

Second Annual Report

AID (211d) Institutional Development Grant

No. AID/cad-2547

Period: July 1, 1970 - June 30, 1971

Center for Research on Economic Development

University of Michigan  
Ann Arbor, Michigan 48104

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Second Annual Report

AID (211d) Institutional Development Grant No. AID/cad-2547  
(University Account Nos. 034630 and 034640)

Period: July 1, 1970 - June 30, 1971

I. Objectives of the Grant

The general objectives of the 211d Grant were to maintain and expand the capacity of the University of Michigan, and specifically its Center for Research on Economic Development (CRED), in the field of economic development, and to allow CRED to enhance its capability for providing assistance to AID and other aid-giving institutions or directly to African countries. CRED has interests and specialized competence in problems of African economic development, and has undertaken various Task Orders for AID, involving consulting and/or research in Africa. With the general shrinkage of private financial support for international affairs programs in American universities, CRED's resources began to decline after 1968. In the absence of new support, it would have been necessary to reduce the Center's staff and activity to a minimum, dismantling its general research and advisory capacity. The 211d Grant allows CRED to maintain this capacity; it also created the opportunity to enlarge, improve and diversify it.

II. Areas of Activity

Under this grant, CRED undertakes the following activities:

1. Expansion of staff available for research and consulting work.

This larger staff permits greater flexibility in teaching, research, and advisory or consulting assignments.

2. Expansion and improvement of CRED, the research facilities, especially its library facilities.

3. Expansion of research in areas important to less developed countries and relevant to AID policy.

4. Collaboration with other internationally oriented programs at The University of Michigan generally contributing to increasing the University's competence in the area of international development. Particular attention is given to collaboration with centers of population research at the University.

5. Improvement of general administrative capacity, by employing an administrator who will also be available for part-time teaching or research, or periodic advisory work abroad.

6. Stimulation of interest in African development problems among graduate students and provision of fellowships and travel funds for dissertation research in Africa.

7. Bring to the university for one year periods of course work or writing, African civil servants or academicians.

8. Enrichment of the African content of their courses, particularly in a graduate seminar in development. The problems of development administration will receive special attention.

9. CRED will attempt to attract to Michigan mid-career and senior officials of AID and other foreign affairs agencies, for refresher or research periods.

It is of course to be understood that the rate at which the various aspects of the CRED programs can be implemented varies for its different components.

### III. University Contribution

In addition to its support to other international affairs programs, the University makes a wide range of contributions to CRED. Funds made available by this grant do not reduce these contributions; grant funds will not finance activities which would otherwise be carried out by the University. The following specific contributions are provided to CRED by the University. The University meets part of the salary of Professors Berg, Porter, Stolper and Eckstein. This is for time spent in teaching. It is worth noting that the research and affiliated activities carried out under the grant contribute significantly to the content of the courses offered. And equally important, the University has made a residual commitment to absorb these faculty on a full-time basis should the CRED program be terminated. There is also a specific commitment to support CRED at a given minimum level should adequate external financing not be available. The University provides rented office space, utilities, telephones, and custodial services for CRED. Additional new space is promised for 1971-72. The University also provides space for faculty, students and special meetings or seminars related to CRED's program, library facilities at the main campus and throughout the University, access to University computer facilities and other special research aids on a fee basis and consultation with members of the faculty not directly associated with CRED.

The grant was the dominant source of financing for the Center in 1970-71. No single CRED program was exclusively financed with grant monies. However, close to fifty per cent of the budget of our core activities were provided from the grant. In the sections which follow we will first summarize the achievements of our program in 1970-71 and then focus on particular expenses which were met with the grant.

#### IV. Accomplishments

In this report we make a crude attempt to define CRED objectives and functions and to classify the year's activity according to these functions, to the extent that this is feasible. We try to formulate, in a rough way, a preliminary "program structure" which defines what CRED does. CRED seeks to increase understanding of the economic development process in the less developed world, especially in Africa; and to help in efforts aimed at reduction of world poverty. In pursuit of these general objectives, CRED performs three main functions: (1) extension and improvement of the University's capacities and activities related to international economic development; (2) provision of assistance to governments, universities and research institutions in less developed countries, particularly in Africa; (3) provision of assistance to aid-giving institutions. As a result of the grant CRED is increasing its African-related activities.

##### A. Extension and Improvement of University Capacity in the Field of International Economic Development With a Special Focus on Africa

1) Teaching. During the year 1970-71 the four members of CRED staff (Berg, Eckstein, Porter, Stolper) taught 8 courses in the Economics Department, 5 of them in the development field: the two-semester graduate course in economic development; the two-semester graduate seminar in economic development; one undergraduate development course. In addition, Professor Porter assumed responsibility for the teaching of Economic Principles, and Professor Eckstein taught a macro-theory undergraduate course. This teaching derives from the fact that all paid CRED Research Associates have until 1971 held joint appointments in the Economics Department.

The seminar on Economic Development, a listed course in the Economics Department, continued as a workshop on development policy problems with a

focus on Africa. Subjects considered this year were: (1) topics in international trade and development; the theory and measurement of export promotion; changing views on the role of exports; effective protection; (2) employment, unemployment, migration, wages policy; (3) planning and economic policy in Nigeria. This seminar is University funded.

2) Research. There were four new research appointments. Miss Judith Harrington (Ph.D., Cornell, Demography) was appointed Research Associate jointly with the Center for Population Planning (this is an example of CRED's special efforts at cooperation with University population programs, an objective furthered by the grant); Mr. Izevbuwa Osayimwese (Ph.D., Northwestern, Economics) and Mr. Charles Staelin (Ph.D., Michigan, Economics), Research Associates at CRED; and Mr. Peter Heller (Ph.D., Harvard, Economics), jointly with the Economics Department. These four professionals will join the staff early in 1971-72. This professional staff will directly add to teaching capacity in development. Mr. Heller has a joint appointment with the Economics Department. Also, Miss Harrington may do some teaching in the population field. The presence of Messrs. Osayimwese and Staelin, both of whom can be called upon to fill teaching needs that may arise, will increase the teaching potential in development economics and greatly add to our flexibility.

