PREVAILING CONCEPTS CONCERNING AN
INTERNATIONAL DEVELOPMENT AUTHORITY

DISSERTATION

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CHAPTER I

THE PROBLEM DEFINED

Striking economic disparities among the peoples and nations of the world constitute one of the great challenges of the mid-Twentieth Century. On the one hand, portions of the world have advanced and experienced enormous gains from the continual extension of the Industrial Revolution through technological and scientific achievements, but the knowledge and means of economic production have not been shared universally. The exploitation of science for agriculture and industry is accepted as a matter of fact among most individuals of the mature economies, while the peoples of the underdeveloped areas can only hope for these material gains at some indefinite time in the future.

Within recent decades, the lines of communications throughout the world have reached the point that the "have not" sectors of the world have become increasingly conscious of their inferior economic status. They seek rational solutions for the discrepancy between poverty in their midst and apparent abundance elsewhere. To them, the continuation of this economic and social anomaly remains inexplicable.

Other national and international movements have tended to intensify this economic unrest. National ambitions
for economic improvement in conjunction with political changes of a revolutionary nature have tended to reinforce the over-all aspirations of the underdeveloped nations. Since World War II in particular, the rise of independent nations in Asia has accentuated the crisis. With few exceptions, these movements are largely devoid of narrow and exaggerated chauvinism. Instead, they represent a positive determination to attain equality and the national dignity of self-realization. Increased interdependence of all regions and nations of the world is also a fundamental part of this new insight. Furthermore, these eventualities are based on the hypothesis that economic development works also to the reciprocal advantage of the so-called developed nations.

Multifarious but limited offensives have been launched in order to accelerate economic progress in the underdeveloped areas. Some observers, however, are of the firm opinion that existing institutions and programs need to be supplemented by means commensurate with the over-all task. Premonitions of certain undesirable eventualities have convinced them that more must be accomplished within a relatively short time in order to contribute indirectly to stability, peace, and security throughout the world.

One contemplated approach entails the establishment of an International Development Authority in the form of a public corporation to plan, finance, and administer a
concerted, comprehensive, and multilateral attack upon endemic poverty and low production wherever it exists in the world. In terms of its general social philosophy, objectives, and political administration, this proposed International Development Authority has often been represented as more or less of an international counterpart of the Tennessee Valley Authority (TVA) in the United States.

The problem of this dissertation is to analyze the political forces and activity surrounding certain individuals, groups, governments, and the international community in relation to their support of or their opposition to an International Development Authority (IDA), whether in principle or in actual practice.

The analysis will consider such varied factors as the economic designs of the underdeveloped nations, the use of governmental powers for the promotion of economic development, nongovernmental opinion and policy, the United Nations machinery in action, preconceptions among the developed nations of their alleged self-interests, and relevant intricacies of power politics. In addition to probing the political process for the real or alleged reasons why the Authority has failed to be established, an attempt will be made to synthesize the pertinent data which constitutes a new and composite approach to the unsolved problem of the underdeveloped areas.
In order to avert the impression that IDA would be a panacea for all the economic problems of the underdeveloped nations, the proponents of the Authority have presented it as only one significant aspect of the more all inclusive concept of economic aid or just plain foreign aid. In brief, a part should not be mistaken for the whole. There have been programs for economic development in the past, and undoubtedly they shall prevail in some form in the future. IDA has been proposed, essentially, as one relatively comprehensive means for improving the productive capacity of the underdeveloped areas. Even though the nations of the world may not be inclined to institute IDA, the underdeveloped nations have demonstrated their national determination to implement appropriate policies and to improve their status to the best of their abilities without institutionalized assistance.

Likewise, the developed nations have assisted the underdeveloped areas in a limited manner through a number of existing plans schemes, programs, both national and international in scope. Ultimately then, it is a question of evaluating the efficacy of these aggregate efforts in relation to certain anticipated objectives. Although some critics of IDA concede a discrepancy between the real and the ideal situation, they contend that IDA is not the appropriate medium to resolve the issue. In contrast, the proponents of the Authority believe that only such an
institution for economic development can meet the criteria of urgency, integration, and adequate size.

The contemplated international agency becomes entangled in conflicting economic doctrines. For instance, what are the merits of attempting to attain certain definite objectives on a major scale in a relative short period of time? Is more moderate activity of greater duration to be preferred? The nature and degree of economic and political planning continues to generate dissensions. An IDA by its very nature implies a considerable amount of economic planning; consequently, the mere intimation of its establishment arouses a well-organized and militant opposition which has an implicit faith in the *laissez-faire* philosophy. Another controversy arises as to whether private or public funds should be used most extensively in programs of assistance. Here again, the proposed agency becomes embroiled directly, for its reliance upon public funds, in view of the unwillingness of private capital to be offered in sufficient quantities, leads to pronounced criticisms of the whole scheme. This creates distinct cleavages among groups which have either contrasting or competing economic interests.

Discernible economic differences between the developed and the underdeveloped nations prompted the initial proposals for an IDA. Since that time, the evolution of the concept for an IDA has paralleled--to a considerable degree--the
divergent attitudes, debates, and policies of these two
groups of nations along the lines of their vital interests.
In substance, this dichotomy of views is a distinct and
reoccurring theme which permeates this whole study. There­
fore, instead of preparing concise and separate treatments
of the developed and the underdeveloped nations, their
respective viewpoints are studied concurrently.

In reality, the physical welfare of the developed
nations, in comparison with the welfare of the underdevel­
oped ones, is not tied up as directly and integrally with
comprehensive economic development. Although the physical
gaps in standards of living throughout the world are
unequivocally the hard facts of the case concerning economic
development, different conceptions of national interest lead
quite logically to dissimilar interpretations of these facts.

Since the United Nations has played an active role in
international relations from the time of World War II, it
was only normal and more or less inevitable for the under­
developed nations to seek their objective through the
official sanction of the United Nations. Gradually, the
concept of IDA acquired sufficient coherence and political
stature to command positions on the agendas of various
organs of the United Nations. From this international forum,
the small and economically inferior members voiced their
grievances and pleaded their common cause for the edification
of the entire world.

As in most proceedings of the United Nations, the over-all influence of this body upon economic development was limited to the powers of persuasion. The ubiquitous desire of the nations to protect their sovereignty was not readily reconcilable with some of the multilateral implications of IDA. Despite notable degrees of dissension, the United Nations proved to be an effective agency for informing and mobilizing world opinion relative to the plight of the underdeveloped areas. In this respect, parts of the concerted movement for IDA amounts to a substantive study of the United Nations in action, dramatizing some of its recognized assets, as well as similar liabilities.

Any valid analysis of the political process takes into consideration attitudes and reactions at all levels, whether individual, group, or national in character. Political activity does not transpire in a social vacuum as a result of some inexplicable cause; for individuals—or individuals acting in some collective capacity—are responsible for a particular decision, as well as for passive indecision through simple default. Other individuals or groups, having nonofficial status, often have far reaching and indirect influences in the formulation of political policy.

Applying these criteria to the current issue of
development, opinions as expressed by individuals or organized groups differ from official national policy or the proceedings of the United Nations. At times, governmental policy may be ahead of public opinion for the most part, but on certain occasions elements of the latter may actually determine the course of political action. Considering that the concept of social progress is likely to be more relevant and meaningful to individuals, the state tends to be more impersonal and less responsive in relation to economic development and other movements with altruistic and humanitarian characteristics.

Subsequent discussions reflect the inchoate nature of IDA in its formative stages, for the various proponents of the Authority have still to spell out in greater detail its contemplated structure and administrative mechanism. They argue that if there can be reasonable agreement on the ultimate role of the Authority per se, its exact character and administration will evolve gradually and empirically in the pursuance of its broad objectives. Sir Richard Acland contends that if the problem of constituting an IDA could be resolved, "detailed solutions to subordinate problems could be expected without undue optimism."

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It is the thesis of this study that the advent of an International Development Authority, premised upon a consensus of mutual economic self-interest among all nations, encounters formidable handicaps because this new perspective of a viable world community has not, as yet, gained widespread acceptance.

The exact title of the newly conceived institution varies in contemporary usage from World Development Authority, the United Nations Authority for Production and Plenty, the United Nations Economic Development Administration, to the World Plan for Mutual Aid as advocated by the international Socialist movement. As the respective supporters of these are quick to affirm, the name itself is quite immaterial; for they are in fundamental agreement upon the underlying social philosophy and are challenged by existing opportunities surrounding the whole question of economic development of the underdeveloped nations.
PART I

PROPOSALS FOR AN INTERNATIONAL DEVELOPMENT AUTHORITY IN PERSPECTIVE
CHAPTER II

ECONOMIC AND POLITICAL DYNAMICS WITHIN THE UNDERDEVELOPED AREAS

Any realistic political analysis must, of necessity, begin and end with the germane underlying forces. Here, the pressures of economic change over decades and centuries have accentuated the economic imbalance which exists among different areas of the world. Concerted ambitions and deliberate efforts to rectify this anomaly provides the setting for the movement to establish an IDA. Simultaneously, the Twentieth Century has witnessed a momentous political upheaval characterized by anticolonialism, nationalism, and aspirations for national independence. Today, the world faces, willingly or unwillingly, a juncture of these economic and political forces, and the interaction of the two has produced far reaching repercussions. In essence, they are complementary and tend to reinforce each other. Progress on the one front stimulates and generates further progress on the other.

1. What Constitutes Underdevelopment?

Granted that the semantics of the term "underdeveloped countries" is somewhat abstract with subjective connotations, there is, however, a consensus of its general
implication. In a comparative sense, a group of United Nations experts applied the term to "countries in which per capita income is low compared with the per capita incomes of the United States of America, Canada, Australia, and Western Europe."^1 According to another interpretation, "the best measure of economic development is the ability of the people of a country to produce economic goods. . . . A country may be considered underdeveloped if its per capita national income was $100 or less. Twenty-eight countries are in this group."^2

Defined relatively, an underdeveloped country has been regarded as a function of several variables, i.e., "it is a country which has good potential prospects for using more capital or more labor or more available natural resources, or all of these, to support its present population on a higher level of living."^3 Underdeveloped

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countries, in the opinion of Staley, are those where people use obsolete methods of production and social organization. Their status is neither the result of some temporary misfortune nor entirely due to a lack of good natural resources. As a consequence of historical change since the late Eighteenth Century, the Industrial Revolution has tended to divide the world into two parts: the industrialized (or developed) and the unindustrialized (or underdeveloped) countries.

Even though each of these definitions is premised on somewhat different criteria, all have a common factor, namely, poverty in the midst of a potential for relative improvement. A more objective appraisal of underdevelopment can be ascertained by employing statistical data. In a study of fifty-seven countries in 1949, it has been shown that twelve countries at the lower end of the economic scale, representing 34 per cent of the world's population, are classified as having an annual per capita income below $100. Thirty-three countries, accounting for 59 per cent of the population, have per capita incomes below $300. In contrast,

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only eight nations, representing 16 per cent of the population, have per capita incomes of $600 or more.\(^6\)

If the continents or regions are ranked according to declining incomes or output per capita, the picture—geographically speaking—becomes more striking: North America ($1,100); Oceania ($560); Europe ($380); USSR ($310); South America ($170); Africa ($75); and Asia ($50). The preponderant concentration of low income countries in Asia is ipso facto sufficient justification to classify that continent as an extremely critical area.

There is a tendency to oversimplify the status and plight of underdeveloped areas and conclude that they are experiencing more or less identical conditions and difficulties. This is a definite misconception, for there are fundamental differentiations within this broad term "underdeveloped countries." Latin America, for example, has a high ratio of resources to area and population. In sharp contrast, Asia has a low ratio of resources to area and population, particularly the latter. The same principle applies equally well to many different nations. Confronted with these facts, there will, of necessity, be considerable

latitude both in determining the priorities and the techniques to be adopted concerning such basic factors as the production of food, amount and rate of industrialization, and the effective utilization of the supplies of labor and capital, whether in short or plentiful supply. Obviously then, any uniformity in policies for the implementation of development is precluded. Effective policy for one country may be quite inappropriate and unsuccessful elsewhere.

Indeed, the statistics cited above are graphic. Even though they are interpolated liberally with adequate allowances for the nonstatistical and intangible items associated with standards of living, the disparity among them represents the difference between living at the subsistence level and at one of relative abundance. An extremely candid rationalization, possibly serving as an inducement for the more wealthy countries to grant assistance, would simply declare that one category is "rich" and the other is "poor." "Unfortunately, the City of the Rich, based largely on the economy of the United States, sees this problem less clearly than does the City of the poor--the hungry, half-naked, diseased, and mostly colored millions."7

Despite the dire impression which these statistics may conjure up, an over-all outlook creates even greater

pessimism, especially if the relative gulf between the extremes is taken into account. This is the "gap." While there are some conflicting claims, from region to region, as to the ability of the poorer countries at least to maintain the status quo in existing standards, there is far less controversy concerning their inability to keep pace with the advanced economies elsewhere in the world. These inherent and dynamic implications have been recognized and reiterated rather profusely, to the extent of almost becoming unchallenged axioms. However, they never seem to be accompanied, as yet, with any corrective measures of adequate proportions.

For example, a memorandum of the Secretary-General to the Economic and Social Council in 1951, contended that the narrowing of the difference demanded greatly accelerated economic activity for the underdeveloped countries over the rate now being realized by the highly developed countries. 8 With allowance for some exceptions, the record shows that increases in industrial production in the underdeveloped countries between 1950 and 1951, were "small by comparison" with the achievements of other countries in the same period. 9

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Hernan Santa Cruz, former President of the Economic and Social Council (ECOSOC), warned the Seventh Session of the General Assembly that the underdeveloped countries are today worse off than they were ten or twenty years ago. A British Laborite has injected a moral overtone concerning this "immense differential" which he admitted was wrong per se. But the worst of it, in his opinion, is that the "wrong is getting greater, and the differential is growing steadily." The long term contribution of science and technology toward this inequality in the course of the last couple of centuries was noted, too, in the report, Measures for Economic Development of Under-developed Countries. (U. N. Experts' Report).

A specific comment in the United Nations by a delegate from the Philippines denotes a typical attitude of the underdeveloped countries. He charged that the gap between them and the developed countries, "instead of narrowing, was becoming wider." Likewise, the President of the Seventeenth Session of the Economic and Social Council (ECOSOC), Juan I. Cooke, criticized the present structure of the world,

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for it tended to "widen the gulf" between the "haves" and the "have-nots."\textsuperscript{14}

In addition to these cited assertions which set forth the official views of the United Nations, some reputable economists have expressed similar apprehensions over the disparity and lack of stability in the world economy. With special reference to the Latin Americans, Harris maintains that they are increasingly aware of the differential between their standard of living and that of the United States. Moreover, they are "impatient to narrow the gap" and are resentful that the people of the United States do not help more.\textsuperscript{15} Thus, there is nothing particularly novel about the facts associated with the gap between the well-to-do and the poor nations; however, the mounting determination of some portions of the world community to do something constructively about them is new.\textsuperscript{16}


\textsuperscript{16}Abraham H. Feller, United Nations and World Community (Boston: Little Brown, 1952), p. 82.
2. An Extension of the Industrial Revolution

For those advanced countries which subscribe to the theory and practice of democracy and its attendant deference for the welfare of the individual, for all countries dedicated to the humanitarian, social, and economic principles of the United Nations, this cultural lag within the international economies is perplexing and extremely challenging. A despairing outlook could lead, however, to stoic and pessimistic resignation. In fact, that is the precise reaction among some individuals. In contrast, others are challenged to militant action by this historical and economic anachronism. For the latter, pessimism might have been justified, accepted, and tolerated in an era prior to the advanced stages of the Industrial Revolution, but such a rationalization is no longer acceptable in the mid-Twentieth Century when one portion of mankind has already mastered many secrets of science and technology for the gratification of its material and social needs.17

Ultimately then, inaction, fatalism, and defeatism cannot be rationalized sufficiently on the basis of an inadequate mastery of science and technology. Being unwilling to accept such a destiny, there is a tendency to turn to

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the nonmaterial factors of social, political, and economic techniques and organizations in order to proceed toward an acceptable solution.

In addition to the physical and material gains accruing from an extension of the Industrial Revolution into the backward areas, a growing concern over their plight may be attributable to moral, political, and economic imperatives. The spirit of altruism is a firmly imbedded attribute of many people, whether acting individually or collectively. In giving assistance, they are not particularly concerned with a material *quid pro quo*. This is especially true if the humanitarian overtures emanate from a person-to-person relationship which may even transcend national boundaries, great distances, and ethnocentric inclinations. But, one pertinent misconception must be pointed out. The full impact of these altruistic sentiments of individuals suffers from attrition when filtered through the more formalized and impersonal administrations of either national or international institutions.

Before commenting upon the relationship between the question of development and the threat of the Communist movement, a brief evaluation must be made of the mutual

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benefits to be derived from assistance per se. First, the monumental contribution of science and technology toward such factors as an increased productive capacity and the annihilation of time and space is a generally accepted phenomenon. On the contrary, the fact of greater global interdependence, resulting from these changes, appears to be less perceptible to many individuals. Nevertheless, the political and economic integration of the diverse regions and nations of the world has been progressing more rapidly in recent years. Now, a conscious and concerted formalization of the process marks the trend of the times.

It follows then that greater political stability and any consequential improvement of economic conditions in one portion of the world will generate complementary gains elsewhere. This mutuality of economic welfare, discounting any political overtones and advantages, has been recognized in some quarters. For example, the British Labor Party has proclaimed with assurance that the industrial nations will benefit ultimately from over-all development. "Poverty anywhere is a threat to prosperity everywhere. An all out attack on poverty, wherever it exists, will sustain the production and prosperity of the industrial nations."^19

In a recent statement of policy, the World Federation

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of United Nations Associations resolved that the "industrialization of the underdeveloped areas of the world is closely interlinked with the prosperity of the economies of industrialized countries and . . . would benefit the world as a whole." In endorsing the International Monetary Fund and the World Bank in 1945, a representative of the American business world expressed a germane observation. After commenting that the United States would not need the direct assistance of the Fund or the Bank, it would, however, "need the sort of world these institutions may help to bring about." That interpretation is equally valid for any international institution intended to promote world development.

3. Development vis-a-vis Communism

Since there is an obvious interaction between the welfare of the underdeveloped countries and the "cold war," it is appropriate to evaluate effective economic strategy as a means to counteract the inroads of world Communism. Such an inquiry immediately challenges that school of thought which places almost complete reliance upon military strategy.

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In addition to building an adequate military establishment, Walter Reuther has suggested that we further "strengthen our position in the world by launching total war against poverty and human insecurity, thereby striking at the heart of communist power and influence." In comparison with other pronouncements which seek to justify economic policies as countermeasures to Communism, this is a mild, but rather representative, appeal.

Despite allegations to the contrary, assistance to the underdeveloped areas comprises at the outset more than the singular objective of counteracting the spread and influence of Communism. It is unfortunate, indeed, that aid has been unduly justified in this manner, for such an appeal detracts from its more fundamental raison d'être. True economic development is undertaken first and foremost for the purpose of improving the immediate welfare and destinies of the millions of impoverished people throughout the world. At least in appraising their own best interest, the inhabitants of the underdeveloped areas prefer such an interpretation. Instead of regarding economic development primarily as a weapon against Communism, they consider the latter as a worthy by-product of a more basic policy, namely, a concerted attack upon poverty and hunger.

Some underdeveloped nations advance a thesis that the Western industrialized nations, following the lead of the United States, have overstressed the factor of Communism much to the dismay and displeasure of those people throughout the world who demonstrate a more pronounced concern for the gratification of the hunger drive than for a more remote struggle against some abstract philosophy known as Communism. In accord with this interpretation, Staley, a senior economist at the Stanford Research Institute, argues that "stomach Communism" is an oversimplification. Admittedly, the term conveys part of the truth about the way in which social discontent, arising from abject poverty, abets the Communist movement, but "there are many other factors than lack of material goods which predispose people to Communism."23

The fallacy of this misplaced emphasis is more perceptible if one would imagine the nonexistence, for one reason or another, of the Communist threat. "If all the Communists of whatever race," writes Stringfellow Barr, "were so kind as to commit suicide to-morrow at noon sharp, the world revolution for equality would not stop."24 Chester Bowles makes a similar observation. Assuming the Communist


24 Barr, op. cit., p. 7.
movement closed up shop for any cause, the world, he believes, would still be contending with a serious revolutionary movement. A comparable interpretation has been expressed in the House of Commons. Even in the absence of Communism, mutual aid would remain as a moral duty. If these interpretations are even partially correct, the rationale for economic development is more far reaching than serving the exclusive interests of anti-Communism.

On the other hand, there is no intention to deprecate the constructive contributions of economic assistance toward the promotion of stability and peace throughout the world, and thus indirectly thwarting the Communist movement. Moreover, international aid can have a marked impact upon the "cold war" even though it is not pre-eminently a countermeasure against Communism. The point bears repeated emphasis that the initial justification of economic assistance is the mitigation of poverty and distress. Accordingly, any subsidiary gains, working to the over-all detriment of Communism, become desirable by-products.

Intrinsically then, "the challenge is to do what we
ought to have done without the Communist Challenge." It is unfortunate that western standards of values, attributable partly to the machinations of the "cold war," encourage some countries to adopt, ostensibly at least, the anti-Communist strategy when they negotiate with aid-giving countries. When seeking financial assistance from the United States in late 1954, former Premier Yoshida of Japan, for instance, relied quite heavily upon this criterion.

The realist, who may become impatient with either the militant crusader against Communism or the noble aspirations of the idealist, finds greater optimism and satisfaction in the more pragmatic imperatives for furnishing aid. The mere fact that two-thirds of the world's inhabitants do not have adequate standards of living is, in itself, sufficient cause for apprehension. The situation becomes even more foreboding, however, in view of the fact that the attending social and political restiveness threatens both provincial and global peace and security. Recently, the former Secretary-

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General of the United Nations appraised this phenomenon cogently with a definite note of alarm. "Our most pressing task today is the reducing of combustibility within those areas--the economically underdeveloped areas of the world we are obligated to defend." He continued by referring to the meager attention which they have received in the past, as well as the constant threat to peace should they join the Communist movement. "Our degree of success," he warns, "in meeting that challenge, in time, will determine whether the democracies of the West will survive."\(^{29}\)

4. Implications of the Political Revolution

The growing state of dissatisfaction, arising from the more extensive dissemination of knowledge, skills, and information which tends to make life more pleasant and dignified, has been described as the "revolution of rising expectations."\(^{30}\) The inhabitants of the economically retarded areas are simply becoming more self-assertive. In order to attain their economic ambitions, they turn expeditiously to political means which in their case implies either further progress toward or a consolidation of acquired national independence. As a result of these interests, most

\(^{29}\)Lie, *op. cit.*, pp. 440-441.

underdeveloped countries have forthright predilections for any constructive suggestion of economic assistance.

A former American Secretary of State has analyzed this contemporary unrest throughout the world in terms of two simultaneous revolutions; namely, the revolution of technology and the revolution represented by the Declaration of Independence and the French Revolution. In his opinions, these nations and colonial territories, many of which also cherish political and economic freedom, are experiencing major difficulties in their endeavors to synthesize the two movements and assimilate the more desirable qualities of each. It is the meeting of these revolutionary forces in the underdeveloped areas of the world, for instance, which gives meaning to such a movement as the Point Four Program.31

It is by no means an insignificant coincidence that President Sukarno of Indonesia, in addressing the Bandung Conference of 1955, referred idealistically to the renowned ride of Paul Revere. Almost two centuries later, vast regions of the world still receive political inspiration from that event. Furthermore, the rest of the contemporary world cannot prudently underestimate the full implication of these anticolonial and pronationalistic feelings.

Relative to these phenomena, Toynbee criticizes the

more politically mature Western nations for their reluctance to accept the philosophy "of the shot heard around the world" when practiced by the Asians and other colonial populations. Likewise, Barbara Ward maintains that the West, from a material and psychological standpoint, is failing to meet the challenge of the backward areas largely by default.

Laudable as the anticipated economic progress may be, words of warning have been expressed over the latent dangers of promoting economic policies to the virtual neglect of comparable and concurrent social changes. In the absence of adequate safeguards, the creation of a greater productive capacity and subsequent wealth will enhance the welfare of a small dominant minority, superimposed on the poverty indigenous to the Orient. In order to rectify obvious cultural anachronisms, it is argued that a certain degree of social revolution should be encouraged instead of being quelled. And, if left to their own discretion, "the backward nations are no longer the conservative ones; they have

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34 Nathaniel Peffer, "The Prospect for Point Four," The Virginia Quarterly Review, XXIX (Summer, 1953), p. 373.
turned revolutionary, in the sense that they are more will­ing to abandon their traditional behavior if that will bring them prosperity and security.\textsuperscript{33}

The practice of inaugurating and extending national plans for development, as in India,\textsuperscript{36} exemplifies the new economic nationalism. Although these socialistic measures may be regarded as objectionable in some quarters, the underdeveloped countries feel that they can neither enjoy the luxury nor tolerate the waste and delay associated with unco­ordinated economic progress. Moreover, some donors of foreign capital encourage these national year-plans in order to guarantee the prudent disposition of any capital which is contributed. A report of the Economic Commission for Asia and the Far East for the year of 1955, notes appr­ovingly the further advances in the formulation of national development programs and regards this fact as an indication of the region's intentions and readiness to launch upon a


more intensive expansion of its economies. Parenthetically, economic activity of this type helps develop national integrity and self-reliance, as well as skills in governmental administration. In fact, the desire for economic development is simply one manifestation of nationalism. So long as the process does not lead to inordinate autarchy, it will not be detrimental to the welfare of the world community.

Having some comprehension of better standards of living elsewhere, the peoples of the underdeveloped areas are less stoic and exhibit an extraordinary determination and ambition to improve their economic and social status per se, and not specifically as an economic weapon in the struggle against international Communism. They are in the throes of an economic and social revolution which, incidentally, does not command complete understanding and sympathy throughout the world. An appraisal of the underdeveloped countries and their policies leads to the conclusion that neither their economic nor their political life can be viewed realistically in isolation. Indeed, the two are inextricable.

Recognizing the inadequacy of their indigenous resources for initial and accelerated progress, they resort to international negotiation and machinery to secure the requisite assistance from their wealthy and more fortunate neighbors. To a considerable degree, the question remains unresolved as to whether those neighbors will or will not respond and abet this revolutionary movement with their moral and material support soon enough and in adequate proportions.
CHAPTER III

SOME PERTINENT ASPECTS OF EFFECTIVE AID

The decision to establish an IDA depends upon such related factors as accelerated progress, planning, determination of priorities, flexibility in the relationship between agriculture and industry, amount of indigenous effort vis-a-vis foreign capital, the respective merits of public and private capital, and the efficacy of multilateral aid. Some of these require analysis in terms of being functions of others. To determine priorities, to reconcile opposites, and promote one project to the detriment of another necessitates hard choices. At times, the partisan forces for and against IDA, in weighing its merits, have resorted to value judgments in order to resolve the dilemmas as to which courses of action are likely to further the best welfare of the world community.

1. The Time Element

First, there is the pressing factor of time, Chester Bowles, summing up the situation with apprehension, contends that the "underdeveloped nations are in a race against time."\(^1\) Formerly, the complacent attitude toward under-

\(^1\)America's Need for a New Foreign Economic Policy, Address before Ninth Annual Convention of Tea Association of USA (New York: 1954), Mimeographed, p. 4.
developed and backward areas corresponded favorably with the inertness and lethargy within those very areas. Subsequent to the steady deterioration of colonialism from the time of World War I and the resurgence of nationalism based on self-determination, particularly since the end of World War II and the establishment of the United Nations, the problem has become progressively more acute and warrants imperative action. These profound changes have evoked demands for immediate rectification, for the underdeveloped countries no longer accept poverty as an "inevitable fact of life."2

There seems to be a unanimity of opinion within the ranks of those who favor economic assistance that the time to start is now, even though the initial efforts are nothing more than comprehensive planning. The U. N. Experts, in passing, showed a keen comprehension of this precise point when they made the observation that planning takes time. They urged, therefore, that the period of initial preparation be cut down as far as possible and recommended that the proposed IDA take steps to shorten the interim of transition. "Even planning to create an International Development Authority is certain to take time, after the idea is accepted. We would therefore urge that decisions be made

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as soon as possible, so that under-developed countries may begin to make their own preparations. On the contrary, a school of opinion holds that in view of very limited funds a program of global assistance is an imprudent step now, for the inconsequential gains would hardly make a dent upon the over-all gigantic task of world development.

Furthermore, some individuals question the ability or capacity of underdeveloped economies to absorb large sums of capital forthwith. The rebuttal to that apprehension stresses the necessity for some modest projects now, eventually becoming larger with a growing capacity to utilize capital effectively. That vicious circle of pessimism concerning their ability to assimilate capital will continue to remain unbroken, unless change--small though it may be--is interjected deliberately at some point. Under such conditions, the "multiplier effect" will begin to function. Small gains now will generate larger ones in the future, and on this theory an International Development Authority is needed now to have any hope of making a real start on world development five years hence.

One American economist, for example, has regarded the American Point Four Program as sort of a speed-up device.

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Writing in 1950, he concluded that the underdeveloped areas were in no position to absorb five to seven billion dollars annually at that time; however, he concluded that "a vigorous Point 4 program may find them prepared to absorb amounts of these proportions in 1955." Having the benefit of hindsight, it is easy to see in 1957, that Point Four, or anything equivalent to it, never attained those proportions; hence, the ability of the underdeveloped areas to absorb capital in larger sums has not increased measurably in the past five years. Economic progress is cumulative and any increments or gains tend to compound with the passage of time. Current investments, modest though they may be, are necessary for economic expansion in the future.

In urging large-scale immediate action, it is done with full recognition of possible sacrifices elsewhere. One group, favoring moderation or something considerably less than that, says there will be a waste of resources due to insufficient aid, lack of detailed planning, or an inability of backward economies to absorb capital in concentrated

5Seymour Harris, Foreign Aid and Our Economy, Bold New Program Series, no. 7 (Washington: Public Affairs Institute, 1950), p. 70.

amounts with maximum effectiveness. The optimists, on the contrary, believe that the quick returns will compound and eventually generate greater progress. Initial successes will open new doors. Ultimately, the indigenous capital and know-how can replace the need for further help by the United Nations or individual nations. Finally, the over-all advantages of capitalizing upon the factor of time will more than compensate for the losses and sacrifices due to inefficiency. If the present waste of resources and manpower throughout the world is viewed realistically, it is obvious that an accelerated program of development would not have a monopoly on waste and inefficiency. In the final analysis, one group would start now and sacrifice over-all efficiency; the other would wait and sacrifice the cumulative gains of time.

2. Tempo and Quantity of Development

The accretions of western economic progress have multiplied enormously in the course of a century and a half. In comparison, the backward areas of today have ambitions to accomplish as much in a shorter period. Their optimism is not completely unfounded; for example, Japan and Soviet Russia, disregarding for present purposes the authoritarian

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means which were employed, have demonstrated the feasibility of accelerated development from a purely physical and technological criterion.

On the question concerning the rate of development, opinion is sharply divided. On one extreme, some contend that "the pace of economic development of under-developed countries must be quickened, not slowed down." The need to accelerate the rate of economic growth in order to improve the standard of living for the masses, according to the Economic Commission for Latin America, has acquired the "force of an axiom." Another international study concluded that the "tempo" of economic development could be "substantially accelerated" with the aid of resources borrowed from the industrialized countries.

The critics of unprecedented acceleration pose an argument, warranting prudent evaluation. Acceleration neither follows any magic formula nor proves to be a panacea. Due to the diversities within local economic, political, and social conditions, different and flexible methods of administration are required. Expediting recovery in well-developed

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countries, for example, the Marshall Plan, is one thing; but striving for similar achievements in backward areas is a more complicated and protracted process.  

Simultaneously, an avid faith in the capacity of an unmixed system of *laissez-faire* carries definite appeals for some people. One interpretation of the American Point Four Program was illustrative of that philosophy, wherein it was contended that the bold new program was an effort to hasten and "stimulate certain processes which would undoubtedly have taken place in time anyway." That analysis may possess some validity, but it immediately subordinates the factor of urgency. Similarly, the International Chamber of Commerce holds that it is "more advantageous for the underdeveloped countries themselves to experience a slow but sustained growth, associated with the development of private enterprise, than to have a relatively quicker growth, based on authoritarian state planning of economic life and on the always precarious availability of foreign government grants or loans." Inasmuch as planning is not always synonymous with progress, it is often of the utmost importance, as in the case of the Organization of American States, to have a system of planning which will not itself become an obstacle to progress.  

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11 *Report to the President on Foreign Economic Policies*, op. cit., p. 72.


with authoritarianism, this is a fallacious and highly misleading argument.

Returning to the potential pitfalls of too rapid development, Nelson Rockefeller, the promoter of the generally recognized unsuccessful venture of the Venezuela Basic Economy Corporation (VBEC) in Venezuela, concluded, "it was a case of too much too soon rather than too little too late." On the other hand, the over-all picture for forging ahead in quick and sizeable strides does give cause for optimism. For example, in Latin America the present rate of population increase, 2.5 per cent per year, exceeds that of any other major region of the world. Since World War II, the annual increase in production has averaged nearly 5 per cent which leaves an over-all net increment of per capita output per year of 2.5 per cent. Long sustained production at this rate could "accomplish wonders in Latin America."

Of course, these successes in Latin America have been based on a more advanced economy than prevails in many of the other underdeveloped areas of the world. Somewhere between the Charybdis and Scylla of an extremely rapid pace and pessimistic lethargy, a flexible policy of moderation seems to

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14 For the story of VBEC, which was an affiliate of the International Basic Economy Corporation (IBEC) see, Robert Hallett, "Rockefeller's Caribbean Rainbow," United Nations World, VI (Oct., 1952), p. 22.

be more prudent. In making recommendations for the future
development of Colombia, a special mission of the Inter-
national Bank for Reconstruction and Development concluded
that it was wiser to launch a "comprehensive and well-
coordinated attack" on the problem of development and to
prosecute the "attack over an extended period." In terms
of existing programs and the amount of capital and technolog-
ical aid applied through them, there is no justification for
contending that development is proceeding anywhere near the
optimum of moderation—let alone beyond that stage and
approaching a rate deemed to be dangerous. It is antici-
pated that an IDA would prove to be part of the corrective
catalyst.

3. Priorities through Planning

Since a practical and feasible approach to development
favors sustained moderation, it is necessary to establish a
reasonably objective scale of priorities in order to deter-
mine those projects which will provide the quickest returns
and be most remunerative of all the innumerable activities
which might compete for the available resources. Starting
with the hypothesis that enduring development is essentially
an indigenous process, external aid serves primarily then as

16Basis of a Development Programme for Colombia
a stimulant for the backward economies.

In order to utilize local resources of each respective area as effectively as possible, it has been suggested that those types of economic projects should be undertaken initially which (1) shift the factors of production to the most productive sectors of the economy; (2) are labor intensive rather than capital intensive; (3) offer the best prospects for capital accumulation; and (4) will have indirect beneficial effects on the other sectors of the economy.17 To recapitulate, those basic services that will create incentives and opportunities for new economic ventures, which in turn will contribute to an expanding economy, command priorities.

Those services may consist of either "economic overhead" or "social overhead." To a considerable degree the latter may be regarded as an investment in people, particularly in the fields of education and health. In many cases this type of investment would lead to a greater flow of goods and services than would follow upon a similar investment in a more material project.18

Whether these basic services are either economic or


social, many of them are long range in maturation and offer meager prospects for an immediate return upon the original investment. The prevailing standard of values makes a choice extremely difficult for those individuals who rely heavily upon the profit motive. In essence, private investment, by failing to accept the tendered challenge, discredits itself as an acceptable promoter of development. Once the basic services have reached certain stages, the new and more favorable economic climate will properly and quite legitimately "tend to pass from the public to the private sector of the economy."^{19}

A recent United Nations report, compiled by Raymond Scheyven, a former President of the Economic and Social Council (ECOSOC), employs the term "infrastructure" to denote the minimum foundation on which any sound and stable economy must be constructed. He describes the composition and importance of this new concept in these words: "Roads, railways, canals, port installations and sources of power create opportunities for business enterprise; clearing, irrigation and drainage make land available for tillage. Schools train the labour force and universities the leaders.

Hospitals foster the improvement of health and hygiene.\textsuperscript{20}

For countries that are struggling to rise from the torpor of a nonproductive economy in its primary stages, a lack of these basic facilities quite often constitutes a major bottleneck. The experts consider that in the development of the backward economies 60 per cent of the over-all investment needs to be channeled into the infrastructure during the initial stages.\textsuperscript{21} Investment opportunities of that type do not prove to be a great inducement for the private investor who seeks a more immediate financial return. The International Chamber of Commerce, as an ardent champion of economic development by private enterprise, tempers its basic philosophy somewhat and concedes that no real development can occur in substandard regions "without the execution of such 'basic projects'" comparable to those enumerated as part of the infrastructure.\textsuperscript{22}

The role and limitations of the International Bank for Reconstruction and Development will be analyzed in the succeeding chapter; however, its attitude toward the question of basic projects is pertinent. The Bank's President


\textsuperscript{21}\textit{Loc. cit.}

declared candidly that its loans for economic development
are helping "to lay the foundation upon which private inves-
tors are able to build." A recent official report of the
Bank states that the "greater part of the year's lending was
for improvement in basic services. . . . The Bank tries to
select high priority projects within the framework of the
country's over-all economic needs."

To accept the general principle of aid for the infra-
structure represents an unequivocal gain, but the selection
of those precise projects to be launched remains quite
equivocal and controversial. No rigid formula seems appli-
cable. Instead, the decisions for each country and region
are governed by circumstances unique to the particular sit-
uation. In order to achieve balanced progress on all fronts
simultaneously, alternatives need to be weighed and judged
in terms of their over-all contributions elsewhere. Indeed,
it is a complicated and difficult problem requiring compre-
hensive and sound judgment. Impressed by the enormity of
the task ahead, the element of time, and available resources,
a British Laborite asserted recently in the House of Commons,

23Eugene Black, "The World Bank and Commonwealth
Development," New Commonwealth, XXVII (Feb. 15, 1954),
p. 164.

pp. 1, 5. For preceding and similar endorsements by the
p. 9.
"We must determine priorities and plan in stages. That is inevitable. I believe a world development authority can best help to fulfill these conditions."25

4. Agriculture versus Industry

Any attempt to establish a rational scale of priorities for allocating limited capital resources culminates almost immediately in a head-on collision with the dilemma of agriculture vis-a-vis industry. The controversy arises logically, for most underdeveloped areas are predominantly agricultural, primitive in many cases to the extent of actually having subsistence economies. In sharp contrast, the developed areas of the world are generally synonymous with advanced industrialization; hence, there is a propensity in some quarters to contend unequivocally that industrial development is the keystone to the economic deficiencies of the backward areas. Unfortunately, the solution is not universally that simple.

Some of the difference of opinion among authorities and experts may be attributed to the fact that industrialization is a function of such other variables as natural resources, food supply, population, and labor supply. Each recommendation, consequently, is contingent to a high degree

upon the variable which is regarded as most significant in any particular instance. According to one recognized authority, "industrialization is necessary for the development of agriculture," since it will "draw into industry some of the surplus population on the land."26

A similar interpretation claims that industrial and quasi-industrial development must help supply goods and services to an expanding economy and absorb the labor force released by a more efficient agricultural system, if underemployment and unemployment are to be minimized.27

The Soviet bloc in the United Nations has been quite vociferous in its advocacy of priority for industry. For instance, the delegate from Czechoslovakia stated unequivocally that "industrialization was the first step toward abolition of economic backwardness."28 In the opinion of the Polish representative, "industrialization was necessary; for example, in the Far East, where population was very dense and at present time was engaged in agriculture."29


27Report to the President on Foreign Economic Policies, op. cit., p. 57.


