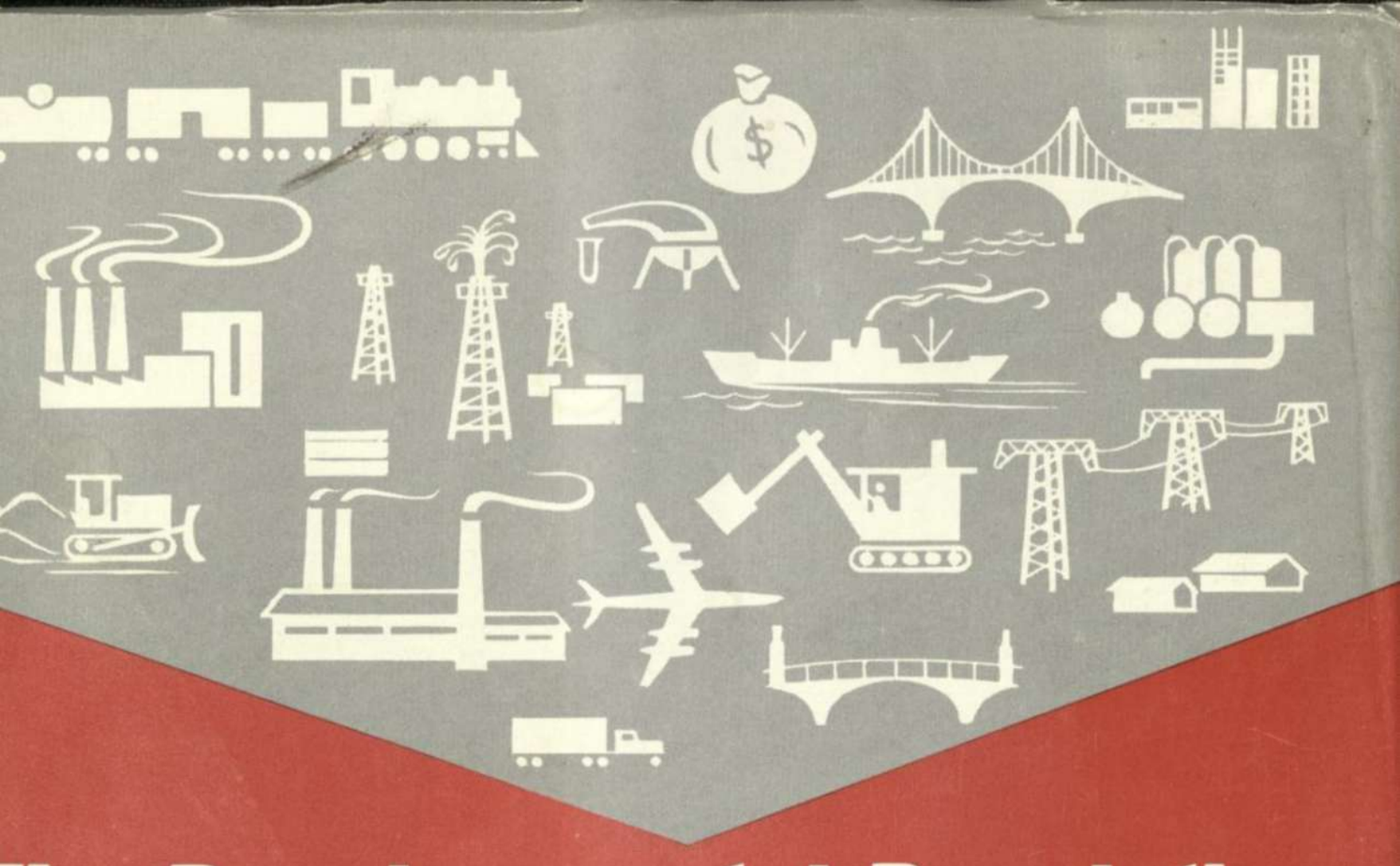
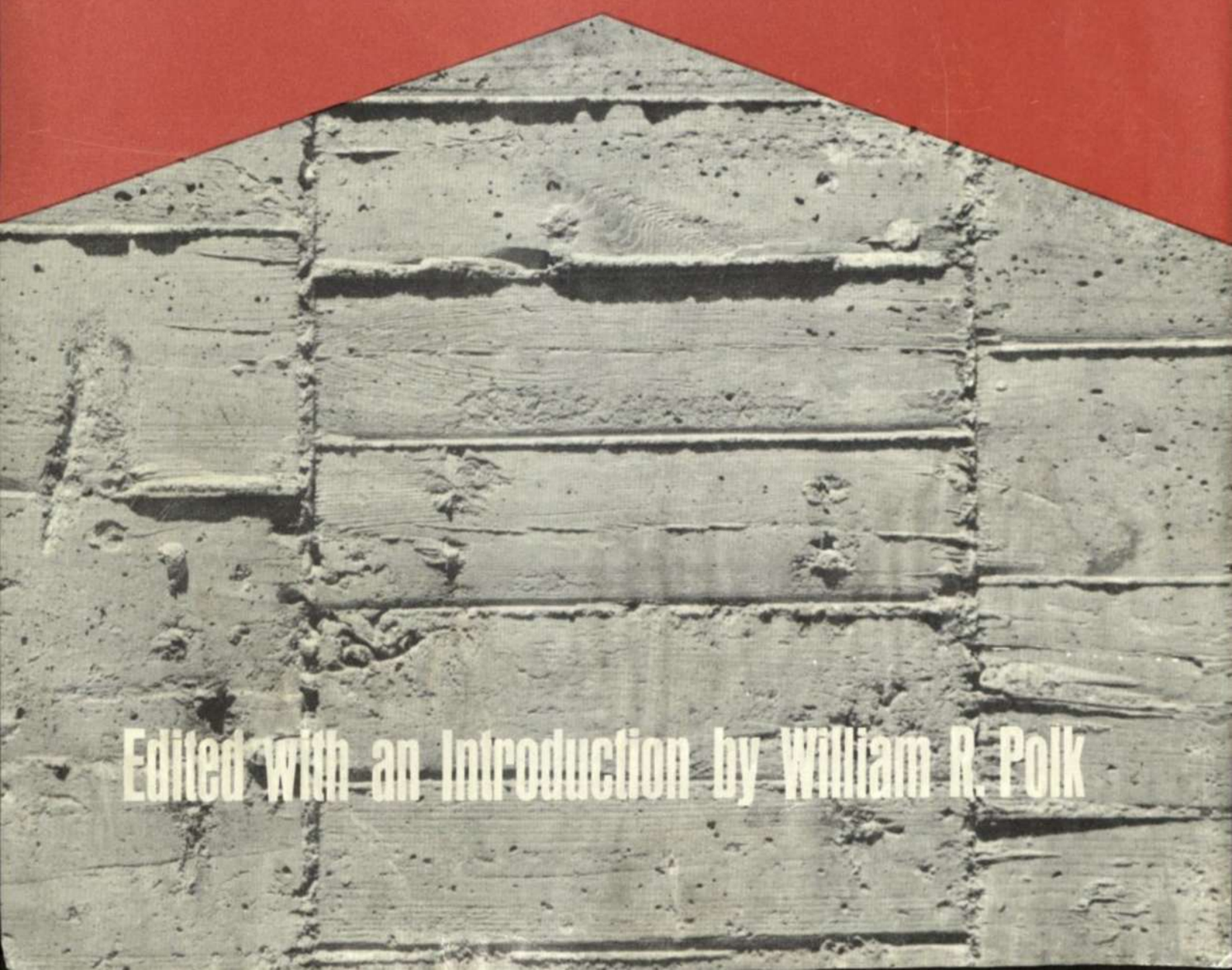


