

313 "The Future of Foreign Aid," by W.W. Rostow, 1957, related material, 1961

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FOREIGN POLICY ASSOCIATION

INCORPORATED

345 East 46th Street, New York 17, N. Y.

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JOHN W. NASON
President

June 5, 1961

Mrs. Lorrie Hall
Massachusetts Institute of
Technology
Center for International Studies
50 Memorial Drive
Cambridge 39, Massachusetts

Dear Mrs. Hall:

Miss Ruby L. Nivens, Secretary to Mr. Rostow in Washington, suggested that we write to you for a copy of Mr. Rostow's speech, "The Future of Foreign Aid." We would very much appreciate your sending us a copy of this speech at your earliest convenience.

Sincerely yours,

Elizabeth A. Bello
Program Materials Department

eab

June 6, 1961

Miss Elizabeth A. Bello
Program Materials Department
Foreign Policy Association
345 East 46th Street
New York 17, New York

Dear Miss Bello:

I enclose a copy of Mr. Rostow's speech, "The Future of Foreign Aid." I hope this is the speech you are referring to. This was prepared in 1957 for a lecture to members of the National Council of Churches of Christ in Washington, D.C.

Mr. Rostow, as you know, has written quite a bit on foreign aid. If you are interested in seeing anything more recent I shall (in Mrs. Hall's absence) try to help you as best I can.

Sincerely yours,

Patricia Foughler

Secretary to Dr. Millikan

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THE FUTURE OF FOREIGN AID

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[Foreign aid is a vastly more serious matter than the phrase "foreign aid" would imply. In our minds the phrase is linked either to the classic issues of tariffs and commercial policy on one hand or to the question of whether or not or how charitable we should be to other countries.

The truth is that our economic foreign policy--that is, how we use our resources abroad--goes to the heart of our relations with the outside world on whose military and political orientation American security depends. This is as true of our relations with the underdeveloped areas of the Free World as it is with the industrialized areas of Western Europe and Japan. And, in the end, our economic foreign policy will help determine the outcome of the grinding struggle with Moscow and Peiping.

As an economist, professionally interested in these matters, I often feel impelled to recall Clemenceau's observations of war: that is, war is too serious a matter to be left to generals. Similarly, economic foreign policy is too serious a matter to be left to economists and to strictly economic considerations. Along with our diplomacy and military policy, economic foreign policy is one of the three major instruments at the nation's disposal for protecting and advancing its interests in the world--that is, helping to maintain a world environment for our society such that our own way of life can continue to develop in a manner consonant with the spiritual and humanistic values which are its foundation.

My purpose tonight is to try, [in the light of this strategic view,]

to answer three questions: first, what kind of a foreign aid program do we now have? Second, what purposes should our foreign aid program serve over the foreseeable future? Third, what must we, [as a nation and as individuals,] do over the coming months to insure that these purposes are fulfilled?

* * *

[As you know,] our present expenditures on what we call foreign aid are very large indeed, running in the current budget to something like \$4.3 billion a year. About 90 per cent of these funds, however, go to military aid and military support. In the underdeveloped areas of the world this means that we are channeling our resources mainly into South Korea, Southern Vietnam, Formosa, and into support of the military establishment in Pakistan. We do not have an economic aid program of serious dimensions: we have a military aid program.

The acute military bias of our foreign aid program arose directly from the nation's reaction to the Korean War and its aftermath. That difficult, costly, and superficially indecisive struggle created a mood of revulsion in our country which still governs our foreign aid program. The government responding to that mood, has sought, somehow, to use its resources to prevent a second such engagement in which American ground forces would be involved in Asia or the Middle East. To that end the government encouraged a number of the underdeveloped areas to expand their military establishments beyond the level which they themselves could support. Thus, it was hoped, we could maintain deterrence to Communist armed strength on the ground without engaging American manpower, while we concentrated on deterring Communist

strength in atomic weapons, means of delivery, and means of defense.

