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**A Review of  
"Development Cooperation:  
Creating a Public Commitment"**

by

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Development Cooperation: Creating a Public Commitment  
John Maxwell Hamilton

OVERVIEW

In Hamilton's words, "this paper examines Americans' attitudes toward foreign aid and argues that making the case for economic development assistance could become more difficult rather than easier in the future....An unfamiliar interlinked world threatens Americans...A compelling rationale for assistance is needed to overcome this threat."

The author gives three propositions outlining a new rationale for economic assistance, which in his view reflect the reality of American attitudes:

1. Self-interest but not selfish; that is, defining goals which are of mutual interest to the US and the South;
2. Modest but effective;
3. Part of a coherent whole vis a vis the entire range of foreign relations.

HIGHLIGHTS OF PAPER

Where Americans Have Been

Over the past four decades, Americans have not ranked foreign aid high on their list of priorities and perceive it as foreign to American interests.

Arguments on which foreign aid have rested have not effectively supported foreign assistance programs.

Ideological -- These arguments have aimed to promote American values, particularly democracy. But the presumption has been "a consensus on how American values should be applied overseas that does not exist." Anti-communism is no longer a rallying point for Americans of all political persuasions.

Humanitarian arguments have not been sufficient to mobilize political support for foreign assistance.

Economic self-interest has argued in favor of short-term economic payoffs and has consistently obscured the long-term possibilities (discussed on pp. 13-14).

These conflicting objectives confound support for aid, confuse the public, and confuse the people who carry out the program.

"Without dramatic change in the articulation of goals, this trend could get much worse in the 1990s. The United States system is going through a profound transition from relative self-sufficiency to permanent interdependence. That transformation creates possibilities for greater cooperation with developing countries and, at the same time, enhances the possibility that Americans will ultimately decide to do less rather than more to assist the Third World."

## Where Americans Are Going

Concerns stemming from growing North-South interdependence may foster negative attitudes about foreign assistance. These concerns include the following.

Jobs. With the growing sentiment that foreign assistance leads to competition for American jobs, political leaders are likely to feel forced to save and create jobs at home.

Charity. Despite examples of generosity, a new social consciousness may not be taking shape at all.

The growth of local international constituencies has prompted resentment among some Americans concerning their jobs and social services.

Global awareness. Americans often do not see that events abroad converge directly on their lives. The root of the problem is the low priority given to foreign affairs in the American education system.

Resources and power. The US does not have the same economic and political world dominance it once had. This may prompt leaders to devote more precious resources to security-related assistance, rather than development assistance.

"It cannot be assumed that the old arguments will become more persuasive in the next decade than they have been in the past four."

## What Can Be Done

"The question that faces the United States is not how it can maintain its extraordinary post war leadership but how it should grow older gracefully, learning to share power and still make a difference."

The US needs to build a constituency to support economic assistance programs overseas. It needs a new rationale for economic cooperation with the South which makes sense to Americans -- i.e. "it must be in American interest at the same time that it aims to address development needs overseas." This rationale requires strong leadership and cannot be created overnight.

After giving his propositions outlining a new rationale for economic assistance (see overview above), Hamilton suggests two broad approaches for shaping economic cooperation with developing countries which might be considered: (1) create a mechanism to assess and manage interdependence between the government and the rest of the world; (2) gear education toward an interdependent world (pp. 35-37 outline specific suggestions).

Hamilton acknowledges, though disagrees with, two criticisms of the suggested rationale -- that it is naive to assume that aid will ever have any salience for Americans, and that the arguments suggested are too crudely selfish to be persuasive (pp. 38-39).

May 25, 1988

D-R-A-F-T

Development Cooperation:  
Creating a Public Commitment

John Maxwell Hamilton

While the science and practice of economic development have advanced steadily over the past four decades, one aspect of foreign aid has stayed the same: Americans have remained uncertain about the meaning and purpose of assistance. Always there has been a sense that public support is tenuous. The Point Four program, the United States' first major effort to help developing nations, was at one point a single vote away from dying in Congress.<sup>1</sup> In recent years the lack of enthusiasm for development assistance programs has been attributed to "aid fatigue." "The continued quest for a rationale for foreign aid is one of its distinguishing characteristics as an area of public policy," scholar Samuel Huntington observed nearly twenty years ago. "It is a quest which has been passed through countless commissions, study groups, conferences, reports, and memoranda."<sup>2</sup>

This paper examines Americans' attitudes toward foreign aid and argues that making the case for economic development assistance could become more difficult rather than easier in the future. The reasons for furthering development abroad have increased as a result of interdependence, but an unfamiliar interlinked world threatens Americans and could push them inward rather than outward. A compelling rationale for assistance is needed to overcome this threat, a controlling concept that underpins and informs a practical program of economic cooperation with developing countries.

Aid legislation has come to symbolize the lack of purpose that permeates assistance programs. The current foreign aid statute lists at least 33 separate objectives, ranging from promoting cooperatives to protecting endangered species. Lacking a clear guiding rationale or unified national constituency, aid has been subject to numerous legislative amendments that have nothing to do with Third World economic development.<sup>3</sup>

The strategy of courting special interests has not produced a strong political base for assistance programs. Although these special interests win legislative victories from time to time, the aid program as a whole seems steadily to lose ground. The size of the career AID staff dropped 20 percent between 1981 and 1986. While this was not the largest decrease among federal agencies during the period and was offset by the use of consultants, it has been severe. AID is one the smaller federal agencies. It has

the less fat and relies heavily on its professional staff in the field to carry out its programs.<sup>4</sup> Meanwhile, funding for development assistance has dropped in real terms since the Marshall Plan for European economic recovery after World War II. Expressed in 1987 dollars, development assistance amounted to \$8.4 billion in 1952, but only \$2.44 billion in 1986.<sup>5</sup>