29Ibid., p. 234.
In contrast, the advocates for agricultural precedence, at least in the earlier stage, hold somewhat antithetical views and believe that improved agricultural productivity is the best focal activity in the early stages of development. \(^{30}\) "The free Asian countries have essentially agrarian economies; the process of their industrialization should rest upon an increasingly strong foundation of agricultural productivity."\(^{31}\) In particular instances, where population tends to outrun the indigenous supply of food, greater and more efficient agricultural production seems most logical. Interestingly enough, this theoretical analysis is diametrically opposed to the Soviet-oriented philosophy. By way of pragmatic application of both viewpoints, Communist China is investing in heavy industry while India has plowed its scarce capital primarily into agriculture in the prosecution of the First Five-Year Plan.\(^{32}\)

Undoubtedly, a portion of the contemporary emphasis on industrialization arises as a reaction to the usual practice of relying upon many backward areas as sources of food


and raw materials for the export market. Singer contends that this economic policy has been detrimental to the under-developed countries since it removed the secondary or cumulative effects of investment, i.e., the benefit of the "multiplier effect." Development, if it is to have an enduring effect on the local economy, must provide for the absorption of reinvestments.  

In substance, agriculture and industry are complementary and both need to be promoted simultaneously. The precise degree of each is the equivocal factor. A decision as to which should have initial priority hinges, partially at least, upon two variables (1) labor supply and (2) the labor intensiveness of the whole economic program. As economic development proceeds, manpower has a propensity to shift from agricultural into industrial channels, because more efficient and productive agriculture requires less labor.

In a country where population is large in relation to cultivable land--parts of Asia, for example--there is usually considerable underemployment; consequently, urgent industrialization is designed to absorb the surplus labor. But in a


country where there is no surplus labor, "industrialization waits upon agricultural improvement, because industry should receive only those persons whose labour is no longer required in the production of food. In countries that are short of labour the way to industrialization lies through the improvement of agriculture, while, in countries that have a surplus rural population, the way to the improvement of agriculture lies partly through the development of manufacturing industry." Another study accords, in general, a slight advantage to agriculture.

In selecting economic projects for the areas of surplus population, other things being equal, labor intensive projects have preference. If a similar criterion is applied to the utilization of capital, "capital extensive industries should be given preference over capital intensive ones," for the demand for both external and local capital exceeds the forthcoming supply. There is no unequivocal rule for the allocation of capital resources between agri-

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37 Moore, loc. cit.

culture and industry. In order to attain balanced progress, both go hand-in-hand in a flexible and complementary relationship. Any initial advantage accorded to either must be determined by the factors and merits of each individual case under advisement.

5. Indigenous and National Effort

Underlying portions of the previous discussions, as well as a subsequent one on the accumulation of capital, a misconception of foreign aid prevails in some circles. Some altruistic and idealistic people overestimate the appropriate role of external assistance. In essence, the character of any economy remains contingent upon the local population, resources, geographical features, and the existing cultural patterns.

Indeed, it is perhaps a trite axiom that a sound scheme of development rests firmly on indigenous factors. In no way does the preceding statement deprecate the importance of a limited but vital amount of external assistance. Even though it may be only a small percentage of the national economy, it is that indispensable quantity which will mean the difference between progress, lack of it, or regression. So rather than devoting all efforts almost exclusively to external features, any prudent plan, whether IDA or otherwise, recognizes the predominantly indigenous character of development and proceeds accordingly.
Although the production of food, basic services, and materials is fundamentally an economic activity, it transpires in a sociological milieu—unique and traditional for each area. By virtue of a cultural lag, the inhabitants of backward areas are "unable to change their minds as fast as they change their machines." A recent study of the historical antecedents of the Point Four Program states the religious mission groups had to work within the existing cultural patterns and that "leaders of future technical missions may well ponder the problem." Similar research on voluntary agencies reveals that consultants, hoping to imbed techniques and practices which will be carried on when foreign personnel withdraws, favor working through indigenous organizations from the start.

Foreign assistance will be expended to no avail without the prerequisites of an indigenous national determination to undertake constructive action. The people of a country must "desire progress." In addition, they need the incentive in the form of leadership and a willingness to


41Bock, op. cit., p. 21.

do plain hard work which development requires, for it has been estimated that ninety-five per cent of what is accomplished in underdeveloped countries will have to be undertaken by the local people.\(^{43}\)

To whatever degree local initiative exists, whether in terms of planning, finance, operational activities, or administration, programs of effective foreign assistance seek it out, stimulate it, and capitalize upon it. In addition to existing "year plans," the establishment of more national development agencies by the underdeveloped countries "to prepare sound plans for economic development projects would be equally helpful."\(^{44}\) An IDA has been presented as a means to induce individual governments to prepare national development plans, modeled, for example, on the lines of the National Five-Year Plan of India.\(^{45}\)

\(^{43}\)Eugene Staley, The Future of Underdeveloped Countries (New York: Harpers, 1954), p. 28. See, James McAuley, "Paradoxes of Development in the South Pacific," Pacific Affairs, XXVII (June, 1954), pp. 138-149, for an interesting theory concerning the inertia among people who have acquired the wants of Western culture, but not the will or means to fulfill the insatiable desires. He concludes that until "money wants" have become continuous the motive power for constructive activity will be lacking.


6. Accumulation of Domestic Capital

In the opinion of some observers, the urgency of the situation in some regions and localities demands concentrated amounts of capital investment. Thus, an essential and appropriate phase of domestic action pertains to the infinite problem of capital formation and accumulation; for it is an indisputable aphorism that economic progress is a "function, among other things, of the rate of new capital formation." Under current world conditions, however, it cannot be regarded exclusively as a local problem but amounts to a complementary relationship between both domestic and foreign capital. Whereas domestic resources are regarded quite properly as the most basic for economic development, the external assistance fills an indispensable, supplementary role.

Any valid appraisal reveals that capital, regardless of its initial source, remains relatively scarce; consequently, it behooves those who share the responsibility for choosing investments to use extraordinary discretion. Of course, this admonition applies with equal force and validity to the contemplated administration of an IDA, too. The authors of the U.N. Experts' Report have been criticized for their failure to face the real issue that "capital resources

46U. N. Experts' Report, op. cit., p. 35.
of the world are not abundant but scarce." Moreover, the wasteful and injudicious application of them anywhere has a detrimental effect on all people throughout the world.47

As soon as attention is directed to a study of domestic capital, the most striking observation notes the low level, as well as the low rate, of its accumulation. A banal and superficial explanation of this phenomenon might hold that savings are low because the countries are poor. A more discerning reason, according to one expert, is that there is no surplus production for savings, simply because the "capitalist sector is so small."48

A description of the Colombo area countries epitomizes the general dilemma. "The present situation is in the nature of a vicious circle. Economic development cannot proceed because the rate of savings is inadequate; saving does not take place because there is insufficient development."49 A subsequent report of the Plan restates the consensus and concludes that the "low level of average individual incomes" makes it difficult "to mobilize sufficient domestic


49The Colombo Plan . . . , Cmd. 8080, op. cit., p. 54.
resources for a rapid rate of economic development."\textsuperscript{50} More or less complete reliance upon domestic capital leads to greater national initiative and independence of action, but on the other hand, it means unduly protracted development and a sacrifice of quick gains.

7. Accumulation of Foreign Capital: Private versus Public

Despite the challenging and commendable efforts and the austerity of the underdeveloped countries, self-help has limits; therefore, recommendations, calling for supplementary aid from surplus-capital countries, emanate from innumerable sources.\textsuperscript{51} Both public and private finances may be channeled into foreign investments, depending upon the specific purpose and objective of each project. Since IDA has been postulated, to a significant degree, upon acquisition and disbursement of public funds, the heated controversy over the respective merits of private and public capital is

\textsuperscript{50}Consultative Committee on Economic Development in South and South-East Asia, \textit{The Colombo Plan: Third Annual Report}, Cmd. 9336 (London: H.M.S.O., 1954), p. 120.

apropos.

In part, an earlier discussion reviewed the intrinsic limitations of private investments in relation to infrastructure. "The backward areas by their very poverty," as stated by Barbara Ward, "will not attract much capital."\(^{52}\) For other reasons, excluding plain inadequacy, private funds have been placed on the defensive. In many cases, they have been charged with sponsoring the wrong projects in terms of balanced development. This has been particularly true of the oil and other extractive industries; consequently, areas abundant in resources are favored instead of those having dense populations.\(^{53}\)

Elsewhere, it has been stated that the provision of basic services is emphatically "not a function of private enterprise."\(^{54}\) Stringfellow Barr deprecates the false assumption that "free enterprise" can do a better job than government because, in his opinion, there is not enough private capital available. This is essentially a distinction between the actual existence of private capital and a willingness to make it available for basic development of a


nonprofitable nature.\textsuperscript{55} Despite the advocacy in official circles for private financing, the President of the International Bank for Reconstruction and Development, speaking to a trade conference, reminded the group candidly that "private investors in the international field are very few today."\textsuperscript{56}

Notwithstanding these remonstrations against private enterprise for its record of nonfeasance, the International Chamber of Commerce contends, rather presumptuously, that "private investment alone has the dynamic and realistic qualities required." However, the same publication concedes that the major function of government is to create conditions under which private capital will move in growing volume.\textsuperscript{57}

A criticism of instability has been leveled at those private investments already in existence, for their susceptibility to cyclical reactions has been labeled a "mercurial quantity."\textsuperscript{58} According to this interpretation, they tend to


"dry up" in periods of depression, the very time when retraction does the greatest damage to the maintenance of world prosperity. It must be pointed out judiciously though that private investment possesses one favorable characteristic to counterbalance some of its shortcomings; for it usually commands sufficient technical ability and skills to accompany the capital for operational purposes. Public investment, in marked contrast, must turn to other sources for these essential physical facilities.

Since the record of voluntary private investments has been castigated severely for its inadequacy, public finance, having a fundamentally different rationale, proves to be a feasible alternative. In addition to being more stable, one reputable economist conceives that many countries will accumulate an "investible surplus." So, government-to-government borrowing will offer greater possibilities than private investment which would be willing to assume the risks of international finance.

In appraising the advantages of governmental lending, the authors of the U. N. Experts' Report declared


categorically that "the bigger the public investment is, the bigger will be the private investment."\textsuperscript{61} Their allegation has been challenged, however, with the assertion that the economic history of certain Latin American and Southern and Eastern European countries does not support the contention.\textsuperscript{62} This latter rebuttal, citing an exception to the statement, stands vulnerable to refutation when it is pointed out that private investors have penetrated Latin America more willingly than either Africa or the densely populated regions of South and South-East Asia.

Rather than assume that public and private capital are mutually exclusive, the International Development Advisory Board has spoken of the "opportunities which public funds provide for the stimulation of additional development through private capital."\textsuperscript{63} According to this interpretation, private investments can take advantage of and build upon the non-profitable work of public development.

8. Bilateral Versus Multilateral Aid

Whether grants or loans come from private or public sources, the precise medium through which the aid flows may

\textsuperscript{61}U.N. Experts' Reports, op. cit., p. 82.
\textsuperscript{62}Frankel, op. cit., p. 322.
have considerable bearing upon the success of its application. Speaking of the nonfinancial international agencies, the Randall Commission reported that there was in these bodies a "recognized spirit of cooperation between the nations which cannot be obtained by bilateral programs, in the same degree." In behalf of international amity, assistance offered multilaterally possesses additional advantages; therefore, public investments and grants, especially if awarded under the auspices of impartial multinational agencies, are deemed preferable by the aid-receiving nation. On the whole, however, those nations which are key donors of aid prefer bilateral programs, concomitant with more control.

Memories of exploitative imperialism linger on, and private investments and bilateral public grants or loans fall easy prey to such allegations as "new imperialism" or "decadent capitalism." Consequently, in order to minimize suspicion—real or otherwise—"the United Nations is the channel, for unlike bilateral assistance, United Nations aid does not arouse nationalistic sensitiveness and suspicion in the underdeveloped countries." The Asian people are quite

64Commission on Foreign Economic Policy, Staff Papers (Washington: 1954), p. 76.

65Viner, op. cit., p. 139.

apprehensive of American aid and feel that the channeling of financial assistance through international agencies, in addition to being more desirable to the recipients, would provide better safeguards to the foreign donors or lenders.\textsuperscript{67}

Adlai Stevenson has pointed out that more aid through the United Nations would abet the establishment of objective priorities relative to the needs of various backward sections of the world. Moreover, multilateral aid would stop competitive bidding in the "cold war."\textsuperscript{68} Realizing the import of certain prejudicial attitudes, the International Development Advisory Board contended that an IDA, which it had recommended, would be in a better position to resist diplomatic pressures.\textsuperscript{69} As the respective nations of the world view the principle of IDA, their approval or disapproval hinges in part, at least, upon these predilections for multilateral or bilateral assistance.

To recapitulate, balance and moderation are helpful criteria in the determination of genuine and enduring development. According to this theory, basic services command priority in the allocation of limited resources and are accelerated expeditiously. Of course, it is recognized that

\textsuperscript{67}Vera Michele Dean, "Impressions of Lucknow," Far Eastern Survey, XIX (Nov. 8, 1950), pp. 199-200.

\textsuperscript{68}Text of speech, New York Times, April 22, 1956, p. 30.

\textsuperscript{69}Partners in Progress (Washington: 1951), p. 72. For a comprehensive summary of the respective merits of multilateral and bilateral assistance see, Staley, \textit{op. cit.}, pp. 348-352.
the ascertainment of priorities implies a considerable element of pragmatic judgment. Agriculture and industry are expedited on the basis of a flexible formula, singularly applicable to the precise conditions. Indigenous determination and effort are essential and preferable, and their perennial encouragement and exploitation constitute a vital part of external aid.

The void of insufficient domestic capital necessitates foreign supplementation. Due to the checkered record of private international investments to date, effective and balanced economic development will depend, for the present at least, upon the multilateral administration of public funds. As the critics and proponents of IDA make their respective appraisals of the idea, whether on principle or actual establishment, their analysis reverts frequently to some or all of the foregoing aspects of economic aid.
CHAPTER IV

LIMITATIONS OF EXISTING CHANNELS FOR AID

Dating from the era of widespread imperialism in the last half of the Nineteenth Century, economic development in Asia and Africa has been continuous; however, the progress has been modest and uneven without co-ordination and, quite often, with no particular concern for the welfare of the indigenous populations. In the subsequent analysis, there is no intention to discredit, abolish, or replace functioning agencies engaged in economic development. Considering their restricted and provincial spheres of operation, the partisans of concerted action hope for a more comprehensive approach to be established upon the foundations which already support such organizations as the International Bank for Reconstruction and Development (IBRD), Point Four Program, the United Nations Expanded Program of Technical Assistance, and the Colombo Plan.

1. Foreign Exchange as a Source of Indigenous Funds

Before proceeding to a survey of external aid, it is proper to explore the prospects for "self-help" by means of accumulating capital internally, in particular those capital resources anticipated by the underdeveloped countries as the result of a growing and favorable balance of payments. The
precise amount of foreign exchange which any nation accumulates to its credit depends upon two main variables; namely, the volume of trade and the terms of trade. Moreover, these two factors are functions of each other, and at times their inverse relationship compounds the likelihood of further economic fluctuations and instability.

Since the highly industrialized countries dominate world trade in terms of volume and value, small economic fluctuations in the developed areas may generate repercussions of greater intensity, magnitude, and severity within the underdeveloped countries. Furthermore, variations in the terms of trade may be either cyclical or secular. The former is short range in nature and subjects the more susceptible economies to periods of "boom and bust." Secular swings occur over a much longer time and are less violent. In the latter situation, prudence suggests a gradual transfer of productive resources by the underdeveloped areas from primary production; however, in the period of 1945-1960, there was a prediction that the terms of trade would improve in favor of primary producers.¹

Specialized production in a single, primary commodity, or at least in a very few, leaves the more simple economies extremely vulnerable to trade cycles. That fact explains

the anxiety among most of those countries to safeguard their economies through diversification. The initiative, for instance, which Venezuela has taken towards this objective has proved to be reasonably successful. Moreover, these exemplary successes are standing challenges as to what can be achieved elsewhere.

The Korean War, as a major economic disturbance within the industrialized economies of the world, created a short-term demand for certain raw materials for military equipment and industrial stockpiling, particularly by the United States. The countries producing these primary products benefited from the improved terms of trade in 1950-1951; but with the collapse of the world markets by 1952, the advantage had shifted from the primary producers back to the industrialized nations.

The plight of being more or less passive victims of the uncontrolled business cycles irritates the people of those nations engaged in primary production. "They resent," according to Averell Harriman, "the fact that their whole economic life depends upon the sale of their raw materials in markets which fluctuate." When the theoretical factors

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are reduced to monetary figures of foreign exchange, the hardship proves to be quite realistic. The shift of the Asian balance of trade in 1951-1952, according to the Economic Commission for Asia and the Far East, meant that "in sheer quantitative terms, greater stability of demand has even more importance than the current scale of foreign aid and loans." (Italics L.C.L.)

Motivated by an aspiration to mitigate these hardships, representatives of the underdeveloped nations have pleaded in vain within the United Nations for more international commodity agreements similar to the existing International Wheat Agreement. The report of an ad hoc United Nations committee recommended the establishment of a Trade Stabilization Commission, empowered to advise appropriate and remedial intergovernmental action as soon as instability became discernible. This recommendation has never been implemented. It is noteworthy that the Bandung Conference of April, 1955, representing the Asian-African regions, expressed definite convictions on the necessity to stabilize commodity trade. The Conference resolved that international prices of and demand for primary commodities

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should be stabilized by collective action. Obviously, the content of the recommendation was not novel. Thus, its political significance lies elsewhere, namely, the source—an aggregation of underdeveloped countries.\footnote{7 "The Asian-African Conference: Final Communique," United Asia, VII (June, 1955), pp. 178-179.}

Under the most favorable conditions, self-contained development would be a protracted process which poses, in turn, a critical and somewhat rhetorical question. Considering the factors of international tension, stability, and peace, can the world afford to risk the inherent and latent dangers of moving too slowly? Since the existing structure of world trade does not provide foreign exchange either in adequate amounts or in consistent quantities for the underdeveloped nations, they are inclined to seek and utilize foreign sources of capital.

2. \underline{International Bank for Reconstruction and Development (IBRD)}

Following World War II, the establishment of the International Bank for Reconstruction and Development (IBRD) symbolized part of the optimism and effort to attack and solve some of the world's financial problems through international fiscal action. Neither the history of the Bank's establishment nor many of its economic features are of any import here; nevertheless, its record of achievements has
been contingent upon two significant features. First, by statutory requirement all loans made by the Bank must be guaranteed by the government, or the nation's central bank or its equivalent, of the country in which the project to be financed is located. Second, the Bank was organized on the principles of a self-liquidating business institution whose loans were contingent on the ability to repay, or as the charter states, "the Bank shall pay due regard to the prospects that the borrower . . . will be in position to meet its obligations." Hence, equity investments were virtually precluded and all transactions were to be nonspeculative in nature.

Beyond these statutory stipulations, the Bank tries to select high priority projects within the framework of the country's comprehensive needs. Moreover, the Bank is "concerned primarily to ensure that its loans make the greatest possible contribution to increasing production, raising living standards and opening opportunities for further investment."10

As of 1956, its lending operations had expanded consistently in the course of ten years until 150 loans had

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committed a total of $2,720 million in 42 different countries and territories.\textsuperscript{11} Geographically, the loans have been concentrated more heavily in Europe and the Western Hemisphere. Excluding loans granted for reconstruction, priority has been given to electric power, with transport ranked second, whereas agriculture and industry were about even for third place.\textsuperscript{12} In passing, it should be noted that the Bank's sponsorship and reliance upon survey missions to certain countries have served the very constructive purpose of securing necessary data for further development.\textsuperscript{13}

Considering the legal restrictions and the responsibilities of the Bank, it has produced an impressive record. While making allowance for its adherence to the dictums of sound finance, there is a frank recognition of the fact that the Bank's share in the financing of contemporary infrastructure is limited.\textsuperscript{14}

Dissatisfaction with the Bank has been rather prevalent, not with its actual achievements so much as with the

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stringent and confining provisions of its statute concerning self-liquidating development. For instance, in the Economic and Social Council a delegate from India has charged that rapid development was hampered by the Bank's "cautious policy in the granting of loans." A representative from the Philippines criticized the Bank for its big loans to developed countries and small loans to the underdeveloped countries. Such a policy, it was argued, tended "to make the rich even richer, while the poor became poorer." In a more recent session, the Yugoslav delegate charged that the activities of the Bank were limited sharply by the "credit worthiness" of the borrower.

Consequently, the discontented would like to empower the Bank to borrow from and lend to governments on more liberal terms for "general development purposes." The U.N. Experts' Report declared quite candidly that in view of the demand for capital in underdeveloped countries, "the Bank cannot be said to be meeting the challenge of the circumstances. ... The Bank has not adequately realized that it is an agency charged by the United Nations with the

\[16\text{Ibid., p. 226.}\]
duty of promoting economic development." Later the Bank was admonished to set a goal, to be reached within the next five years, of lending $1 billion annually to underdeveloped countries. 

On one occasion, the President of the Bank stated quite frankly that the backward countries could not adequately accelerate the rate of their development if they had to rely upon capital which they had a reasonable prospect of repaying. Indeed, by tacitly admitting the limitations of his institution, it seems that he alluded indirectly to some means for the supplementation of its services. With no intention to deprecate the Bank, a statement by D. R. Gadgill corroborates the President's opinion. He said, "The International Development Authority is required because the Bank cannot perform a number of vital functions essential in formulating and implementing an international development programme." 

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3. **Point Four Program**

Next, there is Point Four, an operational program which captivated the imagination and good will of the entire world from the very time of its dramatic declaration by former President Truman in 1949. Although Point Four had been proposed and enacted unilaterally by the United States, it served in actual operation as a classic example of the bilateral administration of aid. At times, obvious advantages are associated with this type of assistance, but there are undesirable features inherent in it, too. Despite some shortcomings, one optimistic partisan, after observing Point Four in the villages of India has stated, "I predict that it [Point Four] will go down in history as the most creative idea of our generation."\(^{23}\) Of course, a realistic appraisal compares the actual achievements of Point Four with all the potentials of the idea. In this respect, the record fails to be particularly impressive.

Following a series of hearings, Congress implemented President Truman's unconventional proposal with the passage of the Act of International Development on June 5, 1950.\(^{24}\) The policy of the United States, according to this legislation, was to encourage "the exchange of technical knowledge


\(^{24}\)64 *U.S. Stat. at L.* (1950), 204-209.
and skills and the flow of investment capital.\textsuperscript{25} For these purposes, the first year's appropriations should not be in excess of $35 million, to be administered through the Technical Co-operation Administration. In the course of the hearings, it is noteworthy that there was considerable emphasis on the possibility of the United States giving its aid through the United Nations, or utilizing other multilateral channels.\textsuperscript{26}

The Technical Co-operation Administration was established forthwith and operated under the jurisdiction of the Department of State for almost three years. Neither time nor space permit a detailed analysis of Point Four's wide range of activities; however, the aid was limited primarily to the dissemination of technical knowledge and the promotion of "pilot projects" for purposes of demonstration. Only a minimum, if any, of the funds was devoted to capital improvement. Simultaneously, the recipient nations were encouraged to supplement United States dollars with local funds and efforts. By June 1953, the United States had spent $379,000,000 through Point Four projects, with an

\textsuperscript{25}\textit{Ibid.}, Sec. 403.

additional indigenous contribution estimated at $490,200,000. The original ideal and potential of Point Four, as envisaged and expressed by President Truman, has been subjected in the course of the political and legislative process to considerable attrition and retrenchment—to the great disillusionment of some people. James Warburg, in describing this transformation, has stated with irony that "you might say that instead of being a lion, it [Point Four] was a mouse, and then when the mouse was born it had its tail and ears cut off by Congress."28

The Technical Co-operation Administration became

27 *New York Times*, Sept. 26, 1953, p. 4. The literature on Point Four is voluminous. For a recent appraisal by a TCA administrator see, Jonathan B. Bingham, *Shirt-Sleeve Diplomacy: Point 4 in Action* (New York: John Day, 1954). An excellent journalistic summary of the achievements of Point Four in thirty-five different nations was featured by the *New York Times*, Jan. 12, 1953, pp. 10-11. This survey cited the leading projects sponsored by TCA in the various countries with figures to indicate the respective amounts of foreign and indigenous funds. The wide variation in the ratios of the latter is significant. Averell Harriman, a former Director of the Mutual Security Agency, corroborates this phenomenon in an exchange of views with the former Director of the Foreign Operations Administration, Harold Stassen. Harriman contended that countries, upon seeing the material benefits of Point Four, demonstrated a marked proclivity to include larger amounts in their national budgets to supplement the contributions of the United States. Harriman, *op. cit.*, p. 65.

further perverted and lost it identity due to a policy reorganization authorized by the Eisenhower Administration. Effective August, 1953, TCA was removed from the jurisdiction of the Department of State and, along with the Mutual Security Agency, was merged into the Foreign Operations Administration. Apprehensions of subordinating technical assistance to policies of defense had been voiced earlier by the International Development Advisory Board, which had specifically noted a fundamental distinction between "the philosophy underlying Point Four and the philosophy underlying programs of military assistance." 29

Along with other individuals, a former Director of the Mutual Security Agency has been troubled by the "overemphasis" on the military aspects of our programs around the world and expressed an opinion that there is a "feeling that we are more interested in the military." 30 This amalgamation and subsequent eclipse of Point Four prompted one official to declare that it "cut back Point Four to Point Two and a Half." 31 Subsequent to this redirection of policy, the underdeveloped nations have displayed a growing apprehension as to the precise motives of the United States.

30 Harriman, op. cit., p. 66.
As a result of the reorganization, the United States Government sought to confine its participation primarily to high administration and co-operation. Upon assuming the Directorship of the Foreign Operations Administration, Harold Stassen indicated his intentions to substitute and encourage the assistance of voluntary agencies, colleges, and foundations for direct government action. The prudence of shifting the responsibility in this manner is questionable in view of the marginal accomplishments of the voluntary agencies in the past, attributed directly to their limited financial resources.

Reporting in early 1954, the Randall Commission was not favorably disposed towards technical assistance and did not consider it to be a part of economic aid. Furthermore, technical co-operation, according to the Commission, should neither become a "big money" affair nor involve capital investments. On the contrary, David McDonald's dissent criticized the Commission's recommendation on technical assistance as too "weak and negative" and urged an extension of the program with more adequate appropriations.

A more extreme opinion refers to the "pseudo policy"

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of Point Four and charges that in many underdeveloped countries it is a synonym for "hot air." Another business publication has spoken disparagingly of the bureaucracy of Point Four and charged that it is at "variance with Christian teaching." Moreover, "the doctrine and execution of Point Four are creating abroad the impression of a new 'master race' bent on world domination." Some elements of Congress have been quite apprehensive, too. They express fears that Point Four would assist the underdeveloped countries along the "road to autarchy" with mischievous results for world trade. In spite of such a contention, development culminates in a reciprocal expansion of trade, for example, the trade of the United States vis-a-vis that of Canada and Latin America.

The Point Four Program, in addition to having lost its original nomenclature, has been perverted and subordinated to other policies in the over-all strategy of the Eisenhower Administration. Although this turn of events does not repudiate the validity of Point Four's basic

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philosophy, it does exemplify an intrinsic weakness of bilateral assistance, namely, being forever dependent upon the political machinations of a single government. Indeed, the original conception of Point Four, as administered by the United States, has neither been fulfilled nor adequately implemented. The enduring contributions of the modest program in its more inspirational and productive days are symbolic, nevertheless, of an ideal which may flourish again, perhaps in even greater intensity.

4. United Nations Expanded Program of Technical Assistance

In 1948, the General Assembly initiated a small program of technical assistance by allocating the modest sum of $280,000 from the regular United Nations budget in order to provide fellowships, expert advice, and other types of technical aid. Inspired by the philosophy of President Truman's Point Four speech, the Economic and Social Council recommended an expansion of this program. By unanimous vote, the Fourth Session of the General Assembly approved the Expanded Program of Technical Assistance in November, 1949.

Administratively, the program is essentially a non-operating agency, for it works through and allocates its funds to several specialized agencies whose directors comprise the Technical Assistance Board. The Board reports regularly to the supervisory Technical Assistance Committee
composed of representatives of the ECOSOC's current membership. In the four operationing periods—July, 1950 through December, 1951; 1952; 1953; and 1954—the Expanded Program operated on the respective pledged budgets: $20,035,578; $18,797,232; $22,394,167; and $22,284,529.37 For the fiscal year of 1956, the projected budget had been increased to $29,734,085.38

Pledges and contributions are voluntary on behalf of the participating governments, but the United States has utilized a somewhat flexible formula, matching the total of other pledges to the extent of approximately 60 per cent for calculating its quota. The record of pledge fulfillment has, on the whole, been quite satisfactory. Upon providing reasonable plans for the utilization of funds, a nation becomes a recipient of aid only upon its request to the Technical Assistance Administration. Due to administrative difficulties during the first eighteen months, only $6,500,000 was spent of the pledged twenty million dollars; but by 1952-1953, the situation had changed drastically. Since that time,


requests have greatly exceeded the prospective budgets.\textsuperscript{39}

The Expanded Program functions with a minimum of equipment; hence, its resources can be devoted almost entirely to providing experts, drawn quite widely from all over the world, and the granting of fellowships for specialized training in other countries. This type of technical exchange also enables one underdeveloped country to help another. For the most part, the Program consists of a large number of fairly small projects. Some eight hundred of them had been approved for 1954. Teams of one or two experts are most common, while projects requiring five to ten individuals are the exceptions.\textsuperscript{40} For the year of 1954, there were 1584 experts who served in seventy-one countries, and 1529 fellowships had been awarded to nationals of eighty-six countries. In comparison with statistics for the previous year, the number of fellowships increased while the

\textsuperscript{39}"A Year of Progress in Technical Assistance,"\textit{United Nations Review}, I (July, 1954), p. 60. The allocation of the 1953 budget among the participating organizations was, for example, as follows: TAB. 5.7%; UNTAA. 22.4%; ITU. 0.6%; WMO. 0.2%; ILO. 9.9%; FAO. 26.7%; UNESCO. 11.9%; ICAO. 4.5%; and WHO. 18.3%.

experts decreased.\textsuperscript{41}

Since the various nations have become better acquainted with the services of the Expanded Program and as the Board's Report reveals so readily, the inherent limitations of the Program have become more obvious. "As the year [1953] progressed, it became clear that the pledges and payment by the governments into the Special Account would not keep pace with the steadily increasing requests from governments for technical assistance in various fields."\textsuperscript{42}

While recognizing the utility of an enlarged Technical Assistance budget, it has been pointed out, realistically in many cases, that it would be imprudent to train and send out more technical personnel indiscriminately. A deficiency of resources would make the implementation of their recommendations impossible. The Chairman of the United Nations Technical Assistance Board has warned that such a situation is a potential source of frustration.\textsuperscript{43} Under such conditions, integrated development stands in dire need of capital


\textsuperscript{42}\textit{Sixth Report . . . ,} \textit{op. cit.}, p. 15.

\textsuperscript{43}David Owen, "International Aid to the Middle East," \textit{Middle Eastern Affairs, VII} (Jan., 1956), p. 4.

An observation of Trygve Lie offers a succinct and quite definitive appraisal of the United Nations Expanded Program of Technical Assistance. "What I am most concerned about is the fact that this is not enough money [about $20 million per year] to go around. . . . Worthwhile projects proposed by responsible governments cannot, in many cases, even be studied. Rich opportunities are going to waste." (Italics L. C. L.)\footnote{45}{In the Cause of Peace (New York: Macmillan, 1954), pp. 156-157.} Also, a recent report by the Technical Assistance Board declares that the vital need for much larger supplies of capital is generally recognized.\footnote{46}{See "A Forward Look: The Expanded Program of Technical Assistance," United Nations Review, III (July, 1956), p. 31.}

5. The Colombo Plan

Without a doubt, the post-World War II concern over the plight of the backward areas gravitated toward a climax in 1949-1950, and the inception of the scheme known as the Colombo Plan represents a regional attack upon world poverty. Specifically, it dates from the conference of Commonwealth Ministers which was held in Colombo, Ceylon, in January, 1950. Having given profound consideration to the matter
beforehand, Percy Spender, as Australian Minister for External Affairs, came to the Conference armed with the so-called "Spender Resolution." It recommended that the Commonwealth Governments consider a project of economic coordination whereby each contributing member would provide material help to the countries of South-East Asia.

Impressed by the urgency to expedite economic development, the Foreign Ministers of India, Pakistan, Ceylon, New Zealand, Australia, Canada, and the United Kingdom adopted the Spender Resolution and created a Consultative Committee on Co-operative Economic Development in South and South-East Asia. This Committee continues to exercise supervisory powers over the Plan. Following the preliminary meeting of this Committee in May, 1950, another conference was held in London, October, 1950. It was here that the Spender Resolution evolved into the viable Colombo Plan.47

Unfortunately the choice of a title has created an enduring impression tantamount to a misnomer. Instead of being a well-organized and integrated operating agency, it is more accurately characterized by its loose and informal structure; and most authorities associated with the Plan

affirm this interpretation without reservation. There is no central administrative mechanism to which executive authority has been delegated; and as the name implies, it is a committee for consultation rather than a permanent executive unit. Financially, the Plan epitomizes the confederative principle, for it possesses no single fund or anything which resembles centralized accounting.

According to the former President of the British Board of Trade, Harold Wilson, there is no one Colombo Plan as such. Rather than being a master scheme, "the Plan is really an aggregation of the development plans of different Commonwealth Governments," assembled and discussed as an entity. Administratively, the Colombo Plan is highly decentralized, and bilateral commitments and financial agreements, not subject to any central approval or ratification, are negotiated most frequently. "The basic concept of the Colombo Plan has been one of co-operation, each member country doing what it can to assist in the development of the area as a whole." The most recent report on the Plan

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notes with favor that the co-operative effort is spreading ever more widely and deeply, both internally and externally.51

Now that there is some comprehension as to what the Plan does not purport to be, just what is it? First, this Commonwealth program has the unique feature of attempting to reach certain predetermined objectives within a specified period. Aware of the cumulative character of development, the scheme was set up for a six-year period to terminate in 1957. At the Singapore meeting of the Committee in 1955, it was agreed that the Plan would be extended an additional four years. Its future is to be reviewed again in 1959.52

In formulating their original goals, the Governments tended to be conservative, eliminated some contemplated projects, and included only as much as they could be reasonably confident of completing within the Plan's specified tenure. The Committee had no delusions of grandeur concerning miraculous achievements in the six years. Certainly, it did not contemplate any remarkable growth of productive power which would ameliorate the standard of living immediately for the region. Due to the normal increment of population, the program anticipated little more than the

52 Ibid., p. 3.
maintenance of existing standards of living. However, the capital and physical improvements of those co-operative programs were designed "to provide the foundation for future progress rather than early dramatic results."\(^{53}\)

The initial Report of the Consultative Committee estimated that the combined program of the four original participants, India, Pakistan, Ceylon, Malaya and Borneo, would require a total of £1868 million (£ equals pounds), equivalent to about $6 billion for the whole period. Of this amount, it was calculated that £784 million would be raised internally by the Asian countries. The United Kingdom pledged to release sterling balances to the extent of £246 million, and that left £839 million to be secured from unspecified external sources.\(^{54}\) The over-all Plan has been criticized for being unrealistic and too indefinite concerning the precise means for raising the latter amount. After four years, it is impossible to state precisely the total contributions made to India, Pakistan, and Ceylon through the utilization of sterling balances, but "the sums involved are however very considerable."\(^{55}\) Being familiar with the liberal monetary contributions of the United States toward the Marshall


\(^{54}\) *Tbid.*, p. 58.

\(^{55}\) *Cmd. 9622, op. cit.*, p. 147.
Plan, there had been considerable optimism within the Commonwealth that the United States would offer similar financial commitments to the Plan. Much to the dismay and disappointment of those concerned, the United States only offered its general endorsement and eventual membership; and the anticipated American funds were never forthcoming.

By the time of the annual meeting of the Consultative Committee at Ottawa in 1954, the United States, Burma, Cambodia, Laos, Nepal, Viet Nam, Indonesia, Japan, Thailand, and the Philippines became full members, raising the total membership to seventeen. This is significant for most of those new members stand in need of aid; hence, the original estimates of 1950, ipso facto have been revised upward.

The Consultative Committee has repeatedly stressed the limited capacity of these areas to extract more savings from their national economies. In the short term perspective, to resort to forced savings at the expense of a lowered standard of living defeats the primary objective of the Plan. Likewise, the ability of these countries to pay their own way from a favorable balance of trade is both uncertain and unstable. As the Annual Reports reassert rather consistently, the national incomes are quite erratic because they

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56 For example, Cmd. 8080, op. cit., p. 54; Cmd. 9016, op. cit., p. 7.

are functions of world trade, both in volume and in price of certain primary commodities. The most recent Report states, however, that financing, with some conspicuous exceptions, has been somewhat less difficult than anticipated. On the contrary, some countries were faced with curtailment of their planned projects if foreign capital was not forthcoming.\textsuperscript{58}

According to the initial Report of 1950, the estimated increments in production were impressive:

More land under cultivation: 13 million acres (increase of 3 1/2 per cent).
More food grains produced: 6 million tons (increase of 10 per cent).
More land under irrigation: 13 million acres (increase of 17 per cent).
More electric generating capacity: 1.1 million kilowatts (increase of 67 per cent).\textsuperscript{59}

Priority was given quite definitely to the production of food, either directly or indirectly, by constructing the foundation of future expansion. Unlike the respective technical assistance programs of the United States and the United Nations, the Colombo Plan concentrates on capital projects, some quite large and demanding funds on a sizeable scale. India, for instance, attached great importance to river developments for both irrigation and electric power.

\textsuperscript{58}Cmd. 9622, \textit{op. cit.}, pp. 16, 110.

\textsuperscript{59}Cmd. 8080, \textit{op. cit.}, p. 44.
On the other hand, Pakistan's two largest projects were both devoted to irrigation.

Being quite aware of a deficiency in trained personnel, the Consultative Committee established the Council for Technical Co-operation in 1950, with permanent headquarters in Ceylon. This is the Commonwealth's counterpart of the United Nations Expanded Program of Technical Assistance; for in addition to supervising local training programs, it serves as a clearing house for dispatching competent individuals abroad for specialized training.

Now that the Plan has been in operation for more than two-thirds of its original tenure, what evaluation can be made? First, in financial respects, it is an extremely limited attack on the region's major economic problem, primarily through the extension and acceleration of the existing national plans. From this criterion, however, the Plan is practicable; for it is based on improvements which are already under way and does not "overload the economies" with innovations. 60

Second, notwithstanding the optimism of the First Annual Report that the "Plan has got off to a good start,"61

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doubt has been expressed about window dressing and the question is raised whether anything has been achieved which would not have happened through individual national plans. On one occasion, Trygve Lie asked Nehru about the Colombo Plan, and the latter replied "it [Colombo Plan] was excellent, except there was not enough money to carry it out." This opinion is, indeed, rather universal. In reviewing the Plan's Third Annual Report, one British journal stressed the necessity to increase the momentum of economic development beyond the present rate and concluded that the Colombo Plan's future tasks are measured "not in years but in decades."

Despite the pessimism of these observations, the Fourth Annual Report of 1955, begins with a note of general optimism concerning the fact that most countries of the Colombo area either maintained or surpassed their previous rate of progress. Furthermore, there is discernible success because some of the earlier projects of the Plan are already bearing fruit.

