

**United States Foreign Assistance  
Oral History Program**

**Foreign Affairs Oral History Collection**

**An Interview with**

**Charles Montrie**

**1996**

**Association for Diplomatic Studies and Training  
Arlington, Virginia**

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## **ASSOCIATION FOR DIPLOMATIC STUDIES AND TRAINING ORAL HISTORY COLLECTION**

The Association for Diplomatic Studies and Training, a non-profit, tax-exempt organization, was established in 1986 to enhance the training of foreign affairs personnel and to instill in the public a greater appreciation for our diplomatic history.

The Association's Foreign Affairs Oral History Program was established in 1988 and is housed in the Lauinger Library of Georgetown University and at the Foreign Service Institute in Arlington, VA. The collection is comprised of oral histories taken from a number of projects, with the unifying factor that all concern the conduct of American foreign affairs and experiences of those employed in the field of diplomacy and consular affairs and their families.

The oral history collection includes interviews done under the auspices of the Foreign Service History Center of George Washington University, which was amalgamated into the Foreign Affairs Oral History Program, the Foreign Service Family Project, the Women Ambassadors' Project, the United States Information Agency Alumni Association Project, the Foreign Assistance (AID) Oral History Project, the Senior Officers' Project, the Labor Diplomacy Oral History Project and others.

The aim of the US Foreign Assistance Oral History Program, in particular, is to develop a collection of oral histories of those who have served USAID and predecessor agencies and those who have served in foreign assistance programs of associated organizations such as private firms, private voluntary organizations, and other US government agencies. The Center for Development Information and Evaluation (CDIE) of the USAID has made a grant to help finance the preparation of 120 oral histories.

For the most part these interviews are carried out by retired USAID personnel on a volunteer basis, directed by the Oral History Program. The interviews are unclassified, and unless so marked are available for use by researchers. Most of these interviews have been transcribed and then returned to the person interviewed for editing. The transcript is an edited version, and is not a word for word rendition of the cassette tape. The editing usually consists of correcting of names and dates that have been missed during an interview. The individual interviewed may also choose to expand upon topics that may not have been developed in the time allotted for the interview.

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## KEY WORDS

### CHARLES MONTRIE

Afghanistan  
agriculture programs  
Alliance for progress  
Argentina  
balance of payments assistance and program loans  
Belgium  
Brazil  
capital input/output ratios  
Central American Economic Integration Secretariat  
Colombia  
communism  
Cuba  
Dominican Republic  
East Pakistan and Bangladesh  
economic policy reform  
Economic Cooperation Administration (ECA)  
Eisenhower administration  
evaluation  
Foreign Operations Administration (FOA)  
Harold Stassen MSA administrator  
Harvard advisory group  
Israel  
Latin America  
Long Range Assistance strategy  
Mutual Security Agency (MSA)  
Nepal  
Nicaragua  
Nigeria  
Pakistan  
Panama  
PL480  
Program and Policy Coordination Bureau (PPC)  
regional economic integration  
Regional Office for Central America and Panama (ROCAP)  
Russia  
Secretary Dulles  
sector programs  
Sri Lanka (Ceylon)  
State Department  
technical assistance  
Technical Cooperation Administration (TCA)

US Agency for International Development (USAID)  
World Bank

**United States Foreign Assistance Oral History Program  
Foreign Affairs Oral History Program  
Association for Diplomatic Studies and Training**

An interview with  
Charles Montrie

Date: November 25, 1996  
Interviewer: W. Haven North

*Q: Charles Montrie, you served with AID for how many years?*

MONTRIE: More than thirty.

*Q: When did you start?*

MONTRIE: I started in 1951 in ECA just at the tail end of the Marshall plan.

*Q: You retired when?*

MONTRIE: In 1980, but then I worked about four years as a contract employee in Panama and Guatemala. So that makes about 33 years total in AID programs.

**Early Years and Education**

*Q: Well let's talk a little bit first about where you are from.*

MONTRIE: I grew up in a small city in Southern Michigan, Monroe, the county seat of the county between Detroit and Toledo Ohio on the shores of Lake Erie. My first interest in economics goes back very young to when the Depression started. I was about nine years old when the banks closed. I remember going down to the corner where you could see the bank where a big crowd of people were milling around the door, perhaps demanding their money. That was my first encounter with economic problems I guess. Then as the depression deepened, it always struck me as very puzzling that so many people should be out of work and the factories running at a very low level of capacity. It seemed crazy that it should be that way. That view persisted and stimulated my interest in economics when I reached college.

*Q: Where did you go to college?*

MONTRIE: I went to Notre Dame. I majored in accounting but took a lot of economics courses. I belonged to an economics discussion club and at the moderators's suggestion wrote a paper on the collapse of world trade at the beginning of the Depression. That impressed me as a most important event in the world that had led not only to the Depression in this country but to the rise of Nazism in Europe. Learning later how the Versailles Treaty had made it impossible for Germany

to thrive all through the twenties and thirties also furthered my interest in international economics. After the war, having the GI Bill, I started graduate work in economics.

*Q: Did you have military service in the war?*

MONTRIE: Yes, I joined the Naval ROTC when I started college in 1941, was commissioned in 1944 and went out to the Pacific. I roamed around on a destroyer which took part in something like 7 amphibious landings.

*Q: Where? What area?*

MONTRIE: In the western Pacific, the Palau Islands, two or three in the Philippines, Iwo Jima and Okinawa.

*Q: Your role was what?*

MONTRIE: I was a destroyer deck officer.

*Q: What does that mean?*

MONTRIE: A range of duties that were basically non-combatant. My deck division took care of the forward half of the ship so I was in charge of the crews that did mooring and anchoring and whatnot, and included crew quarters and the mess hall. "Operational" duties included standing watches. Battle duties were mainly of a stand-by nature—damage control, secondary control in case of bridge knockout.

*Q: You were in the Navy how long?*

MONTRIE: I was commissioned in early 1944 and got out in the middle of 1947. I went back to Notre Dame for one more year and then went to Yale. I spent four years there studying economics.

*Q: What did you concentrate on at Yale?*

MONTRIE: In which areas of economics? Well besides the major load of basic theory, history, and the history of economic thought, I followed my interest in national income, employment and growth problems as well as international economics, labor, and comparative economic systems..

*Q: Were there any development economics courses in those days?*

## **Summer internship with ECA and position as Belgian desk officer - 1951**

MONTRIE: There wasn't any such thing, no. But when it came time to look for a dissertation topic, My thesis advisor, Richard Ruggles, was consulting in the European program division of ECA at the time. He suggested that I go down to Washington for the summer-- they had a summer internship program there--and look for a topic. I applied and they accepted me, probably because he recommended me. I started working there, and at the end of the summer they kept me on.

*Q: This was what year ?*

MONTRIE: 1951. And I just stayed with it ever since. 1951 was just about the tail end of the Marshall Plan. I worked in my first assignment as assistant Belgian desk officer.

*Q: What was your thesis then?*

MONTRIE: I wrote it on Belgium. Belgium was a source of great controversy at the time. In trying to get international trade going, the Europeans established what was called the European Payments Union which they used to clear their trade balances. Belgium was causing a problem because it was running surpluses, like a mini case of the troubles with Japan now, and the US. and others wanted Belgium to loosen up its monetary and fiscal policy to increase demand so they would import more. The Belgians always said they couldn't do that without causing inflation and endangering the value of their currency. So that gave me a topic that I then explored.

*Q: What was your position when you started?*

MONTRIE: Assistant Belgian desk officer.

*Q: What were your responsibilities there?*

MONTRIE: Well it's hard to remember many specifics; the preoccupations seem so inconsequential now, but it was basically the same thing that the Washington side has always been concerned with, namely the Congressional presentations and the budget process. Probably even more than later, there were endless go-rounds of re-doing presentations. I can't imagine how many projections of balance of payments we made. Do you remember the "C" tables we used to do? Well that is where it all started.

*Q: "C" tables were what?*

MONTRIE: They included national accounts, government finance, and balance of payments, current and projected for each recipient country, to show the need for economic aid.

*Q: Were we providing substantial aid to Belgium at that time?*

MONTRIE: No! It had pretty much ended. The big issue on Belgium was the European Payments Union problem.

When the Eisenhower administration came in, the Marshall Plan and aid to Europe was basically finished. The organization's name was changed to the Mutual Security Agency. Harold Stassen took over the agency. There was great turmoil there for about a year, a lot of reorganization. He fired a lot of good people; others left. It was a disaster area for quite a while.

*Q: What happened to you in this process?*

MONTRIE: Nothing much. I just stayed on in that West Europe branch of the European program division. The European Program Division wasn't really like the later program offices. It included the budgetary functions but it was also the equivalent of the later regional bureaus without the project and technical services.

*Q: This was in MSA?*

MONTRIE: Yes.

*Q: Your functions were pretty much the same?*

MONTRIE: Yes. Desk officer. It was basically the budget function with liaison with the field mission. I later worked also on the Netherlands and Italy .

*Q: You weren't hit by the Stassen process?*

MONTRIE: I was saved. My scores on the famous weeding-out test were high enough to qualify but not so high as those who were fired because he thought they were too high.

*Q: You took the examinations? What was the examination about? Do you remember?*

MONTRIE: It was rather like the foreign service examination if you ever saw that. It was a combination of IQ test and something like a scholastic achievement test. It was really very silly. It was a crazy period.

*Q: Do you have any recollection of what he was trying to do in the re-shaping of MSA or in creating MSA?*

MONTRIE: The Marshall plan had largely accomplished its purposes and there really was little more the US could do in Europe. Priority attention was just beginning to turn toward the developing countries at that point. The first turning point of it was Dulles worrying about "the soft underbelly of Asia". The emphasis was mainly on economic non- project assistance which was called defense support. The rationale was that the US was shoring up the countries so they could defend themselves against communism.

*Q: That support was the economic side of military assistance?*

MONTRIE: Right. It all had a military economic justification. That's why large amounts went to Pakistan for instance, and Turkey.

*Q: Did you move from Belgium?*

#### **Transfer to Israel as assistant to the chief economist - 1954**

MONTRIE: In February '54 I took an assignment in Israel, which introduced me to economic development problems. Israel wasn't really a typical developing country of the sort you knew in Africa or like those in Latin America, but it had a lot of problems on how to make an economy out of one that wasn't there.

*Q: What was your role?*

MONTRIE: I was an assistant to the chief economist, Ross Whitman. He was a very good economist. He was a foreign service officer that got into the government during the war and then transferred to the foreign service. Being a very small country we had very close relations with the government people there so it was interesting to see how a small foreign government worked. We had a significant amount of money to work with.

*Q: What kind of levels did you have?*

MONTRIE: It was like \$40-50 million, which was a fair amount for a population of 2 million in those days. It wouldn't seem like anything now, of course.