Foreign assistance funding in per capita terms compares to aid levels during periods at the beginning of the century, when aid was not considered an established government activity. Total United States non-military assistance was .24 percent of GNP in 1986. Rough calculations show that in 1919 the United States gave .33 percent of its GNP to help other countries; in 1920 it gave .08 percent and in 1921 .13 percent. Contributions in 1921 included \$20 million worth of food from the U.S. Grain Corporation for Russian relief, \$500,000 to transport grain to famine victims in China, and more than \$73 million in U.S. Treasury loans to Belgium, Czechoslovakia, France, Greece, and Italy. These are not complete figures. They do not include military assistance or other "aid" monies such as the decision, approved by Congress, to devote \$17 million of the \$25 million Boxer Indemnity to help further Chinese education.<sup>6</sup>

The decline in foreign aid can be measured in another way. In anticipation of the 1988 presidential election, the Center for Excellence in Government examined the most

important jobs for which the new president will make appointments just below the cabinet level. The job of Aid Administrator was not included among the 118 or so positions on the "A" list. Though hardly a precise exercise, U.S. News & World Report recently assembled a picture of "The New American Establishment," including those who have replaced statesmen like Dean Acheson and the Averell Harriman, luminaries in the 1940s and 1950s. None of the New Establishment had obvious connections with development assistance, while Acheson and Harriman were deeply involved in foreign aid.<sup>7</sup>

Little wonder that a group of USAID mission directors meeting in Asia in 1987 sent a cable to Washington, D.C., lamenting that the foreign aid program is drifting, without a strong rationale that accords with national interests in the rapidly changing region.<sup>8</sup>

#### Where Americans Have Been

The public view on foreign assistance is difficult to measure precisely. But it is certain that Americans don't rank foreign aid high on their list of priorities.

Poet Archibald MacLeish, who headed President Roosevelt's wartime Office of Facts and Figures, reported to FDR in 1942 that "four out of five people believe that this country should and will help to feed the hungry peoples of the world after the war is ended." That attitude has

prevailed. A 1987 Overseas Development Council (ODC)-InterAction poll found that 89 percent of Americans agreed (45 percent strongly) that "Wherever people are hungry or poor, we ought to do what we can to help them." In the very same breath, however, Americans typically express another set of beliefs that run against foreign aid. In the ODC-InterAction poll, for instance, 84 percent of Americans agreed (60 percent strongly) that "We need to solve our own poverty problems in the United States before we turn attention to other countries."

The contradictions abound. A slim majority of Americans in the ODC-InterAction poll said they support foreign aid. Another slim majority agreed "We should give the Third World countries less aid and leave them alone so they can develop in their own ways." Sixty-two percent agreed "Aid programs get us too mixed up with other countries' affairs."<sup>9</sup>

A number of explanations help explain these different, apparently contradictory, responses. Americans have strong humanitarian impulses. When faced with mass starvation overseas, which can be solved quickly by shipments of food, Americans respond positively. Almost three-quarters of the respondents to the ODC-InterAction survey rated disaster relief a high priority. Long-range development programs, which require patience and produce complicated outcomes, are not so appealing to Americans, who do not favor big

government interventions. American tradition presumes that government cannot succeed as well as individuals can.

But if this public opinion fits into a general pattern of disdain for federal programs, foreign aid still ranks relatively low. Americans do not oppose all government expenditures to the same degree. A Conference Board poll recently found that the majority of Americans opposed cutbacks in social security and veteran's benefits but more than nine out of ten favored cuts in foreign aid.<sup>10</sup>

The fact is that those who believe in government-supported foreign assistance simply have not made a convincing case that foreign aid is as important as government expenditures domestically. Foreign aid is seen, clearly, as foreign to American interests.

For more than two hundred years arguments for foreign aid have rested on three legs, which might be described as ideological, humanitarian, and economic self-interest. While three legs make for a sturdy stool, they have not effectively supported foreign assistance programs. Understanding why is crucial to convincing the public of the utility of economic cooperation with developing countries.

Ideological. The "ideological" leg has aimed to promote American values, particularly democracy. It has implicitly promised to create the unswerving friendship of recipient countries and to enhance American national security. The motive behind such assistance is as old as the Puritans and their self-appointed mission of redemptive

activism. America, as John Winthrop professed, would be "a city upon a hill, the eyes of all people are upon us."

The ideological rationale has been central to building public support since the very first days of post World War II foreign assistance. In a Truman administration briefing of congressional leaders on the proposed Greco-Turkish aid program in 1947, Secretary of State George C. Marshall told the legislators about the humanitarian reasons for such assistance. Concerned that Marshall was having no impact on his audience, Under Secretary of State Dean Acheson leapt in with a discussion of the importance of stopping the spread of Communism. "If you will say that to the Congress and the country," replied Senator Arthur Vandenberg, ranking Republican on the Foreign Relations Committee, "I will support you and I believe that most of its members will do the same."<sup>11</sup>

Such arguments continued in the intervening forty years. As just one example, the Title IX amendment to the Foreign Assistance Act in 1966 called for the U.S. Agency for International Development (USAID) to assure "maximum participation in the task of economic development on the part of the people of developing countries, through the encouragement of democratic private and local government institutions."<sup>12</sup> In the 1980s leaders have continued to describe the United States as "an anointed land" and to talk about aid promoting American values.<sup>13</sup>

But as neatly as this rhetoric fits with American tradition, the ideological arguments are fatally flawed. They have done more damage than good because they have built expectations that simply cannot be achieved.

The ideological rationale presumes a consensus on how American values should be applied overseas that does not exist. Although anti-communism was once a rallying point for Americans of all political persuasions, that is no longer so. Whereas some Americans viewed the 1970 Chilean election of Marxist Salvador Allende as democracy in action, others saw American efforts to overthrow the government as striking a blow for free government.

Even if anti-communism still attracted wide support, the ideological rationale would promise more than it could deliver. This is because it cannot meet any of the standards set up in the popular mind for success. One test of success is whether a recipient country copies the United States political system. But even two nations as apparently similar as the United States and Britain have major differences on laws as fundamental as freedom of speech. American views on the role and rights of the individual are much wider when compared with developing countries that do not have the heritage of wide open spaces and vast economic opportunity, but rather traditions of people working the same plot of land their ancestors tilled. Moreover, Americans from the beginning sought to stabilize a system

that had equity built into it. The search for equity in many developing countries must produce dramatic change.