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62 Wilson, op. cit., p. 134.
63 *In the Cause of Peace*, op. cit., p. 362.
6. Miscellaneous

There are sundry other minor programs which contribute constructively to economic development, even though they have not received as much publicity and acclaim. The Organization of American States sponsors a program of Technical Co-operation which is "geared solely to technical education" and operates modestly on an average annual budget of about $2 million.66

The British Colonial Development and Welfare Act of 1940, concerned primarily with social overhead, was supplemented by the Overseas Resources Development Act of 1948. By this legislation, enterprise was stimulated through the establishment of the Overseas Food Corporation and the Colonial Development Corporation. Equipped with a capitalization of $100 million, the latter was intended to be a self-liquidating establishment which provided financial resources for a large number of small projects. As a medium for development, its capacities were quite restricted, for its statutory requirements to show balanced books offered no incentive to engage in nonprofitable ventures.67

The generosity of the Rockefeller Foundation, through its multifarious grants for research and training, has


contributed to economic development indirectly with private technical assistance. Perhaps the record of the Ford foundation is the more impressive of private philanthropy, for its direct aid to backward areas. Although its service is essentially nonoperative, its special interests in southern Asia complements the Colombo Plan. Whereas the latter has stressed the development of capital projects, the Foundation does not provide for capital expenditures. Its project devoted to village development in India and Pakistan indicates the deference which it accords to social overhead, i.e., general technical education, agricultural demonstration, and the improvement of health and sanitation. In a three-year period, the Foundation has granted approximately $18 million to India, Pakistan, Near East, Indonesia, and Burma for "country development."  

In summary, indigenous foreign exchange, the IBRD, Point Four, the United Nations Expanded Program of Technical Assistance, and the Colombo Plan have been surveyed as the major noncommercial media designed to provide technical and economic assistance. Although no one of them is charged justifiably with corporate malfeasance, they are inadequate even in the aggregate and only represent an attack upon the periphery of the prodigious task. However, even the least

69 Ibid., p. 33. Data secured from graph.
successful of them has served a positive function, if its over-all experience should prove to be instructive in the course of future development.

The contributions of these institutions and programs to the quantity and quality of economic, political, and social intelligence, both relevant and necessary to underdevelopment, must not be underestimated. Some of them are more significant, from the standpoint of a permanent and over-all contribution, than their size or resources might seem to warrant. The practical and urgent need to co-ordinate and supplement these facilities, by means of comprehensive planning and financing on a multilateral basis, constitutes ipso facto a standing challenge for an International Development Authority. Adequate financing necessitates special emphasis, for a perennial deficiency of funds makes it impossible to take advantage of innumerable opportunities for increasing the productive capacity and improving the well-being of the underdeveloped areas.
CHAPTER V

THE PROPOSALS PROPER

1. Primary Role of the Authority

Many of the existing international institutions and programs dedicated to development are marginal from the standpoint of productivity, but they could be expected to yield greater benefits in an environment of expansion, consistency, and continuity. As Walter Reuther has observed, the Marshall Plan and the work of the ECA were important within their limited area, but a "broader, more comprehensive, long range program of economic and social action must be launched as a bold peace offensive."¹

In commenting upon the inferior status, economically speaking, of the less developed nations, the Secretary-General's Ninth Annual Report declared there could be no successful attack upon their economic dilemmas without "a combination of measures of an order of magnitude far beyond what has so far been undertaken."² Likewise, the President of ECOSOC's Thirteenth Session had pleaded his personal

¹A Total Peace Offensive (Detroit: UAW-CIO, 1950), p. 11.
convictions that the world lacked an organization which would deal with the "great problem of world production and consumption as a whole. . . . Such an organization might be called the 'United Nations Authority for Production and Abundance'."3 This approach is more in accord with the trend of modern economic theory which recognizes the integral relationship between the functions of economic production and economic consumption.

Even though proper recognition is accorded to the peripheral contributions of existing facilities devoted to development, it has been pointed out that these international agencies function within narrowly circumscribed limits, doing useful work; but there is no single authority charged with the task, the powers, and the finances necessary to wage war upon world poverty with any reasonable chance of success. In reality, no war of adequate proportions has been declared on world poverty and "no High Command has been established" to prosecute such an offensive.4

Cognizant of the long term character of many foreign


developmental projects, Nelson Rockefeller has suggested the best way to expedite comprehensive assistance was through an IDA. But in order to minimize the dangers, he suggests that subauthorities with regional jurisdiction could be established under the auspices of the international authority. An initial and appropriate contribution of the United States, in the opinion of Rockefeller, would be $200,000,000.5 The tenacious opponents of centralization can find some satisfaction in the fact that the utilization of subauthorities would combine the advantages of local initiative and control with a minimum amount of comprehensive planning.

Many of these suggestions may appear unduly optimistic and leave the impression that an authority would be handicapped by the absence of any world government with sufficient prestige and power for the execution of its program. Indeed, this is a very real dilemma; however, the optimists and idealists feel that supranational power is unnecessary for a modest beginning. One ardent advocate of the concept believes that fears of a paralyzed world will give way to hope following the establishment of such a world authority—even before the subscribed funds could be converted into wise investments.6 Similarly, Wilson also


contends that the moral force of publicity would "counteract any reactionary and refractory governments."7

The concept of an IDA and many of its specific features may be justly regarded as highly unorthodox. The proponents will not deny this contention; and they even show an inclination to capitalize upon that interpretation with the countercharge that nonconventional measures are logical and necessary in order to cope with the modern paradox of widespread poverty in the midst of a technological potential for increased production within the underdeveloped nations. The issue of establishing an IDA implies initially a manifest preconception for a bold and deliberate decision. The critics are prone to condemn some of its proposed features as infeasible and unrealistic from an economic criterion, particularly the contemplated sums of capital which are suggested, simply because they apparently contradict certain long-accepted economic dictums. In rebuttal to this allegation, it can be argued that some decisions are not always subject to rigid economic interpretation. In a comparative sense, one economist has endorsed this specific view, for example, by noting that a system of international grants-in-aid "does not stem from the economic mechanism of the market, nor does the principle of progressive taxation. Both are

7Wilson, op. cit., p. 186.
based of necessity on political value judgments."8

It is a fundamental hypothesis throughout this dissertation that the establishment of an IDA, or any reasonable counterpart to it, implies--initially at least--an audacious decision, basically more political than economic; therefore, the important thing at present is to resolve that a world aid plan is "to be launched."9

In reality, dual decisions are required. The essential functions of IDA, according to most of its supporters, can be reduced to two primary factors; namely, comprehensive programming and comparable financing of world development. It is perhaps trite, but nevertheless extremely realistic, to reiterate that neither exists today. Wilson has stated the duality of this problem cogently. "The decision to establish it [IDA] means a parallel decision to make this sum [$10,000,000,000 annually] available."10 This admonition is well-founded, for some overzealous advocates of IDA have a tendency to overlook the very practical matter of finance.

Lord John Boyd-Orr, a former Director-General of the Food and Agricultural Organization, is in agreement with the


view that the immediate problem is essentially nontechnological. In his expert opinion:

... the scientist has done his job. The next move lies with the politician, who has a harder task than the scientist. ... The all important question is whether the relatively few men who control the destiny of the present changing civilization have the political maturity, the wisdom, and the good will to initiate the great international creative effort needed to bring the new epoch into being, or whether in their shortsighted pride of power, they will attempt obsolete means, which would destroy civilization.¹¹

A recent United Nations study suggested such major economic innovations, but the committee pleaded its incompetence to pronounce whether the changes were practicable in the sense that their implementation would be politically feasible in the current state of international affairs.¹² In its opinion, an appropriate popular world consensus was the unknown quantity.

Allied to favorable opinion, official or otherwise, for an IDA, there is the plain and simple truth that some endorsements are predisposed to be idealistic. The precise role of IDA is less clearly delineated due to the injection of this factor. Nevertheless, many individual adherents will candidly admit their idealistic proclivities; however, they will also defend them by pointing out that unconventional ideas, perhaps idealistic in nature, are often an


initial and fundamental component of any social movement which dares to venture upon an uncharted course. For example, the views of Sir Richard Acland, a member of Parliament, are indicative of this philosophy. On one occasion, he admitted that he spoke largely as a theoretician and idealist whose pertinent information came mostly from books and reports. But, he tempered his introspective idealism by urging that more credence should be accorded to somewhat similar convictions of such an individual as Chester Bowles, who has had practical experience and knows what development means.\(^{13}\)

A comparable admonition was made by Aneurin Bevan at a recent conference of the Labor Party when he said, "We have to put before the nations of the world and before our own people a great idealistic goal."\(^{14}\) Since this type of philosophy is part of the intrinsic nature of IDA, a prudent recognition of the fact will mitigate some of the attending controversy.

Critics of IDA, as well as those of the general philosophy which is basic to it, are plentiful. For instance, Quincy Wright, an academic authority in international relations and law, stated in the foreword of a recent book,


Raising the World's Standards of Living, that the author recognized "that the concept of an all-wise agency looking over the world and deciding how its resources of skills, management, material, capital, and facilities could be utilized to elevate the standards of living in underdeveloped areas is utterly unrealistic."\(^{15}\)

Furthermore, the thesis of Mack's book dismissed quite summarily the proposal for an IDA by indicating in a footnote that the idea is "worth noting."\(^{16}\) There is no analysis of the funds to be used for raising the world's standards of living. On the whole, the book leaves the impression that Mack is attempting to pull the world up economically by the bootstraps of "informal co-ordination," with no provision for realistic and effective operational units to be co-ordinated.\(^{17}\)

Likewise, the Economic, Employment, and Development Commission of the United Nations was also skeptical of IDA in 1951, and held that a new international organization should not be set up before a thorough investigation had proved that none of the existing organizations could undertake such functions as may need to be performed. In


\(^{16}\)Ibid., p. 108.

essence, "the Commission had not been satisfied that the need for a new international agency had been thoroughly established."\textsuperscript{18}

One British journal notes disapprovingly that economic realities could not be concealed behind the facade of an IDA, which would be unable to cope with the power of national states to reconsider their pledges which no longer met the approval of the electorate.\textsuperscript{19} Quite in accord with this interpretation, it must be admitted frankly and realistically that IDA, the United Nations, or any quasi-supranational institution will be handicapped by traditional attitudes toward the impairment of national sovereignty.

A synthesis of these poignant commentaries upon IDA demonstrates a definite cleavage of opinion as to the intrinsic merits of establishing such an agency. Whereas one school of thought seems deeply impressed by the imperative-ness of integrated and comprehensive development, another group appears to be overwhelmed by the projected magnitude


of the requisite operations. In essence, the defeatism of the latter leads it to the conclusion that the "grandiose schemes" are completely "visionary and impossible." Regardless of the conflicting views, the crucial and perennial question of development remains unanswered and commands more and more political attention throughout the world.

2. Sundry Proposals

During and since World War II, innumerable individuals, groups, organizations, and governments have advanced suggestions—some partial, others outlined more completely—for the establishment of an IDA. Depending upon a diversity of interests and certain predilections, some are predominantly concerned with financial features, while others have stressed the factors of planning, programming, and/or integration.

In 1942, the National Planning Association endorsed the creation of an IDA in which prospective lending and borrowing countries should have representation. As to structural details, they were undefined, but contributions of capital funds would be on a basis of twenty-five year loans.²⁰ A year later, the Commission to Study the Organization of Peace, noting the achievements of the Export-Import Bank, Board of Economic Welfare, the Reconstruction Finance

Corporation, and their counterparts in other countries, suggested that a "U.N. Development Authority might be set up, working through regional authorities, to deal with economic development and the investment connected therewith."21

The projected organization would have had a governing body to "carry assurance of good faith both to the nations in which it [finances] would be spent, to appraise projects and to authorize loans, private or international."22 Although the latter was proposed during the initial and formative period of the United Nations, it is of parenthetic interest to note that some broad economic functions were regarded as proper responsibilities for the political successor of the League of Nations.

Anticipating the world-wide political and economic dislocations which would follow in the wake of World War II, Eugene Staley drafted a detailed scheme for an IDA in 1944. Being especially concerned with the long range nature of the problem, the limitations of hit-and-miss assistance, and the fluctuations of capital movement, he urged an organization

21"Third Report--The United Nations and the Organization of Peace," International Conciliation, no. 389 (April, 1943), p. 228. This statement was signed by 102 prominent individuals, e.g., H. S. Commager, John Foster Dulles, Clark M. Eichelberger, Frank Graham, Clarence Streit, Charles P. Taft, William Allen White, and Quincy Wright.

22Ibid., p. 229.
with a common membership for both aid-giving and aid-receiving countries. Premised upon the philosophy of economic planning, he had the insight to grasp the latent opportunities for such a corporation to abet over-all world economic stability, concurrently with the development of backward areas. According to his theoretical analysis, any likely swing of the business cycle toward recession in the developed countries would be counteracted by demands for capital goods in the underdeveloped areas. A market for surplus economic goods with lower prices would work to the mutual benefit of the two areas.23

He enumerated several specific and commanding reasons for the creation of an Authority, namely:

(1) To secure the advantages of multilateralism.
(2) To provide means for taking a long look ahead.
(3) To minimize political conflicts.
(4) To protect investors and borrowers and to supervise international credit.
(5) To abet the evolution of World Government under the auspices of IDA.24

Quite in contrast with conventional notions of unabated nationalism, these functions build upon and emphasize a growing economic interdependence within the world community. Staley would supplant, therefore, a great deal of

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24 Ibid., pp. 84-85.
individualistic national policy with action of a more collective nature. The prospects, however, of such a functional approach to world development prompt traditional nationalists and ultranationalists to be quite apprehensive.

Having somewhat similar predilections as Staley, another school of thought has seen a definite parallel between the American innovation of TVA and comparable achievements for the proposed IDA. Although the analogy contains considerable validity, it cannot be pursued beyond certain judicious limits. In 1944, Herman Finer, speaking as a theoretical authority on government and public administration, proposed an international resources development authority, drawing heavily upon the experience of the United States with TVA. In his opinion, the new international authority would contribute to the improvement of the standard of living in underdeveloped countries by providing long term credits and technical assistance which would stimulate further economic enterprise.25 As he clearly recognized, such an organization would be contingent upon the assistance and co-operation of national sovereignties and their willingness to make the existence of the Authority really meaningful.26


26Ibid., p. 227.
Stringfellow Barr also regards TVA as a challenging prototype of IDA which would underwrite world development. First, just as TVA co-operates with state governments, the IDA would have the inestimable merit of providing similar co-operation among national governments. In addition to being a public corporation, Barr contemplates a supranational institution which would be responsible, not to governments, but to a popularly elected People's Assembly. Thus, the Authority would rest upon the element of consent rather than compulsion.27

In appraising the analogy between TVA and IDA, the former has jurisdiction over a relatively homogeneous region and within a single sovereign nation. TVA does, in fact, represent a definite modification of the principle of federal government within the United States. On the contrary, the absence of a sovereign world government with effective political power would handicap the operation of a world institution which claimed jurisdiction beyond national boundaries. In the event a supranational IDA should prove to be a reality, this would amount to a functional step toward a federalized world government. While this eventual-ity may be appealing to some people, it is equally unpopular with others.

27Citizens of the World, op. cit., pp. 149-150, 160. For a similar affinity between TVA and IDA see, Wilson, The War on World Poverty, op. cit., pp. 61-64.
It is quite true that there are innumerable, unexploited opportunities for regional development throughout the world on the principle of TVA; and from a regional perspective, this would mean a more widespread and equitable distribution of wealth within the various regions. At this point, a working analogy between TVA and IDA breaks down. As desirable as integrated world development may be, comprehensive planning must, of necessity, rely upon more voluntary means, instead of political power which might be available to a regional TVA that operates solely within a sovereign nation. Of course, this interpretation does not discount the fact that any modification of the principle of sovereignty even within a region will be conducive ultimately to a similar relinquishment of it on a global scale.

Although valuable political knowledge can be acquired from the American experiment with TVA, there are definite limitations to the unqualified adoption of the TVA principle in its entirety for world development.

In 1946, a noninstitutional proposal for world development was advanced in the United States when Henry Wallace, then a cabinet officer in the Truman Administration, suggested that $4 billion should be given for world development." Controversial as this proposal was, it became more so after Wallace subsequently included the Soviet Union as

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a possible benefactor. Although his idea received a resounding rejection, George Marshall's famous Harvard speech several months later, culminating in the Marshall Plan of world renown, incorporated the essence of Wallace's proposals.

Brien McMahon's speech in the United States Senate on February 2, 1950, marked another milestone; for in addition to the criticisms over the projected amount, disarmament was associated directly with economic development. After months of continuous reflection, he concluded that two-thirds of the United States annual expenditure of $15 billion for armaments should be diverted to the improvement of the underdeveloped countries.29 Indeed, $10 billion of aid from the United States annually for even a minimum of five years was a bold and highly unorthodox proposal. Although the Senator's critics replied with charges that the scheme was "unrealistic" and "visionary," he and his adherents contended that the magnitude and the urgency of the problem necessitated action of comparable proportions.

Similarly, Walter Reuther calculated that the cost of World War II to the American people had been one trillion and 300 billion dollars. He suggested that 1/100 of that sum, or $13 billion, should be set aside by the United

States annually for investment in underdeveloped areas. Such action would represent a positive investment in world peace. If the United States could spend such a sum for war, he believed that the national economy could carry an equal burden for peace without suffering any harm. Percentage-wise, the $13 billion would merely represent 5 per cent of our current yearly output.\textsuperscript{30} This sum would be deposited in and administered through a special United Nations fund for Economic and Social Construction.

Another scheme, which some individuals may regard as even more astronomically fantastic, has been advanced by Benjamin Javits, a lawyer and author with a layman's interest in this topic. He has conceived of a World Reconstruction Authority as the "generator and gyroscope" of world stability. "In short, the World Reconstruction Authority would combine planning, financial, and industrial functions."\textsuperscript{31} Also using the cost of World War II as a point of reference, he estimated its global cost at two trillion dollars which would be equivalent to forty billion annually over an extended period of fifty years. Further estimates apportioned the share of the United States at one trillion dollars, or an average of twenty billion annually for fifty years.

\textsuperscript{30}Reuther, \textit{op. cit.}, p. 15.

His plan called for an outlay by the United States of an equal amount to be spent annually over the next half century for economic development. He regarded such a sum, amounting to 7 per cent of the national income of the United States, as a worthy investment in peace.32

For the individual who objects to these unparalleled fiscal proposals, other recommendations are more modest—and perhaps more practical—for the initial phases of an accelerated program of world development. An economist from India, V.K.R.V. Rao, offered a detailed plan for a United Nations Economic Development Administration (UNEDA) in 1949, when he was Chairman of the Third Session of the Subcommittee on Economic Development of the United Nations Economic and Employment Commission. Viewing the international scene negatively, his observations prompted charges that at present there was no international agency for:

(1) Financing projects of economic development in under-developed countries which are not financially productive in a banking sense;

(2) Aiding under-developed countries in the preparation and/or the execution of their programmes of economic development;

32Ibid., p. 10. For his revised draft of the plan see, World Development Corporation, Prospectus (Provisional) (New York: 1956), pp. 1-10. According to this Prospectus, the World Development Corporation would have three main subsidiaries; namely, an Investment Trust, an Investment Insurance Company, and an Equity Investment Company.
(3) Co-ordinating the distribution of technical assistance made through the United Nations or its specialized agencies to the underdeveloped countries and linking the same with financial assistance; and

(4) Promoting or aiding in the execution of projects of economic development extending over more than one national frontier and not likely to be taken up by any one of the countries concerned, on its own initiative.33

Upon observing the deficiencies and inabilities of existing mechanisms to attack poverty and underproduction throughout the world, he asserted that reciprocal action through an UNEDA was essential to the mutual welfare of both the developed and the underdeveloped countries.

Although his proposal was not accepted, the Subcommission commended it to the attention of the full Commission and annexed the suggestion of its Chairman to the Subcommission's report of its Third Session.34 As explained by Rao, the role of the organization would be quite supplementary with no intention to supplant existing facilities and institutions. Instead, it would, in his opinion, complement other channels of foreign financing and "must not be regarded either as an alternative or a substitute to these channels."35


35Ibid., p. 28.
Its assistance would be available only for basic projects which were unable to attract other means of finance. Granting that it would be concerned primarily with nonprofitable projects from a banking criterion, there would be no intention to finance "wildcat or sentimental schemes." One unfavorable response to this type of economic philosophy is noteworthy, for it branded Rao's report as "the high point of Point Four nonsense."  

At approximately the same time, the United States Act for International Development of 1950, authorized the Point Four Program and the creation of an International Development Advisory Board. Under the original Chairmanship of Nelson Rockefeller, this Board issued a report, Partners in Progress, which in part enlarged upon the philosophy underlying the Point Four Program. Believing that a great deal of development which is undertaken would be dissipated unless fitted together coherently as a unified program for each country or each nation, the Board recommended "the prompt creation of a new International Development Authority in which all the free nations will be invited to participate." In accord with this recommendation, the Authority

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36 Ibid., p. 27.
38 Supra, Ch. IV.
could become a mechanism for financing large scale public works in co-operation with the IBRD and other nations. No details of the proposed corporation were designated except that it should have an initial capitalization of $500,000,000, to be pledged in ratios equal to existing subscriptions for IBRD.

Shortly after the publication of Partners in Progress, the U.N. Experts' Report was released in May, 1951, and in some respects the latter paralleled the former. Following a statement of the over-all problem and an outline of suggested domestic policies in its first nine chapters, the Report terminated with two chapters devoted to External Aid. After a comprehensive review of both domestic efforts for development and existing international agencies, the Experts concluded that an IDA was the necessary economic and political institution for the effective integration of international assistance. Indeed, the subsequent stature, publicity, and controversy surrounding this Report emanated largely from its Recommendation 14:

The United Nations should establish an International Development Authority to assist the underdeveloped countries in preparing, coordinating and implementing their programmes of economic development; to distribute to underdeveloped countries grants-in-aid for specific purposes; to verify the proper utilization of such grants; and to study and report on the
progress of development programmes.\textsuperscript{40}

Setting a goal that economic development should be accelerated by a net increase in national income of 2 per cent per annum, the Experts estimated that a total investment of $19 billion annually would be required in order to refute the pessimism of the Neo-Malthusians. The most favorable approximation of the amount which the underdeveloped areas could amass domestically and internally was set at $3.8 billion annually. The balance of some $15 billion was expected to be raised externally through loans, grants, and private investments.\textsuperscript{41}

These figures have prompted one representative critic to charge that the \textit{U. N. Experts' Report} placed too much emphasis upon "external capital in the form of public loans and grants as the major bottleneck in rapid development for most countries."\textsuperscript{42} Elsewhere, it has been charged that the Committee's statistical estimates of financial needs were not substantiated.\textsuperscript{43} In defense of the \textit{Report} and its

\begin{footnotes}
\item[41]Ibid., pp. 75-76.
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conclusions, one member of the Committee declared that the economists had been commissioned to ascertain "what should be done and not what could be done." 44

Within a decade after 1943, and despite a great deal of unfavorable reaction, the concept of an IDA had been accepted almost without reservation by a small articulate group deeply concerned with international affairs. Such individuals as Staley, Finer, Reuther, Javits, and Lord Boyd-Orr advocated it in their own personal capacities. They did differ, however, over precise details. Elsewhere the approval of the new agency by Chairman Rao of the United Nations Sub-Commission on Economic Development, by the International Development Advisory Board, and by the U.N. Experts' Report added immensely to the official stature of the proposed Authority. There is, of course, no intention to deprecate the contributions of the former category of individuals who were formidable publicists; but as of 1951, action by the United Nations offered the greatest assurance for official adoption.

3. **Comparison of Functions and Activities**

Although the foregoing schemes and plans for a central agency have been designated by different titles, there is

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general unanimity among them concerning its primary task, i.e., aiding and accelerating development for two-thirds of the world's impoverished population. It is quite true that factors stressed by some advocates are combined or subordinated by others; hence further study of an IDA requires an analysis and comparison of the suggested functions. In short, there are numerous versions of one single agency.

Staley, one of the earlier publicists for an Authority, enumerated quite specifically several activities which would be within its proper jurisdiction. They are:

(1) To launch a world survey of resources and needs, co-ordinating for this purpose similar surveys undertaken on a national basis by national governments.

(2) To raise capital by selling its own securities to governments, to savings institutions and to the general public.

(3) To advance capital for use on approved projects under conditions to be stipulated by the authority.

(4) To act as an intermediary in arranging for supplies of capital from other sources, for technical assistance and for purchases of equipment needed in development.

(5) To mark out plans for guaranteeing a minimum rate of return on approved developmental projects undertaken by private enterprise, in order to spread risks and encourage venture capital.
(6) To propose standard forms of contracts and concessions, and to get the assistance of the International Labour Organization in preparing codes relating to labour standards which might be incorporated in agreements or be made a condition for obtaining loans.

(7) To act as mediator when disputes arise in connection with international developmental investments and to propose preventive measures designed to forestall defaults, violations of contract and the like. 45

In general, this list of contemplated activities expresses his primary concern for fiscal factors, both the acquisition and disbursement of funds, rather than the responsibilities of IDA as a programming and planning institution. Accordingly, economic aid and development would be eclectic—private, public, and some mixed enterprises. Simultaneously, all these types of aid and investment would be supervised and encouraged by an impartial international agency, which would be accountable to the representatives of the entire world economy instead of one government or a few governments. 46 Of course, to the extent that the agency could dictate a universal policy to national governments, it would mean an equivalent relinquishment and sacrifice of national sovereignty.

The classification of functions by the U.N. Experts' Report tends to complement rather than duplicate the fore-

46Ibid., p. 91.
going list, for it stresses the significance of comprehensive and integrated planning. The functions of the Authority, as perceived by the Experts, would be as follows:

(1) To decide upon and administer the distribution of grants-in-aid for the specific purposes listed below, and to verify their utilization.

(2) To co-operate with under-developed countries in preparation and co-ordination of plans of economic development by affording general assistance and, where necessary, by providing the services of technical experts and by giving grants-in-aid for the preparation of plans of economic development.

(3) To help in implementing development plans, especially in the procurement of scarce resources, e.g., capital goods, technical personnel.

(4) To make periodic reports regarding the preparation and progress of plans of development, to provide for continuous study of the problems of economic development of under-developed countries, and to make recommendations to the Economic and Social Council in regard to any action that may be required concerning these problems.\footnote{U.N. Experts' Report, op. cit., pp. 85-86.}

As stated elsewhere, the Experts contemplated annual expenditures of large sums by the Authority; however, it should be noted that the stated functions do not specifically impose the responsibility upon the Authority for accumulating those funds. Inasmuch as finances are so vital to world development and the over-all success of the proposed agency, the omission of that feature by the Experts
constitutes a serious deficiency in their Report. Means and ends are too inextricable to warrant such treatment.

Rao has listed similar functions for the proposed United Nations Economic Development Administration, and his chief innovation concerns the role of the central agency in the promotion of regional development unlikely to be undertaken individually by any country directly involved. In short, an Authority would possess the ability and the means of transcending national boundaries in the execution of real integrated development. Of course, the relinquishment of a limited amount of national sovereignty is implicit in this type of action, and to a similar degree some nations find the whole concept unacceptable.

Prior to becoming unduly concerned with the actual improvement of the standards of living throughout the world, one organization has maintained quite realistically that the initial task of an IDA, in view of the normal increments of population, would be to prevent any decline or deterioration in the prevailing standards of living among the retarded economies. The U.N. Experts were conscious of this factor, too, and they made adequate allowances for it when they

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calculated the 2 per cent per annum increment of living standards within the underdeveloped areas. In addition to the maintenance of the present relative welfare, the Association also believes the Authority should not allow worthwhile schemes to languish or default for want of finances or other assistance. That function would be quite distinct from the acceleration of production by the 2 per cent increment.

Thus, an acute awareness of the enormity of the task induces some persons, perhaps motivated primarily by idealism and humanitarianism, to advocate an audacious program of world development, corresponding to the gravity of the task and the urgency of the atomic age. These individuals do not contend unequivocally that an IDA, or its equivalent, will prove to be a miraculous solution. Instead, diligent efforts and material sacrifices will be required for an indefinite period. The latter will, in part, imply recourse to the power of taxation. IDA has been designed as a novel approach of worth-while merit. It has been advanced to bridge a gulf between the social worlds of the "haves" and the "have-nots." An observation by Senator McMahon is apropos; for having probably anticipated adverse reaction to his unprecedented pronouncement in 1950, he said, "I would ask that whoever condemns them [the proposals] produce a better
Many advocates of IDA feel that there is no longer any justification or need for further preliminary study. Now, they are prepared to proceed with bold determination and to pressure aggressively for its immediate inauguration. Notwithstanding, critics charge that these social engineers, in their well-meaning ardor for an altruistic cause, have been unrealistic and have failed to draft detailed plans which were suitable for the immediate administration of their grandiose scheme. Undoubtedly, this charge will not be denied completely. The primary issue now, in the opinion of IDA's proponents, is one of principle—not of details. They plead for a deliberate and resolute political decision. If that initial and prerequisite step, according to their thinking, can be consummated with a fairly universal endorsement, the requisite economic and political impetus for further measures of implementation will be forthcoming.

In a major way, the adherents of IDA have been—to date at least—political, economic, and/or social publicists for a unique project, hoping to stimulate and command support in its favor. Representing a small and dispersed minority throughout the world, little can be expected, as yet, in the nature of constructive activity. In their individual capacities, some have publicized their personal

50McMahon, op. cit., p. 261.
convictions through their writings. Others have continued to proselytize more formally through some official positions in their own national governments. All of them look forward to the eventual implementation of their contemporary proposals which, as of now, are viewed with considerable apprehension.
PART II

INTERNATIONAL ACTION UPON THE PROPOSALS
By virtue of the responsibilities which were conferred upon the United Nations and in terms of having an objective approach to conflicting national interests, it was only logical that this impartially constituted body should eventually explore and perhaps sponsor world economic development. In Articles 55 and 56 of the Charter of the United Nations, the members pledged their co-operation to promote higher standards of living, full employment, and conditions for economic and social progress. Politically speaking, the representatives of the areas of greatest need could now utilize the United Nations as an effective forum in which to plead their case.

1. Early United Nations Studies

The Economic and Social Council and some specialized agencies had conducted innumerable surveys and studies, some highly statistical in nature, in order to acquire information and estimates of the requirements for economic development. Two studies, in particular, were undertaken for the express purpose of analyzing unemployment and underemployment throughout the world. The first report, National
and International Measures for Full Employment, was compiled by a committee of five experts.\textsuperscript{1} Although commissioned to survey the single question of employment, the group reached the conclusion that that issue could not be solved "except in the context of an expanding world economy of which the economic development of underdeveloped countries would form the most important single element." (Italics L.C.L.)\textsuperscript{2}

In substance, the over-all challenge facing the world today is to intensify economic activity on a more balanced scale. With the adoption of proper economic and political measures, the underdeveloped nations, in particular, will be in a better position to contribute their share, too. Simultaneously, a global policy of that nature, in the opinion of the committee, will help solve other subsidiary problems, such as full employment and underemployment throughout the world.

Likewise, the second group of U.N. Experts was obligated by Resolution 290 (XI) of ECOSOC to report on "the national and international measures required to reduce such unemployment and under-employment." Their report, \textit{Measures for the Economic Development of Underdeveloped Countries}.\textsuperscript{3}

\textsuperscript{1}U.N. Doc. E/1584 (Lake Success: 1949). The five members were: J. M. Clark, Nicholas Kaldor, Pierre Urt, E. Donald Walker, and Arthur Smithies.

\textsuperscript{2}Ibid., p. 12.

was also oriented around the fundamental question of balanced world development. Thus, full employment was declared to be a function of an expanding global economy.

The earlier endeavors of the Sub-Commission on Economic Development, under the Chairmanship of V.K.R.V. Rao in 1949, have been described elsewhere. After experiencing a rather cool reception of his idea, which was incorporated within the report of the Third Session of the Sub-Commission, for a United Nations Economic Development Authority, Rao states that the Sub-Commission went about the job of suggesting a new international authority "with much greater circumspection" during its Fourth Session in 1950. Considering that a large portion of the finances for a central agency would come from the taxpayers of the United States, the Sub-Commission felt, so states the report, that it would be inappropriate to recommend a new international organization now; but more extensive consideration was recommended, especially by the so-called capital-exporting countries.

In the interim of the next year, official support for concerted action came from several different sources and

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4 Supra, Ch. V.


signified the approach of an important decision. In November, 1950, the Gray Report of the United States urged an annual contribution of $500,000,000 by that nation for underdeveloped areas. The highly authoritative studies of the International Development Advisory Board and the U.N. Experts were released in the following March and May respectively. The latter had been issued just a few days before the full Economic, Employment, and Development Commission convened for its Sixth Session in May, 1951. Even though the Commission did offer apologies for its limited prestudy of the U.N. Experts' Report, it proceeded to debate the merits of the Experts' findings. This Commission consisted of eighteen official delegates, representing the membership of ECOSOC. As is customary for many units of the United Nations, representatives of the specialized agencies and nongovernmental organizations were in attendance.

The proceedings and recommendations were summarized in a report, quite critical of the work, methodology, and conclusions of the U.N. Experts' Report; however, the Commission corroborated the consensus of the Experts that

full-employment was contingent upon over-all development.

In the first place, the Commission challenged the statistical estimates of the Report. Some members felt that too much stress had been placed upon the need for international financial aid to the neglect of the proper role of domestic resources. Furthermore, several members concluded the importance of grants, as against loans, had been overemphasized.\(^{10}\) On the contrary, these criticisms were not consistent with other conclusions of the Commission relative to possible action by the United Nations and other international organizations. Specifically, the report states that "the majority of the Commission agrees that the international flow of capital to the under-developed countries will have to be augmented considerably beyond its current levels, if economic development of the under-developed countries is to be appreciably accelerated."\(^{11}\)

As to Recommendation 14, the Commission did not favor the creation of an IDA, since it believed that any forthcoming grants could be utilized effectively through existing organizations. Moreover, it reendorsed an earlier conclusion concerning finances. Since substantial funds from countries in a position to make contributions would presumably not be

\(^{10}\textit{Ibid.}, \ p. \ 3.\)

\(^{11}\textit{Ibid.}, \ p. \ 5.\)
forthcoming, there was no necessity to establish a new organization. The document terminated with a quasi-minority report. It urged the adoption of a resolution which would invite the General Assembly to create a United Nations international development authority to be available should the underdeveloped countries request its assistance. Of course, this minority opinion did not evolve as official policy.

These authoritative statements of the Commission, recording its opposition to the creation of a new agency for development, counteracted and neutralized to a considerable degree the stature which had been accorded to Recommendation 14 of the U.N. Experts' Report. Hereafter, the respective reports of the Experts and the Commission were to be cited frequently either for an endorsement or for the disapproval of an IDA, depending upon the personal predilections of the contenders.

2. Action of the Thirteenth Session of the Economic and Social Council, 1951

The U.N. Experts' Report was next scrutinized by ECOSOC during its Thirteenth Session in Geneva, from July

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12Ibid., pp. 6-7.

13Ibid., p. 7.
to September, 1951. Resolution 342 (XII) of the previous session had requested that the Economic Committee of the Council should meet a week prior to the opening of the regular session. This Committee met from July 23-28, in time to draft and present some recommendations to the full Council. Since instructed delegations are customary, the remarks of the representatives are helpful in ascertaining the precise official positions of the various nations. The delegate from the Philippines indicated that his government, following additional study, strongly favored the recommendations of the Experts, especially numbers 13 through 16. Similarly, the delegation from Pakistan supported all the recommendations. The Iranian delegation was "anxious to see" Recommendations 10 and 14 adopted. As for the skepticism of France, her delegate believed the implementation of Recommendation 14 would "give rise to a certain amount of difficulty." 

The Chilean Government regarded that recommendation

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14Membership was as follows: Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, the United Kingdom, the United States, and Uruguay. Half of the members could, without question, be classified as underdeveloped.


16Ibid., /SR. 111, pp. 4, 10, and 14 respectively for Pakistan, Iran, and France.
as sound and worthy of implementation. Her delegate observed that some countries, bearing the major material responsibility, appeared to be "suffering from a dangerous lack of wisdom." Therefore, his Government did not wish to risk a categorical rejection of the underlying principle of Recommendation 14. The Government of China thought the "time was not yet ripe" for establishing an Authority. A new agency for the designated purpose would be unnecessary, according to the Swedish delegate. A rejection at the present time or a deferment of consideration, in the opinion of the Indian delegate, would be a waste of time. Even though the preparatory work might be modest, the time to begin studying the question was now.

A joint draft resolution, offered by Chile, India, Pakistan, and the Philippines recommended that the Secretary-General, in conjunction with the specialized agencies, should prepare a study of the establishment of an IDA as delineated by the U.N. Experts' Report. This study would be submitted to the Fifteenth Session of ECOSOC for its consideration. The substance of another draft resolution,

17Ibid., /SR. 112, pp. 5-6, and 10 respectively for Chile and China.
18Ibid., /SR. 113, pp. 5 and 9 respectively for Sweden and India.
presented by the United States, discounted the ability of capital-exporting nations to offer substantial assistance at that time.

The similarity of attitudes, as expressed by the Philippines, Iran, India, Pakistan, and Chile, is strikingly significant. Having the common status of being underdeveloped, it is no coincidence that these nations registered comparable endorsements of the U.N. Experts' Report. Regardless of the tenor of the deliberations of the Economic Committee, its final resolution was far more subdued and indicated a deference to the realities of power politics. Taking special note of the United States' view, i.e., normal capital-exporting countries were not in a fiscal position to make any appreciable contributions to an Authority, the Committee simply requested the Secretary-General, IBRD, and specialized agencies to keep economic development under active consideration.21

The over-all achievements of the Thirteenth Session of ECOSOC can be appraised properly only in conjunction with the leadership of its President, Hernan Santa Cruz of Chile. Personifying the collective aspirations of the underdeveloped areas, his international economic philosophy and subsequent leadership must be viewed in its proper

His basic conception of internationalism, as stated on one occasion, counseled the governments of the world that they "must be prepared to consider the financing of economic development with a new and bold approach attuned to the urgency of the problem and the gravity of the world situation."\(^\text{22}\)

In the course of his opening address to the Thirteenth Session of ECOSOC, Santa Cruz reaffirmed his convictions as to the need for an unprecedented approach to improve the welfare of the underdeveloped areas. Furthermore, he warned the Council of its duty and of the likely impairment of its prestige as a political institution should it fail to take constructive action. The record states:

> He believed that the survival of the Council as a body of world importance and influence depended upon its attitude towards the financing of economic development or towards the terrible and universal problem of hunger. . . . It also had to be recognized that, in many of the specialized agencies, a dangerous and increasing tendency was apparent towards independence with regard to the United Nations, a tendency that went beyond the limits of a justifiable desire for autonomy and was more like complete separation than anything else. . . . That untouched field [not covered by specialized agencies] and the scattered nature and lack of co-ordination of the various activities had led him to consider the possibility of uniting some of the activities of the specialized agencies under a central executive body. . . . He said that body, which might be called, for example,

"United Nations Authority for Production and Plenty," would be called upon to guide, encourage and help member States, both technically and financially, in the task of increasing agricultural, mining, and industrial production, while keeping in view the satisfaction of the vital needs of the world's entire population.23

As appraised by one individual, the endeavors of this Latin American statesman have made the concept of World Development Authority synonymous with the "Santa Cruz Plan."24

In the course of the session, the Council debated the question of economic development extensively within the context of the recommendations made by the U.N. Experts' Report; the Economic, Employment, and Development Commission; and the Economic Committee.25 The latitude of the debates was liberal and ranged from the issues of trade, industrialization, IBRD, International Finance Corporation, loans, grants-in-aid, and technical assistance.