*Q: What were you doing with the money?*

MONTRIE: We were then trying to get them to do what they needed to do which was stabilize and get themselves going. They were very strongly regulated. Every dollar of foreign exchange, every import was tightly controlled. Basically it was a logjam. Their currency was overvalued. It was very hard to find much to export because they were overvalued, and it was impossible to devalue because the labor unions were so strong that there was no way they could reduce real wages. If you devalue and increase wages to make up for it, you haven't gained anything.

*Q: Our resources were simply preserving that situation?*

MONTRIE: In a way, but it was obvious we were going to give them the money anyway. Then later on Kissinger came along and offered them a billion dollars a year for the Camp David Accords and the agreement with Egypt and we have been giving such amounts to them ever since then, I believe, with no economic conditions at all. I guess that is a good illustration of how the politics overrides economic considerations. Not that it matters much now, since they've learned how to run themselves well enough and to prosper.

*Q: Were we providing any technical assistance at that time?*

MONTRIE: Yes, there was an early large technical assistance program. It was about 2 million dollars a year and we had about a hundred technicians there at that time.

*Q: Mainly doing what?*

MONTRIE: Almost everything you can think of. Agriculture, education, public health the whole range of it. They had some of the first college contracts too which were instructive as to the advantages and disadvantages of that approach.

*Q: Do you remember any of them in particular?*

MONTRIE: SUNY, the State University of New York was a major one that had the agriculture, and maybe some of the other areas too. There were also PASAs (participating agency service agreements) with other US government agencies, e.g. people from the public health service. That was instructive too to watch how the device worked.

*Q: Do you think it made an impact?*

MONTRIE: Yes, here and there. It was best where we had extremely expert technicians who were very good at solving the problems there. Successes were more on an individual case-by-case problem-solving basis rather than in organizing whole sectors or institutions—at least in the time I was there. It was all very instructive about the problems of providing technical assistance but unfortunately there was no effective way for the agency to use and disseminate the lessons of experience at that time. I remember a few years later when I started working in Latin America, and a newly-hired program assistant remarked that he finally realized that college contracts were not the solution to all technical assistance problems. I was very amused because all that had really been understood years before. But sad to see how history got lost.

*Q: What were some of the issues you were finding with college contracts?*

MONTRIE: Well the economists mainly worked on other matters and had relatively little to do with the technical assistance programming so I couldn't evaluate that.. I worked mainly on the balance of payments and Bob Gordon, the other assistant, worked on the domestic financing side under the chief economist there. So we were always busy digging up information and making projections to show how much aid they needed.

*Q: Were you involved in negotiations with the Israeli government?*

MONTRIE: There wasn't really a whole lot of negotiating, and a lot of that was done in Washington anyway. They always had such strong representation here that we mainly waited to find out what was agreed upon here.

*Q: It was a fairly large mission I guess?*

MONTRIE: Yes with all those technical service people.

*Q: Who was the mission director then?*

MONTRIE: The one who was there first was named Bruce McDaniel and I can't remember what his background was. He was succeeded by Lincoln Hale, who had been the president of a small college in Indiana. Neither of them, I think, could come to grips with the problems they were dealing with there. My boss and the program officer, however knew what they were doing. These political appointee directors I think were just not suitable for the job. Why anyone ever thought they were I don't know. Perhaps no one did.

*Q: You were there how long?*

MONTRIE: Two years or a little more.

*Q: Was there anything significant about the time you were there?*

MONTRIE: No. As far as my work was concerned we labored the first year mainly trying to gather data and make sense of it all. Having arrived at enough perspective, we put together a diagnosis of the economy and its situation which pointed to what kind of track they could follow to get out of the hole they were in. We worked for months on that, interviewed the technicians and explored agricultural and industrial export possibilities, trying not so much to make a development plan as to lay out a path or direction for the Israel economy to go. We bundled this all up and were about to give it to the Ministry of Finance when the embassy held it up while they checked it with Washington. And incredibly Washington said we couldn't give it to them because they might follow it and become too economically independent and thus be less amenable to US policy influence.

*Q: Economically independent?*

MONTRIE: Yes, apparently someone wanted to keep them dependent.

*Q: So that was the clear unequivocal message you got?*

MONTRIE: It wasn't written anywhere but we were told that was the reason. They said you can talk to them but you can't give them the document, a hundred page document.

*Q: What were you recommending, do you recall?*

MONTRIE: We made some effort to calculate what the potential was for agricultural exports and then given that how much you needed in industrial export earnings to run the economy, given its high import requirements. That exercise couldn't get the process very far along. To say what kind of industrial manufactured exports they could have was really beyond what we could do at that point. But it kind of quantified how big the export goals needed to be. All of this had not been

done there. Although they had some good people in the finance ministry, they were all busy with crisis management, the director general calculating every day how he was going to forestall default, borrowing somewhere else to pay off the notes coming due.

*Q: Did you work with the Israeli officials?*

MONTRIE: Yes. We met with the finance ministry people once a week, so we got to know them very well.

*Q: How did you find working with them?*

MONTRIE: They were very pleasant mainly. The director general I think, appreciated our efforts. I don't mean in giving them money, but with ideas. He'd say oh yes we will look in to that kind of thing.

*Q: So you were really in close engagement with the government. Did any of your ideas take?*

MONTRIE: I don't really know to what extent. They have since made enormous progress. I think the last time I looked their exports were \$5,000,000,000.

*Q: What were they when you were there?*

MONTRIE: Like \$300,000,000 of which \$250,000,000 was citrus. Obviously they succeeded in making the economy a going concern there. I don't know that I could say that we made much contribution to it back in the 1950s, other than helping them survive those lean years.

*Q: You don't know whether any of the recommendations you were making were the ones that were picked up or acted upon?*

MONTRIE: No, not in broader policies. A lot of what we dealt with was short term, about what to do about what was going on just then. I think our macro diagnosis was correct, because industrial exports using imported materials provided the basis for high level growth and income. However, I doubt that ICA can take much credit for their finding the right path. All the billions from the US since then must have had a powerful effect and supplied resources far beyond any level we could have conceived of in the 1950s.

*Q: Anything else on the Israel experience?*

MONTRIE: I guess that business with the State Department not allowing us to give them our magnum opus was my first major lesson in how frustrating the aid business could be: that one could do so much work and have it come for naught for extraneous reasons. However it was an experience that repeated itself through succeeding years.

*Q: So you said the economic assistance program was essentially short term to deal with immediate relationships and problems, except for what you were trying to do.*

MONTRIE: We were also trying to get them to focus more on development but the long term goal of economic independence didn't get very far in that period of time.

*Q: So you finished up in Israel when?*

#### **New assignment in MSA South Asia division and Pakistan desk officer - 1956**

MONTRIE: In the middle of '56. I came back to Washington and Victor Skiles who had been in charge of Israel had in the meantime moved to be head of Greece-Turkey-Iran and invited me to come work with him there. But something happened and the slot got closed up, and I was put in the South Asia division instead as assistant Pakistan desk officer and desk officer for Ceylon, or Sri Lanka as it is now called. I was in that unit from 1956 to 1961 when AID was organized. I became the Pakistan desk officer and then deputy chief of the division.

*Q: So you were there quite a long stretch.*

MONTRIE: I had quite a long stretch with Pakistan along with some acquaintance with the rest of the South Asian countries and their programs.

*Q: Well let's talk a little bit about the Pakistan situation. What was the situation when you started there?*

MONTRIE: Pakistan was getting something like \$100,000,000 a year of economic aid plus some capital projects besides through the Development Loan Fund that had been organized in the meantime. Plus PL-480 to avert starvation and all that plus a \$5-6-million dollar technical assistance program. It was one of the biggest programs with everything going on.

*Q: What was the situation in Pakistan at that time?*

MONTRIE: There was so much turmoil I can't remember just what happened when. I think maybe the Army had taken over at that point, with General Ayub as dictator. We had a very strong mission director, James Killen. Let's talk about the mission first. Killen saw and helped me see that what they really needed first was reform as a prerequisite to getting organized to deal with the very serious economic problems that the country faced.. For example, Pakistan needed to reform the civil service so it wasn't just a plush game for senior civil servants who messed around to their own advantage. On the reform front, foreign aid wasn't used as a lever. The US was not about to put any pressure on Pakistan because the leaders had been promised all that money partly to shore up their defenses against communism. It was also rumored that Charlie Wilson when Secretary of Defense once offended the President or Prime Minister of Pakistan and they promised Pakistan another \$80 million just to avoid a political fallout.

*Q: Do you remember how that occurred?*

MONTRIE: No I can't. I think that happened just before I came on board there. The upshot was that basically we had to hand out the money and do whatever little bit we could do by persuasion to get them to do better.

*Q: Most of the program was balance of payments aid?*

MONTRIE: Yes but the amount was so set that they could tailor their balance of payments deficit to the amount that was coming rather than how much was needed. It was called defense support. PL480 also provide large amounts of needed grain imports.

*Q: Was it very development oriented or not?*

MONTRIE: The aid mission kept trying but if you have to give them the money anyway you don't have very much leverage. Again technical assistance was still in its infancy and a lot of lessons were still being learned. Again they had a whole raft of university contractors doing all kinds of things there. Some of which went well and others went badly. I didn't have much connection with the details of that. We would talk with the technicians when they would come back to Washington and hear their tales of woe.

*Q: But then the focus was on the general economic situation, the balance of payment trends. What were you doing?*

MONTRIE: As desk officer I was mainly concerned with facilitating all the Washington approvals needed so that the field mission could do its work.

*Q: What kinds of issues were you having to address?*

MONTRIE: Well that was a stage at which the technical services were independent, and proposals would come in from the mission and the Skinny Holmgren or E.D. White (ICA agricultural office) wouldn't like it and they would growl at it.

*Q: They were in the agricultural office?*

MONTRIE: Right. The head of both our organizational units was D.A. Fitzgerald who had been in charge of the technical services pre ICA.

*Q: This was in ICA or FOA?*

MONTRIE: It was ICA at that time; I can't remember when it changed. I guess it was FOA when I went to Israel. Stassen made it FOA.

*Q: Then it became ICA in 1956 I think.*

MONTRIE: I believe so. So what I learned as a desk officer in charge of a big program was really how the agency worked bureaucratically. When I took over the desk I had a list of a dozen or more hard-core bureaucratic knots that were hanging fire then. In working through them I had many useful lessons in how to be effective as a Washington bureaucrat.

*Q: Were you doing economic work?*

MONTRIE: Not much. Partly we lacked much staff in the field there, and I was always trying to hire more people which was always very difficult to do for one reason or another. The Ford Foundation had a big group from Harvard working there. Gus Ranis was one of the people, David Bell was the original chief of the group.

*Q: Did you have contact with them? What were they trying to do?*

MONTRIE: Not very much. The mission did. They were basically working in the government trying to do the kind of planning then fashionable. I'm not aware that it came to much before it went out of fashion.

