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UNITED STATES DIRECT ECONOMIC AID TO FOREIGN COUNTRIES:
A Collection of Excerpts and a Bibliography

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Introduction

This collection of excerpts has been prepared in response to numerous inquiries from Members of Congress for material pertinent to the current collegiate debate topic, "Resolved that the U.S. should discontinue direct economic aid to foreign countries".

In selecting these excerpts, the aim has been to provide useful background information and to present a sampling of various points of view with respect to the continuance of foreign economic assistance. We have not attempted to label the excerpts selected "pro" and "con", or "favorable" and "unfavorable", since many shades of opinion are represented.

A bibliography is appended which, it is hoped, will furnish a useful guide to some of the extensive published materials on this topic.

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U.S. FOREIGN AID: THE RECORD NOW UP FOR REAPPRAISAL
(Article by Elie Abel. New York Times, May 6, 1956.)

"1. WHY FOREIGN AID?"

"When the United States called home its armed forces at the end of World War II, they found the country richer and more powerful than ever before. Its cities were intact, its factories swiftly converted to peacetime production and its security assured--so many thought-- by a world monopoly on atomic weapons.

"Europe and much of Asia presented a different picture. Britain was virtually bankrupt though victorious. Defeated Germany, her cities ruined by Allied bombs and artillery fire, was swarming with dispossessed refugees. The occupied countries of Europe struggled to repair their war damage and to re-establish their industries--an effort far exceeding their own resources. China had been bled white. The Philippines were a wasteland of destruction. Japan faced starvation.

"The area of freedom appeared to be shrinking. Large Communist parties emerged in France and Italy; the Soviet Army kept its iron grip on Eastern Europe; Greece was overrun by Communist guerrillas and Russia was demanding the surrender of two Turkish provinces. Deciding to help these countries out of its own abundance, the United States contributed more than all other countries combined to the United Nations Relief and Rehabilitation Administration, and in 1947 it provided money and equipment to help Greece and Turkey.

"This was not enough, however, and Washington soon realized that a plan for economic recovery of the devastated countries was essential to the preservation of political stability. The result was the Marshall Plan in 1947, first of the broad foreign-aid programs.

"2. HOW MUCH HAS IT COST?"

"Over the decade July 1, 1945, to June 30, 1955, the United States poured out a net total of \$51,336,208,000 in grants and credits. (The gross figure, \$56.2 billion, has been reduced by repayments on loans and settlement of Lend-Lease accounts.) Of the net sum, \$14,663,454,000 went for military assistance and \$36,672,754,000 for economic development, technical assistance and other mutual security purposes. Western Europe received the lion's share--\$33,408,941,000 over the ten-year period. Asia and the Pacific area received \$10,153,216,000, the Near East and Africa, \$4,316,387,000, and the American republics, \$1,236,531,000. At the peak in 1953, foreign-aid expenditures accounted for 1.56 per cent of the gross national product. In the current fiscal year, estimated expenditures will amount to about 1.05 per cent of G.N.P.

"3. HOW THE PROGRAM HAS CHANGED

"(a) The Marshall idea. Gen. George Catlett Marshall, wartime Chief of Staff and post-war Secretary of State, launched his recovery plan in a speech at Harvard University on June 5, 1947. The next month representatives of sixteen nations met in Paris to consider what the minimum requirements of an effective recovery program might be. The Soviet Union rejected any part in the joint effort, though invited, and kept her satellites out.

"Thus the Marshall Plan became a purely Western operation. By April 2, 1948, Congress had passed the Economic Cooperation Act and the program was under way. Within two years, European trade, industry and agriculture had been restored by hard work and generous help to better than pre-war levels. Within four years, industrial output was 40 per cent above the pre-war totals and agricultural production was up 15 per cent.

"(b) Recovery to rearmament. With the Communist coup in Czechoslovakia and the Soviet blockade of Berlin in 1948, the climate changed sharply. The following year Mao Tse-tung's Communists completed their conquest of the China mainland. The West began to think of measures against aggression from the East as a prime need, because the United Nations had patently failed to assure the world of security. On April 4, 1949, the United States and Canada joined ten Western European countries in signing the North Atlantic Treaty. But the treaty was not much more than a paper commitment until the Communist armies of North Korea crashed across the Thirty-eighth Parallel on June 25, 1950.

"At this point rearmament supplanted recovery as the immediate objective of Western policy. Former President Truman dispatched his ultimate successor, Gen. Dwight Eisenhower, to Europe to forge a common shield of armed strength against aggression. The emphasis of foreign aid shifted to the military."

* * *

Recent Shifts in Emphasis

(Report to the President on the Foreign Operations Administration,
January 1953 to June 1955, by Harold E. Stassen, Director)

"To keep the Mutual Security Program responsive. . .to the changing urgencies in our foreign policy and national security objectives, a series of major adjustments in program emphasis has been carried out or initiated in the past two and one-half years. These adjustments have included the adaptation of previous activity and programs to new situations. Some of the most significant shifts in emphasis have been possible only because of earlier achievements, such as the solid success of the Marshall Plan.

"1. Perhaps the most important development, for the long run, has been the recognition that, while military strength has been, and remains, essential for free-world security, economic growth and social progress of peoples and nations are the fundamental positive requirements for the preservation of individual and national liberties and for the strengthening of a community of interest in the free world. It has become abundantly clear that in the absence of hope for economic and social progress, democratic governments cannot develop public support for building up and maintaining effective military forces. Hence, a gradual but marked shift has taken place: from preoccupation mainly with building of military defenses to the aim of creating an economic base capable of both supporting necessary defense efforts and also of yielding a growing measure of economic progress and advance in human dignity and well-being. The direct military components--weapons, training, and direct forces support--of the Mutual Security Program are still vital, but an increased proportion of total funds are being used for economic purposes.

"2. Of major significance too, has been the shift in program emphasis from Europe to the less developed areas of the world. This reflects not only the basic importance of those areas to our own national security, but the rising and now critical urgency of their problems. The proportion of non-military funds in the Mutual Security Program devoted to areas outside of Europe has risen in the last two and one-half years from 32 to 95 percent. . . .

"Highlighting this broad new emphasis on the problems of economic development has been the recognition of the arc of free Asia--the free-world frontier from Afghanistan on the west to Japan on the east--as the area offering the most urgent challenge and greatest opportunity for constructive action. . . .

* * *

"Increased attention has been given to the development needs of Latin America and the Near East and added stimulus to their progress, through increased technical and capital help, has been provided. Another significant move has been new attention to the growing problem of Africa where growing political readiness for self-government has heightened the urgency of corresponding economic progress. . . .

"3. Another major development has been a reassessment of the military assistance program with a view to accelerating actual operations and adjusting its scope and emphasis to (a) priorities resulting from urgencies in external threats and (b) economic capacity of the countries concerned.

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"In Asia, during the last two and one-half years we have seen a recognition of the urgent military necessity for local and locally-rooted defense forces--concurrent with a recognition of the severe economic limitations

of those countries to support large forces, and their even more essential need to put available resources into economic development to support growing populations at rising levels of well-being. To cope with this dilemma has required a combination of (a) greatly increased military aid; (b) a realistic reassessment of force levels in the light of economic limitations; and (c) large-scale defense-supporting economic aid mounting from \$272 million in the fiscal year 1953 to \$828 million proposed for the fiscal year 1956, to bridge the still-remaining gap between the minimum acceptable defense level and the maximum tolerable diversion of economic resources to defense. . . .

"4. In Europe, dramatic and continuing economic progress has made possible the suspension of all economic aid to the Western European Marshall Plan countries. The emphasis of the remaining FOA program in Europe has been centered on building additional strength in Spain, Yugoslavia, and Berlin and on attacking, principally through the European technical exchange program, the roadblocks to expanded productivity and the growth of modern competitive free enterprise and wider markets.

"5. One of the most heartening changes in emphasis concerns the technical cooperation program. From a program concerned mainly with elementary problems of health, education, and agriculture, has emerged a powerful instrument for meeting forthrightly a broad range of problems involved in achieving economic progress by democratic means. The technical program is broader, stronger, deeper and more dynamically effective than ever before. The number of American technicians abroad has increased from 1,350 to 1,950; the number of trainees arriving in the United States, from 1,600 to 4,800. The program has been extended to new geographic areas, and far greater emphasis has been given to such fields of activities as industrial development, strengthening of governmental machinery and services, and improvement in housing. Basic development problems and goals have been defined clearly and governments have been helped to strengthen their own development planning and to achieve better use of their own resources. Sounder integration and balance have been achieved between the various elements of the program. Total funds have increased from \$152 million in the fiscal year 1953 to \$172 million proposed for fiscal year 1956.

"6. Another substantial achievement during this period has been the frank recognition of the importance of increased capital investment in the economic development process and the realization that technical advice alone, though valuable and essential, cannot assure the rate of progress which present world urgencies demand. Added stress has been put on investigating and attempting to remove obstacles to private investment, but the illusion that private investment alone can supply, during the next few years, all of the foreign capital needs of the underdeveloped areas has been dispelled.

"Public lending by the Export-Import Bank and the International Bank has been integrated more closely with total development, amid increasing efforts to stimulate local capital formation and a better mobilization of existing private capital in the countries concerned. However, there still remains a residual need which cannot be met either locally or by

external private investment or bank loans. This has been clearly established and is recognized in the defense support and development assistance programs under the Mutual Security Act.

"7. An important way of meeting the capital deficiency of our partner nations has been the use of funds derived from the sale of U.S. surplus agricultural commodities. Not only have the purchasing countries benefitted from the conservation of dollar exchange, but a significant share of the proceeds has been made available for capital investment to expand the countries' economic and defense-support base.

"8. Heavy emphasis has been placed on putting a maximum possible portion of economic assistance on a repayment basis, in the interests both of more normal and businesslike relations, and of the actual repayment of substantial funds. Liberal terms for loans have been tailored to the capacity of the countries to handle. There are practical limits to the extension of the loan principle, but its value under appropriate circumstances is now clear."

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MUTUAL SECURITY PROGRAM--MESSAGE FROM THE PRESIDENT OF THE UNITED STATES
(Congressional Record, March 19, 1956. p. 4517-4518.)

"To the Congress of the United States:

"For almost a decade the United States has moved, year by year, with growing success, to help fortify the economies and military strength of nations of the free world. Over the years this effort has changed in size and character in keeping with changing world affairs. Today it remains as indispensable to the security of every American citizen and to the building of an enduring peace as on the day it began 9 years ago.

"Today this great Nation, at the peak of its peacetime military and economic strength, must not hesitate or retreat in this vital undertaking. Nor can we subordinate this program to local concerns or collateral issues, on the unsound premise that steady progress through this program for 9 years makes it no longer necessary.

"We cannot now falter in our quest for peace.

"The need for a mutual security program is urgent because there are still nations that are eager to strive with us for peace and freedom but, without our help, lack the means of doing so.

"The need is urgent because there are still forces hostile to freedom that compel the free world to maintain adequate and coordinated military power to deter aggression.

"The need is urgent because there are still peoples who aspire to sustain their freedom but confront economic obstacles that are beyond their capabilities of surmounting alone.

"These facts are as fundamental to our own security and well-being as the maintenance of our own Armed Forces.

"Our goal is clear--an enduring peace with justice. To achieve it will continue to require effort, skill, patience, and sacrifice. Toward it we must and will strive constantly by every means available to us.

"We must continue to work with other countries to insure that each free nation remains free, secure from external aggression and subversion, and able to develop a society marked by human welfare, individual liberty, and a rising standard of living. We must continue to maintain our economic and military strength at home. We must continue to stimulate expansion of trade and investment in the free world. We must continue helping to build the productive capacities of free nations through public loans and guarantees of private investment. We must continue to provide technical knowledge and essential materials to speed the advance of other nations in peaceful uses of the atom. We must continue our cultural and educational exchanges to expand mutual knowledge and understanding. We must continue and intensify our information programs so that the peoples of the world may know our peaceful purposes and our love of human liberty. And through our mutual security programs we must continue helping to create in the free world conditions in which freedom can survive and develop, and free nations can maintain the defensive strength necessary to deter aggression.

"Peace with justice remains the sole objective of our mutual security programs. We have no other interest to advance. We have no desire or intent to subjugate or subvert other peoples--no purpose to change their chosen political, economic, or cultural patterns--no wish to make any of them our satellites. We seek only to further the cause of freedom and independence and to develop the military strength necessary to protect and defend it, in the interest of peace.