The Developmental Revolution

North Africa, The Middle East and South Asia



Edited with an Introduction by William R. Polk

Developmental Revolution

North Africa * Middle East * South Asia

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Preface

The Middle East Institute held its seventeenth annual conference on "The Developmental Revolution in the Middle East" in May 1963. Some three-hundred people from thirty countries attended the Conference. Many of them were senior officials of the United States and other governments concerned directly with the developmental process. Others were business and professional men and academicians.

The major purpose of the Conference was to present as comprehensive an over-all view of the developmental process as could be provided in such a short space of time. The chapters of this book are modifications of the papers read by the various participants on their fields of speciality.

Obviously in such a large undertaking as this one, a great many people and organizations have contributed. The Board of Governors of the Middle East Institute would particularly like to commend and thank the following:

Georgetown University, where the Conference was held, and particularly Rev. Daniel E. Power, S.J., the University's Director of Public Relations, whose assistance and arrangements were invaluable; the American Friends of the Middle East, for their generous contribution; the speakers who took time out of busy lives to address the Conference, as well as those who prepared papers here presented but who were not able to attend; and all the members and supporters of the Institute who make these annual gatherings possible.

Table of Contents

Page

INTRODUCTION 1

William R. Polk

PART I

THE CHALLENGE OF DEVELOPMENT

1. The Character and Scope of the Social Revolution in the Middle East 7
   Manfred Halpern
2. Urbanism—A Growing World Problem 24
   Douglas Ensminger
3. Urban and Rural Tasks in National Development . 36
   Chester Bowles
4. The Nationalization of Take-off 48
   Walt W. Rostow

PART II

ORGANIZING FOR DEVELOPMENT

5. The Planning Process: Its Role in The Developmental Revolution 59
   Kenneth Hansen
6. Should We Insist on Comprehensive Planning . . 73
   Cyrus Samii
7. The Development Equation in Northwest Africa . 81
   William Lewis
8. The Role of Private Consultants 97
   S. James Langley
9. The Role of the Military in Development . . . 106
   Frank Sloan
10. Development and Democracy 119
    Yusif Sayigh

11. The Role of the Foundations and the Human Resources of the Developing Countries 129
Rey M. Hill

PART III

RESOURCES, HUMAN AND NATURAL

12. Cultural Contributions to Development 139
Lucius Battle
13. Improving Trained Manpower Capabilities in the Middle East 151
Edward W. Overton, Jr.
14. Science in Development 166
Jerome B. Wiesner
15. Resources and Development in the Middle East . 176
Edmond Asfour
16. Health—A Dependent Variable of Economic and Social Revolution in North Africa, the Middle East, and South Asia 185
John M. Weir
17. Books and the Problems of Urbanization . . . 198
Datus Smith

PART IV

PAYING FOR DEVELOPMENT

18. Taxation as a Tool for Development 213
Robert Nathan
19. The Role of Trade in Development Program . . 226
Arthur Paul
20. Private United States Investment—Relevancy to Middle Eastern Development 237
Richard Robinson
21. The Role of Private Financing and Development in the Middle East 248
Victor Rockhill
22. The Role of Foreign Aid in Middle Eastern Development 261
Hollis Chenery

Introduction

WILLIAM R. POLK *is a member of the Policy Planning Council of the United States Department of State. Mr. Polk received a B.A. from Harvard (1951) in political science, a B.A. in oriental studies at Oxford (1955), a Ph.D., in history from Harvard (1958), and a M.A. (1959) from Oxford. Until 1961, Mr. Polk was Assistant Professor of Semitic Languages and History at Harvard University, and a member of the Middle Eastern Studies Center. Among his writings on the Middle East are the following:* What the Arabs Think; Perspective of the Arab World; Backdrop to Tragedy: The Struggle for Palestine; *"Generations, Classes and Politics"; "A Decade of Discovery: America in the Middle East, 1947-1958";* The Opening of South Lebanon, *1788-1840; and forthcoming,* The United States and the Arab World. *Mr. Polk was a Fellow of the Rockefeller Foundation from 1951 to 1955, and was awarded a Guggenheim Foundation Fellowship in 1961. He is a member of the Council on Foreign Relations in New York and of the Board of Governors of the Middle East Institute.*

THE COUNTRIES of North Africa, the Middle East, and South Asia are today involved in a massive and accelerating social revolution. No previous age has ever experienced such a far reaching and rapid transformation. The challenges thus posed have caused some of us to characterize our times as "The Age of Anxiety". To others, of course, ours is an "Age of Hope" and an age of rising expectations in which past miseries are to be exchanged for the good life.

We are all amused by statistics that show, for example, there are living today more scientists—even more Middle Eastern experts —than in all previous times in history. Certainly, there are more gadgets, more roads, more power, more food, more trained people working in more fields than ever before. And above all, our age has more expectations than our ancestors had ever entertained.

In the traditional societies of the Middle East, men had a place in the scheme of life which they accepted as normal. One's lot in life was to a large extent predetermined. The tribesman, the villager, the townsman all found their social relationships set. The relationship of the tribesman to his shaikh, of the townsman to his elders, the city man to his fellows and to the governors was established in a way which wove together traditional values of the society, the religious institutions and the needs and duties of

the subject. Between the tribe, the village, and the city were ties of many sorts, but most of them were weak ties; these social groups tended to live apart from one another. Insofar as this was possible, each group was self-sufficient. Between them was very little communication.

Traditionally, cities have lived like leaches on their hinterland. Until the last fifty years, the most significant relationship of Baghdad, for example, and its countryside was taxation. The cities gave little in return for the wealth they derived from their hinterland. They were islands of relative sophistication in a hostile and primitive sea. People who lived in the cities were literally not in contact with the peasant or the nomad. They in turn, hardly shared in the city man's culture. Each had accepted but distinct legal codes, financial organizations and levels of expectation. The villagers depended as little as they could on his goods and services and gave him as little as they could of theirs. To them, the city government was a natural enemy and they gave it little but hostility. For the city man to travel a few miles outside the walls was to risk his life.