*Q: Were they funded by AID?*

MONTRIE: No the Ford Foundation.

*Q: So you don't think that much in the way of policy change came as a result of all that?*

MONTRIE: No. I don't think so. In a sense it was an impossible country, especially with East Pakistan way over there on the other side of the sub-continent, and many extremely difficult problems.

*Q: Were you involved in East Pakistan issues?*

MONTRIE: Well we had projects over there too. My predecessor was John Canning, I don't know if you ever knew him. He had been on the desk there for quite some time. People would ask him how long would the two Pakistans stay together and he would always say he didn't know how they had stayed together that long. Some years later they really did break up with a very bloody mess.

*Q: What about the role of an economist in that situation?*

MONTRIE: I really didn't work as an economist other than being dissatisfied with what was getting done with the mission on it. We had an old timer, Jack Benz, there, but he was pretty much all by himself most of the time trying to deal with innumerable issues and problems.

*Q: He was the economist?*

MONTRIE: He was the senior economist but he really needed a team to get beyond all the day-to-day demands in such a big country. In Israel you could get anywhere in the country in 0 day or a few hours. Pakistan was enormous in comparison and very poor in statistics as in every other way. The problems were, of course, similar in the other South Asian countries.

*Q: Can we talk a little bit on the Ceylon/Sri Lanka situation?*

MONTRIE: The Sri Lanka program was quite small. Jim Grant was the mission director when I was the desk officer. He was a very active type. But there wasn't much money to do much with. I think the country wasn't amenable to doing much either.

*Q: Do you remember what kind of programs you had?*

MONTRIE: It was mainly technical assistance and a few capital projects there. I don't think there was any non-project assistance.

*Q: No particular projects you would note?*

MONTRIE: They were mainly talking about bigger ones like the Mahaweli Dam.

*Q: The Dam and the whole irrigation thing.*

MONTRIE: Right, but that hadn't matured yet. The few contacts I had with the government people made me think that they didn't understand what we were trying to do or what it was all about. I think independence was too new.

*Q: What about some of the other things?*

MONTRIE: Afghanistan was an endless mess of just trying to run the projects that we had started there.

*Q: What were we trying to do?*

MONTRIE: We were trying to do everything. We had both technical assistance and capital projects in a very backward country. But it could nevertheless keep the price of wheat below what it cost the farmers to produce so we had to give them PL480 because of that. Of course that didn't stop us, nor did we worry about it either. It was a good example of how development was prevented by policy rather than by poverty.

*Q: Why were we there?*

MONTRIE: I never understood that. I guess defense against the Russians. Also in Nepal for the same reason. I can remember once that the Russian ambassador came to ours and asked "What

is this all about here? What do you think these people are trying to do?" Apparently they were also confused as to why they were in Nepal.

*Q: But we had a program there?*

MONTRIE: Yes. The big hassle that I was involved in was when the Nepal mission wanted to use Indian PL480 rupees to have a huge new program in Nepal. The OMB wouldn't approve of that without ICA buying the rupees with dollar appropriations. That was the main preoccupation there.

*Q: How did that end up?*

MONTRIE: I think we just lost interest in Nepal once things simmered down. I don't know if they got any of those rupees to work with there. As for India, Al White could best evaluate that program. He was the India desk officer for a long time. I don't think we moved Indian policy much with the (relatively) small amounts of money we had to give them.

*Q: Were there any other dimensions of your work on the whole South Asia thing that are worth evaluating?*

MONTRIE: No just the feeling that to such a large extent we didn't know what we were really about both in why we were there and what we were trying to accomplish and how we should go about doing what we thought we were trying to accomplish. And when it went badly, we didn't know very well what to do about it. All very messy.

*Q: Was anybody writing Congressional materials saying something about what we were trying to do?*

MONTRIE: That was a constant. Also as desk officer I dealt with periodic Congressional investigators. The GAO would come or there would be a newspaper article about some alleged scandal and I'd have to try to explain all of the complicated things involved.

*Q: Any particular one you remember?*

MONTRIE: Just as an example, the GAO raised the question of how it could be that we were paying for Pakistan imports and didn't know what they were going for. I had to explain that there was no way to know all the things many tons of copper would be used to make. We couldn't possibly trace that. I can remember the investigator concluding that maybe it wasn't a scandal after all.

*Q: I see, so the issue was what happens to the things we finance?*

MONTRIE: Yes. I think most criticisms of the business were due to an oversimplified view of the world. Not that there weren't mistakes, but I think a lot of criticism stemmed from lack of

understanding of what it was all about. Not that we had a very good grasp of it either, but people from outside understood much less.

*Q: So you finished up on the desk when?*

MONTRIE: When the Kennedy administration came, the agency became AID, and everything was reorganized.

*Q: Do you remember anything about that, what it was about, what was happening?*

MONTRIE: Well we had a large new group of people come in from outside. We had a great escalation in the grade structure with supergrade desk officers and supervisors and GS-15 "Indians" all over the place of which a lot were the economists. I found myself in the Near East planning division with Al White as chief.

*Q: What was the nature of the restructuring with the formation of AID as you understood it?*

MONTRIE: Well the desks, the regional bureaus were made very strong and technical services were put under the regional bureaus which really reduced their power to the negligible point I would say. They could say what they thought, but if it interfered with what the regional bureau wanted to do it didn't matter.

*Q: Were there any particular development concepts that were going on at that time with the formation of AID?*

MONTRIE: The Kennedy administration AID was going to go for self-help and systematic planning and growth and really make countries tow the mark and get ahead with it. In practice I conclude the agency didn't know how to do that at all well. It pretended a long time but on the whole never succeeded. It no doubt accomplished many things in many countries over many years but, as a generalization, never really accomplished the broader goals it claimed to be aiming for.

*Q: Was there any particular development theory or philosophy being promoted?*

MONTRIE: Under that general framework from the Kennedy administration, Hollis Chenery took over PPC, the central program office. His simplistic mind said what was needed to get growth was to calculate a country's capital output ratio and to put enough money into it, to achieve self-sustaining growth. Unfortunately the theory ignored all the real-world obstacles to making aid money effective.

*Q: Such as?*

MONTRIE: Like what you invest money in and what good it does and whether you have such a rotten society that it can't get anywhere anyway. Or whether there are the basic manpower or human resources to work with, or you are tied up in political knots like the Argentine government

saddled with a million superfluous railroad workers. Chenery could go through his calculations and conclude that Argentina needed something like \$8 billion to become self supporting, to achieve self-sustaining growth. Other so-called requirements for other Latin American countries were also far beyond any foreseeable funding levels. So PPC which should have concerned itself with down-to-earth policy issues, wasted a lot of time and effort messing around with that, while the new and powerful regional bureaus went their own way.

In the middle of 1962 I moved to the Latin American program office. In the meantime I came to Nigeria, you remember, with the second Rivkin mission for a month while you were there. That was in the fall of 1961.

### **On a mission to Nigeria - 1962**

*Q: What was that mission?*

MONTRIE: It was typical of the Kennedy administration. They were going to make Nigeria a model development program by pouring money into a brave new five year plan that was going to achieve self-sustaining growth for Nigeria.

*Q: What was your particular role?*

MONTRIE: Arnold Rivkin, an agency lawyer, was in charge of it. It had Wilson Smith from the chamber of commerce who had I believe almost no experience with AID or development, and Merrill Gay foreign service officer. I thought the exercise was a total fiasco. I don't know what the mission's reaction to it was. I never talked with you about it. I remember Burt Gould saying it was very helpful. I couldn't understand why it was helpful.

*Q: What was the objective of the mission?*

MONTRIE: It was to review their five year plan so AID could pour in \$100 million a year for five years or something of that sort to make Nigeria a model of what AID was trying to do. When I arrived and started looking at what was there it was obvious that this allegedly promising plan was no plan at all - some abstract pie in the sky. In the meantime the government of Nigeria was looking at things like a proposed steel mill that somebody wanted to build but wanted Nigeria to put \$100 million into it with the equipment supplier-investors putting in something like \$3 million, but with the technicians saying this can't be a viable enterprise there. In the government, corruption seemed to be rife, with senior officials enriching themselves with enormous amounts of graft. The three regional governments seemed fairly independent of the central government. I wasn't really sure that the central government was in charge of much of anything except maybe foreign exchange. Or that the newly-independent country even understood what its development problems were.

*Q: Was this the Rivkin report?*

MONTRIE: There was a Rivkin report, but not along the foregoing lines. It was all rosy about how AID should forge ahead.

*Q: Did it have any particular development concept?*

MONTRIE: No we just reviewed the five year plan, had pleasant chats with a variety of government officials . Rivkin found everything was fine and recommended forging ahead.

*Q: This was the basis for the long range assistance strategy.*

MONTRIE: For Rivkin, yes. There was no Montrie-Gay minority opinion permitted in the report. Rivkin just would not brook any disagreement with his view. Why he was so sure that this was all such a good thing I don't know. I expect he knew that the White House, in the person of Walt Rostow, wanted to see AID get going with it. I'd be interested in hearing your view of all that.

*Q: That is not for now. There were no particular project recommendations of that sort?*

MONTRIE: No. Just put the stamp of approval on Nigeria's development effort.

*Q: This is while you were still in NESAs?*

MONTRIE: I was still in NESAs. I can't remember why Africa got hold of me. I don't think I knew anybody in the Africa bureau at that time.

*Q: The Africa and Europe bureau were still somewhat joined at that time.*

MONTRIE: That may have been the connection.

### **New assignment in the Latin America program office - 196**

MONTRIE: Anyway then I moved to the Latin American program office. I was rather tired of the same old countries in NESAs and I didn't particularly like my situation. So I moved to the LA program office and the Alliance for Progress, the other brave new world that AID was after.

*Q: That was just beginning then?*

MONTRIE: That was just beginning.

*Q: What was the idea behind that?*

MONTRIE: The Latin American countries at our urging had signed up to do all kinds of good things to make themselves modern productive democratic countries.

*Q: What kind of things did they have in mind?*

MONTRIE: They pledged themselves in the Charter of Punta del Este to reform everything, education and agriculture, pages and pages of good things they were going to do.

*Q: Were you involved in preparing this plan?*

MONTRIE: No That had all taken place, the Charter of Punta del Este was already signed and sealed. I forget what the overall promise of aid money was, but it was going to be something like a billion or billion and a half dollars a year but including in any case a billion for the first year. And guess what happened! The pressure was on to obligate a billion dollars and nobody "upstairs" seemed to care for what.

*Q: Where did it go? What was it obligated for?*

MONTRIE: Both the OAS and the World Bank and AID set off to help every country do all of these good things, but inevitably it turned out it wasn't so easy to find out what to do or how to do it or what it would cost. The L.A. countries had been getting along on small technical assistance programs for 20 years. They hardly ever had a capital project, I think, much less anything like non-project balance of payment support.

