowledge.<sup>277</sup> If pilot programs were to succeed, field personnel had to have the equipment needed to demonstrate the worth of new techniques.<sup>278</sup> Only when LDC's had seen physical evidence that a new idea was better, would they invest their own resources into expanding its use.<sup>279</sup> This was true even in nations enjoying positive foreign exchange flows.<sup>280</sup>

Administration officials dismissed fears about the program's impact on the national deficit. They viewed the deficit's size as negligible compared to the nation's GNP, characterizing it as a temporary imbalance rather than a structural problem.<sup>281</sup> Its significance paled in comparison to the more immediate threat communism posed to national security.<sup>282</sup>

Officials also dismissed charges that the program was moving along too slowly.<sup>283</sup> Many opponents of Point IV had argued that no new appropriations were needed since the previous year's funds were not all committed yet.<sup>284</sup> But administration officials countered that, due to the lateness with which Congress had appropriated its funds, the TCA had not had time to expend the funds properly.<sup>285</sup> It was expected that, by the end of the fiscal year almost all the funds would be gone.<sup>286</sup> Another inhibiting factor to the program's expansion continued to be the serious lack of skilled technicians available for service overseas.<sup>287</sup>

By 1952, much of the official development network was already in place. It was thus possible to evaluate the actions of agencies. The World Bank had already shifted its emphasis from the reconstruction of Europe to the development of Latin America, the Middle East and Southeast Asia.<sup>288</sup> It expected to loan approximately \$300 million in 1953, mostly for capital development projects.<sup>289</sup> The Bank was also engaged in technical assistance activities in LDC's in addition to its loan activities, principally in the form of background surveys.<sup>290</sup> Its activity was limited, however, by the need to raise money in U.S. capital markets.<sup>291</sup> In light of this the Bank claimed that it had made as many loans as it appropriately could.<sup>292</sup> Although there was some support for the establishment of an International Finance Corporation within the Bank to help finance private investments,<sup>293</sup> opinion on its merits was mixed.<sup>294</sup> A Bank official pointed out that private foreign investment was decreasing primarily because of poor local climates and not because of a lack of capital.<sup>295</sup>

The International Monetary Fund also received criticism for sitting on its resources. The U.S. director of the Fund defended its record stating that, in accordance with U.S. wishes, the IMF limited its operations to temporary stabilization operations and did not finance relief or reconstruction efforts or the large and sustained outflows of capital needed for economic development.<sup>296</sup> Its primary purpose was to help nations solve temporary financial and monetary problems and to encourage free exchange and trade policies.<sup>297</sup>

At this time it was also easier to see what shape U.S. bilateral assistance was taking. In spite of the increased emphasis on capital investments to accompany technical advice, the main focus of American efforts was still on small scale pilot projects.<sup>298</sup> The central idea was that these projects would serve as a means of pump-priming, stimulating a larger flow of both domestic and foreign private investment.<sup>299</sup> Projects would continue to concentrate on

teaching LDC's new methods.<sup>300</sup> Although technical experts working on these programs were exclusively American, efforts were underway to train local officials to replace them.<sup>301</sup>

The Administration defended placing such programs on a grant rather than loan basis.<sup>302</sup> Loans still financed the majority of development efforts;<sup>303</sup> TCA was providing grant aid only to fund technical assistance, not project capital costs,<sup>304</sup> and then only where the LDC was truly unable to pay for technical services itself.<sup>305</sup> Projects which were fundable with loans were refused and referred instead to the Export-Import Bank.<sup>306</sup> Officials thus requested that Congress repeal a requirement passed the year before that it make at least 10% of its expenditures on a loan, rather than grant basis.<sup>307</sup>

Grant aid was also justified by the feeling that it was more productive to have LDC's increase their contribution to current projects than pay back the U.S. for past expenditures.<sup>308</sup> As a result the TCA expected LDC's to gradually assume a larger role in financing development programs.<sup>309</sup> The U.S. was currently funding African projects on a 1 to 1 basis.<sup>310</sup> In Latin America where similar efforts had a longer history, the ratio was 3 to 1, with every U.S. dollar matched by three local ones.<sup>311</sup>

The emphasis of these projects was on getting benefits directly to the people.<sup>312</sup> Assistance was concentrated on increasing food production, education, and health services as opposed to industrial production.<sup>313</sup> To be effective in combatting communism, there must be equitable distribution of the benefits of increased production.<sup>314</sup> Although there was a limit to the Administration's power overseas,<sup>315</sup> officials recognized the need to press for appropriate structural changes within LDC's in the areas of labor and manpower.<sup>316</sup> At the same time, the Administration warned Congress against placing political conditions on economic aid such as conditioning assistance to