"To help a free country to maintain forces necessary for the protection of its freedom and independence but beyond those which it can alone support may mean foregoing some domestic expenditure. To help a less developed nation in its initial steps toward an economy that can sustain freedom and independence and provide opportunity for higher living standards may mean postponement of desirable projects here in this country. We must continue willing to make these sacrifices, for the benefits we gain in the interests of peace are well worth the price. The mutual security program is a demand of the highest priority upon our resources.

"Because our people and the peoples of other nations in the free world have been willing to make the necessary sacrifices, the past mutual-security programs have achieved a real measure of success. By combined effort the free world has advanced toward stability and toward economic strength. It has achieved the power and the will to resist aggression.

Collective security arrangements have brought into existence free world defense forces and facilities far greater than those which we, by our unaided efforts, could have raised and maintained from our own resources without a crushing burden of taxation on our people. In their economic aspects, our programs have made significant advances toward the solution of many problems of the free world. Without this assistance many other nations, beyond doubt, if existing at all, would exist today only in the grip of chaos. Moreover, we ourselves are more secure, more prosperous, better fitted to go forward in the common enterprise of freedom than ever before.

"Significant testimony to the success of our mutual security programs appears in the new turns and developments of Soviet policy. Aggression through force appears to have been put aside, at least temporarily, and the Communists are now making trade approaches to many nations of the free world.

"The Soviet maneuver, which is still developing, includes offers of bilateral trade arrangements which may involve provision of arms and capital goods as well as technical assistance. Had we any reason to believe that the Soviet leaders had abandoned their sinister objectives, and now shared our own high purpose of helping other nations to develop freedom and independence, we would welcome the new Soviet program, for it appears to have aspects of normal trade expansion and business competition. Its danger for us and for other free nations, however, lies in the additional Soviet objectives and in the entanglements to which acceptance of their offers may lead.

"Even while we welcome respite from the Soviet policy of threat and violence, we must take careful stock of what still remains of it. The vast Soviet military establishment has not been scrapped. On the contrary, the Soviets and their Communist allies are increasing the strength and effectiveness of their armed forces and are providing them with equipment of the most modern design. The threat implicit in this huge aggregation of military power still casts an ominous shadow over the world. There is nothing here to warrant a slackening of our efforts to strengthen the common defense of the free world.

"In its new departments in foreign policy, we see that the Soviet Union continues in its familiar pattern of ceaseless probing for opportunities to exploit political and economic weaknesses. We cannot view otherwise the arms traffic in areas where tensions are high and the peace is in danger. We cannot view otherwise the extension of credits hand in hand with exploitation of ancient animosities and new hatreds in a world already overburdened with them.

"We must therefore assume that Soviet expansionism has merely taken on a somewhat different guise and that its fundamental objective is still to disrupt and in the end to dominate the free nations. With Soviet leaders openly proclaiming their world aim, it would be folly for us and our friends to relax our collective efforts toward stability and security.

"Needless to say, we do not intend to permit specific Soviet moves to control our activities. Our mutual-security program, conceived in the common interests of the free nations, must go ahead affirmatively along tested lines to meet the common need. Where changes now give promise of making the program more responsive to the need and more effective, I am recommending changes."

* * *

THE AID PROGRAM BY CATEGORY AND REGION

(Statement of the Honorable John B. Hollister, Director, International Cooperation Administration. Mutual Security Act of 1956. Hearings before the Committee on Foreign Affairs, House of Representatives, Eighty-fourth Congress, Second Session on H.R. 10082. p. 35-40.)

"Defense support is furnished to certain countries eligible for military assistance. It is the name which, as a result of previous congressional history, is applied to all forms of nonmilitary assistance (except technical cooperation) in countries where there is a substantial military assistance program. It includes aid for civilian-type projects and activities which directly support the military program of the country (for example, highways, ports, communications) and also more general assistance which makes it possible for a country to maintain agreed force levels without seriously adverse economic or political consequences. At the same time, defense support is designed to contribute to building up the recipient country's internal strength, making possible progress toward improved living standards.

"Development assistance is the term generally used to define all forms of aid, except technical cooperation, which are furnished in countries where we have no substantial military aid program. It is furnished to certain countries with which we have no military agreements to promote their economic development.

"Technical cooperation consists of programs for sharing technical knowledge and skills with less developed countries. These programs are carried on through direct arrangements between the United States Government and individual governments usually referred to as "host" governments, as well as through the United Nations, and through the Organization of American States. Under the technical cooperation programs, technicians and experts are sent from the United States to work overseas with host government officials and to help host governments develop their own technical resources for economic and social development. Our technicians are supported, when necessary, by supplies and equipment sent from the United States for demonstration purposes. Foreign nationals are also brought to the United States (or other countries) for training or advanced study in technical specialties. This technical exchange program is operative equally in countries which are eligible for military aid and those which are not. Much of it is carried on through contracts with American universities under which technicians and specialists are supplied. All of it is on a joint basis.

* * *

"EUROPE--NATO

"Our earliest mutual security problems in the period following World War II were encountered in Europe. The Marshall plan, inaugurated in 1947, helped put Europe on the road to economic recovery, and that recovery continues. At the same time the military forces in the NATO countries have been strengthened rapidly.

"The aid request for NATO countries (excluding Greece and Turkey) in fiscal year 1957 is almost entirely military. For the second successive year no defense support or related aid, with the exception of a small amount for technical exchange, is being requested for any of these countries.

* * *

"WEST BERLIN, SPAIN, YUGOSLAVIA

"The second group of European countries with which we are concerned comprises West Berlin, Spain, and Yugoslavia. All three of these lie, politically and geographically speaking, on the periphery of Western Europe. They are not members of NATO and OEEC although Spain and Yugoslavia are observers in the latter organization. Spain and Yugoslavia have not benefited as fully from the European recovery as the other countries and their standards of living are appreciably below those of other European areas. Yet each of these countries is making a substantial contribution to the military, political, or psychological defense of the West, and each is joined with us in strong mutual security interest.

"Spain is cooperating with us in the construction of important air and naval bases;

"Yugoslavia, despite a common frontier with four Iron Curtain countries, continues to set an important example by guarding its independence from Soviet domination, and is a member of the Balkan pact with Greece and Turkey--both NATO members, though generally considered Near East countries;

"West Berlin stands as an outpost of the free world--a symbol of freedom, far behind the Iron Curtain.

"These are the three special situations for which defense support and related assistance is proposed. . . .

"MIDDLE EAST, AFRICA, AND ASIA

"Turning from Europe to the Middle East, Africa, and Asia, the situation becomes much more complex and much more varied. In these areas we have a large number of new nations, some of them recently emerged from colonial status. In most of these countries, the levels of living standards, annual gross national product, industrial capacity, and per capita income are low in comparison to the more prosperous parts of the free world.

"Some of these nations, such as Korea, Laos, Viet-Nam, Cambodia, and Taiwan, have recently suffered from the effects of war or are faced by large Communist forces at their borders, or both. There is great need for many of them to maintain substantial defense forces. This poses an economic problem of substantial proportions, for the military expenditure in many cases is totally beyond their resources. Nevertheless, they and the free world need this military effort so that they can remain free of external aggression and can put down armed internal subversion.

"Many of these allies of ours, and also other nations of the free world not receiving military assistance, are faced with internal economic problems, which would confront them even if they made no military effort. Their peoples, with unsatisfactory living conditions, are aspiring to a level above an austere subsistence standard. They look to their leaders for a degree of economic progress which is beyond their powers to achieve unassisted. We thus must face the problem of nonmilitary assistance of an economic character:

"(a) To maintain the defense efforts of our less prosperous allies at desired levels; and

"(b) To assist some of our allies, and also various less developed, uncommitted free nations, to strike at those conditions of poverty, disease, and low living standards which tend to create unrest and instability and which, if not improved, can lead to disorder or collapse which would threaten world peace.

"Our allies want to be strong. If they are to be strong, we cannot see them bowed by an unbearable defense burden beyond their capacities and unable to meet the reasonable aspirations of their peoples for progress.

"In the case of uncommitted nations, we achieve an important objective in the interests of the security of the United States and the free world, if we can succeed in helping them to make the progress which will keep alive their desire for independence as responsible and developing members of the free world. We have no desire to impose our way of life upon them. Our sole purpose is to help them to develop the internal economic conditions in which free institutions can prosper. We hope to keep them from throwing their weight into the balance against the free world and on the side of communism.

"The problem has been greatly complicated by the increased economic activities of the Soviet bloc in relation to the free nations. Communist offers of economic, military, and technical help have a strong appeal for nations which need assistance badly, and we, therefore, must expect many of these offers, where they are sufficiently attractive, to be accepted. Such acceptance involves dangers as well as material benefits. It increases the opportunities for Communist penetration; it frequently places the Soviet Union in a falsely favorable light; it may tie the recipient unduly to the Communist bloc; it will be capitalized upon by the Communist bloc; it will be capitalized upon by the Communists to proclaim their unselfish interest in the economic welfare of others.

"We must take this danger with the utmost of seriousness. Some of the peoples throughout the Middle East and Asia are all too likely to accept the Communist propaganda line which puts the blame on free world nations for the existence of obstacles between present hard economic realities and their own economic aspirations. For many leaders in the region, the first direct contact with the Soviet Government itself has been with the new 1956 model of Soviet traveling-salesman-diplomat who smilingly and seductively offers on easy terms the capital and technical and military help they desire. These Soviet offers have included arms to Egypt, Afghanistan, and other countries, and machinery, food, industrial plants and technicians to many other countries around the world. While we have no intention of competing with the U.S.S.R., offer by offer--for to do so would be to abandon independence and judgment--yet we must take account of the new approach which Soviet tyranny has adopted to court the Moslem, Asiatic, and African worlds."

* * *

TREND OF APPROPRIATIONS AND EXPENDITURES

For Foreign Aid in Recent Years

[In billions]

Fiscal Year:	Appropriations			Expenditures		
	Military	Nonmilitary	Total	Military	Nonmilitary	Total
1949	--	\$6.4	\$6.4	--	\$4.5	\$4.5
1950	\$1.3	3.9	5.2	\$0.1	3.4	3.5
1951	5.3	2.1	7.4	0.9	2.8	3.7
1952	5.3	2.0	7.3	2.4	2.1	4.5
1953	4.1	1.9	6.0	4.0	1.7	5.7
1954	3.2	1.5	4.7	3.6	1.3	4.9
1955	0.9	1.9	2.8	2.3	2.0	4.3
1956	1.0	1.7	2.7	+ 2.5	+ 1.7	+ 4.2

† Estimated

Source: Adapted from U.S. Department of State, Department of Defense, and International Cooperation Administration, The Mutual Security Program Fiscal Year 1957: A Summary Presentation April 1956. p. 69.

MUTUAL SECURITY IN 1957
 Fiscal Year beginning July 1, 1956
 \$ million

	Amounts appropriated by Congress
MUTUAL DEFENCE ASSISTANCE	
Military Assistance	2,017.5
Defence Support	1,181.7
Europe	68.7
Middle East and Africa	167.5
Asia	873.5
Latin America	52
DEVELOPMENT ASSISTANCE	
Middle East and Africa	250
Asia	250
Latin America	250
TECHNICAL CO-OPERATION	
General	152
Multilateral	135
	17
OTHER PROGRAMS	
(Includes refugees and relief)	185.4
Special presidential fund	100
Administrative expenses	33.6
TOTAL	3,766.6

Source: Adapted from the Economist, August 11, 1956.

SHOULD U.S. INCREASE ECONOMIC AID?

(Article by William H. Stringer. Foreign Policy Bulletin, December 15, 1955, published by the Foreign Policy Association)

"Mr. Stringer is chief of the Washington News Bureau of The Christian Science Monitor and author of the front-page column, "The Washington Scene". . .

"The chug of Soviet road machinery paving streets in Afghanistan's sky-high capital of Kabul, the plans of Russian technicians for building a \$100-million steel mill in central India, the feting of Burma's impressionable Premier U Nu in Moscow--all these, seen against the background of Communist arms offers to Egypt and other Arab states, have posed for the United States a critical foreign policy decision.

"This decision is: Should the United States increase foreign economic aid to counter what appears to be a shrewd new effort by Russia to capture, through Point Four projects, the underdeveloped and uncommitted "one-third" of the earth's peoples? Will the United States gradually fall behind in the new "competitive coexistence" phase of the East-West power struggle unless it revitalizes its foreign aid policies?

