"The Objectives of Economic Aid," by W.W. Rostow, 1956

ok

343

MC188

Draft
November 9, 1956
W. W. Rostow

THE OBJECTIVES OF ECONOMIC AID

Introduction

Economic aid is simply a tool of foreign and military policy. Our postwar aid programs are the heirs of Lend-Lease, which, from 1941 to 1945, harnessed our resources to the clear military purpose of winning a major war, by making our allies more effective in the field than they would otherwise have been in opposing a coalition which sought to dominate the great Eurasian continent. The purposes aid subsequently has been designed to serve must equally be related to specific objective of American foreign and military policy at different periods over the past twelve years.

Roughly speaking, the programs of economic aid which succeeded Lend-Lease have passed through three major stages since the latter days of the Second World War: aid in relief and rehabilitation (1944-46); assistance in longer term reconstruction (1947-50); military aid and support (1951-56). In addition, starting with the creation of the International Bank, there has been a continuing minor strand of long-run development assistance woven into the American aid programs. As will become clear, these distinctions are not hard and fast: for example, significant military aid to Greece and Turkey was undertaken as early as 1947. But the three phases characterize the major directions of the American aid effort.

The purpose of this chapter is to review briefly these phases and the role of long-run development assistance in American policy. The chapter

concludes with an effort to identify the common larger purpose which appears to underlie the continuing support of the Congress for these substantial efforts, now maintained by the United States for more than a decade.

Short-Term Relief and Rehabilitation

In the first instance the purpose of economic aid was, simply, to assist our wartime allies in finding their feet after a terrible, disruptive, and costly war. In joining in the agreement for United Nations Relief and Rehabilitation on November 9, 1943, the nation expressed its determination "that immediately upon the liberation of any area by the armed forces of the United Nations or as a consequence of retreat of the enemy, the population thereof shall receive aid and relief from their sufferings, food, clothing and shelter, aid in the prevention of pestilence and in the recovery of the health of the people, and that preparation and arrangements shall be made for the return of prisoners and exiles to their homes and for assistance in the resumption of urgently needed agricultural and industrial production and the restoration of essential services. . . ." In addition to UNRRA operations, relief and rehabilitation was conducted by American military forces, as one area after another was liberated. In a narrow sense such aid could be justified as a way of avoiding "disease and unrest" in regions of military occupation by American troops. Indeed, that was the formal basis for the initial aid programs in ex-enemy territories. But military assistance had, in fact, the same simple humanitarian foundations as the UNRRA program.

The initial postwar loan to Great Britain had, as well, essentially the same character. It was designed to tide over a transitional period during which the economy of a key nation--and a deserving ally--would recover and

restructure itself, without undergoing a fall in its standard of welfare, and then fit into the sort of world economy to which Americans looked forward.

The Executive Branch of the government, the Congress, and the American people as a whole in the period 1944-45 had thrashed out a concept of the sort of postwar world they wanted. It was, essentially, a world in which the failures of 1919 and of the interwar years, as those failures were then understood, would be undone. As a nation we looked to an era of peace in which the security issues of the world would be handled by a United Nations, built, in turn, around the continued unity of the three major wartime allies. With this foundation we sought a prosperous, expanding world economy in which trade would become increasingly free, currencies would become increasingly free, currencies would become convertible, and the productive possibilities of exchange among nations would be exploited without reference to narrowly national security policies.

It was in this mood of hope, aspiration, and intent that the International Bank and the Fund were set up out of the Bretton Woods agreements, the convertibility clause was written into the British Loan agreements, and the first moves were made to establish the International Trade Organization. Thus, also, America gave freely of its resources to cover what was believed to be the relatively brief gap in time between the abnormal world of the immediate postwar days and the emergence of the international system assumed in the setting up of the United Nations and its related institutions.

Americans were not unmindful of the danger that Communism might spread in the period of postwar disruption. The memory of Communist efforts--successful and unsuccessful--to exploit the opportunities open after the First World War was still alive in the country and in the Congress in 1944-46.