Another test of success is that of winning political friends. Here again failure is certain. A contradiction exists between the goals of creating compliant allies and fostering strong democratic nations. Aid that seeks to make nations resistant to foreign Marxist influence and responsive to domestic sentiment cannot simultaneously make nations responsive to the American political agenda and traditions. Yet Americans have often assumed that this goal could be achieved and as a result have judged the effectiveness of foreign assistance by the way recipient nations vote in the United Nations.

Economic aid, of course, can have an impact on the political complexion of a nation. Development experts are right to think about economic assistance programs creating greater economic equity. But economic aid is most effective at promoting economic development. As such it can create economic partnerships. Promising more creates expectations that cannot be met and ultimately discredits assistance programs. "Public statements force the policymaker to work with the goals and expectations established by those statements because congressmen and various aid constituencies do not forget the rhetoric even if the official may want to," Robert Packenham has observed. "Thus, having 'sold' doctrines, officials may be 'stuck' with the consequences."<sup>14</sup>

Humanitarianism. Looking back nostalgically, Americans like to remember the humanitarian aspects of the post-War recovery program that George Marshall outlined for Europe in his famous Harvard commencement address: a program "not directed against any country or doctrine but against hunger, poverty, desperation, and chaos." But whatever Marshall may have said at Harvard, he took a more practical line with Congress: "If we decide that the United States is unable or unwilling effectively to assist in the reconstruction of Europe, we must accept the consequences of its collapse into the dictatorships of police states....There is no doubt in my mind that the whole world hangs in the balance." At the same time, President Harry Truman, among other policymakers, recognized the economic importance to the United States of aiding Europeans. It is clear, one historian has noted, "that what defined the needs of 'European recovery' for Americans' purposes was an estimate of what would be required to maintain American exports at existing levels."<sup>15</sup>

A strong tradition of voluntary giving, as cultural historian Merle Curti observed in the 1950s, is "a significant facet in the American character."<sup>16</sup> Early private philanthropy supported projects overseas that have appeal today. Despite government concerns about the constitutionality of using government funds to promote economic progress, elected officials found ways in the nineteenth century of helping other peoples.

Still, as Marshall's pragmatism suggests, humanitarian reasons are not sufficient to mobilize political support for foreign assistance. While it is true that survey respondents most frequently articulate humanitarian reasons for supporting foreign assistance, humanitarianism sentiment is not particularly strong. The InterAction-ODC poll after all showed that barely one-half of the respondents cited humanitarian reasons for assistance and even that slim majority cannot be assured.<sup>17</sup> A 1985 poll on charitable behavior in the United States found that 51 percent disagreed that because Americans are wealthy they have a special obligation to help poor in other countries. Forty-seven percent agreed that the government had no special responsibility to spend money helping the poor in other countries. Only 40 percent disagreed.<sup>18</sup>

Several other factors govern the strength of humanitarian arguments. First, charity is by definition something that is good to do, not something that is essential. This makes foreign assistance a lower priority than many domestic development programs. Polls show that one of chief reasons for opposing economic aid overseas is domestic poverty here. Second, humanitarianism, based as it is on feelings, responds quickly to crises but not so readily to problems where solutions are not so obvious or quickly achieved. It is easy to evoke humanitarian feelings for an emaciated mother and child on the edge of an Africa desert. But the lack of clean water or education

opportunities are not so easily photographed. Strong public support for assistance addressed at these long-term problems is only possible when people are intellectually engaged. Unless leaders want aid to be only relief, they must face this problem.

Economic. As with other arguments for foreign assistance, economic gain has long served as an important argument for foreign assistance. Commercial considerations surfaced prominently in relief to earthquake victims in Venezuela in 1812. Secretary of State James Monroe told Alexander Scott, the man selected to administer the \$50,000 aid program, "The real as well as ostensible object of your mission is to explain the mutual advantages of commerce with the United States, to promote liberal and stable regulations, and to transmit seasonable information on the subject."<sup>19</sup>

President Taft's "dollar diplomacy" in 1909 promised to help nations with natural wealth achieve "a measure of stability and the means of financial regeneration to enter upon an era of peace and prosperity, bringing profit and happiness to themselves and at the same time creating conditions sure to lead to a flourishing interchange with this country."<sup>20</sup> President Herbert Hoover articulated a similar vision in saying, "The making of loans to foreign countries for productive purposes not only increases our direct exports but builds up the prosperity of foreign countries and is a blessing to both sides of the

transaction."<sup>21</sup> The mission of missionaries was hospitable to American commercial interests. Missionaries in Hawaii easily made the leap from preaching the gospel to becoming large plantation owners and government advisors. Far from being an enemy of commerce, the successful Christian missionary could argue that he was making good customers for American manufacturers.<sup>22</sup>

This good-for-business approach offers an important departure point for creating practical reasons for fostering economic development overseas. Unfortunately, the search for short-term economic payoffs has consistently obscured the long-term possibilities.

First, where Americans should see the value of market creation, they have instead fixed on tying assistance to immediate purchases of United States goods or insisting the aid commodities travel on United States vessels. Such approaches have not convinced Americans of the wisdom of development, for it is obvious that if foreign aid is good because the money is spent for U.S. goods and services then it is even better if it is spent for U.S. goods and services to be used in the United States.

Second, those arguing for economic benefits of development have typically fixed on trade, without recognizing that non-business development pays economic and non-economic dividends for both donor and recipient. Toward the close of the Reagan administration a U.S. Chamber of Commerce task force drafted a statement of principles for

assistance that had sensible things to say about the importance of fostering trade with developing countries. But the task force's seven-point summary was far more simplistic, recommending "that agencies implementing any program which draws on foreign assistance funds assess and report to Congress on the impact on U.S. trade flows of such programs [emphasis added]." <sup>23</sup> That approach, which the Chamber mistakenly calls new, ignores American interests in environmental conservation or mutual interest in health and family planning programs overseas.

Third, and related, economic self-interest arguments have often sounded like aid programs for United States business rather than for the broad range of Americans and, not surprisingly, alienates those in the development community whose goal is to assist developing countries. Under these circumstances it should not be surprising that so few Americans seem impressed with arguments that economic assistance is in American self-interest. <sup>24</sup>

Taken separately, each of these three rationales has distinct liabilities. Taken together, they confound support for aid all the more. The array of goals, competing with each other, are a recipe for bewilderment. They not only confuse Americans they confuse the people who carry out the program.