"Or are those who would increase the aid program unduly alarmed? Is the Soviet challenge mostly talk as compared with an impressive American assistance program already in being? Is foreign aid becoming obsolescent anyway, and is there actually a prospect of reducing the foreign-assistance budget. . . ?

* * *

"1. For Aid Increase

"Here are the arguments made for increasing economic aid:

"1. On the affirmative side, it is argued first of all that the Soviet projects already visible -- the grain elevators in Afghanistan, the offer to build the \$600-million Aswan high dam on the Nile in Egypt, the Russian purchase of Burmese rice -- represent merely the start of a long-range Moscow scheme to outbid the United States for the title of global "economic benefactor."

* * *

"2. The United States, it is contended, should be glad and grateful to see this emphasis on economic competition. This country has the know-how, the industrial capacity, the ready wealth with which to run rings around the plodding Soviet bear -- if it will make the necessary sacrifices.

The Marshall Plan set Europe on the highroad to recovery. The Point Four projects have vitalized backward areas. . . .

* * *

"3. Far more is at stake, it is urged, than the temporary business of countering an invasion of Egypt by Soviet technicians. An increased aid program is actually necessary to safeguard the West's most important military and economic bastions.

". . . If the Soviet Union should become the dominant influence in Egypt and penetrate further westward, the whole Mediterranean economic and military bastion would be threatened.

"4. The United States, it is said, underestimates the problem of winning and holding Asia and Africa. Relying on its Marshall Plan experience, it has assumed that economic assistance can be tapered off rapidly.

"The Communists know better. They do not disregard the pitiless population problems of Africa and Asia — with each continent due for an annual average expansion of 3 percent as life expectancy increases. India's population will soon be increasing by 5 million a year. Egypt, liberated from British rule, is urgently in need of economic aid. Without economic assistance hunger and poverty will increase, and the Communists are waiting to exploit the situation.

"5. As was made clear in the case of Egypt, the real barriers which keep out communism are not made solely of military pacts and alliances, but of economic assistance and cultural ties and mutual understanding. The United States, by relying primarily on military pacts to hold allies in Asia and the Middle East, has alienated some nations. . . .

"6. What is really required, proponents of increased aid insist, is the kind of program — and administrator — that will kindle the imagination and enthusiasm of the underdeveloped, the neutralist and the suspicious peoples. Someone at Washington should take time out to sit down and think through a new "free-world credo" which could accompany the launching of a program and give it both impact and effectiveness.

"Obviously not all foreign aid requires grandiose projects or heavy spending. Educational training programs and farm extension work, carried on by American universities under small budgets, are helping to develop new generations of farmers, teachers and civil servants. Private investment, the International Bank for Reconstruction and Development, and the Export-Import Bank have a major role. But the need is for Washington to play up the program as it did Marshall aid in Europe — not play it down and pray for its early demise.

"The United States, it is said, underestimates the problem of winning and holding Asia and Africa. Relying on its Marshall Plan experience, it has assumed that economic assistance can be tapered off rapidly.

"7. The argument is also made that as native living standards improve, so do prospects for selling American goods abroad.

"These are among the chief contentions which advocates of increased foreign economic aid will use in coming months. . . .

"2. Against Aid Increase

"Here are the arguments for decreasing aid:

"1. One of the most persuasive arguments against increased aid concerns political practicability. Congress has frequently been assured that the Administration intended to halt foreign spending as fast as possible. A nation which has spent over \$50 billion in foreign outlays of all kinds since the end of World War II naturally looks toward the end of that policy. . . .

* * *

"2. Advocates of a balanced budget oppose any rise in foreign aid. The United States, they argue, cannot permanently dole out grants and "soft loans" abroad, pile up deficits and increase the national debt at home and still remain financially solvent. As with the defense budget, foreign aid must be geared to what can be sustained over the long pull -- or abolished altogether.

"3. Then there is the argument that American largess is merely building a host of ingrates all around the globe. India, after receiving considerable American aid for its village improvement program, is friendly to the Soviet Union. Egypt, recipient of British jets and \$79 million in American aid, is flirting with Moscow. Those who demand that nations do more than merely maintain their neutrality as the price of aid and sign defense pacts with the United States contend that much foreign aid spending has been wasted.

"4. A corollary argument is that some countries regard Uncle Sam as Uncle Sugar. Turkey, for instance, is demanding all sorts of industrial equipment and nonwar supplies. This helps maintain the Turkish economy, which is burdened by an oversized army, but American opponents of increased spending contend that Turkey is financing its whole modernization program out of American aid. Other nations, they say, are similarly overdemanding.

"5. It is also argued that the Soviet Union is mainly playing on discontent already aroused by the colonial policies of our allies or by the Arab-Israel quarrel -- neither of which can be substantially assuaged by Point Four projects. 'Get France to make a proper settlement in North Africa, and solve the problem of Palestine, and you won't need big foreign aid bribes to keep the Commies out,' it is said.

"6. Some businessmen in the Eisenhower Administration hold that foreign economic aid can largely take the form of private investment abroad and low-cost university projects in individual nations, plus the necessary defense-bolstering assistance extended to embattled territories such as Korea, Indochina and Formosa. There is no need, they say, for any big, dramatic, propaganda-ballyhooed foreign aid program.

"7. There is, finally, a small minority who believe that atomic war and long-range bombers render both foreign bases and foreign allies obsolete. They argue fatalistically that Asian and African nations will learn only by burning their fingers in the Communist fire and that there is little the United States can do about it except to keep its own defenses strong.

"How the debate on foreign aid will come out is anybody's guess. Much will depend on what further evidence there is of Soviet economic penetration. Stalin's truculence helped to push the Marshall Plan through Congress. Molotov's intransigence at Geneva may help to arouse public opinion in favor of foreign aid. . . .

"Closely linked with foreign aid is the parallel issue of how much further the United States will venture in lowering trade barriers, thereby encouraging 'trade, not aid.'

"The central issue today is just how much the American people will become aroused about the new challenge of 'competitive coexistence' which Moscow has issued with the aim of wooing the hearts and minds of the under-developed 'one-third.'

RESPECT AND FOREIGN AID

(Statement by the Honorable Spruille Braden, former Ambassador and Assistant Secretary of State. Human Events. June 16, 1956.)

"A distinguished and experienced diplomat who preceded me by some years in one of my ambassadorial posts, used to say: 'It is all to the good if the American Ambassador is liked; but it is much more important that he be respected.'

"I agree with him completely.

"While respect, according to the circumstances may sometimes have a connotation of fear, it far oftener evidences friendship. Also, as respect engenders friendship, so its absence will, in the end, destroy both confidence and friendship.

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"Of one thing we may be sure: respect never can be bought. The mere attempt to do so can only breed disdain and irritation. Yet, that is precisely what we have been trying to do for many years.

"Against the 275 to 280 billion dollar direct Federal debt, excluding many more billions of contingent or governmentally guaranteed indebtedness, it has been estimated that since 1939 the United States has given away abroad about \$100 billion. Despite the extravagance and waste involved, some of this vast sum must be charged off as a war necessity and so, for the purpose of this discussion may be eliminated.

"Nevertheless, it is important to call your attention to the fact that this country has a greater debt than the combined debts of all of the other nations in the world.

"What mainly concerns me today is that since 1946, after the end of World War II, we have given away upwards of \$41 billion in outright grants to foreign nations, and disbursed almost \$14 billion in credits. Their eventual repayment is, to say the least, questionable. The total of our handouts abroad is \$55.5 billion. By this lavish generosity, we have gained neither respect nor friends. On the contrary, I believe it is apparent to anyone that we have lost both.

"In order to approach this matter intelligently, we must first be able to comprehend what is \$55 billion. It does not help my own understanding to talk about a billion fenceposts spaced one foot apart, girdling the earth X times. Nor is my conception clarified by the calculation that if I were to receive one dollar for each minute that has elapsed since Christ was born, I would have slightly over \$1 billion.

"I do grasp the value of \$55 billion, when I add the assessed valuation (as reported by Moody's Municipal and Government Manual of 1956) of all of the property, real and otherwise, in the 13 biggest cities of this country: New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston and Pittsburgh, and arrive at a grand total of just over \$55 billion.

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"We would be appalled by the mere suggestion that these 13 cities, if it were possible, be shipped overseas as gifts to foreign nations. Yet, we have done precisely that. We have ourselves given away--in effect, destroyed, as if by nuclear bombing--the equivalent of our 13 biggest cities!

"The dollar loss and the consequent drain on us taxpayers, at that, may not be so serious as the harm done to the morals and morale of both the recipient countries and ourselves, as donors.

"Certainly over \$55 billion in gifts and other handouts should bring spectacular and superlative results in the way of augmented respect and friendship. Yet, it is already evident that it has not and that no people ever gave so much for so little.

"Nehru, despite the hundreds of millions of dollars poured into India, delights in castigating the United States, and he put out the Red Carpet for Bulganin and Khrushchev.

"Little Cambodia is getting \$50 million a year, not to mention a further gift of 20,000 tons of rice. But the Premier, as he flirts with Communist China, complains that all we give him are refrigerators and automobiles, and that Washington is plotting to buy his country.

"Neither the Arabs nor the Israelis seem to like us.

"The Turks and Greeks, thrown into inflation by our largesse, are becoming critical of us. In Greece, the Popular Front opposition recently polled more votes than the government candidates supported by us.

"Prime Minister Mollet of France declared in the U.S. News and World Report that: '. . . the Americans managed to create something very near to hatred. . . by the way they gave their aid.' Of course, like other recipients and some of our own do-gooders, he would like to see our bounty distributed anonymously through the UN, with no strings attached. This would eliminate the last remote chance of our ever receiving any thanks, respect or friendship for our generosity.

"Iceland's Parliament, under Communist influence, voted that the U.S.A. should pull out its troops and abandon our NATO bases there. Recent elections indicate that Ceylon is going in the same direction.

"In Mexico, during January, some technical assistance and educational programs had to be cancelled, because a series of student disturbances made it inadvisable for our technicians to continue.

"The rest of Latin America, observing the deluge of billions flooding the rest of the globe, feel hurt because, as our nearest neighbors and allies, we neglect them with a mere pittance.

"Thus do we destroy respect and friendship.

"A single American company has raised living rates higher and created more general well-being throughout Central America than ever could be done by our governmental aid. Yet, the Department of Justice now blocks the continuance of this work by an anti-trust suit, demanding divestiture, among other things, of the rich farm lands converted by this company from worse than worthless jungle swamps. In announcing this unfair and ignorant action,

the Attorney General implicitly endorsed the false accusations leveled against the U.S.A. by the Communists recently ejected from Guatemala. Instead of the increased prosperity and employment which would have resulted from the company's program, this suit will cause hundreds, if not thousands of these people to be partially and ineffectively supported by more U.S. foreign aid, i.e. by your and my taxes.

"Almost anywhere we look, our foreign aid programs have been extravagant, wasteful and inefficient. Permit me to give an example: We induced Afghanistan to accept a \$40 million loan from the Export-Import Bank, and to spend a very considerable sum themselves, to put in a hydro-electric power, flood control and irrigation project for about 500,000 acres. In Afghanistan there were neither engineers to operate the project, nor agricultural experts to teach the nomads how to farm. The salt content of the lands was raised by the water from the dam to the point of ruination. The result is an economic and political crisis; and the Afghans, having lost respect for us, are turning their eyes towards their big neighbor to the north, the USSR.

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"The 'bleeding hearts' cry that, unless we finance dams and other public works. . . far-off peoples will continue to live in misery. At present, that is as sad as it is true. But let me tell you what may happen even as the result of a well-planned and carried out project, purporting to improve living conditions. Incidentally, this was not one of our government's programs. In, I believe, the 1920's, the Sukkar barrage in Pakistan was erected to irrigate a vast area of fertile but desert land in the Province of Sind, Pakistan, with water from the Indus River. This was to make possible the feeding of a people living on the verge of starvation. What happened? The project did everything claimed for it. But, after a few years, the population so increased that the only effect was to have a much larger number of people on the verge of starvation, instead of a small number. Does this constitute progress? Does this elicit respect?

"The answer is 'NO!'

"I suggest that the authorities in Washington have no right to continue these 'give-away' programs, when there is no assurance that even the well-planned and executed ones will not increase rather than decrease human misery.

"Another aspect of this program is that we gain neither Tito's nor anyone else's respect by giving his regime hundreds of millions of dollars. We entrench Communism in Yugoslavia, thus antagonizing many of its people, and give the Soviet a greatly strengthened ally, now that Tito is again back, hand in glove with the Kremlin.

