A NEW EMPHASIS on ECONOMIC DEVELOPMENT ABROAD

A REPORT TO THE PRESIDENT
OF THE UNITED STATES

MARCH 1957

The
INTERNATIONAL DEVELOPMENT ADVISORY BOARD
Washington, D. C.

"New forces and new nations stir and strive across the earth, with power to bring, by their fate, great good or great evil to the free world . . . one third of all mankind has entered upon an historic struggle for a new freedom: freedom from grinding poverty . . . For wherever in the world a people knows desperate want, there must appear at least a spark of hope, the hope of progress—or there will surely rise at last the flames of conflict."

—President Dwight D. Eisenhower
Second Inaugural Address
January 21, 1957

A NEW EMPHASIS ON ECONOMIC DEVELOPMENT ABROAD

A Report to the President of the United States on Ways, Means and Reasons for U. S. Assistance to International Economic Development

THE INTERNATIONAL DEVELOPMENT ADVISORY BOARD
Washington 25, D. C.

International Development Advisory Board

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March 4, 1957

The President
of the United States
Dear Mr. President:

With the attached report, the International Development Advisory Board wishes to meet further the responsibility placed upon us when you appointed us as consultants on U. S. international economic cooperation and related matters.

As representatives of American industry, labor, agriculture, education and the public-at-large, we are following our broad directive to examine current policies and programs of international economic assistance, to recommend courses of action and to present our findings to you and the International Cooperation Administration of the Department of State. We have also transmitted advance copies of this report to Mr. Benjamin F. Fairless.

Our study has led us through both official and unofficial channels into an area often complex and sometimes obscure. If our findings—or any similar findings for foreign aid—are accepted as national policy, our country will take on greater, not lesser, responsibility in the years ahead. We of the IDAB realize that we cannot buy leadership, or popularity, or sure guarantees of safety for the United States through our concept or any concept. What we would prescribe has risks—political, economic and monetary risks. But we can find no course without risks to serve us as well.

The attached report on international economic cooperation outlines what our nation faces today and will likely face tomorrow. As your appointed counsellors, we are keenly aware of the problems challenging official and unofficial experts.

We are neither officials nor experts, but we have borrowed freely from the experience of both. We have borrowed from Congressmen who singly and in committee have examined most aspects of foreign aid. We have borrowed from the Department of State and the International Cooperation Administration. And we have borrowed, perhaps principally, from your own insight and initiative. We would like to acknowledge our deep appreciation to all for all this invaluable help.

What follows is the product of the painstaking efforts of many Americans, but the recommendations submitted represent the unanimous opinion of this Board.

Respectfully yours,

Eric Johnston, *Chairman*
The International Development Advisory Board

PREFACE

OUR NATION'S programs and policies for "mutual security" are now being explored by both Houses of Congress, by the Executive Branch of the Government and by many private and public organizations. The IDAB believes it is high time for such exploration. There are few issues of foreign policy today which are more important and less understood.

In this report, the IDAB does not intend to duplicate the efforts of others and add merely another report on "mutual security" to ones already made or in the making. Pursuant to the Congressional authorization founding the IDAB, our area of responsibility is concentrated in the technical assistance and economic development, rather than the military, phases of the Mutual Security program. In these closely-related areas of our responsibility, we do have some strong convictions. Moreover, we feel it to be essential that the American people have a clear understanding of the difference between the military and economic aspects of our assistance programs. It is, therefore, our intention to concentrate on the principal economic aspect—the problem of long-range economic development.

In this report, we of the IDAB will point out why we think international economic development presents a problem which the free world, led by the United States, must meet. We will suggest a program with new emphasis which we believe will succeed for this nation, and for the nations that require assistance.

I.

THE PROBLEM

PRESIDENT EISENHOWER epitomized the problem of the underdeveloped areas in his Second Inaugural Address. One third of all mankind, stagnant throughout much of modern history, is now engaged in an historic struggle toward enduring self-government. The major arena for this struggle covers one third of the world's land area—the continents of Asia and Africa.