Without dramatic change in the articulation of goals, this trend could get much worse in the 1990s. The United

States system is going through a profound transition from relative self-sufficiency to permanent interdependence. That transformation creates possibilities for greater cooperation with developing countries and, at the same time, enhances the possibility that Americans will ultimately decide to do less rather than more to assist the Third World.

#### Where Americans Are Going

In speculating on the earth-shaking events that could occur, futurists have noted that the earth's magnetic field periodically changes. Over the past 76 million years the poles have switched, according to some estimates, at least 171 times, so that compasses that pointed north start to point south. This reversal does not happen quickly. The strength of the field lessens gradually until it reaches zero, when for reasons not fully explained the reverse occurs. The next shift, expected around the year 4000, could have vast implications. More mutagenic cosmic rays might reach living creatures on the planet when the magnetic force is weakened. On a less grand scale, any change in the magnetic field would require recalibration of the modern technology upon which we depend to find our way around.<sup>25</sup>

If a change in poles seems too far off to worry about, it illustrates the dramatic changes that can ripple out from a single event--and it serves as a useful metaphor for a

change that is today knocking Americans' world figuratively off its axis. Although the orientation of our maps has not changed, global interdependence is transforming relationships between the once all-powerful North and once-weak South. The implications for foreign assistance are potentially momentous and worrisome.

Nothing in its history prepares the United States for this change. From the early days of the Republic, Americans rightly assumed that they could isolate themselves from the rest of the world. The United States was many days sail from the Old World and an ocean away from Asia. Latin Americans posed no real security threat. Americans shrunk back from the diplomatic practices of their European antecedents, who had learned how to jockey for position among the many nations they bordered. With plentiful resources on the East Coast and open western territory, America had every reason to think of itself as self-sufficient.

Merchandise trade provides a useful yardstick to measure the persistence of self-sufficiency. In 1929, a peak year for U.S. business, foreign trade, excluding services, was only 12.5 percent of American GNP. From 1954 to 1963 it averaged 7.9 percent of GNP. This is much below trade activity in other countries. Trade was 38.1 percent of British GNP from 1924-1928; 51.3 percent of French GNP from 1919-1928; and 35.5 percent of Japanese GNP from 1918-1927.<sup>26</sup>

Only recently has change come--but it has come with blinding speed. From that 7.9 percent average between 1954 and 1963, trade has leapt to a commanding position in the United States economy. In 1980 total trade of goods and services amounted to 21 percent of GNP; in 1987 it was about 26 percent.

This increase is significant not only because overall transactions are increasing but because it has paralleled the evolution of a truly global economy. Although Americans have thought of foreign affairs chiefly in terms of Europe, developing countries have come to make up a much larger share of the world market. In 1985 manufactured exports to the United States from the four Newly Industrializing Countries (NICs) of East Asia -- Hong Kong, South Korea, Singapore, and Taiwan-- were three-fourths of exports to the U.S. from the European Community's ten members. That same year the United States imported more manufactured products from all developing countries than from Japan and the European Community combined. Until the Third World debt crisis began to bite in the early 1980s, the United States exported substantially more to developing countries than to Japan and the ECC combined. Even with Third World debt problems, as well as drought in Africa and generally low prices for many of the commodities that developing countries sell, about one-third of U.S. manufacturing exports went to Latin America, the four Asian NICs, and other developing countries in 1985.

Virtually no prospect exists for reversing this trend in trade. Foreign companies have become the only suppliers of some products, for instance compact disc players. Corporate America, not just consumers, rely on imports. Imports of capital goods by American business have increased 40 percent since 1985, according to a February 1988 The Wall Street Journal. Although foreign indebtedness has dominated the news about Third World countries, those nations hold the greatest prospect for growth. Thirty-nine of the forty fastest growing gross national products between 1973 and 1986 were in developing countries. (See Table I at end of paper.)

Merchandise trade is only a fragment of a larger range of economic interdependencies reaching into every corner of American society. In 1985 the United States not only became a net debtor for the first time since World War II, it also became the world's largest debtor. In 1987, the United States paid more to foreign investors than it gained from investments overseas for the first time in 29 years. "More than two hundred years after the Declaration of Independence," Felix Rohatyn observed of this indebtedness, "the United States has lost its position as an independent power."<sup>27</sup>

The precipitous stock market drop on October 19, 1987, was a first in world history. Never before had average citizens in the United States and elsewhere followed stock market prices in other countries on a minute-by-minute basis

and projected the impact of those fluctuations on their own securities markets. This was more than a vivid example of global finance. The workings of the global stock market demonstrated the enhanced power of communications facilities and that foreign commerce is not simply a matter of shipping food or steel abroad but that services themselves have become "tradeable."

The spread of AIDS highlights the way health in one country or region has an impact on health in another. The dependence of American farmers on genetic material from seeds grown in other parts of the world--and the danger that that Third World genetic material can be lost as a result of environmental degradation--illustrates environmental interdependence. One of the chief concerns in American schools--drugs--has its antecedents in developing countries, where poor farmers must grow coca to earn money to feed their families. Indeed, what Americans wear, where they go for vacations, the music they dance to, and the exotic kinds of food they have come increasingly to eat--all of these reveal proliferating connections to developing nations.<sup>28</sup>

For many people the idea of interdependence is positive, potentially enriching their lives and culture and perhaps contributing to better world understanding and peace. But interdependence also presents challenges. These challenges are, paradoxically, so formidable that they could make Americans less tolerant of others, rather than more

outward looking, and in the process make economic cooperation more difficult rather than easier.

Without suggesting that this is a comprehensive list of factors, some concerns stemming from interdependence portend possible negative attitudes about foreign assistance.