3) Administration. Mr. Robert Pogson, Deputy Director, joined the Center in June. This appointment was in accord with the grant objectives to increase the administrative capacity of the Center.

4) Special Seminars, Luncheon Meetings, and Other Group Discussions. These activities, part of the ongoing CRED program, have been made more innovative through the resources added to by the grant:

a) Doctoral Theses: While developing a thesis proposal, and/or at various stages of thesis-writing, students and faculty find it useful to have

progress reports presented for discussion by faculty and other students.

The following meetings of this kind were held during the year.

William Alexander	"Effective Protection: Some Implications of the Theory of Tariff Preferences"
Rajaona Andriamananjara	"A Linear Programming Model of an Economy with a Works Program" and "Rural Mobilization in Morocco"
Louis Currat	"Public Sector Wage Policies in Morocco"
Lynn Ferrara	"Politics of Cooperatives in Senegal"
Arthur Gibb	"Some Definitional Problems on Off-Farm Rural Unemployment in LDCs"
Charles Staelin	"Export Promotion Policies in India"

The Staelin dissertation was not funded by 211d; it was especially funded by the USAID Mission to India. It has provided comparative information for similar work on Africa. This is generally the case where work is done on areas outside Africa.

b) Non-Economic Factors in Development: A great deal of work related to economic development goes on outside of Economics and too often unnoticed by economists. To help make some of these other fields more accessible to students and faculty in Economics we instituted a series of five talks by non-economists working on development problems at the University of Michigan. An average of 12 students attended these sessions.

Prof. John Bardoch, Natural Resources	"Ecological Consequences of Development Projects"
Prof. Peter Gosling, Geography	"Economic Options Open to Villagers and Patterns of Rural-Urban Migration in Asia"
Prof. Gayle Ness, Sociology	"Bureaucracy and Rural Development"
Prof. Roy Rappaport, Anthropology	"Micro-Level Development"
Prof. John Waterbury, Political Science	"National Elites in Morocco"

c) Trade and Development: For some time various members of the Center staff, particularly Prof. Porter, and faculty members associated with the Center, Prof. Robert Stern in particular, have been working on problems of LDC exports. A number of papers were prepared and presented at special seminars during the year, related to export sector problems. Average student attendance was 10. Topics covered included:

Paul Acquah University of Pennsylvania	"The Impact of the External Cocoa Market on Ghana and the Ivory Coast"
Prof. James Anderson Boston College	"Evaluation of Trade Cooperation Among Developing Countries"
Prof. Ronald McKinnon Stanford University	"Capital Flows, Protection, and the Liberalization of Foreign Trade with Reference Especially to LDCs"
Prof. Richard Porter and Charles Staelin	"The Evolution of LDC Export Policies"
John Richards University of Wisconsin	"Export Techniques and Patterns of Growth and Development"
Vernon Roninggen Columbia University	"Effective Tariff Protection in South Africa"
Charles Staelin University of Michigan	"Export Selection and the Domestic Cost of Foreign Exchanges"

d) Rural Development and the "Quality" of Economic Growth: Members of the staff have been concerned in their recent research with problems of income distribution, equity, the distinction between "growth" and "development" and the implications of these issues for overall development strategies. Eleven seminars and lectures concerning these matters were held during the year. Average attendance at these meetings was 12 students and staff.

i) An interdisciplinary group discussion on urban planning and rural-urban relationships in LDCs took place from June to August 1970. Topics discussed included: "Planning for Population Redistribution"; "Is Urbanization Necessary"; "The Meaning and Measurement of Urban Unemployment."

ii) Between July and September 1970 there took place a workshop of 12 sessions on "The Teaching of Development Economics," largely organized by Peter Eckstein.

iii) In the summer of 1970 a seminar was organized at CRED by students of development around the subject "Methodology of the Social Sciences." This discussion group was entirely conceived, organized and administered by graduate students in economics, who prepared a syllabus and reading list in consultation with various faculty. Eight sessions were held, with average attendance about 9, including several faculty members who participated from time to time.

iv) In May and June 1971 considerable research activity was begun in the area of trade and development — notably preliminary and exploratory studies of export projections, the behavior of commodity markets, the impact of commodity exports on LDCs, the nature and implications of export promotion policies. A series of six discussions was held to consider methodological, data and conceptual problems involved in this kind of research.

5) Research Assistantships and Fellowships. This supports the University and Center capability in development with emphasis on Africa. Fellowships are generally awarded to encourage or permit students to pursue studies in development. Research assistantships are given in return for assistance to staff members. In 1970-71 CRED appointed a total of 28 research assistants with payments totaling \$31,223; 37 per cent of this amount was provided by the grant. In addition to research assistantships, CRED awarded fellowships to 13 students; this amounted to \$36,460; 35 per cent provided by the grant.

In 1970-71, the following students received support in the form of research assistantships or fellowships. The substantive area in which they

worked, most commonly assisting Center professional staff, is also indicated. The names of the students assisting in research under the grant are indicated by an asterisk. As has been noted earlier some research of a comparative nature has been encouraged.

<u>Name</u>	<u>Nationality</u>	<u>Subject</u>
I. Adalemo*	Nigerian	Assist in setting up computer program for Andriamananjara
C. Aho*	U. S.	A comparative evaluation of foreign trade projections for LDCs
R. Andriamananjara*	Madagascar	Labor Mobilization: The Moroccan Experience (in French and English)
R. Bassett*	U. S.	World export projections of copper
R. Blake	U. S.	Analyze changes in African countries export earnings (using 2 techniques)
R. Coe*	U. S.	Simulation model of S. Africa's apartheid policy
H. Coulter*	U. S.	Nature, causes & effects of rural-urban migration in LDCs from socio-political-economic point of view
L. Currat	Swiss	Study of factors determining wage structure in the public and semi-public sector of Morocco
G. Davis	Canadian	Computer analysis for simulation models
J. Dietrich*	U. S.	Evaluation of export projections of cocoa and coffee
G. Duncan*	U. S.	Review certain issues on integrated industries in LDCs and wages policy
P. Endsjo*	Norwegian	Forest industries contribution to economic development in Nigeria
R. Faruqee	Pakistan	Study problems of regional disparities in economic development
A. Gutierrez*	U. S.	1. Evaluate short, medium & long term forecast for world coffee consumption 2. Effects of population growth on economic development in LDCs
G. Fields	U. S.	Economics of education and labor markets in Kenya
J. Fitts	U. S.	
A. Ghoshal	India	Impact of rubber on the Liberian economy