*Q: What did we agree to?*

MONTRIE: Well it was obvious it was going to be a long drawn out process to figure out what to get these countries to sign up for. It seemed to me that most of them were not in any great crisis. Inflation was chronic in several of them, and exchange devaluation or depreciation periodic. Brazil had been operating that way for a long time, Argentina too. However, these governments had all signed up for the charter of Punta del Este because it was a good thing for whatever reasons. Probably most of the signers had no control over what happened in their countries anyway, but it probably represented some generalized urge to do better by the more progressive elements in the countries.

*Q: But what did the money get used for?*

MONTRIE: Take Colombia as an illustration. The World Bank went with a big team and made a lot of recommendations about things which needed to be done. It seemed to me that it would have been useful for the donor group to say "Well, Colombia, we're able give you 30 or 40 million dollars, and if you are going to do these things you signed up for, tell us how much you need to help you do it." But apparently this was too slow for the powers that were, which was the Latin American bureau watched by an impatient White House. Ray Sternfeld was the head of DP and Theodoro Moscoso, eminent Puerto Rican, was the head of the bureau. And above that was Walt Whitman Rostow in the White House who apparently was determined that we were going to obligate that billion dollars for that first year. And it was obvious we weren't going to obligate that billion dollars by going about this in anything like a sensible way. So in fairly short order, Donald K. Palmer came into the regional economic office of the State bureau under Anthony Solomon the new deputy assistant secretary for economic affairs, who came from Treasury. It was

decided that Palmer would take over the economic assistance business. He then organized a State staff and proceeded to manage the Alliance for Progress economic assistance money as if he were the IMF. So we had program loans for stabilization in Colombia, Chile, Brazil, and attempted it in other places, all of which I conclude was very unsuccessful because they didn't stabilize, and all that money I consider was wasted because it didn't get the reforms we might have bargained for but didn't because we were too much in a hurry to obligate the money.

*Q: Did this come out of the import type of program?*

MONTRIE: Yes. Non-project assistance.

*Q: What kind of reforms were we trying to get?*

MONTRIE: Well, the Latin American countries, while a step above Africa in economic level and having some relatively sophisticated cities, were underdeveloped in lots of ways with low levels of education or high levels of illiteracy, so there was a lot to be done in education. Agriculture was poorly organized with food prices over-controlled. Other kinds of problems that the Latin countries suffered included the legacy of the Napoleonic Codes and probably Spanish totalitarian monarchic traditions. In our system mainly you can do anything you want unless there is a law that forbids it. In Latin America, the general presumption was that you couldn't do anything unless you got permission. Typically, legal systems worked badly. It could take months or years to get anything decided. Courts were jammed up and probably riddled with corruption and bribery. So what we take for granted in business here--namely if somebody commits fraud or violates your patent or whatever, you can sue them, you can't count on there. Also there were massive deficiencies in infrastructure for rural areas. Highly developed cities often had very primitive hinterland all around them. So there was an immense amount of work that needed to be done. Instead, we put all that money on stabilization, to little avail.

*Q: More of the Marshall plan?*

MONTRIE: Right, rehabilitation—but a mis-diagnosis. Not that stopping inflation wasn't important. It's just that it wasn't sufficient as an approach to the complexities of the problems that were forestalling development there. The inflation can even be seen more as a result of other unsolved problems than the major cause of lagging development. Brazil has come a long way since then, even with a lot of inflation.

*Q: So this was essentially a policy of support without much policy change?*

MONTRIE: Well if they had stabilized I guess you could argue that it was worth the cost, since with hindsight it didn't take terribly large amounts of money. It wasn't like the billion dollars given to Israel. The program loans were in the order of \$40-80 million. If they had really stabilized it might have been worth that-- but unfortunately it didn't work.

*Q: Were there any cases where you thought there was reasonable accomplishment?..*

MONTRIE: Sometimes it would work temporarily. Then it would fall apart again after a change of government, that sort of thing.

*Q: What was your role in all of that?*

MONTRIE: All that program loan operation was taken away from the program office. I was left in the program office, so I mainly did program office things, Congressional presentations, reviewing all of the other program and project proposals. One of the changes was AID went into calling for the voluminous program submissions that you are familiar with. Each mission came up with an inch thick book every year. All that had to be reviewed, all those program rationales and projects. So I basically did that plus again writing Congressional presentations and forestalling answering questions from Congressmen and arguing down so called scandals.

*Q: Did you go on any particular missions during that time?*

MONTRIE: Yes. Occasionally groups would go down to help the mission put its book together and have some kind of dialogue. Over the years I visited almost all of the Latin American countries. I went to Colombia seven times, I believe.

*Q: And what was your impression of the different countries?*

MONTRIE: Latin America seemed like a much more promising place than many of the poorer countries in other parts of the world. It seemed much closer to being a going concern, much more resources to work with, not so overpopulated. They varied quite a lot; the range was very large.

*Q: What countries impressed you?*

MONTRIE: The capital cities mainly are very pleasant places. Bogota is really a beautiful city; Quito is too. Lima is very nice in many ways. Santiago is a nice modern city; Buenos Aires is a world metropolis, Rio is too. The potential is impressive.

*Q: But in terms of development situation what would you say?*

MONTRIE: I think the whole focus was to save Latin America from communism. This came along shortly after Cuba went communist and again I think it was fear of communism that induced it all. I think the whole Alliance for Progress idea was all right. I suppose you could say it was over ambitious, but why not be ambitious. It was the follow up on it that was totally inadequate and wasted a unique and one-time opportunity to help and encourage the countries to solve the problems that were inhibiting development.

*Q: In what way?*

MONTRIE: By missing the reform needs and opportunities and using most of the money for stabilization which didn't stick.

*Q: Were there any particular countries that stand out in your mind?*

MONTRIE: As successes? You see most of that money went to the big three: Brazil, Colombia, and Chile. Mexico never got much because it didn't need it. The other ones mainly got small dollops. We tried to do more in some of them, but that never went very far.

That was just the first phase of it. Then the Nixon administration came in. The Cuba threat had subsided by that time. I don't think Nixon was very interested in Latin America anyway and especially Kennedy's Alliance for Progress. So by 1968 it was hard to find any very impressive success story.

*Q: Did the program shift then?*

MONTRIE: Yes. Just as Palmer went out with his IMF approach, in came Louis Sleeper into the technical services office. He proposed a sector approach in lieu of the previous program loan system. I thought this was a good idea, since a lot of the specifically development problems were sectoral, rather than central monetary and fiscal policies. There were major questions of how to organize agriculture and education to support a modern country.

*Q: What was the sector approach?*

MONTRIE: The idea was that we would go and study the sector and do a "sector analysis" which was to be a comprehensive study on which country policies and programs would then be based. Then with this common understanding of the problems and a systematic program selected by the country, we would agree that on what was going to be done and who was going to do it. In that context, AID could provide non-project loans to help with the financing.

*Q: What was the content of the program by and large?*

MONTRIE: The problem was they never really succeeded in doing the kind of sector analysis that was supposed to be the basis for all of this, nor did the countries devise the kind of systematic sector programs that the sector loans were to support.

*Q: Why was that?*

MONTRIE: The situation varied from country to country, but I'd say basically that AID never took the time or effort to mount the kind of study that was supposed to be done as the basis of a sectoral program. Again what the LA bureau wanted to do was have a country agree on a sectoral program so that we could then provide non-project support for it. Presumably the country would be doing everything it should do, so all we would have to do is give them the money. I think this was pretty unrealistic, but we could have made a real try at it if you we could have

waited to work out the details adequately. But of course we couldn't wait; money had to be obligated. So typically we send a team, and they put together a hodge-podge of stuff they pick up here and there, and write some justification. The host government agrees to increase its expenditure on rural roads or agricultural education or education system, or get all the children in elementary school by six years from now, and do all the necessary teacher training and school building. We'd say OK we'll give you \$40 million or 20 or 30. So then we had a few years of that.

*Q: What did the money go for?*

MONTRIE: Mainly it was non-project assistance to generate local currency which went into budget support.

*Q: So the dollars went for general imports with local currency generations?*

MONTRIE: With no real relationship to balance of payments need.

*Q: I see. Nor to the sector specific counterpart .*

MONTRIE: You could say the counterpart went into increasing their agriculture or their education budgets, but tracking the real effect was pretty iffy.

*Q: Do you recall any particular program that you had any particular experience with?*

MONTRIE: I guess you'd say the worst example was Colombia. Sleeper hired a man named Sam Danes who said he was going to program the agriculture development of Colombia with an input-output study that would show exactly what to do and could be done. Put the money in here in production and income would come out the other side. So he spent \$200,000 on all of this and made something like 11 trips to Colombia and finally produced a report just before I went with Ed Hutchinson in a small team to evaluate sector loan programs.

*Q: Ed Hutchinson was what at that time?*

MONTRIE: He had left the agency and was a consultant. I guess Herman Kleine had been his deputy and Herman had come in as regional administrator. So I was on the team and an agricultural economist named Fred Mann, he was excellent too, and another agriculture advisor, I can't remember his name. So we went and evaluated and demolished Danes' effort totally.

*Q: What was the main flaw with it?*

MONTRIE: He was pretending to have data that he just didn't have, that wasn't available. How do you trace inputs and outputs in a country of even 15,000,000 people. It would be hard enough to do that in the US with all of the resources we have here. Statistically Colombia was not up for that kind of thing and you can't predict what these relationships should be in the future anyway.

*Q: What was the sector loan money spent on?*

MONTRIE: It went into the Colombian budget.

*Q: Was it spent on agriculture?*

MONTRIE: Yes. And I suppose it did some good. It resulted in an increase in expenditure on agriculture. In the case of Colombia I would say it wasn't wasted, because you had a mission there that did quite a lot of good in getting their agriculture institutions organized and the structure of the institutions rationalized. I can't remember the specifics but just as an illustration they got Colombia to reduce the number of agricultural agencies from something like 24 to 4, that kind of thing, so they could get something done. And Colombia had a relatively better government that many of the other countries.

*Q: What about this sector program concept? I remember it was a very important issue.*

MONTRIE: We tried this in other countries. I always thought it was a very good idea but never saw it applied well enough to realize its potential. I can only say it was because of impatience and lack of willingness to say no that's not good enough yet. Now I suppose that was partly the push for obligating money on the Washington side. And on the mission side I can see how you would have trouble going back saying sorry its not good enough yet. I suppose ministers would get tired of that too. Unless you happened to have a minister that really understood what you were trying to do. How often do you have that? Sometimes you do and sometimes you don't. The governments change and you get a new minister who doesn't know what it's all about or has other objectives.