Jobs. First and front most in politicians' minds today is the issue of jobs. Although many Americans recognize that developing countries offer promising markets, the dominant sentiment is one of fear about relatively low paid Third World labor forces taking American jobs. This is with good reason. LDCs have become large importers of U.S. food. But they have also become competitors in global food markets and are now exporting large amounts to the United States. Foreign manufacturing competition in the U.S. domestic market, a growing share of it from developing countries, has increased. In the early 1960s only 25 percent of American products faced such competition. More than 70 percent of American products fought foreign competition in 1985. Put simply, imports have grown much faster than exports since 1980.<sup>29</sup>

One of the most obvious solutions for competing with low wage rates in developing countries is to automate at home--that is to eliminate human workers. While that may make sense for businesses, it is not good news for workers. As Peter Drucker pointed out last year, "If a company, an industry or a country does not in the next quarter century sharply increase manufacturing production and at the same

time sharply reduce the blue-collar work force, it cannot hope to remain competitive--or even to remain 'developed.'"<sup>30</sup>

American living standards are under pressure. Labor Department statistics show average weekly non-farm earnings measured in constant 1977 dollars declined from \$201.78 in 1972 and \$168.28 in 1987. An increase in the number of families with two wage earners has helped many people keep up. But the gap between the wealthiest and the poorest citizens is now larger than at any time since 1947, when such data was first collected. For the first time since the 1930s, the share of Americans who own their own homes is dropping.<sup>31</sup>

It is hard to overestimate the impact of this trend. In any country workers who lose their jobs or settle for lower paying jobs become unhappy. But in the United States, more than in many other countries, jobs have played the central role in distributing wealth and have served as a way of siphoning off disenchantment. That is one reason why the Left has never been strong in the United States. It is also the reason why political leaders are likely to feel forced to think about quick fixes to save and create jobs at home. That could mean promoting government investments here and protecting workers from foreign competition.

Charity. Americans' generosity continues to reveal itself on an international scale, a recent dramatic example being donations for victims of the African drought. Despite

talk of a "Me generation," a Gallup poll has found an increase in volunteerism.<sup>32</sup> This upsurge in volunteerism complements a view by some futurists of the advent of a new era. Daniel Yankelovich, for example, has speculated that in making changes to cope with new economic realities, Americans are developing a new social ethic in which people will "grow less preoccupied with themselves and look for closer ties with others."<sup>33</sup>

But are there grounds for being so sanguine? Much of the new volunteerism is a product of affluence. Many of the "New Volunteers," as described in a 1988 Newsweek article, are those who have prospered. Giving is a way of adding meaning to their lives. What will happen if affluence decreases? Moreover, recent volunteerism has been directed chiefly at local causes with which people can identify. Even in an age of interdependence it may be difficult to give people a real sense of involvement with citizens overseas, particularly if a "them-and-us" attitude continues to evolve. Yankelovich inadvertently identified the problem when he noted why a new social consciousness was necessary. "We need new rules," he observed, "to encourage people to channel their creativity away from themselves and back into concrete tasks that need doing in the new era--creating new forms of energy, taming technology. investing in new industries, creating new jobs, competing more effectively with the Japanese and Germans and Koreans...creating community through caring for others" (emphasis added).

Other evidence suggests that a new social consciousness may not be taking shape at all. Per capita private American contributions to development assistance dropped from \$7.58 in 1970 to \$5.63 in 1983, according to the OECD.<sup>34</sup> A study last year of collegiate freshmen by the Cooperative Institutional Research Program reported that 71.3 percent of those surveyed indicated that a key reason for going to college was "to make more money." In 1971 only 49.9 percent gave that response. Last year 39.4 percent considered "developing a meaningful philosophy of life" a very important goal. That was down from 82.9 percent in 1967. Last year only 19.8 percent thought it essential or very important to participate in community action.<sup>35</sup>

Corporate executives, who are more likely to have a world view as a result of their work, are not necessarily inclined to use their corporate assets to help developing countries. Many large businesses that once made contributions to social programs are backing away from such activity, according to the Conference Board. "Born and raised in depression and war, [previous corporate leaders'] views were influenced by the harsh realities that they recalled; many developed a pronounced social interest. A new generation of CEOs faces different challenges. Fierce foreign and domestic competition are their daily fare. Often there is less time or interest for social concerns."<sup>36</sup>

The Growth of Local International Constituencies. A trend toward grassroots international activism holds some

promise for the development of an active constituency for economic cooperation with developing countries. Civil rights advances have strengthened Blacks and other minority groups with natural foreign interests, and the Bureau of the Census reports that one out of every ten babies born in the United States in 1986 had a foreign-born mother.<sup>37</sup> Chicano businesspeople have supported the idea of closer ties with Mexico and, according to reports, an agency within the Mexican government is pursuing plans to facilitate dialogue with Mexicans in the United States.<sup>38</sup> Meanwhile, citizen groups and local governments have begun to speak out more loudly on international issues. In mid-1987 more than 110 cities and 21 countries passed non-binding resolutions supporting a comprehensive nuclear test ban; 22 cities and two states told local police not to cooperate with the U.S. Immigration and Naturalization Service's efforts to deport immigrants from Latin America; more than 70 cities have begun divesting their assets in companies doing business in South Africa. Virtually every state has an overseas office for trade expansion to increase investment. Not long ago the Davis, California, city council sent a 16-person fact-finding mission to evaluate American policy toward Nicaragua.<sup>39</sup>

Yet, here too is cause for concern. Minority groups in this country can be expected to behave like any other group if they see their advances erode as a result of foreign competition. Furthermore, it is possible that immigrants

will find themselves in the next decade on the defensive about their place in the United States and therefore less interested in international issues. However much immigrants enrich the United States, critics may be able to argue that foreign-born women and their families are a drain on the economy, putting strains on social services and encumbering "American" jobs. By one estimate, 5.5 million illegal aliens working for relatively low wages in the United States displace 3.5 million workers.<sup>40</sup> As much as Americans like to talk about being open to disadvantaged people from abroad, waves of nativism have swept across the United States before. Some Americans have already begun to worry out loud about high-achieving Asian-Americans dominating academic awards in high schools. Seventy-one percent of respondents to the ODC-InterAction poll thought "the United States should limit the number of immigrants entering the country because they compete with Americans for jobs."<sup>41</sup>

Grassroots activism does not address the problem of creating new national institutions and initiating processes to cope with a more complex interdependent world--and it may actually hinder the search for solutions. As George Ball has noted, "our political structure is totally inadequate for a world where technology has assured that capital flows move around without regard to national boundaries."<sup>42</sup> One obvious need is to find ways of working multilaterally, rather than unilaterally and bilaterally, as past periods of self-sufficiency permitted. Local efforts may at times make

it more difficult for the country as a whole to cope. Do Americans, for instance, get the best deal possible when two states compete for foreign investment? Does the growth of special interests permit leaders to define a coherent strategy in foreign policy?