<u>Name</u>	<u>Nationality</u>	<u>Subject</u>
A. Gibb	U. S.	Trends in non-farm employment in the Philippines
B. Herman*	U. S.	1. Gathered data on oil refineries in Africa 2. Private, large scale foreign investment decisions and potential role in E. African community
M. Kennedy*	U. S.	Comparative evaluation of foreign trade projections for LDCs
S. Klepper	U. S.	Role of exports in LDC development plans
F. Lad*	U. S.	Population control acceptance rates
T. Lukusa*	Congo	Demand analysis of Tunisian exports to France and Germany
D. Martin	U. S.	Analysis of a linear programming model of Tunisian agriculture
T. McDevitt*	U. S.	Migration and population in Africa
V. Mesalles	Spain	Foreign investment and economic development in Chile
C. Pineau-Valencienne*	France	Reviewed current government documents and literature on budget and plans
M. Safra	Tunisia	Study industrialization policies in Tunisia; tax exemptions, subsidies, permission for foreign management, etc.
V. Senecal*	U. S.	Bibliography on price and investment policies of public enterprises in LDCs
R. Silberman	U. S.	Public housing in Kenya
B. Snapp*	U. S.	Treatment of Exports in Development Plans
C. Staelin	U. S.	Export promotion in India
J. Twino*	Uganda	Reviewed economic development with emphasis on literature labor movements in LDCs
D. Weeks	U. S.	Anthropological study of Nigerian Tobacco Co. workers
J. Weiss*	U. S.	Simulation model of S. African economy measuring economic effects of discrimination under S. Africa's apartheid policy

6) Research Focus. Each CRED staff member has his own research interests, and this combination of interests, with dissertation research and work of

visiting research associates, traditionally has been CRED's research program. The unifying aspect of CRED's research activities has been a common inclination toward empirical and policy-oriented research and a continuing interest in certain substantial issues - planning problems, for example - although staff members have interests in areas other than Africa. It is expected that an increasingly large share of CRED research will have an African focus. In 1970-71, Prof. Stolper continued to work on planning and budgeting problems, Prof. Porter on issues in trade and development, Prof. Berg on wages and on economic policy-making in Liberia. During the year 1970-71, Prof. Snyder completed his series of stabilization policies in European countries, and Prof. Eckstein concluded his work in two-gap models for Latin America. (See the appendix hereto entitled "Publication".) It is necessary to recognize that the lag between research and publications generally means that the work leading to these publications was done prior to 1970-71.

Research efforts meriting special identification included:

a) LDC Exports and Export Policies: Preliminary work was begun on a number of studies in this general area. Under the direction of Prof. Robert Stern, export projections were being analyzed. Also, Prof. Porter and Dr. Staelin have been developing tools of analysis for measurement of the impact of economic policies on export performance. It is expected that this work will lead not only to some publishable papers, but also to a better definition of research needs in the area of export promotion policies and the development of export sectors.

b) Labor Mobilization, Resettlement Schemes, Rural-Urban Migration: Professors Peter Gosling and Gunnar Olson of the Geography Department have worked on various problems related to population resettlement schemes and rural-urban migration. Prof. Berg had done some work on migration in West

Africa. Professors Gosling, Olson and Berg met weekly during the fall of 1970 to explore research needs and possible approaches combining disciplinary as well as regional interests.

c) Evaluating Social Sector Expenditures: Prof. Robin Barlow, under CRED auspices, developed a research proposal aimed at studying the impact of health or education expenditures in Morocco. Financing for the project was obtained under a Task Order from A.I.D.

d) Rural Development: An economics graduate student and Center Research Assistant, Rajaona Andriamananajara, completed a doctoral dissertation on the Moroccan rural public works program (Promotion Nationale). Mr. Andriamananajara's work, including field work in Morocco, was financed by an AID Task Order.

7) Conferences. Attendance by CRED staff members at various conferences, participation in panel discussions, etc. serves various purposes. It familiarizes CRED staff with new ideas, problems, trends in thinking about development problems, presumably with consequent effects on teaching and research. The following conferences, panels, etc. were attended by CRED staff members during the year 1970-71:

July 1970: Profs. Berg and Porter participated in Meeting of Directors of Development Training and Research Institutes sponsored by Organization for Economic Co-operation and Development (Paris) at Montebello, Quebec, on the subject of unemployment problems.

September 1970: Prof. Berg participated in Cambridge Overseas Development Conference on "Unemployment Problems of Less Developed Countries," sponsored by Cambridge University, England.

November 1970: Prof. Porter participated in Conference sponsored by Organization for Economic Co-operation and Development (Paris) on Housing Investment and Employment in Mexico City.

March 1971: Prof. Stolper attended Conference on Research and Studies of International Development sponsored by the University of Ottawa.

April 1971: Prof. Berg participated in Second Conference on Development Strategy, sponsored by Government of Liberia and the University of Liberia.

April 1971: Prof. Stolper attended memorial meeting for August Lössch in Heidenheim, Germany, and Round Table Discussion held by German Section of the Regional Science Association.

8) The Library. The Center Library offers services which complement other library facilities on the University campus, and has been careful to avoid overlap in service and in acquisitions. The campus-wide impact on the grant supported library is indicated by the use made of the library by students in other disciplines. These included political science, anthropology, law, education, public health, history and natural resources. As the library's resources and staff have grown its role has broadened.

The major additions to the Library collection during 1970-71 were:

African Government Publications: 445 African government documents, including 11 new subscriptions to statistical bulletins (3 English-speaking, 8 Francophone countries) and 16 new subscriptions to other types of periodical publications. This is an increase of 39% in holdings of periodical titles and an increase in documents of approximately 16% in all documents.