The Chilean representative urged a liberal increase in the annual rate of investment by the IBRD. Also, the Bank should be requested to recommend methods to the Council for organizing an International Finance Corporation.26

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26498th Meeting, p. 167.
India's delegate expressed apprehension as to the practicality of a central fund or corporation, especially since the success or failure of it depended upon a single nation. Although Pakistan preferred external financial assistance through an impartial international agency, she was also reconciled to the unwillingness of countries to contribute even though they were able to make substantial grants.

Being founded upon fundamentally different criteria, the official policy of the Soviet Union, paralleled by that of Poland and Czechoslovakia, was opposed to the concept of an Authority. In essence, the reactions of these Communist governments revealed, in part, significant manifestations of the ubiquitous cold war. With obvious inference to the stigma associated with traditional Nineteenth Century imperialism, investments of foreign capital were deplored as the mere exploitation of resources for the sake of commercial profit. The delegate from the Soviet Union alleged that the U.N. Experts' Report was founded upon the major false premise that the improvement of the retarded national economies was dependent upon the investment of foreign capital. On the whole then, the Communist block subscribed almost unqualifiedly to the primacy of self-help, especially through the

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27 502nd Meeting, p. 198.
28 501st Meeting, pp. 190-191.
expansion of trade with the underdeveloped countries. Accordingly, both foreign capital and a central administrative agency were deemed to be undesirable and nonessential.

In reply to the straightforward appeal of the underdeveloped countries for prompt external assistance, the industrialized nations of Belgium, Canada, France, Sweden, the United Kingdom, and the United States still opposed the IDA for reasons which were stated in the Economic Committee. The United States and the Soviet Union voted the same way relative to the controversy over an IDA. As Stringfellow Barr explains the apparent paradox, "they both refuse it, for different reasons."29

The resolution of the Economic Committee was used as a practical point of reference; and in the course of the debates, numerous amendments were offered to it. Fighting a rear guard action and attempting to keep the proposals for an IDA and an International Finance Corporation on the working agenda, an Indian amendment would have requested the Secretary-General, in consultation with IBRD, "to formulate specific proposals for the implementation of Recommendations 14 and 16 and place them before the fourteenth session of the

Council.\footnote{30} A less positive and obligatory policy, amounting to a compromise between two extremes, was advanced in a draft amendment offered by the United Kingdom, France, and Uruguay.\footnote{31} Two major innovations were interjected by it, and ultimately they were amended to the report of the Economic Committee. First, the new draft expressed sympathy with the recommendation of the U.N. Experts' Report that the possibility of an International Finance Corporation be explored. Secondly, the amendment neither accepted nor unequivocally rejected the principle of the establishment of an international fund or an IDA to finance development.

These stipulations were incorporated into a final draft resolution which the full Council approved by a vote of 14 in favor, 0 against, and 4 abstentions. This official action of the Council became Resolution 368 (XIII).\footnote{32} The portions germane to the immediate study of economic development are paragraphs 13 and 14 (b). The former requested the IBRD to study the possibility of an International Finance Corporation and report its findings to the Fourteenth


Session. The latter paragraph reads as follows:

Requests: Without either accepting or rejecting the principle of the establishment of an international fund to assist in the financing of economic development of underdeveloped countries or of an international development authority,

The Secretary-General, in consultation with the IBRD and other appropriate specialized agencies, to formulate a series of methods which he deems practicable for dealing with the problem of grant assistance, taking into account the debate in the Council at its thirteenth session concerning recommendation 14 of the report of the group of experts, and to submit these methods to the session of the Council preceding the seventh session of the General Assembly.

Thus, discussions of economic development by the Thirteenth Session of ECOSOOS terminated on a note of inconclusiveness for those proponents who desired prompt constructive action. The Council had clearly failed to go on record with the adoption of a positive and definitive policy. One may even have sensed among the representatives of the underdeveloped areas an attitude of pessimism. Their hopes and aspirations, aroused by the spirit of the Charter of the United Nations and certain authoritative studies, had turned into temporary disillusionment. Subsequent events, however, indicate that any acceptance of defeatism was only transitory; for in one respect, the record of the Council was tantamount to a preliminary skirmish and a postponement of the "showdown." A thorough analysis of the record substantiates one explicit point that the statesmen of the underdeveloped nations had registered a tenacious determina-
tion to improve the economic status of their respective countries.

3. Action of the Sixth Session of the General Assembly, 1951

In November, 1951, a resilient and resurgent attitude prevailed among the underdeveloped countries. The proceedings of ECOSOC did not discourage them from reintroducing the demands which had been rejected previously. Identical proposals were taken to the Sixth Session of the General Assembly. Parenthetically, this action denotes a fundamental character of the structure and merit of the United Nations. Opportunities are afforded to the less influential members to express multifarious and heterodox views—repeatedly if necessary—whether they are accepted or not. In place of the eighteen representatives of the Council, the full and more universal membership of the General Assembly was, potentially, a more effective forum.

Discussions of economic development were undertaken appropriately by the Economic and Financial Committee, more commonly known as the Second Committee, of the General Assembly on December 7. The debates opened with an analysis of the merits of a Chilean draft resolution. Speaking

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for Chile and reminding the Committee of the firm stand taken by the industrialized powers, Santa Cruz re-emphasized that his delegation had refrained from proposing and pressing for the immediate establishment of an international fund or an IDA. In lieu of that, the new Chilean draft resolution requested ECOSOC to submit a "detailed plan" for establishing, as soon as circumstances permit, a special fund for grants-in-aid. Portions of these stipulations were designed deliberately to mitigate the objections of the opponents of IDA. First, the submission of a "detailed plan" was not to be regarded as being equivalent to the actual adoption of the plan. Secondly, those countries which had contended that immediate action was not propitious could no longer plead disagreement with the factor of time. The phrase "as soon as circumstances permitted" could now be interpreted subjectively by each country.

Meanwhile, there was a revival of the more exacting demands for an IDA in a revised draft resolution offered by Cuba and Burma. The pertinent section reads as follows:

Requests the Economic and Social Council to submit to the General Assembly for consideration at its seventh session suitable recommendations, methods, procedures, and practical plans for the purpose of:

3561st Meeting, p. 105.

(a) Establishing an international development authority to assist the underdeveloped countries, at their request in preparing, coordinating and giving effect to their economic development programmes and to study and report upon the progress of the development programmes.

The Cuban delegate defended his resolution by reminding the members of the "piecemeal manner" of development, both in the past and present. The consequences of that policy were, in his opinion, as apparent as the defects of the system itself; therefore, it was essential to grant assistance for limited objectives and to promote the integrated development of a country as a whole. "The only methodical way to deal with the problem," he warned, "was to set up an IDA."37 Thus, this Burmese-Cuban resolution virtually forced the General Assembly to go on record concerning its collective opinion regarding the controversial Recommendation 14 of the U.N. Experts' Report.

In the meantime, informal discussion among Burma, Chile, Egypt, and Yugoslavia culminated in their sponsorship of a joint draft resolution.38 In substance, it endorsed an international system of grants-in-aid on a nonpermanent basis and adopted the Chilean request for a "detailed plan" for a "fund" as "soon as circumstances permitted." In

37166th Meeting, p. 134.
addition, a request was made to ECOSOC for a series of recommendations as to the size, composition, and administration of the fund, keeping in mind that no new international organization should be established unless existing agencies were unable to perform the required functions. The original section on the universality of contributions was modified slightly by an Indian amendment, which provided for the contribution and utilization of any national savings that may accrue from disarmaments.

Whereas the five-power joint resolution urged the establishment of a fund presumably and primarily concerned with finance, the original Burmese-Cuban resolution, calling for the actual creation of an IDA, did not lose its identity or original essence. After more extensive debate, the latter eventually came to a vote in a slightly amended form. The complementary features of these two resolutions were emphasized by the Cuban delegate. In fact, he considered the resolution for an IDA as a corollary to the five-power resolution. If the fund were not instituted, it would "be unnecessary to set up an international development authority, since that authority was to assist the underdeveloped countries in preparing and implementing plans to be financed in part by the international fund." According to this

40166th Meeting, p. 134.
interpretation, there would be a division of functions between the proposed fund and the authority. This distinct separation of the fund from the authority marked a major innovation over and reinterpretation of the recommendation of the U.N. Experts' Report.

A third draft resolution which was sponsored by Brazil and Greece proved to be the least controversial. Being far more conventional than the other two, it merely endorsed continued study of "practical ways and means" for developing certain countries. The industrialized nations were extremely partial to this proposal, for it constituted neither an intimation nor a commitment for a fund or an authority, either directly or implicitly.

In the course of Meetings 163 through 166, the debates in the Second Committee proved to be quite heterogeneous as the several nations attempted to justify their respective official positions. An outstanding feature of the five-power resolution was that the plan could not be condemned as the "hurried establishment of a fund"; however, as moderate as this resolution might have appeared, there were those who contended that the submission of detailed plans for a fund was synonymous with a positive commitment for its actual establishment.

The Soviet bloc reiterated its perennial charges of antipathy for the free enterprise system and the remnants of imperialism instead of indicating a specific unwillingness to assist the underdeveloped countries. In particular, the significance of foreign capital was being overemphasized, and economic development was an ulterior means of superfluous intervention, designed to perpetuate the economic subordination of the underdeveloped countries. Credit, in the opinion of the Soviet delegate, should not be accompanied by any demands for an accounting of the manner in which it was to be spent.\textsuperscript{42} Czechoslovakia directed its criticism toward the operations of IBRD and alleged that the recent demands for a fund to provide grants-in-aid were tacit admissions of the utter failure of the Bank to perform effectively. Furthermore, the Bank's policy was dictated by the State Department of the United States, and the five-power resolution was an indictment of the policies of the IBRD and the State Department.\textsuperscript{43} The delegate from Poland repeated the charge against the Bank, as well as the one concerning undue domestic interference.\textsuperscript{44}

In notable contrast, there was the group which preferred the Brazilian-Greek resolution. The Swedish delegate,
for example, felt the establishment of a new agency "would make the operation of the IBRD less effective." Likewise, the representative of the Netherlands discounted the value of setting up an international fund or office now. In the opinion of the United Kingdom's delegate, the adoption of the other two resolutions would "raise false hopes" with the risk of ultimate disillusionment. As an underdeveloped nation, Mexico expressed a rather nonconforming attitude by asserting that effective development was largely a domestic matter. The French delegation drew a distinction between what the country desired to do and what it could do—or even advocate. It did concede the possibility of establishing a development authority after a fiscal institution had been duly created; however, at the moment, that step would be premature.

Reminding the Second Committee that any forthcoming finances for either a fund or an authority would be contributed by a few countries which were financially able to do so, the delegate from the United States argued that "no new organization would be a truly international institution

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45 162nd Meeting, p. 109.
46 164th Meeting, p. 120.
47 164th Meeting, p. 122.
48 164th Meeting, p. 120.
49 164th Meeting, p. 124.
unless a sufficient number of countries were prepared to make effective and significant contributions."50 Later the same delegate charged that the five-power resolution was not merely a recommendation for study, but it was equivalent to the adoption of a "line of conduct."51 On the whole, the industrialized nations were obsessed by an apparent reluctance to endorse anything which resembled a definite commitment; hence, their partiality for and approval of the noncommittal resolution offered by Brazil and Greece.

Reactions among the underdeveloped countries were by no means unanimous, for they differed on the factors of time and the degree of accelerated development. The Government of India stated that an authority was premature now, for its establishment might create difficulties and confusion, particularly among the existing specialized agencies.52 The adoption of the Burmese-Cuban resolution for an IDA, warned the delegate from Venezuela, "would prejudge the results of the study" pursuant to the possible adoption of the five-power resolution.53

Speaking forcefully as a representative of the underdeveloped countries, the Burmese delegate stated he would

50147th Meeting, p. 16.
51166th Meeting, p. 136.
52165th Meeting, p. 130.
53166th Meeting, p. 138.
"prefer to proceed" with the prompt implementation of Recommendations 13 and 14 of the *U.N. Experts' Report*. With a note of sarcasm, he expressed a wish that the problem would not remain forever on the agenda as "an item of mere academic interest." In like manner and in view of the generally recognized need for foreign capital in areas deficient in domestic funds, the representative from Indonesia was dismayed by the negative attitudes of the developed nations towards the intent and principle of the five-power resolution.

Despite the diversity of interpretations, the three resolutions were put to a vote on December 13, 1951. First, there was a vote on the five-power resolution which provided for the submission of a "detailed plan" for a "fund" when "circumstances permit." The Indian amendment concerning savings from disarmaments had been incorporated, too. This joint resolution, as a whole, was adopted on a roll call vote by 28 to 20, with 9 abstentions. A nation-by-nation comparison of the final vote and the following statistics on per capita incomes of the respective countries shows quite graphically a positive correlation between inferior economic status and national aspirations to adopt an effective inter-

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54 163rd Meeting, p. 117.
55 165th Meeting, p. 135.
56 166th Meeting, p. 139.
national program for the acceleration of economic development. The numeral associated with each of the nations represents its per capita income in United States dollars. Prior to the vote, the delegate from India made a statement which intimated the probable result. He had said that the under-developed countries "must speak with one voice in all international gatherings as their problems and sufferings were, by and large, alike."  

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<tr>
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58 165th Meeting, p. 129
Of the twenty-eight countries which supported the proposal for an eventual fund, all of them—except Uruguay, Venezuela, Argentina, and Cuba—had a per capita national income of $200, or less. For many, it was less than $100. Of the other nations, only Greece, Liberia, Turkey, Brazil, and China were in a similar economic category, but they were opposed to the resolution. In remarkable contrast, the group in opposition was unique for its relatively high per capita national income. For the most part, the bloc of abstaining members was dominated by the Soviet philosophy. What is the significance between the vote in the General Assembly and the data concerning economic status? The importance lies in the positive correlation between the countries of small economic means and their desire to rectify the situation without delay. On the contrary, the high income countries demonstrated rather consistently less vital concern for altering the status quo immediately.

In contrast with the five-power resolution favorable to a fund, the Burmese-Cuban draft resolution for practical plans for an IDA forthwith was defeated. Since this decision was not recorded by a roll call, a detailed analysis of the various positions of all the governments is impossible. The record shows that the resolution was rejected by 22 votes to 19, with 13 abstentions. After protracted study and debate, the entire membership of the United Nations had the opportu-
ity to register its collective judgment concerning the prompt and actual establishment of an IDA. The decision was negative. Interest and enthusiasm for this step had been working towards a climax within the United Nations. This particular vote proved to be the crucial test. The rejection of the resolution by the Second Committee of the General Assembly in late 1951, marked an eclipse, as far as the United Nations was concerned, of the proposal for an IDA. Notwithstanding the cool reception which the United Nations accorded to the essence of the concept, optimism for its potential merit continued to prevail in certain quarters.

Even though there was no roll call vote on the draft resolution, offered by Brazil and Greece, the results contrast rather strikingly with the two former votes. This noncontroversial and noncommittal measure, merely prescribing further studies of a general nature, was approved without a recorded roll call vote by 21 votes to none, with 13 abstentions.59

In addition to the debates of the Second Committee, the First Committee (Political) showed interest in economic development, too. In the midst of its discussions on disarmament, the late Sir Benegal Rau of India introduced a resolution60 for a United Nations Fund for Reconstruction

59166th Meeting, p. 140.
and Development. On December 18, 1951, he withdrew his resolution after the Second Committee had adopted a "somewhat wider resolution" which included the essence of his proposal.

The Second Committee's recommendation, calling for a detailed plan for a fund, was submitted to the General Assembly in plenary session. Despite vociferous protests of some members, it was debated and put to vote on January 12, 1952. Since this action by the General Assembly would lend a sense of finality, both sides presented last minute briefs which restated and reaffirmed previous official positions. Yugoslavia indicated, for instance, that the proponents of the recommendation were not impressed by certain statements which claimed ostensibly that large financial sums could not be commended under present circumstances. Besides, such funds were unnecessary for the implementation of the present draft resolution. Placing great emphasis upon the criterion of universality, the representative from Australia reminded the Assembly that the potential contributors to a fund were already underwriting 78 per cent of the

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62 Ibid., p. 96.
United Nations budget and 90 per cent of the Expanded Program of Technical Assistance. Considering the statistical information on the national incomes of those particular contributors, the underdeveloped countries were not deeply impressed by this type of reasoning. Essentially, they had not fully realized and accepted the fact that a nation's ability to support a fund for economic development does not in itself lead to a willingness to do so.

Subscribing to the philosophy and ultimate purpose of the resolution, the delegate from the United Kingdom reassured the Assembly that the resolution was not basically wrong or misconceived, but he argued that it was simply untimely. Senator Mansfield, in presenting the official position of the United States, warned of the disillusionment which would follow the failure of positive implementation without adequate funds. Moreover, that step would "debase the currency of the United Nations," for the prestige of the organization would suffer to the extent that it did not actually implement its resolution. He also repeated the allegation that adoption was equivalent to committing the United Nations to positive action. Obviously, there was a problem of semantics and interpretation, for the Indian delegate counter-

65 Ibid., p. 332.
66 Ibid., p. 333.
67 Ibid., pp. 334-35.
charged that the resolution would not automatically create a fund. Epitomizing the contentions of the proponents, the delegate from the Philippines stated quite openly that approval was "essential to the realization of international economic goals envisaged by the Charter." Presenting a nine-point deposition for the resolution, the delegate from Chile argued that economic development is the foremost long term problem in the world today, and it is a comparable challenge to the United Nations. Since no other solution had been advanced, fair consideration, according to him, should at least be given to the one under discussion. Finally, noting that a major step of this type requires a "process of ripening in public opinion," he injected the thought that the main purpose of the resolution was "to give impetus to that ripening process." The static nature of public opinion had been stressed also in the U.N. Experts' Report. Even after the idea of planning is accepted, the planning itself requires time; consequently, the preliminary decision needs to be made as soon as possible.

After each country had had an opportunity to state and clarify its position, the resolution of the Second

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68 Ibid., p. 337.
69 Ibid., p. 333.
70 Ibid., p. 335.
Committee was put to a roll call vote, and it was adopted by 30 votes to 16 votes, with 11 abstentions. A detailed analysis is unnecessary, for with a few exceptions, the vote by the General Assembly proper was a re-endorsement of the action by the Second Committee. As a result of this decision, the perennial problem of economic development, for the most part, had been recommitted temporarily to ECOSOC. The Council had been commissioned directly in Resolution 520A (VI), to submit some "detailed plans" for a "fund" to the Seventh Session of the General Assembly. Although the deliberations of the United Nations had shifted from the initial subject of an Authority to a Fund, this action alone indicates progress. As one observer conjectured at the time, future historians may well regard the passage of the resolution concerning the Fund as the most important action of the Sixth Session of the General Assembly.

4. Action During 1952

The shift of the debate and the resolution from the question of an authority to a fund also signified a limited

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recognition of the need for some type of financial assistance to the underdeveloped nations. Simultaneously and negatively, it indicated an unwillingness to assume any responsibility for co-ordinated planning. In future United Nations deliberations, the idea of a fund for development practically obliterated the concept of planning. Having been directed to submit recommendations for a fund to the General Assembly's Seventh Session, ECOSOC proceeded to its assignment during its Fourteenth Session in 1952.

Meanwhile, the Secretary-General had drawn up a working paper\textsuperscript{74} for the benefit of the Council. This communication made tentative suggestions concerning the fund's income, manner of collection, contributions, size, method of distribution, factor of self-help, grants versus loans, terms of loans, and the duration of the fund. Subsequently, the Council's action was embodied in a joint draft resolution, submitted by Cuba, Egypt, Iran, and the Philippines. It called for the establishment of a nine-member committee to prepare such a detailed plan and to report by March, 1953.\textsuperscript{75}

In essence, this proposal was a pronounced shift from


the Council's initial commission to produce a detailed plan to a substitute scheme of creating an ad hoc committee to draft a plan. The ensuing debate reveals an obvious irresolution within the Council and the ubiquitous dichotomy between the potential contributors to the fund and the underdeveloped countries. Being reconciled to a small fund, the Mexican delegate stated optimistically that this action would "have the inestimable advantage of marking the beginning of a new era of human solidarity." In due time the draft resolution was approved by a vote of 15 in favor with 3 abstentions.

At the Seventh Session of the General Assembly in 1952, several variants of the Council's resolution were introduced into the Second Committee. Ultimately, a working group incorporated the substance of five particular draft resolutions into a new revised resolution. It noted with favor the Council's plan to establish a committee of nine and requested the Council to submit detailed plans to the Eighth Session of the General Assembly. Subsequent to an approval in the Second Committee by a vote of 46 in favor, a substitute scheme of creating an ad hoc committee to draft a plan. The ensuing debate reveals an obvious irresolution within the Council and the ubiquitous dichotomy between the potential contributors to the fund and the underdeveloped countries. Being reconciled to a small fund, the Mexican delegate stated optimistically that this action would "have the inestimable advantage of marking the beginning of a new era of human solidarity." In due time the draft resolution was approved by a vote of 15 in favor with 3 abstentions.

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77In favor: Mexico, Pakistan, Philippines, Sweden, United Kingdom, United States, Uruguay, Argentina, Belgium, Canada, China, Cuba, Egypt, France and Iran. Abstaining: Poland, Union of Soviet Socialist Republics, and Czechoslovakia.

0 opposed, and 3 abstentions, the General Assembly in plenary session endorsed the Committee's recommendation which became Resolution 622A (VII).\textsuperscript{79}

In summary, the initial proposal of the underdeveloped countries for an IDA was not well received by the United Nations as a whole. In the course of political relationships throughout the world, power always resides ultimately with some combination of the political forces. Here, the underdeveloped nations were unable to achieve their objective through the United Nations machinery. This failure exemplifies rather pointedly an intrinsic limitation of the United Nations, i.e., it is merely a facade for the actual distribution and disposition of political power.

Whereas the developed countries had been outvoted on the resolution calling for an eventual development fund, they were successful in defeating the pertinent Burmese-Cuban draft resolution to effectuate an IDA without delay. In addition to manifesting no inclinations to support the IDA, they advanced no alternatives in order to meet the objections and urgent demands of the underdeveloped nations.

Considering the single criterion of strategy, the underdeveloped countries, in a numerical sense, could have forced a favorable vote for an IDA. Realizing, however,\textsuperscript{79} "Resolutions," \textit{Official Records, Seventh Session, Supplement}, no. 20 (New York: 1952), p. 14.
that such an Authority would be powerless and meaningless without the support of those countries possessing the material and physical means of economic development, they proceeded with discerning deference to the political inclinations of their more fortunate neighbors and decided against forcing the question. As a result of this implicit consensus and other political decisions, action by the United Nations for economic development in the immediate future was redirected toward a proposed fund.
CHAPTER VII

WORLD PLAN FOR MUTUAL AID: THE SOCIALIST SOLUTION

International efforts to implement economic development have not been limited to those which transpired within the United Nations. In conformity with the great value which organized Socialism has always attached to the theory of equality, the Socialist movement also has a somewhat natural affinity with the economic problems of world development, especially in so far as they have any bearing upon employment, underemployment, working conditions, and standards of living. This relationship is not confined to any specific nation or region. Instead, "grassroots" support is rather widespread and contributes immeasurably to the overall effect of the Socialist endorsement of comprehensive economic development. In fact, many of the non-European Socialists are experienced victims of underdevelopment within their own countries.

As a counterpart of IDA, the British Labor Party initiated the idea for a World Plan for Mutual Aid as its medium for the promotion of comprehensive economic development. Subsequently, other socialist circles throughout the world found its philosophy quite appealing and allied themselves with the British movement. Whereas the title World Plan for
Mutual Aid was originally applied to a rather inchoate concept, the term has been employed liberally and interchangeably with both World Mutual Aid and IDA.

One very free, but nevertheless quite adequate, interpretation of mutual aid states that "it means all the nations forming a complete unit with the object of winning from nature in every part of the world what the soil is ready to give mankind." The name itself implies the reciprocal character of the whole idea; for in addition to the expressed objective of aiding the retarded economies, development should be undertaken in behalf of the welfare of the developed countries, too.

A statement of Labor's policy, issued before the Party's annual conference in 1950, deplored the inordinate reliance upon armed strength and admonished the democratic countries to launch a positive and protracted program of world economic development, to be known as the World Plan for Mutual Aid. As a successor to the Marshall Plan, it was contemplated that the new scheme would assist the underdeveloped countries as the former had done in Europe.

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1"World Mutual Aid," House of Commons Debates, 5th series, 525 (March 24, 1954), 1344.


Referring to the impressive work begun by the development programs of the United States and the United Kingdom, the Colombo Plan, the United Nations Expanded Program of Technical Assistance, the Food and Agricultural Organization, and the World Health Organization, the Party's statement of policy recommended that all these endeavors should be integrated as part of a World Plan for Mutual Aid.\(^4\) Furthermore, the free peoples of the world would be expected to contribute according to their ability, and the flexible policies and administration of the Plan would utilize both public and private investments, national and international techniques, either through colonial schemes or United Nations agencies.\(^5\) As to the type of projects to be assisted, it has been suggested that in addition to capital works, the Plan should cover the thousand and one needs of the small community.\(^6\)

In many respects, portions of the previously cited policy statement, *Labour and the New Society*, acquired the status of an economic manifesto to be referred to authoritatively by Socialists in the future. The World Plan for Mutual Aid became synonymous with colonial development within

\(^4\)Ibid., p. 9.

\(^5\)Ibid., p. 10.

According to one Fabian analysis, the Labor Party had launched the World Plan for Mutual Aid as the central element of its foreign policy.

The Annual Conference of the Party in October, 1950, debated pertinent sections of the manifesto extensively. Herbert Morrison reviewed briefly the slow and protracted development of British social services, industrialization, deliberate planning of resources, and full employment. He argued that similar achievements, in due course, would be obtainable from the application of comparable policies to the world as a whole. Philip Noel-Baker admonished the Conference not to be misled by Tory charges that the Plan is "visionary or unreal." Instead, it was practical common sense and stands in need of capital and world machinery to carry it out.

Speaking for the Party's left wing, Aneurin Bevan called for concerted governmental action to improve living standards throughout the world, and with a tinge of irony,


he reminded the Conference that the task can "no longer be done by the Cecil Rhodes."¹¹ Later, as part of an omnibus resolution, the Conference moved "to press on with measures needed to establish satisfactory economic and social conditions for the peoples in the backward countries and to end trade barriers between East and West." A card vote was taken, but the resolution was defeated by a count of 881,000 to 4,861,000.¹² Despite the informal preconference enthusiasm for the World Plan for Mutual Aid, the Party did not endorse the Plan officially. Parenthetically, this action illustrates the process and the values of the Party Conference in the formulation of party policy. In this instance, an element of the Party's leadership was unsuccessful because the Party, as a whole, regarded this new social philosophy and policy as politically premature and inexpedient.

Although there were individuals within the Party who heartily endorsed the social insight and objectives of the Plan, neither the Party nor the Labor Government, in turn, sanctioned the proposition officially. For instance, during the Thirteenth Session of ECOSOC in 1951, the underdeveloped nations had advocated the establishment of a United Nations Authority for Production and Plenty, but the British delegate, however, stated his Government's opposition to any increase

¹¹Ibid., p. 131.
¹²Ibid., pp. 141, 150.
of its commitments or to the establishment of any institution. As a result of this policy, the Labor Government has been criticized sharply by one of its own members for the obvious inconsistency between its official action and the avowed principles of the Party.

To avert any major misconception, it is important to point out that within the Labor Party, there were varying degrees of interest and enthusiasm for the World Plan for Mutual Aid. In the interim until the next Party Conference, the Party's left wing supplied the more ardent spokesmen and propagandists for mutual assistance. Attempting to encourage a more extensive interest in and support for helping the underdeveloped areas, a left wing publication reminded the British people of the close resemblance between the constructive peace proposals of Walter Reuther and those of the Labor Party's Plan for Mutual Aid. Deploring the lack of constructive action for this critical world problem, it was charged that the failure to develop even a beginning of a World Plan for Mutual Aid constituted the most serious failure of the postwar years.

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16 Ibid., p. 7.
Furthermore, there was the omnipresent specter of a new imperialism arising from the proclivities of private investors to concentrate on extractive industries. In addition to yielding quick and bountiful profits, they are expedited in order to gain access to vital, and perhaps strategic, raw materials. In a situation of this type, a World Plan for Mutual Aid could serve the invaluable function of moderating and mitigating these economic demands and pressures, ominous with a novel but still a disinterested kind of exploitation. It was argued that "the struggle for raw materials in the twentieth century could easily exceed in horror the struggle for markets in the nineteenth century."\footnote{Ibid., p. 8.} The mounting pressure for raw materials to supply an expanding industrialized world economy has been well-documented elsewhere. For example, the Paley Commission in the United States reported that in the next twenty-five years an inordinate demand for raw materials within the free world will increase by two-thirds or three-fourths; and at present, it is apparent that the underdeveloped areas will be the primary source of these products.\footnote{The President's Materials Policy Commission, Resources for Freedom, Summary of Volume I (Washington: 1952), p. 61.}

According to Labor's left wing, the subordination of rearmament to the inauguration of the World Plan is hypothesized in order to free and divert the requisite supplies of
labor and resources to the Plan. Furthermore, it should go forward whether the Russians agree to it or not.\textsuperscript{19}

With the advent of the Party Conference in 1951, and the forthcoming General Election in Britain, the Labor Party was confronted with the more urgent and practical task of winning an election in order to retain control of the Government; hence, only a minimum of attention was accorded to less tangible and pressing issues as development and mutual aid. The Conference in 1951, for the most part, was devoted to a discussion of the Election Manifesto, and there were no resolutions or detailed references to a World Plan for Mutual Aid. Herbert Morrison, then Secretary of State for Foreign Affairs, reiterated the Party's position of encouraging powerful countries to help the backward ones.\textsuperscript{20} In part, the Election Manifesto read as follows: "But peace cannot be preserved by arms alone. Peace depends equally on bringing freedom from poverty to lands where hunger and disease are the lot of the masses. Britain's Labour Government has given a lead in economic assistance to these lands."\textsuperscript{21}

Having gone into the Opposition in 1951, and not being

\textsuperscript{19}"One Way Only," \textit{op. cit.}, pp. 4, 13.


\textsuperscript{21}\textit{Ibid.}, p. 209.
responsible for the administration of policy, the Labor Party became more explicit and firm in expounding its pertinent convictions. Labor's new approach in 1952, to the economic problem of the underdeveloped areas had been set forth in a pre-Conference pamphlet, which indicated a notable shift of policy. By this time, the controversial U.N. Experts' Report had become an object of both praise and criticism. Instead of continuing to proselytize for the Plan for Mutual Aid, the Labor Party endorsed the Experts' recommendation for establishing an IDA to administer grants-in-aid to underdeveloped countries. The Party also approved the Experts' goal for a 2 per cent per annum increment in the standards of living within those countries.

A minor reservation was incorporated concerning the U.N. Experts' Report and its calculated need of $19 billion annually for investments. The Party pamphlet stated explicitly that the current capacity of the underdeveloped countries to absorb capital effectively was not so large as that figure; consequently, economic development should start slowly and gather momentum gradually. This did not preclude, however, commendable gains from the strategic and prudent application of a limited amount of capital without delay.

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23Ibid., p. 15.
24Ibid., p. 11.
The policy document, *Towards World Plenty*, was debated extensively at the Fifty-First Annual Conference in October, 1952. Hugh Dalton, former Minister of Local Government and Planning, regarded the proposal for an IDA as quite practical since it would put the administration of grants-in-aid on an international basis, affording an opportunity for participation by both donors and recipients of funds.25 Previously, Hugh Gaitskell, former Chancellor of Exchequer, had offered a sober analysis of the enormous task and warned the Conference that aggregate investments and grants which the underdeveloped areas require exceeded Britain's means for supplying them.26 Elsewhere, the absolute necessity of American assistance was stressed, if development were to proceed with reasonable dispatch and success.27

A composite resolution concerning a five-year program constituted the socialist answer to the recurring world economic crises. It advocated the administration of programs for the development of substandard areas through a World Plan for Mutual Aid. When the resolution was put to a vote, the Conference approved it.28

26Ibid., p. 101.
27Ibid., p. 108.
28Ibid., pp. 91, 112.
A statement of Labor's tentative policy for its next anticipated tenure in office gives some conception of the over-all philosophy and self-imposed mission of the Socialists. The Laborites point out with evident pride that their Party laid the foundation for democratic socialism in Britain during its first six years in power after World War II. "In our next five years of power," one spokesman proclaimed, "we shall fail if we do not take a significant lead to extend the same principle to all mankind." Another specific policy of the next Labor Government would be an offer pertaining to the reduction of armaments, for the implementation of an effective World Plan for Mutual Aid is completely stultified by the financial obligations for armaments to combat the cold war.

More than a year later and subsequent to the Fifty-Second Annual Conference in October, 1953, the Labor Party published—and it appears with considerable confidence—a small document, Challenge to Britain, with a subtitle "A Programme of Action for the Next Labour Government." In general, previous views on development were reaffirmed.


Noting the excellent start of the Colombo Plan under the aegis of the Labor Government, an extension of multilateral action was postulated. To this end, Britain should work and vote in the United Nations for the establishment of an IDA, pursuant to Labor's endorsement of it in *Towards World Plenty*.  

By official resolution this Party Conference urged "the development of U.N. technical assistance programmes and international action through the U.N.--by the World Bank, by an international development authority or other effective means--to obtain and administer funds for investment in public services in the underdeveloped countries. This would be a major contribution to the World Plan for Mutual Aid which is Labour's objective." This statement implies that the World Plan for Mutual Aid would be some sort of a scheme more comprehensive than an IDA.

Although the Conservative Party was in power, the House of Commons held a major debate on World Mutual Aid in early 1954. Even though the title of the debate was similar to Labor's Plan, it is notable that there was no specific reference to the World Plan for Mutual Aid. By 1954, the latter had been more or less unofficially assimilated within the long range movement for an International Development

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33 *Ibid.*, p. 34.
Authority and the less pretentious Special United Nations Fund for Economic Development. Therefore, the general debate ranged widely from the status of underdeveloped areas, the means of providing effective assistance, and the role of private investment. Some Laborites espoused the cause of an IDA, in lieu of any reference to the World Plan for Mutual Aid. One member of the Labor Party, noting the impoverishment of two-thirds of England fifty years ago, praised the achievements of Socialism for Britain and proposed a challenge "that the policy of Socialism and equality shall be extended to all the people of the world."  

In order to implement development adequately in reference to both time and amount, there was even a suggestion for an Office for Mutual Aid, comparable in political stature to the War Office.  

Recently, there has been very little, if any, constructive debate or action by the Conservative Government relative to the general topic of development, whether contemplated through IDA, the World Plan for Mutual Aid, or some other means. Periodically, the Labor Opposition raises pertinent questions in the House of Commons to no avail, for the Conservative Government demonstrates very little interest in the subject and refuses to

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make any specific commitments on related policy.

In addition to the Labor Party, other Socialist affiliations throughout the world have shown a keen interest in the welfare of the backward areas and have subscribed to some of the Party's relevant proposals with similar enthusiasm. In this category, the Socialist International, a confederation of national parties adhering to democratic socialism, is perhaps the most prominent. The Seventh Economic Experts' Conference of the Socialist International was unable to reach an unequivocal conclusion about the creation of a new agency and considered the decision to be contingent upon the amount of aid. If the new program were to be enormous, a new organization would be necessary, otherwise existing agencies can do the job.36

Speaking to the Council of the Socialist International, Morgan Philips, then Secretary of the British Labor Party, advocated new techniques for supplying the needy countries with external capital and admonished Socialists to work "toward a World Plan for Mutual Aid which will meet the material needs of people all over the world."37 Even though recent Socialist literature abounds in reference to World


Plan for Mutual Aid, one looks in vain for specific details and analysis of its structure. In fact, one publicist for the Plan admits candidly that, "it is impossible to lay down at the outset any precise estimates of an effective world plan."  

Despite the general reverses associated with the promotion of development in 1951-1952, the Socialist International continued to endorse the World Plan for Mutual Aid with added conviction. The official action of the Second Congress of the Socialist International, consisting of 119 delegates from 37 parties, substantiates this assertion; for a portion of the preamble to a declaration of principles stated that the organization works for the "free acceptance by all the peoples of the world of a World Plan for Mutual Aid . . . which would express in action the international solidarity of working people the world over."  

A few specific details were promulgated by this Congress concerning the nature of the anticipated Plan, in particular, its multiple composition. The designated levels of operation would be (1) general world programs, (2) regional, and (3) bilateral. Thus, these features would lend

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40 Ibid., p. 9.
versatility to the organization, as well as an ability to be fairly comprehensive in its activities related to development. Certainly, they would provide sufficient flexibility to approach most any specific project from the vantage point of maximum returns. Its success would be dependent upon a synthesis of multifarious activities, and as a scheme or institution it would evolve somewhat inductively. The resolution of the Congress continued with the admonition that the efficiency, the elimination of overlapping functions, and the ascertaining of priorities of the World Development Plan would be contingent upon the co-ordination of the three levels. 41 In a resolution of 1953, concerning colonialism, the Socialist International reaffirmed its previous principles with a similar declaration and "called upon Socialist parties in all countries to give their fullest support for the establishment of a World Plan for Mutual Aid" under the aegis of the United Nations. 42

Although the Asian Socialist Conference of January, 1953, commonly known as the Rangoon Conference, did not specifically endorse the World Plan for Mutual Aid, its socialist viewpoint is germane to the immediate discussion. Among the issues upon which the Asian Socialist Parties

41Ibid., p. 10.

passed resolutions, it is of parenthetic import to note that they regarded assistance as a "right" and a "claim," created by past and present exploitation of the Asian countries by the industrialized and political powers of the Western World. That assertion is obviously an attitude not subject to objective proof or disproof, but the statement serves a valuable function simply because it reveals what the Asiatic Socialists are thinking. Another resolution, premised upon the Asian need for external aid, recommended that such assistance should be sought and received in a coordinated manner through a World Development Authority under the auspices of the United Nations.

Emanating from a profound apprehension concerning the endemic poverty of two-thirds of the world's inhabitants, Socialists have favored an extension of their philosophy by urging the creation of a World Plan for Mutual Aid. For the most part, the scheme has been set forth in extremely vague terms with a minimum of detail. At times, a distinction between an IDA and the World Plan for Mutual Aid is barely discernible. If it seems more or less nebulous, it may reflect, without prejudice, a degree of immaturity which is usually characteristic of many social innovations. Exempli-


\[44\] Manchester Guardian, Jan. 16, 1953, p. 12.
fying the perennial conflict between theory and practice, the Plan is "impeccable in aim and in general conception. But the difficulties of carrying it out will be immense."^45 Although the World Plan for Mutual Aid has not been implemented, it has made the inestimable contribution of bringing Socialist thought concerning economic development into sharper focus. Notwithstanding the unpropitious prospects for any imminent adoption of the Plan, both the British Labor Party and the whole Socialist-oriented movement have given their almost unqualified endorsement of and support to the proposed Special United Nations Fund for Economic Development ever since its inception in 1953.

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^45Healey, op. cit., p. 175.
CHAPTER VIII

SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT
AND THE INTERNATIONAL FINANCE CORPORATION

Section A

Special United Nations Fund for Economic
Development (SUNFED)

National interests, manifesting their political influence and power within the United Nations, had been responsible for the rejection of a resolution concerning the immediate establishment of an IDA. Subsequent to that action, the whole discussion of economic development shifted toward an inchoate fund.¹ The latter procedure was ipso facto a tacit recognition of an obligation to the underdeveloped areas; however, this responsibility was virtually separated, without reservation, from any provisions for comprehensive planning and financing which were always integral features of the proposed IDA. In lieu of an authority, some advocates had become reconciled to the proposed fund as a transitional stage in the evolution of an IDA.