"Our grants and loans inevitably constitute an intervention by us on behalf of the government in power and against the "outs" in a foreign country.

"This is not the best way to make friends of the latter. But our prestige suffers much more when we distribute our largesse to dictators and corrupt governments. Then we lose the respect of, and antagonize all the decent elements in the recipient countries.

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". . .It is proclaimed that poverty and illiteracy breed Communism and open the way to Kremlin domination; whereas industrialization and higher living standards defeat both of these evils.

"These theories simply are not true. In southern Italy, where the greatest poverty and illiteracy exists, there is the least Communism. In the industrialized north, with higher living standards, Communism flourishes. This same condition prevails in many other countries and places.

"Poverty and illiteracy can only be eliminated slowly and with the utmost care. It is not a job that can be done overnight. We would destroy, rather than sustain, our position by helping everybody else to realize their own aspirations and legitimate ambitions. We have neither the money nor the manpower even to attempt such a colossal adventure. Finally, there is no moral or other obligation on us to give even modest foreign aid, except in a sensible and effective manner, which will benefit everyone concerned and do harm to no one.

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"As I have said, the UN and a number of governments and other entities urge that the charge of Americans intruding or interfering, intervening or just plain meddling in other peoples' affairs could be obviated by turning over American funds to the UN to be disbursed by it with complete anonymity for us.

"It is alarming that we have gone along with this idea in a number of the UN agencies or affiliates, which handle foreign aid of one kind or another. The last of these was the International Finance Corporation, organized to enter the equity financing field by purchasing convertible debentures. By what right do the politicians take your and my taxes to enter into this speculative realm, which should be restricted to private capital?

"Worse still is our UN Delegation's willingness even to consider SUNFED (Special United Nations Fund for Economic Development). This so-called 'infra structure' fund is designed, through grants and short or long term interest-free loans, to finance any project which lacks merit enough to attract private capital or to meet the standards of existing lending institutions.

"Obviously, no private capital could compete against SUNFED. Pursuant to a sort of Gresham's Law, SUNFED's grants and loans soon would drive all honest and sound credit out of the market. SUNFED is iniquitous."

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THE FACTS OF FOREIGN AID

(Article by Robert C. Good. The Commonweal, February 17, 1956.)

"Since the end of World War II, the United States has given or loaned (mostly given) fifty-one billion dollars to the rest of the world. What have we received in return for the outlay, and should the program now be discontinued?"

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"Our fifty-one billion dollars has been spent in three sizable chunks. The first and largest purchased the rehabilitation of seventeen nations in Europe following the war. The bill for this was about twenty-seven and one-half billion, including postwar relief, bilateral loans and Marshall Plan aid. The second segment has been used to buy military strength for the free world at a cost thus far of about fourteen and one-half billion. The remainder, about nine billion, has found its way to the poverty-stricken areas of our world. Though most of this amount has been tied closely to the military programs of a small number of countries, a portion has been used to bolster anemic economies and advance long-overdue economic and technical development.

"No one familiar with conditions in Europe after the war could with equanimity question the wisdom of American aid. . . .

"The war had taken a heavy toll. Low production, inflation and vanishing bank reserves were producing a mortal illness. In early 1947, industrial output in Germany was only twenty-seven per cent of prewar levels. European agricultural production was generally only eighty per cent of prewar volume. But during the same period, Europe's population had crept up eight percentage points, putting a further strain on available supplies. For the better part of 1947, the official ration allowed each German was only fifteen hundred calories a day. Catastrophe in gigantic proportions threatened an entire continent.

"Attempts at digging out were stopped by an unprecedented freeze during the winter of 1946-47. The following summer, drought gripped the continent. The yield of grain crops in France fell by thirty per cent, the worst crop on record. With each passing month, Europe sank farther into debt. By 1947, the United States was shipping to Europe goods in excess of Europe's ability to pay to the amount of eleven and one-half billion dollars per year. This was called the dollar gap. It was in fact a chasm, and growing rapidly wider.

"Bilateral loans were arranged. Britain received over three billion from the U.S.; France, over one billion. This move helped momentarily, but the hemorrhage which was draining off Europe's financial reserves was not stopped. . . .

"One important source of . . . trouble was located in Moscow. The Russians were consolidating their gains in Eastern Europe with frightening efficiency. The social and economic chaos of Western Europe promised quick rewards for Communist agitators. Yet we could not afford to lose that area. Crippled though it was, it represented an industrial potential second only to that of the United States. . . .

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". . . Early in 1948, the legislators wrote and passed a bill which became known as the Marshall Plan.

"During the next four years, thirteen billion dollars worth of life-giving plasma was pumped into the European economic system. The figure as such is probably meaningless to most people, but someone has estimated that at the height of the Marshall Plan there were at any given moment an average of one hundred and fifty merchant ships either on the high seas with full cargoes of Marshall Plan aid for Europe or unloading at European ports. By the Plan's terminal date in 1952, industrial production had been increased forty per cent over 1948, agricultural output was above prewar levels, intra-European trade had jumped eighty-six per cent, exports to the rest of the world were up sixty-six per cent, inflation had been controlled and hope restored. In short, at a cost of thirteen billion dollars for Marshall aid and more than twice that amount for all non-military aid given since World War II, Western Europe had been saved for the free world. 'The American people,' observed an eminent British economist, 'offered "a new birth of freedom" not only to themselves but to all mankind.'

"Before the Marshall Plan had completed its work, the Communists started an aggressive war in Korea. Overnight, the emphasis in foreign aid shifted from recovery to rearmament. ERP (the European Recovery Program) became MSA (the Mutual Security Agency).

"The accomplishments of this program, though at many points still inadequate, have been impressive. American funds have purchased for our allies over one thousand aircraft, close to that number of naval vessels, nearly forty thousand tanks and combat vehicles, and over two hundred thousand transport vehicles. With our help our allies are now bringing into being more than one hundred and eighty divisions, nine times the size of our own establishment, with air squadrons and combat vessels roughly equal to that of ours.

"We have mustered for our mutual defense the combined strength of well over thirty nations. The price tag for military aid since World War II is in the neighborhood of fourteen and one-half billion dollars, a gigantic sum but considerably less than ten per cent of our own military budget for the same period. It is important to point out that our allies themselves are absorbing the greater part of the cost. For example, the NATO governments put up three dollars of their own for defense for every dollar received from the United States.

"The remainder of our fifty-one billion dollar investment, about nine billion, has found its way to the underdeveloped areas of Asia, the Near East, Africa and Latin America. These depressed areas contain two-thirds of the free world's population, raw materials crucial to the free world's economy, and possibly a decisive voice in determining the free world's fate. Their problems are simple and primordial. Health: life expectancy is fixed at an average thirty-six years, while in some localities every second baby dies in infancy. Food: diets for many are fully one-fifth below the minimum needed for normal activity. Illiteracy: seventy per cent cannot read or write. Primitive techniques: the average income per year is thirty-five to eighty dollars--forty times less than that of an American.

"New political currents are today penetrating the stagnant backwaters of the under-developed parts of the world. The past ten years have seen the emergence of a dozen independent nations, all in Asia, the Near East, and Africa. Independence has shaken ancient lethargy. Levels of discontent and unrest are rising. It is no longer enough to maintain the status quo. Political unrest and the appeal to radical solutions can be allayed only by satisfying the demand for a better, more secure, more wholesome life. . . .

"So we have invested nine billion dollars in the underdeveloped areas. A very large share of this amount has been going recently to a very few states: South Korea, Formosa, free Indochina. It is being used to bolster the economies of these states, thus making it possible for them to support armies quite out of proportion to their size and economic potential. Over a billion dollars has been appropriated for the programs of international organizations dispensing relief and economic rehabilitation in the depressed areas. The remainder has financed economic development and technical assistance programs in some sixty nations around the globe.

"It is difficult to know how to assess the results of these programs. Certain figures look encouraging: twenty-seven hundred technical assistance experts at work overseas; over forty American universities under contract for technical assistance projects; some five thousand leaders and future leaders from depressed areas brought to the United States during 1955 to observe techniques. But take these figures and divide them by sixty countries and the accumulated poverty of countless centuries and the result is but a fraction of the actual need. . . .

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". . .It has been widely stated that of last year's 2.7 billion dollar appropriation for overseas aid, 1.6 billion was to go for economic aid. It has also been stated frequently that most of our aid is now going to Asia and the Near East. Strictly speaking, this is true. What the figures conceal is the fact that almost one billion dollars in economic aid was appropriated for "defense support" programs, and that the lion's share of this one billion is allocated to South Korea, Formosa and free Indochina.

"Defense support" means economic aid, but its purpose is to fortify the economies of countries whose large military establishments are beyond their ability to support. This kind of aid is thus tied to military objectives, which means it is applicable only for those countries willing and able to establish military alliances with the West. There is nothing wrong with this except that there is precious little cash left over for the thirty-odd underdeveloped countries which do not qualify for defense support aid. In fact, what was left over for economic development and technical assistance from the last appropriation was considerably less than half a billion dollars.

"The wisdom of the policy which gears so much of our economic aid to strictly military objectives must be measured against the new reality of international politics today, namely, the Soviet Union's recently inaugurated economic offensive directed toward the depressed parts of the world. It remains to be seen how wise and how effective this offensive will be. But this is hardly the time for the United States to consider withdrawing from the arena.

"The reason for economic aid is not to buy military alliances, but to produce greater economic and social stability in areas of the world where social unrest creates vulnerability to Communist infiltration. Viewed in this light, the new 'Northern Tier' alliance along the Soviet's southwestern frontier, and composed of Pakistan, Iran, Iraq, and Turkey, might more fruitfully be made the instrument of economic development rather than military strength."

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DEAD END

THE AMERICAN FOREIGN AID ROUTE FOR WINNING FRIENDS AMONG NEUTRAL NATIONS
HAS PROVED A BLIND ALLEY

(Column by William Henry Chamberlin. Wall Street Journal, May 15, 1956.)

". . . Since the end of hostilities against the Axis the United States has disbursed close to \$55 billion in relief, economic aid and military assistance to foreign powers.

"The sum is considerable, even in this age of easy spending and currency inflation. Had it not been spent at all, American individual citizens would have had much more money to spend or save. Had it been spent directly on such defense objectives as intercontinental bombers, guided missiles and scientific teaching and research, there would probably be fewer pessimistic comparisons between American and Soviet accomplishments in these fields.

"It would be unfair and unrealistic to write off this whole expenditure as a total loss, although some items, like the subsidization of the French colonial war in Indo-China, seem to fall in this category. Had it not been for U.S. aid, the recovery of Western Europe would not have been so rapid. Japan, Korea and Formosa would be in much worse shape than they are, and one or more of these Pacific bastions might have fallen.

"However, at a time when there is a good deal of agitation for continuing and expanding some of the most debatable aspects of America's giveaway program, it seems worth remembering that in two respects this program has not lived up to the claims and expectations of its advocates. It has not made America or Americans particularly liked. And, what is more important, it has not transformed the beneficiaries into reliable allies or, in some cases, even into friends.

"Dollars Versus Emotions

"It should be clear by this time that dollars, even a great many dollars, will often not outweigh stronger political and emotional factors. Take the case of India, for instance.

"American aid to that country has been far in excess of Soviet aid. But a red carpet of organized cheering hosts was prepared for Khrushchev and Bulganin, while Secretary of State Dulles, on his visit to New Delhi, was given the chilliest reception compatible with formal correctness. Prime Minister Nehru of India is frequently and sharply critical of American policy, seldom if ever critical of Soviet and Red Chinese actions.

"There is no reason to believe that this situation, an outgrowth of Indian antagonism to what its leaders like to call Western imperialism and materialism plus Indian resentment toward America's anti-Communist policy, would change if the U.S. doubled or trebled its giveaway program to that country.

"Greece offers another illustration of the same point. The U.S. poured into Greece for economic reconstruction and military aid over \$2 billion, a considerable sum for a small country. But at the present time the Greeks show far more inclination to be resentful over Cyprus and over American failure to induce Great Britain to consent to the union of that island with Greece than to remember the American aid. There are many similar examples.

"It should be clear to us by this time, after the expensive education we have received, that favors between nations, like favors between individuals, do not always make for friendship, and sometimes make for the reverse. Such favors, if they are too one-sided, can easily arouse a defensive psychology of envy and a suspicious tendency to seek ulterior motives for the behavior of the bountiful giver.

"Target of the Mobs

"The United States Information Agency is sometimes made the scapegoat for these attitudes. And it is an ironical fact that when foreign mobs go on the rampage the first building they seem to attack instinctively, perhaps because it is apt to be large and prominent, is the office of the U.S.I.A.

