FOREIGN AID AND THE COLD WAR

by Benjamin Higgins

Center for International Studies
Massachusetts Institute of Technology
Cambridge, Massachusetts
April 1957
FOREIGN AID AND THE COLD WAR

(An Address to the Annual Meeting of the League for Industrial Democracy,
New York, April 1957)

by Benjamin Higgins

In my remarks about foreign aid policy today, I shall confine myself entirely to questions of strategy; I shall not be concerned with ethics. There is unquestionably a strong humanitarian argument to be made for assisting poor countries to achieve standards of living more closely approximating our own, but I shall not make it. Some newspaper columnists have classified us at the M.I.T. Center for International Studies as among the "bleeding hearts", but we ourselves feel that the case we have made for increased and liberalized foreign aid is a product of hard heads rather than soft hearts.

I will not even make the plea recently voiced by Gunnar Myrdal, in his excellent book on An International Economy: Problems and Prospects, that foreign aid be designed to redistribute income from richer to poorer nations in such a way as to lessen the gap between them. I am not at all sure that it will prove possible to reduce this gap, and since national incomes are to some degree measurable, it would be foolhardy to promise the impossible. Aiding foreign countries with their development programs will no doubt bring their per capita incomes closer to those now enjoyed in advanced countries, but the incomes of advanced countries will meanwhile have risen to new heights. In all likelihood they will rise faster than incomes of most underdeveloped countries. Moreover, I do not consider the redistribution of income among nations as of primary importance—any more than I consider the redistribution of income among income groups in any particular country to be a primary aim of domestic policy. What is important and possible in both cases is to eliminate poverty. The amount of income redistribution actually achieved by the modern welfare state is relatively little. But where poverty has been eliminated by economic and social policy, as in Australia and in lesser degree in the United States or Canada, the presence of a few rich people is not very serious, and redistribution from rich to less rich would not raise incomes of the less rich very much. In the same way, if there were no poor countries, the presence of a few rich ones would not be a menace to world peace and prosperity.

The purely economic argument for assisting underdeveloped countries is also not a strong one, as the recent submission of the National Planning Association to the Senate Committee on Foreign Aid
has made clear. I would not contend, for example, that the steady growth of underdeveloped countries is important for the maintenance of full employment in the United States. Foreign trade has been and will probably remain a relatively small fraction of American national income, and there is little doubt that appropriate domestic policy can succeed in maintaining full employment in this country.

I intend rather to discuss the question of foreign aid as a security issue. The security issue may be thought of in purely military terms, and military aid has its place in foreign policy. But security can also be considered in terms of the world environment in which we live. The underdeveloped countries contain some two billion people, nearly half of whom remain formally uncommitted in the cold war. It is to help these people to achieve their own goals that foreign aid is primarily designed. True, we cannot buy friends with our aid, nor can we eliminate the threat of communism by eliminating the danger of famine. It can even be argued that the social upheaval involved in the "take-off" into sustained economic growth, together with the industrialization and urbanization that such a take-off almost inevitably entails, creates fertile soil for Communist propaganda to take root. In sum, our thinking about foreign aid policy will be clearer if we concentrate on a single aim: to help the underdeveloped countries become "mature democracies" in which a general feeling of sympathy for the West can be nurtured.

The foreign technical assistance expert who remains long enough in the field typically goes through three stages. His first reaction is often, "Everything here is different from at home; that is terrible, we must change everything." As he lives and travels in these countries, however, he begins to appreciate their own culture, civilization, values, and way of life. At this stage the reaction often is, "Why should we force on these happy people the frictions and neuroses of our Western society?" In the third stage, attained after still further experience with underdeveloped countries, the expert comes to realize that the question "to develop or not to develop" is not one for the West to answer. Most underdeveloped countries today are determined to achieve higher standards of living, and the events of the last twenty years have injected into their bodies politic the dynamics of economic and social change. But we face the task of demonstrating to these countries that it is possible for them to attain their economic goals within a political and social framework that can be called democratic in the Western sense. Having convinced them that it is possible, we must make sure that they do it, and provide them with the required capital and technical assistance. For meanwhile communism is being presented to them as a panacea, an economic and social system especially designed for development of underdeveloped areas. Moreover, the Soviet bloc, having no responsible legislatures to worry about, stands ready with promises of capital and technical assistance with no strings attached.
It is for these reasons that an enlarged and liberalized foreign aid program is necessary to our security. As stated in the M.I.T. submission to the Special Senate Committee to Study the Foreign Aid Program,

It is our view that the United States has an opportunity in the next 2 or 3 decades to resolve the cold war and to promote a more congenial external environment. This view rests on two crucial facts about the world of 1956 and on a proposition.