Today this is all changed.

Today the cities are like the poles of a magnet to the country people. And around the outskirts of the cities—the *sarifas,* the *bidonvilles,* the rings of slums of the sprawling cities—cluster, like iron filings on a magnet, fragments of village and tribal societies. Everywhere in this vast area, people are rushing to urban areas to get more quickly, more surely, they hope, the fruits of the new technology of our times.

This movement, one of the most obvious aspects of the new urbanization, has put major strains on the slender bureaucracies and public service facilities of cities from Algiers to Calcutta.

Less discernible, perhaps, but of far more import for the future is the spread, outward, into the countryside, of aspects of urban life.

Traditionally, the farmlands, the steppe, and desert have been outside the area of government control. The exercise of government control over the hinterland resembled a military expedition. Today, this is no longer the case. Armies, security forces, health services, tax collectors, and all of the apparatus of urban bureaucracy now make themselves felt constantly in the most remote villages.

Traditionally, village communities and tribes had their own usage, codes of conduct, identification of loyalty and notions of

land tenure and water rights. Today, it is the urban concept of law, the urban identification of the nation state and urban mores which are imposed on the rural areas.

Traditionally, rural areas tended to be self-sufficient, whereas now all are bound into national or international markets, goods and services have become specialized and the economy based on money. All of these are administered and controlled by urban organizations of finance and commerce.

In education and communications, the city—the teacher, the TV and radio announcer, the journalist—has come to the village and to the tribe, bringing a new vision of life. It is this new set of expectations—essentially an *urban* expectation—which is perhaps the most revolutionary change of our times.

Throughout this vast area, people are no longer content with what they or their immediate ancestors had regarded not very long ago as the good life. Rather, they want the goods and services they associate with the new, urban life.

It is this new demand in large part which has stimulated the developmental revolution. It is a process impelled by powerful pressures from below and guided by very few hands. *Pace* Sir Winston Churchill, one might say, "Never before have so many demanded so much, so quickly from so few, working with so little."

There are many facets of this revolution, for it affects the lands of North Africa, the Middle East and South Asia in markedly different ways, depending upon their resources—both human and natural—the help they receive from outside, and the skill with which they undertake their task. But, it also affects the several classes and religious and ethnic groupings in any given country in markedly different ways. For some it has clearly been an age of anxiety, for others an age of hope. Even in one man, there are elements in this change which give rise to frustrations and anxieties—the shattering of the secure world image of the nineteenth century is something not very pleasant to any of us—while at the same time bringing new levels of wage earning, new possibilities in health, new vistas of education, which give rise to hope of a better world.

The developmental process is by no means solely or even predominantly an economic affair, but has profound psychological, political, social, cultural as well as economic implications. One cannot change one feature of society without affecting others. Even a simple small change, which appears beneficial and finite,

often has far-reaching and disrupting consequences. Thus, to match the complex, many-faceted process of the developmental revolution, it is necessary to attempt to achieve and refine a sophisticated, over-all view of the process. Clearly, to achieve this, many skills and much experience must be utilized.

To this problem, the Middle East Institute Conference was addressed. This book is a harvest of its fruits.

The chapters are addressed to four main topics—first, the social revolutionary pressures which demand alleviation through development as well as those which are a bi-product of development; second, the question of organization or mobilization for development, the planning process, the role of the consultant, the foundation, the military; third, the human and natural resources which must be tapped in the development process; and fourth, the way that development is paid for or assisted from abroad.

The major purpose of this organization of material is to present an over-all view of the developmental processes. Obviously, any chapter in the book could, in itself, serve as the subject of one or more volumes; however, it is rare to find the whole process treated together, as it must be in practice. On a national level, the countries of this vast area are involved in disturbing their social fabric, their traditional values, the interrelationships of their societies in ways brought out, perhaps most clearly and simply in the experience of the village architect. To meet the demands of the public health expert, the architect proposed to pipe water into all of the houses in the village on which he was working; however, he soon realized that even this simple move would have the most profound social implications since it was to draw water at the village spring that the young girls were allowed out of their secluded court yards. In this way, they formed their friendships and met their future husbands. Thus, it might be said, clean drinking water had to be weighed in the scales with traditional social relationships.

The inference, drawn here, is that whatever one decides in the scales of national priorities, it should be realized that the ramifications are many and the tools available must be used with great skill and wisdom.

PART I

THE CHALLENGE OF DEVELOPMENT

1

The Character and Scope of the Social Revolution in the Middle East

MANFRED HALPERN *has been Associate Professor of Politics at Princeton University and a staff member of Princeton's Program in Near Eastern Studies and the Center of International Studies since 1958. During the preceding ten years he worked in the Department of State, where he was Special Assistant to the Chief of the Division of Research and Analysis for Near East, South Asia, and Africa. In 1952 he received the State Department's Meritorious Service Award. He has also taught at the School of Advanced International Studies of Johns Hopkins University, the George Washington University, the University of Wyoming, the Foreign Service Institute, the Strategic Intelligence School, the Counter-Intelligence Corps School, and the Washington School of Psychiatry. Mr. Halpern has been a consultant to the RAND Corporation since 1958 and is the author of* The Politics of Social Change in the Middle East and North Africa, *published by the Princeton University Press in September, 1963. Mr. Halpern received his B.A. from U.C.L.A.. and his M.A. and Ph.D. from the School of Advanced International Studies of the Johns Hopkins University, where he twice received a fellowship from the Middle East Institute to pursue his graduate work.*

TO SPEAK of development in the Middle East, we must speak of revolution, for the main reason why development is required in the Middle East is to allow its people to catch up with a revolution that has uprooted the past more quickly and irrevocably than any change which this region has ever experienced in its history. Development is required so that Middle Easterners might set this revolution upon a course which could fulfill for them the promises of the modern age.

At stake, therefore, is not merely the rate of economic growth. An impressive growth rate has been achieved by a number of Middle Eastern countries during the past decade because some men have continued to invest, unaware that the endemic instability of this region has new causes; others have invested because they hope to reap earlier and bigger profits to compensate for higher risks. Some local governments, and occasionally also some

foreign governments, have aided economic growth because they were primarily concerned with prestige and power. Such development, however, even when statistically impressive, does not and cannot bring a resilient stability to this region. Such growth does not come to grips with a social revolution already in progress—a revolution which is the final test of the relevance and strength of all initiatives in the Middle East.

What is this revolution?

There is a transformation in process everywhere in the Middle East—Saudi Arabia and Yemen no longer excluded—far more profound and broader in scope than the revolution which Marx wrote about or Khushchev talks about. It is larger also than the revolutions we commonly speak of when we refer to the rise of the new nationalisms and to the revolution of rising expectations. True, these two revolutions have been particularly dramatic in the area from Morocco to Pakistan, with which I am concerned here. Where there were only seven independent nations two decades ago, and the majority of them possessing only a formal sovereignty, there are now nineteen fully independent states. As for the revolution of rising expectations, it is being accelerated by the pressure of a population that has tripled since the turn of the century, but still has only four percent of the total land area under cultivation.