"But even if all our information agency representatives spoke with the tongues of angels, it is doubtful whether they could succeed in overcoming the psychological reaction of envy and suspicion generated by the spectacle of a country so rich that it is able to give away so much, and perhaps sometimes in rather too lavish and ostentatious fashion. The number of American automobiles with diplomatic immunity in the heyday of the Marshall Plan was a subject of some acid comment.

"In any case, there is something repelling about government-to-government aid, with its inevitable overlay of bureaucratic procedure. Private undertaking is an entirely different matter, when it is accompanied by friendly interest and a complete absence of anything savoring of a superiority complex. The American Friends Service Committee has earned widespread international goodwill by sponsoring humanitarian and reconstruction projects in which young men and women work with their hands on local jobs.

"Incidental Understanding

"American educational enterprises like the American University in Beirut, Robert College in Istanbul and similar institutions in Japan, China (until the bamboo curtain fell) and other Asian countries won much incidental friendship and understanding for America among the native students whom they attracted.

"While there are cogent practical reasons for continuing to subsidize reliable allies, in the interest of our own security, no particular benefit is likely to accrue from increasing handouts to uncommitted and sometimes unfriendly neutrals or from channelling American aid through that Tower of Babel, the United Nations. As a means of winning friends and influencing people lavish Government aid has proved a dead-end street, which only the blind would continue to try to travel."

NEW TURN IN FOREIGN AID PLEAS

(Column by David Lawrence. Evening Star (Washington), April 16, 1956. This material is copyrighted and further reproduction without the consent of the owners of the copyright is prohibited.)

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"The most arrogant of all the demands is that America give money away and get nothing in return. It is argued that since the Communists are out to win the "neutralist" and "uncommitted" countries, America had better get busy and send over some more billions in this supposedly new form of competition with Soviet Russia.

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"Another line spread by those who report on Asian opinion is that the United States mustn't put any conditions on its grants of aid or expect any help in return. Evidently America must give her billions away with no questions asked. It is argued that to ask for something in return--even friendliness to our cause and an end to connivance with the Kremlin--injures the 'pride' of the Asians. Maybe the best thing to do is to stop hurting their 'pride' any longer by stopping the flow of gift money to them. American taxpayers would save a lot.

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"If the 'uncommitted' nations like to tie themselves into Communist intrigue, if they want to be 'neutral' as between freedom and slavery, all the billions in America will not dissuade them, and they are entitled to the privilege of self-deception, if not self-destruction. Meanwhile, America can continue aid to allies who know the score and will remain faithful to the defense of the West."

THE FRUSTRATIONS OF FOREIGN AID

(Article by Hans Morgenthau in New Republic,
March 26, 1956.)

"The immaturity of our foreign-aid policy is strikingly illustrated by the way in which the current debate concerning it is carried on. The principal point at issue is the amount of money to be spent, not the substance of the policy to be pursued. Both camps assume that one can, as it were, buy the objectives of foreign aid through the outlay of a certain amount of money; the more money one spends, the more objectives one is going to buy; and the only point of difference is how many objectives one needs and can afford to buy.

"This monetary conception of foreign aid has dominated our policy since the days of the Marshall Plan. Yet it has been mistaken from the beginning, and many of the frustrations and futilities of our foreign-aid policy can be attributed to this misplaced emphasis.

"For the objectives of economic or technical aid are not economic or technical per se but political and social, and these objectives have to be attained through the intermediary of a foreign government which may or may not be willing and able to attain them. This twofold complication of the problem of foreign aid was obscured by the stark urgency with which the economic decay of Western Europe in the aftermath of World War II posed the problem for American policy. The problem was further obscured by the spectacular success which American policy achieved, measured by the requirements of the immediate emergency.

"The Marshall Plan restored the productivity of Western Europe and advanced it to record heights. However, the Marshall Plan sought to restore not only the economic but also the social and political health of Western Europe. Communism has not been able to take over Western Europe, and the Marshall Plan deserves part of the credit for that victory. Yet Communism is far from defeated in Western Europe, and the Marshall Plan is partly to blame for that failure. For while the Marshall Plan has

regenerated the productive capacity of Western Europe, it has left its economic, social and political structure by and large intact. The dangers to the stability and strength of Western Europe which have grown in the past from the defects of that structure have continued to grow because those defects were not repaired. The Marshall Plan almost completely lost sight of those roots of instability and unrest, which antedated the emergency and were bound to operate after it was over.

"In Asia, the choices for our foreign-aid policy have as a rule not been as simple as the European ones. In Europe, an emergency had to be met, and in meeting it we had to decide whether we wanted to deal also with the economic, social and political problems transcending it. We decided not to meet them, primarily because we did not dare intervene actively in the domestic affairs of other nations. So, as a matter of principle, we gave aid 'without strings attached.' In Asia, the choices of objectives and of policies have been more varied and their probable consequences more difficult to assess. Rarely, as in Korea and Viet-Nam, were we faced with an emergency which left us little leeway in the choice of objectives and policies. Generally, in view of our over-all objective of withholding the uncommitted nations of Asia and those committed to us from Communist domination, we have had a multitude of choices on different levels of decision.

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". . .it is quite possible that foreign aid, in order to be effective, requires a political change either in the composition of the government or in the over-all political structure. There must be a policy then on how to interfere with the political processes of the foreign country and how to choose between government and private auspices.

"Losing Sight of Political Effects

"Our policy of foreign aid to Asia shows hardly a trace of such thought processes. The four principles by which it is guided are, by contrast with the subtlety actually required, simplicity itself. First, it defines success and failure of a measure of foreign aid not in terms of its political objective but in its own technical terms; an economic measure, for instance, is judged not by its political consequences, but by its economic results. Second, the political objective of defense against Communism tends to become equated with military preparedness per se; in consequence, military rather than political objectives tend to provide the standard and goal for American policy. Third, as recipients

of foreign aid we tend to select countries which are friendly to us, defining friendliness in military terms and, hence, attaching visible or invisible military strings to our aid. Fourth, we prefer to give aid to the government in power, thereby contributing toward keeping it in power regardless of whether or not an available political or private alternative would be preferable in view of our interests.

"Thus our policy of foreign aid has virtually lost sight of the over-all objective of our Asian policy. Instead, it has tended to become either an auxiliary of military policy, performing technical functions for it, or else a self-sufficient technical operation, to be judged solely in terms of the technical rules proper to it, that is, whether it will aid in the improvement of port facilities here, the increase of the agricultural yield there, and the modernization of accounting procedures elsewhere. In consequence, its operations have, at best, largely become irrelevant to the purposes of our political policy.

"For an act of foreign aid is a political act, regardless of whether we want it to be so or whether we are even aware of it. Insofar as our foreign aid is, or only appears to be, an auxiliary of our military policy, it partakes of necessity of the political liabilities of that policy, . . . As such, it raises the spectre of Western imperialism, of militarism and of the exploitation of the human and material resources of the recipient country for alien purposes, especially those of war. Far from creating goodwill for the United States, it becomes a potent weapon in the Communist arsenal.

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"The Waste of Misplaced Assistance

"However, the lack of an organic connection between foreign aid and a clearly defined, consistent political policy tends to defeat foreign aid even if it is narrowly defined as a self-sufficient technical operation. For the very possibility of successful foreign aid thus defined may well depend upon the existence of a political and social environment conducive to it. In the absence of such an environment and with the aiding nation being oblivious to it, foreign aid, perfectly rational in its own terms, becomes a waste of human and material resources. Thus we sent the complete modern equipment for a tuberculosis hospital to East Pakistan where it remains unused because the interest and skill to use it are not available. Thus we established in South Viet-Nam a school for radio repairmen without a sufficient number of radios available to be repaired. In some countries of Asia we have duplicated segments of the government bureaucracy with teams of experts which form a virtual shadow government; and so has the United Nations.

"As a general phenomenon the wastefulness of our foreign-aid operations is intimately connected with the political aimlessness of our policy. That policy is lacking in the practical discipline which is the reflection, in the field of action, of the discipline of the intellect. When I am sure in the knowledge of what I seek to achieve and how to go about achieving it, that certain knowledge will give all my actions a common direction and all my plans a common standard for evaluation, and the smallest detail of my planning and action will be informed by it.

"The absence of a political discipline which could give intellectual standards and political direction to our foreign-aid policy in Asia has harmed our interests in yet another way. We have mentioned before the problem of prestige in connection with foreign aid. This is the tendency toward what may be called 'conspicuous industrialization,' an industrialization spectacular for producing the symbols of industrial advancement rather than sound in the technical terms of economics. A policy of foreign aid which is technically rather than politically oriented must make it almost a point of professional honor to disparage considerations of prestige and press for compliance with the principles of sound economics. While we have sometimes yielded, haphazardly and ineffectually, to the former considerations, we have generally been too 'honest,' too much devoted to the standards of the economic engineer to sacrifice the principles of sound economics to political expediency.

"By doing so, we have sacrificed political advantage. By insisting on sound economic grounds, on going slow with industrialization, we have earned the resentment of countries which want to go fast and who suspect our insistence to be inspired by competitive, if not monopolistic motives. By emphasizing aid rather than trade, an emphasis dubious from a strictly economic point of view, we wound the self-respect of the recipient nation, and by appearing to neglect its obvious short-range economic needs through our concern with long-range and less obvious benefits, we lay ourselves open to similar suspicions of selfish policies carried on under altruistic guise. By carrying on our policy of economic aid against the overpowering background of our military concerns, all our economic aid becomes suspect of being a mere auxiliary of our military policy."

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FOREIGN AID FOR WHAT?

(Editorial in National Review, April 4, 1956.)

"For the tenth consecutive year, a President of the U.S. has requested Congress to vote a large sum of money for a program of peacetime

'foreign aid.' Eisenhower has asked for \$4,859,975,000 (a kind of Macy-principle price-cut, no doubt). The request was accompanied by a message that made much use of words like 'necessary,' 'fundamental,' 'urgent.'

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"One way to find out what will probably happen in the future is to look at what has actually happened in the past. And here Mr. Eisenhower's message makes a startling and perhaps unintended revelation. Along the line, he asserts that 'the past Mutual Security programs have achieved a real measure of success.' But in his very first paragraph he says: 'Today [foreign aid] remains as indispensable to the security of every American citizen and to the building of an enduring peace as on the day it began nine years ago.' If this is so, there is only one possible conclusion that can logically be drawn: the net result of the foreign-aid program to date is exactly zero.

"The President tells us that we need a foreign-aid program because 'there are still nations that are eager to strive with us for peace and freedom.' But nowhere, from the record or by specific illustration, does he show us how the 'foreign aid' he has in mind will actually serve the goal of peace with freedom; how it will lead nations to build up military power on which we can actually rely.

"These are no carping queries. Can we really rely on the military help of Italy, with its 40 per cent pro-Communist vote; or of France, whose government remains in office only by Communist sufferance? Does Tito, to whom we have given more than a billion (a fantastic total for so small a country as Yugoslavia) in practice strive with us for peace and freedom? His telegram of greetings to the 20th Congress of the Soviet Communist Party hardly suggests so.

"On March 18, the New York Times Magazine (a source which could scarcely be accused of a bias against foreign aid) published an extraordinary account by Peggy and Pierre Streit of our foreign aid in Afghanistan. The major project (the largest in Asia) was the development of the Helmand River Valley, to which, through the Export-Import Bank, we have contributed \$40,000,000. The results are close to catastrophic. The project overlooked the nature of the country, its educational level, its technical resources, its customs. Much of the irrigated land has been ruined instead of reclaimed. The Afghan Government has nearly bankrupted itself paying its agreed share. The nomads and tribesmen induced to settle on the 'new lands' have been impoverished and embittered. The authors describe the 'Afghan fears and disillusionment over the outcome.'

"Since 1952 the Stassen-initiated International Cooperation Administration has also been spending money in Afghanistan, and has added to the chaos. 'I.C.A.'s work in Afghanistan has been spread so thin that results are and will be negligible. . .What direct assistance I.C.A. has provided. . .is also vigorously criticized, and by its own employees, on the grounds of inefficiency, mismanagement of personnel and general program disorganization.'

"We live in a time of unusual peril, when the needs of the free world and of our own security demand measures of economic and military aid to other nations which (in terms both of national interest and national principle) we would normally be reluctant to consider. Even so, it does not follow that just any foreign aid, anywhere, ~~for anything~~, is justified by abstract appeal to 'urgency.'