The first fact is that one-third of the world's peoples have come to share a determination to overcome, and quickly, centuries of social and political inertia and economic stagnation in order to achieve a larger national dignity and, in particular, to create expanding economies and rising standards of life. Embarked upon revolutionary changes in their modes of life, these peoples—including some who are our military allies—are as yet "uncommitted." Most are uncommitted in terms of the day-to-day alignments of the cold war; more important, almost all are uncommitted in terms of the kinds of societies they want to create.

The second fact is that the United States is a country of immense and fast increasing wealth, and hence in a position to deploy abroad substantial resources while continuing steadily to raise our own standards of living. Further, we have developed more successfully than most nations social, political, and economic techniques for realizing widespread popular desires for change without either compulsion or social disorganization. Although these techniques must be adapted, country by country, to fit particular local conditions, they represent a considerable potential for steering the world's newly aroused human energies in constructive directions.

The proposition is that a comprehensive and sustained program of American economic assistance aimed at helping the free underdeveloped countries to create the conditions for self-sustaining economic growth can, in the short run, materially reduce the danger of conflict triggered by aggressive minor powers, and can, in say 2 to 3 decades, result in an overwhelming preponderance of societies with a successful record of solving their problems without resort to coercion or violence. The establishment of such a preponderance of stable, effective, and democratic societies gives the best promise of a favorable settlement of the cold war and of a peaceful, progressive world environment.1

The term "underdeveloped countries" is perhaps an unfortunate one. Some writers make an effort to avoid it with such other terms as "preindustrialized," "less developed," and the like. However, the term "underdeveloped" has now become virtually a technical one, used by spokesmen of underdeveloped countries as well as by social scientists in the industrialized ones. In general, a country may be said to be underdeveloped if its national income is less than $500 per capita; if the ratio of agricultural employment to total employment is more than half; if net investment is less than 10 per cent of national income; and if literacy rates are less than 75 per cent of the population. The correlations among these indices of development are so close that any one of them would do quite well as a definition of "underdeveloped."

Needless to say, being underdeveloped in this technical sense means nothing in terms of the level of civilization, culture, or spiritual values. I have often thought that it would be a good idea to organize a "reverse technical assistance program", with experts from the so-called underdeveloped countries being sent to the West to teach us some of their skills. I would personally enjoy recruiting a team of Javanese and Balinese girls to teach our wives and daughters how to stand, walk, sit, move, and otherwise so gracefully through daily life. When it comes to mechanical repairs, mechanics in most Asian countries have much to teach those of the West who can only replace damaged or worn parts with new ones and do not know how to fix things. We could benefit a great deal by acquiring some of the Asian's capacity for complete leisure--just doing nothing. We could also learn much about contemplation. Our social relations would be smoother if we imitated some of the face-saving devices of Asian societies; and we have a long way to go before art and religion mean as much in our daily lives as they do in Asian countries.

Be that as it may, the West has much to contribute in the way of capital and skills to help the underdeveloped countries raise their own standards of living.

Requirements for Economic Development

Among the major requirements for economic development, four might be singled out as of special importance: (a) capital, (b) skills--managerial, technical and labor, (c) entrepreneurship, (d) stable, able, and honest governments. It is hard to say which of these is most important; it is like asking which blade of a pair of scissors does the cutting. Nor can it be said with assurance which of these basic factors is most scarce in underdeveloped countries. Some writers have contended that the limiting factor in economic development is not the requirement for capital, but rather absorptive capacity.
Indeed, the figures suggested in the Millikan-Rostow "Proposal" (Table, p. 99') are based on estimates of absorptive capacity rather than requirements for steady growth. But there can be no doubt that capital and technical assistance to underdeveloped countries can contribute enormously to their economic growth, and that a good many of them are unable to grow without outside help.

The M.I.T. Proposal

The Millikan-Rostow proposal, parts of which have been reiterated in the M.I.T. Submission to the Special Senate Committee on Foreign Aid, has prompted a good deal of publicity in recent months. Yet this proposal, if it is unique at all, is unique in the depth and breadth of the research underlying it rather than in its substance. Its major aspects—enlarged, liberalized, and long-term foreign aid as a strategic factor in American security—are included also in other major presentations to the Senate Committee and other publications. They have recently been stated by leading members of the administration and more recently still by the President himself. However, the Millikan-Rostow proposal is perhaps deserving of attention because it reflects the distilled wisdom of several years of research on the problems of developing underdeveloped areas by a sizable team of social scientists at the M.I.T. Center for International Studies, the members of which combine a scientific interest in problems of economic development and United States foreign policy with experience in advising governments on development policy.

The main features of this proposal are now well-known: (1) the foreign aid program must be substantially bigger than anything yet undertaken. Indeed, only the absorptive capacity of the beneficiary country should limit the amount of aid given. (2) Aid should be given without military or political strings. (May I stress again that this feature of the proposal reflects considerations of strategy rather than of ethics. The reason for attaching no military or political strings is to avoid a "boomerang" effect.) (3) The sole criterion for the granting of aid should be the presentation by the beneficiary country of a solid plan for economic development. (4) Continuity of aid over several years should be guaranteed in the program. (5) The administration of foreign aid should combine international and bilateral aspects. A new international agency, working in cooperation with the World Bank, should have the function of reviewing development plans and declaring them satisfactory or unsatisfactory as a basis for aid. This agency should have a small international secretariat. There should also be a Consultative Committee comprised of representatives of both donor and recipient governments, as under the Colombo Plan organization. The actual capital assistance, however, can continue to be largely on a bilateral basis, as under the present American and Colombo Plan programs.