There is no doubt that—certainly in Europe and, to some extent, even in the underdeveloped areas—military aid and support programs should be continued. But they need a cool and sober reassessment. Specifically, three questions need to be asked and answered about these military aid programs: does their scale and the type of military establishments being built now accord with serious American military interests; are these programs diverting a disproportionate amount of the energy, talent, and resources of the receiving countries away from the tasks of economic development and constructive modernization of their societies; are there any ways in which the military establishments and personnel of the underdeveloped countries can contribute to economic development tasks as our Corps of Engineers did here in the United States during the last half of the past century? Such a reassessment should now be carried out if for no other reason than that the habits of bureaucracy tend to build in both inertia and vested interests. We tend to go on doing things we are doing simply because it is easier than to change.[†] Without pretending to any great expertise in this matter, I am confident that a cool and sober reassessment would lead us to alter the character and to diminish the scale of the present military aid and support programs.

But the heart of the matter lies not in the scale of our military aid programs but in the shocking fact that while we talk at great length about economic development, only about a tenth of our economic aid programs are designed directly to stimulate economic growth in Asia, the Middle East, Africa, and Latin America. We are putting less in economic aid into areas

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of the Free World containing about a billion human beings than we are putting each year to sustain the military establishment in Korea, with a 29 million population. We are in no meaningful way throwing the weight of American resources behind the efforts of the underdeveloped areas of the Free World to achieve growth. It is against this background that we should turn to the second question: what purposes should our future aid programs be designed to serve? As we all know, Asia, the Middle East, and Africa are in a state of revolution. Some billion human beings in the underdeveloped areas of the Free World and some 500 or 600 million people in Communist China are caught up in efforts to make the transition from relatively static traditional societies to modern societies. These human beings seek the elevation of their human, social, political, and economic status, and they want this elevation to come about rapidly. They are moved by exactly the same set of ideas--the ideas of the Enlightenment--that yielded the American and French revolutions more than a century and a half ago; and these ideas are reinforced by tremendous raw nationalist ambitions. An awareness of this revolution in what men expect from life--for their nations, themselves, and especially for their children--must color every action we take in the world: military, political, and economic.

This great revolution takes on direct and immediate operational importance to the United States because the Communist conspiracy seeks to exploit these human aspirations to weaken the unity of the Free World and to extend the influence exerted from Moscow to Peiping, until the balance of Eurasian power is theirs.

Neither we nor the Communists are in a position to achieve our objectives by military force alone. As Americans we live in a world where, at great

expense in resources and in creative talent, we may be able to perpetuate a stalemate in major armaments. Our bombs cannot persuade men that their future lies with democracy and the West; they cannot even stop Communist subversion or limited war.

But guerilla warfare cannot take hold in a country where men in the countryside feel that their government is working effectively for their interests; subversion is demonstrably feeble among men who are hard at work on constructive tasks; the ideological example of the Soviet Union and Communist China is a matter of idle curiosity among men making progress by their own efforts; in harmony with their own culture; and Communist diplomacy can only be effective when men feel that the objectives of the United States and the Free World do not accord with their own.]

The fundamental case for an economic program of the kind I propose is that it is a means--perhaps the only means--of accomplishing two essential purposes: first to divert the tremendous raw nationalism at work in the underdeveloped areas on to peaceful constructive tasks; second, to associate the United States constructively with the revolution in the underdeveloped areas--and by moving those areas forward under democratic banners, economic progress can help frustrate the Communist techniques of soft war: guerilla operations, subversion, ideological competition, and diplomacy.

Let me be absolutely clear on this point. It is not a question of hungry men making good Communists. It is a question of men coming to feel that progress can be made toward the larger human goals of their revolution by democratic means, in association with the United States and the West. Economic action is a means to this end; but the end is a state of mind not

a technical economic result.