Africa on progress toward decolonization.<sup>317</sup>

The programs in Asia typified much of this. In American eyes, this region was characterized by three central facts, a critical shortage of trained administrators and technicians, the existence of a growing economic and social revolution brought about by rising expectations which provided a breeding ground for communism, and the existence of valuable raw materials vital to U.S. security interests.<sup>318</sup> This combination made American technical assistance advisable. Although the initiative of such programs always rested with the recipient government,<sup>319</sup> U.S. goals sought to build strong, stable governments, support the buildup of military and internal security forces to combat communism, further economic progress, and advance the development of raw materials exports.<sup>320</sup> All this was best done with an emphasis on getting the benefits of development to the people.<sup>321</sup>

To do this U.S. programs concentrated largely on the agricultural sector.<sup>322</sup> Although it did not seek to finance major capital installations, American grants would be used to eliminate obvious economic bottlenecks.<sup>323</sup> This was accompanied by a serious attempt to replace grants with loans as programs progressed.<sup>324</sup> Eventually, indigenous institutions would arise to replace American assistance.<sup>325</sup>

The response of various interest groups was also subtle but distinct. For the most part each held to its original position, modifying it only in response to the Administration's increased emphasis on security concerns. The main areas of contention centered not on the existence of the security threat, but on the proper policies to deal with it and the effect of large capital expenditures on the American economy.

The business community stepped up its opposition to large government expenditures. Several speakers argued that new authorizations should not

exceed \$5 billion.<sup>326</sup> Since \$8 billion of previously approved funds remained unspent, no new appropriations were necessary.<sup>327</sup>

Business leaders expressed concern about the effect of large foreign aid programs on an economy already suffering from high tax rates and a growing deficit.<sup>328</sup> They feared the foreign aid program was fast becoming a self-perpetuating program with its own bureaucracy.<sup>329</sup> Such programs served only to underwrite unwise LDC economic policies based on socialism.<sup>330</sup> This in turn reduced the flow of private investment into these areas.<sup>331</sup> To prevent this, foreign aid funds should be scaled down and conditioned on recipient governments pursuing strict policies leading to balanced budgets, the elimination of overly ambitious welfare or public works projects, and the removal of unwise restrictions on commerce and currency.<sup>332</sup> In addition, more capital flows should take place between businesses rather than between governments.<sup>333</sup> There was also widespread questioning of the belief that foreign aid led to improved international relations.<sup>334</sup>

The Labor community accused the U.S. Chamber of Commerce of distorting the nature of economic aid.<sup>335</sup> While the unions agreed with the Administration on the need to respond to Communist threats overseas, they placed more importance on economic as opposed to military aid.<sup>336</sup> Only the former would address the underlying economic dissatisfaction which imperiled the security of friendly governments.<sup>337</sup>

Union leaders urged Congress to place heavier reliance on the role of economic assistance in guaranteeing security.<sup>338</sup> To do this, economic funds should be increased and should result in tangible improvements in the standards of living abroad.<sup>339</sup> The U.S. should not rely solely on private enterprise and the "trickle-down" theory.<sup>340</sup>

In addition to increases in the amounts of foreign aid, two other reforms were needed. The first was to increase the economic power of workers through the establishment of free trade unions.<sup>341</sup> The second was to condition aid to both LDC governments and private industry on the pursuance of policies which would distribute the benefits of increased production among the masses.<sup>342</sup>

The farm community also urged Congress to place more emphasis on economic as opposed to military assistance.<sup>343</sup> While it mentioned the danger of overappropriation and the establishment of a permanent staff in charge of the program,<sup>344</sup> it supported the Administration's request and believed that any budget cuts should come out of military assistance.<sup>345</sup> Like labor, it also stressed the positive effects aid had on the U.S. economy.<sup>346</sup> Like most other groups, it supported making aid conditional on the pursuance of appropriate development policies.<sup>347</sup>

Charitable groups expressed degrees of opposition to the growing polarization of foreign aid. Some completely opposed the Mutual Security Program as a plan for escalating the Cold War.<sup>348</sup> Most, while agreeing with the Administration on the increased security threat, opposed its obsession with military as opposed to economic assistance.<sup>349</sup> In their eyes, current expenditures were yielding large dividends and increasing America's prosperity.<sup>350</sup> More than any other group, they supported maintaining, or even increasing, the levels of aid.<sup>351</sup>