The revolution I propose to examine here includes much more than nationalism and its discontents. It is a revolution which includes, altogether and in telescoped time, the crumbling of a traditional way of life—that is to say, the disintegration of the traditional structure of Middle Eastern society, and of its values and beliefs. This revolution involves also, and is defined by the rise of new social classes, the rise of new political elites, the pressure for choice among a new range of ideologies, the availability of new institutions and instruments for developing new systems of power and for producing and distributing new ideas and new resources. This revolution also involves, and is defined by, the novel consequences which all these transformations entail for a country's domestic stability and internal, regional, and foreign orientation. The crucial question, therefore, becomes: How much development is required to take the place of what has already been destroyed by this revolution, to compensate for the burden that the past still imposes by being uselessly present, and to satisfy the demands created by the new forces now at work? If I sound more somber than others who discuss the developmental revolution in

the Middle East, it is perhaps because I see more foundations uprooted, more factors in imbalance, more tasks undone.[1]

The revolution of modernization is obviously world-wide in scope. Everywhere in Asia, Africa, and Latin America, the cumulative growth of ideas, production, and power generated earlier and expansively in the West has shattered traditional relationships. The educated and the uneducated were in the age of tradition separated by the amount of knowledge they possessed about the same thing; now those who have a modern education know something belonging to a different realm of being. Radio, movies, newspapers, and books allow a young man for the first time to choose his own intellectual ancestors and spiritual brothers. Modern scientific thought makes possible, indeed requires, a reexamination of all relationships and structures. Whether technician, intellectual, or politician, the new educated generation finds the traditions, skills, and values of its fathers wanting or irrelevant. Moral and intellectual contact has been broken between generations.

This has been true everywhere, but this revolutionary transformation is proceeding in the Middle East under a particularly intense shock. This shock arises from the fact that, as Moslems see it, the traditional Islamic way of life now crumbling was based on God's final and most perfect revelation to mankind. And not only was it God's final word, beyond revision or amendment, but it covered all aspects of life—politics no less than religion, economics no less than morality. The tearing of this single web of life, which bound and inspired Moslems for nearly 1300 years, caused a greater shock to Middle Easterners than did the end of the Middle Ages to Europeans. The end of the Middle Ages came more slowly in Europe to men who had, even in their traditional view, tempered God's power with love and the assumption of reason, order, and justice in the universe, and enlarged their freedom by insisting that the sacred and the secular could only be imperfectly joined in this world. Moslems, by contrast, putting an end to medievalism during the past few decades, come from a world in which God's power is tempered only by mercy, including that mercy which makes each separately created moment at times appear a succession of cause and effect, and the sacred command

1. I have examined this revolution in greater detail in *The Politics of Social Change in the Middle East and North Africa,* Princeton University Press, 1963 (copyright, The RAND Corporation). A number of the concepts mentioned here have been drawn from this larger study.

of God touches all temporal acts. The burden of such a medievalism in a world of science, invention, and continual transformation is heavier, and the change demanded greater, than for a Westerner.

In assessing the cost of exchanging new systems for old, I would like to speak of four individuals who play a particularly crucial role in the process of development—the citizen, the administrator, the planner, and the politician.

Traditional Islam did not know the citizen. It knew the believer whose obligations were to God, and the kinsman whose obligations were to men of his own blood. It knew some other loyalties, too, but none based on citizenship—on a sense of shared public responsibilities. Of all the ties that bound men together, the one social, economic, political and moral unit which alone survived all the viscissitudes of Islamic history was the extended family, and its emanations, the village and tribe. Now the modern age has made it impossible for kinship groups to survive as the final arbiter of opinion and organization. With improved health measures, such a family becomes too large for the land it has traditionally occupied. With the coming of industrialization, there are not enough jobs nor enough incentives in the same location to keep the entire group together. Kinship groups have ceased to be adequate in spirit, size, or organization to serve as an effective unit for collective bargaining with the rest of the world.

However, in fashioning the modern nation in which the citizen can emerge an active and responsible participant, Middle Easterners face greater obstacles than a number of other peoples. The Japanese nationalists profited from the existence of a traditional hierarchic system which had for many centuries already linked individuals and classes in loyalties and formal institutions. Africans, in the course of nation-building, may differ on how centralized their regime is to be within its frontiers, or how pan-African outside. But one choice, however difficult, is clear and inescapable enough for Africans—the option for loyalty to tribes hitherto isolated from one another and therefore an option for parochialism and traditionalism, and the option for loyalty to the nation, and therefore an option for the modern age and its fruits.

Citizenship, requiring both a sense of individual identity and group loyalty is not at all this easily defined or attained in the Middle East. The traditional Islamic system was characterized neither by ordered hierarchy nor by segmented isolation. It was a system instead which institutionalized rivalry among families,

among tribes, among regions, among a multitude of different religious and ethnic groups, between ruler and ruled, between the ruler and the upholders of religious tradition, between soldiers and bureaucrats, orthodox and mystic, between city and countryside, between peasant and beduin, between faction and faction, between individual and any of these institutions and groups. Islam integrated rivalries into a web of conflict and thus held it within bounds, molding it into a pattern of antagonistic collaboration, of balanced tensions among autonomously related forces. This tension between separatism and collaboration, institutionalized and hardened by tradition, makes it much more difficult in the Middle East than in areas that must start from scratch, or can start with inherited links, in fashioning a nation with true collaboration among its citizens. A Syrian may welcome a new United Arab Republic because the artificial frontiers drawn for Syria and most other Middle Eastern countries by Europeans never gave him a true sense of being Syrian, but inspired in him only the hope of becoming an Arab. The Syrian Arab who is a Christian, however, may still wonder how Moslem a new Arab nation will turn out to be; so will the Moslem traditionalist whose loyalty to Islam transcends his loyalty to any nation; the Kurdish Moslem in Syria meanwhile may reserve his loyalty, waiting to discover how Arab such a new nation will be. For traditional reasons, many a tribe and village will distrust such a new central government no less than the old. For both traditional and modern reasons, there are Syrians whose preference remains to unite solely with Iraq, or Jordan, or Lebanon, or all of these but not Egypt. And there are Syrians who may yet kill again because a United Arab Republic foils their hope of establishing an empire based on the concept of a Syrian folk rather than an Arab nation. And withall, I have not mentioned at all those natural conflicts of interest among merchants, peasants, workers, and members of the salaried middle class, among socialists and free enterprisers, centralizers and regionalists which clash in Syria no less than in all other countries.

How much thought have we given to the kind of development that is required to build a system of values and relationships in which the traditionalist and the uprooted are transformed into citizens—and by virtue of being citizens, capable of transforming mere projects into foundation-stones for nation-building, and gains in gross national income into social mobility and political resilience?