But by and large, American aid was given in these years in a mood of hope rather than fear, as a means of bridging a world torn by battle and a world organized for a productive peace.

Longer-Term Reconstruction

In the course of 1946 it became increasingly clear that the assumptions underlying the wartime vision of the postwar were, one by one, being rendered untenable. Stalin evidently decided that the opportunities for Communist expansion in Europe and elsewhere were very great, given the weaknesses of the non-Communist world and the rapid American demobilization, accompanied by a turning inward to American domestic problems. In 1946, as well, the Chinese Communists came to perceive that it might be possible for them to move immediately towards the total control of China which had always been their objective. Day-by-day, in the Executive Branch, the Congress, and in the minds of the American people it became increasingly evident that the wartime vision of world peace and order would not immediately come to pass, and that the nation faced a security challenge of the first order of magnitude.

Simultaneously, the course of events revealed that the economic assumptions of Bretton Woods were wholly unrealistic. Industrial production in Europe was rising, but imported raw materials and foodstuffs were relatively much higher in price than before the war (a situation exactly opposite to that after the First World War); and they could only be procured for dollars which Europe did not have and could not quickly earn. Agriculture and raw material production outside the Western Hemisphere had been cut badly by war and revived slowly. Beyond that, it was evident that the reconstruction and

badly-needed modernization of European industry--essential if European exports were to rise enough--was going to be a longer, tougher job than had even been envisaged at the time of the British Loan negotiations at the end of 1945. A world of free trade, convertibility, and normal international flows of capital rapidly receded. The Bretton Woods institutions could not deal with balance of payments problems of the character and order of magnitude that emerged; and the negotiations which set up the International Trade Organization proceeded, in 1947, in an atmosphere of unreality. Bad harvests and a terrible European winter in 1946-47 accentuated these underlying difficulties and set the stage for crisis in American security and world economics and for a new American effort.

In the spring of 1947 the whole approach of the United States towards foreign policy was radically altered and with this revision foreign aid assumed a new role, entering the second postwar stage. This change was detonated by the British inability to continue to support Greece, which was in a state of civil war, and Turkey, which was under a great deal of diplomatic pressure from the Soviet Union, including military threat which required a state of mobilization the Turkish economy could not sustain with its own resources.

The cases of Greece and Turkey immediately posed a range of issues which were to lie at the heart of American foreign policy over the next decade. Assuming that we cared enough about the independence of Greece and Turkey to vote American taxpayer's money to support them, then:

1. How much aid was required to do the job?

2. How should that aid be divided between economic and military categories?

3. How should conflicts between immediate military and long-run economic aid programs be resolved?

The difficulty arose because Greece and, to a lesser degree, Turkey faced two threats from Communism. One was the external threat, united in the Greek case with Communist military insurrection; the other was the threat of political and social disintegration, caused in turn by economic stagnation, exploitable by local Communists.

It was widely recognized in the United States that the emergency program for Greece and Turkey was an inadequate answer to the problem posed for the United States in the late winter of 1947. Indeed, President Truman's private briefing for members of Congress on February 27 (preceding his speech of March 12 to both houses of Congress) had embraced not merely Greece and Turkey but the whole European position and the threat of Soviet exploitation of its weaknesses. There was also a widespread sense that the terms of the Greek and Turkish aid agreements were too negative and military, not sufficiently constructive and economic. On June 5, 1947, with Secretary Marshall's speech, the character of the European economic and political problem was fully faced and the familiar sequence of events which launched the Marshall Plan was set in motion.

In a truly remarkable national effort embracing the Executive Branch, special Presidential committees, committees of both houses of Congress, and public opinion leaders, the nation came to understand the nature of the European problem and the national stake in defeating Stalin's purposes by a massive effort at construction. Senator Dirksen accurately caught the mood in which the effort was launched:

> "I have been back home. People have talked to me about giving away my country, and I have talked to them. . . .And I have said, 'Look, let us examine this whole picture.' And it is amazing to me to see how the people back home have changed their minds on the basis of such facts as you disclose them. I am not afraid of the reaction in this country. I am confident that in proportion as we do our jobs as representatives to bring them the story--that they will go along with the third choice, and the third choice in my book is immediate--adequate--aggressive aid. My formula, Mr. Chairman, is very, very brief. Do--do it now--and do it right."