¹ Suarez Report, 1953

Pursuant to Resolution 416 A (XIV) of ECOSOC in 1952,

¹Supra, Ch. VI.
a nine-member committee was appointed to prepare a detailed plan for the fund. In early March, 1953, the Committee released its findings under the title, Report on a Special United Nations Fund for Economic Development. Since Eduardo Suarez of Mexico acted as the Committee's Chairman, there are frequent references to the document as the Suarez Report. Since that time, the abbreviated term, SUNFED, has gained general acceptance as the name of the proposed Fund.

To avert any major misconception, it should be stated at the outset that SUNFED would not be a "big money" proposition, at least in its initial stages. On the contrary, it would be quite unpretentious, but its proponents are optimistic about its potential for growth and expansion. The Suarez Committee had at its disposal a working paper, compiled by the Secretary-General, which suggested a fund with initial resources between $200,000,000 and $300,000,000, to be accumulated through the contributions of at least fifteen or twenty nations. Finally, as a result of a convenient compromise, the Committee recommended that the fund should

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2The membership was as follows: S. Amjad Ali, Fernand Baudhuin, C. V. Bramsnaes, Miguel Cuaderno, Sir Cyril Jones, Leo Mates, Hernan Santa Cruz, Eduardo Suarez, and Wayne C. Taylor.


not be established until a minimum of $250,000,000 had been pledged from thirty governments.\textsuperscript{5} Rather than having a paid-up capital fund, the Committee declared its preference for voluntary contributions to replenish the fund's resources annually.\textsuperscript{6}

The Report postulated that the acceleration of development in the backward areas required "noncommercial capital in the form of grants-in-aid or long-term, low-interest loans." Furthermore, self-help was regarded as basic; external aid would only be supplementary. The Fund, according to the Report, was expected to refrain from exerting any political pressures on the internal affairs of the recipient nations; and in order to guarantee this condition, assistance would be given only upon the request of governments.\textsuperscript{7}

A combination of two alternate methods was offered for the distribution of funds. First, through a case-by-case approach, each request would be evaluated on its singular merits. Second, a predetermined formula would determine the allocation of funds among recipient governments. In the earlier phases of the Fund's operation, the emphasis would be on the case approach, and a more equitable geographical

\textsuperscript{5}Suarez Report, op. cit., p. 15.
\textsuperscript{6}Ibid., pp. 9, 12.
\textsuperscript{7}Ibid., pp. 6, 20-21.
distribution of capital could follow later. Considering both the desirability of full participation by all the Fund's members and a requisite degree of independent action, the Committee believed the creation of a new body was inescapable. This did not preclude, however, close liaison with the IBRD and other specialized agencies of the United Nations. Finally, the test of success of the Fund's operations, whether through loans or grants, would be the subsequent rate of acceleration of economic development among the assisted countries.

2. SUNFED Linked with Disarmament

Within a few weeks after the publication of the Suarez Report, President Eisenhower delivered a major policy speech which had profound and protracted repercussions, and subsequently it tended to qualify the Suarez Report to the extent of attaining the stature of an implicit and unilateral reservation. Speaking before the American Society of Newspaper Editors on April 16, 1953, the President declared inter alia that the Government of the United States was "ready to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarmament to a

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8Ibid., p. 25.

9Ibid., pp. 37, 28.
fund for world aid and reconstruction." (Italics L.C.L.)

Thereafter, the President's declaration culminated in an official governmental policy whereby the United States made the establishment of SUNFED contingent on disarmament and the savings therefrom. The Suarez Committee had not intended this significant qualification. On the contrary, it had specifically regarded such savings as an "additional factor" for more substantial contributions in the future. When Secretary of State Dulles addressed the Eighth Session of the General Assembly a few months later, he added his full endorsement to the President's speech.

In July, 1953, the United States delegate to ECOSOC introduced a draft resolution which incorporated the essence of this new unilateral interpretation. According to this draft resolution, the members of the United Nations pledged "to devote a portion of the savings achieved through such disarmament to an international fund for development and reconstruction." Other draft resolutions, calling for


positive steps for the establishment of SUNFED, were also introduced; but after their referral to a working committee, a working draft resolution embodied the intrinsic viewpoint of the United States. Ultimately, this concept was adopted as Resolution 482 A (XVI).\(^\text{14}\) In the course of the Council's deliberations, the delegate from Argentina expressed the conviction of several members when he criticized the draft resolution of the United States for linking the future of the Fund with the world dilemma of disarmament.\(^\text{15}\)

The Council's recommendation was transmitted to the General Assembly's Eighth Session. Of all the other draft resolutions in the Second Committee, the United States remained unequivocally committed to its version. Reconciled to that position, a delegate from Greece stated that it would be absurd for a majority of the Assembly to create a fund so long as the capital-exporting countries withheld their financial support.\(^\text{16}\) Resigned to the prudence of that remark, the Second Committee approved the United States draft resolution. Ultimately, the General Assembly in plenary session endorsed that interpretation, too, with the adoption of Resolution 724 A (VIII). It reads as follows:

\(^\text{14}\) Ibid., p. 305.
\(^\text{15}\) Ibid., p. 162.
We, the governments of the States Members of the United Nations, in order to promote higher standards of living and conditions of economic and social progress and development, stand ready to ask our peoples, when sufficient progress has been made in internationally supervised world wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in underdeveloped countries.\(^{17}\)

This action initiated a new phase in the United Nations discussions concerning economic development wherein the latter was linked integrally with world disarmament vis-a-vis divergent conceptions of national security. Thus, a unilateral pronouncement by the President of the United States, in addition to becoming quite conveniently a part of the United States foreign policy, had been also adopted as part of the prevailing policy of the United Nations. The already controversial SUNFED became further complicated as a result of this new relationship.

3. The Member Governments Reply

In pursuance of Resolution 724 B (VIII), the General Assembly also invited members of the United Nations to submit their detailed comments upon the Suarez Report to the Secretary-General. President Raymond Scheyven of ECOSOC, a banker and member of the Belgian Chamber of Representatives,\(^{17}\)

was appointed to examine the statements of the various governments and report accordingly. Of the anticipated 85 replies, only about fifty per cent of them had been received within a period of ten months. The submitted answers indicated a great diversity of opinion concerning both the principle and the administrative implementation of SUNFED. In general, the dichotomy between the interests of the developed and the underdeveloped countries was as pronounced as ever. On the whole, there was virtually unanimous approval of the theory behind SUNFED, but its practical implementation conjured up all types of reservations and qualifications.

For example, the establishment of the Fund was deemed inadvisable, according to the Canadian reply, until countries have signified a willingness to contribute on an adequate scale. The reply from Chile indicated impatience and frustration and held that there is "no further room for discussion on the subject. We consider that all the preliminary formalities and studies in connexion therewith have been completed." India's response sounded cynical and alleged

18 See, General Assembly, Comments of Governments on the Report of the Committee of Nine. U.N. Documents, A/2646; A/2646/Add.1; A/2646/Add.2; A/2646/Add.3; A/2646/Add.4; and A/2646/Add.5. Mimeographed (1954).
20 Ibid., p. 34.
that further discussions were useless until a beginning of
the project is imminent. 21

The Special Fund should be established, according to
the Netherlands, as soon as conditions mentioned in the
Suarez Report are present. 22 While Sweden expressed fears
of a new international organization, Switzerland believed
the agency was premature. 23 The United Kingdom accepted and
supported the principle of SUNFED within the framework of
the United Nations, but, "Her Majesty's Government . . . are
not at this stage in a position to subscribe to it finan-
cially." 24

Commenting upon the practical matter of finances, the
Chinese Government endorsed the views of the Suarez Commit-
tee that, as far as possible, "SUNFED should be constituted
by renewable contributions on a voluntary basis." 25 French
obligations within the French Union, to the extent of 2 per
cent of the metropolitan national income, precluded any
sizeable contributions to SUNFED. On the other hand, Norway
supported the earliest possible creation of the Fund, but

21 Ibid., p. 40.
22 Ibid., p. 46.
23 Ibid., pp. 52 and 54 respectively.
24 Ibid., p. 56.
25 A/2646/Add.1, op. cit., p. 3.
she could not accept the United States contention that armament savings were essential prerequisites.26

Referring to the initial capitalization of $250,000,000, the Government of Haiti replied with derision as she compared that ridiculously small sum with the billions of dollars appropriated annually for armaments, especially by the developed nations. Furthermore, most underdeveloped countries have absorbed all available indigenous capital.27 After lengthy analysis of her domestic plans for development, the Italian reply alleged that SUNFED proposes to take the same constructive action in a wider field,28 i.e., the type of thing that can be done nationally can also be done on an international scale.

Despite Pakistan's enthusiasm for the new Fund, she expressed resignation to the absolute necessity for the support of the United States prior to the actual launching of SUNFED. Also, her Government only justified the creation of a Fund as a means of financing activities of "basic development and social investment."29 Costa Rica indicated a preference for the Suarez Committee's suggestion for a geographical distribution of SUNFED's assets in the interest of

26Ibid., pp. 5,10 respectively.
27A/2646/Add.2, op. cit., p. 11.
28Ibid., p. 24.
29Ibid., pp. 27-28.
balanced progress. In contrast to the procrastinating tenor of Resolution 724 A (VIII), another comment by that Government exemplifies quite candidly a contempt for the prolonged inaction and goes on to suggest that the next steps should be the drafting of appropriate statutes for SUNFED and the ascertainment of available contributions. The members of the Soviet bloc did not submit any replies.

Having been commissioned to synthesize these replies into a composite report, Scheyven visited a number of the governments in order to secure firsthand information. In refuting the charge that SUNFED was unnecessary, he concluded that instead of duplicating the work of existing agencies or detracting from their effective performance, the Fund would, on the contrary, reinforce their activities. Besides, by financing infrastructure projects, SUNFED would undoubtedly encourage the flow of both public and private capital to the underdeveloped countries.

Upon perusing Scheyven's final report, one may be reminded of the renowned quotation, "All Gaul is divided into

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30A/2646/Add.5, op. cit., pp. 3-4.


three parts." The injection of the disarmament issue into the proposals for SUNFED accounts for the fact that the replies fell into one of three distinct groups. First, there was the group of underdeveloped countries which favored the immediate and almost unqualified launching of the Fund. In fact, they believed the preliminary work had been completed, and some were even prepared to draft a statute for the Fund forthwith. Numerically, this group represented a majority.

The second category of replies, all of them from industrialized countries, favored the principle of the Fund; however, since they could not foresee adequate means of finance, the time, in their opinion, was not propitious for proceeding with SUNFED. In addition, these nations insisted that further action was, without question, contingent upon a degree of world-wide disarmament. Finally, the third class of responses, emanating from some of the smaller industrialized nations, expressed a long range view that "it would be regrettable to make the creation of a special fund contingent upon a general reduction in armament expenditures."

To a considerable extent these nations, even if they were potential donors, agreed with the first group, i.e., the underdeveloped countries. 33

A summation of the replies revealed that many governments accepted the principle of voluntary and renewable

33 Ibid., p. 15.
contributions, but some were apprehensive about the absence of guarantees for continuity and regularity in the payment of pledges. Generally, the governments approved the non-political distribution of the Fund's resources. Thus, such factors as political system, religion, or racial problems would not influence the allocation of its assets. The governments were almost unanimous in their admonition against the advent of a new international bureaucracy.34 Reconciled to the fact that the essential conditions for the creation of the Fund did not prevail, Scheyven ended his report on a note of pessimism. Specifically, he emphasized the lack of support on behalf of the industrialized countries, particularly the United States.35 Nevertheless, being optimistic about the eventual acceptance of the concept, he stressed the importance of informing world opinion to a greater degree and mentioned the possibility of a special publication for this purpose in the form of a "White Paper."

The Eighteenth Session of ECOSOC studied the Scheyven Report, and for the most part, the debates reflected previous attitudes. At one point the delegate from the Soviet Union congratulated Mr. Scheyven, somewhat sarcastically, "on his ability as a propagandist for SUNFED." Likewise,

34 Ibid., pp. 18-19.
the former complained that the documents before the Council did not furnish sufficient information about the contributions, priorities, types of projects to be assisted, or the role of the underdeveloped countries in making decisions concerning the formula for distribution.38

The delegate from Yugoslavia thought the General Assembly should be advised to commission a working party to draft the statute for SUNFED.37 Observers for the Government of Brazil and the International Confederation of Free Trade Unions urged respectively that the time had come to take "practical action."38 The perfunctory debate droned on to no avail; for the most positive statement on which the Council could ultimately agree was Resolution 532 A (XVIII), a recommendation that the General Assembly "urge governments to review their respective positions."39

As the General Assembly continued the discussions in its Ninth Session, a reproachful remark by Carlos Romulo of the Philippines epitomized in a Plenary Meeting the underlying tenor and discord of the proceedings. After recounting

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37Ibid., p. 131.
38Ibid., pp. 158-59.
the growing reluctance of the developed countries to assist in programs of economic development, the changed status of Point Four, and the freezing of the United Nations Expanded Program of Technical Assistance, he objected quite frankly to the "virtual pigeon-holing" of the project for SUNFED. Notwithstanding, the Second Committee of this session devoted most of its time to a general debate concerning the Special Fund. Again, there were no extraordinary or notable changes. At one point, Scheyven told the Committee with the utmost candor that "the fate of the special fund depended on the attitude of the great powers." When the general debate terminated, three draft resolutions were deposited with the Committee. First, the Netherlands delegation, proving to be something of an international renegade as far as the other industrialized nations were concerned, proposed that the Committee decide to set up SUNFED with the necessary preparatory action to be undertaken by a working group. The second draft resolution, offered by Belgium, was a straight reiteration of ECOSOC's recommendation for a review of respective positions. Lastly, twenty nations, Afghanistan, Bolivia, Brazil, Burma, Chile, El

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42 Ibid., p. 73.
Salvador, Egypt, Ethiopia, India, Indonesia, Iran, Iraq, Pakistan, Philippines, Saudi Arabia, Syria, Uruguay, Venezuela, and Yugoslavia, later joined by Lebanon, submitted a draft resolution which recommended the drawing up of statutes for SUNFED. Since this step would be time-consuming, they argued that the task should be undertaken as soon as possible.

Once more, political influence and power prevailed over the force of numbers, and the Committee's final compromise of these contradictory views favored the status quo. Besides urging a review of the Governments' respective positions, Scheyven and an ad hoc group were to prepare another report, "giving a full and precise picture of the form or forms, functions and responsibilities which such a special United Nations fund for economic development might have, and especially the methods by which its operations might be integrated with the development plans of the countries receiving assistance from it." On December 11, 1954, a plenary session of the General Assembly approved the Second Committee's decision with the passage of Resolution 822 (IX).43

4. An Appraisal of the Disarmament Issue

SUNFED, modest as it was purported to be from its inception, has become literally "stalled" in the international

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doldrums of world disarmament. The political disposition of SUNFED has come to pivot on the priority of world-wide disarmament, but some quarters challenge the validity of that whole hypothesis. The ultimate value of effective disarmament per se is neither at stake nor questioned in any respect; but its unqualified precedence over the initiation of other positive programs has been regarded as a fallacious assumption. Statistically, the amounts appropriated for military preparedness are almost astronomical. It has been estimated that the aggregate world expenditure on armament is in excess of $80 billion annually, and still rising.\textsuperscript{44} As applied specifically to SUNFED, it has been estimated that a diversion of $1.00 out of every $340 spent on disarmament would provide enough money to start the fund.\textsuperscript{45} In all prudence, these statistics cannot be dismissed perfunctorily.

The proposal for applying armament savings toward development was not original with President Eisenhower's offer of April 16, 1953, even though it was received with considerable acclaim. In 1950, the late Senator McMahon had made his unorthodox suggestion for a similar purpose. Following the recommendation of a delegate from India, Resolution 520 (VI) of the General Assembly had incorporated the


same feature in 1952.46

The Suarez Committee had noted this earlier action of the General Assembly and specifically stated that "such savings [from disarmament] might be regarded as the means of providing an addition to the basic income of the fund, over and above the established governmental contributions."47 This clearly precluded much of the subsequent interpretation which amounted to a distortion of the Committee's expressed intention.

The British attitude at this time was equally adamant. When questioned about the instructions for United Kingdom's delegate to the General Assembly, the Secretary of State for Foreign Affairs replied that in the absence of any armament reductions there was no prospect of Her Majesty's Government being able to contribute to a fund.48 Later, a Laborite challenged Her Majesty's Government to cease following the lead of the United States. Moreover, he contended that the best hope of securing the American support for SUNFED was for Britain to take the lead.49


The integrity of the United Kingdom has not been completely above reproach; for her delegate in the General Assembly stated a few months later that even if small savings could be achieved from defense, his Government would not, under conditions existing at that time, feel justified to devote such resources to the proposed fund.\footnote{Official Records, Ninth Session, Second Committee (New York: 1954), p. 79.} It is hardly necessary to point out that this reservation was quite inconsistent with previous declarations.

Being unable to accept the rationalization of those governments which were able to spend enormous sums for armament, a delegate from Iraq asserted ironically that it was a disillusioning fact that the international community did not find it feasible to create even a token fund for something as constructive as economic development.\footnote{Ibid., p. 78.} There were also nongovernmental organizations which deplored the turn of events. To cite one example, an observer for the International Confederation of Free Trade Unions thought the linking of world-wide disarmament with economic development to be an untimely mistake.\footnote{ECOSOC, Official Records, Eighteenth Session (Geneva: 1954), p. 159.}

Being pragmatic about the question of security, as well as aware that arms alone will not promote or guarantee
peace, the Secretary-General on one occasion had made a plea for moderation, i.e., to channel some resources into positive programs for peace and development. Even in the midst of an armament program, he believed it was possible to increase the annual flow of capital, from both governmental and private sources, into economic development by $1,000,000,000.\textsuperscript{53} There was some progress toward the general acceptance of this view. At least Scheyven was optimistic over the fact that eight industrialized countries; namely, Netherlands, Norway, Denmark, Italy, Japan, France, Belgium, and Luxembourg, had abandoned within a year the provisos which had made disarmament an essential prerequisite for the establishment of SUNFED.\textsuperscript{54}

Elsewhere and as late as the renowned Summit Conference at Geneva, July, 1955, Premier Edgar Faure of France expressed a sustained interest in President Eisenhower's view on a development fund vis-a-vis disarmament. However, the Premier did not explicitly make development contingent upon the physical aspects of disarmament. On the contrary and unlike the President's proposal, he stressed the specific advantages of launching SUNFED prior to any


satisfactory agreements on reduced military expenditures.

According to his analysis, each country would pledge certain reductions in armaments and immediately transfer the budgetary savings to a special and common international administration. Whereas President Eisenhower has insisted on the precedence of actual disarmament, the Premier has merely proposed the establishment of a fund simultaneous with a pledge, or promise, to disarm. To a degree, such financial and budgetary arrangements would, in Faure's opinion, result in automatic control of armaments. Assuming the commitments for a fund were fulfilled, any government which proved to be refractory in its pledges on disarming would merely penalize itself by having two obligations in place of one within its own national budget. Secondly, the Fund's operations for development would constitute a standing guarantee against the perennial fears of economic recession. The very threat to economic stability due to the need for conversion would be precluded; for any uncommitted economic goods or productive facilities, no longer required for the manufacture of military supplies, could be diverted and absorbed expeditiously into the constructive channels of economic development.55 Despite this type of changed attitudes favoring the prompt implementation of SUNFED, the United States—and the United Nations in turn—remained officially committed to a

policy which accorded priority to disarmament.

5. Endeavors to Define the Structure of SUNFED

In compliance with Resolution 822 (IX) of the General Assembly, Scheyven and a group of eight experts released a report of their recommendations in May, 1955. At the outset, the study reiterated a decided awareness of the pre-eminence of finances for the inauguration and eventual success of the fund. The means of obtaining the necessary assets remained perplexing and unresolved. In their opinion, the primary function of the fund was "to finance any investment . . . in underdeveloped countries, which was part of a coherent programme designed to attain the maximum rise in national income." 57

Essentially, the resources of the Fund would be utilized to construct the "infrastructure" upon which the apparatus of national production proper would rest. This report pointed out that the principle of sharing the wealth within nations—in order to promote the general welfare—gained wide acceptance in the course of the last century; and from

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56"Special United Nations Fund for Economic Development," General Assembly, Official Records, Tenth Session, Supplement, no. 17, U.N. Doc. A/2906 (New York: 1955). In addition to Scheyven, the members were John Abbink, United States; A. Nazmy Abdil Hamid, Egypt; B. K. Madan, India; Sir Francis Mudie, United Kingdom; Jacques Oudiette, France; Nenad Popovic, Yugoslavia; Jorge Schneider, Chile; and Jan Tinbergen, the Netherlands.

57Ibid., p. 4.
an international perspective, there was no reason why this transfer should stop at political frontiers.\footnote{Ibid., p. 3. For a similar interpretation see, Barbara Ward, "For a New Foreign Aid Concept," \textit{New York Times Magazine}, March 11, 1956, p. 47.}

The idea of a national community, having a common economic destiny, is implied in any program to share the wealth within a nation. According to some individuals, the same principle is applicable within the world community. Whether considered nationally or internationally, this philosophy culminates in an intensified redistribution of wealth. Furthermore, political powers of taxation have been regarded as the most feasible means to attain this end. Presently, most proposals call for grants to be raised through national taxes instead of some form of direct international taxation. In the final analysis, the willingness to promote public economic development depends upon personal inclinations toward the payment of taxes in order to finance it even though the investment appears to be one-sided. Believing that a nation's aggregate welfare and security is largely self-contained, one group resents the financial burden of foreign aid in order to subsidize the welfare of people in foreign lands. Of course, large elements of this group are unconvinced of the wisdom of this policy even when confined within a nation.

On the contrary, a second group contends that a
nation's welfare in the modern world is mutually dependent upon the welfare of the world as a whole. Accepting the latter premise, the proponents of IDA and SUNFED are reconciled personally to a limited sacrifice on behalf of the "have" nations in order to promote their own welfare indirectly, without undue regard for an immediate and apparent quid pro quo. The crux of the whole question is, therefore, contingent upon the acceptance or rejection of that interpretation.

Although $250,000,000 has usually been cited as the minimum initial capitalization of the Fund, this new Scheyven study group conceded that the launching of the new institution would be possible with less capital than that amount, but certainly a sum approaching it.\(^{59}\) Notwithstanding the size of the fund, it was stressed that regular and punctual payment of pledges is as important as the amount to be contributed. Subscriptions to the Fund would be made in national currencies, and the donor's permission would be required to make them convertible. Although payments in kind would create extraordinary problems in administration, they were deemed to be acceptable within reasonable limits.\(^{60}\)

In contrast to the original proposal of the Suarez

\(^{59}\)Ibid., p. 7.

\(^{60}\)Ibid., pp. 5-6.
Committee that loans and grants-in-aid should be chosen and disbursed on the basis of flexible criteria, depending upon the factors unique to each project, Scheyven and his eight experts indicated an unequivocal preference for grants-in-aid as "the most important, and also the preponderant, method through which the Special Fund would disburse its resources." This was held to be necessary for the following reasons. First, loans were available elsewhere for any underdeveloped nation which was in a position to pay interest charges. Secondly, there were apprehensions that extremely low-interest or interest-free loans would lead to "fuzzy financial transactions" which could easily jeopardize the status and credit of other loan agreements. The IBRD, in particular, had raised doubts and objections about this type of commercial transaction. Therefore, SUNFED, according to the new recommendation, would deal almost exclusively with grants-in-aid; however, this stipulation would not preclude the joint use of both grants-in-aid and loans for the same project.

This study contained a more or less new section, "Integration of Special Fund's Operation within Development Programmes of Assisted Countries," which obviously put the primary emphasis upon indigenous national plans and/or programs for development. Accordingly, the initiative was to

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be left rather prudently with the underdeveloped areas, and any specifications for a project were to be drawn up by the country requesting aid. Therefore, prior to the integration of the Fund's activities with indigenous projects of development, the existence of a co-ordinated master plan in that particular country was taken for granted. This sequence has the subsidiary, but nevertheless essential, merit of ascertaining priorities. Commendable as that feature may be, the Fund would not be equivalent to an IDA, for the central organization would not possess the authority to initiate comprehensive and integrated planning.

The contemplated tenure of SUNFED has been the object of considerable controversy. Despite a consensus that underdevelopment will persist and challenge the world economically for an indefinite time, a discernible opinion prevails that a formalized attack upon it would be a relatively short-term proposition for some international institution. The Suarez Committee of 1953 did not contemplate a Fund having a permanent character like the ordinary specialized agencies of the United Nations. Moreover, it concurred in the view that an international system of grants-in-aid should not be established on a permanent basis. It was also suggested that every third General Council of the Fund make a fuller and more thorough survey of the institution's

63 Ibid., p. 12.
requirements and prospects. The more recent study of 1955, advanced the unequivocal suggestion that the General Assembly decide initially to establish SUNFED for five years. After that period of trial and probation, it would be reappraised in the light of its achievements and administrative structure.  

A General Council, consisting of representatives of all members of the Fund, would control and manage the Fund. This Council would in turn, elect an eight to twelve member Executive Board and endow it with the responsibility for the more immediate administration of the institution. The Board's membership would be weighted to the extent of being divided equally between the major contributors and a reasonable geographical distribution of the remaining members. A highly competent Director-General, appointed by the Executive Board in consultation with the Secretary-General of the United Nations, would serve as the chief administrator of the Fund.

In addition to concurring in these recommendations of the Suarez Committee, Scheyven and the eight experts proposed a new supervisory body, a Joint Committee, to ensure greater co-ordination with the United Nations proper and the

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64 Suarez Report, op. cit., pp. 37, 42.
specialized agencies, particularly the IBRD. This three-member Committee would be comprised of the Director-General of SUNFED, the Secretary-General of the United Nations, and the President of IBRD.⁶⁶

The Suarez Committee had also recommended that representatives of the Secretary-General, IBRD, the International Monetary Fund, and the Technical Assistance Board should be invited to attend meetings of the Executive Board for SUNFED with full right to participate in the discussions, but without a vote.⁶⁷ Inasmuch as the operations of the IBRD would probably be linked quite closely with those of the Fund, the Scheyven group was of the opinion that the formulation of common policy necessitated liaison with the IBRD on the Joint Committee. Simultaneously, this study group reiterated previous warnings against the creation of a new and potentially large bureaucracy.⁶⁸

There are different views concerning both the manner in which applications would be submitted to the Fund and the appraisal of their worthiness to be executed. The Suarez Committee of 1953, had contemplated that normal negotiations would be between a single country and the Director-General. Depending upon the exact nature of a project, joint

⁶⁷Suarez Report, op. cit., p. 38.
applications of several countries were considered as a possibility.\textsuperscript{69} As a result of differences in opinion concerning an over-all justification for a specific project and the adequacy of an application, the new report by the Scheyven group proposed three distinct types of applications (1) those carrying the endorsement of IBRD and the benefit of its experience and knowledge, (2) those submitted by a country on the advice of the United Nations or some specialized agency, and (3) direct application of the aid-seeking country.\textsuperscript{70} Of course, the processing of applications would undoubtedly prove to be quite empirical, but these stated criteria give definite preference to those projects which carry initially a fairly objective endorsement. In the final analysis, the screening of deposited applications would give the Fund a limited potential for some comprehensive planning, but it would still be unable to take the initiative and to be selective in its promotion of integrated development. In this respect, SUNFED would be quite different, functionally speaking, from IDA.

6. \textbf{SUNFED and the Tenth Session of the General Assembly}

Prior to the release of the report by the Scheyven

\textsuperscript{69}\textit{Suarez Report, op. cit.,} p. 47.

\textsuperscript{70}\textit{U.N. Doc. A/2906, op. cit.,} p. 16.
group, it is noteworthy that further endorsement had been added to SUNFED from a significant source outside the United Nations. Among other resolutions, the ad hoc Bandung Conference of April, 1955, reinforced a languishing SUNFED with an unequivocal recommendation for its early establishment. The importance of this action lies in the fact that this Conference was an aggregation of nations which represented some of the most underdeveloped regions of the world. The action was, in many respects, a manifestation of the "revolution of rising expectations." In terms of political realities, the resolution was ineffective; however, as a publicity measure, it dramatized the aspirations of those underdeveloped countries to the whole world.

Within the United Nations, the Twentieth Session of ECOSOC held further debates on the report compiled by the Scheyven group. Some members of the Council favored fairly prompt action toward drafting a definitive statute for the Fund, but the potential and recognized contributors adhered, as in the past, to the proposition that disarmament should precede a Fund.

The delegate from the Soviet Union publicly acknowledged that SUNFED could be valuable in assisting the underdeveloped countries. Furthermore, the Soviet delegation

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continued to favor long-term loans, repayable in national currencies of the borrowers, instead of grants-in-aid. The
delegate indicated for the first time, however, that the Soviet Union was prepared "to consider participating in
SUNFED; and, since it considered that the fund should give particular support to the industries of the under-developed
countries, it would make its contributions available in the form of machinery, equipment, and materials." Following
the lead of the Soviet Union, the delegate from Czechoslovakia also stated a preference for long-term loans and
stressed the point that assistance through the fund would not be governed by the narrow interests of foreign private
investors. Likewise, Czechoslovakia would support the creation of SUNFED, too.

This changed response, favorable toward SUNFED, marked a fundamental shift in the Soviet policy and strategy in the
course of the Twentieth Session. From the time of the original debates on IDA in 1951, the Soviet bloc, along with
other industrialized nations had opposed the Authority, but for different reasons. As late as 1954, it had remained
adamant toward SUNFED and had argued that the underdeveloped countries could be assisted most advantageously through more

\footnote{Official Records, Twentieth Session (Geneva: 1955), p. 167.}

\footnote{Ibid., p. 172.}

\footnote{Supra, Ch. VI.}
extensive and improved trade relations. In consequence, additional foreign exchange would enable them to defray the cost of their own development and industrialization.\textsuperscript{75}

Official action of the Twentieth Session of ECOSOC was embodied in Resolution 583 A (XX) which recommended that the General Assembly invite members of the United Nations and the specialized agencies to submit "their views on the experts' [Scheyven Group] recommendation with respect to the establishment, operation, and management of the proposed fund." An \textit{ad hoc} committee would analyze the comments and submit a final report to the Twenty-Third Session of the Council. There was an explicit reservation that the report of the \textit{ad hoc} committee would not put any member under permanent obligation.\textsuperscript{76}

Despite the fact that the Soviet bloc reversed its policy in a challenging manner, the United States, the United Kingdom, and Australia had abstained on the vote for Resolution 583 A (XX). They were apprehensive that the \textit{ad hoc} committee could proceed toward the establishment of SUNFED, even to the extent of drafting a statute and presenting them


with a fait accompli.\textsuperscript{77} For some time, their relationship
with the underdeveloped countries had been strained and
highly ambivalent. But now, their official position was
even more untenable due to the fact that the members of the
Soviet bloc had become allied with the underdeveloped nations
in their efforts to obtain SUNFED.

Quite early in the Tenth Session of the General Assem­
bly, Scheyven appeared before the Second Committee to comment
upon his recent report on SUNFED. He elaborated, for the most
part, upon three specific items; namely, the question of
grants-in-aid as opposed to loans, the structure of the
Special Fund, and its initial capitalization. He reported
to the Second Committee that Denmark, the Netherlands, and
Norway had already specified the initial amounts they were
prepared to contribute to the Fund.\textsuperscript{78} In his subjective
appraisal, the challenge of the underdeveloped countries was
the "great problem of our day," and he expressed the hope
that when the Assembly does act to establish SUNFED, "it
will not be too late."\textsuperscript{79}

A thirty-two nation joint draft resolution was

\textsuperscript{77}Official Records, Twentieth Session (Geneva: 1955),
pp. 203-204.

\textsuperscript{78}"Special United Nations Fund for Economic Develop­
ment," General Assembly, Official Records, Tenth Session,
Second Committee, Agenda Item 24 (a), Statement by Raymond

\textsuperscript{79}Ibid., pp. 15, 23.
introduced by the Netherlands into the Second Committee on November 3, 1955.\textsuperscript{80} Although it incorporated the substance of Resolution 583 A (XX) of ECOSOC, additional terms were less equivocal concerning bold and dynamic action. First, the resolution implied rather clearly that the inauguration of a Fund was not dependent upon prior agreements for disarmament. On the contrary, the preamble embodied the opinion of former Premier Faure of France that a fund would promote economic stability and development in the world and would constitute an important step toward accelerating world disarmament.\textsuperscript{81}

In an operative clause, the draft resolution stated specifically that the anticipated replies from governments "may provide material for the \textit{elaboration of the statute of the Fund."} (Italics L.C.L.) Another operative section expressed tersely the hope that a special Fund will soon be established, without any stipulation concerning disarmament.\textsuperscript{82}

The joint resolution was accompanied by an annex of eight

\textsuperscript{80}\textit{U.N. Doc.} A/C.2/L.271. It was sponsored by Afghanistan, Bolivia, Brazil, Burma, Chile, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Ethiopia, Greece, Guatemala, Honduras, Haiti, India, Indonesia, Iran, Iraq, Lebanon, Liberia, Netherlands, Nicaragua, Pakistan, Paraguay, Philippines, Saudi Arabia, Syria, Thailand, Yemen, and Yugoslavia.

\textsuperscript{81}\textit{Ibid.}, paragraph 4 of the \textit{preamble}.

\textsuperscript{82}\textit{Ibid.}, paragraphs 2 and 6 respectively.
questions which were to be submitted to member Governments of the United Nations and the specialized agencies.

The subsequent proceedings in the Second Committee consisted of an integrated analysis of SUNFED and the recent report by Scheyven, but the debate revolved around and divided over the very fundamental issues of time, finances, and disarmament. In the opinion of the delegate from the Union of South Africa, no final plan for the structure of the Special Fund could be drafted until the magnitude of its resources and its corresponding responsibilities were defined more clearly.\footnote{General Assembly, Official Records, Tenth Session, Second Committee (New York: 1955), p. 29.} The economics of the Special Fund, according to the Indian view, were not hampering its establishment so much as the politics associated with it.\footnote{Ibid., p. 39.} The Bolivian delegate believed it was vital to establish SUNFED, for the full advantage of technical assistance could only be realized if steps were taken to put it into practice.\footnote{Ibid., p. 55. See also, David Owen, "International Aid to the Middle East," Middle Eastern Affairs, VII (Jan., 1956), p. 4.}

The Government of Egypt thanked the Soviet Union for being ready to consider participating in SUNFED. Egypt, the Netherlands, Chile, and Paraguay contended that the time had come to draft either the statute or practical proposals for
SUNFED. On the contrary, the delegate of the United States, in addition to reiterating that disarmament was a prerequisite to a development fund, stated without equivocation that his Government could not support the thirty-two nation draft resolution. To define the organization and operation of a fund in any precise manner seemed premature. In substance, his country wanted present planning for the fund to be confined to further study.

The delegate from Yugoslavia disapproved of the proposal that the fund should virtually abandon low-interest loans. In requesting aid, both Yugoslavia and Indonesia favored direct applications to the Fund. In general, the former country disliked the Fund's contemplated affinity with IBRD. A subtle admonition by the member from Costa Rica challenged the Great Powers to give proof of their desire for co-operation. The delegate from the United Kingdom pursued a close rapport with the United States concerning the priority of disarmament as a substantial source of capitalization for SUNFED. Furthermore, he challenged the basic thesis that economic development should take priority over security. The Chilean representative posed a

86 Ibid., pp. 113, 114, 119, 127, and 137.
87 Ibid., pp. 122-123. For a more complete analysis of the position of the United States see, Ch. XI, infra.
88 Ibid., pp. 124, 125, and 127.
rhetorical question concerning an alleged overemphasis on military expenditures. In his opinion, it was both difficult to understand and regrettable that economic assistance was usually forthcoming in almost unlimited quantities when consistent with a political situation or a military necessity. Otherwise, the aid was not so readily available.\textsuperscript{89}

Although the Soviet Bloc did not sponsor the joint draft resolution of the thirty-two nations, its members endorsed the resolution in accordance with commitments entered into at the Twentieth Session of ECOSOC. The Soviet Union maintained that the task of the Special Fund would be to promote the development of national economies with emphasis on the industrialization of the underdeveloped areas. Also, loans were considered to be preferable to grants-in-aid. Even though the report of Scheyven and the eight experts had discouraged contributions in kind, the Soviet Union repeated its intention to make its contribution in equipment, machinery, and material.\textsuperscript{90} Czechoslovakia endorsed the Soviet Union's views on loans and payment in kind. With the exception of some specific reservations, Poland, the Ukrainian Soviet Socialist Republic, and Byelorussian Soviet Socialist Republic also commended the establishment of

\textsuperscript{89}Ibid., pp. 125 and 128 respectively.

\textsuperscript{90}Ibid., p. 129.
Australia persisted in its previous interpretation, shared with the United States and the United Kingdom, that the terms of the draft resolution were so general that it could easily be inferred that the proposed ad hoc committee would be authorized to elaborate the statute of SUNFED.\textsuperscript{92} Whereas the underdeveloped countries wanted the maximum preparation for it, these three nations hoped for the least possible activity of that nature. Two countries volunteered specific commitments on the size of their contributions. Norway pledged a quota in the same proportion as its subscriptions in IBRD and the International Finance Corporation. Having officially introduced the joint draft resolution, the delegate from the Netherlands now stated that his Government was prepared to seek parliamentary approval for a contribution of $8 million.\textsuperscript{93} Due to a boycott of the General Assembly during part of the Tenth Session, France was not represented in the Second Committee at that time.

Despite the widespread support for the joint draft resolution, there was a small group within the Committee which regarded many of its terms as inappropriate and too premature. Due to the nonsupport of the major contributors

\textsuperscript{91}Ibid., pp. 131, 136, 47, and 51 respectively.
\textsuperscript{92}Ibid., p. 136.
\textsuperscript{93}Ibid., pp. 134, 140.
to SUNFED, a working group, consisting of members from Brazil, Chile, Egypt, India, the Netherlands, Yugoslavia, United Kingdom, United States, and the Vice-Chairman of the Committee, was designated to formulate a new draft which would be feasible and acceptable to all. The deliberations of this working group culminated in a draft resolution94 which modified the substance of the earlier version. Deletions and qualifying statements were necessary to placate the dissidents, i.e., the United States and the United Kingdom.

First, the previously cited section (paragraph 4) of the preamble, pertaining to the establishment of a fund prior to disarmament, was omitted in its entirety. Secondly, one key operating clause, relating to the replies constituting material for the statute of the fund, was amended drastically with the far reaching qualifying phrase "when it is decided to establish such a fund." The final operative clause left the actual advent of SUNFED quite indefinite and expressed the hope for conditions more conducive to a fund, as well as for eventual disarmament savings to supply its capital resources. The text of the resolution, in part, is as follows:

The General Assembly . . .

2. Requests the Secretary-General to invite the States Members of the United Nations and of the specialized agencies in the economic and social sphere to transmit to him . . . their views . . .

relating to the establishment, role, structure and operations of a special United Nations fund for economic development, bearing in mind particularly the questions enumerated in the annex attached hereto, in order that such views and replies may provide material for the statute of the fund when it is decided to establish such a fund; [Italics L.C.L.] . . . .

4. Establishes an ad hoc committee of representatives of sixteen Governments . . . to analyze the replies and comments of Governments received under paragraph 2 above with a view to submitting . . . its final report to the twenty-third session of the Council, it being understood that in making such reports, it would not commit any Member Government; . . .

6. Expresses the hope, in view of the increased support for the proposed establishment of a special United Nations fund for economic development, that conditions more favorable to the establishment of an international fund will be created in the near future, and that savings from internationally supervised world-wide disarmament will provide additional means for financing the economic development of underdeveloped countries, and will further the aims and objectives of such a fund. . . .