"We believe that Congress should take nothing for granted. In place of homilies on the parlous state of the world, Congress should insist on an objective appraisal of past foreign aid, and on specific answers to specific questions concerning proposed future projects."

FOREIGN AID FOREVER?

(Column by Henry Hazlitt. Newsweek, January 16, 1956.)

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"1--Secretary Dulles's defense of this request [for almost \$5 billion in fiscal 1957] is that the actual rate of foreign-aid spending will increase from \$4.2 billion in the current fiscal year to 'only' \$4.4 billion in the fiscal year beginning next July 1. His defense of an 80 per cent increase in the appropriation is that it is necessary to keep foreign aid flowing, to keep the 'pipeline' filled up. Yet even without this addition to its foreign-aid reserves, the Administration will have a \$7 billion carry-over of foreign aid appropriations at the end of this fiscal year.

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"2--We have already spent \$50 billion of the taxpayers' money in foreign aid since the end of the second world war. Propagandists for this aid boldly give it entire credit for the postwar European recovery that has taken place. But it could just as plausibly be argued that this recovery would have been faster without it. Certainly it has subsidized and prolonged foreign exchange controls and socialism.

"3--As the old excuses for foreign aid run out, our bureaucrats invent new ones. The present somewhat hysterical clamor for it rests on the tacit assumption that allies can be bought if we only raise our price. We are told we must outbid Russian offers of foreign aid. Yet even Secretary Dulles admitted that we ought not 'to put ourselves in a position where the Soviets, by just making paper offers, can require us to make real offers to top them. That would mean that the Soviets would be spending nothing except a piece of paper but would require us to spend a great deal of money.' Yet this is precisely what we are doing, for example, in offering American taxpayers' money to help Egypt build a grandiose dam.

"4--The tacit assumption behind nearly all our so-called foreign 'economic aid' has been statist or socialistic. It assumes that a nation prospers by handouts, rather than by attracting private investments through encouragement of free enterprise.

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FOREIGN AID AND STATISM

(Editorial in National Review, June 6, 1956.)

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"This foreign-aid doctrine begins with a semantic assumption: namely, that 'foreign aid' means 'government aid'--aid given by a government (specifically, by our government) to some other government.

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"Historically speaking, there is nothing new about foreign aid. Tribes, cities, nations or empires that have been relatively advanced economically have for centuries sent aid, in one form or another, to regions that were less developed. So the citizens of Athens did to Sicily and the shores of Southern Italy, France and Spain; so the Phoenicians, to Carthage; so the Chinese, to Korea and Japan; so the English, French, Spaniards, Portuguese and Dutch, to America, Asia, Africa and Australasia; so the citizens of the United States to Canada, Latin America and the Middle East; and so, indeed, the Russians to Siberia, and now to China.

"They sent foreign aid for reasons that seemed to them good and sufficient, usually for material gain or power or excitement, sometimes as charity. The net result was to clear fields, build cities, construct factories, open up transport; in short, to raise the material and technological level in the less developed areas.

"'Imperialism' also is a form of foreign aid which, though in some cases shamefully abused, has much solid accomplishment on its balance sheet. The United States, Canada and Australia are, after all, offshoots of imperialism. So are the railroad, roads, water systems, telegraphs, mills and mines, technical knowledge, hospitals and universities of, say, India. There are few material improvements in Iran that are not 'aid' from the Anglo-Iranian Oil Company; or in Costa Rica and Guatemala, that did not come from the United Fruit Company.

"NATIONAL REVIEW is a strong supporter of foreign aid; and we agree with Liberals that foreign aid, from whatever source, should not be used to injure and grossly exploit an underdeveloped people. But we hold that the best and most productive foreign aid is that supplied by the resources, skills, and ambitions and charity of private individuals. The proper function of governments in relation to foreign aid, generally speaking, is to assure political conditions under which private foreign aid can be given and received with confidence and mutual benefit.

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"The present 'foreign aid' campaign, under this assumption and its accompanying doctrine, is in reality part of our century's sweep toward collectivism. The 'foreign aid' proposals are triply statist: aid is to be given by our government, not by private citizens; the activities of our government are thereby swelled, while a permanent body of bureaucrats, with a vested interest in permanent aid programs, is added to the apparatus of the state; and the aid goes, for the most part, not to private citizens of underdeveloped regions but to their governments, thus contributing to the general increase of statism in the world as a whole; and that we oppose."

NEGLECTING NEEDY AT HOME

(Statement of Geroge McLain, President, National Institute of Social Welfare. Mutual Security Act of 1956. Hearings before the Committee on Foreign Relations, United States Senate, Eighty-fourth Congress, Second Session, on the Mutual Security Program for Fiscal Year 1957. p. 740-741.)

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"The sacrifices that we Americans have been called upon to make for other countries since World War I under the guise of national security is almost too fantastic to believe. Had our foreign giveaways been used,

instead, for improvements in our own country such as modern highways, dams, sanitation, medical research, health institutions and hospitals, public housing, and schools, it would have assured the American people of a prosperous way of life that the people of all the world, instead of fighting each other, would have been too busy trying to copy.

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"There is a great nationwide resentment, gentlemen, over our Government being so lavish to foreign countries while neglecting the plight of our needy here at home."

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FOR A NEW FOREIGN-AID CONCEPT

(Article by Barbara Ward. New York Times Magazine, March 11, 1956.)

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"One way and another, it is a safe generalization to say that over the last decade and probably for another decade to come, the Western powers are contributing about 1 per cent of their rising national incomes to help forward the development of less fortunate lands. In some years--for instance, at the height of the Marshall plan--the American percentage has been even higher.

"This vast transfer of wealth which, if sustained, could exceed \$100 billion (from all Western sources) by 1966, has been undertaken, on the whole, under the spur of necessity. The Western Governments rightly believe that economic collapse is the inevitable prelude to Communist expansion. Sooner than see segment after segment of the free world slip under totalitarian control, they have put their hands in their pockets and paid up.

"It cannot be said that the program has been a failure. Given the scale of economic and political disintegration caused by the last war, the advance of communism might have been much more devastating. To give a concrete example, if India had failed to secure the American wheat loan during the 1951 famine, distress in the cities and resentment against internal grain hoarders would almost certainly have returned Communist governments to power in some of the southern Indian states. These areas would then have become the beachheads--the Yenans--for further Communist advance.

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"Yet there are plenty of voices raised to protest that the policy has not been a success, either. There is a widespread feeling that it is not giving value for money and the feeling has been intensified by Mr. Khrushchev's junketings around Asia.

"Take the example of India again. Since 1949, American gifts or grants to India have amounted to about half a billion dollars. The free gifts of steel alone--with the inclusion of the recent deal for India's railroads--have reached about 750,000 tons. Yet when the Russians announce that they will sell--not give, but sell--a million tons of steel to India, the Indian press breaks out in hosannas while all America gets is a spanking for Mr. Dulles' indiscretions over Goa. If foreign aid is a program for making friends and influencing people, it seems, in India, to be a flop.

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"The Russians seem to be able to get more support by selling than the West by giving. Surely there is something wrong with a program that produces such an equivocal result.

"These attacks on the effectiveness of foreign aid are all the more bitter because they are relatively new. Up to last year, it was difficult to attack Western foreign aid for producing fewer results than Soviet offers, since there were no Soviet offers--save to Communist China. The entry of Mr. Khrushchev into the field--with offers of dams and steel plants and machinery and technicians (all at a price)--has created an entirely new entry point for criticism and doubt.

"Nor is it simply that political results can be compared--with disparagement for Western achievement. The whole concept of competitive aid-giving becomes increasingly distasteful. Where will it end? Are the Western Powers now to dance to any tune a local Asian--or, indeed, African--Government chooses to play, simply because Moscow is waiting in the wings and shuffling its feet?

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"The whole effort could get out of hand and the West would find itself maneuvered into a competitive game of aid in which ever higher grants brought it ever smaller political returns. These are not irresponsible reservations. They only underline once again the need to give the whole concept of foreign aid a long, hard look.

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"The initiative that the Russians appear to have gained is much more in the international arena, in the sensitive, fluctuating relations between the free world, the Communists and the uncommitted nations. This initiative is political. Indeed, it is impossible either to gage or counter Russia's new economic policies unless one remembers that, under the Communist system, everything is subordinate to ideology, in other words, to political manipulation.

"But this fact does not weaken Russia's effectiveness. On the contrary, the political slant of Communist economic policies--whether of loans or technical assistance or barter or ordinary trade--is their great strength. Equally, the lack of any political or ideological framework is the greatest single source of weakness in the aid program undertaken by the West.

"The Soviet Union seeks to export two main ideological themes. The first is negative--the imperialist record of the West. Russia's control over its satellites in Europe seems remote from Asia. And its earlier colonizing march eastward across the steppes did not result in imperial control over civilized and self-conscious communities such as India or Burma or the Malayan principalities. The Soviet brand of colonization has therefore barely impinged upon Asian consciousness whereas the memories of British or French or Dutch colonial control are still recent and raw.

"One may ask, it is true, how Soviet propaganda has continued to include the United States--the least imperialist great power in recorded history--in the imperialist smear. But the answer is clear. It relies partly upon 'guilt by association' brought about by America's link with its Western colony-holding allies. It also uses the lunatic syllogisms of Marxism--'all capitalists are imperialists, America is capitalist, therefore it is imperialist.' . . .

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"But fully as important to Soviet propaganda are its positive pictures of Communist world policy and of the place of proffered economic aid within this wider ideological framework. The Soviet Union, so the propaganda trumpet proclaims day after day, stands for a world in which all domination by one nation over another will cease, in which all will cooperate in creating a peaceful brotherly international order and in which socialist production--already so brilliantly successful in Russia--will raise living standards to undreamed-of heights.

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"Aid, in short, is simply part of a much wider sales talk on communism as a method and a goal, a method of raising internal wealth and for sharing it in a cooperative world order. Soviet propaganda does not make its offers negatively--as a means of defending either itself or Asia against the West. The underlying theme is the collapse and decadence of capitalist imperialism. Not out of fear but out of success, generosity and confidence the new economic offers are made.

"All this may make Mr. Khrushchev sound unbearably brash in Western ears. But to the new nations of Asia, it may seem more like the voice of achievement and self-respect.

"In comparison with all this, our Western political approach makes a very poor showing. It is in fact overwhelmingly negative and defensive. In numberless debates in Congress, in speeches without end to Western electorates, in commentaries and articles, one theme emerges above all--that giving aid to backward areas is a painful necessity made inevitable only because they must be kept out of the Communist camp.

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"But, then, by a remarkable psychological somersault, the same legislators who have grimly consented in pure self-interest to provide perhaps half the necessary funds, denounce the recipient peoples as ungrateful scoundrels who show no due appreciation of the magnificent generosity shown them (in strict preservation of Western skins). Yet is it logical to expect gratitude for steps taken openly and crudely in self-defense?

"This sense that Western economic assistance is, in Western eyes, no more than a weapon in the cold war has, of course, been intensified by its close association with military aid. Not only do nations which sign on militarily receive more aid, but the balance of military and economic assistance in the general Western aid budget is heavily weighted on the military side. Yet if there is one hope more determined than any other among the peoples of Asia it is to keep out of atomic war. The Russians rarely mention war--except to rattle their own hydrogen bombs. If Soviet tanks are sent to Egypt, Colonel Nasser promises nothing. He is not pressed to take sides. No Russian envoy inveighs against Indian or Burmese neutralism. On the contrary, they are praised for being 'peace-loving.' Even where close Russian defense ties exist--as with China or North Korea--the economic aspects of aid are underlined, the military glossed over. Russian aid does not, therefore, appear to tie the recipient to either side in the world struggle. It appears to respect neutralism.

"Many Western statesmen, on the contrary, are forever nagging at Asia on this issue. As a result, they seem for their own selfish reasons to be drawing the East toward an atomic armageddon. There can be no doubt which attitude has the greater political appeal.

"In all this welter of Western insistence upon self-interest and self-defense, one looks in vain for any consistent exposition of a positive policy of foreign aid, some general political philosophy to match the Communist confidence in world brotherhood based on Socialist production, some framework of solidarity between givers and takers of aid, some aspect of human concern beyond the narrow limits of common fear. Once or twice, a more generous Western initiative has been taken.

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"If the West has a positive policy, Asia has not heard of it. But it hears about Communist brotherhood and Socialist solidarity every day of the week. Is it surprising that the political impact of Soviet economic offers is heightened thereby, while the West goes on giving more but with less effect?