Stalin immediately recognized that the Marshall Plan was an effective counter to his plans and intentions in Western Europe. As Molotov left Paris in July he warned the West of Moscow's implacable opposition to the joint venture, and the Communists opened up promptly an ominous campaign of political propaganda in the West, accompanied by disruptive Communist Party tactics. In addition, Stalin moved to tighten up and consolidate his Eastern European empire. In February 1948 the coup d'etat was executed in Prague; and, in the course of the spring, Tito was lost to the Cominform. In Germany tension between the Soviet Union and the West rose, was climaxed by the Berlin Blockade, successfully met by the American and allied air lift during the winter of 1948-49.

The early, decisive stage of the Marshall Plan, when the European economy gathered momentum, was thus colored by an atmosphere of danger from the East. Europeans felt a profound sense of insecurity as they went about reconstruction with no significant protection against the Soviet divisions massed in Eastern Germany except the distant capability of the United States to counter Soviet ground forces with atomic attack. Freshly released from German occupation, Western Europeans did not find reassuring a position where, once again, they might have to be rescued after invasion from the East. It was initially as a psychological measure--to give Western Europeans the

confidence to proceed with the reconstruction of their societies--that a joint European military effort was launched, which was to lead on to NATO, SHAPE, and the third stage of American economic aid.

Military Aid and Support

It was, of course, the outbreak of the Korean War which transformed military aid from a minor to a major aspect of the American program. As noted earlier, military aid had begun in 1947 in Greece and Turkey. The Mutual Assistance Act of 1949 had provided aid in a number of directions, including relatively small amounts for Europe. But, by and large, the assumption underlying American policy at this stage was that Stalin did not plan to use limited wars to advance his objective; that a major war was possible and required deterrence; but that if Stalin launched a major war, the Free World could rely primarily in the first instance on the American Strategic Air Command and its atomic weapons delivery capabilities.

This assumption began to be re-examined after the first Soviet atomic explosion in September 1949. In Europe the notion gradually spread that an atomic stalemate might develop in which it would be irrational for Europeans to rely solely on American atomic weapon delivery capabilities against the Soviet ground forces. Support slowly grew for a European ground forces establishment which might be capable of deterring Soviet aggression. On the whole, however, European recovery continued to have a clear-cut priority over European defense, and NATO moved to the center of the stage only after the outbreak of the Korean War at the end of June 1950.

By September 1950 the issue of German rearmament began gingerly to be faced and, as NATO grew, and the United States moved to shore up Free Asia,

the proportion of military assistance within the total foreign aid budget increased. Even then military assistance represented only 24 per cent of foreign aid in the fiscal year 1951, 38 per cent in 1952. In the Mutual Security Act of 1952, however, military assistance was more than two thirds of the total.

The underlying purpose of this program was simple and clear. It was to permit other nations to maintain sufficient military establishments to make unattractive to Moscow and Peking aggressive adventures similar to the Korean War; and in the case of Indo-China (down to the Geneva Conference of 1954) to permit the French to continue to deal with the Vietminh threat. From the American point of view, the build-up of NATO and then of SEATO was a way of maintaining deterrence without engaging substantial American troop formations. This remained the fundamental rationale for the American aid programs, in their major dimension, down through 1956.

As the mutual aid program developed, it was recognized that the maintenance of these deterrent forces in the common interest constituted a substantial drain on the economies of the weaker states; and large programs of economic aid in the form of defense support accompanied the development of our military alliances in the period 1952-56.

In the course of these years, however, the underlying basis for the military aid programs developed after the outbreak of the Korean War was gradually altered and eroded by three major factors.