The United States faces an unresolved dilemma: How to involve citizens while creating a more stable, coherent foreign policy than currently exists.

Global Awareness. Facts about interdependence swirl around the public. As discussed above, foreign trade and competitiveness are central political issues in the 1980s and make front-page news regularly. Routinely the government issues reports that spotlight international connections, for instance the annual summary of patents issued, which has shown growth in foreigners applying for patent protection, or a one-time 1988 study describing the Internal Revenue Service's problems monitoring United States citizens working abroad. It is not unusual for Variety, the magazine of the entertainment industry, to feature front page stories reporting that companies produce more films overseas, that the Brazil record business is booming, and that the New York Latino Festival had grown from a \$25,000 one week event to a one million dollar plus 26-day extravaganza. Even the defrocking of Jimmy Swaggart had its international aspects when in the first days of the episode church leaders announced that evangelist's television programs would still appear overseas.<sup>43</sup>

It would seem that Americans could not miss the overwhelming reality that their lives are tied to events abroad. Yet even as Americans talk more and more about "what a small world it is," evidence suggests that Americans often do not see that these connections converge on their lives.

Two readership surveys conducted in conjunction with a Society of Professional Journalists project to improve news coverage of developing countries illustrate the point. In both surveys, one conducted in Hattiesburg, Mississippi, and the other in Richmond, Virginia, readers were asked if they agreed or disagreed that, with growing interdependence, "what happens in one country influences another country." In both cases more than 80 percent of respondents agreed. But when asked if political and social upheavals or economic growth in poorer countries affected Virginians or Mississippians, positive responses were more than twenty-five to fifty percentage points lower.<sup>44</sup>

The root of the problem is lack of education, which is sustained by the American tradition that relegates foreign affairs far down the list. Shortcomings are only partly reflected in the inability of grade school students to locate the United States, let alone South Vietnam and Egypt, on a map. Education does not impart specific practical knowledge to help students comprehend foreign connections. According to one study, sixty-one percent of United States business schools do not offer any international courses.

According to a 1986 report of the Southern Governors Association, the United States foreign service is the only one in the world that a person can enter without fluency in a foreign language. A National Science Foundation report has lamented that inadequate language training and inadequate study abroad programs for faculty, students, and professionals have prevented Americans engineers from learning about and using technological advances in other countries.<sup>45</sup>

The Southern Governors Conference's concerns about the state of international education is a positive sign. But improved education about the world is hardly assured. Such sentiment that has existed for becoming involved overseas in any kind of activity, including military intervention, may have weakened in recent years. Pollster William Schneider has detected a shift in American attitudes away from internationalism between 1974 and 1978.<sup>46</sup> Thomas L. Hughes, President of the Carnegie Endowment for International Peace, observed in 1986 that internationally-minded organizations like his "are compelled to operate in an American milieu less favorable than at any other time in [the Endowment's] history; even in the 1920s, there was confidence that internationalists were riding the wave of the future."<sup>47</sup>

Resources and Power. The federal government lacks the financial resources it once had, a constant that is unlikely to change soon. The pressure on the budget is immense. For the first time in fifty years liberal Democrats must run on

a platform that talks about fiscal constraint as much as spending for social programs. The issue is related to interdependence, for instance the growing foreign trade deficit and dependence on foreign investment to finance the government budget deficit. And this interdependence makes it more difficult than in the past to increase spending on programs for international economic cooperation.

The challenge for the United States may go beyond money to power. In the years after World War II the United States was the undisputed world leader, not least of all in providing foreign assistance. Despite American ambivalence about foreign aid, the United States was the prime mover in establishment of the International Development Association, the soft loan window of the World Bank, and by far the largest bilateral donor. Though it is still powerful, the United States does not dominate in the same way today. Japan, the world's second largest aid donor, may overtake the United States in absolute dollar terms in the 1990s.<sup>48</sup> At this writing it is uncertain how the United States will adjust to this shift in global power. One danger seen by some observers is that loss of power will prompt leaders to devote more precious resources to security-related assistance, rather than development assistance.<sup>49</sup>

The above problems do not predict absolutely what will happen. It is quite possible that a backlash against immigrants will not materialize and that minorities will

have a positive impact on American interest in helping developing countries. It is also possible that the next years will witness a "greening" of America in which concern for others develops into a sense of global community. But even the most positive scenario will be tempered by negatives, including the reality of constrained government resources. It cannot be assumed that the old arguments will become more persuasive in the next decade than they have been in the past four.

#### What Can Be Done

The question that faces the United States is not how it can maintain its extraordinary post war leadership but how it should grow older gracefully, learning to share power and still make a difference. The development aid arena may prove a good test of the United States' ability to manage the much larger international challenges it faces. The specific question is how the United States can build a constituency to support economic assistance programs overseas.

Typically the response to this question has been to advance campaigns for selling the idea of helping countries overseas. But more than Madison Avenue slogans are required, as public opinion analyst Burns Roper suggested more than a decade ago. "To develop a public opinion that is positive toward foreign aid would require demonstrating

that foreign aid, in addition to what it does for 'them,' does more for 'us' than if the same money were spent at home. It would also require demonstration that the money does get to the right people in the right countries and, further, demonstration that it has gained us valuable allies."<sup>50</sup>

America needs a new rationale for economic cooperation with the South--a rationale that makes sense to Americans and that responds to the world as it exists today. It must articulate why Americans should care, which is to say it must be in American interest at the same time that it aims to address development needs overseas. It must be achievable. And it must be seen as of transcendent importance--something that must be done, not something that could be done.