*Q: The shift from general program lending and macro economic orientation to sector lending, why was this shift made?*

MONTRIE: Well, partly it was the change in personnel. Palmer left with the change in administration and his successors didn't or couldn't keep his approach going. The sector approach probably wouldn't have had such a strong push if Sleeper hadn't come along. I can think of other cases where policy changes resulted merely from changes in personnel. I remember in the Dominican Republic, although I can't remember anymore what the policy issue was, Director Robinson wanted it that way. His tour came to an end and another Robinson came who was diametrically opposed position. Washington paid no attention to that whatever. It was just a change in personnel changed the assistance policy for the country. The Dominican Republic wasn't important enough or the issue wasn't important enough to produce concern in AID/W.

*Q: These programs were still really balance of payment support?*

MONTRIE: Right, but they were so small by that time that they didn't really matter much in the foreign exchange picture because Latin American trade had become so large relative to the

amount of AID money. It was mainly leverage with the local currency, budget support. Much like we used to discuss this with respect to Africa.

*Q: What was the significance of the flow of the counterpart in relation to the budget? Was this really augmenting the budget?*

MONTRIE: It was substantial in some cases. But the programs were just not comprehensive or big enough to do much. I don't have a very complete picture of the results. I think in some cases AID was working with local people who were very good and supporting them was the most important part of it; it wasn't so much the money that was important but backing them to do what they understood needed to be done.

*Q: Any particular situation you were also involved in this?*

MONTRIE: Mainly that evaluation of the sector programs with Hutchinson. We did three countries in agriculture and three in education. That study was very revealing and very interesting.

*Q: I see, this was not just one program, you were doing quite a lot of them?*

MONTRIE: Yes a total of six countries I think.

*Q: Did you come out with the same conclusion about all of them?*

MONTRIE: Yes. Basically it was that AID had just had not tied down the vital details. In some cases it was so bad it was sheer pretense. I can remember Director Culbertson saying that the mission had the name of every farmer recipient of an agricultural loan.

*Q: Where was that?*

MONTRIE: In Nicaragua . In fact there was almost no program at all formulated.

*Q: What was the result of your report?*

MONTRIE: Well it wrecked the Danes input/output approach, but didn't have much effect on the way business was done because I think the forces behind getting the money obligated were just too strong.

*Q: So the sector programs carried on?*

MONTRIE: Yes, for a while. Then I left Latin America in 1975 and moved to PPC. I believe aid to Latin America fell off then too.

*Q: Were there other things you were engaged in in Latin America?*

MONTRIE: Yes, while the State Department was playing IMF with AID's funds, it came to me to deal with a unique problem. After about six years of the program, our Congressional committee

began to ask how much progress the Alliance was making on the Punta del Este promises. We didn't know, because we hadn't done all the things we needed to have done to know what we were doing and how much it was accomplishing. So it fell to me to try to do something about this. The L.A. bureau had done this in a desultory fashion previously, asking the missions to scrape up some information on progress for us, namely some statistics so we could show some progress, but the quest elicited little response and the lack of response elicited little concern in Washington--at least until it was obvious that this wasn't going to be adequate anymore. So I got a team from the Census Bureau to come in to work in LA/DP to promote statistical development around the region on the grounds that if we didn't do that we weren't going to show that the Alliance for Progress made any progress. We couldn't really do a lot about improving public finance data or national accounts because that was a long term job, but we at least had nominal numbers there anyway. The big lack was in any way of showing that the Alliance was doing any good for the people of Latin America. These veteran statisticians who had worked in Latin America said the only way to get anything meaningful in any reasonable term was to have household sample surveys. They said they had trained people in every country in Latin America and they know how to do it and we know how to do it and if you'll just support it, we can get a household sample survey going that would show how household incomes were increasing.

*Q: In both historical and current...*

MONTRIE: Well it would have had to be mainly from the present forward. But at least we would have some figures to say what was going on. That couldn't wait, since the Congressional committee had asked for a report specifically on progress made under the Alliance, with a deadline of a few months. So with the help of the Census group we gathered up every statistic we could find and packaged it up into a report which we gave to Congress and which the Committee published.

*Q: This was on all the countries in Latin America?*

MONTRIE: Yes. Progress under the Alliance for Progress. Basically it plastered over innumerable cracks there, but apparently it was enough to allay Congressional concern about it.

*Q: What was the thrust of the report?*

MONTRIE: Just that there had been progress of various kinds. There had been growth and improvement in this or that, emphasizing the positive and avoiding focus on the negative..

*Q: In terms of particular sectors.*

MONTRIE: Yes. Agricultural production, average incomes, education- numbers of percent of children in school.

*Q: So they had looked historically as well as currently?*

MONTRIE: Well enough to make a plausible picture.

*Q: Did they do household surveys?*

MONTRIE: That never got off the ground. I guess the Nixon administration just lost interest in Latin America and Congress really did too. I can't remember whether it was because there were other problems in the world that took attention away. Nixon was never very interested in it in any case, and I think that once this report went to Congress and satisfied whatever urge they had to know about it, AID lost interest in pursuing the effort.

*Q: What was the report called?*

MONTRIE: A Review of Alliance For Progress Goals. "Printed for the use of the Committee on Government Operations, March 1969.

*Q: This is one you wrote?*

MONTRIE: I did most of the text, yes.

*Q: Well it might be interesting to have a copy of that. Is it a long report?*

MONTRIE: No, 66 pages with lots of tables. The basic lesson is that it shows how you can show that you are accomplishing something when you are not accomplishing very much.

*Q: But this was based on whatever statistics you could find, not trying to generate statistics.*

MONTRIE: It was the best at the moment. The data were not fabricated. We used what was available and put as good a light on it as we could. I think that allayed Congressional criticism about it all. The enemies of aid couldn't make much of the report so they turned their attention to other things.

*Q: Well it would be interesting to have a copy of that report since you were the principal author of it.*

MONTRIE: The sector program evaluation reports were more important examples I think of things that should have been done much more widely.

*Q: Did you have one report with the Hutchinson team?*

MONTRIE: There was a report for each country and then sort of a general summary and conclusions paper each on agriculture and education.

*Q: How did you find Ed Hutchinson's approach to things?*

MONTRIE: I liked him; we worked very well together, and Fred Mann was the best agricultural economist I have ever worked with. He had grown up on a farm besides so he knew agriculture all the way.

*Q: Did you have education people or health people?*

MONTRIE: I can't remember who all participated on education. We had some outside consultants and Brandon Robinson from LA/DR. I don't know if you knew him. He was chief of the education division. He worked very hard to try and make the sector approach go in education too but the system was against him. I had no power to help much either.

*Q: In your view the basic flaw was the lack of adequate study of the situation to know what needs to be done.*

MONTRIE: Yes, and persistence in keeping at it. You just can't figure out how to reorganize the education system of a country in one study I think. You've got to outline a path and then go down it and see how that works and then draw conclusions. Life is complicated and we always wanted it to be simple I think.

*Q: Were there other special projects you were connected with during that time?*

MONTRIE: No I went around to missions and did consulting with them because I was perennially reviewed their program submissions and it was useful to discuss issues on the spot. Also sometimes the missions didn't have enough help to get their programs formulated or their submissions prepared, so I would go down to help them get their presentations together and forestall problems in the Washington review.

*Q: Any particular theme that you kept coming up with over time?*

MONTRIE: No because each country had different problems we were dealing with.

*Q: Any country stand out in your mind in that process?*

MONTRIE: No I enjoyed visiting all of them since each one is so unique. I also enjoyed working with the people in the missions who were often struggling so hard against handicaps imposed by the system, I always felt.

*Q: How did you view the bureau?*

MONTRIE: The bureau continued to have those same problems of mainly a series of political appointees that we had who never knew anything about it when they came and didn't stay long enough to learn. Plus Herman Kleine was there for quite awhile and I never saw eye to eye with him. He had a different view of the world than I did.

*Q: In what way?*

MONTRIE: He never consulted me except for an occasional question which didn't make any sense, and which I thought was a misunderstanding of what we were about, or of what we were doing.

*Q: At that time the bureau was quite dominated by the capital projects office right?*

MONTRIE: Yes. Let's say that in the Kleine period, which must have been about the three years up to 1975 when I left the L.A. bureau, they lost enthusiasm for the sector programs and the approach became what you might call eclectic, I think. They just did whatever they could figure out to do that made sense country by country. I believe the general support for aid to Latin America was dwindling by that time. It had enough support to keep it going but not enough to have a significant amount of money to do anything very grandiose. Also, by that time, various Congressional "mandates" called for attention to various other areas: helping the poorest, women, etc.

*Q: Was this still in your time when they had the back-to-back desk operations.*

MONTRIE: It started as back-to-back and then they actually merged into joint offices except my unit (the LA/DP planning division never merged with the State Department regional economic unit.

*Q: How did you find that arrangement worked?*

MONTRIE: At first was the period when the State Department played IMF and dominated the operation as we discussed earlier. Then afterwards State intervention faded away and while the joint State/AID arrangement persisted, I don't remember any issues connected with it. In that period, the sector approach came with Sleeper and Danes. That went on for a couple of years until that flopped. Then by that time it was just kind of day-to-day business without any particular push. Frank Kimball was head of LADR, and he is a good and sensible man. But you know the pressure was always on to obligate the money. I can't blame him for not making that a primary concern because obviously that is what his mandate was there and he did the best he could within that constraint. Mission directors were relatively free to push their own ideas, sometimes crazy, sometimes thoughtful. There arose a system where sometimes two or three people would put a project proposal together in the field. Then it would come to Washington and have ten people from LA/DR and twelve from the program office all tearing it apart, which I always thought was crazy. They should have sent more people to help design the projects and then have a few reviewers, instead of having the mob second guessing the beleaguered few. So the last year that is basically what we did when Larry Harrison came in as head of LADR. He wanted to show up LA/DR by having the project office find fault with the proposals. I couldn't do that to suit him so that is when he downgraded my job and I moved to PPC. I found that occupation futile anyway, to keep tearing those project proposals apart while not doing anything to get better proposals and project designs. It was just a bureaucratic game, so I was glad to go to PPC as regional coordinator for Latin America.

**Regional coordinator for Latin America in the Bureau for Program and Policy  
Coordination (PPC) - 1975**

*Q: What were the responsibilities of that position?*

MONTRIE: I was to kibbitz the Latin American bureau for PPC.

*Q: Who were you working for at PPC at that time? This was what year now?*

MONTRIE: 1975. Phil Birnbaum was head of PPC at that point. PPC was like it always had been; it had its own interests. And outside of the budget process where the budget division somehow divided up the money among the regions, the economists in PPC who were supposedly doing policy papers and policy studies actually spent a lot of time just looking after the outside research program which is what people like Gus Ranis had been most interested in anyway. Watching the Latin American bureau was easy and pleasant but didn't accomplish anything.