First, the Soviet Union developed substantial capabilities in atomic (including fusion) weapons, means of delivery, and means of defense. From

the time of the first explosion of a Soviet fusion device in August 1953, the heart began to go out of NATO as a ground force establishment. The conviction gradually grew that the capabilities of mutual destruction were now such that an all-out atomic war was wholly irrational unless one of the two major atomic powers achieved capabilities sufficient to knock out at a blow the other's retalitory power; and that, in the context of a Soviet-American atomic stand-off, a ground force war would be impossible to fight in Europe without triggering an all-out atomic war. The maintenance in the Free World of an adequate degree of deterrence against atomic war was evidently a job primarily for the United States; and American secrecy regulations precluded effective European participation in and contribution to the deterrence of atomic war, except insofar as Britain developed atomic weapon capabilities on its own.

The will of Europeans to proceed with the build-up of conventional ground forces thus progressively diminished. The development of the German Army proceeded slowly, mainly on paper, under an increasing undertow of reluctance. By the end of 1956 the initial concept of NATO, which had reached its peak at the Lisbon meetings in February 1952 (with force goals of 97 divisions by 1954) was virtually dead.

The second factor influencing this evolution was the change in Soviet strategy which began to take shape in the summer of 1951, was consolidated at the Nineteenth Party Congress in October 1952, and rapidly gathered momentum after Stalin's death in March 1953. This strategy recognized that, whatever Communist gains from the Korean War may have been, that the American and United Nations' reaction to overt Communist aggression was, on balance, exceedingly costly; and that there were greater possibilities for the

extension of Communism by political, psychological, and economic means, which would associate Communism with peace, nationalism, and economic progress. In Asia, the Middle East, and Africa, to which this policy was mainly directed, the new Soviet tactic met a considerable response, backed as it was by the blackmailing threat of rising Soviet military strength relative to the United States. In Europe, as well, it had some effect in convincing Europeans that further military effort within the context of NATO was not merely of doubtful value but of diminished urgency. In the case of Germany, Soviet diplomacy sharply dramatized the idea that German unity could be achieved only by a definitive break with NATO and the United States.

A final set of eroding forces developed in the underdeveloped areas of Asia, the Middle East, and Africa. The pattern of American and Free World alliances designed to maintain deterrent force in being against Communist capabilities for limited war progressively clashed in three separate dimensions with the interests of our partners, as they came to see them. In the SEATO area (notably on the Asian mainland) Thailand, Laos, and Cambodia began to doubt that a military build-up of their own forces, without an American commitment to maintain troops on the spot, constituted a persuasive deterrent to Communist ground force strength mounted across their borders in China. With the possible exception of South Korea, it was evidently impossible to build sufficiently local strength to deal with potential Chinese Communist force; and so Laos and Cambodia began to look to bilateral accommodation with Peking and Moscow, an accommodation which, superficially, was made attractive in the current phase of Communist world policy.

Second, as the apparent danger of direct Communist military aggression

receded the pursuit of the lesser aspirations of the new nations and colonial areas rose in priority. The Pakistani increasingly thought of Kashmir rather than of the threat from the North; the Egyptians began to project their weight into North and Central Africa and towards the formation of a Middle East bloc; the issue of Colonialism in French North Africa came to a head; the Baghdad Pact became, essentially, a move in Free World power diplomacy, rather than a ground force deterrent against Communist military strength. This assertion of believed national interests, within the under-developed regions, further disrupted the pattern of Asian and Middle East military alliances; and, in its consequences for the Western European powers, it further weakened the coherence and effectiveness of NATO.

Finally, the sense of urgency with respect to economic development increased in the underdeveloped areas and, with it, the attractiveness of economic rather than military assistance from the United States. Even in the SEATO area, the pressures for increased economic aid expanded; and elsewhere in the underdeveloped areas the continued American emphasis on the maintenance of ground force deterrence against limited war appeared out of key with local political pressures and interests. Our allies, friends, and potential friends in the underdeveloped areas of the Free World became progressively more frustrated by the cast of American policy and the aid programs that backed it.

By the end of 1956, therefore, it was evident that the military and political foundations of the structure of alliances built up in the wake of the Korean War had to be rethought and, with it, the scale and character of the military assistance program.