In the longer run it is the American interest to achieve this association for reasons which transcend the Communist challenge. Looking ahead to the next century it is evident that, in one way or another, the vast population of Asia, the Middle East, and Africa are going to modernize their societies. Their power and influence on the world scene will certainly increase. Our great grandchildren if not our grandchildren are going to live in a world where the central issue will be this: can the older nations of the West and the newer nations arising from traditional societies and colonialism live in harmony? Will the heritage of colonialism, the heritages of racial feeling, the heritages of the bitter struggle to modernize themselves produce a deep and abiding hostility toward the West which will split the world on new lines; or will the human beings of the planet find that their common purposes and interests outweigh their bitter memories?

Over the next decade or so, India and several other key nations within the underdeveloped areas will attempt the decisive steps in the transition to modernization. In my view, how the calculus looks 50 or 100 years from now may well depend on whether the United States--during this decisive period of transition--is an active participant in the Indian adventure--and the adventure of the underdeveloped areas generally--or whether it is a comfortable sidelines observer. The transition will certainly be made; we have it in our power to help determine its long-run meaning for the relations between these decisive regions and the United States.

If in fact these peoples despair of democracy in this historic period of transition--as, for example, Indonesia now shows signs of doing--if they

should despair of association with the United States and the West, our grandchildren or great grandchildren may live their lives in a garrison state surrounded by hostile peoples. This is the ultimate stake involved in whether we use American resources wisely and on the appropriate scale in the underdeveloped areas.

A properly constructed economic aid program could be of equal value to the relations of the United States with Western Europe and Japan. These highly industrialized areas of the Free World have both a direct economic stake in the accelerated development of the underdeveloped areas and an equally important political and psychological stake in the right kind of Free World program. Economically, the ability of Western Europe and Japan to continue to grow and to expand the level of welfare for their peoples depends on a rapid expansion in the world's markets. In turn, this expansion requires that the underdeveloped areas grow at a much faster pace than they are doing at present. Only by such general growth in the Free World can an extremely dangerous trade war be avoided as among the major industrial countries; notably as among Japan, Britain, and Western Germany. It is a happy fact that the two major economic problems of the Free World--the dollar problem of the industrialized areas and the requirements of growth in the underdeveloped areas--can be largely solved by the same course of action.

But I would rate the second interest of the developed areas as of even greater importance. At the moment these nations, with understandable pride in their past histories, are caught up in a world which appears to be dominated by an American-Soviet arms race and by the painful ending of colonialism. They feel diminished--in a sense humiliated--by the apparent

course history is taking in mid-20th century. This sense of decline could be reversed, however, if the United States exerts the leadership ^{which is still within our grasp;} ~~it could;~~ for the truth is that Western Europe and Japan are undergoing great economic expansion and there are many first-rate tasks of importance which they can undertake on the world scene. The problem of reconstructing the NATO alliance is not one of returning to more polite forms of interchange with our old friends: it is a problem of isolating a new set of tasks in the common interest and throwing our combined weight into them as partners. One of those tasks is that of designing and executing an economic policy in which the industrialized areas of the Free World contribute in capital and technical assistance to the economic growth of the underdeveloped areas.

The third purpose of our economic foreign policy should be to complete, as it were, the education of the top leadership in Moscow and Peiping. We must maintain our military strength in all dimensions so that they gradually come to perceive that the arms race is a costly treadmill in which there is no rational outcome except a truly effective system of international control. We must reconstruct our European policy and maintain our alliances there so that they gradually come to perceive that the satellite structure is a dangerous dead-end enterprise for which there is no rational outcome except a collective security agreement in Europe bought at the cost of free elections from East Germany to the Curzon Line. We must mount and sustain in Asia, the Middle East, Africa, and Latin America democratic programs of economic growth, capable of mobilizing constructively the revolutionary energies at work so that they gradually come to perceive that national independence and human freedom are not only inherently more attractive than

Communist totalitarianism but thoroughly capable of fulfilling the powerful ambition of the new nations for economic growth and improved levels of welfare. It is in this dimension of the education of our enemies that we have most notably failed thus far.

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Now, finally, what must we do that we have not done? What kind of economic foreign policy should we fashion out of the great democratic debate about to be launched in this city and in our country as a whole.