Purchase of microfilms included 168 development plans from 74 LDCs, 3 series of French-African periodicals and 4 out-of-print African books.

421 books with an emphasis on French-African material were purchased. Also, a program which was stressed during 1970-71 was the broadening of periodicals in all areas of Economic Development and Administration. This resulted in an increase of some 61 titles, an increase of 23%.

During the period, with grant support, the library began conversion to the Library of Congress classification. When complete this will facilitate broader use on this and other campuses. This conversion is also underway to permit application for inclusion in the Joint Acquisition List of Africana which will make the Center's holdings available to major African specialists.

## B. Capacity to Assist Less Developed Countries

All CRED programs and activities to some extent contribute — or should contribute — to the understanding or resolution of LDC problems. But for purposes of analysis we here consider separately those programs which most directly involve CRED assistance to LDCs.

1) Teaching in LDC Universities. The center provided the following faculty members during 1970-71:

Prof. George Johnson	Dept. of Economics University of Michigan	University College Kenya
Prof. Kunio Yoshihara	Dept. of Economics University of Michigan	University of the Philippines, Manila
Prof. Joseph Palmer	Dept. of Linguistics University of Michigan	University of Thailand, Bangkok

Associated with each of the faculty members sent abroad under this Rockefeller financed program is a "Junior Scholar" — a Ph.D. candidate who does dissertation research and usually a little teaching. Mr. Gary Fields was in Nairobi under these arrangements, and Mr. Arthur Gibb in Manila. In lieu of a Junior Scholar in Bangkok, we earlier sent an Economics Graduate Student to Colombia.

2) Training of Students from LDCs. The main form of training offered is graduate study in Economics. CRED itself offers no courses or certificates; these are provided within the teaching departments or other units of the University. In addition to the regular teaching that CRED staff members do, CRED's activity takes various forms: (1) CRED acts as advocate within the Economics Department and the University for a more substantial commitment by the teaching departments to students from the less developed world, particularly Africa. (2) Through its contracts abroad, CRED helps in the recruiting and screening of suitable candidates. (3) CRED provides financial support to graduate students from LDCs, especially Africa, where necessary. (4) CRED provides special forms of assistance, such as counseling, tutoring, provision of research aids, and a "home" which smooths the adjustment process for the

student.

Every effort is made to give LDC students preference in assignments as research assistants. During 1970-71 six students from LDCs were made research assistants, of whom four were African. (Three, Adelemo, Lukusa and Twino were under the Grant.) Since most students from African countries come with financing from other sources, CRED Fellowship support is usually of a supplementary kind designed to allow completion of work underway. Two African students (one, Andriamananjara, under the Grant) and one Pakistani received this kind of support during the year. No students with other U.S. Government assistance benefitted from the Grant.

In the summer and fall of 1970, we undertook a study of foreign students within the University and the Economics Department, in an attempt to see how the University's commitment to teaching of non-Americans, particularly from LDCs, has evolved over time. The analysis showed that in the years 1967-1969 foreign students in general formed a smaller percentage of the total University of Michigan student body than at any time since the end of World War II; about 2.5% of the total, as compared to 5.5% in the peak year, 1960. Of the approximately 1,000 foreign students at Michigan in 1969, 50 were from Africa, 350 were Asian, 90 were from the Middle East, 100 from Latin America, and 410 from Europe. In the Economics Department in the four years 1967-1970, only 29 foreign students (excluding Canadians) were enrolled in the four entering classes which totaled 229 students. Only sixteen students from less developed areas were among these 229, and only four from Africa. In the middle and late 1960's, therefore, students from LDCs were represented less in the Economics Department than in the University as a whole. Students from LDCs were on average 1.5% of Economics Department graduate entering classes; African students were .5%.

As concern has arisen over possible overproduction of American economists at the Ph.D. level, CRED staff (and others) have argued within the Economics Department that a greater proportion of our entering class should be composed of LDC and especially African students. In the 1971-1972 class (entering Fall '71), which will probably be about half as large as the previous year's class (30 instead of 60), the number of African students admitted has increased to six. It is not yet clear that all six will enroll, but the commitment is clear.

One Ph.D. degree was awarded this year to a student from the less developed world, the recipient being Rajaona Andriamananjara, from Madagascar. This was the first American Ph.D. won by a Malagasy citizen in any field, and its award occasioned a visit to Ann Arbor of the Malagasy Ambassador to the U.S., and considerable publicity both in Ann Arbor and Tananarive. This student benefitted from a tuition fellowship under the grant.

### 3) Technical Assistance to LDCs

a) Technical Assistance to the Planning Secretariat, Government of Morocco: An agreement between the University of Michigan and the Moroccan Government, under USAID financing, calls for CRED provision of technical assistance to the Moroccan planning organization for a three year period beginning September 11, 1970. The contract provides for 48 man-months of advisory services annually and a "research assistant" who will combine professional services with helping administer the project. Ten man-months of consultant's services are to be provided annually. Between September 11, 1970 and June 30, 1971, the University provided 10 man-months of advisor's time, and two weeks of consultant's services, Professor Snyder as project director, and Stanislas Wellisz, Professor of Economics at Columbia University, as a consultant.

b) Prof. Stolper in Tunisia. During the summer of 1970, Prof. W. F. Stolper served as consultant to the Ministry of Planning in Tunisia, under Ford Foundation auspices. His assignment was to advise on the overall direction of the next Tunisian Plan. Prof. Stolper consulted extensively with Tunisian officials, and submitted a general report to the Government of Tunisia. He also submitted a report to the Ford Foundation on technical assistance needed to strengthen the Tunisian planning process.

c) Other. At the request of the Liberian Government, Prof. Berg participated in a Conference on Development Strategy in Monrovia in April 1971, sponsored by the Liberian Department of Planning and Economic Affairs, to consider ideas on next steps in Liberian economic planning and policy. More informal assistance of a minor sort occasionally arises through personal contacts. For example, Professor M. Onitiri, member of the Nigerian Government Commission appointed in 1970 to review wages and salaries, requested from Prof. Berg by letter a bibliography on incomes policies and wage structure in various parts of the world. This was sent along with copies of hard-to-get documents.