Long-Run Development Assistance

At the Bretton Woods Conference of July 1944, the representatives of what were to be later known as the underdeveloped areas urged strongly that the International Bank be used not merely for medium-term reconstruction, but also for long-run economic development. This pressure arose mainly from representatives of the countries of Latin America, but they spoke as well for the incipient nations of Asia, the Middle East, and Africa. Although the immediate postwar years were dominated by events in Europe, in the councils of the United Nations the underdeveloped areas steadily pressed their case for loans and technical assistance from the richer, more industrialized nations. There was deep resentment at the enormous sums being allocated by the United States to sustain Europe at relatively high standards of welfare while their peoples languished in extreme poverty.

Responding to this pressure, the United Nations Assembly meeting in the winter of 1948 set in motion the United Nations Technical Assistance program, and, then, President Truman presented his Fourth Point in his Inaugural Address of January 20, 1949:

> "Fourth. We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.
>
> "More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.
>
> "For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.
>
> "The United States is preeminent among nations in the development of industrial and scientific techniques. The material

OVER

resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

..."I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development."

"Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

"We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.

"With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.

"Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments.

"The old imperialism--exploitation for foreign profit--has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair dealing.

"All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

"Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

"Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

"Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies--hunger, misery, and despair."

The character of the American national stake in the economic growth of the underdeveloped areas was somewhat vaguely articulated by President Truman. He leaned mainly on a combination of humanitarianism and American economic self-interest, but, in general terms, linked successful economic development as well to the conditions for peace and the spread of the democratic process.

The importance of the underdeveloped areas of the world to the American interest and the need to meet their powerful aspirations for the modernization of their societies was increasingly appreciated in 1949-50, as European recovery gathered momentum and the military position there appeared to be stabilized, while Communism moved to victory in China. Gordon Gray's report in November 1950 and Nelson Rockefeller's "Partners in Progress" report of March 1951 reflected a sharpening awareness of the strategic importance to the United States of long-run development in the underdeveloped areas.

But the energies and resources of the nation were sharply diverted by the military tasks of the Korean War, the build-up of NATO, and a rebuilding of the American military establishment; and this cast of mind was crystallized by the continuing belief in the Executive Branch that military alliances designed to prevent similar outbreaks of Communist aggression were the highest priority order of national business abroad. Thus, in the period 1953-56, after the Korean truce, while the weight of the American effort in economic assistance gradually shifted away from Europe to Asia, the aid programs, despite certain interesting innovations (such as the President's $100 million Asian pool and the long-term Indian food and fiber loan of 1956)

remained primarily military.

Rightly or wrongly, it was judged that economic assistance could only be justified persuasively to the Congress and the American people on literal grounds of the American military interest. Very substantial economic assistance in the form of military support went to areas linked to the United States by military treaty; but only a small proportion of the population of the underdeveloped areas of the world shared substantially in American aid. Moreover, in the treaty areas (notably, Korea, Vietnam, Taiwan, and Pakistan) the conditions under which this aid was granted--linked as it was to the maintenance of military forces beyond the ability of the nation's ability to support on its own--diverted energy, administrative talent, and resources away from the tasks of long-term economic development.

While the broad considerations of national interest incorporated in the initial rationale for the Fourth Point program were widely accepted in the government and in official pronouncements, and while the program was steadily maintained at a modest level, its role in American strategy on the world scene was never clearly defined in the public's mind, and the nation persisted in programs designed to deter limited war, while the Communists shifted into new dimensions.

There was no lack of awareness in the Congress concerning the positive character of the American interest in associating our policies with the desire of peoples in the underdeveloped areas for that degree of economic development needed to underpin and to give substance to their high aspirations for independence, democracy, and increased human dignity. For example, Public Law 726, passed by the Eighty-fourth Congress contains these passages:

"Section 2. Statement of Policy

(a) The Congress of the United States recognizing that the

peace of the world and the security of the United States are endangered as long as international communism and the nations it controls continue by threat of military action, use of economic pressure, internal subversion, or other means to attempt to bring under their domination peoples now free and independent and continue to deny the rights of freedom and self-government to peoples and nations once free but now subject to such domination, declares it to be the policy of the United States to continue as long as such danger to the peace of the world and to the security of the United States persists to make available to free nations and peoples upon request assistance of such nature and in such amounts as the United States deems advisable compatible with its own stability, strength, and other obligations, and as may be needed and effectively used by such free nations and peoples to help them maintain their freedom. . . .