In this arena of new and newly-awakened nations a social and political revolution is now sweeping—a revolution which may well be the single most significant development in this latter half of the 20th Century. Many of these nations attained political freedom after World War II. They are now seeking to achieve economic progress as well.

The problem for the United States and other developed countries of the free world is how to deal with the aspirations of the underdeveloped nations. Our objective is to maintain peace and stability in a world in which our nation can grow and prosper—a world in which our fate is now bound with the fate of others.

During the postwar decade, the United States has been deeply concerned in its struggle against the forces of communism. In this period, we have tended to see the division between the communist and the free world as the great problem of our time. But the free world itself is divided into two major groups, the developed and the underdeveloped countries. The underdeveloped nations, we believe, present an overriding challenge to the free world today and for the balance of this century, whether the communist threat increases or subsides.

These underdeveloped countries are of great importance to the free world's future and to the maintenance of peace. They provide many raw materials essential for our industrial

and defense production. Some have recently engaged in minor wars and could trigger a major one. Many are uncommitted to either of the two major powers in world politics. Some are highly volatile internally. Most abound in poverty. Their aspirations have been stirred by the impact of Western political and economic ideas which taught them that man can, within very wide limits, remake his life to achieve greater material benefits for himself and greater power for his nation. In this one respect, communism joins non-communist thought in preaching that there is an alternative to traditional poverty.

The new nations demand some tangible signs of economic progress, which their leaders must produce whether by methods of totalitarianism or methods of freedom.

It is important to understand that the problems which the underdeveloped countries must surmount in order to achieve economic progress are quite different from the problems which confronted Western Europe at the end of World War II.

The Marshall Plan, as its official title suggests, was a European Recovery Program. It was designed to assist in the rehabilitation of Europe's damaged economy by the furnishing of certain missing components: raw materials and capital goods. The people of Western Europe had the motivations and attitudes required for a modern economy; the basic services were in existence; there was a highly skilled labor force; there were institutions to mobilize savings, to extend credit. Under such conditions, economic recovery and growth have been striking and swift.

By contrast, the problem facing the underdeveloped countries is not the swift restoration of a damaged economy but the slow, difficult task of economic development, of building a modern economy with all of its manifold complexities.

What are the economic problems facing the present leaders of the underdeveloped countries? Many of these nations are already over-populated in relation to their present low levels of production. Moreover, in many of them, populations are growing rapidly as death rates fall sharply with the introduc-

tion of low-cost health measures. The growing populations are intensifying the pressure on antiquated economies, demanding immediate improvements. Agricultural production must be increased. Industrial production must rise to clothe and house the growing populations and to absorb the present and steadily increasing unemployed.

Much needs to be done if the present leaders of the underdeveloped countries are to meet the demand for increased production. Capital is required for basic development. Illiteracy must be diminished. Semi-skilled and skilled workers and competent supervisors at all levels must be trained. An entrepreneurial spirit still needs to be developed. Capable administrators are needed, and a tradition of responsible dedication to the public interest must be established. Perhaps most important, the leaders need to prove their own stated promises of economic progress, which are now measured against actual personal incomes averaging between $50 to $300 per year.

Most of these demands, particularly those which rely on the human resources, must be remedied by the people of the underdeveloped countries themselves. Even the deficiency of capital, which is less important to development than the human factors, will have to be met largely by their own efforts.

The concept of technical assistance, as it was proposed by President Truman in 1949, was based on the idea that the United States would help these peoples to help themselves. This is exactly what this program has done; always the local governments supplement the U. S. financing of this program, frequently by amounts which exceed the U. S. contribution.

In 1949, however, we believed that the missing component was solely the lack of technical knowledge; we felt that private capital and public capital made available through the International Bank for Reconstruction and Development would supply all of the outside capital needed to help these countries help themselves. Experience has shown that this is not the case.