A number of issues arose in Congressional remarks on the new proposal. While support for technical assistance remained strong, many congressmen expressed concern with the increase in capital expenditures. They were concerned that Point IV was expanding beyond its original mandate by providing too much material assistance.<sup>352</sup> These growing costs adversely affected the nation's economic health and undercut the dollar.<sup>353</sup> A few congressmen saw the

program as a wise investment, however. stressing the positive effects development would have on U.S. trade and world stability.<sup>354</sup>

The source of threats to stability was also in dispute. Conservative members of Congress stressed the military threat posed by Communism.<sup>355</sup> Their liberal counterparts tended to see this as a symptom of more fundamental sources of unrest such as economic poverty and colonialism.<sup>356</sup> The latter thus placed greater emphasis on the role of economic assistance and support for independence in addressing the problem.<sup>357</sup> They supported the Administration's request.<sup>358</sup> A few went further, criticizing the IMF for being too conservative in its loans to LDC's.<sup>359</sup>

There was a reaffirmation that Congress had intended to support basic rather than industrial development.<sup>360</sup> Even strong supporters of the program emphasized that its size must be limited by the availability of skilled technicians to transfer knowledge and the ability of host countries to assert changes.<sup>361</sup> Administrators should refrain from using hard-sell tactics to rush projects by recipient governments.<sup>362</sup>

A few congressmen questioned the belief that economic development would bring political stability.<sup>363</sup> They foresaw that in many cases such development would undercut the established order, creating a political vacuum.<sup>364</sup> Some members viewed this as a positive development, at least where the old government had opposed changes necessary to economic progress.<sup>365</sup> Others, however, worried about the consequences to U.S. security.<sup>366</sup>

#### Beyond 1952

By 1952 the foreign aid program had changed considerably. It has started as an economic effort to transfer technical knowledge to LDC's through a large number of small scale pilot projects. Its supporters generally believed that in the long run this would promote expanded world trade and political stability.

Over the next two years the program began to involve larger amounts of capital assistance in a few select nations. This change reflected an increased emphasis on short term political and security concerns.

Since 1952 the term "foreign aid" has encompassed both of these distinct policies; one viewing assistance primarily as part of a long-term effort to promote economic and humanitarian aims, and the other focusing more on its short-term political and security effects. Each policy has developed its own constituency. Because each policy reflects a different set of assumptions and priorities, these two constituencies have competed against each other in an attempt to shape foreign policy in their mold. They have also had to battle others who opposed the concept of foreign aid completely.

By 1952, the program had come to increasingly reflect short-term security goals. This continued until the Kennedy administration's Alliance for Progress when longer term development once again rose to the fore.

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13. Id., sec. 3, pp. 174-75.
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16. Id., sec. 8, pp. 176-77.
17. Id., sec. 5(5), pp. 175-76.
18. Id.
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21. Id., sec. 18(a), p. 180.

22. The Act for International Development, 64 U.S. Stat. 204, Ch. 220, tit. 4, sec. 401-18.
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26. Id., sec. 403(b).
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28. Id., sec. 407(c).
29. Id., sec. 411(a).
30. Id., sec. 411(b).
31. Id., sec. 415.
32. Id., sec. 407(a).
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34. Id., sec. 410(a).
35. Id., sec. 410(c).
36. Id., sec. 404(a) & (b).
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282. Testimony of Robert A. Lovett, Secretary of Defense, id., p. 167.
283. Acheson testimony, id., p. 105.
284. Testimony of Clarence R. Miles, Chamber of Commerce of the United States, id., p. 530.
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286. Acheson testimony, id., p. 119.
287. Acheson testimony, id., p. 119; testimony of Andrew N. Overby, U.S. Executive Director, International Bank for Reconstruction and Development, 1952 House Authorization Hearings, p. 591.
288. Overby testimony, 1952 House Authorization Hearings, p. 582.