One answer is, obviously, that the Middle East needs better administrators, planners, and politicians. Let us look next, therefore, at the revolutionary cost of developing better administrators. The point is often made, justly I think, that Middle Eastern bureaucrats molded by tradition exhibit two seemingly contradictory habits which make rational, efficient, honest and imaginative administration impossible. The traditional bureaucrat can be rigid and formalistic in the interpretation of regulations, and also flexible and even unpredictable in applying the rules. He is likely to be a mere instrument of superior authority and yet he is also likely to bend readily to personal, factional, and family influence. The traditional bureaucrat will demand immediate compliance, and he will delay compliance indefinitely.

If enough men had not encountered him and written about him thus over the centuries, one would scarcely believe that such a bureaucrat could exist except in carricature. If one judges him only by modern standards, one will not only be unable to understand how such a bureaucrat managed to survive and generate successors in his image, but indeed, how he was responsible for helping the Islamic system survive for nearly 1,300 years. For such has been his achievement.

How could the traditional Middle Eastern bureaucrat live with such contradictions and make the Islamic system function? He was a superb expression of that system. I spoke earlier of the traditional Islamic pattern of action as constituting a flexible balance of tensions. The role of the bureaucrat illustrates this perfectly. He found himself in an environment in which absolute certainty constantly struggled with complete uncertainty, and absolute power with a multiplicity of rival loyalties. The certainty of God's power remained in constant tension with the continual uncertainties of life—the constant possibility of death, hunger, disease, shifting loyalties, and violence. The absolute demands of God's final revelation stood in continual tension with the changing concreteness of events and the fortunes of power. The decrees of the powerful ruler needed to be adjusted to the permanent and autonomous claims of families, factions, and tribes. No wonder then that the able and sophisticated traditional bureaucrat developed a prudent calculus for balancing flexible action with cumbersomely formal and protective prose, rigidity with those who no longer counted today with fluidity with those who might count tomorrow. It was an art not only advantageous to those who knew how to maintain this flexibility among the per-

manent pull of opposing poles, but an art essential to the very maintenance of the traditional Islamic system.

To transform this bureaucratic art into the modern professional ability to administer a bank or a network of agricultural cooperatives or any government ministry, therefore, requires much more than new organizational charts, or technical know-how, or mere efficiency. It requires a revolution in the system in which the bureaucrat is to function, and the system that is involved, as I have tried to make clear, it not merely the bureaucratic apparatus itself. The system that must experience a revolution before the modern bureaucrat can function effectively in the Middle East is the system of men's thoughts and beliefs, and the bonds that tie men together. Revolution is a precondition of development.

What I have said about the administrator applies to the planner. There is, however, one further complication. The bureaucrat, in most instances, can remain content if he is met by acquiescence on the part of the people. A planner needs more. He needs, at minimum, intelligent collaboration. That seems a reasonable thing to ask for when the promised harvest is economic progress and social welfare. Why, then, has cooperation usually been so difficult to enlist? I suggest that knowledge has been a greater barrier than ignorance. People in the Middle East know that the price of change involves not only a sacrifice of money and energy—that is, of work, savings, and vested interests—but also a sacrifice of accustomed beliefs, values, and behavior.

Yet several thousand years of experience have taught the Middle Easterner that the wise and prudent man does not value work and production above all things; he values consumption and leisure. Nor does a man who is prudent rely on planning. Long experience has shown the peasant that planning and hard work do not necessarily produce a harvest. The rain may not come; the *khamsin* may blow too long; the sultan may increase his taxes; the invader may come over the hill; disease may strike: against such fate, one could in the past neither plan nor work. In the realm of the spirit, such a life counsels prayer and patience; in the realm of material things, it counsels consumption and leisure—the full savoring of the moment without expectations about the next. Except for the repetitive planning devoted to irrigation, the modern planner in the Middle East is not only without local models. His very vision and behavior go against the grain. If the planner, therefore, is to succeed, he will need more than a coherent plan, adequate capital, and efficient administrators. He

will need to be more than an expert in capital input and output ratios or rural reconstruction. He will need to know how to plan a revolution in the structure, perception, and values of his society, so that the innovational personality might be free to rise and the competent person prosper.

The citizen, the administrator, the planner in the midst of revolution require leadership. I must now speak of the politician.

The politics of development has prerequisites, and high among them ranks the need for political leaders to build a social structure that can accommodate newly emerging social classes and new relationships among individuals. Perhaps the best way to illustrate the importance of transforming the Middle East's social structure is to point to Iran where the Shah's failure in this respect is being compounded by the very program of which he is most proud, namely land reform.

In the twentieth year of his rule, the Shah concluded that the traditional elite had to go and exploitation of the peasant majority had to end. This was a courageous change of perspective for a sovereign who had begun his rule in 1941 by relying primarily on the support of landlords, the military forces which his father had built from among landlord or tribal-allied elements, and the more conservative professional men—a combination believed by the West in those distant days to be the most prudent and strongest available.

As a result, of course, the Shah discovered, as almost every status-quo minded ruler of the Middle East discovered by the 1950's, that he had made no provision for the emergence of a new social class, a *salaried* middle class composed of government bureaucrats, technicians, army officers, teachers, and journalists. This class is allied with a middle class that would like to be salaried but isn't—that is, men trained for such middle class roles, but unable to get a job—and willing to take revolutionary action, if necessary, to acquire middle class status and no other. This new class also finds its allies among the radical professional men, or among moderate professional men who recognize that they face problems of immoderate proportions and whose sense of gradualism is therefore adjusted to telescoped time. This new class and its allies are eager for the kind of education that creates modern skills, the kind of job that opens a career, and the kind of action that gives a mere career individual rewards and social importance. Among Turks and the great majority of Arabs, this salaried middle class is now in control. In Iran, it gained power under Mosadeq

in 1951, only to be overthrown in 1953 with the help of an outside power that would probably not make this mistake again.

Some of the Iranian members of this new middle class have since found jobs. They are to be found, for example, among the ablest and most discontented officials of the Planning Organization. But a fact of much broader significance is this: As a group, the salaried middle class and its social and political allies, the would-be middle class and an important segment of professional men have no sure status in Iran. They are not part of their own society; they are alienated from it. The Shah, especially after the overturn of 1953, has found no reason to trust them and they, for similar reasons, do not trust him.

To secure his rule, the Shah in 1961 decided on a new gambit. He determined to jump over this revolutionary new middle class and try to reach the peasantry and build his regime on them. This is the principal aim of his new land reform program which is no longer confined to the giving away of crown lands, but is in full swing of depriving landlords of all but one village, though hesitating, at the moment, to move beyond that limit. Once most of the land has been distributed, the Shah proposes to call for an election, have his own men swept into parliament by a grateful peasantry and so revise and broaden the foundations of his rule.