To achieve a satisfactory rate of development, the under-

developed countries require more capital than they have been able to raise externally or than they can raise locally through normal processes. Their current rate of new investment is barely large enough to maintain the existing standard of living as the population rises. Very low personal incomes leave no room for substantial increase in the rate of investment through additional personal savings or government expenditure of increased tax revenues.

The additional capital necessary for the achievement of their development can come from three possible sources:

First, they can try to raise it internally. They can do so by depressing even further their presently low living standards through higher taxation, severe wage and price controls and enforced public investment. On any large national scale, such a program would require totalitarian methods which the Soviet Union and Communist China have used to the same purpose.

Second, many of these countries believe they can obtain help from the communist bloc through the Soviet's new "trade and aid" program, which seems highly attractive to them today.

Third, they can turn for help to the developed countries of the West.

We think the time has come to ask and answer some questions. What should be the role of the United States toward the underdeveloped nations? What should our nation do to help their peaceful and orderly growth? To us it is clear that the United States must assist in solving the difficult problems facing them. There are many compelling reasons. It is a task that should be given high priority in United States foreign policy today.

II.

WHY ARE WE CONCERNED

TODAY THERE is considerable doubt and confusion at home and abroad about United States foreign assistance. The present debate in Congress and the studies undertaken by many groups, both public and private, underscore the confusion in the public mind about objectives, methods and policies. Recent public opinion surveys verify that there is substantial majority support among the American people for foreign aid but also little clear understanding of the various segments of the program. Even the words "foreign aid" are misunderstood and have, in fact, been used to mean a variety of related and unrelated undertakings.

It is evident to the IDAB that the foreign assistance we advocate—long-range economic development—cannot be revised and strengthened without the support of the American people. Our people cannot be expected to support any program unless they understand it. We think, therefore, that a major function of this report is to make unmistakeably clear why the American people have a compelling interest in the economic development of other countries.

The IDAB believes that it is in the U. S. national interest to assist international economic development.

1. Our prime concern for the underdeveloped nations, our prime reason for helping them, is our hatred of war and our resolve to diminish the causes for war at the earliest possible stage. In this concern, our leadership in the world is given its most demanding test. The underdeveloped world is now highly explosive with great new energies. We believe that they must be channeled toward peace and progress for our sake, as well as theirs. If economic development serves to achieve internal stability in these countries and directs the people's energies toward internal progress rather than

external aggression, the prospects for peace are greatly increased.

We believe that a satisfactory pace of economic growth will achieve these ends. Accelerated economic growth will provide more jobs and more economic and social opportunities for the leadership groups today and tomorrow. Working for their own and their nation's economic improvement, these groups are more likely to focus their ambitions and restless energies on peaceful and constructive goals Economic growth, therefore, provides a major solvent for internal tensions, a major source for national pride, a major incentive for stability and peace.

The failure of the underdeveloped nations to achieve satisfactory economic progress is likely to produce serious repercussions in the free world. In many of these areas, the leadership groups are already under great pressure for economic development; it will not be long before this pressure becomes universal. Thus far, the leadership groups have shown attachment to Western democratic methods. Most of the constitutions and political institutions in the underdeveloped areas are closely patterned on Western models. But to maintain their present moderate governments, these groups are virtually compelled to speed millions of their countrymen into the 20th century. If they fail in this task, we can expect increased political instability. Present moderate leadership may be replaced by governments more extreme, more likely to be totalitarian whether of communist or indigenous origin, and more likely to resort to external adventurism.

2. We believe that U. S. economic development assistance is a form of preventive medicine against future expenditures and loss of life. There has been ample evidence of the vulnerability of weak societies to subversion, manipulation or attack by the Soviet bloc: Indochina, Greece, Korea, and, more recently, the Middle East. Once an international crisis develops, it may be too late to save the situation with

money alone. Meeting the cause of the crisis beforehand is always far less costly in U. S. resources and, at times, in U. S. lives. Moreover, it is our opinion that, in many instances today, a dollar invested for economic development assistance abroad will produce a more permanent security for our nation than a dollar spent on military assistance.