*Q: What kinds of issues were you raising?*

MONTRIE: They were very minor because there really weren't any big Latin American issues and the people running PPC didn't care about the few little ones anyway.

*Q: But weren't there some policy things they were trying to put forward?*

MONTRIE: Yes. PPC's mandate was to do policy papers which were supposed to be guidance to the regions. This was after John Eriksson had been in charge of that part of PPC and it was all fairly sensible up to that time. Then Ed Hogan took over. Hogan and Costas Michalopolis, who was in charge of the part of PPC that dealt with the international agencies and inter-agency coordination, apparently decided that non-project assistance was a great thing and that AID should push it because presumably it would get the agency out from under all that nasty project implementation stuff and let it concentrate on country policy matters. We had no internal discussions in PPC; it was all a bureaucratic push in memos. I opined that my enthusiasm for non-project assistance was pretty lukewarm after all my experience of not having it accomplish much. I suggested we poll the bureaus and see what their views were. Latin America's Kimball replied with a well-reasoned piece. He pointed out that L.A. had tried the non-project method in all kinds of ways. The history showed that you have to be very clear on what you are trying to do or you can spend a lot of money and not get anything much. There were totally deaf ears to that, and without any further discussion, PPC put out a policy paper that said wherever possible AID should promote non-project assistance on the grounds that it would have more leverage on policy change. It totally ignored all the failures in leveraging policy exchange in the past, and all of the caveats and warnings of pitfalls.

Then Hogan left and Barry Sidman took over, with the major assignment to produce policy papers. Sidman's view was that he was going to get the papers out. Unfortunately he didn't seem to be concerned with what the papers said. He said he didn't understand all that theoretical economic

stuff anyway; he was an administrator. So in the absence of any discussion of why policy papers were needed, or what their function would be, and any clear ideas of what the agency's policy issues were, the exercise turned into a paper production process. Given the lack of consensus on the whole business, it was difficult to write policy papers that would apply to all the regions given their varying interests. They didn't care what PPC said anyway, as long as they got their money. To have a meaningful policy discussion we would have had to work very closely with the regional people, listen to what they say about what their problems and issues were.

So the futility went on and on. My last months there were very unpleasant for most of the staff, with Sidman sort of playing drill sergeant trying to get the papers out. He didn't want to discuss them at all; he just wanted to get them out.

*Q: Did you work on any particular paper?*

MONTRIE: Mainly the non-project one. The regional coordinator positions had been abolished and I had been converted to be in charge of the "All other economic division." in a group with other people doing the sectoral areas. Then I retired.

*Q: That was in what year?*

#### **Retired from USAID and a return to development in Panama - 1985**

MONTRIE: In the middle of '80.

*Q: You retired from AID at that point? What happened after that?*

MONTRIE: Then I went off and did other things for a few years, dabbled in a real estate project and whatnot, which was an interesting change of pace from third-degree-of-abstraction bureaucracies to keeping an apartment house running. I finished with that in 1985 and was starting to study financial planning which I thought would be a good new avocation. Suddenly in late 1986 somebody called up looking for someone for a job in Panama. This was a Puerto Rican firm that had an existing contract to supply people for a planning and development studies project in Panama, and needed a chief of party to replace the one who had left. So I duly arrived in Panama in early 1987, and spent six months in the ministry of planning and economic policy there.

*Q: What kind of policy studies were you doing?*

MONTRIE: A lot of them had already been done by my predecessor and my counterpart who was an economist trained in the US and perfectly capable of handling all of the issues there. A major purpose of the project was to support him at a salary that the Panamanian government wouldn't otherwise pay and to get some other helpers. We had a young Peruvian and a young Mexican economists helping out. The project also paid the salary of a Panamanian businessman working on privatization who otherwise couldn't have been paid a government salary. Then it also paid for

bringing in Arnold Harbringer and other eminent consultants to offer their guidance and put their stamp of approval on the policy analysis.

*Q: What kind of policy issues were you associated with?*

MONTRIE: The policy issues had already been posed and good answers provided.

*Q: Such as?*

MONTRIE: It was a little bit like Israel. The policy situation was tied in knots. They couldn't do much about the wage problem because of the unions there. The minister of finance and planning was in a very delicate situation, as the Noriega troubles were increasing. The studies that had been done were mostly done very well. We agreed on what further things we should be doing there.

*Q: Like what?*

MONTRIE: We needed some more statistics-gathering to shed light on questions we couldn't answer with the available information there. Also, the agriculture sector needed much more work. But before we managed to organize any of that, the US cut off aid because of Noriega. In retaliation, Noriega cut off AID, so that chopped off the project. So again a worthwhile effort was cut out for totally extraneous reasons.

Seeing a technical assistance project from the contractors side was interesting. There had been a lot of frustration through misunderstanding of AID's procedures and requirements. Since I was familiar with them and the reasons behind them, I was able to relieve the problems and the future would have been much smoother going—if there had been a future. The AID project manager was the program officer, Tom Miller, who was very sympathetic and did everything he could to help and understood what we were doing perfectly well, although the mission director seemed always too busy to look confer with us.

*Q: How did you find the situation in Panama at that time?*

MONTRIE: Panama was a going concern, but it needed a lot of things too. It really was fairly advanced among Latin American countries; it had a workable taxation system, but the government was very thinly staffed. The planning ministry which was also the budgetary authority mainly had people who had graduated from the University of Panama where apparently the economics department was dominated by Marxists who did nothing but inculcate Marxist economic jargon. Our young Mexican economist who had come from the Univ. of Chicago, when he was assigned to give a course for ministry staff, found that he really had to start with elementary economics. So he started to explain about the circular flow of money, goods and services. They were astounded at this concept. They had never run across anything like that. So if something as basic as that was new to the budget staff you can imagine how poorly equipped they were to examine

budget proposals. It also meant that the economics department at the university needed some major changes.

*Q: What was the critical development issue in Panama at the time?*

MONTRIE: There really wasn't any. The main preoccupation was Noriega. Resentment of Noriega was growing. The US was putting more pressure on him. I think the embassy was totally preoccupied by that. I never even had occasion to talk to the embassy economic officer there.

*Q: Well subsequent to that did you have other assignments?*

### **Other consulting assignments - Bangladesh 1988**

MONTRIE: I came back from there and decided that kind of work was very agreeable, and that I'd like to do some more. I sent my name around to all the consulting firms. That netted me a job with Nathan going to Bangladesh for a month in the end of 1988. That was very interesting too, to get to a place I had worked on so very long before. It was amazing to find there was still a university contract to improve the agricultural university. That had been going on thirty years earlier when I was the desk officer. Now we were still trying to upgrade the agriculture department.

*Q: What was your responsibility?*

MONTRIE: It was just to look at a project proposal. The World Bank was about to give them a loan for export credit. The World Bank team that worked up that project said they should have technical assistance in import licensing and control so as to ease the problems of importing for export. A member of the team was a Korean and he recommended an incredibly involved system which apparently the Koreans were capable of operating, looking at everything that came in and deciding where it was going to go and keeping track of it. Totally beyond Bangladesh at that point, I thought. So I tried to tone this down and make it a little bit more sensible. which was to provide a little availability of technical assistance for these people to get some help and advice. Strangely enough they needed some equipment and vehicles just to operate with. In retrospect they should have been advised to just abolish import controls; it was the only feasible way. That was the point when this was just beginning to be seen as a possible way of running a country, liberalizing trade. I guess while I believed in it; I didn't believe it was politically feasible.

*Q: Other assignments of particular note?*

## ROCAP and regional economic integration - 1990

MONTRIE: Then in the middle of 1990, I was invited to AID's Central American regional office, ROCAP, in Guatemala had a project doing policy development studies for the Central American region. It had been going on there for 2 or 3 years and had lost its overseer suddenly.. So I took that over on a temporary basis. It went from a 1 month to a 2 month to a 4 month to a 6 month to a 1 year personal services contract, and I ended up being there most of three years.

*Q: What was your responsibility?*

MONTRIE: To be the substantive project manager as far as looking at all the work that was done and all of the proposals. It was basically a research administration job.

*Q: What studies were significant?*

MONTRIE: There were about 10 of them that had been done by the time I arrived, but little had been done with them. I read through them all and it was clear that about 8 of them were pretty useless. One was excellent. It was 100 pages of detailed descriptions about the difficulty of doing business in Central America, especially the major problems involved in getting goods across borders.

*Q: In terms of regional economic integration.*

MONTRIE: So it was obvious a lot more could be done with that. The world was now beginning to perceive liberalization as a means for accelerating development so it was becoming fashionable. There were two main local bodies that we worked with. One was SIECA the public regional organization or secretariat for economic integration and the other was the Central American graduate school of business administration which was basically the only think tank of economists in the region and had some very good people who had written some very good things there. It seemed obvious that the thing to do was to provide these institutions with more money and to get an agreement for them to keep on doing more and then publicizing the good word of liberalization. But again the same old problem of extraneous forces came in to disrupt the process. There was a change in administration of SIECA. The C.A. governments changed the head of it and appointed the man who had done that best study on the obstacles to trade as his deputy. But then nothing was being done to get at the policy studies jobs. On the other hand the graduate school of business administration, which had most of the economists who could do all of these things, ran into trouble with the controller by not doing their bookkeeping well. The controller said until they straightened out, he couldn't authorize any more money. So there we were. The one organization that could do something, didn't want to and the one that could have, we couldn't give any money to.

*Q: Did any of these studies materialize in any actions that you know of?*

MONTRIE: Well they were circulated, and formed part of a growing awareness of the need for policy change that was also being stimulated by the reputation of the Asian Tigers, and the growing importance of assembly-for-export in Central America. The ideas were reported and discussed regularly in the better newspaper in Guatemala. ROCAP had two projects actually. One that I was in charge of was basically a public sector, public policy thing and there was one for the private sector. I don't know if you knew Al Zucca; he had been in Nairobi. He was in charge of the project which worked with the very good live-wire regional private enterprise organizations. They did a whole raft of things too and some of these were published. But much more needed to be done to publicize the results of these studies and promote understanding of what needed to be done. The governments were in fact responding to the need for change, and were planning various measures to open their borders to each other and facilitate trade, investment, and regional banking. It was impossible to trace the chain of influences. The ROCAP-financed studies were only a part of a general trend toward new thinking.

*Q: What was your view of the ROCAP concept?*

MONTRIE: I had taken a dim view of all of that all of those years I was in the Latin American bureau. It was kind of ironic to work in it then, so many years later. However, my view of the basic Central American integration idea was the same. There wasn't much to be gained by their joining together. They need to join the world, not each other.

*Q: What was the basic flaw in the concept?*

MONTRIE: Well at the beginning the whole idea was that they were going to integrate their economies. And they really never succeeded in integrating, because when it came down to it they didn't want to do what they would have had to do to accomplish it. Given the disparity in those countries's situations, I'm not sure they weren't right. If you were Costa Rica, why would you want to join up with Honduras—much less with Nicaragua either during or after the Sandinista mess.