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290. Overby testimony, id., p. 582-85.
291. Overby testimony, id. p. 588.
292. Overby testimony, id., p. 587.
293. Harriman testimony, id., p. 122.
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295. Overby testimony, id., pp. 588-89, 608.
296. Testimony of Frank Southard, Jr., U.S. Executive Director, International Monetary Fund, id., pp. 470-74.
297. Overby testimony, id., pp. 602-3.
298. Acheson testimony, id., p. 162; Wood testimony, 1952 Senate Authorization Hearings, pp. 595, 596-97.
299. Wood testimony, 1952 Senate Authorization Hearings, p. 590.
300. Bingham testimony, id., p. 629; Acheson testimony, id., 116; Bingham testimony. 1952 Senate Authorization Hearings, pp. 959, 971.
301. Bingham testimony, 1952 House Authorization Hearings, pp. 961, 967, 1025; testimony of Stanley Andrews, Administrator, TCA, id. p. 986; Bingham testimony, 1952 Senate Authorization Hearings, pp. 640-41.
302. Wood testimony, 1952 Senate Authorization Hearings, p. 649; Harriman testimony, 1952 House Authorization Hearings, p. 8.
303. Cleveland testimony, 1952 Senate Authorization Hearings, p. 597.
304. Testimony of John W. Snyder, Chairman, National Advisory Council on International Monetary and Financial Problems, 1952 House Authorization Hearings, p. 597.
305. Bingham testimony, 1952 Senate Authorization Hearings, p. 648.
306. Wood testimony, 1952 House Authorization Hearings, p. 1125.
307. Wood testimony, id., p. 1125; Cleveland testimony, id., pp. 952-53; Snyder testimony, id., p. 597; see, The Mutual Security Act of 1951, 65 U.S. Stat. 373, tit. 5, Sec. 522.
308. Bingham testimony, 1952 House Authorization Hearings, p. 959, Bingham testimony, 1952 Senate Authorization Hearings, p. 646; Wood testimony id., p. 650.

309. Bingham testimony, 1952 House Authorization Hearings, p. 959; Harriman testimony, id., p. 7; Bingham testimony, 1952 Senate Authorization Hearings, p. 631.
310. Bingham testimony, 1952 Senate Authorization Hearings, pp. 723, 726.
311. Bingham testimony, id., p. 714.
312. Bingham testimony, 1952 House Authorization Hearings, pp. 959-60, 972-73.
313. Bingham testimony, 1952 Senate Authorization Hearings, pp. 629-30; 696; Andrews testimony, id., p. 637.
314. "Policy Guidance Regarding Labor and Manpower Aspects of Technical Cooperation Program," id., p. 742; "Mutual Security Program," 1952 House Authorization Hearings, p. 1042.
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317. Wood testimony, id., p. 599; Cleveland testimony, id., pp. 597-98; Harriman testimony, id., p. 100.
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319. "Asia Report," 1952 House Authorization Hearings, p. 820.
320. "Asia Report," id., p. 819.
321. Id., p. 820.
322. Id., p. 821.
323. Id., p. 820.
324. Id.
325. Id.
326. Testimony of Clem D. Johnston, Director, U.S. Chamber of Commerce, id., pp. 652-53, 671; testimony of Clarence R. Miles, U.S. Chamber of Commerce, 1952 Senate Authorization Hearings, p. 530; testimony of L.M. Brile, President, Fairmong Aluminum Co., id., p. 550.
327. Johnston Testimony, 1952 House Authorization Hearings, p. 653; Miles testimony, 1952 Senate Authorization Hearings, p. 530.