3. Economic assistance by the United States to the underdeveloped nations provides a major channel for mutual understanding and influence, perhaps the most important channel available. Between our country and these countries today are vast differences in culture, language and social tradition as well as economic attainment. Communication between us at present is a problem. Mutual confidence must be established; this cannot be accomplished by words alone. Economic cooperation—working together in common purpose—offers, we believe, the most durable bridge for linking our objectives and theirs for economically and politically free societies.

4. Aside from U. S. self-interest, our nation's concern with the economic progress of underdeveloped countries is in keeping with our own moral traditions and our present responsibilities of leadership. The IDAB believes that United States policy is always at its best and receives strongest support at home and abroad when it represents not merely the national self-interest but also our free traditions. These traditions, moreover, have been giving large hope to the ambitions of the new nations. As President Eisenhower has observed: "These hopes that we have helped to inspire, we can help to fulfill."

III.

CRITERIA FOR A DEVELOPMENT PROGRAM

WE OF THE IDAB believe that an economic development program as an instrument of United States foreign policy is our most promising and perhaps our only method of dealing with the rising aspirations of the underdeveloped nations

We are under no illusion that economic development is a panacea. On the contrary, we know that economic growth will create many problems in the countries undergoing the process. But the social revolution in the underdeveloped countries is already well under way; it is already disrupting the centuries-old patterns of life, habits, and traditions. These old patterns are already beginning to be supplanted by new patterns of thought and action.

One role of the economic development program we envisage is to help to shape the new patterns in a manner conducive to world peace and compatible with the existence of free institutions in the world. This is an important task of U. S. foreign policy in the underdeveloped countries. The IDAB can find no other diplomatic or informational program as effective in doing this. Military pacts and military aid are neither designed to meet nor can they cope with the vast social, political and economic forces loose in the underdeveloped countries. We know of no alternative to a vigorous policy of economic cooperation with them by the more developed countries of the free world, led by the United States.

The IDAB believes that this requires a revision and strengthening of our foreign economic development programs. We have studied the origins and growth of our present programs. In proposing a new pattern for technical and capital

assistance, we would offer five criteria which we believe are vital for future success.

First, we submit that the major purpose of any United States economic development program is to assist and encourage foreign countries to use their own talents and resources as effectively as possible for their own stable growth. Only if they have the incentive and provide the manpower and a large part of the capital, can technical assistance and capital from the free world stimulate and assist their long-term economic growth.

Second, we believe that an economic development program must have continuity—a long-term approach in planning, budgeting and review. Our objective of economic growth cannot be achieved overnight or in a year. A program with the life expectancy of one year—technically the current budgetary situation for economic development assistance—cannot begin to provide the comprehensive planning required. Nor can it hope to attract the number of qualified personnel necessary for effective operation, especially for the technical assistance program.

A program which has continuity can be much more efficient in the use of manpower and financial resources. It can carefully plan and implement a broad scale program of economic development which requires a series of years and a complex of supporting works if it is to bear fruit. The American people should be clearly aware that they are investing in a long-term program.

Third, we believe that the size of the present development program—both capital and technical assistance—should be substantially increased.

How much additional aid would be required to achieve successful economic growth abroad? This question, we believe, cannot be answered categorically. Many factors are involved, only one of which is foreign captial. One thing is clear, however: neither the current rates of economic growth nor the growth of capital are satisfactory.

It is also clear to us that a relatively moderate United States government effort could make a significant increase in the capital formation in the underdeveloped countries. Total capital formation in Asia and Africa is now only $7 billion a year; in Latin America it is only $8 billion a year.