"The urgent question now is whether the Western powers can do anything to lessen or end the ambiguities and disappointments so far attendant upon the giving of foreign aid. There are, in fact, only 3 alternatives--to stop giving it altogether, to put up with the political disadvantages and to continue the present program on a 'cold war' basis, or to try to find the proper political framework for a consistent program.

"The first may be ruled out, for, whatever the political disappointments of the last decade, the fact remains that Western aid can still make a crucial difference economically between stability or collapse in Asia, for collapse helps one side only--the Communists.

"The second alternative is possible but very unattractive. It could lead in the end to total frustration for, if Western giving continues without corresponding political advantage, domestic pressures against the program will grow, the aid will be given ever more grudgingly, the effects will become even less advantageous--and so on in a downward spiral of resentment and ill will.

"There remains the third alternative--to find a positive political philosophy of Western assistance so that the program of foreign aid may be based not solely on expediency, self-interest, Communist competitiveness or the cold war, but upon conviction and principle. Such a program should not be beyond the West's political imagination. On the contrary, it can be argued that it is a logical development of our existing social traditions in the West.

"Long before the Communists appropriated it, the solidarity of mankind was a firm base of Western, Christian tradition. Today, under the shadow of the hydrogen bomb and atomic fall-out, we have at least a physical solidarity of potential destruction. And if we are 'one world' in physical vulnerability, our only hope is to become one world in moral responsibility as well.

"Within the national community, we have discovered, in the last century, one key to a shared sense of moral solidarity in the principle of 'the general welfare'--in other words, in an agreed sharing of wealth between well-to-do and underprivileged. This technique only waits to be extended, as a matter of conviction and principle, to the world of nation-states which now make up one neighborhood in our shrinking, atomic world.

"The formula devised and proved workable after the war in the United Nations Relief and Rehabilitation Administration is probably the best mechanism to express the new solidarity. One percent of national income contributed to backward areas from the wealthy West--the percentage which they have, without planning or policy, in fact expended in the last decade --would meet world needs today and would expand further as national incomes continue to bound up around the Atlantic.

"But the mechanism is less important than the conviction, accepted by electorates and by their representatives, that in the 20th century, in a world made one by science and technology, communities claiming Christian inspiration and inheriting the humanism of Western tradition must extend their sense of solidarity beyond national frontiers. In the words of the poet, Auden, 'we must love each other or die.'

"And, as so often happens when principle takes the place of expediency and good-will of fear, we should find that such a change of emphasis would go far to counter what is practically unsatisfactory and discouraging in our present programs. A settled policy of aid, based upon a predetermined percentage of national resources, would make possible the long-term planning of aid which President Eisenhower has declared to be necessary for the program's full effect.

"The decision to extend aid as a matter of conviction and principle removes the effort from competitive bidding in the cold war and the scale of aid would be determined not by Russian offers and cajolements but by settled Western practice. The accent on the cold war could fade because it would no longer be essential to secure appropriations under the forced draught of fear. Above all, the link with war and atomic weapons and military preparedness could be broken because the program would exist independently of any threats of aggression and would continue equal and unshaken in times of crisis as in a calm world and a long peace. "

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SEEK-THINK-SHARE
YOUR OPPORTUNITY AND YOUR CHALLENGE

(Article by James Scott Kemper, Chairman, Kemper Insurance Companies, Chicago, Illinois, Delivered at the 117th graduation exercise of Miami University, Oxford, Ohio, June 11, 1956. Printed in Vital Speeches of the Day, August 15, 1956.)

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"On the evidence of the experience of the past ten years, this sort of massive foreign aid by government to governments weakens the nation that gives it, without reasonably adequate gain to the country that receives it. The only mutually beneficial form of foreign aid is private investment, trade, travel and eleemosynary activities: provided by the resources, skills, ambitions and charitable impulses of private individuals. The effect of government aid usually is to hamper the healthy development of private trade. It should be given only when private initiative cannot be brought into action.

"Its effect on foreign relations inevitably is to arouse natural hostility and antipathy, just as all impersonal charity and paternalism are received with resentment. Even as we hate Communism, the people of other countries do not accept our way of life when it is presented to them as a theory. The only acceptance we can expect is the acceptance of our example, our success in forming and maintaining a society which has held together and worked, and which creates in others the natural desire to acquire the same things for themselves. In many ways, our foreign aid program is part of the world-wide drift toward collectivism. Both to giver and taker it tends to undermine and weaken the instincts, resources and capacities of individual people and groups upon which freedom is built."

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ECONOMIC DEVELOPMENT ABROAD AND THE ROLE OF AMERICAN FOREIGN INVESTMENT

(A Statement on National Policy by The Research and Policy Committee of the Committee for Economic Development. Summary.)

"The United States has a big stake in the future of the independent underdeveloped countries of the world.

"In the short run our security is involved in preventing communism from subverting these countries. . . .

"Our major allies, Britain, Canada, the industrial nations of Western Europe and Japan, are heavily dependent for their economic growth and health on expanding trade with the underdeveloped world. . . .

"In the long run the profound internal transformation now going on in the underdeveloped countries could determine the political shape of the world. The underdeveloped countries may in time evolve free and democratic institutions which express the spirit of freedom and toleration at home and a willingness to cooperate abroad with other countries in the maintenance of world peace. Or, in an attempt to solve their growing problems, some of them may turn to totalitarian rule at home and aggression abroad. At the very least the climate in which western democracy will have to live and grow will be greatly affected by the kinds of societies that finally emerge in the underdeveloped world.

"Accelerated economic development can help to protect the American stake in the underdeveloped world in two ways:

"First, accelerated economic development itself appears to be a necessary precondition for the things we want to see happen in the underdeveloped world--the rejection of communism, the expansion of trade with the industrial nations of the West, and the growth of democracy.

"Second, participation in the economic development of underdeveloped countries is one of the best ways, and sometimes the only way, in which the United States and other western countries can bring their influence to bear on the whole range of developments in the underdeveloped world. It is now one of the main channels through which the West can keep in contact with the peoples of Asia, Africa and Latin America and transmit to them something of the spirit and values of freedom and democracy.

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"In particular there are three obstacles to economic development which should be of prime concern in American policy:

"1) The Shortage of Capital

"The overall rate of investment in a number of important underdeveloped countries is low in comparison with western countries and with communist China and Soviet Russia. In India and Pakistan, for example, the present rate is only just sufficient, and in Indonesia it is probably insufficient, to keep national income growing a little faster than population. While the rate of investment in Latin America is higher than in Southeast Asia, so is the growth of the population. In consequence, in much of Latin America per capita income is not growing rapidly enough.

"One way to meet this problem would be to increase the supply of foreign capital. The underdeveloped countries, excluding colonial territories, are now receiving long-term capital investment funds from the United States and other industrial countries at the rate of approximately \$1.1 billion (net) a year. Just how much more they could use effectively is difficult to estimate. Conservatively, it might be as much as \$500 to \$1,500 million a year more than they are now getting.

"2) The Shortage of Entrepreneurial and Managerial Talent

"The shortage of businessmen who know how to turn money into new plants and industries and to manage them is a major bottleneck to economic development in the underdeveloped world. The existing business class is typically a class of merchants and traders. In most underdeveloped countries the government has assumed a large role in the promotion, financing and managing of industrial enterprises. But governments, too, suffer from a lack of trained personnel.

"Supplying technical assistance to foreign governments is one of the most important ways in which the United States and other western powers can help accelerate economic development in the underdeveloped world. The United States can also, through its foreign investment policy, help promote the growth of a vigorous and socially responsible business class in the underdeveloped world.

"3) The Need for Balance in Economic Development

"Successful development of an underdeveloped country requires a balanced growth of agriculture and industry. The tendency today in many underdeveloped countries is to go overboard for industrialization programs--particularly heavy industry--at the expense of agriculture, with a resulting waste of economic resources, inflation and foreign exchange difficulties. This danger can be avoided by greater emphasis on agricultural development. . . .

"A balanced growth of imports and exports is likewise necessary for the successful development of an underdeveloped country. Economic development means rising imports. If development is not to be held back, the underdeveloped countries must expand their exports but, in the present world economic environment, this can be a very difficult task. The task is made easier when the underdeveloped country avoids self-defeating nationalistic economic policies such as Brazil's refusal to allow foreign companies to develop its petroleum resources. Some tendency to imbalance between exports and imports is inevitable, however, in times of rapid economic growth and allowance for this should be made in American foreign investment policy.

"The techniques which the United States uses to cope with these and other problems of economic development fall into three broad categories: (1) technical assistance to governments; (2) measures to stimulate foreign

investment by American firms and individuals; and (3) programs of public investment, using both intergovernmental loans and grants, and government loans to private firms.

"The existing technical assistance programs provide very valuable help to underdeveloped countries and arouse little opposition here at home. The Committee supports continued and expanded American participation in these programs and believes there should be continuing attention to their quality and their adaptation to the underdeveloped countries' needs.

"Less well understood is the role of American investment policy in the underdeveloped world.

"The progress of underdeveloped countries would be well served if private American investors were willing and able to supply most of the foreign capital the underdeveloped countries could usefully absorb and if the underdeveloped countries were willing and able to encourage large investments from this source. . . .

"However, the current volume of American private long-term investment in the underdeveloped world is only about \$500 million a year (net). The amount is small for several reasons. The need of the underdeveloped countries for foreign capital reflects in large part a need for basic economic facilities--e.g., railroads, telecommunications, electric power, roads and harbors. In many underdeveloped countries these fields of investment are not now attractive to private foreign investors. Private foreign investment in the underdeveloped world is also limited by legal and administrative restrictions and by a number of special risks--foreign exchange troubles, the threat of expropriation, and a nationalistic hostility to foreign business characteristic of many underdeveloped countries.

"Through its investment treaty program, the United States Government is trying to improve the investment climate in the underdeveloped world. The Committee believes the government should continue this program, despite the rather meager results so far achieved. The Committee has some doubts about the effectiveness of the United States Government's foreign investment guaranty program but believes it merits a further period of trial.

"The Committee favors reducing by 14 points the corporate income tax on income earned from investment abroad. Consideration should be given to a greater reduction. Also payment of taxes on the earnings of foreign branches of American corporations should be postponed until the earnings are transferred or repatriated.

"The Committee welcomes steps taken recently to aid private foreign investment by partnership between private investors and public lending institutions such as the World Bank and the Export-Import Bank. Particularly welcome is the decision to establish an International Finance Corporation, as an affiliate of the World Bank, to invest in private undertakings in association with private investors in underdeveloped countries where sufficient private capital is otherwise unavailable on reasonable terms.

"Even after all practical measures are taken to increase private foreign investment, the underdeveloped countries will still need more foreign capital to accelerate their economic progress. The question is, is it in our national interest to use public funds to help meet this unfilled need?

"The Committee believes that it is. Considering the importance of the underdeveloped countries to the security and well-being of the western community both in the short and in the long run, the Committee believes that an expanded program of public investment in underdeveloped countries is in our national interest.

"The program should be selective: it should be focused in the main on critical countries of the underdeveloped world.

"The program should be devoted mainly to the creation of basic economic facilities, such as transportation and the development of water resources, in situations where private investors are unable to meet the need.

"Loan financing is to be preferred in most instances to grants. The weak foreign exchange position of many underdeveloped countries, however, makes it difficult for them to get dollar loans for development purposes. It is often impossible for them to meet the standards and the terms laid down by the World Bank and the Export-Import Bank.

"Accordingly, where the borrowing country's ability to repay dollar loans is already fully committed, loans repayable in the currency of the borrowing country should be used. To avoid undesirable competition with the World Bank and the Export-Import Bank, loans of this kind should be made only where clearly necessary from the standpoint of American foreign policy and after a determination that the established public lending agencies cannot meet the need.

"To the limited extent possible, agricultural surpluses should be used as a substitute for either public loans or grants to provide underdeveloped countries with foreign capital.

"An expanded program of public investment in underdeveloped countries should be administered by a United States agency or agencies, except in situations where an international approach would clearly be more advantageous. In situations of that kind we favor the participation of the World Bank. To participate effectively in an expanded program, the World Bank would need additional capital contributions from its member governments and authority which it now lacks to make grants and development loans repayable in local currencies.

GOVERNMENT ENCOURAGEMENT OF CAPITAL FLOW ABROAD

(Statement by Herbert Hoover, Jr., Under Secretary of State. American Business Abroad and the National Interest. The Department of State. Address made before the 26th National Business Conference of the Harvard Business School Association at Boston, Mass., on June 16 [press release 329] p. 8-9. [Reprinted from the Department of State Bulletin of June 25, 1956.] Released July 1956.)