4) Other. When CRED staff members lecture or otherwise participate in public discussions held in LDCs there is some presumption that benefits accrue to local participants in terms of "training" or "education." Center staff participated in the following activities of this kind in 1970-71: Prof. Porter attended an OECD-sponsored conference on housing investment and employment, held in Mexico City; Prof. Berg, in addition to the Liberian conference, attended the 16th International Manpower Seminar and lectured to manpower officials from LDCs at the seminar held in Washington, D.C. and sponsored by the Department of Labor.

The following visitors came to the Center this year from LDCs. These

are in addition to those who lectured or came for some purpose directly related to CRED activities, and whose visits are noted elsewhere.

John C. Cupid, Ministry of Planning and Development,  
Trinidad, West Indies

Mr. Hayrettin Gucer, Ministry of Planning, Turkey

Prof. Paulo Yokota, Ministry of Finance, Brazil and University  
of Sao Paulo

C. Assistance to Donor Agencies and Institutions

1) Advisory or related services rendered during 1970-71:

a) Ford Foundation — Tunisia: Professor Stolper served as consultant to the Ford Foundation in Tunisia during the summer of 1970, and wrote a report for the Foundation Representative there, on technical assistance needs for economic planning.

b) USAID — Nigeria: Professor Stolper served as consultant to AID for more than two months between October 1970 and January 1971. He was a member of a four-man Nigeria Policy Review Team and spent 5 weeks with the team in Nigeria. This actually was not grant financed.

c) USAID — Vihiga Special Rural Development Project, Kenya: Prof. Berg consulted on several occasions with various AID officials in Washington, regarding AID's Special Rural Development Project in Kenya. Mr. Pogson went to Kenya for two weeks to review this project for AID.

d) Professor Stolper spent 10 days in April 1971 as a member and rapporteur of an Ad Hoc Expert Group of UNCTAD, in Geneva, to consider measures to be taken to help the least developed of the LDCs.

2) Assistance in Recruitment of Economists and Overseas Advisors. Most of this assistance is done informally. Such activity is not financed under the grant. Someone from one of the foundations, AID or the IBRD, telephones or writes about an opening in one of their overseas projects, or a domestic

post in the foundation itself. CRED staff then talks to relevant people on the Michigan faculty, and/or calls or writes contacts around the country or abroad.

A more formal type of recruiting assistance is also extended to aid agencies. CRED helps in organizing the informing of Michigan students of job opportunities at the World Bank, the I.M.F., the Foundations, the U.N., AID, etc. It serves as a point of contact for recruiters, providing a meeting place, a luncheon, etc.

3) Other. A variety of activities are undertaken by CRED staff either directly in response to a donor agency request, or which originates otherwise but is of direct potential use to donors. In the recent past we have had three to four requests for appraisals or comments annually. Occasional lectures by CRED staff before officials of donor agencies is another example of this kind of assistance -- Prof. Berg's lectures at the Foreign Service Institute in Washington, for example.

One general effect of the grant is to augment the competence and capability of the Center's professional staff in African development affairs. They are supported by additional research assistance, increased current coverage of the Center's library and increased direct contact with African and American professionals active in development. This serves to strengthen the Center in dealing with grant financed activities as well as in almost all its activities with donor institutions.

### III. Expenditures

The Center's total expenditures during 1970-71 were \$385,999.<sup>1/</sup> Total expenditure out of 211d between July 1, 1970 and June 30, 1971 was \$96,438.

This was divided among the two accounts as follows:

<u>Account 034630 - AID/CRED/Inst.</u>		<u>Account 034640 - AID/CRED/Library</u>	
AID/csd/2547		AID/csd-2547	
Salaries	\$59,352	Library Acquisitions	8,225
Academic	33,464	Supplies	265
Res. Assistants	11,462	Equipment	715
Non Academic	14,426		<u>\$9,205</u>
Employee Benefits	5,743		
Fellowships	13,330		
Supplies	1,793		
Telephone	383		
Postage	458		
Equipment	(163)		
Computer Center	1,398		
Travel	4,938		
	<u>\$87,233</u>		

With respect to salaries, the grant provided: 50% of the salary for the nine-month academic year 1970-71 and 100% of that of July, 1970, for Professor Elliot Berg; 50% of the salary for the academic year 1970-71, 100% of the salary for the months of July 1970 and June 1971, for Professor Richard Porter; Carol Holbrook, Center Librarian, who works 3/4 time, was paid in full by the grant; and 100% of the salary for July 1970 for Professor Wayne Snyder.<sup>2/</sup> The staff dedicated part

<sup>1/</sup>The important relation of the grant to the Center's overall program is suggested in Table I, Statement of Expenditures from All Sources. There it will be noted that grant support was 25% of total expenditure. This rises to 35% if we eliminate the \$116,043 disbursed by the Center, but not managed or controlled by us, for the Rockefeller Foundation (Account 362090).

The total expenditure presented in Table I does not include the full contribution of the University to the Center. In the particular case of the grant this includes costs directly related to the increased level of activities resulting therefrom. This includes such costs as additional office and library space, utilities, phones and a wide range of services (accounting, purchasing, etc.). In addition the University contributed \$31,700 in salaries of Center professional staff.

<sup>2/</sup>The allocation of salaries against the grant is based on estimates of time spent on activities consistent with the objectives of the grant. The Center does not maintain daily allocation of exact time spent by professionals on various specific activities of the Center.