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1. The Executive Branch and the Congress should hold out to the underdeveloped areas of the Free World the offer of a substantially expanded program of loans and technical assistance, if the governments and peoples of those areas are prepared to make the concentrated effort necessary to make these loans and technical assistance productive. There must be an end to give-aways and the corrosive granting of funds on the basis of diplomatic nuisance value, trips to Moscow, alleged immediate Communist threats, and so on.

*1. growth
2. Fed. assistance
3. capital*

etc

2. We should ^{*encourage*} ~~solicit~~ our European friends to initiate a parallel offer about a third the size of the American pool; and the transatlantic effort should be coordinated, although in our judgment, not jointly administered.

No

3. The offer should hold for a substantial period of time; say, five years. It takes time to work up productive programs and projects; and it takes time to carry out investment. The Congress must be prepared to modify its outlook, in particular ending the provision that funds voted in a given year be committed within that year.

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4. Although we should apply tough-minded criteria of productivity to these loans, we should not make them contingent on other nations joining us in military pacts, voting with us in the U.N., or other short-run political commitments. We have an enormous political stake in these nations' turning their energies to constructive tasks within the orbit of the Free World and its varied but not wholly discordant set of political and social values and principles. We should be clear about that major objective and not let our funds be dissipated in the pursuit of lesser objectives. +

Finally - 5. We should make the incentive as powerful as we can; and in our view the optimum solution would be the setting up of, say, an American Development Bank empowered, under Congressional surveillance, to make loans up to something like an additional \$10 billion over a five-year period. +

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There are many details one might elaborate; but those five points are close to the essence of what I believe we must try to accomplish in the next months.

The job is a job not merely for the President, the Executive Branch, and the Congress: it is a job for all those who lead public opinion in our communities and for every citizen. Nothing useful can be accomplished in our democracy unless the reasons for it are widely debated and understood.

The President at some stage must, of course, take a great step in the dark, going beyond, and bringing to life the moving and evocative phrases of his Second Inaugural, last month. // You may recall the words of William Bradford, in his account of the founding and settlement of Plymouth Colony.

He describes the debate in Holland, in which some of the Pilgrims ~~ran~~ talked of ~~through~~ the dangers and doubts that beset them. But, Bradford reports, as they contemplated the great migration to the new world

"It was answered that all great and honorable actions are accompanied with great difficulties and must be both enterprised and overcome with answerable courage." We shall need this quality of "answerable courage" at many points in our society if this enterprise is to be brought to life, but most particularly in the Executive Branch of our government.

The Congress will, of course, have an enormous role to play. Serious and thoughtful reviews of foreign aid are now going forward. Many Congressmen sense or know as a matter of fact that we are near the end of the line in our present approach to foreign aid. The question is: shall we now, seeing the failures and wastes, withdraw American resources as a major instrument in the continuing struggle, or shall we learn our lessons, use our intelligence and our imagination, and refashion that instrument as a major means of guiding the tremendous revolutionary forces at work in the world on to peaceful and constructive lines, binding up and giving concrete meaning to the notion of a Free World. *This is the central question our Congress must answer.*

But in the end, as indeed it should ^{be} ~~in our~~ democracy, the outcome rests with us all: with the citizens of our democracy. If we exhibit active concern with our world position at this juncture, and a willingness to respond to its challenges, those who know what we ought to do will find the courage to go forward, demanding the sacrifices that may be necessary. And those sacrifices can, I am sure, be evoked from our people; for what is in contest around the world is whether or not the two great principles on which ^{our} society is founded will survive--national independence and a concept of human liberty rooted in a religious respect for the unique individual. *- and the temptations and complacencies they generate -* Despite the wealth and comfort of our domestic life, the American people will not knowingly withdraw from a struggle where these are ^{at} ~~the~~ stakes.