The U. S. output of goods and services in 1956 was $412 billion. It has been increasing at a long-term rate of three and one-half percent per year, or an absolute amount now of over $14 billion per year. In other words, the United States could make a significant increase in the capital formation of the underdeveloped countries with no reduction at all in U.S. income and with only a small reduction in the amount by which our income increases each year. . . . .

There is a widespread but quite mistaken impression that the United States is already engaged in a massive economic development program. This arises, in our opinion, from the fact that many Americans refer to the entire Mutual Security Program as "foreign aid" and then use this term as synonymous with "economic aid." The facts are these:

a) Congress appropriated $3.8 billion for the entire Mutual Security Program in the current year. This appropriation provides the money for military aid, emergency relief, contributions to eight international agencies, and economic development and technical assistance.

b) Of the total Mutual Security appropriations, 54 percent, or a little over $2 billion, is "military assistance" and finances the exportation of military hardware to countries with which we have military agreements. With this $2 billion the United States assists in the arming of the free world. This expenditure is not designed to promote economic growth.

c) Of the total Mutual Security appropriation, nearly $1.2 billion goes to supply non-military goods and services to those countries with which the United States has military arrangements. This non-military aid is called "defense support," and is, in the words of Congress, "designed to

sustain and increase military effort." "Defense support" funds serve to bolster the economies of these countries, and permit them to finance larger military establishments than their economies could otherwise support, military establishments maintained in our interest as well as their own.

A portion of these "defense support" funds does contribute to long-term economic development. Estimates of the experts vary widely on this point. Some put it as low as 20 percent, others as high as 60 percent.

d) Of the total Mutual Security appropriation, $202 million is for a variety of purposes including the President's Contingency Fund (used mainly for emergency relief), contributions to international agencies, and the costs of administering the program.

e) Of the total Mutual Security appropriation, only 10 percent or $385 million is for "economic development" in all of the countries with which the United States does *not* have military arrangements, and for "technical assistance" on a world-wide basis, including both countries with which the United States has military arrangements and those with which it does not. This $385 million includes $250 million for capital for "economic development" and $135 million for "technical assistance."

To sum up: out of the $3.8 billion Mutual Security appropriation[1] for the current year, the following amounts contribute to long-term economic growth abroad:

—$250 million for "economic development."
—$135 million for "technical assistance."

[1] The above explanation refers only to the Mutual Security (Foreign Aid) Program. It does not include remittances and investments by American individuals and private corporations, loans from the Export-Import Bank, or the International Bank for Reconstruction and Development (IBRD). Nor does it include local currency loans made in connection with the sale of U. S. surplus agricultural commodities under Public Law 480.

—Between $240 and $720 million of "defense support" funds.

—$17 million representing U. S. contribution to international agencies for "technical assistance."

The distribution of our aid among countries is heavily affected by our military arrangements. Roughly two-thirds of U. S. non-military aid goes to six countries: the Republic of Korea, the Republic of China, Vietnam, Turkey, Pakistan and Iran, which have a combined population of 170 million people. The remaining one-third goes to other underdeveloped countries of the free world having a population of 900 million.

Fourth, we believe that every effort should be directed toward stimulating the flow of private investment into the underdeveloped countries. Private investment carries with it its own know-how, its own special managerial skills and techniques so essential to a growing economy. The new program should not compete with but should encourage an increased flow of private capital.

Since World War II, the flow of private capital to the underdeveloped countries has fallen short of the goal hoped for by American business and by the U. S. Government. Numerous organizations, board, committees and commissions have studied the impediments to private foreign investment and have made various reports and recommendations. Among these recommendations for encouraging private foreign investment are Treaties of Friendship, Commerce and Navigation, bilateral tax treaties and implemental legislation by the United States, and convertibility guarantees, all three of which the IDAB has strongly endorsed.[2]

This problem of stimulating private foreign investment is now receiving renewed study. Its solution is of special importance in our relations with Latin America, whose political, economic and military ties with the United States in

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[2] See earlier IDAB reports: *Recommendations for Stimulating Private Capital Investment in Underdeveloped Countries,* March 1, 1954, and *An Economic Program for the Americas,* September 1954.

both peace and war are of first importance. However, detailed recommendations for its solution are beyond the scope of the present report. This is a subject to which the IDAB is now directing renewed attention.