Table I

1970 - 1971

Statement of Expenditures from all Sources

	Rock/ Weeks 362630	Rock/ CRED 330320	Rocke- feller 362090	Popula- tion Council 355670	Ford Unres- tricted 364310	Ford 2 Year 364460 and 364290	AID 211(d) 034630	AID 211(d) Library 034640	CRED/ Morocco 003160	AID Andria- ...jara 034690	AID/ Nigeria 003130	Total
Salaries												
Academic	5,000 <sup>1</sup>	898	41,947	2,732	6,972	8,295	33,464	-	24,044	-	7,226	130,578
Allowances			7,640						7,390			15,030
Research Assistants				600	2,200	10,411	11,462		1,750	4,800		31,223
Non Academic				209		11,471	14,426		2,183		48	28,337
Employee Benefits		96	981	141	(97) <sup>2</sup>	2,492	5,743		3,361	228	754	13,619
Lecturers					475	325						800
Consultant's Fee									1,150			1,150
Fellowships		2,500	12,100		8,680		13,330					36,610
Supplies		1,401		74	(64) <sup>3</sup>	3,760	1,793	265	460		8	7,697
Telephone		8		4		575	384		136			1,107
Postage		44		2		610	458					1,114
Books		529				212		8,225				8,966
Equipment		682					(163) <sup>4</sup>	715	779			2,013
Computer Center				47			1,398					1,445
Travel		83	13,375		813	1,479	4,938		13,566	2,974	2,970	40,198
Overhead			5,000	305		4,575			14,819	2,268	4,057	31,024
Palmer (includes Salary, Allowances, Travel)			35,000 <sup>5</sup>									35,000
	5,000	6,241	116,043	4,114	18,979	44,205	87,233	9,205	69,638	10,270	15,063	385,993

<sup>1</sup> Includes July and August, 1971

<sup>2</sup> Check for Workmen's Compensation deposited to this account.

<sup>3</sup> Checks received for Discussion Papers " " "

<sup>4</sup> Equipment charged in 1969-70 later transferred to Rock/CRED 330320 and credited in 1970-71 to 034630.

<sup>5</sup> Will break down charges when report is received from University of Pittsburgh.

of its time to the administration of the Center, but the major part of the time of all professionals paid from the grant was spent on research and teaching. The non-academic salaries noted above were used for secretarial services, payment of library assistants, translators and computer center salaries. Computer time appears under supplies.

Of the 28 research assistants employed by CRED, 16 were financed by the grant. As was the case last year, they variously assisted research activities of CRED staff or engaged in independent research related to these students' own professional interests. CRED awarded 13 fellowships, six of which received financing under the grant. These provided stipends and/or tuition for students engaged in field research related to their doctoral programs. Some students received both assistantships and fellowships at differing periods of the year.

Purchased supplies included miscellaneous stationery, printing of Discussion Papers, CRED Reprints, copy center services, etc. The telephone services reflect long-distance charges inasmuch as telephone rental is paid for by the University and there are no charges for local calls. The item under equipment reflects a credit balance in this category. This was the result of the return of \$682 to this line when the purchase of equipment in January 1970 was discovered to be of foreign origin.

Travel expenditure in the amount of \$5,938 was incurred by the following persons associated with the Center, and for the purpose noted: Barry Herman, a fellowship holder, was provided round-trip travel to Kenya to gather data for his doctoral dissertation; partial expenses for Professor Berg to participate in Liberia's Second Conference on Development Objectives and Strategy; expenses for a trip to Washington by Professors Berg, Porter and Stern for consultation with PC/AID about AID policies regarding export sector development; trip by Professors Berg and Porter to attend American Economic Association

meetings; trip to AID/Washington regarding Center's First Annual Report (Jan. 1 - June 30, 1970) by Professors Berg and Stolper; trip to confer with Office of Development Planning to discuss AID research priorities and export prospects by Professors Berg, Porter and Stern; Professor Berg's visit to AID/Washington to discuss development training possibilities and the Vihiga/Kenya project; and Professor Stolper's trip to the Conference on Research and Studies of International Development, sponsored by the Institute for International Cooperation at the University of Ottawa.

#### IV. Work Plan and Budget Forecast

Table II shows actual and estimated grant expenditures for the year 1970-71 and projected grant expenditures in 1971-72.

The actual expenditures in 1970-71 closely correspond to those anticipated in the budget plan which is also attached, see Table III. The differences which are noted between the 1970-71 estimates and our actual performance is the result of a more rapid buildup of activity than had been anticipated in August 1969, when the basis of the 1970-71 estimate was prepared. As an example the \$24,792 spent on students, for fellowships and assistantships, nearly reached the projected level for the second full year of activity under the grant. The apparent case of underspending on supplies is explained by a higher level of purchases under this category made using other funds of an expiring grant that would have otherwise been unutilized.

As has been noted in this report, the Center has taken important steps toward substantially improved research capacity. The instrumental goal of adding four new research associates and an administrator was achieved. This new staff will all be at the Center in 1971-72. Space bottlenecks which hindered efficient expansion will be resolved with the University of Michigan commitment to provide

Table II  
Center for Research on Economic Development  
University of Michigan  
Ann Arbor, Michigan 48104

Expenditures, Actual and Projected, Under USAID 211d Grant

	<u>Five Year Total</u>	<u>Jan. 1-June 30, 1971 Actual</u>	<u>July 1, 1970-June 30, 1971 Estimate</u>	<u>Actual</u>	<u>July 1, 1971-June 30, 1972 Estimate</u>
Personnel	\$382,500	\$11,324	\$39,500	\$53,633	\$91,000
Student Fellowship and Research	140,000	4,924	15,000	24,792	28,000
Travel	53,000	673	5,200	4,938	14,000
Library	52,600	3,206	10,000	9,205	8,000
Supplies, etc.	46,900	3,075	8,000	3,870	14,000
Total	\$675,000	\$23,202	\$77,700	\$96,438	\$155,000

Table III  
Budget Plan for Use of AID 211 (D) Grant to CRED

I. Personnel	<u>Five Year Total</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>
1. Research and Executive						
a) Director (1/4 time)	\$ 40,000	7,000	7,500	8,000	8,500	9,000
b) Associate Director (1/4 time)	60,000	10,000	11,000	12,000	13,000	14,000
c) Three 1/2 time Academic Appointments	175,000	11,000	35,000	43,000	43,000	43,000
d) Administrator	50,000	—	20,000	20,000	5,000	5,000
2. Library Aides	20,000	4,000	4,000	4,000	4,000	4,000
3. Secretarial (1 1/2)	37,500	7,500	7,500	7,500	7,500	7,500
Total Salaries	\$382,500	39,500	85,000	94,500	81,000	82,500
 II. Student Fellowships and Research						
1. General Graduate Fellowships (2 per year)	40,000	8,000	8,000	8,000	8,000	8,000
2. Dissertation Research in Africa (2 per yr.)	50,000	5,000	15,000	10,000	10,000	10,000
3. Visiting African Research Associates	20,000	--	--	10,000	--	10,000
4. Research Assistantships	30,000	2,000	4,000	8,000	8,000	8,000
Total Students	\$140,000	15,000	27,000	36,000	26,000	136,000
 III. Travel						
1. Foreign						
a) Dissertation Research in Africa	30,000	3,000	9,000	6,000	6,000	6,000
b) Africa to U.S. Fares for African Visiting Research Associates	9,800	--	--	4,900	--	4,900
c) CRED Staff Trips to Africa (2)	6,800	--	3,400	--	3,400	--