*Q: Were there any regional accomplishments in terms of cooperation?*

MONTRIE: I never thought so during the 13 years I was in the Latin American bureau. The whole business of ROCAP and Central American integration is a topic in itself.

It all started back in the early '60s. The State Department thought that integration was a good thing. I don't know who thought so or why. The enthusiasm came out of the State Department mainly rather than AID. Oliver Sause was in Guatemala and he grabbed on to the idea and pushed for Central American integration. Reports done by outside consultants and I think the World Bank all said if you look around there isn't a whole lot to be gained by integrating Central American economies. They are not complementary to each other to any great degree. But Sause pushed it and got money for it and established ROCAP and supported Central American regional institutions and kept it going for years and years. The trade integration process never went very far because

it was just too painful for those countries. They just had too many of their own internal problems, and much of the trade integration was too protectionist. But we kept on with it anyway.

When I arrived there in 1990, I was rather surprised that ROCAP had survived all those years. But that is typical of AID, it starts things and they just keep going along on their own momentum as long as something doesn't stop them. Hardly anything ever came of Central American integration. But ROCAP survived until I arrived there in 1990 and had these policy studies, going. Strangely enough I thought these were pretty sensible. To do something on economic policy at the regional level there it would be best to talk these countries as a group into liberalizing their economies. These two projects were a good thing. The private sector ones I think did the better job of it, and probably had a considerable effect on Central American countries liberalizing. However, this trend was going on in the rest of the world anyway so it is hard to say what had how much effect. If we could have continued to work with INCAE, the graduate business school group, they could have taken the work from where it was and pushed on with it. The governments were getting more receptive to the idea, and liberalization was churning in the world. But we couldn't work with them and SIECA.

*Q: SIECA stands for what?*

MONTRIE: Central American Economic Integration Secretariat. We couldn't get them to do anything there. In the end, ROCAP was merged into the Guatemala mission under the existing Guatemala mission director. He took a pretty dim view of ROCAP as most Central American mission directors always had. At that point I left. The policy studies projects were not extended.

*Q: Did you have other assignments?*

MONTRIE: That was the last.

### **Observations on international development and foreign assistance**

*Q: Well let's pause a minute. Let's move back to sort of an overview of your experience. First of all, what was your impression of AID as an agency in terms of the structure, organization, people?*

MONTRIE: I always felt that it was never organized or staffed well to handle the problems it was trying to deal with.

*Q: Could you explain a little bit more?*

MONTRIE: Well partly I think it was difficult to define very precisely what the agency was for. I mean there was a general idea, but there never was any elaboration of the implications of that in regard to the implications of that in what to do and how to do it. I think the consensus ended with generalities, and major questions were not dealt with because people at the top were busy basically to all these forces coming on them, and the people down the line were busy with their

mechanics and operational details. Many were only administrators and didn't think about the substance or were too busy to think about why they were doing what they were doing because they were too busy doing it. Plus constant changes were very disruptive. You would start in on an approach and before you got anywhere with it the situation would change and you had to change and go some other direction and that would dissolve or fall down and you had to try something else. My guess is that any private business that had that many changes probably wouldn't survive either, because the human race isn't adaptable enough to keep changing, especially if the problems are complicated. It is as if the automobile company had to switch to making computers and two years later had to switch to making airplanes. It's just not manageable that way.

*Q: Were the switches that significant?*

MONTRIE: I think so. The situations changed constantly. Also, I think the agency had a lot of trouble making use of its experience because of its constant change in personnel, both leadership and staff. A lot of the ECA people left. A lot of the TCA people never dealt with any large scale aid operations. The technical people were all focused on their technicalities. The economists like to think about economic policy and often don't know how to make anything happen. That's the economist's Achilles heel.

*Q: Well you are an economist and your role was largely as an economist, how did you view the role of economists in the agency?*

MONTRIE: Well I think early on by going to Israel, I saw the real world there, so that when a Chenery comes in and thinks he's going to solve all the problems with an input output table he doesn't know what he is talking about really. The idea that money is going to solve the problems when the social and political and cultural obstacles to development are so deep seated, is simplistic in the extreme. The complexity is so great that everybody should approach development with the greatest humility and realize they don't know much of what they need to know. Yet numerous people came into jobs and didn't need to ask their staffs about anything, they were so confident that they knew what to do. When AID started they hired a considerable number of bright young people who thought they knew it all. Somehow they picked people who were so self assured that they didn't think they had anything to learn.

*Q: Were there economists out of that professional group.*

MONTRIE: We had the same problems with them. Chenery was probably the best and worst example. He had the most power and prestige and what did he do with it? He played model building with it, while Palmer played IMF with the L.A. money. So you had Chenery seeking growth with the capital-output ratios and Palmer planning to get growth with the IMF approach. In the meantime all kinds of policy reforms and institutional reforms were going unattended. A few tried to deal with the real development issues as best they could with little support.

*Q: Would you say the economists area was necessary but it was not sufficient for the approach?*

MONTRIE: Yes, even at best, economics isn't sufficient. But at the worst, the capital output ratio doesn't tell you anything. That's an abstract hallucination as far as the real world is concerned. Chenery you would think would be smart enough to realize that, but in fact he wasn't. Did you ever know Evelyn Ripps? A difficult lady, but when she said, "Chenery is an educated dope," I had to agree with her. And look at the harm that did. That was at a point when AID had the maximum amount of money it had ever had for development up to that time. It was at a high point in prestige and influence. The Kennedy administration was in back of it in a way that previous ones hadn't been. Congress had a big Democratic majority and a big budget and it all went with Chenery with his input output ratios and Palmer with his IMF as far as Latin America was concerned. South Asia I kind of lost track of. They tried big loans there too; I don't know that it came to very much. In Nigeria, Rivkin's approach was essentially the same: let's choose a country and push in a lot of money and make a showcase out of it without having any idea how it works.

*Q: That's not the way it went in Nigeria actually.*

MONTRIE: No it didn't go that way, but that was Rivkin's idea.

Also, you had this chain of political appointees at the top who would come in for a year or two knowing nothing about it when they came and learning little about it while they were there. This went on both in senior jobs in Washington and in the field, but was probably most serious at the top in Washington.

*Q: What about the relationship between development and economic assistance and foreign policy interests. Some people think it was mutually supporting and served a purpose. Of course during this period it was mostly addressing the fears of Communism. Was it effective in this role or how did foreign policy influence it?*

MONTRIE: In my experience the State Department made some very crucial decisions in keeping the aid business from exercising what leverage it had. Mainly on very ephemeral concerns of the day. The State Department always decided. There was no higher authority that would say well considering the State Department's concern and considering the development concern, let's give development the priority. As far as my experience was concerned, the aid business was invariably overruled by political, State Department concerns.

*Q: Do you think it was destructive to the aid business?*

MONTRIE: Oh yes.

*Q: For example.*

MONTRIE: Every time aid was given because the State Department wanted it, often for some specific quid-pro-quo or just for general reasons, it was to the detriment of the aid business because specifically it meant you couldn't use aid as leverage to get a country to do something different.

*Q: Do you know any situation where it has been used as leverage effectively in your experience?*

MONTRIE: Not very, no. It's spotty you know. I think many things did some good. What I'm talking about is non-project assistance provided on a political quid pro quo. Technical assistance projects are a very different kind of thing. I think a lot of them were good things to do whether it was very important to do them or not. A lot of times we did things just to do something. That's a different kind of thing from high level economic aid.

Overriding political consideration certainly stopped the aid agency from using what leverage it had to get policy reforms in Pakistan, and as far as I could see, that also applied to all the countries that received Defense Support. Dulles wanted defense support regardless of countries' economic policies. So it really had no bargaining power for policy reform. I believe the same applies to Egypt, which has received billions of dollars for reasons other than economic development. Likewise, when President Reagan considered Nicaragua the greatest threat to world peace, the hundreds of millions of dollars that went to El Salvador and Honduras didn't contribute a whole lot to economic development.

*Q: Was the money effective in achieving their objective, the defense support objective and so on?*

MONTRIE: Well it kept Pakistan an ally of the US, but I don't think Pakistan had anywhere to go anyway. It certainly didn't want to become Communist. Or Turkey either. I don't know if there was any danger of them becoming Communist anyway. It seemed to me that those interests could have been merged, meshed, whereas there wasn't any meshing; there was just an overriding... Dulles promised them \$100,000,000 and they got \$100,000,000 no matter what. The recipients were smart enough to know that. If we had given more consideration to development, maybe history would have been different in Iran—and even in Viet Nam.

*Q: Do you have any sense of what works in the development business, the aid business?*

MONTRIE: I think there were small success stories all over the place.

*Q: Any particular ones that you can recall?*

MONTRIE: I'm trying to generalize over all those years. It seems to me there are two different ways. One is just our presence in these countries. Just talking to host country officials I think in many cases gave them a broader perspective on their problems and helped them understand inter country comparisons. "You know, so and so tried this; maybe it would work for you too." And the other is the training. As I think of the many missions I visited and talked with officials, I was impressed with, let's say by the 1970's, how many were directors general who had started as AID agency trainees.

*Q: You sense that that training was effective?*

MONTRIE: Yes. They had a view of the world that was so akin to ours that it was easy to work with them effectively.

*Q: Other dimensions of the effectiveness of development assistance?*

MONTRIE: What I thought was another big handicap was the personnel system that kept changing people. They changed so often. A lot of people never got to learn what they needed to learn by not dealing with things long enough.

*Q: You mean in terms of changing jobs?*

MONTRIE: Yes. Moving is instructive, but I think you can get too much movement. And I'm afraid too many were only interested in administration. Their concept was I'm here to run things and make sure the work gets done and the rules are observed. That kind of mentality just sees the system as a series of mechanical operations. If you have someone like that as the Deputy Director of a mission and then you have a political appointee on top it is hard to make an organization do any in-depth thought about its function. It puts the burden of development analysis mainly on the program officer and the technical division chiefs and if the people up above don't understand or are not interested, they have a hard time getting through. Or else everybody does just whatever they want to do and sort of scatter energy and resources instead of concentrating on better priorities.

*Q: Very good. Are there some other points you want to go over at this time? Of course we will have another opportunity.*

MONTRIE: It just seems to me that throughout there was a general failure to define what it was we were after. It was defined in such general terms that I don't think it became operationally meaningful in many cases. The boiler plate policy directives didn't serve the needs for policy direction.

*Q: What about this whole basic human needs thrust that became dominant in the mid '70s while you were in the agency?*

MONTRIE: I was sympathetic with the objective in that, and I thought it came much closer in dealing with the real world than "Let's promote growth," or trying to be IMF. The trouble was so often in practice it didn't look at the system. It only looked at doing things.