I cannot think of any more enticingly misleading gamble.

First of all, this land reform, despite the obvious vigor, sincerity, and speed of its execution, is moving ahead without adequate political, administrative, or economic organization. Such a fault is inescapable, once the Shah decided to ignore the new middle class, for the technical skill, the organizational skill, the political drive needed to teach the Iranian peasant new habits, make his new cooperatives work, widen his political horizon—all these tasks can only be undertaken by the salaried new middle class. Such leadership cannot come from illiterate, inexperienced peasants themselves. Instead, the organizing tasks and the organizers are being neglected, institutions such as land credit banks are being slighted in funds and accessibility, and many a peasant may soon lose to the usurer what he has so recently been given by the Shah.

An awakened peasantry that is frustrated once again and left without strong educated leadership is a most frightful force in the Middle East. It was this kind of peasantry that dragged men by their heels through the streets of Baghdad and Kirkuk in 1958 and 1959. It was this kind of peasant soldier who escaped the control of his officers in January 1962, at the University of Tehran,

and made a savage *jacquérie* of what the government had intended to be controlled repression of student rioters. If the Shah calls an election soon enough, his illusions may well be confirmed by a peasantry that has so far experienced primarily the positive aspects of land reforms. But shrewd timing is no substitute for a sense of history.

A sense of history would require appreciation that it is not enough to dispossess a traditional elite and set the majority of peasants in motion. Potentially the most explosive issue in Iran today is the fact that the Shah remains morally and politically isolated from the new social class that has already set itself in motion, that already contains the majority of innovating and competent individuals in Iran, but that is being denied status in the existing society. In the face of such a challenge, the Shah's most obvious political ability—namely his skill in playing men out against each other—becomes irrelevant when his chief antagonist is not this man or that but an excluded social class.

Very few leaders in the Middle East have been in firm control of their government for as long as the Shah. Few indeed have remained as attached to the West for as long as he has. The Shah has survived interventionist Soviet and British occupation of his country and the hostility of four of his five neighbors—namely Iraq, Saudi Arabia, Afghanistan, and the USSR. He has survived an assassin's bullets; he has survived a temporary loss of his throne under Mosadeq; he has passed through several severe economic crises. Iran's Communist Party has about five percent of the membership it possessed ten years ago. Iran's economic potentials rank among the top three among the nineteen independent countries of the Middle East and North Africa. Iran is self-sufficient in food; its oil revenues of $300,000,000 a year represents about ten percent of gross national product and about twenty-five to thirty percent of the governmental budget. In addition, during the past decade, Iran has received American loans of over $200,000,000 and economic and military grants of about $850,000,000. As a result, since 1954, annual investments have run at about twenty percent and net economic growth about five to six percent.[2] Yet none of these extraordinarily favorable factors are likely to save the Shah unless he addresses himself to an issue that is one prerequisite for political success in the revolution of modernization—namely the building of a social structure that can accommodate newly emerging social classes and new relationships among individuals.

2. These figures are taken from T. Cuyler Young, "Iran in Continuing Crisis," *Foreign Affairs,* January 1962, p. 280.

The majority of Middle Eastern countries is already one step ahead of Iran. The new salaried middle class is already in control led, for example in the United Arab Republic, by a man who has been well called, "a Saladin in a Grey Flannel Suit."[3] This victory of the salaried middle class in the Middle East imposes, however, a number of especially difficult burdens on Americans, and I shall need to discuss these first as they may prevent us from understanding the region's social revolution.

Americans have, probably, already passed the first hurdle. We no longer find it difficult to distinguish between old and new authoritarians, between, say, Nasser and the authoritarian who, like Nuri in Iraq before 1958, based his power on a calculus of personal relations—upon the intimidation of one prominent man, the purchase of another, upon the expectation of future favors by a third, and upon the fear of losing privileges not earned on grounds of talent or skills. Such authoritarian rulers are barred by the very nature of the ties that created their power from engaging in reforms that might harm existing relationships—not only between those who count and those who do not, but any reforms that would destroy the traditional social pattern in which politics remains synonymous with the calculus of personal relations. No specific project, however spectacular, and no additional policemen, however well-trained, are likely to hold such an authoritarian system together for long in modern times. For the transformation of Middle Eastern society has already brought into existence by now almost everywhere men who by virtue of their opinions, lack of personal connections, or sheer number cannot hope to find a place in the traditional matrix of their society. Their weight sooner or later cannot help but overthrow a system that refuses to contain them.

The modern authoritarian rulers, by contrast, arising from among these new men, are trying deliberately to lead a social revolution in order to catch up with the uncontrolled revolutionary consequences of social change. The Nassers, Bourguibas, and Ben Bellas tread a most difficult path: Not only do they face the corrupting temptations of power, but also the fear, perhaps even the fact that they may not, after all, possess skill, resources, and power enough to avoid being overwhelmed by the unsolved problems of their society.

If we are to understand, and if possible to help, progress in a society carrying such great historical burdens amid great scarcities, we shall also need to learn how to make another crucial dis-

3. C. L. Sulzberger's phrase in *The New York Times,* March 26, 1958.

tinction among alien revolutionaries who will often reflect in their own personalities the contradictions, intensity, and frustrations of a society in upheaval. In this part of the world where most moderates fail in the face of immoderate problems, the most important distinction for several decades to come may be the difference between extremists and radicals. I would call extremist any totalitarian movement which institutionalizes terror and violence in order to impose dogmatic certainty in the midst of rapid social change. The Moslem Brotherhood on the extreme right and the Communist parties on the extreme left are examples of it. Radical in the present Middle Eastern environment is any authoritarian movement which insists on mustering sufficient strength to uproot survivals of the past that prevent new growth and to establish roots for modern ideas and institutions. At first glance, this distinction between violence, terror, and dogma on the one hand and discipline, compulsion and flexibility on the other seems depressingly small. In terms of human lives, and the corruption of human dignity, the difference between the cost of Stalin's and Mao's revolutions, and those of Nasser and Bourguiba, is enormous.

I have emphasized the importance of making distinctions in a range of the political spectrum where democratic Americans have usually been unable or unwilling to see differences. Why press this point? Would it not be at least equally valid to underline a seemingly contrary view—indeed, one which deserves to be underlined because it has scarcely been noted: the ease with which the revolution of modernization came upon the Middle East?

How bitter, long, and costly were the wars and rebellions of Europe that finally, after centuries of struggle, put an end to feudalism, separated church and state, and produced the several nation-states! Nasser has overthrown and dispossessed a landed ruling class, put in control instead the salaried middle class, placed most of the economy under government ownership or controlled planning, secularized public life—all at the cost of less than twenty lives—a tremendous contrast to the French, Russian, and Chinese Revolutions.