Table III

Budget Plan for Use of AID 211 (D) Grant to CRED

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Travel, continued	<u>Five Year Total</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>
2. Domestic						
a) Trips to AID Washington (20)	2,500	500	500	500	500	500
b) Trips to African Studies Association Meetings (5)	1,000	200	200	200	200	200
c) Recruiting Expenses	1,200	500	400	300	--	--
d) Special Study Visits	1,700	1,000	700	--	--	--
i) Librarian (\$700)		(700)	--	--	--	--
ii) Other University Centers (1000)		(300)	(700)	--	--	--
Total, Travel	53,000	5,200	14,200	11,900	10,100	11,600
IV. Library						
1. Accelerated Acquisitions						
a) Microfilm Purchases, African Plans and Budgets	600	600	--	--	--	--
b) Microfilm Purchases, Journals and Documents	3,500	2,500	1,000	--	--	--
c) Subscriptions to Periodicals	5,500	1,800	1,300	800	800	800
d) Government Documents	9,000	4,000	2,000	1,000	1,000	1,000
e) Books	25,000	8,000	8,000	3,000	3,000	3,000
2. Categorizing Materials						
a) Library of Congress Cards for existing documents and books	4,000	4,000	--	--	--	--
b) Library of Congress Cards for new acquisitions	4,000	800	800	800	800	800
c) Supplies (binding materials, shelving, files, microfilm reader)	1,000	500	500	--	--	--
Total, Library	\$52,600	22,200	13,600	5,600	5,600	5,600

Table III

Budget Plan for Use of AID 211 (D) Grant to CRED

Page 3

V. Supplies and Other	<u>Five Year Total</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>
1. General Supplies	10,000	1,000	1,500	2,500	2,500	2,500
2. Printing Costs	15,000	1,500	2,500	4,000	4,000	3,000
3. Staff Typewriters	600	--	300	300	--	--
4. Recording Machines	1,000	250	500	250	--	--
5. Bookshelves, Typewriter Tables, Files, etc.	800	200	300	300	--	--
6. Postage	2,500	350	350	600	600	600
7. Telephones, Cables	3,000	600	600	600	600	600
8. Data Processing	14,000	1,300	2,000	4,300	3,200	3,200
a) Computer Times (10,000)		(1,000)	(1,500)	(2,500)	(2,500)	(2,500)
b) Software Costs ( 3,000)		(300)	(500)	(800)	(700)	(700)
c) Desk Calculator (1) (1000)		--	--	(1,000)	--	--
Total, Supplies, Equipt, Other	\$ 46,900	5,200	8,050	12,850	10,900	9,900
Totals	\$675,000	87,100	147,850	160,850	133,600	145,600

Summary Totals

I. Personnel Costs	382,500	56%
II. Students	140,000	21%
III. Travel	53,000	8%
IV. Library	52,600	7%
V. Supplies, Others	<u>46,900</u>	7%
	675,000	

additional and more appropriate office facilities in mid-1971/72. This will improve accessibility and order in the currently crowded library and afford adequate office space for existing and newly added professional staff.

The major thrust of new substantive effort in 1970-71 will be improved definition of the Center's research program and the initiation of specific research projects by the strengthened staff. This research will be in addition to the continuation of the ongoing activities described in this report for 1970-71. The major aspects of this research will include work on the following substantive areas:

#### Beyond Import Substitution

Most African countries are too small to even consider seriously a strategy of development based on import substitution; Latin American as well as other experience has shown that even larger countries quickly run into trouble when they neglect exports or systematically discriminate in a direct or indirect way against the export sector.

The potentials of the export sector -- Pessimism and skepticism about the possibilities of export-propelled growth is widespread in Africa as elsewhere in the LDCs. It is one of the most important attitudes or ideological tenets conditioning economic policy. The theoretical and empirical basis for export pessimism has never been strong. The Center proposes to focus research in this area, work on terms of trade behavior, on analysis of demand and markets for tropical commodities and other potential African exports, and on the sole of commodity agreements where African countries have a major interest (e.g., the moribund sugar arrangement between the OCAM countries).

Export promotion policies -- In Africa, as elsewhere, there are wide inter-country differences in export performance in recent years. Some countries (the

Ivory Coast and Kenya, for example) have had very healthy growth rates. Comparative analysis is proposed of economic policies affecting the export sector, both direct export promotion and indirect policies (exchange rate policies, tax and expenditure policies, import substituting priorities, etc.) to see whether common policies can also be perceived in high and low export growth countries. Attempts will also be made to analyze policies in the non-African "success" cases to see whether there are policy lessons for Africa.

#### Human Resources

Population - In general, African demographic research is exceedingly scarce. This is especially true of economic demography. Basic fact finding efforts are needed in particular, survey type research, to get some idea about basic relationships as they emerge in African circumstances -- e.g., between fertility behavior, (the number and spacing of children) and occupation, income growth, employment, etc. Little is known about desired family size in Africa, about the magnitude and sources of urban-rural differences in fertility behavior, about costs and benefits of children as perceived by parents. While in many aspects of the population problem, notably population biology and the technology of birth control, African countries will enjoy spillover effects of work being done in Asia and Latin America, this is much less so with respect to social research. The Center proposes to engage in this type of research.

Rural Mobilization - With existing rates of population increase and slow rates of growth of off-farm employment opportunities, African countries must find imaginative ways of dealing with problems of rural overcrowding, or feasible ways of stimulating agricultural transformation.