"(c) It is the sense of the Congress that assistance under this Act shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence.". . .

"Section 7. Title 111 of the Mutual Security Act of 1954, as amended, which relates to technical cooperation, is further amended as follows:

(4) (c) It is the purpose of this Act to advance the cause of freedom. The Congress joins with the President of the United States in proclaiming the hope that the peoples who have been subjected to the captivity of Communist depotism shall again enjoy the right of self-determination within a framework which will sustain the peace; that they shall again have the right to choose the form of government under which they will live, and that sovereign rights of self-government shall be restored to them all in accordance with the pledge of the Atlantic Charter. Funds available under this section may be used for programs of information, relief, exchange of persons, education, and resettlement, to encourage the hopes and aspirations of peoples who have been enslaved by Communism.". . .

"Section 14.

It is the sense of Congress that in the preparation of the mutual security program, the President should take fully into account the desirability of affirmatively promoting the economic development of underdeveloped countries, both as a means of effectively counteracting the increased political and economic emphasis of Soviet foreign policy and as a means of promoting fundamental American foreign policy objectives of political and economic self-determination and independence."

What was in question at the end of 1956 was whether the scale and character of the program fulfilled the large objective it was designed to support.

Conclusion

What can we conclude from this sequence about the underlying objectives of American aid since the end of the Second World War? In general terms, the Congress has recognized that the United States must actively use its economic resources to help maintain a world environment--military and political--which would permit our free society to continue to develop along lines congenial with our history and our hopes for the future. As the Second World War drew to a close, we were generous with our wartime friends and with the peoples in the enemy countreis, because we sensed that unless they got back on their feet economically they would be, at best, incapable of playing a part in a peaceful, orderly world and at worst, in desperation, they might reach out for Communist or other extreme solutions to their acute problems.

When Stalin's intentions in Europe became clear in 1947, the threat to the world environment of the United States became urgent; and we threw our resources into the economic and then the military rehabilitation of Europe. In the Marshall Plan and NATO (as in the First and Second World Wars) we recognized that the loss of Europe to a hostile power was a direct security threat to the United States. More than that, we recognized that the threat had two dimensions: a political dimension and a direct military dimension. We recognized that Europe could be lost not merely by the march

of Soviet troops from Eastern Europe to the Channel but by the loss of confidence among Europeans that adherence to the democratic process was compatible with their continued economic progress.

In the underdeveloped areas of Asia, the Middle East, and Africa we have recognized in principle from Bretton Woods forward that, in some sense, their economic progress, their independence, and their evolution towards democracy mattered to us; and in 1949-50 there was evidence that this perspective was being crystallized out in American thought and might lead on to the development of a new American policy towards the underdeveloped areas. The Korean War intervened, however, and in its aftermath the effort to hold the balance of power favorable to the Free World in Asia, the Middle East, and Africa has mainly taken a military or quasi-military form.

Since the end of the Korean War, the effectiveness of this method--taken by itself--has been progressively put in question: by the changing character of our military problem vis a vis the Soviet Union and Communist China; by the character of the strategy pursued by Moscow and Peking; and by the changing psychological attitudes and rising political ambitions of the nations of the underdeveloped areas. The Congress has evidently been aware of these changes, and that awareness can be seen, to a degree, in the changing regional direction and character of our aid programs. But the nature of the American problem in holding power in Asia, the Middle East, and Africa has altered more radically than our policies and the aid programs designed to give them substance.

In short, we still lack in the underdeveloped areas an equivalent to the balanced economic-military approach represented (down to 1952) in

Europe by the Marshall Plan and NATO. In a more basic sense we have not yet clarified our national interest in the underdeveloped areas, the character of the military and economic jobs that now need to be done there, and the scale and manner in which our national resources should be mobilized to help do those jobs.