---

Max F. Millikan and W. W. Rostow, A Proposal: Key to an Effective Foreign Policy, New York, 1956, Ch. 10.
It is my own view that technical assistance of an advisory nature should be provided internationally rather than bilaterally, again to avoid the danger of a "boomerang" effect. There are three quite different jobs that foreign experts (especially economists) might do in an underdeveloped country: they might provide economic intelligence for their own governments; they might give economic advice to their chief of mission and to their national headquarters; and they might give advice to the host government. My experience with reactions to American aid in three countries leads me to conclude that it is of the utmost importance to distinguish sharply between those experts who are doing the third job and those who are doing the other two.

In short, the linking of aid with advice may render both useless of worse from the American viewpoint. If they are closely linked it is almost inevitable that experts in the field will become administrators of the capital assistance program, rather than true technical assistants to the government of the underdeveloped country. The ICA mission may succumb to the temptation to use its research primarily as a basis for its own policy decisions, and to use capital assistance as a club to persuade the host government to accept these policy decisions, perhaps even without the courtesy of a full explanation of those decisions. If this is not subtly done, the inevitable result is increased friction between the United States and the government of the host country.

It is true that American control over the details of policy advice is weakened by having experts in advisory positions provided through the United Nations or Colombo Plan, or even to some degree if they are provided by ICA-contract. However, the details of policy in underdeveloped countries are relatively unimportant in comparison to having them choose a non-Communist path to development. Influence along these lines means that their aid and advice must come from the West; it does not mean that it must come exclusively from the United States Government. And if insistence that advice as well as aid come from the United States means that the effectiveness of both is substantially reduced, it is surely a wiser course to encourage the recruiting of experts in advisory positions who are not officials of the American Government.

In conclusion, I should like to say that important as foreign aid policy is in the outcome of the cold war, even a model foreign aid policy may not be enough in itself to assure victory for the West. It will probably be necessary for us also to have a better record on matters involving colonial issues—better, that is, from the standpoint of the underdeveloped countries. Mistrust of the "newstyle economic imperialism", to quote the words used by President Sukarno at the Bandung Conference, may not be dispelled by foreign
aid alone no matter how generous and how free from strings. We must also convince the governments and the peoples of the underdeveloped countries that the United States has not forgotten its own revolution-ary history, and is still a champion of freedom throughout the world. The stand taken by the U.S.A. on Suez did much to improve relations between this country and the neutralist ones. On the other hand, the lack of a firm stand on North Africa and on South and Central Africa is a barrier to improved understanding between the United States and the Asian-African bloc. Even more serious, perhaps, are the limitations imposed on the freedom of certain categories of American citizens, limitations which provide excellent material for Communist propaganda in Asia and Africa.

It is in the ideological field that the defeats of the West in the cold war have been most conspicuous. The measure of our failure in this field is the extent to which Asians and Africans are prepared to accept the absurd idea that the social philosophy of the Communist Bloc is closer to their own than is the social philosophy of the West. In fact, of course, the Communist philosophy is the most purely materialistic of all, and in practice it is undiluted by any genuine respect for individual rights and individual freedom. Yet in the eyes of most Asians and Africans it is the United States that represents the acme of materialism. It is thought that the West condones ruthless exploitation of some individuals and groups by others in a ferociously competitive drive for higher incomes, with total disregard for the sufferings of those who lose out and complete disinterest in nonmaterial values. Somehow we have failed to convey to Asians and Africans the importance in our way of life of cooperative efforts, communal living, religion and the arts, respect for fellow men, and sense of brotherhood.

I have sometimes expressed the requirements in the ideological field as being "to practice what we preach and preach what we practice". The deviations from the American ideal for social behavior, such as discrimination against negroes, anti-Semitism, and the like, are well publicized by our enemies. Such things as cooperative organizations, community chests, parent teachers associations, the Grange, barnraisings and similar cooperative efforts at the village level, have received little publicity in Asia and Africa. Another speaker on this Panel suggested that Burmans might consider it more important to repair the temple on the hill than to improve the irrigation system. Are these attitudes so foreign to us in the West? Can you not imagine the citizens of a New England village voting funds to repair the old church rather than to improve the water supply?

These are the facets of American civilization which must some-how be brought home to the people of Asia and Africa. Let us live by the ideals of American democracy, and then let us find the words and the actions that will convey to the peoples of Asia and Africa the true nature of the social organization and way of life in the West.