Migration and resettlement -- Although some interesting and recent work has appeared on migration problems in Africa, research in this area is still relatively thin. The migration phenomenon has special urgency because of its relationship to the overall employment and unemployment problem. In addition to understanding more about the structure of migrations, (their volume, direction, pattern -- short or long distance, for example), more should be known about what's happening to earnings in the nonorganized sector (petty trade, handicrafts, small workshop employments, other services). What is happening to the perception of urban opportunities in rural areas? This is a question about which more must be known if the future of urbanization and prospects of urban unemployment are to be well understood. Much of the tendency to see growing urban unemployment, the unemployment pessimism which pervades much policy thinking, is based on probably dubious assumptions about shifts of expectations patterns among migrants in rural areas. These pessimistic views may systematically underestimate the impact of unemployment rates on expectations and preferences and hence on future migration rates into urban areas. Research on these themes is proposed.

#### The Economics of Public Health

Health Care problems in less developed countries constitutes another area of research for the coming academic year. One topic of particular interest is the development of an analytical model for health care planning. Professor Heller intends to extend his previous research on health care planning and budgeting in Kenya to embody such a model. This will interact with Professor Barlow's research in Morocco on evaluating the impact of specific health sector programs on economic development. Another proposed area of research is an evaluation of the impact of specific diseases on various aspects of economic development; with particular attention on river blindness in West Africa.

The Center anticipates pursuing several topics on the theory of time preference and cost-benefit analysis which relate to the biases often engendered against the social profitability of health projects.

Appendix

1970 - 1971

Publications

Adalemo, Isaac A.

"Distribution of Market Centers, Market Periodicities, and Marketing in North-western Nigeria," CRED Discussion Paper No. 12, August 1970

Aho, C. Michael

"The Use of Export Projections in Allocating Foreign Aid Among and Domestic Resources Within Developing Countries," CRED Discussion Paper No. 16, June 1971.

Andriamananjara, Rajaona

"Labor Mobilization: The Moroccan Experience," CRED Discussion Paper No. 15, April 1971.

Berg, Elliot

"Politics, Privilege and Progress in Liberia: A Review Article," Liberian Studies Journal, Vol. II, No. 2, 1970, (CRED Reprint No. 17)

"Wages and Employment in Less Developed Countries," paper presented at O.E.C.D. Conference on Unemployment, Montebello, Canada, July 1970. CRED Discussion Paper No. 13, December 1970. Published in The Challenge of Unemployment to Development and the Role of Training and Research Institutes of Development, O.E.C.D., Paris, 1971.

"Wages Policy and Employment in Less Developed Countries," paper presented at University of Cambridge Overseas Studies Committee Conference, September 1970, (Prospects for Employment Opportunities in the Nineteen Seventies).

Review of Adebayo Adedejo, "Nigerian Public Finance," in Journal of Economic Literature, 1971.

"Structural Transformation vs. Gradualism: Recent Economic Developments in Ghana and the Ivory Coast," in D. Foster and A. Zolberg, (eds.) Patterns of Modernization in Ghana and the Ivory Coast, University of Chicago Press, 1971.

Eckstein, Peter

"Relative Prices in Planning for Economic Development: A Comment," paper presented at NBER Conference on International Comparisons of Prices and Real Income, May 1970. To be published in Conference volume, 1971.

Hill, Polly

Studies in Rural Capitalism in West Africa, Cambridge University Press, 1970

Hutcheson, Thomas L.

With Richard C. Porter, "The Cost of Tying Aid: A Method and Some Colombian Estimates," CRED Discussion Paper No. 14, January 1971, Forthcoming in Princeton Studies in International Finance

Porter, Richard C.

"Terminal-Year Investment in Finite-Horizon Planning Models," Pakistan Development Review, Summer 1970, (CRED Reprint No. 18).

"The Birth of a Bill Market," CRED Discussion Paper, August 1970, submitted for publication.

"The Cost of Tying Aid: A Method and Some Colombian Estimates," with Thomas L. Hutcheson, CRED Discussion Paper No. 14, January 1971, forthcoming in Princeton Studies in International Finance.

Porter, Richard C.

"The Rediscovery of Exports by the Third World," with Charles P. Staelin, forthcoming in Foreign Trade Review.

"The Effects of Tax Exemption on Investment by Industrial Firms in Colombia," with Richard A. Bilsborrow, forthcoming in Weltwirtschaftliches Archiv.

Review Article of OECD Series, Industrialization and Trade Policies in Some Developing Countries (Oxford University Press, 1970), in Annals of the American Academy of Political and Social Science, July 1971

Snyder, Wayne W.

"Measuring the Effects of German Budget Policies, 1955-1965," Weltwirtschaftliches Archiv, Vol. 104, No. 2, 1970 CRED Reprint No. 16.

"Managing Money and Credit in a Developing Economy," Malayan Economic Review, October 1970.

"Measuring the Stabilizing Effects of Social Security Programs in 7 Countries, 1955-65," National Tax Journal, September 1970, CRED Reprint No. 19.

"Measuring Economic Stabilization: 1955-65," The American Economic Review, December 1970, CRED Reprint No. 20.

"Public Enterprise Investment and Economic Stability: A Six Country Comparison," Annals of Public and Cooperative Economy, January-March 1971

"Budget Policy and Economic Stability in Postwar Japan," forthcoming in International Economic Review.

"Are the Budgets of State-Local Governments Destabilizing?" submitted for publication.

Staelin, Charles

"The Rediscovery of Exports by the Third World," with Richard C. Porter, forthcoming in Foreign Trade Review.

Stolper, Wolfgang F.

Review article: E. M. Kaslow, ed., The Role of Social Security in Economic Development, Journal of Economic Literature, Vol. VIII, No. 3, September 1970

Review article: Arnold Rivkin, Nation-Building in Africa: Problems and Prospects, in The Annals, May 1971, Vol. 395.

Weeks, John W.

"Further Comment on the Kilby/Weeks Debate: An Empirical Rejoinder," CRED Reprint No. 21, The Journal of Developing Areas, January 1971, pp. 165-174