* * *

"The Government has taken a variety of steps to encourage a larger flow of capital abroad.

"The commercial and tax treaty programs have long been an integral part of the effort of our Government to develop on a reciprocal basis standards of fair treatment. Since World War II, 15 commercial treaties, with modernized provisions relating to investments, have been negotiated. Similar treaty proposals are under negotiation or consideration with more than half a dozen other governments. At home and abroad, our Department of Commerce and our foreign missions perform a variety of services, largely of an information and trade-promotion nature, for American business interested in foreign trade and investment.

"American investors can insure themselves against the inability to transfer their profits and capital, and against expropriation, in countries with which we have negotiated agreements to that effect. The problem of more favorable tax treatment for income earned from foreign investment has also been the subject of much attention. In fact, measures in this field are now before the Congress.

"In cooperation with other free-world countries we are continuing our efforts to encourage the expansion of private investment. If we succeed, the American system can play its full role in making the world a better place to live in--both here and abroad.

* * *

LOANS

(Statement of the Honorable John B. Hollister, Director, International Cooperation Administration. Mutual Security Act of 1956. Hearings before the Committee on Foreign Affairs, House of Representatives, Eighty-fourth Congress, Second Session on H.R. 10082. p. 48-49.)

* * *

"In the administration of the mutual security program it has been this Government's policy to encourage the financing of nonmilitary projects and activities by private investment or through public lending institutions such as the Export-Import Bank and the International Bank for Reconstruction and Development. This policy has been considered and applied in formulating the program for fiscal year 1957. Unfortunately, loan financing of this character has not been available in adequate amounts to meet the requirements for capital even in many countries whose economies are sufficiently stable to indicate capacity for repayment.

"Under the mutual security program, we have provided our assistance in the form of loans rather than grants, so far as this was consistent with the attainment of mutual security objectives. We have tried to make sure that loans did not supplant those which might be available from the public lending institutions or replace potential private capital investment, if that possibility exists. Consequently, we have restricted the use of mutual security loans to situations in which the transaction would not take place at all unless on terms substantially more liberal than those available from the public lending institutions. The efforts this year to increase the volume of loans actually made under the mutual security program have been disappointing. It has been found that the attempted substitution of a loan for a grant is frequently, either for political or economic reasons, inconsistent with the attainment of mutual security objectives, unless the terms of such loans are so liberal as in effect to constitute partial grants."

* * *

A PLAN FOR WORLD DEVELOPMENT

(Statement of Benjamin A. Javits, President, World Development Corp., New York City. Mutual Security Act of 1956. Hearings before the Committee on Foreign Relations, United States Senate, Eighty-fourth Congress, Second Session on the Mutual Security Program for Fiscal Year 1957. p. 338-339.)

"Private enterprise, which I call consumer's capitalism, in America has been a smashing success. We have proselytized it and have asked

other people to accept it on faith. Yet, when providing foreign aid or development funds, we have invariably done so in precisely the same way the Russians have done it--by government. This is a contradiction, inconsistent with what we say we believe in--private enterprise.

"There is a place for governmental efforts and for governmental financing, but not in the forefront of a private enterprise capitalist effort, which in our case should be a world development crusade.

"Need for Proposal to Electrify Peoples of World

"Now, what is needed now is a proposal which will electrify the peoples of the world, by allowing public participation and commanding public interest and understanding, in much the same way that war-bond drives once did.

* * *

"It is time that the peoples of the world were mobilized for investing together and in each other to finance vitally needed world economic development. Such a peoples' attack on world economic problems could build and sustain prosperity indefinitely, insure full employment for decades to come, open up markets for world surpluses, raise living standards everywhere, and significantly further the prospects of permanent peace.

* * *

". . .I believe such a program can be organized successfully on a straight business set of principles consistent with our economic philosophy, to return reasonable profits to investors and at the same time to bypass many political problems involved in purely governmental aid.

* * *

". . .I have proposed that the United States underwrite an International Development Corporation which can eventually have sufficient capital to make a real dent in world development, about \$125 billion or more. It could begin as a Government-sponsored agency initially started with a hundred million dollars, which would be raised by the issuance of a class A voting stock to the United States Treasury.

"While it would need an underwriting of \$25 billion over a number of years, a public issue of 5 billion shares of class B nonvoting stock would be sold in the United States and abroad, equivalent to \$5 per share. When 2 billion shares of the class B stock had been sold, the corporation would then retire the Treasury class A stock and indebtedness, and repay our Government outlay right down to the last cent, thus becoming a private company with voting rights publicly held in the class B stock.

"Millions of Americans and foreign investors would buy into this corporation as shareholders, and our Government could then get out of the business of giving things away and being a rich and resented 'patsy.'"

* * *

WORLD FUND FOR PEACE, PROSPERITY, AND PROGRESS

(Statement of Walter P. Reuther, President, United Automobile Workers of America. Mutual Security Act of 1956. Hearings before the Committee on Foreign Relations, United States Senate, Eighty-fourth Congress, Second Session on the Mutual Security Program for Fiscal Year 1957. p. 721-722.)

"The people of the United States, through their Government, commit themselves to contribute to a world fund for peace, prosperity, and progress, a sum equal to 2 per cent of the gross national product of the United States for a period of 25 years for the purpose of helping peoples of the economically less developed nations to help themselves in developing their own economic resources and raising their standard of living, their standard of health, and their standard of education.

"Two percent of our present gross national product for a 25-year period would be less than what 7 months of World War II will have cost the American people in terms of dollars, not counting the priceless and inestimable loss in human lives and human values. . . .

* * *

"2. U.S.S.R. Should Be Urged to Participate

"To give substance and to build upon the Geneva spirit, the United States would request the U.S.S.R. to make a similar commitment to the world fund for peace, prosperity, and progress equal to 2 percent of

the gross national product of the Soviet Union for a period of 25 years. . . . All other nations able to contribute to the world fund for peace, prosperity, and progress should be urged to do so within the limit of their resources.

"With both the United States and the U.S.S.R. participating in such a proposal, we could usher in an era of peaceful competitive coexistence with each of our two social systems having an opportunity in terms of peacetime values to demonstrate its worth. . . .

"3. Program Administered Through U.N. and Multilateral Agencies

"The United States should propose that the World Fund for Peace, Prosperity, and Progress would be administered through the United Nations either through existing special agencies or through the creation of a new special agency so that the broadest possible multilateral approach can be made to the problem of economic and social construction.

"4. Sharing Our Food Abundance

". . . Much of the world suffers from a serious food shortage and so long as people are hungry and exist on inadequate diets, America cannot consider that there is a food surplus. The best, most sensible and moral place to store food surpluses is the empty bellies of half-starved people.

"This generous share of our food abundance over a long period, until the economically less developed areas of the world can adequately increase their own food supplies, would release the spiritual force of human solidarity, which would be of greater power than all the H-bombs in our stockpile. . . .

"5. Creation of a Federal Scholarship Program to Train Technical Task Force

"The United States should create a federally financed scholarship program to expand and to expedite the training of competent and desperately needed scientists, doctors, engineers, teachers, and technicians to serve as a technical task force wherever needed and desired to help carry out the program of the World Fund for Peace, Prosperity and Progress.

"Students should be awarded scholarships on the basis of competitive examinations. Upon the completion of their schooling within their respective fields of choice and in keeping with the high academic standards required, these young Americans will have contracted to serve in any country where their training and competence is needed and desired to implement the program of the World Fund for Peace, Prosperity, and Progress. Such service as a technical missionary would be for a period of 1 year greater than and in lieu of their normal military service.

* * *

"6. Economic Aid Available Equally to Unaligned As Well As Aligned Nations

"United States economic aid should be made available to every free and independent nation without any political strings whatsoever. Aid should be made available both in loans and outright grants on the basis of need, giving equal consideration to nations who choose to join alliances and those who choose to remain unaligned.

* * *

"7. United States Aid Available at Once

"While the United Nations is considering the creation of the World Fund for Peace, Prosperity, and Progress, the United States shall begin at once to make its contribution of 2 percent of its gross national product and shall cooperate in expending these funds through existing multi-lateral agencies such as SUNFED, the Colombo plan, and such other multi-lateral agencies wherever possible and practical.

* * *

PROPOSAL FOR A NEW FOREIGN ECONOMIC POLICY

(By Professors Max Millikan and W. W. Rostow, Center for International Studies, Massachusetts Institute of Technology. Quoted in Sunday Star (Washington), May 20, 1956.)

"As we see it there are two priority tasks for United States foreign policy. The first of these is to meet effectively the threat to our security posed by the danger of overt military aggression. This danger

arises, at the moment, from the capabilities and possible future intentions of the Communist bloc countries.

"It is to be met primarily by maintaining or increasing United States military strength and second by solidifying alliances with other countries in a position to contribute significantly to American strength. One of the instruments to be used in this effort is military and economic assistance to countries with important industrial potential, mainly the NATO powers, designed to make that potential militarily more effective. This is part of our current policy and (need) not be discussed further.

"The second priority task of our foreign policy is to use our influence to promote the evolution of a world in which threats to our security and more broadly to our way of life are less likely to arise. Success in this task would mean the freeing of a large volume of resources from military to more constructive uses. More important, it would mean freeing our society from the oppressive pressures inevitably associated with a garrison state, pressures which threaten our most cherished values.

"The Components

"We may summarize the component parts of our proposals thus:

"The United States should launch at the earliest possible moment a long-term program for sustained economic growth in the free world. This program would make available to the underdeveloped areas sufficient additional capital and technical assistance to satisfy all likely demands for such assistance which meet fairly high standards of eligibility based on the prospective productivity of investment. The levels of investment assumed would be sufficient to make possible an over-all 1 per cent annual increase in real income per capita for all the underdeveloped countries of the free world. In practice, some would grow faster, some slower than this rate.

"As part of this program the United States Government should offer to provide a new long-term capital fund of from \$10 to \$12 billion to be available for loans and grants over a five-year period to accelerate economic growth in underdeveloped areas. Although an initial five-year allocation is recommended, the plan would look ahead for a longer period, at least a decade.

"This sum would be accompanied by commitments from the advanced countries to make additional loans and grants of from \$2 to \$3 billion over the same-time period as part of a unified free world program.

"Concerted measures should be taken to enlarge the international flows of private capital. Such measures might yield an addition over present levels of \$3 to \$4 billion during the first five-year period.

"These sums must be made available to free world countries without any military or political strings, but under strict business-like criteria.

"Recipient countries must show evidence of widespread popular support of the broad goals of the programs.

"It is most unlikely, if such criteria are enforced, that the whole of the sums offered would be taken up. It is essential to the plan, however, that availability of the full amount be guaranteed in order to remove capital as a bottleneck to economic growth and to provide maximum stimulus for the governments and peoples of the underdeveloped countries to expand their capacities to use capital effectively.

"A systematic plan should be worked out for establishing international stocks of agricultural surpluses to be made available for development purposes. Such a plan must contain certain provisions designed to insure that distribution of such stocks would not interfere with the normal markets of exporting countries.

"Loans and grants should be administered by existing national and international agencies, including the Export-Import Bank, the International Bank, the Colombo Plan organization, etc. New machinery is required, however, to set the ground rules and lay down the criteria for the investment program.

"The program would include features:

"1. To restore and maintain an efficient international division of labor, insuring for industrial countries sources of agricultural products and raw materials and markets for their products.

"2. To stabilize in the interest of the supplying countries raw material and foodstuff markets and prices.

"3. To liberalize United States trade policies by progressive stages.

"4. To achieve free world currency convertibility.

"5. To achieve a common free world policy on East-West trade.

"Sharp Edge of Policy

"This program will not achieve its basically political and psychological purposes unless its fundamental features are preserved. The sharp edges of policy which must be preserved appear to be these:

"The additional sums envisaged must be large enough to remove capital as a bottleneck to growth, under the tough criteria of productivity envisaged.

"There must be no tie between economic aid and military pacts, and no explicit political conditions within the free world beyond the requirement that development goals be democratically established. An aid program with strings yields satellites, not partners.

"The plan must look to a long future and envisage a sustained United States effort.

"There must be a real measure of international contribution and international administration.

"Without these elements, the proposal would probably be rejected by some nations we would wish to see join in the effort, e.g., India. With these elements maintained, we believe this plan will go far toward restoring and maintaining the unity of the free world."

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"	"	Joint Committee on Foreign Economic Cooperation.
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