There are many reasons to account for the extraordinary ease of change in the Middle East so far, but two deserve particular attention in the context of our present discussion. The first is that this ease of transition reflects the persistence of one of the most powerful forces of Islamic tradition—namely, the force of consensus. Islam has from the beginning regarded itself, in Mont-

gomery Watt's definition, as "a charismatic community,"[4] a community that, thanks to God's mercy, would never agree on error. The source of this consensus has changed in modern times. It is no longer inspired by the fathers but by the sons; not by one's ancestors but one's peers—one's classmates, one's own age group. With ever larger numbers of young men uprooted and anxious to tune in on the aspirations and hopes of their fellows—and half of all the people in the Middle East are under the age of twenty—the transformation of society could easily be carried forward by the compelling force of consensus.

But this ease of transition, though remarkable, is misleading, and I have therefore not made it the dominant theme of this analysis. The force of Moslem consensus has asserted itself in the twentieth century in the face of a profound Moslem shock—the disintegration of a social system founded on God's final word. That the force of consensus could reappear, especially under such circumstances, is a sign of great strength, but not of sufficient strength, for there is much evidence that it is an unexamined consensus, based more on confidence in particular leaders than upon an analysis of fundamental problems and basic alternatives.

The salaried middle class, as the leading class in the Middle East's revolution, has just begun to face issues and make choices. That is the second reason why the age of transition has run relatively smoothly so far. Uncontrolled social change in the Middle East began several decades ago; radical action intended to convert the victims of change into organizers of change did not begin in Turkey until the twenties, and in most of the Arab world not until the fifties or sixties and in Iran and Pakistan remains uncertain.

The salaried middle class in the Middle East, having come into being by influx from all social classes, is the first class in the history of this region which cannot hope to rest on inherited status or existing opportunities. It is distinguishable from all other social classes by being the first to be composed of separate individuals transformed and joined together by a new education, new skills, and new aspirations. It is therefore also the first class for which the choice between political ideologies is a real and open choice. The fact that it has so far opted, in overwhelming majority, for socialist and nationalist authoritarianism does not necessarily prove that it has made its final choice—that it may be able to rest

4. W. Montgomery Watt, *Islam and the Integration of Society,* London, 1961.

content with radicalism and not pass beyond to extremism. It has just begun to confront the developmental revolution.

In most Middle Eastern countries, political leaders face an economic problem quite unlike that which ever confronted British, American, or Soviet society. In Egypt, for example, as Frederick Harbison has pointed out, even a doubling of present industrial employment would hardly absorb the annual increase in the total labor force. Moreover, the trend in Egyptian industry, in common with the rest of the world and for the sake of competing in international markets, is toward the introduction of labor-saving machinery. Present industrial production in Egypt's large factories can probably be doubled with hardly any increase in employment.[5]

There is also an external economic problem which has profound political implications—how to adjust to the growing gap between the rich nations and the poor in the world. Egypt, thanks to careful planning and hard work, may come close in the next decade to doubling its per capita annual income from $125 to $250, though without a sharing of Arab resources, it is unlikely to be able to push the ceiling of poverty much higher thereafter. During the same period, the United States will no doubt increase its time for leisure, and its per capita annual income from $2,300 to $3,300. Hard work has ceased to be a match for technological inventiveness combined with non-human energy.

Poverty is painful enough in a traditional society, but once the modern age makes it plain that poverty is invidious, that it need not be borne, that it can be overcome, poverty becomes far more painful than ever before. It is this invidiousness of unnecessary poverty today, and correspondingly, the continuing dependence of Middle Eastern states on the industrialized countries for capital, military security, skills, and ideas, that make anti-colonialism a live issue today, when only a few shaikhdoms in the Middle East remain formally dependent on a European power. It is this continued fact of dependence that feels and smells like colonialism, that rankles a new-found pride, that cannot yet in fact be overcome and that remains a powerful undercurrent embittering relations between the Middle East and, let it be said, Russia no less than ourselves.

I have mentioned only two fundamental economic issues among the many problems that remain unresolved, and that have pro-

5. Frederick H. Harbison and Ibrahim Abdelkader Ibrahim, *Human Resources for Egyptian Enterprise,* New York, 1958, p. 22 and 136-38.

found political implications for the character and direction of a society in transformation. I should like to add only one more issue—a political issue with profound moral implications.

The salaried middle class possesses one intrinsic advantage over all ruling classes which preceded it in the Middle East. In order to create status, power, and prosperity for itself, it must mobilize the spirit and resources of the entire nation. Its own goals depend for success on popular support and participation. But it also labors under one disadvantage which no previous modernizing elite has had to confront. In Japan in the late nineteenth century and in Turkey after World War I, it was still possible to confine the benefits of modernization to a segment of the educated urban classes, and to neglect the rural countryside except as a source of revenues. Today, the spread of communication and hence of information and aspirations is such that no leader can ignore workers and peasants, even at the outset of his march. And even the Japanese and the Turks are being compelled to find room for the active participation of social classes which they had neglected earlier. Because his entire people are now making demands, a modernizing leader in the Middle East today must be able to mobilize more people for modern tasks, and achieve more, and achieve it more quickly, than initially did either Ataturk or the restorers of the Meiji Dynasty.

If today's modernizers cannot soon increase opportunities for jobs and status for the great majority, a new closed society could well come into being in which those who hold positions, especially among the new middle class, try to freeze their hold by converting themselves into a dominant caste of functionaries keeping the rest of their society at bay. A battle against such rule and the resultant instability would have none of the saving grace of the instability that characterized the traditional system of Islam, where rebellion always served to reconstitute authority. Rebellions against such a modern elite would convert the new states into battle grounds in which the sheer necessity of survival engendered the warfare of all against all. For such a struggle, the great majority might well continue to be merely passive victims, that is, men who in this environment commonly weaken to die of disease before they die of starvation. It would be sufficient for a minority to enlist in order to turn the struggle against an arrested revolution into a bloody battle, unlike the deliberate revolution which is now in process in the Middle East.

Most of the Middle East has declared its willingness to deal with

the revolution of modernization, but most of the hard political and social choices are still to be made. Even so, the Middle East may be ahead of us in certain respects. Certainly the Clay Committee Report on U. S. Military and Economic Assistance Programs makes no mention of the revolution of modernization in any terms I can recognize, or the majority of Middle Eastern leaders are already willing to confront. Though our government's views are not adequately represented by the Clay Report, we, too, have not yet done the most difficult part of our homework, nor yet made the most difficult decisions. We have come to recognize that economic and technical aid can make the vital difference in giving a country options. We are also coming to acknowledge that economic and technical development does not, by itself, determine what kind of new social and political system a country will choose, and what freedom it will grant to the individual. We in the United States have done little so far, however, to discover and understand how these—the most fundamental of all national choices—are made. But if the Middle East is still short of administrators and planners, scientists and foremen, it is far shorter still of men with sufficient skill, opportunity, or freedom systematically to inquire into policy-relevant theories of social change—the kind of deliberate change in which modern Middle Eastern man establishes new roots and the capacity to generate and absorb growth on his own.