*Q: What do you mean by that?*

MONTRIE: Well we decided to help poor people, especially the poorest of the poor. Unfortunately there are, say, 40 million poor people in the country and we come up with a program to deal with 2000. At that rate the program is not likely ever going to get anywhere because the world is changing too fast to have any impact on it. That is why the sector approach I always thought was the right idea though we never really succeeded in putting it into practice. Trying to define the overall, take a chunk of a country and say this is what the problems are, and this is what we are going to try to do about it makes sense in the abstract. But if we have a sector analysis and send a team in and then program \$40 million so the country can carry out their plan and it

turns out there's no program designed, and the country has only the sketchiest idea of what we're talking about—that's only another formula for pretense.

*Q: What would be required to make that sector approach more successful?*

MONTRIE: I guess I would sum it up as persistent and consistent work. In the field you were probably a recipient of teams from Washington who came to talk about how to implement the latest change in policy at AID/W. What happened? They went home and did a report, and you kept on doing what you wanted to do out of what you could do. Which was probably a good thing because Washington probably didn't get a good grasp of your problems in the three weeks they were there anyway. And you couldn't do anything with that ambassador there anyway or the mission chief didn't dare or the government changed and it was impossible. In the meantime we had to pretend we were doing great things because when we had to report to Congress we wanted to tell them how great we are. If we told them we were having a hard time, they wouldn't give us our money. In a sense the Alliance for Progress was the worst failure of this kind because it started to define what it was after and then undermined it by pretending it was doing it instead of really doing it. Of if the Rivkin report had led to a commitment to give Nigeria \$100,000,000 a year for five years for its five year plan, what would that have accomplished/

*Q: In balance of payment support.*

MONTRIE: To carry out their plan, which wasn't a plan. Then you'd have had people writing reports about how effective it was.

*Q: I suppose that's right. Our program went ahead despite the plan.*

MONTRIE: You're lucky. I never did meet your director, Joel Bernstein when we were there. I don't know if Arnold Rivkin did or not. Do you remember what his reaction was to the Rivkin Report? Did you ever see the Rivkin Report?

*Q: I'm beginning to wonder whether I have. It sounds familiar but I can't seem to recall.*

MONTRIE: Maybe Bernstein got it and threw it in the wastebasket.

*Q: I don't recall.*

MONTRIE: I'd say that in a sense we really had a hard time getting other countries organized for their development because we had a hard time getting ourselves organized for development assistance. The problems were just too big for the level of effort we had and the corps of people we had to do it with and the political support behind it. Then we had to pretend we knew how to develop every country in the world. A tall order. But it was always a challenge, and fun working at it-- most of the time. All those efforts to refine the program planning processes succeeded well as far as the paperwork was concerned. The whole documentation system worked

fine, in my experience. I hadn't any quarrel with that. But I think the policy planning process just fell down totally.

*Q: Why was that?*

MONTRIE: I think it was a mixture of things. One was the problem we talked about earlier, namely that we often couldn't define what we were really after in a country except in a very general way. The country team had a hard time taking the general directives and applying them to that country because in many cases it didn't really make sense and there was no clear alternative. Then the rush to put the money in probably did the most single damage because we went ahead and did things without really working out why we were doing it or what we were after. I thought we should have gone to Congress and say "Look, you are worried about us pouring billions down the rat hole. Why don't you give us a pot of funds and let us work with it. When it's all gone we'll come back for some more. Maybe it will be three years and maybe six years. Think of the money you will save and all the hassles here." The development loan fund was in effect that sort of thing but somehow the idea didn't last, and we went back to get the money obligated--if not for something good, at least for something. It seems to me that the field missions were often pushed into that. As a result in many cases they did not take as much time as they could have or should have to get projects designed and implemented and agreed on. Add to that ambassadorial and other State interference who knows what else the White House called up about. Too many kowtows and too little talking back. And then the wheels turn and the people change and lots of understanding is lost and effort wasted. Obviously a foreign service system needs rotation, including between the field and Washington. But it seemed to me that the wheels mostly turned independently of policy and continuity considerations.

*Q: If you step back from specific views, would you feel that the foreign assistance program over the years has made a difference?*

MONTRIE: Yes, but I don't know how much. I think the evaluation system never really got a hold of that except piecemeal here and there. When you look at the countries I'm most familiar with, it is awfully hard to say we accomplished very much. My guess is in the end it was the influence we had on the people, not anything we paid for or gave them physically.

*Q: But it provided a mechanism where people talked to people about issues and that is what was most effective.*

MONTRIE: And I would guess the training paid off more than most things did, but it's very hard to trace it.

*Q: What would your advice be to somebody who said well should I get into this business?*

MONTRIE: A young person considering a career in it? I guess I would say I suspect it isn't going to last. It will never be what it was. Partly because the amount of money we have relative to the size of economies now is just so small. Of course my most recent experience is Central

America. It's awfully hard to see what the US should try to accomplish with those governments. There are people there who know now what to do and how to do it. I think you can't really have much effect with \$5-20 million on the political process in a \$5,000,000,000 economy. And as for technical assistance, when I see how computerized Central America is, and see videotape shops all over Dacca, I'm not sure that the original Point Four idea is still relevant.

*Q: What about AID's role in population or family planning or education or food production?*

MONTRIE: I've no way evaluating what the experience has been there. The last contact I had was with education sector loans in LA, and that approach wasn't carried through. It got dropped, just why I don't know. But I thought the education system is small enough and definable enough to get a hold of it and find what it needs and what can be done about it. Easier than agriculture which is too diverse.

There was a question about theories and strategies. I guess I lived through them all in one way or another. It seems to me that the most valuable one was the fundamental need for reform which we realized from time to time but never managed to deal with effectively, I think. The need isn't just economic, it is political and legal too, especially in Latin America. I can't remember whether the South Asian countries had as serious problems of that sort or whether the British legal system made them operate better than the leftover Spanish one in Latin America. Certainly legal reform was a big problem that we never attempted to do anything about in Latin America that I know of. By the Alliance for Progress period the idea was accepted, I think, that reform was good and necessary. But I don't think that the agency as a whole really understood what was involved in it. And the realization came too late to allow it to get very far with it, even if external factors would have allowed it to. So as far as I can see the major accomplishments were the results of the training and to some extent the institutional development.

*Q: What do you mean by institutional development?*

MONTRIE: Organizing ministries and other institutions. Inducing governments to set up well-staffed policy planning offices would be my concern as an economist. I think we've had less success with education institution building than with agriculture. But finding we were still working on the agriculture universities in Bangladesh thirty years after we started made me wonder whether the job is all that big or whether we are insufficiently effective. I couldn't get an answer to that one.

There was a question about organization operational issues. All the way through there were so many changes in procedures and systems and forms to fill out, in the names of documents and such. All of that had little effect on my work. I was mainly concerned with abstract issues up on cloud 9 there. It seemed to me that to the extent that I dealt with them the project documentation things were adequate. On the other hand, in program and policy planning, there was an overpreoccupation with document form and format and trying to make every country fit into some kind of mold that would allow AID/W to check off the adequacy of program rationale. No format could substitute for careful analysis in the field, or for lack of follow-up when the submission was

found inadequate in AID/W. After reading 20 Latin American program books every year for 15 years I conclude that many of the missions just took that as a chore that they had to do. The attitude seemed to be that Washington insists on this garbage so let's write up something and send it to them and get it out of the way as quickly as possible and get back to our real work such as dealing with the mess on that project or inducing the ministry to do what it said it was going to do.

My last experience in ROCAP was rather discouraging because it exhibited all the same kinds of problems the agency had been plagued with for so long, beginning with an ambassador that had his own agenda, a political appointee mission chief who was a very nice lady who was not in a position to deal with the substantive issues, and a deputy who was pure administrator. As far as I could see the latter had no interest in the substance as long as the forms were filled out right so that the controller would be happy. That has to be done too, but in a case like that, if you're down the line, whom do you talk to up there? In the year before I left ROCAP the projects supporting policy studies by the private sector and the public sector were coming to an end. We started to prepare renewal documents to say that on the basis of our experience this is how we suggest we should go forward. Stop doing the things that didn't work so well and start doing the things that did work well. This process might have led to something sensible. But then into the picture came James Michel who was the head of the L.A. bureau.

*Q: Jim Michel, now the chairman of the DAC.*

MONTRIE: Is he? I've lost track of him. He was ex political ambassador. Took over the AID Latin American bureau. Anyway he came and said these projects should provide assistance to anybody who wants to export. If somebody wants to know how to make doorknobs to export to the United States, they should be able to get help with it. Our reaction was: does he realize the complexity of the world commodity market? I mean how do you staff up to have a technical advice available on any commodity or doodad you can think of? What we were saying is you need to keep on making studies in Latin America to show what was going on and what was inhibiting growth and exports and convince the policy makers and politicians of what they should do. But no. He wanted his pet idea and he wanted it to be very comprehensive. The project office in Washington wrote back after that and said give us all the bells and whistles if you want this project to go on. So our project supervisor in ROCAP started writing overblown descriptions of what we were going to do to change everybody's policies, way beyond anything we had any leverage to do at all. I disagreed. I said this is just ridiculous; it won't work. He said we won't renew your contract. So I left.

*Q: He was?*

MONTRIE: The head economist. You probably wouldn't know him, Rick Ernst. I left just in April 1993, just as ROCAP was being merged with the Guatemala mission under Terry Brown. Terry Brown was not much of a regionalist. I don't think any Guatemala mission director ever was. Brown took over just as I was leaving. Then Ernst announced that he was leaving. Al Zucca in charge of the private sector part of it was leaving. So we left and that was the end of

it. Zucca and I and Ed Butler, another AID retiree/consultant had worked on that project extension/design for the better part of a year .

*Q: This was the one that Jim Michel was promoting?*

MONTRIE: He had some crazy idea that this was supposed to be technical assistance in export promotion. Nobody was about to say sorry sir but we don't think this makes any sense. So instead of what he wanted, a miasma of overblown pretense was written up with all kinds of impossible things, and I understand that got turned down. Brown probably would have killed it anyway if Washington had gone along. Again great effort to do something ending up with nothing.

The decline in the money and the amount of personnel the agency has is a crucial problem . I suspect it has fallen below the critical mass of being able to much of anything worthwhile in the world. I'm sure it can do a bit of good here and there, but I don't know why in many cases why the US government should bother. Other than maybe relief, but that is outside the development issues. Maybe the US should content itself with a liberal scholarship program to US schools.

*Q: Maintain the training program.*

MONTRIE: Which it could do by just having a scholarship program.

*Q: Well does that cover it pretty much?*

MONTRIE: I think so. I always thought that foreign aid was a noble effort and well worth doing, and I think did a lot of good here and there around the world. But it seems to me it could have done so much better with sensible management.

*Q: Well that's a good note to end on. A very interesting interview.*