This rationale cannot be created overnight. The creation of a new rationale requires strong leadership both from the government and from non-government sectors, and that leadership must itself be created, in large measure by development advocates who are willing to speak in terms that clearly relate to voters' priorities. A program that truly resonates with Americans must become part of the normal political process of debate. Although a quick fix is necessary, the only workable answers will come through a long process that enables Americans to reckon their interests overseas--and decide which of them can be addressed by programs for economic cooperation.

That said, three propositions would define the outlines of a new rationale for economic assistance.

1. Self-interest but not selfish.

"Nations have no friends," Charles de Gaulle once said. "Nations have only interests." While that is true, it does not mean that self-interest cannot be mutual interest. The challenge in developing a new rationale for economic cooperation is to define a set of goals that are in America's interests and in the South's interests. Such a program can and should take the interests of the poor into account, but it must be tied to the urgent concerns of Americans. As James Russell Lowell observed in the last century, "The masses of any people, however intelligent, are very little moved by abstract principles of humanity and justice, until those principles are interpreted for them by the stinging commentary of some infringement upon their own rights."

It is true that more competition has arisen between the North and the South. But interdependence has also opened up the possibility of a much broader definition of mutual interest than in the past. Americans have few commercial reasons for assisting Africa, for instance, where trade will remain modest for some time. But Americans do have other reasons. A common interest in protecting the environment is one. African land is under great strain. The erosion of soil and loss of forests is destroying valuable plants and animals and has an adverse impact on global air quality. An

aid program addressing these concerns must look particularly at the poorest in African countries who live on marginal, fragile lands.

2. Modest but effective.

The United States must be realistic about what it can do if it hopes to effect substantial change. Any argument for assistance must recognize that financial resources will be limited and that the bilateral program must accordingly be limited in its scope. Spreading assistance over a wide number of sectors will diminish the effectiveness of individual programs and projects. An effort to provide new direction to assistance requires difficult choices to establish priorities. Some development interventions, however important, must be left to others.

This is not wholly negative. First, a short list of bilateral development objectives may be easier to explain to Americans than the shotgun approach that has characterized the program in the past. Second, a short list will allow the U.S. to concentrate on areas where it has a comparative advantage. One sector that immediately comes to mind is higher education. America has long been the world's classroom, something that has both helped developing countries and enriched American educational institutions. Third, by pursuing activities the United States can do well, development advocates will have a better opportunity to prove to Americans that assistance works. Put another way, it will address Roper's concern that aid is going to the

right people. While it may not create political allies who will always do American bidding, it will create allies in trade and the environment, partnerships that are no less important.

### 3. Part of a coherent whole.

International economic cooperation must be seen as part of a much larger whole that deals with the entire range of foreign relations. While it makes sense to put foreign assistance on a firm footing, other foreign policy initiatives are needed to preserve national security. Additionally, the challenge is to avoid promoting developing country issues so hard that a new North-South perspective replaces the old East-West point of view. The goal is to find a way of formulating a more complex view of the world, fitting all the pieces together.

This broad approach should apply to economic cooperation with developing countries. More than foreign aid is needed. Reduction of trade barriers and greater reliance on multilateral assistance activities are essential as well.<sup>51</sup> Better multilateral coordination, for instance, can promote more effective use of bilateral assistance. Many of the tasks that the United States cannot do alone with its limited resources--and debt relief stands out--can be done together with other donors acting through ad hoc groupings or through multilateral banking institutions. Just as Japan must learn to be more of a leader in assistance, not only financially but also intellectually, so

must the United States learn to be more of a collaborator in its style.

As mentioned above, the shaping a new agenda for economic cooperation with developing countries should be seen as a matter of process. Any number of schemes might foster such a process but two broad approaches are worth considering.

First is the need to create a mechanism to assess and manage interdependence. In the mid-1970s a National Commission on Coping with Interdependence, organized by the Aspen Institute, projected ahead to the kind of government structures needed for the closely interlinked world taking shape. Believing no government agency should see itself "preoccupied with purely 'domestic' issues," the commission suggested that the president's Domestic Council should become the Council on Interdependence.<sup>52</sup> A Council on Interdependence may be too much, too soon. But the proposal offers avenues for thinking about interdependence.

As one of the first orders of business, the new president could call on government departments and agencies to carry out an inventory of its foreign connections. This interdependence inventory would look especially at the ways foreign decisions affecting the business of the bureau and its American constituency. Virtually no part of government, however domestically oriented it might seem, would be exempt. Many agencies already recognize that they have some

connections--for example the Patent Office, as mentioned earlier. But this process would require government bureaus to look at the trends and the implications of the trends, not just to record the connections.

Such a review would have several benefits. It would force the government to examine the full range of its relations with the rest of the world. Just knowing what connections exist would improve policy analysis--including analysis of aid policies. Beyond that the review could lead to government restructuring that might produce better and more creative management of foreign relations in the executive branch and the Congress. Finally, it would draw Americans' attention to the need to think internationally--and thereby contribute to the second important approach, education.

With good reason the Commission on National Challenges in Higher Education stressed in its January 1988 report the need to gear education toward an interdependent world. Improved international education is often framed in terms of improving language skills and area studies, both of which are needed. As the commission report noted, international education must also reach into "professional schools, particularly those concerned with law, public policy and business."<sup>53</sup> Because interdependence cuts across virtually every aspect of life--and across all classroom instruction that presumably prepares young Americans for life--art,

biology, journalism, medicine, engineering, information services, and hotel management should also be included.

There is no escaping that government will have to shoulder much of the financial burden for improved education. Political leaders must understand that education is the single most important government expenditure. Even so, there is a role for other non-government institutions. Corporations have during the past century funneled financial resources to universities to promote the development of new products and stimulate the education of professionals needed in the workplace. This same kind of foresight must be directed at international aspects of education through endowments, scholarships, and funding for research. As one of his first acts the new President should summon the heads of the largest corporations to his office and ask them to pledge resources for such international education. The government could help reach other business groups by working through business associations.