The IDAB acknowledges that, in the near future, foreign private capital is not likely to play a major role in the development of either Asia or Africa. The immediate primary need for capital in these areas is in "social overhead"—power, communications, transportation and educational facilities—and it is improbable that U.S. private capital will find this a profitable field for investment.

We expect that, as the less developed countries achieve a substantial degree of economic development, and as they achieve a greater degree of trust in us and confidence in themselves, the opportunities for private capital will grow. Opportunities are already growing in much of Latin America. When this occurs, private capital can, should, and will take the burden of development away from government. One of the major objectives of the program we propose is to build the necessary basis for a marked increase in foreign private investment.

Fifth, and finally, we recommend that an economic development program should be considered, established and budgeted on its own merits as an instrument of foreign policy. The present intermingling of military and economic assistance—both budget-wise and in the public mind—has created misunderstanding at home and suspicions abroad. When we view foreign development through military lenses, we tend to divide the world into those who are allies and those who are not. With such a viewpoint, there is little room for understanding of countries wishing to remain free of all military alliances but needing outside help to win their battle against hunger, disease and poverty and to win their struggle for economic progress and improved opportunities for individuals.

Therefore, we believe it is highly important—if we are

to succeed in foreign economic development—to make clear distinctions between the military and the economic aspects of our foreign aid program. We believe that a broad economic development program should be considered in its own right and for its own reasons as an integral part of our foreign policy.

IV.

A PROGRAM

THE IDAB proposes the establishment of an International Development Fund to operate through the International Cooperation Administration of the Department of State. The purpose of this Fund is to put our program for economic development of underdeveloped countries on a flexible and long-term basis.

We believe the time has come to begin such an effort, that the national interest requires it, and that, when clearly defined, the American people will support it. We believe, further, that the experience of the past ten years has prepared us for this undertaking and established clear criteria for success.

The Fund should be established through permanent legislation and should have two areas of responsibility: providing technical assistance and providing capital for development in Latin America, Asia and Africa, including the Middle East. It should have no other objectives. It should be the sole United States agency for assisting long-term economic growth in the underdeveloped areas.

The present technical assistance program should be expanded as rapidly as more skilled people can be brought into the program. Such expansion is limited today by difficulties of recruiting qualified personnel. Measures to attract, to train and to keep qualified personnel, including the development of a career service, should be vigorously pursued. Technicians lent to developing nations, we believe, are of primary importance in helping peoples abroad to use their own hands and minds to achieve better agricultural methods, better sanitary systems, better industrial plants, better educational institutions for their own development. The tech-

nical assistance program offers the United States a direct means of helping these peoples improve their training and skills to the level required for sustained economic growth.

Linked with the need for technical assistance in the developmental process, is the need for increased capital. The United States, through the Fund, would supply the vital, though marginal, amounts of capital needed to promote economic progress, to avert a lapse into economic stagnation.

In this report, the IDAB does not presume to submit a detailed blueprint of the International Development Fund. Rather, we would like to outline our thinking about certain operational aspects of our proposal.

1. The Fund should be established for a period of years. Appropriations by Congress should permit the Fund to operate for a minimum of three years without requiring additional financing.

Congress should receive semi-annual reports and accountings and would replenish working capital as the Fund's needs are demonstrated. The Administrator of the Fund should consult closely and frequently with the appropriate Congressional committees.