The attached annex of eight questions, unchanged from the original joint draft resolution of the thirty-two nations, pertained to such characteristics of the fund as its role, nature of contributions, initial sum, grants-in-aid and loans, relationship with the United Nations and specialized agencies, structure, mechanism for the appraisal of projects, and any other suggestions.

The new draft resolution, drawn up by the nine-member working group, was submitted to the Second Committee. Without further debate, the Committee adopted it unanimously on
November 25, 1955. The *New York Times* reported the resolution as "a subtly worded compromise of the divergent views of the United States and Britain, on the one hand, and most Asian, African, and Latin American countries on the other." Instead of mitigating the psychological gap between the developed and the underdeveloped countries, this political action simply accentuated existing differences.

The General Assembly in Plenary Meeting of December 9, 1955, unanimously approved the recommendation of the Second Committee with the passage of Resolution 923 (X). Inasmuch as the final report of the *ad hoc* committee on replies will not be submitted until the Twenty-Third Session of ECOSOC in 1957, the consensus was that any definitive action on SUNFED had been postponed another year at a minimum.

**Conclusion**

From the time SUNFED was conceived as a more or less pacifying substitute for a more comprehensive IDA, the evolution of the Fund has been laboriously slow. While its


principle has been sustained almost unanimously, its actual advent has been handicapped by financial obstacles, either real or rationalized. SUNFED with an initial capitalization of $250,000,000 would be a modest endeavor to promote the development of infrastructure through the use of grants-in-aid. Admittedly, the initial means of financing SUNFED is not too definite. Furthermore, any plans for the replenishment of its assets are even more obscure. In addition to being much smaller than IDA, as originally proposed, SUNFED would be devoid of any marked ability or responsibility for comprehensive planning. Certainly, it could take very little initiative along those lines if its normal functions were to be limited only to the processing of submitted applications. Structurally, there is no intention that SUNFED should become a permanent specialized agency of the United Nations. Although it would enjoy considerable autonomy, an integral liaison with IBRD is hypothesized.

On the one hand, the underdeveloped nations have consistently supported SUNFED, while the industrialized nations --as the major potential contributors to it--have disapproved on the grounds of financial infeasibility. Quite early in the discussion of SUNFED and to the resentment of the underdeveloped countries, the United States advanced an interpretation which made SUNFED contingent upon disarmament and the savings therefrom. Some nations, however, have
subsequently relented in this qualification. Prior to 1955, the Soviet Union had neither supported IDA nor SUNFED either in principle or in practice; but by the time of the Tenth Session of the General Assembly, the Soviet bloc had definitely allied itself with the underdeveloped countries which favored steps authorizing the immediate establishment of the Special Fund. In the meantime, the United States and the United Kingdom persevered with the reservation on armaments and were instrumental in effecting a delay relative to the drafting of a statute for SUNFED. For the time being, any progress will be indirect and limited to the non-material gains of further study and research.

Section B

International Finance Corporation (IFC)

The International Finance Corporation has been debated in the United Nations concurrently with IDA and SUNFED. In contrast to the latter two, the Corporation has consistently commanded far greater support. Whereas the Authority and the Fund were concerned primarily with governmental grants-in-aid, the IFC has been designed to stimulate private investments. As stated earlier, the IBRD has been handicapped by statutory provisions which required either a direct or an indirect governmental guarantee for all loans.  

98 Supra, Ch. IV.
In no way have these specifications detracted from the valuable service which the Bank has actually rendered in the field of international finance. Many projects of a basic nature, however, have never been launched due to the stigma of not being "credit-worthy."

To fill this economic void between sound bankable propositions and outright governmental grants for nonself-liquidating ventures, the IFC was originally promoted in order to provide risk or equity capital for the more hazardous transactions. Since loans would be negotiated with a minimum of guarantees, the proposed services of the Corporation have been regarded essentially as a potential economic catalyst for private investments. Parenthetically, the latter circles have shown a greater willingness to extend an official endorsement to IFC than to SUNFED. At times though, their precise motives may be questioned, as to whether it may be an acceptance of the least undesirable alternative. For instance, a Vice-President of the United States Chamber of Commerce, who served as the United States delegate to the Eighth Session of the General Assembly, favored the establishment of IFC because it would "take a lot of heat off . . . for the establishment of SUNFED which . . . is not a realistic proposal."99

In 1951, the International Development Advisory Board had been the first official body to propose an agency to engage in equity financing. The Board's recommendation was that the United States take the initiative in creating an International Finance Corporation "with the authority to make loans in local and foreign currencies to private enterprise without the requirement of government guarantee."\(^{100}\)

By way of designating the Corporation's general character, the Board suggested that members of IBRD be invited to subscribe to a nonvoting equity fund of $400,000,000 of which the United States would guarantee $150,000,000 as its quota.\(^{101}\) When the U.N. Experts' Report was released two months later, Recommendation 16 commended the proposal concerning IFC for further study.\(^{102}\)

Prior to the Thirteenth Session of ECOSOC, its Economic, Employment, and Development Commission took the U.N. Experts' Report under advisement and requested the Bank to study and report back to ECOSOC as to whether IFC would contribute substantially to economic development "either through loans without governmental guarantee, through purchase of stock, or otherwise."\(^{103}\) ECOSOC incorporated the

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\(^{100}\) *Partners in Progress* (Washington: 1951), p. 84.

\(^{101}\) Ibid., p. 85.

\(^{102}\) *U.N. Experts' Report*, op. cit., p. 95.

essence of that recommendation within Resolution 368 (XIII). From the beginning, the integral co-ordination of IFC and IBRD has been postulated. Pursuant to directives from ECOSOC and the General Assembly, the IBRD has co-operated and supplied the necessary technical information, supervision, and services. Among other things, a special Report of the Bank to the Fourteenth Session of ECOSOC stated that the primary function of the Corporation would be the promotion of economic development through the stimulation of private investments within its member nations. The new institution would also help round out the array of financial services available to the international community for the purpose of development.\textsuperscript{104} In comparison with the Bank, the Corporation would be predominantly speculative.\textsuperscript{105}

The President of IBRD expressed the belief that the IFC would stimulate the flow of private capital by (1) enabling private investors to undertake projects, (2) publicizing investment opportunities, and (3) encouraging investors to embark on projects deferred for lack of capital and confidence.\textsuperscript{106}

A second report by the Bank disclosed that, without

\textsuperscript{105}Ibid., p. 21.
exception, the representatives of the underdeveloped countries supported the proposals; however, reactions were mixed and adverse in other instances. It was claimed, for example, that the scale of operations to be undertaken by IFC would be too small to make any appreciable impact on international investments. Furthermore, the creation of SUNFED should have precedence over IFC.¹⁰⁷

According to another progress report, the Bank stated explicitly that the precise source of finances was the crux of the argument which was advanced by the critics and opponents of IFC. According to this report, the potential contributors were unprepared to commit themselves to definite capital subscriptions, and some of them even doubted the soundness of the idea in principle.¹⁰⁸ Following a thorough study, the Bank's administration advised against a large scale operation and suggested an initial capitalization of $50 or $100 million.¹⁰⁹ In recognition of both the lack of financial commitments and the continued appeals of the underdeveloped areas, ECOSOC adopted Resolution 532 B (XVIII) in


¹⁰⁹Ibid., p. 6.
1954, which urged the Bank to continue its consultation with the countries which might be in a position to provide capital for the Corporation.  \(^{110}\)

Due to the adamant position of the capital-exporting countries, particularly the United States and the United Kingdom, the status of IFC remained unchanged at the opening of the Ninth Session of the General Assembly. Without any specific explanation and to the dismay of most members of the United Nations and of the IBRD, the United States Administration suddenly reversed its policy, and the Secretary of the Treasury announced that Congressional authorization would be sought for a modified IFC.  \(^{111}\) Thus, the course of subsequent events left little doubt that the United States held the key to the advent of IFC. Forthwith, the United Kingdom, taking her cue from the United States, officially announced her endorsement of IFC along with concomitant promises of financial contributions.  \(^{112}\) By Resolution 823 (IX), the General Assembly promptly noted the changed attitude of the United States and requested the Bank to draft a statute to govern the Corporation in accordance with certain reservations.  \(^{113}\)


The tentative statute featured two important innovations. First, the financial ventures of the Corporation shall not take the form of investments in capital stock; and secondly, the Corporation shall not assume any responsibilities for management. Due to these stipulations, one of the Corporation's original functions, namely, to engage in equity investment, had been abandoned. Instead, the IFC would now serve more or less as a short term broker for private investments. The statute also specified that the Articles of Agreement would become effective as soon as a minimum of thirty nations, having pledged contributions of $75,000,000, had signed them.

Meanwhile, President Eisenhower had indicated his intention to seek Congressional approval for the United States to become a member of IFC. Subsequently, progress was rapid. First, the Articles of Agreement were released in April, 1955. Second, on May 2, President Eisenhower sent a special message to Congress, requesting membership in IFC and the authorization of a subscription of $35,168,000 toward the total capital stock of $100,000,000. Third, appropriate legislation was introduced in Congress, and by August 11,

1955, the enactment of a Public Law had authorized the participation of the United States in IFC. With the pledged support of both the United States and the United Kingdom, there seemed to be little doubt about the imminent official inauguration of IFC. On July 20, 1956, its so-called Charter became effective when France and the German Federal Republic were the thirtieth and thirty-first countries to deposit their ratifications. Total subscriptions amounted to $78,366,000.

An appraisal of IFC must take into consideration two intrinsic characteristics; namely, the modest scale of its financial operations and the fact that the latter would be restricted to the field of private investment. Rather than being a definitive solution for the enormous task of economic development, its contribution will be marginal and quite supplementary. Besides, IFC will not provide the type of equity or risk capital as planned originally. Moreover, its indirect influence upon investment will not dispel the perennial reluctance of private investors to underwrite and support nonself-liquidating enterprises.

Yet, despite the obvious institutional limitations

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of IFC, its evolution is instructive. The swift implementation of the pending proposals, following the favorable endorsement by the United States, exemplifies the political power in the form of sanction which the capital-exporting nations can either grant or withhold. Without that requisite support, any new approach to the problem of underdevelopment--whether through IDA, World Plan for Mutual Aid, or SUNFED--is destined to languish. With it, economic development is able to proceed promptly and successfully toward new horizons.
PART III

THE FACTOR OF FINANCE
CHAPTER IX

PROCUREMENT OF ADEQUATE FINANCIAL RESOURCES

1. Finance: the Key to Development

To defer discussions of finance might appear to be misleading and leave the inadvertent impression that it is unimportant. On the contrary, the pre-eminence of capital in economic development has been hypothesized and treated accordingly throughout this inquiry. As much of the previous discussion demonstrates so readily, the degree of implementation for many of the proposals hinges upon the trenchant question, what will be the sources of the specified funds?

In fact, charges labeled as "unrealistic" and "fantastic" seem warranted when directed toward some of the study committees and commissions; for their paper plans specify the expenditures of large sums of capital with no corresponding provisions for the acquisition of it. To some extent, this is a justifiable charge against the U.N. Experts' Report, for the procurement of funds is unmentioned among the enumerated functions of its proposed IDA.¹ As one Special Ambassador has observed, the people of Latin America, for example, feel that capital in great volume is "the

key" to both industrial and agricultural improvement. Elsewhere it has been stated that "the campaign against poverty" is a vast operation requiring the "mobilization of great financial resources." This does not mean, however, that there are no other obstacles to development except finances, but quite often the latter is listed as the first handicap, followed by the shortage of technical and managerial personnel, and a lack of balanced development.

The finances in question are those sought for some non-profitable or nonself-sustaining institution such as the proposed IDA, the World Plan for Mutual Aid, or SUNFED. This does not detract from the contributions of innumerable loans which are commercially profitable and are negotiated through a variety of banks and investment facilities. But in the final analysis, those loans are neither the most critical nor the most basic types of investment for real economic development. Commercial endeavors have a natural

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tendency to attract capital voluntarily.\textsuperscript{5}

The lack of agreement concerning the amount of capital which can be utilized effectively for economic development has been surveyed elsewhere.\textsuperscript{6} To recapitulate, the aggregate sum depends upon several such variables as the ability to absorb capital funds, the rate of development, and the time required to finish the project in question. Since the sums usually cited are most striking for their great latitude, the respective advocates can be divided readily into two contrasting groups; namely, the "big-money boys" and the "limited-funds school." The former group alleges that a quick build-up with an abundance of capital will tend to make basic development a shorter-term proposition; furthermore, it is optimistic enough to believe that development need not be a matter of decades and generations.\textsuperscript{7}

In contrast, one individual who has had practical administrative experience with the Point Four Program ridicules the ideas of the so-called "big-money boys," because those areas of low production and income are, in his opinion, unable to absorb huge sums of capital.\textsuperscript{8} Although the verity

\textsuperscript{5}For a discussion of the role of private investment, \textit{supra}, Ch. III.

\textsuperscript{6}\textit{Supra}, Ch. III.


of that contention is conceded, it follows that a modest start must be attempted at some time and place in order to dispel the circular argument. Bingham concludes that anything over $1 billion annually could not be spent wisely with permanent results; but on the other hand, anything much less than $500 million annually is inadequate to the pending and urgent needs.9

Similarly, the International Development Advisory Board had quoted one-half billion dollars as the initial capitalization of its proposed IDA.10 Although a special report to the President in 1950, did not propose the establishment of a new development agency, it did recommend that the United States should make $500 million available annually for a feasible and effective program of technical assistance and development.11 Hernan Santa Cruz, the President of the Thirteenth Session of ECOSOC and also a proponent of a "United Nations Authority for Production and Plenty," had recommended a $2 billion investment annually in underdeveloped areas, concurrently with the expenditure of $30 or $40 billion annually for armaments.12

9Ibid., p. 188.
10Partners in Progress (Washington: 1951), p. 73.
Taking into account the necessity of sufficient time to execute a plan in toto, it has been suggested that a contemplated investment of public funds to the amount of $10 billion over the next five years would not be excessive.\textsuperscript{13} Anderson and Raushenbush, representing the "big-money" school, too, have recommended a long range 50 year program with an aggregate investment of $250 billion, or approximately $7 billion annually under the aegis of the United Nations.\textsuperscript{14} Their estimates for an effective and concerted attack upon world poverty correspond favorably with those of McMahon, Reuther, and the Group of U.N. Experts who recommended annual investments of $10 billion, $13 billion, and $14 billion respectively. After quoting these figures, Lord John Boyd-Orr has observed that "those who mention figures like that, realize something of the magnitude of the problem"\textsuperscript{15}

Although some of these estimates have been condemned as unrealistic, they do not differ radically from comparable calculations of other authorities. For example, the Bell Commission had recommended that the United States Government should provide financial assistance of $250,000,000 in the

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\textsuperscript{15}House of Lords Debates, 5th series, 173 (1950-1951), 57.
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form of loans and grants for a five-year program of economic
development and technical assistance in the Philippines.\textsuperscript{16}
Referring to this recommendation, Sir Richard Acland inter-
polated the per capita expenditure for the small population
of the Philippines with that of the other one and one-half
billion people in underdeveloped regions. From this calcu-
lation, he arrived at an approximate investment of \$3.75
billion per annum for a global program.\textsuperscript{17} Compared with the
extremes which have been cited, this estimate represents a
moderate amount. On the whole, capital is no categorical
panacea. Development also suffers from a deficiency of
competent technical personnel, but the more versatile quali-
ties of capital adds immeasurably to its over-all utility.

2. \textbf{Indigenous Sources}

To quote estimates concerning the cost of development
is one thing, but to discover reliable sources of such funds
and to utilize them wisely and effectively pose two very
real challenges. First, the prospects and limits of indig-
enous capital to be accumulated within the low income areas
have been reviewed already.\textsuperscript{18} True, the more beneficial and

\textsuperscript{16}Economic Survey Mission to the Philippines, \textit{Report
to the President of the United States}, Far Eastern Series 38

\textsuperscript{17}"World Mutual Aid," \textit{House of Commons Debates}, 5th
series, 525 (March 24, 1954), 1278.

\textsuperscript{18}\textit{Supra}, Ch. III.
enduring contributions toward development will be those undertaken and executed locally. Despite the determination, will, planning, and the expended physical effort of the indigenous populations, a pitifully low level of savings and a consequential deficiency of accumulated capital persist.

Even though underdeveloped countries have been admonished to encourage local savings for productive investment,19 the precise method of extracting them from low-producing economies, sometimes operating at the subsistence level, still needs to be specified more explicitly. While admitting that the underdeveloped areas have a small capacity to save, Nurkse, who subscribes to the primacy of domestic capitalization, advances a constructive theory based upon the restriction of consumption, especially the so-called consumer goods. Convinced that the "demonstration effect" of the developed countries encourages their less fortunate neighbors to consume in excess of their productive capacity, he suggests that by self-restraint and self-denial the underdeveloped countries should forego some immediate consumption and apply the savings to capital investment.20 There is the likelihood, however, that forced capitalization of this type will require further retrenchment in their prevailing low


standards of living.

If this thesis is accepted, the real problem is the extraction of more savings out of the national income as a whole. This process may be either voluntary or involuntary. In the former case, fiscal measures could be adopted to discourage hoarding and to encourage the use of savings institutions. A compulsory reduction of consumption, making additional national savings possible, can be achieved indirectly and involuntarily by resorting to the power of taxation. Of course, the degree of success here would depend upon the efficiency and effectiveness of the tax administration.

The ability of Japan, for example, to direct 12 to 17 per cent of her national income into capital investments in the early Twentieth Century has demonstrated the feasibility of curtailed consumption. A more contemporary application of this principle and technique has been instituted in Ceylon where the Government has decided to maintain the level of planned expenditures on development and social services, to cut consumption of noncapital goods, and to increase the tax rate to avoid inflation.

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21 Ibid., p. 144.
22 Ibid., pp. 90-91.
Presently, the Indian Government shows a determination to emulate the successful economic policies of Japan, but the former proposes to accomplish this through the democratic administration of its own five-year plans. Nehru's deputy on the Indian Planning Commission stated recently that in 1953-1954, India's net investment in economic development amounted to 7 per cent of the national income. With considerable optimism, he estimated that the next five-year plan will be able to extract 10 to 12 per cent of the national income for the same purposes. Opinions vary on the intrinsic potentials for the accumulation of domestic capital. The Bell Report stated that the principal source of funds for Philippine development must be the savings of the Philippine people. Parenthetically, if countries find it is necessary and expedient to resort to stringent measures for commanding capital, there is always the danger that nationalized or cartelized economies may evolve. While the former eventuality of nationalization does not particularly perturb the so-called collectivists who are equally dedicated to the principle of democracy, the advocates of

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limited governmental powers find this economic policy quite objectionable.

Another pertinent means for amassing capital has been the establishment of counterpart funds which were administered successfully as part of the Marshall Plan. In essence, counterpart funds are a hybrid financial contrivance—dependent upon domestic initiative and cooperation yet contingent upon the initial receipt of external capital. In this manner, the latter actually does double duty. Providing the recipient nation is willing to postpone its urge to consume, benefits and greater wealth will accrue from the compounding process. Furthermore, to encourage the creation of domestic or counterpart funds from the proceeds of donated goods serves as effective training for immature, national public administrations. Also psychologically, the stigma of charity is minimized and the experience stimulates the desire for more independence in economic affairs.

According to Wilson, part of the hypothetical agreements between a World Development Authority and a mythical Ruritania would specify that a counterpart fund in Ruritanian currency, derived from the sale of food, fertilizers, feeding-stuffs, and machinery, would be devoted to certain specific approved development projects. Taking note of


counterpart funds, the Suarez Committee recommended that SUNFED should be free to require the deposit of such funds in a special account. The disposition of these funds should be mutually satisfactory to both the recipient government and the administrators of SUNFED.²⁹ Being concerned about the likelihood of complications in administration, the recent report by Raymond Scheyven and the eight experts did not make a favorable recommendation of this device. In lieu of creating counterpart funds, this study group advised larger contributions in local currency from those countries which would have benefited from the Fund's previous assistance.³⁰ Equally as effective as counterpart funds, this procedure would help to replenish SUNFED's working capital, too.

The Secretary-General of the United Nations proposed that in connection with the establishment of counterpart funds the local currency might be utilized effectively to defray the local obligations of technical assistance activities, initiated under the Expanded Program of Technical Assistance.³¹ In the administration of the Colombo Plan, a

²⁹Suarez Report, op. cit., p. 27.


recent report confirms the actual use of counterpart funds from the grants made by Australia and Canada. In evaluating counterpart funds, their limitations must be frankly recognized, for external grants must precede them. Thus, counterpart funds do not really represent a frontal attack upon underdevelopment. The underdeveloped nations, being realistically cognizant of the narrow base of their national economies, simply find that various types of indigenous savings are consequently inadequate in the urgent circumstances. They regard their immediate problem, in part, as primarily one of convincing the more fortunate nations of the same conclusion.

3. External Sources

Notwithstanding the most commendable indigenous activity, there is a ubiquitous need for external capital, especially if reasonable progress is to be realized.

Voluntary Contributions. Of all the methods for raising capital externally, one category is based upon the principle of voluntary subscriptions and corresponding, at times, with the ability to pay. Perhaps the major weakness of this technique involves the factors of subjectivity and a

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propensity to allege at some subsequent time that circumstances forbid contributions. Some developed countries, for example, have resorted repeatedly to this argument within the United Nations. Rather than make direct assessments of any nature, the British Labor Party simply proposed that all the free peoples would be expected to contribute to the World Plan for Mutual Aid "according to their ability." 33

In the absence of any compulsory means of an international character for the collection of assessments, a practical program, such as SUNFED which must rely upon voluntary governmental support, is more or less obliged to seek the minimum of finances. It is a pragmatic question of what "can" be solicited with a degree of success rather than what "ought" to be requested in terms of need; therefore, it was recommended that SUNFED should have initially a modest capitalization of $250,000,000. In an accommodating and similarly realistic mood, the Suarez Committee recommended that SUNFED "should depend for its main or operational budget on voluntary contributions on the part of such governments as are prepared to subscribe to the policies governing the Fund's operation and administration." 34 The United Nations Expanded Program of Technical Assistance has relied upon

34Suarez Report, op. cit., p. 12.
this type of voluntary commitments for its operational assets; and in addition to being quite modest in amount, the annual budget of the Program tends to fluctuate, depending upon the generosity of the various governments from year to year.

Another variation of this principle has been advanced by an international labor unit. Specifically, it has urged ECOSOC to appeal to all economically advanced nations to join in the organization of an IDA and "to contribute to it according to their productive resources." To employ the analogy and terminology of taxation, this is tantamount to "progressive economic development," for the incidence of the burden will be with the more wealthy people and nations of the world. Whereas pressures lead to interregional transfers of wealth through proportional or progressive taxation within a country, the application of the "ability to pay" formula for economic development will do somewhat the same thing on the international plane.

In commenting upon SUNFED, the Government of Turkey had suggested a slight extension of the foregoing principle, namely, that it would be preferable for the United Nations to


36 Nurkse, op. cit., p. 79.
determine the contribution of each country in the light of its national income.\textsuperscript{37} Of course, this assumes that the United Nations would possess a real concomitant political power of assessment and collection. On the whole, an observation of the Government of the Federal Republic of Germany raised serious doubts about the principle and the over-all success of voluntary payments, because the subjectivity of the procedure "appears hardly suitable to secure the obtaining of sufficient means."\textsuperscript{38}

**Ability to Pay Formula.** In this category, the incidence of economic development would be contingent generally upon productive capacity and national wealth. Innumerable versions, founded upon different criteria, have been propounded by this school of opinion. Some calculations are presented as percentages of the national income; others, as a portion of the national budget. This formula has a distinct advantage over fixed subscriptions or assessments, because the ability to pay will correspond, either up or down, with the level of prosperity and any cyclical fluctuations within the economy of a particular nation.

Among the typical proposals, there is the one advanced by Philip Noel-Baker, M.P., and modeled on the formula which


\textsuperscript{38}Ibid., p. 7.
UNRRA had employed. He urged the adoption of SUNFED and a gradual increment of subscriptions, eventually amounting to 1 per cent of the national incomes of the donors. Furthermore, since the British national income was increasing by 2 per cent per annum, the burden, in his opinion, would become progressively smaller.\(^{39}\) Discounting the practicality of arbitrary donations, Henry Usborne, another M.P., favored a policy whereby subscriptions would be calculated as a percentage of the national product, even though a small part of it in the beginning.\(^{40}\) In addition to mitigating any hardships due to adverse swings of the business cycle, a representative of the International Confederation of Free Trade Unions has pointed out that this formula, on a favorable swing of the economic cycle, would have the inestimable merit of enabling the poorer countries to share in the rising national incomes of the more productive countries.\(^{41}\)

The British Labor Party, being in the opposition in 1952, took favorable action on a composite resolution to give effect to a World Plan for Mutual Aid. Among other proceedings at the Annual Conference, the adopted resolution


\(^40\)Ibid., 1317.

called upon "all nations to contribute a sum of not less than one per cent of their national income" to the World Plan for Mutual Aid.\(^{42}\) Thus, the present Opposition in Britain had declared its policy on economic development. As late as 1956, Hugh Gaitskell, Labor's present leader, reiterated to an American audience that 1 per cent of all national incomes should be channeled through the United Nations for world development.\(^{43}\) Whether this policy is ever implemented, if and when the Labor Party should return to power, remains to be seen.

A similar proposition, expressed by the Socialist International, noted that the secular increase in Western European production has been almost 3 per cent per annum. If one-third of this increment were devoted to developing the low income areas, the funds coming from Europe alone would be sufficient to increase the pace of development measurably. In ten years, a sum equivalent to 10 per cent of Western Europe's current, total, annual production would become available.\(^{44}\) In sharp contrast as to source but not


\(^{43}\)New York Times, May 18, 1956, p. 3.

in content or volume, Paul G. Hoffman, a prominent American businessman, has advocated that the United States alone should spend $2 billion annually or about 1 per cent of the nation's income for underdeveloped areas.  

Barbara Ward made the flat assertion several years ago that 2 to 3 per cent of the income of the Western Powers should be diverted to the development of the impoverished areas of the world.  

Rao's recommendation falls within this range, too, but according to his interpretation, the potential members of IDA would compute their 2 per cent contributions as an average of their national income during the preceding three years. However, the organization in charge of development would have the discretion to grant special rates in cases entailing hardships.  

If the United States contributed $20 billion annually to a World Reconstruction Authority, as suggested by Javits, it is estimated that about 7 per cent of the nation's current income would be budgeted for such items. In the event this suggestion seems unduly fanciful, it may be recalled that the

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7 per cent is identical with the rate to which India has already adhered in the prosecution of her first Five-Year Plan. Moreover, the material sacrifice in that nation's standard of living is greater proportionately than it would be for the United States or any other developed nation possessing far greater wealth.

The estimates of Reuther are of comparable proportion and magnitude; for according to his computations, the United States would need to allocate about 5 per cent of its current yearly output for a $13 billion annual contribution to a development fund. Within five years, however, the same amount would represent less than 4 per cent of the annual output. It is interesting to note that two years later, he had modified his recommendation by stating that the Americans should have the courage to commit 2 to 3 per cent of their national product to assistance.

There are economic precedents for diverting a large proportion of a gross national product into foreign investments. In the 1880's, for example, 4 per cent of British national income was derived from foreign investments. By 1903, the ratio had risen to 7 per cent, and at the outbreak of World War I, the percentage did not fall far short of

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10 per cent. Of course, these investments were contracted for profit. Yet, this illustration demonstrates the fact that a marginal percentage of the British gross national product had been withdrawn and unavailable for domestic consumption. The principle would be the same for economic development; the major difference is one of motive.

Reuther has argued that the burden, percentagewise, would become progressively less for the United States, and it seems that this eventuality would be equally true of all other relatively mature and expanding economies. The claim has been verified officially by the prognostications of the Executive Branch of the United States Government. According to a recent Economic Report of the President, prudent management of the national economy in the next decade will raise the level of production from $360 billion to $500 billion a year. In reality, the Department of Commerce reported that national income and production passed the $400 billion rate in the last quarter of 1955 and the first quarter of 1956. Leon Keyserling, a former member of the President's Council of Economic Advisors in the Truman

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52 Congressional Record, 84th Cong., 1st sess., 101 (Jan. 20, 1955), 394.
Administration, foresees the real possibility of a $600 billion gross national product by 1965. Moreover, as the nation faces the problem of the prudent utilization of its growing wealth, he contends that it has at no time since World War II given high enough priority to the assistance of retarded economies elsewhere in the world, even though the nation's ability to do so has increased tremendously. Although the aggregate sums needed for economic development are admittedly large, these statistics indicate that the burden of foreign aid, in terms of any sacrifice of living standards, would become progressively less for any developed nation having a rising gross national income.

Miscellaneous. In this category, there is the practice of raising funds through the sale of bonds and securities, which are issued in the name of the particular international institution sponsoring the development. A development authority could feature World Peace Bonds, backed by faith in its corporate credit similar to the securities of any national government. Barr believes this is the solution to the United Nations dilemma of "no taxes and no accomplishment." Besides, an IDA should be able to get funds at a much lower rate of interest than the IBRD; and according to him, many Americans are proposing that the Authority offer

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no interest—except the interest of the human race.55 In like manner, regardless of the organizational structure of an IDA, Staley advocates that it should be in a position "to raise capital by selling its own securities to govern­ments, to savings institutions, and to the general public."56 By way of actual precedent, the IBRD has initiated a suc­cessful policy of selling its own bonds to governments and private investors.

An income from gifts and donations has been antici­pated, too. Philanthropic-minded people, foundations, and people of average financial means should be given every opportunity to make appropriate gifts. In accord with this philosophy, the Suarez Committee had recommended that SUNFED be authorized to accept nongovernmental or private contrib­utions.57 Of course, the irregular nature of this type of income would limit the sustained effectiveness of either IDA or SUNFED.

A compulsory assessment, relying upon the power of taxation, has also been advocated to the extent of imposing direct obligations upon the individual citizen without

57 Suarez Report, op. cit., p. 10.
regard to nationality. The equivalent of a progressive international income tax of 1 to 2 per cent of the national income—above a certain figure—has been proposed by Barbara Ward as a means of raising about $5 billion a year.58 The President of the National Farmers Union has devised an intricate formula which would tax an individual citizen at a standard rate of "2 per cent on the first 1000 World Economic Monetary Units (WEMU) above 500 WEMU per person, plus an added 90 per cent of the previous combined rate for each additional 1000 WEMU."59 Of course, the nonexistence of any sovereign international government would severely handicap the administration of these taxes, but that does not detract from the attending merits of the underlying principle.

Finally, Colin Clark has contemplated a novel institution which is fundamentally a banking venture. He does not specify whether the service would be limited to conventional "bankable" activities. Nevertheless, Clark advocates an International Federal Reserve Bank which would only transact business with the Central Banks of the member countries. All capital-surplus countries would be required to build up


credits, year by year, in the central account of this Bank; and a salient feature would enable the Bank's administration to tender overdraft rights to the underdeveloped countries. Those projects of economic development which have a questionable reputation of "credit-worthiness" still would not benefit greatly from this type of institution.

Disarmament Savings. In theory, a shift of budgetary expenditures from armaments to constructive development is appealing in many respects and evokes rather widespread endorsements. But as revealed rather pointedly by some prevailing attitudes toward SUNFED, the actual application of the theory is alleged to be contrary to the concepts of national interest and security. It is obvious that armament savings are potentially lucrative sources to be exploited, but prevailing anxieties of the Great Powers have thwarted any real or effective efforts toward world-wide disarmament. Quite often, pertinent international negotiations terminate with the allegation that "circumstances forbid" any reduction in the expenditures for armaments.

Considerable tribute and forced deference, particularly within the United Nations, has been accorded to President Eisenhower's proposal of April 16, 1953, for the application of armament savings to a development fund. Senator

\[\text{Clark, op. cit., p. 127.}\]
\[\text{Supra, Ch. VIII.}\]
\[\text{Supra, Ch. VIII.}\]
McMahon had also urged the adoption of this concept on a more comprehensive scale three years earlier. Other conscientious advocates have offered, from time to time, more modest versions of this same proposition. For example, using the 1952 level of armament costs as a base figure, Rao recommended that not less than 10 per cent of any reductions in armaments should be payable to an IDA for a period of not less than five years. Wilson preferred that financial support of an IDA should be incorporated as an initial item within national budgets due to its intrinsic significance, and 10 per cent of "all finances and physical resources planned for arms expenditures" in a coming fiscal year should be rescheduled, nation by nation, for IDA. The computations of Lord John Boyd-Orr are similar, except he quotes rates varying from 5 to 10 per cent.

At the Summit Meeting in Geneva during July, 1955, Premier Faure, with due acknowledgement to President Eisenhower, reiterated the potentialities which were still associated with the idea concerning disarmament. Thus, the essence of the concept has not succumbed completely to

64Harold Wilson, To-day They Die, Peace Aims Pamphlet, no. 54 (London: National Peace Council, 1952), p. 11.
66Supra, Ch. VIII.
an untimely demise. Those individuals who subscribe to the pre-eminence of the power of destruction—to the virtual exclusion of anything constructive like economic development—may well ponder the counsel of Mrs. Roosevelt who has stated that in the long run "economic aid may be more important than money spent for defense."67 As late as April, 1956, President Eisenhower also theorized that every dollar spent intelligently for improving the political and economic status of other people was worth five put in sheer defense,68 but in actual practice, his administration has not subscribed seriously to that proposition.

In summary, the absolute necessity of adequate finances for assisting the underdeveloped regions seems incontestable and almost axiomatic. The status of many subsistence economies sets definite limits upon their ability to accumulate any savings; consequently, in the early stages of accelerated economic development, those national economies provide insufficient capital funds for reasonable economic growth and progress. There is widespread contention among these people that their domestic savings, indigenous effort, and determination needs to be supplemented with external resources, primarily in the form of grants rather than "bankable" investments. Furthermore, these underdeveloped


nations look hopefully to the expanding production and surplus wealth of the matured and industrialized countries as potential sources of their urgent needs.

Voluntary subscriptions usually are quite inadequate and unreliable. Innumerable ideas have been propounded for some type of progressive assessment which employs the principle of "ability to pay." To date, no major government has been willing to undertake the requisite commitments. Taking into account present circumstances and existing attitudes of the key governments, there are no immediate prospects for the inclusion of such budgetary items in lieu of reduced appropriations for armaments. Regardless of the amount, the avowed will to contribute has precedence. In the absence of such a positive and conclusive decision, the likelihood of adequate funds for the undeveloped nations is inconsiderable. To an equal degree, any proposed international institution for development will be powerless and ineffective.
PART IV

AN ANALYSIS OF KEY ATTITUDES
CHAPTER X

VIEWPOINTS OF ORGANIZED GROUPS

Between the subjective opinions of numerous individuals, on the one hand, and the more impersonal governmental policies on the other, there is an array of national and international organizations which function either as interest or pressure groups and subscribe to different criteria concerning economic development. Depending upon their resources, membership, and degree of militancy as effective propagandists, these groups differ and are significant as political forces on account of their role in formulating public opinion, especially among their immediate members. Depending upon the effectiveness of the organizations as pressure groups, they must be regarded as formidable political forces.

No claim whatsoever is advanced that the list of business, labor, agricultural, religious, social, or cultural groups is exhaustive. Viewed positively, the ensuing discussion should be regarded as a representative sampling of the more salient areas of social thought, whether provincial, parochial, national, or international.

1. Viewpoints of the Business and Industrial World

First, there are the commercial and financial circles
which command and control, either directly or indirectly, most of the essential capital resources necessary for reasonable assistance to the less fortunate areas. In general, these groups show a pronounced antipathy toward the utilization of public funds for such purposes, as well as a comparable prejudice toward IDA or SUNFED which would rely heavily upon that type of capitalization. In essence, an inflexible faith in the merits of the free enterprise ideology creates a dilemma for the advocates of *laissez-faire*, especially when they attempt to reconcile the motives of private investments with those underlying economic development. Indeed, the absence of direct commercial gains in the latter is not readily compatible with the attainment of commercial profits.

The economic philosophy of the International Chamber of Commerce is, for example, representative of the free enterprise system. According to one official statement, the investor's concern with profit should not cause undue alarm, for "if he were not so concerned he would not invest his capital in the first place."\(^1\) The verity of that statement is not challenged. Nevertheless, the most needed economic development is not commercially profitable, and the stated rationale for investment only helps to discredit the

allegation that private investments alone have the dynamic and realistic qualities required by the underdeveloped areas. Presently, they are more urgently concerned about their economic infrastructure which is for the most part nonself-liquidating.

To date, progress toward goals of balanced development does not compare favorably with the private investors' predominant concern with the extraction of resources which yields a quick and sizeable per cent of profit. Quite often, private investors do not recognize the causal relationship between these commercial practices and the "unfriendly attitude" of many governments. The question at stake is not whether profit-making is improper, but is it applicable to the immediate circumstances?

Taking note of the several United Nations Reports on various aspects of development, the International Chamber of Commerce also expressed its regrets about the "unfriendly attitude of United Nations—or United Nations-sponsored group of experts" toward private foreign investments. Furthermore, the Chamber felt there was a lack of appreciation for the important contributions which private investment and private capital have made to the cause of economic development.

2Ibid., p. 8.

In like manner, the National Association of Manufacturers in the United States manifested similar optimism concerning the potentialities of private enterprise for development. In one policy statement, the Association recommended that the Government of the United States should place primary responsibility upon private initiative for such assistance and development both within the United States and in the underdeveloped countries. Elsewhere, the Association has stated that private enterprise alone can furnish the required capital investment for world-wide economic advancement.

Another business organization, the National Foreign Trade Council, reiterated in a recent convention that industrial development abroad, as well as at home, is properly the function of private enterprise. Moreover, the Council's outlook is readily illustrated by its unqualified opposition to the creation of an International Finance Corporation which was designed specifically to promote private investments. It follows that the Trade Council was equally opposed to SUNFED or any other international agency.

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5 National Association of Manufacturers, Policy Statement on Foreign Investment, Mimeographed, Oct. 30, 1952, p. 2. See the more complete discussion of private versus public investment in Ch. III, supra.
created to supply public funds on a grant or long-term "nominal-interest" basis.\(^6\) Being logically consistent, the Council is also opposed to intergovernmental commodity agreements\(^7\) which would guarantee a more stable domestic income to those countries engaged primarily in the production of raw materials. In 1955, the Chairman of the Council testified before a Congressional committee to the effect that his organization opposed the diversion of public technical assistance funds to the direct promotion of industrial development within the retarded economies. Private industrial development carries with it the requisite managerial and technical skills; therefore, in his opinion, these can be effectively employed only as an adjunct to private capital which brought it into being.\(^8\)

When the IBRD sampled business and financial institutions for their views on IFC, the preponderant group believed the Corporation would serve a useful and effective role. But another group expressed disapproval of the use of any public funds in order to stimulate equity investments. Sounding a note of fatalism, the latter group also recom-

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\(^7\)Ibid., p. 25.

mended that where the climate is not favorable, "neither public nor private monies should be invested." This type of economic philosophy does not promote any great amount of optimism among the less fortunate nations.

An example of the adverse reaction among commercial interests to SUNFED appeared in a publication of the United States Chamber of Commerce shortly after the release of the Suarez Report. First, the fact that the article in question appeared under the subtitle, "Your Name on a Blank Check," is quite self-explanatory. There is a reference to the "increasingly solid malcontent bloc" of the United Nations with the implication that the bloc should be more docile and quiescent. Purporting to be dispensing the "plain truth," SUNFED was denounced as "clap-trap" and as a "sorry contradictory contraption, manifestly unworkable and obviously not in the best interests of anybody." Even if this critic's desire to forestall the establishment of SUNFED were to be realized, he conceded forthrightly that the problem of the "have-nots" would remain and continue to generate pressures. In the end, he offered no positive solution as to how and when these two groups of nations might be able to work out their differences. According to this logic, there is

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either no genuine concern for the malcontented nations which seek to improve their productive capacity, or SUNFED is not the appropriate medium.