These approaches are not specific to the Third World. They would not succeed on a major scale if they were. Nevertheless there is scope for giving more support to what has come to be called "development education." So far resources for development education have been far too scant. By far the largest development education underwriter in the United States is the U.S. Agency for International Development, whose annual expenditures have reached a \$3 million annual level. Total American funding, which

includes a handful of philanthropic foundations, is far below levels in other industrialized countries in per capita terms. "If a government foundation in the United States were to make \$47 million available annually in grants to citizen organizations and educators to increase the awareness of Americans about developing countries," one 1984 study calculated, "its per capita expenditure would correspond to that of Canada."<sup>54</sup> The figure would need to be three times higher to match per capita funding in Sweden or the Netherlands.

Much can go wrong in the implementation of the above suggestions. Many leaders still believe that political goals should be the prime objective of development assistance.<sup>55</sup> In addition the creation of a broad based self-interest argument is threatened by the power of special interests, all of whom ardently support the idea of helping countries develop but plead most effectively for their own programs.

The features suggested in this paper for a new rationale are open to criticism on two mutually exclusive grounds--first that it is naive to assume that aid will ever have any salience for Americans and second that the arguments suggested here are too crudely selfish to be persuasive.<sup>56</sup> But isn't it more naive to assume that a viable program will emerge if development experts decide to muddle along with the traditional anodyne arguments that have not convinced the public in the past? And isn't it

more selfish to assume that the great mass of Americans, who do not devote their lives to international affairs, should agree with those who do that helping people abroad is more important than helping people at home?

Doesn't it make sense to pursue a modest proposal for economic assistance that builds on American interests and the realities of what the United States can sustain financially, in exchange for a program of economic cooperation that makes real development sense overseas?

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<sup>3</sup> For examples see John Maxwell Hamilton and John H. Sullivan, "Penny-Wise, Pork-Foolish," Outlook Section, Washington Post, Sept. 13, 1987.

<sup>4</sup> Washington Post, April 30, 1986.

<sup>5</sup> Stanley J. Heginbotham, "Foreign Aid: The Evolution of U.S. Programs," (Congressional Research Service, 1987), 21.

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<sup>9</sup> Christine E. Contee, What Americans Think: Views on Development and U.S.-Third World Relations: A Public Opinion Project of InterAction and the Overseas Development Council (1987), passim. John Morton Blum, V Was for Victory, (Harcourt Brace Jovanovich, 1976), 29.

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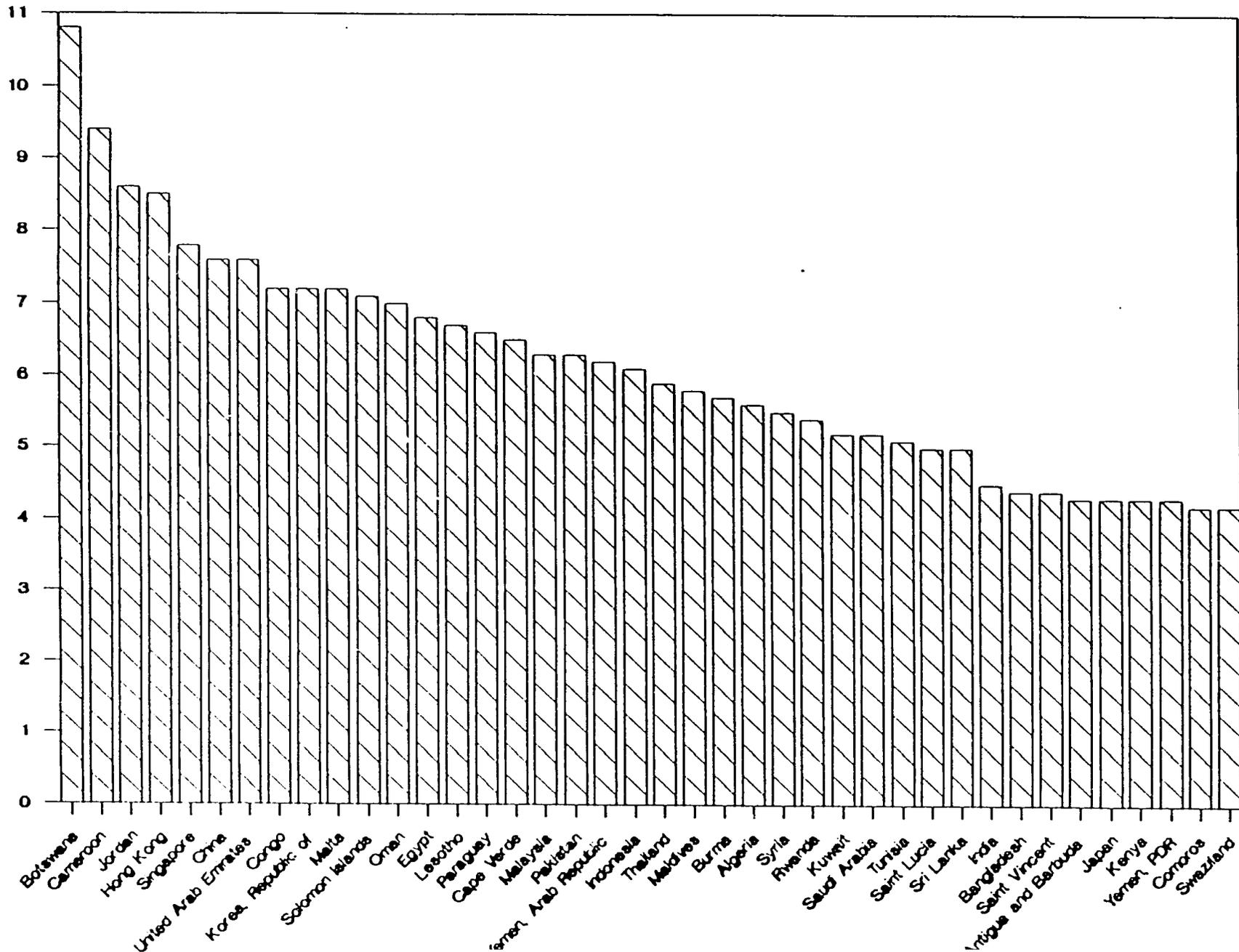
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# GNP REAL GROWTH RATE 1973 - 86 ANNUAL AVERAGE



Source: World Bank. Does not include data for some centrally planned economies and Taiwan