matters

W. W. ROSTOW

Nat'l Council of Churches
of Christ
Washington, D.C.
Feb. 27, 1957

THE FUTURE OF FOREIGN AID

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The acute military bias of our foreign aid program arose directly from the nation's reaction to the Korean War and its aftermath. That difficult, costly, and superficially indecisive struggle created a mood of revulsion in our country which still governs our foreign aid program. The government responding to that mood, has sought, somehow, to use its resources to prevent a second such engagement in which American ground forces would be involved in Asia or the Middle East. To that end the government encouraged a number of the underdeveloped areas to expand their military establishments beyond the level which they themselves could support. Thus, it was hoped, we could maintain deterrence to Communist armed strength on the ground without engaging American manpower, while we concentrated on deterring Communist

strength in atomic weapons, means of delivery, and means of defense.

There is no doubt that certainly in Europe and, to some extent, even in the underdeveloped areas military aid and support programs should be continued. But they need a cool and sober reassessment. Specifically, three questions need to be asked and answered about these military aid programs: does their scale and the type of military establishments being built now accord with serious American military interests; are these programs diverting a disproportionate amount of the energy, talent, and resources of the receiving countries away from the tasks of economic development and constructive modernization of their societies; are there any ways in which the military establishments and personnel of the underdeveloped countries can contribute to economic development tasks as our Corps of Engineers did here in the United States during the last half of the past century? Such a reassessment should now be carried out if for no other reason than that the habits of bureaucracy tend to build in both inertia and vested interests. We tend to go on doing things we are doing simply because it is easier than to change. Without pretending to any great expertise in this matter, I am confident that a cool and sober reassessment would lead us to alter the character and to diminish the scale of the present military aid and support programs.

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The fundamental case for an economic program of the kind I propose is that it is a means--perhaps the only means--of accomplishing two essential purposes: first to divert the tremendous raw nationalism at work in the underdeveloped areas on to peaceful constructive tasks; second, to associate the United States constructively with the revolution in the underdeveloped areas--and by moving those areas forward under democratic banners, economic progress can help frustrate the Communist techniques of soft war: guerilla operations, subversion, ideological competition, and diplomacy.

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1. The Executive Branch and the Congress should hold out to the underdeveloped areas of the Free World the offer of a substantially expanded program of loans and technical assistance, if the governments and peoples of those areas are prepared to make the concentrated effort necessary to make these loans and technical assistance productive. There must be an end to give-aways and the corrosive granting of funds on the basis of diplomatic nuisance value, trips to Moscow, alleged immediate Communist threats, and so on.

2. We should solicit our European friends to initiate a parallel offer about a third the size of the American pool; and the transatlantic effort should be coordinated, although in our judgment, not jointly administered.

3. The offer should hold for a substantial period of time; say, five years. It takes time to work up productive programs and projects; and it takes time to carry out investment. The Congress must be prepared to modify its outlook, in particular ending the provision that funds voted in a given year be committed within that year.

4. Although we should apply tough-minded criteria of productivity to these loans, we should not make them contingent on other nations joining us in military pacts, voting with us in the U.N., or other short-run political commitments. We have an enormous political stake in these nations' turning their energies to constructive tasks within the orbit of the Free World and its varied but not wholly discordant set of political and social values and principles. We should be clear about that major objective and not let our funds be dissipated in the pursuit of lesser objectives.

5. We should make the incentive as powerful as we can; and in our view the optimum solution would be the setting up of, say, an American Development Bank empowered, under Congressional surveillance, to make loans up to something like an additional \$10 billion over a five-year period.

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But in the end, as indeed it should in our democracy, the outcome rests with us all: with the citizens of our democracy. If we exhibit active concern with our world position at this juncture, and a willingness to respond to its challenges, those who know what we ought to do will find the courage to go forward, demanding the sacrifices that may be necessary. And those sacrifices can, I am sure, be evoked from our people; for what is in contest around the world is whether or not the two great principles on which our society is founded will survive--national independence and a concept of human liberty rooted in a religious respect for the unique individual. Despite the wealth and comfort of our domestic life, the American people will not knowingly withdraw from a struggle where these are the stakes.