The proclivities of commercial circles to maintain an uncompromising faith in free enterprise leave no alternative to them except to reaffirm that private investors will accept the challenge and provide the necessary capital resources. The proven inability or unwillingness of private enterprise to meet this challenge makes this contention quite controversial. In terms of the enormous task of, and attending opportunities for, aiding the underdeveloped countries, it can only be said that most business opinion tends to favor the status quo in economic development, i.e., to depend upon an almost exclusive policy of private investments. Some wish to reduce or even abolish the utilization of public investment for economic development.

2. Labor Groups

Attributable largely to a difference in social perspective, organized labor, particularly at the international level, has shown a profound concern for world economic progress; for ultimately, the welfare of laborers everywhere is dependent directly upon the status of the whole economy. For instance, a group of United Nations Experts had been commissioned to study the problem of full employment per se
on an international scale. Upon encountering complications, the group concluded that full employment could only be solved "in the context of an expanding world economy" which took into account the welfare of both the developed and the less advanced areas.\textsuperscript{11}

A recent report of the International Labour Organization reiterated the need for expenditures on economic development in order to improve living standards among the lower-income peoples of the world. After noting that the situation in Asia, for example, remained grave, the report continued with the terse admonition that "the mere stabilization of misery is not enough."\textsuperscript{12} Thus, organized labor endorses the necessary extraordinary effort in order to bring about the actual improvement in standards of living.

Within the ranks of the Congress of Industrial Organizations, the very active leadership of Walter Reuther has been noted in behalf of the cause for building up the underdeveloped economies. His provocative philosophies have been influential at the international level, too. Perhaps the most prominent labor organization at that level is the International Confederation of Free Trade Unions (ICFTU),


which was established in 1949 upon more democratic principles in order to counteract the activity of the World Federation of Trade Unions. The ICFTU welcomed specifically the proposal of the U.N. Experts' Report that an IDA should be formed.\textsuperscript{13} Its observer at the Thirteenth Session of ECOSOC in 1951, expressed dissatisfaction with the response to the Report and urged the Council's adoption of recommendations advocating (1) financing social and economic development, and (2) sponsorship of the formation of IDA.\textsuperscript{14}

Shortly before these views had been presented to ECOSOC, the Second Conference of the ICFTU, consisting of 154 delegates from 56 organizations in 47 countries, met in Milan, Italy, and passed \textit{Resolution 10} on the subject of economic development. In addition to noting the organization's general satisfaction and approval of the U.N. Experts' Report, the Resolution suggested that $3 billion be transferred annually from advanced countries to the underdeveloped ones in the form of grants-in-aid, and it also recommended that IBRD should loan up to $1 billion a year for the same purposes. Furthermore, appeals were made to ECOSOC and all individual countries to take appropriate action for the


\textsuperscript{14}\textit{Official Records, Thirteenth Session} (Geneva: 1951), pp. 174-175.
Two years later at Stockholm, the Third Conference of ICFTU, representing 50 million members of labor organizations throughout the world, had become reconciled to the prevailing anti-IDA sentiment within the United Nations and consequently shifted the Federation's endorsement to the proposed SUNFED. Moreover, its official resolution on the subject called upon all its affiliated units, in countries able to make generous grants to the Special Fund, to campaign and proselytize among their respective governments for the immediate establishment of SUNFED. In addition, the resolution appealed to all governments to supply sufficient funds for those purposes. In notable contrast with the general attitudes of commercial institutions, the ICFTU urged the conclusion of international commodity agreements to assure some stability in the prices of primary products and the concomitant volume of domestic income. In addressing this Conference, Reuther advocated some action leading to the judicious access of all nations to the world's basic economic resources. Trade union groups were advised to exert pressure upon their own governments for the establishment of a

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Special Fund to promote an expansion of economic development.\textsuperscript{17}

In studies concerning guarantees for full employment, the ICFTU stressed the positive correlation between low incomes and limited purchasing power. Thus, it followed that over-all economic development would provide a partial solution to the phenomenon of underemployment. Accordingly, the immediate establishment of SUNFED was recommended again. The ICFTU urged the IBRD to amend its rules so it could extend its services without having to pay strict regard to commercial considerations and market rates of interest.\textsuperscript{18} The ICFTU's observer at a recent session of ECOSOC appealed to the industrialized countries to reconsider their opposition to SUNFED and assist in setting it up without further delay.\textsuperscript{19} The representative of the International Federation of Christian Trade Unions, not to be confused with ICFTU, had expressed a similar optimism that ECOSOC would approve SUNFED in principle at that same session. Later, the same observer endorsed the creation of IFC, too.\textsuperscript{20}

\begin{flushleft}
\textsuperscript{17}"Bread and Butter Drive on Communism Urged by Reuther at ICFTU," \textit{CIO NEWS}, XVI (July 13, 1953), p. 6. \\
\textsuperscript{19}Official Records, Eighteenth Session (Geneva: 1954), p. 159. \\
\textsuperscript{20}Ibid., p. 174. 
\end{flushleft}
The great labor organizations of the United States and the United Kingdom have been praised by Hernan Santa Cruz for their magnificent examples of influencing public decisions. In his opinion, those organizations "have not only already grasped the problem" but have proceeded to urge their governments to support the immediate creation of SUNFED.21 Within the United States, the two major labor federations, only recently amalgamated, have recommended that their government take immediate steps for the establishment of a development fund. The Director of the Department of International Affairs for the CIO has corresponded with Secretary of State John Foster Dulles to the effect that the "unbending opposition" to SUNFED seems "to be utter folly," considering the nation's economic strength and its generous expenditures for military defense.22 In 1955, the foreign policy resolution of the national AFL-CIO convention reaffirmed the opinion that SUNFED provides real possibilities for expanding worthy projects leading to the fundamental improvement of human welfare throughout the world.23


22 See, Technical Assistance Programs, Hearings, op. cit., p. 154. For the complete testimony of the CIO representative, pp. 133-167.

The cited examples illustrate the favorable attitude of the international labor movement toward economic assistance. In comparison with commercial and financial organizations, it is to be emphasized that numerically the labor unions and federations are mass groups. This fact in itself indicates the relative magnitude of popular sanction. Organized labor may not control the financial resources of the world, but the force of numbers adds immeasurably to the significance of its endorsements.

3. **Agricultural Organizations**

Turning to agriculture as the third large economic category in addition to business and labor, one finds that those farm organizations having a more liberal reputation favor positive action upon the question of world development. In this country, the National Farmers Union subscribes quite definitely to this philosophy. The Union's President, James Patton, leaves little doubt about his convictions as an internationalist. Somewhat unconventionally, he has recommended the organization of a "democratic world economic union."\(^{24}\) Parenthetically, this economic union would have, among other features, a single currency, and there would be no trade or population barriers.

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Subordinate to the economic union proper, Patton suggests a series of administrative agencies to carry out the various functional programs. One of them would be a World Development Authority, consisting of a World Development Finance Corporation and a World Development Fund. While the Corporation would appear to be a combination of a liberalized IBRD and the IFC, the World Development Fund would pay the costs of "public development . . . and other developments not customarily undertaken by private enterprise." Moreover, he advocates the establishment of safety reserves of raw and processed commodities against emergencies.25

In addition to these personal proposals by its President, the National Farmers Union in a statement of its long-term purposes and policies endorsed officially the concept of a "democratic world economic union" and affirmed its support for the efforts of the United States in the promotion of economic development within the international community.26 During a Senate Hearing, the Union's representative stated that the development of infrastructure by SUNFED was the type of thing the United States should be doing more of.27

25 Ibid., p. 9.


27 Technical Assistance Programs, Hearings, op. cit., p. 261.
On the contrary, the American Farm Bureau Federation, having studied the proposals for SUNFED, remains unconvinced of both its possible effectiveness and the advisability of participation by the United States. The Federation also opposed any further centralization of authority in the United Nations which meant, among other things, the channeling of United States aid through it.

4. Religious Affiliations

The policies of religious and missionary groups have always made organized religion a pioneer in technical assistance. Consequently, and despite perennial shortage of financial resources, the Christian churches of the West continue to be among the foremost champions, economically speaking, of human welfare throughout the world. By official resolution, the Commission of Churches on International Affairs, an affiliate of the World Council of Churches, urged greater emphasis on international technical assistance programs and adequate planning for international financial assistance. Expanding capital investment, in the opinion of the Council, could be in the form of either private or public capital, coming from both domestic and foreign sources.

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The Catholic Association for International Peace believed that the United States can help underdeveloped countries improve their own economic conditions, so that in turn they will be able to contribute indigenous funds to an international scheme of greater magnitude. In 1950, the General Council of the Congregational Churches had recommended that the Point Four Program should be greatly increased in size and scope of operation. Besides, it should be administered in terms of "felt needs of the recipient countries and not as a means for foreign economic and political influence." The Church Peace Union, an interfaith group headed by Dr. Ralph Sockman, has recently reaffirmed the principle of long-term aid to fill the legitimate aspirations of the underdeveloped areas. In addition to continuing and increasing bilateral aid, the policy statement urged the Government of the United States to explore the possibility of directing more funds for multilateral programs through the United Nations. The Friends Committee on National Legislation has officially commended SUNFED to the Government of the United States as one means of providing

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30 "Economic Aid to Underdeveloped Areas," Catholic Association for International Peace News, XIV (March, 1953), Mimeographed, p. 2.

31 Conflicting Views on American Foreign Policy (Washington: Public Affairs Institute, 1951), pp. 30-31.

capital for world development.33

The major religious units may not always recommend any novel administrative establishment such as an Authority, but they do subscribe to the underlying philosophy of economic development. When the Point Four Program was absorbed into the United States Foreign Operations Administration in 1953, numerous religious affiliations became apprehensive over the propriety of tendering further assistance after the Point Four Program had become so closely identified with military objectives.34 On the whole, religious affiliations prefer assistance of a more indirect and noninstitutionalized nature.

5. Proponents of World Organization.

Among the miscellaneous groups, there are the various national units of United Nations Associations which regard the supervision of economic development as a proper function of a more powerful United Nations. One of the more active national Associations is in Britain; and according to its manifesto, world development must proceed quickly, "even at the expense of some further temporary sacrifice in our own

33Technical Assistance Programs, Hearings, op. cit., p. 364.

Its General Council called upon the British Government to press for the setting up of a world development authority under the aegis of the United Nations. It would be authorized to raise at least $10 billion a year to assist the underdeveloped countries to improve their standards of living.36

The World Federation of United Nations Associations (WFUNA) by official action has called upon its affiliates to arouse a greater awareness of what is needed in respect to world development and to induce their respective Governments to offer financial backing.37 Later, the preamble of a resolution expressed a belief "in the ultimate necessity of an International Development Authority under the United Nations." In lieu of that, however, the Federation welcomed the interim proposal for SUNFED which should be set up without delay, if only on a limited basis.38

Recently, the representative of WFUNA in ECOSOC complimented the Associations of Norway, Denmark, Sweden, and


36The Times (London), July 13, 1953, p. 3.

37WFUNA, Decisions--Sixth Plenary Assembly, 1951 (Stockholm: 1951), Mimeographed, p. 17.

the Netherlands for their response to an earlier appeal for greater publicity on development needs. 39 Encouraging support for SUNFED was noted in the Associations' activities in the United Kingdom and the United States, too. The latter, in a Conference at Washington, March, 1954, resolved a bold co-ordinated program of technical assistance and economic aid, 40 but it deprecated the glaring disproportion between the American military budget and the meager resources available for economic development.

Since the United World Federalists are primarily interested in world government in one momentous stroke, they demonstrate only a general interest in the functional approach to their ultimate objective. They regard world development as being of secondary importance and show much greater concern for the structural reform of the United Nations along the true principles of federalism. In essence, this eventuality would mean an extensive transferal of sovereign authority from national governments to an international political entity. In the event world federal government became a reality, there would be little question of adequate political power to implement economic development. Meanwhile, the realistic and urgent problem of

40 Loc. cit.
development demands attention from the United Nations, functioning with the inherent limitations of the confederate principle.

As one way for improving the effectiveness of the United Nations, the World Federalists recommend a broader program of technical assistance and economic development through the United Nations.\textsuperscript{41} They have also given their endorsement to the creation of SUNFED, providing it can be established so that all nations can be self-supporting.\textsuperscript{42} Since world government is the avowed objective of the Federalists, they are favorably disposed toward economic development as one functional and gradual means to promote the growing sense of a world community. On the contrary, the opponents of world government, wherever they may be, are equally fearful and critical that institutionalized economic development will expedite the precise thing which they find so undesirable. In short, the functional approach scares those individuals who are in opposition to world government.

Other groups which are also associated with the movement for world government have advocated some sort of centralized administration to co-ordinate world economic improvement. There is the British Parliamentary Group for


\textsuperscript{42}See, Technical Assistance Programs, Hearings, op. cit., p. 374.
World Government, for example, under the leadership of Lord John Boyd-Orr. Politically, it commands sufficient prestige that the Minister of State for Foreign Affairs has received the Group's deputation to discuss the general topic of world government. But, the group also suggested another reform, namely, the creation of a World Economic Development Authority to be financed by a percentage of the national product of each member state of the United Nations.

In September, 1951, an international conference, convened in London by the British Parliamentary Group, adopted what is known as the "Founding Resolution" for the World Association of Parliamentarians for World Government. The third section of this resolution, Freedom from Want, stressed the urgent and positive task of mankind to make a concerted effort to raise the quality of living of all the peoples in underdeveloped countries. Under these pressing circumstances, governments of the United Nations powers were to confer "with a view to increasing present United Nations activities in this area and to establish an overall Development Authority to co-ordinate this task." (Italics L.C.L.)

At a World Federal Government Conference in 1953, a

\footnote{43}`World Mutual Aid," \textit{House of Commons Debates}, 5th series, 525 (March 24, 1954), 1256.}

\footnote{44}British Parliamentary Group for World Government, \textit{The Case for World Government}, Appendix (London: 1952), pp. [6-7].
good portion of the discussions was devoted to the possible revision of the United Nations Charter, but the Conference proposed a number of interim recommendations as first steps toward the eventual formulation of a World Federal Government. Recommendation 8 called for the creation of a World Development Authority to be administered by the Economic and Social Council under the jurisdiction of the General Assembly. 45

As part of an immediate program of action, the Parliamentarians were urged to adopt the Suarez Report, calling for the creation of SUNFED. 46 A Committee "C" also reported on the amendment of the original Founding Resolution of 1951, and recommended that the proposals in Freedom from Want should be accorded equal documentary importance. Here, instead of emphasizing the merits of a Development Authority, Committee "C" speaks of a World Mutual Development Fund. 47 It would be financed by a percentage of the savings made from progressive reductions in military budgets.

At the Fourth World Parliamentary Conference on World Government, the revision of the United Nations Charter was


46 Ibid., p. 9.

47 Ibid., p. 11.
again the important item on the agenda; however, Proposal 8 reiterated an earlier endorsement of a World Mutual Development Fund to be administered as a specialized agency of the United Nations and financed by a percentage of disarmament savings.\(^{48}\) Practically all the organizations in this category have a notable international composition. They are not especially motivated by provincial or narrow national interests. Moreover, any direct benefits to members, as compared with an occupational unit, are practically nonexistent. Their advocacy of IDA, then, is premised on the merits of theories and principles which have a more universal validity.

6. Liberal versus Conservative Opinion

What evaluation can be made of the foregoing attitudes regarding assistance to underdeveloped countries? In the first place, a discerning observer notes the divergent social perspectives which are held respectively by the adherents of liberal and conservative philosophies. For present purposes, a liberal is defined as an individual who will choose change over stability, experiment over continuity, and the future over the past. The conservative reverses the components of these paired concepts.\(^{49}\)

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basis of these principles, the liberals and the conservatives are inclined, in general, to register respective approval and disapproval of an IDA or SUNFED.

Mass organizations which are predominantly social, political, or cultural in nature appear to grasp the long range implications of economic progress—or the lack of it—within the retarded areas. Of course, whether liberal or conservative, this does not mean that any organization is able to maintain a rigid discipline over all of its members. Notwithstanding, apprehensions of some individuals engender a willingness to make financial sacrifices in order to obtain the necessary capital resources.

This does not imply that the more commercially-oriented groups are oblivious of the practical and humanitarian aspects of the problem, but an avid adherence to laissez-faire precludes the type of assistance which is most often needed and requested, namely, investments that have no inherent likelihood of direct remuneration. For this group, the criterion of investment in foreign areas is almost unqualifiedly the prospect for profits; hence, private investments are rationalized to the point of becoming a panacea. Even when the matter of public funds is suggested for basic development which is knowingly nonproductive from the standpoint of private investment, these economic interests voice indirect, but rather effective, opposition to both
national and international commitments of a public nature.

Fundamentally then, the opposition seems to arise from the controversial issue as to whether national or international agencies should engage in economic planning and have the complementary power to requisition and use public funds in order to achieve those objectives. Although those in opposition will not advocate the use of governmental powers—allegedly inimical to their immediate welfare—to promote the stabilization and expansion of the world economy, they appear to be equally reluctant to approve the use of governmental powers to buttress a national economy.  

In contrast to this school of thought, organizations and affiliations having a known reputation for being either traditionally liberal, collectivist, left-wing, or Socialist have in general adhered to, and promoted concerted measures for development through some international agency or authority. This situation evokes charges about the "left-wing pundits" who believe development is just a matter of devising the right kind of an international agency, voting the necessary amount of other peoples' money, and arming the agency with sufficient authority. There are also disparaging remarks about the "clamor of certain Socialist politicians."  

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Official policies of the various governments or major political parties as related to the issue of an international planning agency can be divided roughly according to their attitudes toward democratic socialism. Originally, the Socialist movement had espoused its own comprehensive World Plan for Mutual Aid but has subsequently shifted its support to the more feasible SUNFED.\textsuperscript{52} This alliance of democratic socialist governments with the campaign for economic development has been particularly noticeable in the Scandinavian countries, Britain, and the new nations of South-East Asia. Restricted considerably by its present political status of being in the Opposition, the British Labor Party continues to champion the challenging problem of world aid. From time to time, the Laborites have commented and raised questions in the House of Commons concerning the possibility of constructive action for SUNFED. The interrogations are usually to no avail, for the replies of the Conservative Government are evasive. In essence, its response amounts to a policy of studied procrastination.\textsuperscript{53}

In addition to these national endorsements, there are the recommendations for SUNFED made by the Socialist

\textsuperscript{52}\textit{Supra}, Ch. VII.

International and the Asian Socialist Conference. By this logic, the creation of an IDA or SUNFED has acquired the distinction of being a liberal or left-wing movement. The unorthodoxy of the problem to be solved requires considerable deviation from the status quo.

If a generalization is permitted, a justifiable thesis can be advanced that the majority of world opinion, as represented by the criterion of mass organization, tends to be more responsive to and approving of an effective attack upon world poverty. In particular, the attitudes of organized labor and religions substantiate this contention; but a large number of other groups, quite militant as propagandists and having small memberships, are exceptions to this criterion of numbers. On the other hand, organized commercial and industrial interests constitute the hard core of dynamic opposition to internationalized developments. These observations lead to the conclusion that the movement for international development has essentially a quasi-mass support.

In the course of the discussions on IDA and SUNFED, there have been references to the role and status of public

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opinion vis-a-vis economic development. In fact, some organizations believe that their resources and most fruitful activities can be directed toward the marshaling of a more universal and informed public opinion. For example, the Swedish delegate to ECOSOC remarked on one occasion that the countries which would have to contribute to any program for increased financial assistance were all democracies. Time was required, according to his argument, to convince their citizens of the need for financial sacrifices in behalf of the underdeveloped countries. If analyzed thoroughly, this assertion assumes that, on the whole, constituent opinion lags behind official governmental policies. In many instances, the proceedings of the United Nations do not substantiate this hypothesis.

Two authorities, for instance, seriously challenge the interpretation presented by the Swedish delegate. First, Barbara Ward, in speaking of those who would smother economic

aid under military covers, believes they are mistaken in their estimates of the relative effectiveness of the two types of assistance. In her judgment, they are almost certainly wrong in their "gauging of public opinion." Second, Chester Bowles contends that the idea of economic assistance for the peoples of the underdeveloped areas of the world is "far more acceptable throughout grassroots America" than the leaders and policy makers in Washington seem able or willing to realize.

In conclusion, some groups perform a useful educational service and do take the initiative in formulating policies, while other groups must be induced to follow. To the extent that the members of the first group proselytize for economic development or any other cause, they are dynamic and viable political forces. There is the perennial likelihood, however, that the full impact of their achievements and influence will suffer from institutional attrition in the course of enacting pertinent governmental policy.


CHAPTER XI

VIEWPOINT OF THE UNITED STATES GOVERNMENT

1. National Interest

National interest is the logical point of reference for any nation in formulating its foreign policy. Of course, deference for the concept of an interdependent world community modifies this individualistic approach to international relations in so far that other nations may have no just claim that policies, designed to promote the interest of one particular country, do not impinge inordinately upon their own welfare. Stated differently, any nation has an international obligation to consider the unfavorable, as well as the favorable, effects of its foreign policy. If the purposes and undertakings of the United States, for instance, are decent and free from "arrogance, or hostility toward other people, or delusions of superiority," then the pursuit of the country's over-all national interest is compatible with aspirations for a better world.¹ This

interpretation of national interest qualifies the more narrow and provincial connotation of the broad concept.

Quite frequently, governmental policies are launched, continued, and justified on the simple and undefined criterion of national interest. A recent Congressional Report on technical assistance, for example, begins and ends with reference to the "national interest" as the official justification for the United States participation in a technical assistance program. Misconceptions arise easily as the result of such a broad generalization. Unless the term is defined more explicitly, it is meaningless to insist categorically that national interest is an adequate rationale.

Among other characteristics, national security is one essential component of national interest which is, in reality, an over-all and quite inclusive entity. National security is merely a part of national welfare. Advancing national interest is more than being strong militarily. The physical protection of a nation's territory is a legitimate part of national security, but the security can be dependent indirectly upon less tangible measures, too.

There is often a tendency to oversimplify national security and to equate it solely with a formidable military

\textsuperscript{2}Technical Assistance and Related Programs, U. S. Senate Foreign Relations Committee, 84th Cong., 2nd sess., S. Rept. 1956 (Washington: 1956), pp. 4, 29, and 30.
strategy. This eventuality leads quite inadvertently to the fallacious and dangerous conclusion that the external welfare of a nation is only a matter of physical protection. In reality, national interest includes many nonmilitary features. Likewise, there are nonmilitary qualities related to the phenomenon of national security. The expedient utilization of political, economic, and humanitarian measures may be just as effective and as important in order to maintain friendly relations among other nations and to create allies.

The latter course of action will then preclude the sole reliance upon potential military countermeasures. That is to say, appropriate nonmilitary policies will also create feelings of national security and conditions favorable to a better world. This is especially true in the "hydrogen age" in which "limited warfare" or "localized wars" tend to supplant the eventuality of total war. A powerful but unadaptable military establishment is likely to be ineffective in the more minor incidents disturbing the peace and welfare of the world. From the standpoint of strategy, more subtle types of political and economic influences are tending to replace overt aggression and consequential measures of defense.

In many respects, the cold war has currently evolved into that type of situation, and economic development has
become more important in the competition for the good will of the underdeveloped and uncommitted nations. Through the improvement of national livelihood in many regions of the world, the United States and all other developed nations stand to profit indirectly from the elimination of potential chaos and international tension which might prevail otherwise.

Traditional attitudes concerning the inviolability of national sovereignty usually hamper international co-operation. It is quite possible that a prudent relinquishment of a limited degree of sovereignty in the form of multilateral commitments may ultimately work to the best interest of the nation which does so. Admittedly, this can neither be proved objectively nor can it be proved that the maintenance of unimpaired national sovereignty always enhances the national interest. The latter course of action often precludes constructive policy which would minimize international discord.

Since national interest is multivalued in the sense of being military, political, economic, and/or humanitarian in nature, a particular policy may detract from the national interest in one respect but add immeasurably to it in other ways. In the case of disarmament, physical security might be diminished. Nevertheless, the transferal of disarmament savings into economic channels may add directly to over-all
international stability and amity. Traditional frontal attacks on security may well be supplemented or partially replaced by such nonfrontal strategy as the improvement of the economic destiny of the underdeveloped nations. The ultimate decision, then, depends logically upon weighing the respective advantages and disadvantages of each approach. In terms of aiding other countries, an expanded program of public investment by the United States, for instance, is alleged to be in the national interest, but some American citizens regard the concomitant domestic burden of additional taxation as detrimental to the over-all national interest.

Foreign policy for any country suffers from the fact that it has no political constituents which have no effective voice in the formulation of policy. This is especially applicable to the whole field of foreign economic aid. According to Staley, this political situation will always generate a bias towards the underevaluation of true national interest vis-a-vis economic development. Stated negatively, the absence of any direct returns from foreign aid induces a high degree of indifference among the citizenry of any donor nation.

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Since national interest is a multiphased phenomenon, undue concentration upon one facet, to the virtual neglect of others, carries the risk of being both inexpedient and imprudent. Progress and cultural change necessitate a continual re-examination as to the effectiveness of any one factor in relation to the potentials of others. Neither national interest nor national security are served adequately by an inflexible military policy which always carries the very real possibility of becoming outmoded. Furthermore, some national interests may be essentially short term in character, but it is desirable to pursue others for their long range rewards. The latter eventuality is less likely to be handicapped by any inherent deficiencies of improvised policy. Applying these interpretations to the United States, to what degree does its general policy toward economic development and its specific policy toward IDA and SUNFED meet the criterion of national interest? If these questions are to be answered realistically, they must at least be reviewed in conjunction with the status of American leadership throughout the world.

2. Obligations for World Leadership

The modern world looks to the United States for international leadership. Instead of being an indivisible and monolithic entity, there are opportunities for national
leadership in a number of distinct phases of world affairs. National and international incidents and problems may require measures or sanctions of either a military, political, economic, and/or an ideological nature. With the exception of the Soviet Union, the dominance of American military leadership is practically undisputed. United States over-all superiority in economic production is unsurpassed and recognized accordingly throughout the world, but the extension and dissemination of this economic intelligence and know-how throughout the rest of the world is hampered by the lack of the requisite moral conviction essential to political action. As to the military category, the rest of the world usually regards American leadership as more than adequate.

In other nonmaterial matters, some nations point out that alleged deficiencies of leadership and policies are inimical both to the national interest of the United States and the welfare of the world as a whole.

At times, these nations sincerely question whether the United States meets the real challenge or displays a degree of political and economic responsibility commensurate with its actual position. For instance, is the United States prone to overemphasize and pursue one course of action too long to the virtual neglect of effective alternatives? Are some of its policies unduly handicapped by rigidity and a concurrent inability to meet new and demanding exigencies?
The decisions of the United States often determine the pattern of world events; consequently, it is incumbent upon this nation to remember at all times that unusual political and economic power carries similar responsibilities as well as rights and privileges. This whole idea has been summed up in the terse observation that American foreign policy is "everyone's destiny," for the welfare of the entire world is at stake.\(^5\)

Further discussion is unnecessary here concerning those instances wherein the leadership and superiority of the United States is deemed at least satisfactory or even overextended. A concern for positive and responsible leadership elsewhere has logical and constructive merit. To withhold effective leadership often generates a political or social vacuum which invites the potentially detrimental attention of other political forces. Relative to world economic development in 1957, such an eventuality is contrary to the national interest of the United States.

In the course of the Tenth Session of the General Assembly, it became apparent to two delegates from the United States that their country "would be called upon to exercise

leadership and wisdom as never before.\(^6\) Appraising those proceedings of the United Nations, the Christian Science Monitor reported that a rather universal demand for more American "moral leadership" was voiced in the closing hours of the Tenth Session of the General Assembly which had heard innumerable appeals for less emphasis on nuclear weapons and military alliances and more on political, economic, and social preparations for survival.\(^7\)

The aspirations of the underdeveloped nations are not easily reconciled with the fact that the United States in recent years has relied predominantly upon military countermeasures for the containment of Communism. Exclusive reliance upon this policy alone in the post-Stalin era is now considered even more outmoded in some quarters. A discernible body of opinion contends that the United States has not provided a reasonable balance between the military and the nonmilitary.\(^8\) During the last five years, according to James Warburg, the American government has been so grossly preoccupied with the Communist threat of military aggression that


\(^7\)Christian Science Monitor, Dec. 21, 1955, p. 4.

\(^8\)See Ch. VIII, supra, for the official position of the United States on disarmament.
it has both ignored the growing Communist threat of economic penetration and simultaneously alienated many of the uncommitted peoples. 9

Some foreign observers infer that United States extraordinary concentration on Communism, as well as the attendant military strategy for combating it, has reached the proportions of a national obsession. In diagnosing this phenomenon, Senator William Fulbright believes that the American people are somewhat "mesmerized by Communism." 10 Although this military emphasis has been antithetical at times to the interests of other peoples who are not primarily concerned with an abstract political doctrine, the policies, nevertheless, have been adopted and administered allegedly with the "national interest" of the United States in mind.

There is no intention to leave the impression that nothing can or will be done toward economic development without positive commitments on behalf of the United States. On the contrary, many underdeveloped nations are determined to move forward and to promote their economic welfare, either with or without American leadership or sponsorship, through the maximum utilization of their limited indigenous resources.


Arduous progress will be made, therefore, although on a more limited scale than if external resources, particularly in the form of adequate capital, had been available.

The status of American leadership is important in another respect, for other nations are often inclined to postpone action upon policies under consideration until the United States tenders its official support. This was quite true, for example, of the protracted evolution of IFC.\textsuperscript{11} To illustrate the deference which the United Nations accords to the United States, the General Assembly in Resolution 823 (IX), noted the favorable and unexpected shift in the attitude of the United States toward IFC.\textsuperscript{12} Similarly, Belgium declared recently that its participation in SUNFED would be conditional upon that of the great industrialized countries, the United States in particular.\textsuperscript{13} These are specific instances wherein other countries have looked to the United States for a degree of nonmilitary leadership which was either delayed excessively or withheld completely.

The extraordinary national economy of the United States is geared integrally to the economy of the whole

\textsuperscript{11}Supra, Ch. VIII.


world, and this unusual relationship creates both opportunities and special responsibilities for international commercial leadership. An European is purported to have stated somewhat colloquially that when "America sneezes the rest of the free world gets pneumonia."\textsuperscript{14} Instability in international trade is deplored among some underdeveloped economies, for they are extremely vulnerable to fluctuations in the world commodity markets.

Frequently, these nations are masters neither of their domestic resources nor the utilization of those resources for domestic purposes. That is to say, they are often unable to control their own economic development. Clark points out that the people of the United States, as good citizens of an international community, cannot decide issues pertaining to the free market as though they lived in more or less economic isolation.\textsuperscript{15}

Harold Stassen also maintains that governmental action on such factors as economic well-being, international trade, and the flow of international capital applies "with multiple emphasis to the United States itself." (Italics L.C.L.)\textsuperscript{16} In other words, the size and prestige of a nation


creates unusual responsibilities in the use of its political power and economic resources. It would seem then that in addition to promoting the welfare of other nations, mutual benefits will also accrue to the United States for seizing the initiative and capitalizing upon international opportunities. If this criterion is viewed logically, it is equally applicable to any one nation in proportion to its respective power and influence.

3. Some Basic Doctrines Traditional to the Nation

In order to understand American policy designed to promote economic development, it is necessary to recognize that the United States as a nation and as a government has unequivocal predilections for several pertinent principles and economic practices; namely, laissez-faire, bilateral assistance, the alleged superiority of private investments, access to the raw materials of the world, and uncontrolled international commodity markets. Besides being antithetical to the interests of the underdeveloped nations, these principles are somewhat irreconcilable with many of the supranational attributes of the proposed IDA or SUNFED. In addition, implicit adherence to these principles by the United States limits the flexibility and maneuverability of the nation's foreign economic policy.

First, the Philosophy of Laissez-Faire. Attributable
to the ideology of free enterprise and a fervent and an
historical veneration for the merits of individualism, the
Government of the United States has an antipathy for eco-
nomic planning on a collectivized basis. For instance, its
member on the United Nations Economic and Employment Commis-
sion declared officially in 1949, and with a note of final-
ity, that the Government and the people of the United States
"did not think of economic development in terms of global
planning."17

This is of crucial import, for institutionalized eco-
nomic development implies a considerable amount of economic
planning. Accordingly, the United States has been more
willing to give additional study to SUNFED which places an
emphasis on finance rather than on the element of planning.
Also, the Government of the United States is disapproving of
the rather universal trend toward the establishment of
national year-plans, which many nations deem so essential for
fixing priorities in accelerated and concentrated develop-
ment. Consequently, many countries which engage in compre-
prehensive planning regard the attitude of the United States
as somewhat unrealistic and incomprehensible.

Second, Bilateral Assistance. The generous contribu-
17ECOSOC, Economic and Employment Commission, Sub-
Commission on Economic Development, Summary Record of the
Sixtieth Meeting, U.N. Doc. E/CN.1/Sub.3/SR. 60 (New York:
1949), p. 11.
Four Program, and subsequently the Mutual Security Program
are examples of American benevolence in world reconstruc-
tion and development, but these schemes have been premised
categorically on bilateral agreements and administration.¹⁸
For keeping the concept of sovereignty sacrosanct, bilateral
agreements provide the greater safeguards. A Congressional
Report on the Point Four Program has made the following, and
perhaps quite representative, observation about bilateral
assistance. It stated that the "United States will have
ultimate power of decision on the kind of services it will
render and the form in which they will be rendered. . . .
The United States can, without question, fix the terms of
its program and the basis of assistance it will render.
These are within its sole discretion."¹⁹ In substance, this
is indicative of a rather ultranational approach to foreign
affairs.

The proponents of the bilateral administration of
assistance argue that only that type of agreement will give
reasonable assurance of a quid pro quo, i.e., a strict
accounting for value received. In some aspects of national
interest, this interpretation may possess validity but be

¹⁸Supra, Ch. III, for a comparison of the respective
merits of bilateral and multilateral assistance.

¹⁹Foreign Economic Assistance, U. S., 81st Cong.,
2nd sess., H. Rept. 1802, Part 4 to accompany H.R. 7797
simultaneously self-defeating, because it may prevent the launching of certain desirable policies which may produce more or less indirect and immeasurable benefits. An international authority or fund of adequate size will be dependent upon multilateral commitments and contributions, and this fact is not easily reconciled with the partiality of the United States toward bilateralism. As long as this official predisposition persists, the nation's participation in those institutions is virtually precluded. Intrinsically, the nation favors bilateral commitments as a protection against any fundamental infringement upon national sovereignty.

Third, the Alleged Superiority of Private Investments. Although private investment is essentially a nongovernmental function, it is not completely independent of the influence and protection of governmental policy; consequently, the opposition of the commercial interests to public investment is either strengthened or weakened depending upon the attitude and policies of the government. In terms of aggregate dollars, great pride is often revealed concerning American private investments in foreign lands, but statistical information shows that those investments are heavily concentrated in Canada and Latin America. Extraordinary activity in select regions does not culminate in balanced development which is the over-all objective of most underdeveloped
countries. It has been pointed out that of the aggregate foreign private investment by the United States from 1947 to 1949, 74 per cent was in the specialized petroleum industry within a few select areas of the world.

The ubiquitous risk of default or expropriation is also quite incompatible with the initial and intrinsic objectives of private investors. Instead of actually contributing to the preconditions of economic stability, private investments flourish more or less as a result of the protection and solid gains of other types of pioneering economic activities. This is the underlying philosophy of the newly created International Finance Corporation. The Randall Report states quite frankly that it would be misleading to expect more than a modest net increase in the present rate of private capital outflow, except for some special action by the Government of the United States to induce such a flow. As late as 1955, a representative to ECOSOC, under instructions from the Department of State, reaffirmed that the basic

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policy of the United States on financing economic develop-
ment remained the same as when President Eisenhower had
recommended IFC to Congress to expedite private investment. 24
So long as any Administration in the United States maintains
this position, sizeable public funds are unlikely to be
forthcoming for an IDA or SUNFED.

particular point, the developed and the underdeveloped areas
really have complementary and mutual interests; for they
have respective needs for the raw products and for adequate
stable markets for those products. There is a general con-
census that the expanding gross national product of the
United States, approximately an increment of 3 per cent per
annum, will in the future become more and more dependent on
imported raw materials; 25 therefore, the intrinsic concern
of the underdeveloped countries vis-a-vis primary produc-
tion cannot be ignored as being irrelevant to the national
interest of any highly industrialized nation.

Two reports in the United States have taken note of
this situation, and both emphasize the need to expand the
production of raw materials within the underdeveloped areas.

24 Official Records. Twentieth Session (Geneva: 1955),
pp. 163-184.

25 Royal Institute of International Affairs, World
Production of Raw Materials, Information Papers, no. 18
First, Partners in Progress, compiled by the International Development Advisory Board, placed the emphasis upon production and stockpiling for defense and national security. Second, the President's Materials Policy Commission conducted a thorough study, known as the Paley Report of 1952, of raw materials which would be needed for industrialization and defense; and the Report corroborated the thesis pertaining to an expanding demand by the United States for primary products in the next quarter century. Although the Commission was obviously aware of the economic status and problems of those countries producing a large proportion of the raw materials, the Report unequivocally subordinated the overall and long range economic welfare of those countries to that of the industrialized areas. This has every appearance of being a shortsighted conception of American national interest.

By inference at least, the Commission only attached secondary significance to those precise problems which the underdeveloped economies deem most fundamental. They prefer to think of their development in terms of their own welfare; hence, they distrust the policy of expanded production for the exclusive exportation of raw materials which are usually sold in a market noted for its instability. In the interest of achieving a greater degree of economic

26See, Ch. IV, "Materials for Defense and Peace."
equilibrium, "they [underdeveloped countries] aim toward
diversified economic development and this they tend to
interpret as requiring their rapid industrialization." Their apprehensions are not completely unfounded, for the
Hoover Commission has concluded that with the exception of
Japan, no manufacturing or large industrial development
project should be undertaken in the "Asian-African Arc."
Industrial aid should be confined, therefore, to small in­
dustries. Although the production of raw materials to
supply an expanding world economy is not related directly to
institutionalized economic development, the controversy is
quite significant for it tends to accentuate the cleavage
between the underdeveloped and the developed nations.

Fifth, Uncontrolled Commodity Markets. In addition
to having aspirations for diversified economies, the areas
devoted largely to primary production seek stabilization of
the international commodity markets in order to guarantee
greater stability in their national income. The Paley Com­
mission agreed that there was a need to curb the more vio­
lent fluctuations in the commodity markets and endorsed the

27The President's Materials Policy Commission,
Resources for Freedom, Summary of Volume I (Washington:

28Commission on Organization of the Executive Branch
utilization of multilateral commodity agreements which would work toward an expansion of production and trade.\textsuperscript{29} This whole problem is especially acute for those national economies based almost entirely upon the production of a single commodity.

But with tenacity and consistency, the Government of the United States has opposed the extension of international commodity agreements. This is quite consistent with an over-all opposition to economic planning and a predilection for the free enterprise ideology. Notwithstanding, socialist and collectivist nations do not necessarily share this economic philosophy. Recently, the delegate of the United States to ECOSOC expressed the unqualified disapproval of his Government to commodity controls and the creation of an International Trade Stabilization Commission.\textsuperscript{30}

No less authority than Paul Hoffman would seriously challenge this type of rugged individualism. Speaking of world leadership for the United States, he stated that one of the nation's prime responsibilities is "to create a program, not national but international in scope, for the allocation of scarce materials."\textsuperscript{31} The concern of the United

\textsuperscript{29}\textit{Resources for Freedom}, op. cit., pp. 62, 68.