328. Miles testimony, 1952 Senate Authorization Hearings, pp. 531-32; Brile testimony, id., pp. 549-50; statement of the Illinois Manufacturers' Association, 1952 House Authorization Hearings, pp. 1095-96.
329. Brile testimony, 1952 Senate Authorization Hearings, p. 549; Miles testimony, id., p. 536, Johnston Testimony, 1952 House Authorization Hearings, p. 663.
330. Miles testimony, 1952 Senate Authorization Hearings, p. 538; Brile testimony, id., p. 550; testimony of Sam G. Baggett, Vice President, United Fruit Co., 1952 House Authorization Hearings, p. 873.
331. Johnston testimony, 1952 House Authorization Hearings, p. 666.
332. Johnston testimony, id., p. 653.
333. Statement of the National Foreign Trade Council, id. p. 1089; testimony of Nelson A. Rockefeller, id., p. 881; statement of the Detroit Board of Commerce, id., p. 1094; testimony of James S. Martin, General Counsel, Association for International Development, 1952 Senate Authorization Hearings, p. 498.
334. Johnston testimony, 1952 House Authorization Hearings, p. 664-65; Brile testimony, 1952 Senate Authorization Hearings, p. 550; Miles testimony, id., pp. 536-37.
335. Testimony of Boris Shiskin, Economist, American Federation of Labor, 1952 House Authorization Hearings, pp. 903-04, 908.
336. Shiskin testimony, id., p. 901; testimony of James B. Carey, Secretary-Treasurer, Congress of Industrial Organizations, id., p. 1086; Carey testimony, 1952 Senate Authorization Hearings, p. 481.
337. Carey testimony, 1952 Senate Authorization Hearings, p. 481; Shiskin testimony, id., p. 478; Shiskin testimony, 1952 House Authorization Hearings, pp. 900, 907.
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339. Shiskin testimony, 1952 House Authorization Hearings, pp. 905, 907.
340. Carey testimony, id., pp. 1086-87; Carey testimony, 1952 Senate Authorization Hearings, pp. 484, 488.
341. Shiskin testimony, 1952 House Authorization Hearings, p. 905; Carey testimony, id., p. 1088; Carey testimony, 1952 Senate Authorization Hearings, pp. 484, 488.
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343. Testimony of John C. Lynn, Legislative Director, American Farm Bureau Federation, 1952 House Authorization Hearings, p. 632; "Long-Term Purposes and 1952-53 Action Program of the National Farmers Union," statement of the National Farmers Union, id., p. 693; testimony of Allan B. Kline, President, American Farm Bureau Federation, 1952 Senate Authorization Hearings, p. 439.
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348. Statement of the American Labor Party, 1952 Senate Authorization Hearings, p. 545; testimony of Henry Pratt Fairchild, National Secretary, National Council of the Arts, Sciences, and Professions, Inc., id., p. 547.
349. Testimony of Bernard Weitzer, Jewish War Veterans of the United States of America, id., p. 497; testimony of Dr. John Coleman Bennett, Council for Social Action, Congressional Christian Churches, id., pp. 403-04; testimony of Arthur Schlesinger, Jr., Americans for Democratic Action, id., p. 543; statement of the General Federation of Women's Clubs, 1952 House Authorization Hearings, p. 1097; testimony of Dorothy Norman, Chairman, American Committee for Economic Aid Abroad, id., p. 1098; testimony of Eileen Blackley, American Association of Social Workers, id., p. 1104; testimony of Ray Gibbons, Director, the Council for Social Action, Congressional Christian Churches, id., p. 1103.
350. Testimony of Clark M. Eichelberger, Director, American Association of the United Nations, 1952 Senate Authorization Hearings, p. 411; Fairchild testimony, id., p. 547; Weitzer testimony, id., p. 497; statement of the League of Women Voters, 1952 House Authorization Hearings, p. 1098; statement of the General Federation of Women's Clubs, id., p. 1097; Norman testimony, id., pp. 1099-1100; Blackley testimony, id., p. 1104.
351. Statement of the National Board of the Young Women's Christian Association, 1952 Senate Authorization Hearings, p. 546; testimony of Robert T. Henry, Executive Secretary, National Council of Churches of Christ, id., p. 401; Eichelberger testimony, id., p. 411; Blackley testimony, 1952 House Authorization Hearings, p. 1104; Norman testimony, id., p. 1098; statement of the General Federation of Women's Clubs, id., p. 1097.

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353. Statement of Senator Alexander Wiley (R-Wis.), 1952 Senate Authorization Hearings, pp. 44-46, 95-96, 187, 355; statement of Senator H. Alexander Smith (R-N.J.), id., pp. 64, 718-19; statement of Senator Guy M. Gillette (D-Iowa), id., p. 311.
354. Statement of Senator Theodore Francis Green (D-R.I.), id., p. 353; statement of Congressman Jacob K. Javits (R-N.Y.), 1952 House Authorization Hearings, p. 123.
355. Statement of Congressman James G. Fulton (R-Penn), 1952 House Authorization Hearings, pp. 197-98; Wiley statement, 1952 Senate Authorization Hearings, pp. 352-53; statement of Senator Ralph E. Flanders (R-Vt.), id., p. 398.
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358. Javits statement, id., p. 123; Judd statement, id., p. 353, Flanders statement, 1952 Senate Authorization Hearings, p. 400; statement of Senator John J. Sparkman (D-Ala.), id., p. 654.
359. Statement of Congressman John M. Vorys (R-Ohio), 1952 House Authorization Hearings, p. 473; Javits statement, id., pp. 472-73; statement of Congressman Francis P. Bolton (R-Ohio), id., p. 476.
360. Flanders statement, 1952 Senate Authorization Hearings, p. 399; statement of Senator J. William Fulbright (D-Ark.), id., p. 696.
361. Fulbright statement, id., p. 581; Sparkman statement, id., p. 654; Judd statement, 1952 House Authorization Hearings, pp. 72, 932, 937, 996, 998.
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363. Judd statement, 1952 House Authorization Hearings, pp. 1000-01; Bolton statement, id., p. 1003; statement of Congressman A.A. Ribicoff (D-Conn.), id., p. 152.
364. Bolton statement, id., p. 1003.
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