2. The initial Congressional appropriation for the Fund should be sufficient for a substantial increase in capital investment and technical assistance programs. "Defense support," which now covers all non-military aid to those countries with which the U. S. has military arrangements, should be limited to the amounts required to permit these countries to support their enlarged military budgets. That portion of "defense support" which contributes to long-range economic development should be included in the appropriation for the Fund.

3. The Fund should place its major emphasis on loans rather than grants. Loans, by contrast with grants, would encourage both the borrower and lender to be frugal in using the Fund's resources. They would encourage healthy

economic policies in the recipient countries and would support the desire of these countries for increased national self-reliance and dignity.

However, there will continue to be cases where the use of grants from a portion of the Fund would be required. The financing of technical assistance is one such case. In addition, there will continue to be situations where the giving of assistance is in the U. S. national interest but where the expectation of repayment is neither practical nor reasonable. To use loans in such situations would tend to undermine the international debt structure. This is another case where grants would seem appropriate.

The IDAB does not believe that it should, or that it could, suggest firm rules for deciding between use of the loan or the grant instrument for aid. Too much depends upon the facts of the particular case and the total situation of the recipient country at the time the financing is being considered.

It is envisaged that the Fund will lend on more generous terms than the International Bank for Reconstruction and Development, which was instituted a decade ago as the "lender of last resort." Many of the Fund's loans might have to provide for repayment in local currencies which could be utilized at the discretion of the Administrator.

4. The Administrator of the Fund should be given powers broad enough to permit flexibility in setting interest rates, periods of maturity, periods of grace before repayment of interest and principal is required, repayment of local currencies, and the waiver and renegotiation of repayment requirements. He should not be limited by prior allocations of portions of the Fund to any particular countries or areas. The Administrator should also have the authority to contribute to international agencies devoted to economic development in underdeveloped areas.

5. The Fund should not meet requirements that can be filled by private investors, the International Bank for Re-

construction and Development, the International Finance Corporation (IFC), or the Export-Import Bank. It should supplement these institutions and, as a matter of basic policy, it should encourage and step aside in favor of private investments.

6. The Fund, however, should participate in joint financing with private investors, the IBRD, and other financial institutions in making foreign loans. In these instances, capital from the Fund could take a junior position with respect to the capital of other institutions—i.e., payments to the latter could take precedence over payments to the Fund. Administrative control of joint financing would vary with the individual situation. Through this effort, additional resources from developed as well as underdeveloped countries could be mobilized.

One vehicle for this which should be encouraged would be wisely-conceived regional development banks or operating corporations. Such institutions, with local initiative and resources, could effectively accelerate broad-scale development. They could operate within a particular country, such as the Industrial Credit and Investment Corporation of India (ICICI)[1], or in several countries, such as the proposed Jordan River Valley Authority.

7. Loans and grants should be made only after recipients have demonstrated their ability to use the funds effectively and the availability of trained manpower essential for success. Thus, productiveness of the Fund's resources would be increased and the foreign nations would be encouraged to develop integrated plans which are vital to economic development.

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[1] The ICICI is a corporation formed by private investors (equity capital) of India, the United Kingdom, and the United States (Bank of America, Olin Mathieson Chemical Corp., Westinghouse Electric International Corp., and the Rockefeller brothers) for the development of private industry in India Loan capital participants were the International Bank for Reconstruction and Development and the Government of India (from counterpart funds derived from steel furnished by the U. S. Government).

"Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas . . . Their poverty is a handicap and a threat both to them and to more prosperous areas . . . Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens . . . Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people."

—President Harry S. Truman
Inaugural Address
January 20, 1949

"I do not mean to belittle the communist challenge. I only mean that the essential question is one which we should have to answer if there were not a communist alive. Can we make freedom and prosperity real in the present world? If we can, communism is no threat. If not, with or without communism, our own civilization would ultimately fail.

"How soon this nation will fully understand the size and nature of its present mission, I do not dare to say. But I venture to assert that in very large degree the future of mankind depends on the answers to this question."

—Hon. Henry L. Stimson
October, 1947