States for adequate sources of raw materials, in conjunction with its opposition to any controls over the commodity markets, culminates in the slogan "Trade not Aid." This theoretical approach sounds plausible, but it discounts the vicious circle of low production, minimum trade, a limited accumulation of savings and foreign exchange. Uncontrolled trade ignores one very real dilemma of indigenous development, namely, that it is handicapped by instability in the international commodity market to the extent of culminating, at times, in economic disaster. The factors of laissez-faire, bilateralism, private investments, raw materials, and commodity markets become more meaningful as the precise policy of the United States actually unfolds within the United Nations or elsewhere.

4. Policy in the United Nations

The International Development Advisory Board originally under the Chairmanship of Nelson Rockefeller had recommended in Partners in Progress the participation of the United States in an IDA. When the question of an IDA had actually been placed on the agenda of the United Nations, the proponents of an IDA cited Partners in Progress, along with the U.N. Experts' Report, frequently and authoritatively. In response to an inquiry directed to all members of the United Nations, the United States replied that it
would not be feasible in 1951, "to establish an international agency for the purpose of distributing grants." During the ensuing discussions in ECOSOC, the delegate of the United States assured the Council of his Government's approval of the Authority in principle, but he also cited reservations which implied that the time was not favorable for launching such an agency. Specifically, the allegation was made that those countries which had formerly exported capital on a big scale would at the present time "be unable to contribute to such an authority."

For resorting to this type of defense, an ardent supporter of IDA, Hernan Santa Cruz, chided the United States for its pessimism and its tactics of procrastination. In his opinion, this attitude contrasted sharply and unfavorably with the nation's dynamic leadership and beneficence as demonstrated by its support of the Marshall Plan and other international programs. Since voting in the General Assembly is conducted on the basis of equality, the

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different viewpoints between the underdeveloped and the
developed nations proved to be a source of frustration to
the latter but worked to the numerical advantage of the
former. Consequently, the United States was one of the
leaders in the improvisation of obstacles and delaying tac­
tics. In attempting to interpret this attitude of the United
States, Stringfellow Barr concluded disparagingly that "we
[United States] do not propose to be outvoted." 33

The General Assembly in 1951-1952, repudiated, for
the time being, the proposal to launch an IDA. 36 In the
opinion of the Point Four expert, Jonathan Bingham, the
United States must "bear a large share of the blame for
blocking the idea of a moderate international aid program"
to be administered by an IDA. 37 Pursuant to this eclipse of
IDA within the United Nations, attention was subsequently
directed toward SUNFED as a mollifying substitute.

In accordance with Resolution 724 B (VIII) of the
General Assembly, the United States also responded with its
comments upon the Suarez Report and the proposed SUNFED.
In general, the Government viewed SUNFED with considerable

35 Citizens of the World (New York: Doubleday, 1952),
p. 240.

36 Supra, Ch. VI.

37 Shirt-Sleeve Diplomacy: Point 4 in Action (New
aloofness, even though its financial requirements would have been only a fraction of those for the proposed IDA. First, the United States reply reaffirmed the notion that the "time is not propitious," because international tensions made heavy demands upon the nation's resources for defense. According to this logic, the national interest was to be best served by a policy having military predominance. As to the Suarez Report, it would be useful to the members of the United Nations when "circumstances permit consideration of a development fund." Finally, the official comment verified Barr's hypothesis, namely, that the United States did not propose to be outvoted. Specifically, the Government was critical of the nonweighted voting formula in the Suarez Report and expressed a belief that it would not be conducive to harmonious operation of the fund and might also discourage contributions.

Having every appearance of dispensing fatalism, the United States delegate to the Eighteenth Session of ECOSOC attempted to discredit SUNFED by suggesting that its initial capitalization of $250,000,000 would not accomplish a great

40 Ibid., p. 16.
deal even if it were divided judiciously. This parliamentary tactic completely distorts the modest character which SUNFED has always purported to be. In some respects, this unyielding attitude of the United States toward SUNFED is compensated for by its amenability toward IFC.

As a result of President Eisenhower's policy speech on disarmament on April 16, 1953, and the subsequent adherence to it in the United Nations, the United States must assume the responsibility for having linked disarmament, almost inextricably, with the promotion of economic development through an international fund. In substance, this proposal, to the dismay and detriment of the underdeveloped nations, distracted the attention of both the United Nations and the world from the immediate and urgent question of establishing SUNFED and diverted the subsequent debate toward the world dilemma of disarmament. With discernible reluctance, the General Assembly, out of deference for the implicit pressure of the United States, approved this policy in Resolution 724 A (VIII). Consequently, in the three year interim, SUNFED has been floundering upon the unresolved obstacles of world-wide disarmament.


42 See, Ch. VIII, supra, for a detailed analysis of the United Nations debates on this controversy.
In evaluating the attitude of the United States and other nations in opposition to SUNFED, the International Development Advisory Board has challenged their integrity and concluded that "it is the opinion of many that such actions are purely dilatory in nature and not indicative of any real intent to support the proposal in its present form." The policy of the United States contends, in substance, that disarmament must precede economic development in order to make possible a shift of budgetary expenditures from armament to economic development. Notwithstanding, the official governmental position is neither completely convincing nor does it remain unchallenged. For example, a witness in the course of a recent Congressional Hearing asserted that the failure of the United States to endorse SUNFED was almost incredible. In his opinion, "Not only is the economics of this position faulty, but so is the psychology." 

In July, 1955, the American foreign aid program had been subjected to administrative reorganization when the International Co-operation Administration replaced the Foreign Operations Administration, but the change had no material effect on the attitude of the United States toward

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44 Technical Assistance Programs, Hearings, op. cit., p. 371.
SUNFED. John Hollister succeeded Harold Stassen as the Director of the new agency. Upon Hollister's return from a Colombo Plan meeting in Singapore in October, 1955, he told the press that the foreign leaders had been informed that the United States must necessarily put limitations on the total outlay for world assistance and emphasized the importance of encouraging the investment of private capital. Moreover, local and foreign governmental aid should be considered only as a method of priming the pump. His statements and actions were interpreted as proposals for further cutbacks in the foreign aid program of the United States. Although his remarks pertained, in general, to bilateral foreign aid, there were obvious implications quite unfavorable to any type of institutionalized assistance.

Although the Eisenhower Administration had maintained a discreet silence concerning SUNFED prior to the Tenth Session of the General Assembly, it is interesting to note that a limited support for the SUNFED emanated from Congress. On March 16, 1955, seventeen members of the House of Representatives debated the need for some new policies commensurate with the nuclear age. A number of pleas were presented calling for bold action by the United States in the urgent issue of world development, and the participation of the

46 *Ibid.*, Nov. 6, 1955, p. 5E.
United States in SUNFED was recommended forthwith.

According to one Congressman, the nation's refusal to join SUNFED, on the ground that it could not afford the $80 million annual cost pending disarmament, "sounds thin to the free world." Another member asserted that his group was ready to proceed with such a program and that the President and the Secretary of State had more support in the House of Representatives than they realized, providing they wanted to go forward. These two officials were admonished to be a little bolder and a little less fainthearted. Reference was made to the nation's bold and dynamic military program with the implication that the time had come to bring its diplomatic and economic leadership up to the same level. In essence, these Congressmen were apprehensive of relying solely upon the primacy of military leadership for the nation.

A few days later Senator H. Alexander Smith, who had been a member of the United States delegation to the Ninth Session of the General Assembly, conducted a one-man campaign in the Senate for American participation in SUNFED. He urged Congress to give careful consideration to the desirability of some kind of international fund which will

\footnotesize{\begin{itemize}
  \item [47] Congressional Record, 84th Cong., 1st sess., 101 (March 16, 1955), 2580.
  \item [48] Ibid., 2581.
  \item [49] Ibid., 2590.
\end{itemize}}
have to deal primarily with grants in its initial stages, until such a time that existing obstacles to private investment are surmounted.\textsuperscript{50} In his judgment, the people of the United States have been unduly preoccupied with the necessity of setting up defense mechanisms to prevent aggression so that they had not fully opened their hearts to the yearnings of the underdeveloped countries.\textsuperscript{51} This limited Congressional leadership for SUNFED, as contrasted with the passivity of the Executive, represents something of a political anomaly; for the constitutional system of the United States gives the primary responsibility for leadership in foreign affairs to the Executive.

Shortly before the Tenth Session of the General Assembly convened and simultaneously with a policy of the United States to curtail economic aid, the Soviet Union launched a concerted economic offensive. Reversing previous diplomatic resistance, it had endorsed SUNFED in the course of the Twentieth Session of ECOSOC.\textsuperscript{52} Overtures were made to expand the volume of Soviet trade with the underdeveloped countries, and the offers were linked with attractive terms for loans, equipment, and technicians. The Soviet Union had changed its strategy and challenged the free world with a

\textsuperscript{50}\textit{Ibid.}, (March 22, 1955), 2816.
\textsuperscript{51}\textit{Ibid.}, 2817.
\textsuperscript{52}\textit{Supra}, Ch. VIII.
new and concerted economic offensive.

In the meantime, the United States had sent its delegation to the Tenth Session with instructions which were contrary to the expectations and demands of the underdeveloped countries and were at the same time inherently vulnerable to their criticisms. Notwithstanding revolutionary changes elsewhere, Brooks Hays, speaking for the United States in the Second Committee, followed through as instructed. With practically no reinterpretation, he reaffirmed his country's long-standing opposition to SUNFED. He stated:

... I am sure that, under present circumstances, it would not be feasible to attempt to provide the kind of resources which would be required to make an international development fund a success. The kind of resolution which we [United States] would be able to support should, of course, be consistent with our views that no development fund should be organized until sufficient progress has been made in worldwide disarmament. To try now to define the organization and operation of such a fund in any precise manner seems to us premature. ... while there may be differences among us as to particular means, we are all agreed on the end itself—to help people throughout the world to uproot poverty, disease, and hunger. ...

In explaining the vote of the United States in the Second Committee, Mr. Hays also presented the specific American

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53 Supra, Ch. VIII, for the complete proceedings and the final action of the Second Committee.

interpretation that the more moderate compromise resolution "does not, of course, provide for steps to establish the special fund at this time."\textsuperscript{55}

Although the United States and the United Kingdom had been successful in securing the adoption of Resolution 923 (X), which called for further study in lieu of the immediate steps for drafting a statute for SUNFED, the United States delegation subsequently had apprehensions of a Pyrrhic victory. In the course of the Tenth Session, its members were apparently impressed by the collective agitation of many nations to increase their standards of living, as well as by their outright pleas for SUNFED. Emanating from a discussion initiated by Mr. Hays and based upon close observation of the proceedings and personal contacts in the General Assembly, the delegation prepared a short memorandum of their views on December 9, 1955, and submitted it to Secretary of State John Foster Dulles.

The memorandum stressed the effectiveness of the new Soviet strategy in using economic and social collaboration as a means for jumping over military, as well as political barriers. Furthermore, the delegation believed its country must counter these Soviet efforts, especially since the United States had a proved experience in these fields. "We [people of the United States] could lose this economic

\textsuperscript{55} I\textsc{bid.}, p. 40.
"contest," in the words of the delegation, "unless the country as a whole wakes up to all its implications." Following consultations and in accord with the wishes of President Eisenhower, Secretary of State Dulles released the memorandum to the press on January 11, 1956.

On March 21, 1956, Representatives Hays and Merrow issued a signed report to the Committee on Foreign Affairs and set forth their observations and considered evaluations of the Tenth Session. According to this report, these two delegates had desired a stronger version of the memorandum which had been sent to the Secretary of State. They reported:

... It is our conviction that the delegation's statement should have included emphasis of the need for utilizing multilateral programs to an increasing degree... This would not mean an increased amount of money appropriated for foreign aid but rather the channeling of a part of existing appropriations through United Nations machinery... Disarmament is, of course, a worthy goal and it would certainly reduce our budgetary burdens, but we believe that the United States must not unequivocally insist upon postponing a start toward aid of this type until disarmament becomes a reality. We sincerely hope that the Secretary of State will give careful attention to the problem and will re-examine our position upon it...  

56 For the complete text of the memorandum see, ibid., p. 4. All ten members of the delegation signed the statement; namely, Henry Cabot Lodge, Senator John Pastore, Representatives Brooks Hays and Chester Merrow, Colgate W. Darden, Jr., Laird Bell, Robert Lee Brokenburr, Jacob Blaustein, James J. Wadsworth, and Mrs. Oswald B. Lord.

According to this *ex post facto* explanation, the United States delegation to the Tenth Session of the General Assembly had no delusions about the fact that it had been expected to uphold a policy which, in the personal judgments of its members, had become outdated and quite untenable. Nevertheless, the effect of Resolution 923 (X), adopted at the virtual insistence of the United States and the United Kingdom, was to postpone substantive action on SUNFED for more than a year at a minimum during which time another study was to be conducted.

5. Recent Policy of the Eisenhower Administration

The Eisenhower Administration has, on the whole, charted and pursued a policy of actual retrenchment relative to foreign aid. In 1953, 1.56 per cent of the gross national product was being spent for that purpose, whereas in the fiscal year of 1956, the rate had dropped to 1.05 per cent of the gross national product.\(^{58}\) As a result of a pronounced merger of military and economic aid, the Point Four Program even lost its identity following the advent of the Foreign Operations Administration in 1953. Of the total foreign aid funds, the United States spent a large proportion of them in order to implement her foreign military commitments.

\(^{58}\) *New York Times*, May 6, 1956, p. 5E.
In a policy speech in 1953, President Eisenhower had proposed a development fund but qualified the idea materially by linking its advent with disarmament. His foreign aid message to Congress the following year stated, "I subscribe, therefore, to the principle that economic aid on a grant basis should be terminated as soon as possible consistent with our national interest. . . . Conceived as a whole, this program consists of four major parts: Aid—which we wish to curtail; Investment—which we wish to encourage; Convertibility—which we wish to facilitate; and Trade—which we wish to expand."

Statesmanlike as the earlier speech of 1953 had been, it became the object of legitimate criticism and disparagement, according to Barbara Ward, in view of the paradoxical message to Congress a year later.

About the same time, Secretary of State Dulles had declared that grants, broadly speaking, were on their way out as a major element of the United States foreign policy. His exact words were, "That [the elimination of economic aid in the form of grants] is what our allies want." Frankly,


this statement denotes a decided unfamiliarity with the essence of innumerable debates within the United Nations. While making recommendations to Congress in early 1955, President Eisenhower stressed the need for an increased flow of American private investment to the underdeveloped countries. In his opinion, this type of capital investment would effectively implement the doctrine of "Trade not Aid." There were no references to grants-in-aid or a development fund.

From 1953 to late 1955, the President showed increasingly less support for foreign aid. This situation exemplifies a perennial dilemma of cause and effect, i.e., had the President's advisors been unduly influential in formulating a foreign aid policy which did not correspond with his personal convictions? A group of economy-minded officials within the Eisenhower Administration was even cited in the New York Times as the "4-H Club," consisting of Secretary of the Treasury George M. Humphrey; then Under Secretary of State Herbert Hoover, Jr.; John B. Hollister, Director of the International Co-operation Administration; and Rowland Hughes, then Director of the Bureau of the Budget. The

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group's opposition to the principle of foreign aid is pertinent here. As late as October, 1955, Hollister had publicly expressed his sympathy for the reduction of aid. In appraising these attitudes, James Warburg has written derisively of the "myopia of business leadership" and "Hooveresque predilection for laissez-faire economics." According to his judgment, "the Eisenhower Administration has actually moved backwards in this area of foreign policy."^64

The foregoing tendency to deprecate and minimize the importance of foreign aid prevailed virtually intact within the Administration until the closing weeks of 1955, at which time the concerted economic offensive of the Soviet Union openly challenged the prestige and influence of the free world. At the same time and on another front, the United States and the United Kingdom had won a rather empty victory in blocking SUNFED in the Second Committee of the General Assembly. When Secretary of State Dulles addressed the Tenth Session of the General Assembly in September, 1955, he did not mention or discuss economic development as one of the major problems plaguing the United Nations and the world.65 However, on December 8, 1955, he acknowledged that the struggle between international Communism and freedom had

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64 Warburg, op. cit., p. 24.
entered a new phase, i.e., the competition for the good will and support of the underdeveloped and uncommitted nations. Then, he indicated the Administration expected to ask Congress in the coming year for as much money for development as could be used prudently. This fact per se portended at least a slight shift in policy.

While speaking to the National Press Club in early January, 1956, Francis O. Wilcox, an Assistant Secretary for International Organization Affairs in the Department of State, reiterated that the present formula for SUNFED may not be adequate, but he expressed a hope that ways and means would be found for the constructive participation of the United States in such a fund. More and more, a revised policy seemed to be imminent. In late February, the Secretary of State warned a Philadelphia audience that the industrialized nations of the West, with mature and vigorous economies, can and must provide an alternative to the attractive Soviet offers to the underdeveloped countries.

The President's annual foreign aid message to Congress on March 19, 1956, requested authority to enter into development commitments up to ten years in length. On the whole,

the injection of this long range interpretation of foreign aid constitutes one of the Administration's more solid contributions. In order to secure greater administrative flexibility, President Eisenhower requested both the continuation of the Special Presidential Fund of $100,000,000 for Asia and the establishment of an identical fund for Africa and the Middle East. The proposals for these funds were advanced as expedient countermeasures to the challenge of revolutionary developments within Asia and Africa. The requested appropriations totaled $4,859,975,000.69

A realistic appraisal reveals that the new foreign aid program was to remain essentially bilateral. There was no endorsement of SUNFED or anything comparable to it. The total request represented an approximate increment of $2 billion over the previous year. Since basic economic development is in greatest demand throughout the world, and the Administration's program has been criticized for the fact that $4,130,700,000 of it was in the form of Mutual Defense Assistance making the whole program about 85 per cent

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<tr>
<td>I Mutual Defense Assistance</td>
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<td>II Development Assistance</td>
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<td>III Technical Cooperation</td>
<td>157,500,000</td>
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<td>IV Others (including special funds)</td>
<td>401,775,000</td>
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69"Recommendations for 1957 Mutual Security Program," Message of the President to Congress, Department of State Bulletin, XXXIV (April 2, 1956), pp. 545-550. A rough breakdown of the requested appropriations is as follows:
military in nature. One editorial represented, for instance, a widespread conviction that the new proposals were, "More of the same." Addressing the American Society of Newspaper Editors, President Eisenhower endeavored to condition the American people psychologically to the protracted job ahead by urging them to recognize that "economic and technical assistance cannot be a transitory policy. The problems of economic progress are not to be solved in a single spurt. Our [American people] efforts must be sustained over a number of years." Relative to the debatable merits of bilateral as opposed to multilateral aid, the Administration remains relatively firm. However, Henry Cabot Lodge, the United States Ambassador to the United Nations, did speak out favorably for multilateral aid as a way to prevent the so-called auction for the good will of the underdeveloped countries, but on the day following his statement, Secretary of State Dulles testified differently before the Senate Foreign Relations Committee to the effect that any further aid through the United Nations would be "quite minimal."
Needless to say, the statements of these officials culminated in confusion. When queried about this point in a news conference, President Eisenhower agreed that the United States commitments must be made largely on a bilateral basis, and the major effort of the United States would not be through the United Nations.\(^7^4\)

The precise role of Congress in the enactment of an effective program of economic development remains somewhat controversial, i.e., should it essentially lead or follow? From a constitutional criterion, Congressional responsibilities for foreign policy are not as extensive as those of the Executive Branch of the government; therefore, the nation as a whole relies upon the President for the initiative in matters pertaining to foreign affairs. The Eisenhower Administration, however, has shown very little executive leadership for the actual participation of the United States in a multilateral authority or fund to be devoted to economic development. On the contrary, it has even indirectly blocked the implementation of its own theoretical endorsement of a fund. Nevertheless, a small group in Congress has taken the initiative from time to time and urged both the Secretary of State and the President to take

constructive action. This does not mean, however, that such a program is popular even with a majority of the members of Congress, for many of them regard economy in the government as more important than foreign aid. Notwithstanding, it is unlikely that silence on behalf of the Executive will create any additional support within Congress.

The Presidential request in March, 1956, for long term foreign aid commitments to a maximum of ten years generated an immediate reaction among certain Congressional elements which based their opposition conveniently on a strict interpretation of Congressional powers of appropriation. Moreover, in relation to Congress, the foreign aid program appeared to be weakened by two things; namely, the relatively mild support which the Administration had accorded to foreign aid in the past and the constantly optimistic picture of world events which had been relayed to Congress by the Department of State.75

Following the usual conflict of interests between the Legislative and Executive Branches in drafting legislation, the Congressional authorization for foreign aid was $3,928,575,000, but actual appropriations amounted to only $3,766,570,000. This sum was approximately one billion less than the President's initial request. Congress did not grant the power to make long term commitments for foreign aid,

but the whole program became slightly more flexible inasmuch as the President was given discretion over the expenditure of an extra $100 million in lieu of the Special Funds for Asia and Africa.

It is notable that the Congressional cutbacks in appropriations were greatest in the category of military assistance, while both the authorizations and appropriations for direct development assistance were increased over the estimates of the Administration. This fact was indicative of a concerted movement within Congress to shift the emphasis from military to nonmilitary aid. In the course of this legislative action, Senator Jackson charged that present foreign aid policies no longer corresponded with the demands of the situation. Going somewhat further, Senator Hubert Humphrey specifically advocated the participation of the United States in the SUNFED plan forthwith.

In terms of over-all national interest, is a re-examination of the American foreign assistance program overdue? Walter Lippmann maintains that virtually all the Eisenhower policies for combating the cold war are "hand-me-downs" from previous administrations and the Stalinist era. As to the paramount question of our era, namely, the working out of new relationships between the Western powers vis-a-vis Asia and

76 Congressional Record, 84th Cong., 2nd sess., 102 (June 18, 1956), 9438.

77 Ibid. (June 29, 1956), 10357-59.
Africa, "there is," according to Lippmann, "no Eisenhower policy." For present purposes, it must be pointed out that economic development looms ominously and quite large as a part of this regional picture.

The confused history and debates on the Mutual Security Act of 1956, were punctuated frequently with the contention that the whole philosophy and administration of American foreign aid needs to undergo a major re-examination. Accordingly, three special study groups have undertaken this review. In addition to separate studies by both the House of Representatives and the Senate, President Eisenhower has appointed Benjamin F. Fairless to head a special Citizens Advisory Committee to study foreign aid. The launching of those projects has been justified on the basis that the findings will be valuable in formulating future legislation and policy.

What pertinent appraisal can be made of the Eisenhower Administration? In general, it has given a special private enterprise accent to foreign aid. Moreover, for more than three years, it has remained inflexible in its contention that disarmament is an essential prerequisite in order to secure the necessary finances for an economic development fund. So long as these preferences for the private

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enterprise approach and the priority of disarmament prevail, the participation of the United States in, or even the advent of, an IDA or SUNFED is virtually precluded.

Recapitulation

Considering the resources, economic maturity, and the political power of the United States, the nation has ipso facto definite responsibilities for world leadership; and within the modern interdependent world, other nations expect the United States to meet its proper obligations for world leadership. In a nominal and theoretical fashion, the Government of the United States regards foreign aid and economic development of the underdeveloped areas as a proper part of its foreign policy, as well as being in the national interest. In reality, there are striking differences between this declaration of principles and the limited degree of implementation.

On account of several economic and political predilections, the prospects of governmental initiative and public finances for economic development amounts to an anathema for a nation like the United States which is conditioned psychologically to the laissez-faire system. Since economic planning and less reliance upon the philosophy of private enterprise are essential attributes of either IDA or SUNFED, these institutions are not readily reconcilable with some basic
economic doctrines of the United States. Similarly, an implicit faith in the ability of private investment to promote economic development creates an almost insurmountable obstacle to the accumulation of adequate capital through public channels.

To the virtual exclusion of aid for basic economic development, the United States has been preoccupied with the utilization of military countermeasures in the cold war. International tensions associated with the cold war have often obscured the fact that the need for economic development exists in its own right and quite independently of the threat of international Communism.

Since the underdeveloped countries, on the contrary, are fundamentally more concerned with their economic welfare, feelings prevail among them that the United States does not sincerely share this vital and urgent concern. For example, Carlos Romulo has sketched the impression which the Asians have acquired of the United States. Asiatic criticisms are frequently directed toward the propensity of the Americans to talk big and speak of the billions of dollars which they have poured into Europe through the Marshall Plan. They refer eloquently "to the astronomical figures in their foreign aid program. But their [American] aid to Asia and Africa comes intermittently and in an amount that is chicken
feed." (Italics L.C.L.) Romulo made no attempt to vouch for the complete validity of such accusations, for his intentions were merely to impress the fact upon the American people that, rightly or wrongly, the people of Asia often are quite critical of the United States.

The long-standing insistence of the Eisenhower Administration that a development fund is contingent upon disarmament savings eliminates the likelihood of SUNFED due to a deficiency of finances. Even as late as the Tenth Session of the General Assembly in 1955, and to the displeasure of the underdeveloped countries, the United States and the United Kingdom successfully blocked steps leading to the immediate drafting of a statute for SUNFED. Although official American statements do not directly mention the impairment of sovereignty, the antipathy of the United States toward multilateral aid leaves the impression that SUNFED hinges, in reality, on the more fundamental question of sovereignty, rather than the ostensible one of finances.

The United States delegation to the Tenth Session of the General Assembly upheld its rather intractable position but subsequently advised Secretary of State Dulles to review some preconceptions on foreign aid and to explore the possibilities of diverting more of it through the United Nations. Meanwhile, Congressional appropriations for the United

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States own bilateral program of foreign aid were not as large as the Eisenhower Administration had anticipated for the fiscal year of 1957. Although Congress agreed to the expenditure of an additional $100 million at the discretion of the President, he was denied the right to authorize long term commitments concerning foreign aid. Confronted with transitional developments in the cold war and other international exigencies, the three current studies for the re-examination of the American foreign aid programs may be helpful in appraising the relative proportions and effectiveness of those factors which contribute to the national interest.
CHAPTER XII

CONCLUSION

Two-thirds of the world's population, loosely referred to as the "have nots," display a great deal of dissatisfaction with their present economic status and show a determination to improve it. In the past, the programs and plans designed to mitigate the situation have provided neither the resources commensurate with the task nor the essential coordination and integration. Admittedly, the task is prodigious. Progress will be arduous. In order to approach world development realistically, the establishment of an International Development Authority, sometimes referred to by other titles, has been proposed as the agency to sponsor and coordinate a concerted and comprehensive "war on want."

What is the contemplated nature of the International Development Authority (IDA), and what would its specific role be? Essentially, its proponents have presented the concept for an Authority as a political and economic innovation to serve three functions; namely, planning, financing, and coordinating economic development on a global scale. The net effect of this approach would promote (1) the functional integration of the world's economy, and (2) the more equitable sharing of the resultant wealth among all nations. The elimination of the duplications and deficiencies within
existing programs, some transcending national boundaries, is commendable, but to no avail without adequate capital resources. Hence, the Authority would be charged with the vital responsibility of amassing financial assets either directly or indirectly, both public and private.

Although official debate has never progressed to the point of specifying its administrative structure, there is a consensus that IDA would be a nonoperating organization. In contrast with the American Point Four Program which has assumed direct responsibility for field administration, the IDA would fulfill a predominantly supervisory role over subordinate affiliations engaged in the actual physical and material development. Thus, the creation of a sprawling bureaucracy would be precluded. As to the dilemma concerning the respective merits of time versus cost, IDA has been premised on the criterion which would give deference to accelerated development, even though the initial financial outlay would undoubtedly be much greater.

Without a doubt, some adherents of IDA are inclined to be idealistic, but they recognize that the international agency would not be a miraculous and universal panacea for the world's economic afflictions. Instead, these individuals are optimistic about its potential to improve the world economic picture, providing there is a willingness to make the necessary sacrifice of time, effort, and resources.
Parenthetically, the advocates of World Government regard the Authority as one functional approach to be exploited for the attainment of their ultimate objective.

Although the suggestion for an IDA had been endorsed by prominent individuals, quasi-official groups, and some governments for nearly a decade, the United Nations returned an unfavorable vote against it in 1951. This action magnified rather graphically the intrinsic dichotomy between the developed and the underdeveloped nations in their respective discernment of and outlook upon economic development. Whereas, the latter regarded IDA as a practical means of solving some of their basic economic problems, the industrially advanced nations rejected the contemplated innovation. Meanwhile, in terms of physical economic criteria, the gap between the two blocs persisted. Unless something equivalent to an IDA is instituted, a combination of two factors; namely, increased population in the underdeveloped nations and dynamic progress in the developed nations, portends a further widening of economic gulf between them.

After 1951, the developed countries within the United Nations turned most reluctantly to a discussion of a Special United Nations Fund for Economic Development (SUNFED), which the underdeveloped nations have regarded as a placating substitute for an IDA. The former would differ from an IDA in two major respects. First, SUNFED would not incorporate the
vital function of comprehensive planning, but it would be concerned almost exclusively with finance. Second, it purports to be a small enterprise initially, for its $250,000,000 capitalization would not compare favorably with an average annual grant of $3 or $4 billion which some individuals suggest that IDA would administer.

In retrospect, the repudiation of IDA could easily be regarded as essentially a political catastrophe. Relatively, the economic loss was greater, for the decision implied a temporary rejection of any international medium for promoting effective development. In a positive sense, the choice represented a failure to accept the challenge of underwriting a program of requisite aid for the underdeveloped areas. It must be reiterated that over-all economic development is the ultimate to be sought, the desideratum. An IDA would merely be a means, perhaps one of a number, for the attainment of the predetermined end. Despite the fact that institutionalized aid through IDA or SUNFED has not been adopted, there is a marked determination among the underdeveloped nations to proceed and rely upon indigenous efforts along with the un-co-ordinated assistance of the developed countries. Regardless of the exact pattern of economic development, all facts lead to the conclusion that it will be a protracted task.

What political explanation can be offered for the
failure to adopt IDA and to implement it with the necessary measures in the United Nations? First, the factor of social inertia worked to the favor of those individuals and nations opposed to IDA, i.e., they had the advantage of more or less defending the status quo relative to economic development. Like any reform movement or the opposition party of any government, the proponents of IDA were the challengers who labored under a strategical disadvantage of establishing their case. They had to justify the institution of a positive policy. Comparatively speaking, the opponents relied on the terse arguments that time and circumstances were not propitious for IDA.

The "have" nations, in the final analysis, offer their theoretical endorsement in principle, but they are far less enthusiastic when confronted with the necessity for pragmatic action. To be quite realistic, economic development is an expensive proposition which requires sizeable external capitalization beyond the indigenous capabilities of the underdeveloped areas. Faced with implicit requests for funds, the developed nations have persistently pleaded in the United Nations that they cannot afford such global commitments in addition to their normal domestic obligations. As revealed by innumerable discussions and debates in the United Nations, the underdeveloped nations do not concur in this bit of logic.
From a materialistic viewpoint, the key to genuine development lies in the ability to induce a marginal amount of capital to move into the areas which need to stimulate and increase their basic productive capacity. To date, many potential capital-exporting nations have shown a discernible aversion to the commitment of public capital for world development. This policy appears to become consistently more ironical each year. Reliable statistics show that the expanding economies of the industrialized nations, particularly the United States and the United Kingdom, are in better circumstances year by year to divert a portion of their national wealth for these purposes without incurring any real sacrifice in their prevailing standards of living.

When pressed to justify their policies, most developed nations speak rather apologetically of armament expenditures. This is simply an indirect manner of declaring that their national interests are equated predominantly with military guarantees of national security. Their position also ignores the fact that other measures contribute indirectly to the national security and the national interest. The failure to achieve effective disarmament and obtain savings therefrom is the alleged explanation for the negative attitude toward IDA and SUNFED. In reality, the opposition stems more basically from the factor of sovereign interests, for there are apprehensions that a truly international agency would
exercise powers of assessment and administration contrary to the immediate welfare of certain individual nations.

Thus, the contending factions of the cold war, out of mutual distrust, manifest national temperaments that denote a preference for the promotion of their national security essentially through military policy. In so far as military expenditures command a decided priority, this approach is inimical to a constructive program of economic aid. The fact needs to be faced that at the time IDA was vetoed, and only to a lesser degree today, those nations which possessed significant economic and political influence were not completely convinced of the over-all virtues of accelerated world development. Responsibility for this passive attitude towards economic development must be shared to a greater degree by the United States than by the other advanced nations due to the superiority and maturity of her economy.

A reduction in the size of potential subscriptions for development did not eliminate the prevailing opposition. Even though SUNFED would operate on a more modest budget, there are also ample allegations that international circumstances are not favorable for its immediate establishment. The proponents of SUNFED exhibit some resentment, therefore, toward the United States for her initiation and subsequent pursuance of the policy which made the actual advent of SUNFED contingent upon disarmament and the savings therefrom.
The legitimate deference for national security is understandable and granted, but the prudence of making the military the heart and soul of a nation's foreign policy is sincerely questioned. Specifically, it is to the national interest of any country to promote on a world-wide scale those economic conditions which will tend to minimize international chaos and political discord.

Besides pleading the inability to support an IDA or a fund financially, the United States continues to adhere to some predispositions which are quite antipathetic toward economic planning and any major encroachment upon the supposedly inviolate domain of private investment. As a nation, she demonstrates a strong proclivity to pre-empt the whole field of world development as a function of private investment. This has been especially true of the Eisenhower Administration. Within the family of nations, as a whole, a feeling prevails that the United States, appraised in the context of her potential for contributing the needed resources, oftentimes forfeits her leadership through default. Charges that her national policy and deportment do not correspond to her economic means cannot be dismissed summarily as completely unfounded.

Notwithstanding the failure of the United Nations to establish IDA, innumerable individuals and organized groups throughout the world continue to approve the concept of an
Authority. Prevailing attitudes toward it, however, reflect clearly some fundamental differences in social perspectives. Generally, business and commercial interests, subscribing basically to *laissez-faire*, are inclined to be opposed to the policies of IDA because they would be allegedly inimical to the groups' welfare. The international Socialist movement and other cultural units which are not inclined to be satisfied with the *status quo* have favored some version of an IDA. As a result, it has acquired the reputation, and justifiably so, of being part of the liberal tradition. Disparagingly, it has even been called "left-wing." Indeed, the unorthodoxy of IDA does not make it amenable to conservative thought.

Even though IDA was not established, a judicious appraisal recognizes smaller subsidiary achievements. In this respect, the history of IDA represents perhaps the norm in social development, rather than the exception. On the constructive side of the political process, the cause of the underdeveloped countries has benefited from the world-wide publicity concerning the gigantic task which they face. If the concerted drive for a fully developed IDA has provided even a small degree of constructive education for mobilizing world opinion, the expended time and effort will not have been completely in vain. To focus world attention upon the problem is an accomplishment per se.

As to the interaction of IDA and the United Nations
proper, there has been very limited change, if any, in the latter. The pertinent proceedings of the United Nations followed a normal pattern. As an institution, the United Nations neither gained any noticeable prestige nor was it weakened. The decisions in this body were still dependent upon national volition, and the opposition of influential nations to IDA prevailed as the result of certain crucial votes. In comparing the work and institutional reputation of the Economic and Social Council with that of the General Assembly, there was a marked tendency of the smaller body to defer final decisions by making recommendations to the more widely represented General Assembly.

On the whole, the future relationships between the proposed IDA and the United Nations have never been defined in precise detail. It is not anticipated that the proposed SUNPED, having the suggested status of a specialized agency, would strengthen the United Nations directly. If SUNPED should ever be given powers of assessment and other sovereign political authority, there is always the possibility that similar prerogatives might be granted eventually to the United Nations proper.

Although the International Finance Corporation (IFC) does not represent the same basic philosophy as IDA, it is significant that the former has been accepted as a result of pertinent deliberations from 1951 to 1956. Likewise, the
willingness of the opposition to consider SUNFED seriously, in lieu of IDA, gives reason for optimism. Change and social evolution often mean the procurement of only part of the proverbial loaf. For example, according to Hernan Santa Cruz's separate concurring statement to the Suarez Report on SUNFED, "the Special Fund in the form proposed in the present report is an important step towards the achievement of the policy which underlies the proposal to establish an International Development Authority and that the Special Fund may itself eventually develop into such an Authority."¹

What are the prospects for the future? There is increasing evidence that the nations and peoples throughout the world are becoming more "planning-conscious," corresponding to a diminution of orthodox laissez-faire. The advent of some of the new independent Asiatic states founded upon the tenets of democratic socialism substantiates that statement. The former contention is also supported by the inauguration of national "year-plans" and the recent organization of economic units on a regional basis such as the Colombo Plan and the European Coal and Steel Community. If the trends of the time are meaningful, the suggestion for some type of institutionalized development on an international

¹ Suarez Report, op. cit., p. 61. See also, "World Mutual Aid," House of Commons Debates, 5th series, 525 (March 24, 1954), 1241.
scale warrants a degree of optimism. Economic, social, and political events in the future will work to the advantage of those forces favoring an IDA or something comparable to it.

In the short term outlook, the pattern of world development is frequently confusing. Instead of moving forward in a consistent and predictable manner, favorable and unfavorable attitudes toward economic development appear to run in cycles, varying in intensity from year to year and reflecting the expedient policy of individual governments and an array of international exigencies. The advent or decline of specific programs and plans fluctuate with the degree of international confidence and good will prevailing at a particular time. Under these conditions, economic development will undoubtedly proceed in a manner considerably different from that anticipated by the proponents of IDA. Considering the unexploited economic facets of the cold war, the latter may develop, in part at least, into a competition of national commitments for accelerated economic assistance designed to cultivate and solicit the good will of the uncommitted nations. Extraordinary benefits are quite likely to accrue to the latter group due to the compounding of gains, and the competition may lead to the ideological acceptance of some new and constructive international policy.

From a material perspective, development still has positive economic values regardless of its source or the
initial motives which prompt the benefactor. As apolitical as technological progress is, the political approach to it is to be regretted; for as stated earlier, the need for economic development throughout the world prevails for its own ultimate end and quite independently of the existence or nonexistence of a cold war. Furthermore, the recipients of economic aid usually prefer that it be administered multi-laterally because bilateral assistance often carries an inherent stigma that the donor has self-seeking designs.

As to those nations and their citizens who are more fortunate economically, future policies are essentially concerned with the need for a consensus on certain economic, political, and social principles. What course of action promotes the best interest of individual nations? Wherein lies the interests of the world as a whole? Bringing these two levels of thought into a composite focus, Barbara Ward concludes that the proposition of world economic development is "a cool one of mutual self interest." To date, there is no acceptance in practice of a set of working principles which command the requisite resources, efforts, and economic sacrifices for meeting the task of world development.

\[2\text{Supra, Ch. II.}\]

\[3\text{"Is Our Reappraisal Agonizing Enough?" New York Times Magazine, July 22, 1956, p. 44.}\]
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AUTOBIOGRAPHY

I, Leon Charles Lantz, was born in Mansfield, Ohio, September 10, 1918. I received my secondary school education in the public schools of Shelby, Ohio. My undergraduate training was obtained at Ashland College, Ashland, Ohio, from which I received the degree Bachelor of Science in Education in 1941. In 1947, I received the degree Master of Arts from The Ohio State University.

Prior to three years of military service in the South Pacific with the Army Air Force from 1942 to 1945, I had four years of teaching experience in the Ohio Public Schools. After receiving the degree Master of Arts, I served as Instructor of Social Science at Drake University, Des Moines, Iowa, from 1947 to 1949. During the academic years of 1949-1951, I held a teaching assistantship in the Department of Political Science at The Ohio State University. While a regular staff member was on leave in 1952, I was Acting Associate Professor of Political Science at West Liberty State College, West Liberty, West Virginia. Meanwhile, I have been in residence completing the requirements for the degree Doctor of Philosophy.

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