Such theories of development require that questions be raised that no Middle Easterner has asked ever before in history; that no American has asked ever before in history. Such policy-relevant theories must speak about the politics of social planning under conditions of great scarcity rather than the plenty that Marx saw as a precondition for effective planning; about the dynamics of single party movements that are intended for the first time in Middle Eastern history to connect ruler and ruled in common political, social, and economic purpose yet avoid the extremes of totalitarianism; about the institutional conditions under which political, social, and economic innovation and competence flourish in spite of scanty material rewards. One of the greatest contributions the U. S. could make to the transformation of the Middle East would be to collaborate with Middle Easterners in developing an insightful theory about the character and potentialities of the revolution of modernization proceeding under conditions of misery and in telescoped time. We Americans, too, are experiencing this revolution in our own lives, and our own society, and

in our relations to the larger world order. Although we can meet this challenge with greater resources than the Middle East, we have scarcely more time than they to confront the exploding growth of science, weapons systems, and population, or overcome our remaining poverty, bigotry, and ignorance. In collaborating with Middle Easterners to develop theory and practice for guiding the revolution of modernization in its most intense and difficult form, we may also come much closer, much sooner, to understanding ourselves and our fate as modern men.

2

Urbanism—A Growing World Problem

DOUGLAS ENSMINGER, *the Ford Foundation's Representative in India, was born in Stover, Missouri, in 1910. After attending the University of Missouri, where he received his B.S. in Agriculture in 1933, and his M.A. in Rural Public Welfare in 1934, he went to Cornell University, receiving his Ph.D., in 1939. From 1939 to 1950 Mr. Ensminger worked for the Bureau of Agricultural Economics and the Federal Extension Service, where, at various times, he served on the Land Use Planning Program, did extension work in Rural Sociology, directed the Bureau's research work in the field of Community Organization, was in charge of Extension Studies and Evaluation, and attended two Foreign Extension Conferences (1944, 1949). In 1950, he assumed responsibility for Extension Education and Training in the Office of Foreign Agricultural Relations. In the following year, he joined the Ford Foundation, and has served with it since that time.*

As a sociologist and worker for international development, I have a deep interest in the worldwide problem of population growth and urban expansion. I have lived in India for the past twelve years. During that time, the population of the Republic has increased from 356,000,000 to 448,000,000. These additional 92,000,000 people are approximately equal to the entire population of Japan and almost equivalent to the populations of France and Italy put together. It seems to me that I have been an eyewitness to part of the "population explosion." I am sure of it when I walk about the streets of the cities of India, including those of Delhi and Calcutta.

As the Representative of The Ford Foundation in India, I have been particularly concerned with these two cities. The Foundation has assisted, through a series of grants, the process of comprehensive urban planning for each of them. I have also come to the personal conclusion that urban concentration is one of the least discussed and most significant phenomena of our time. I do not mean there is any lack of discussion of it by those with a professional concern; there are many papers, books, seminars, research contributions in this field. I *do* mean there is little discussion of

it as a world problem by world opinion leaders; discussion which brings it into the minds and into the policy considerations of those who lead nations today and those who will lead them tomorrow.

EXAMPLES OF CONCENTRATION

The extent of the world's population concentration in cities is generally unappreciated. Close to 20 percent of the population of Japan is concentrated in the metropolitan centers of Tokyo and Kobe-Osaka. Metropolitan Athens contains almost 15 percent of the population of Greece. Sydney and Melbourne have 40 percent of the entire population of Australia. And the Federal District of Mexico—Mexico City—has become the second largest city on the North American continent, exceeded only by New York; it now has more inhabitants than the next 9 ranking Mexican cities combined.

The 1963 magnitude of Mexico City is startling to me, possibly because my geography was first learned in the 1920's, when the Mexican capital was comparable to Pittsburgh or St. Louis. My reaction to its present status is almost one of disbelief; Mexico City can't be *that* big. And you have perhaps shared such a reaction toward the recent expansion of other urban centers.

This rather automatic response illustrates that we can be quite aware of revolutionary trends, facts, and statistics, but that—at the same time—we can be mentally or emotionally unprepared to accept their reality, and can subconsciously resist the change in circumstances. So often, our political and social thinking are fixed upon the world as it used to be—not as it now is. Yet there *are* new conditions and problems, and future ones, which have to be faced. The problems of urban concentration, I believe, are high among them.

CONCENTRATION IN WARM AREAS

The world has been operating for quite a while, and cities themselves are not a new development. Never before, however, has the world had so many people, or such large cities. There were some great concentrations of population in ancient times, as indeed there are now, in the Mediterranean regions, the Middle East, the Indian plains, and the Chinese river valleys. But the Americas were nearly empty, as were Australia and South Africa; and populations were thin in the forests of North Europe and the Russian plains and steppes.

The warm places of the earth, in older times as now, held the most people. I venture to guess this will be increasingly true in the future. It will be all the more important in the future, then, to understand the urban ecology of the hot countries; to know and plan for the solution of the growth problems of the Bombays, and Calcuttas, Cairos and Jakartas, Rio de Janeiro, Caracas, Karachi, Mexico City, Hong Kong and many more.

It is perhaps strange that when we talk of underdeveloped countries, we seem by instinct to mean those of the tropics and near-tropics. Alaska and Canada, Greenland, Iceland, Norway and Finland are underdeveloped countries too. So are Siberia and Manchuria, Mongolia, and the Japanese northern island of Hokkaido. All are under-developed in their ratio of people to square miles and in their ratio of exploited to unexploited natural resources. The Soviet Union has tried hard to fill the empty space of Siberia in a process akin to the opening of our own West; the Chinese, pressed by hunger and their Spartan regime, have flowed into Manchuria. But on the whole these lands of bitter winter have been slow to grow even when settled by energetic people possessing stable political institutions, skilled technologies, ample capital, and other resources.

TRENDS IN THE UNITED STATES

In the United States, some of the major areas of growth are California, Arizona, Texas, Florida. Across the country's northern tier—Maine, New Hampshire and Vermont, the Adirondacks and St. Lawrence Valley in New York State, Northern Michigan, the forest lands of Wisconsin, the iron range of Minnesota, the Dakotas, Montana and Washington east of the Cascades—we find that population is relatively stable or declining.

There are many reasons for this shift to the South in our own country. However, I believe an important one is a wide preference of people—given the opportunity—for a warm temperate, a subtropical or even a tropical climate.

It will be interesting to chart the comparable growth of our forty-ninth and fiftieth states—Alaska with its 586,000 square miles of chilly forest and tundra and Hawaii with its 6,424 miles of pineapples, sugar cane and tourists. As of now, Hawaii has a three-to-one lead.

It was not so long ago that, when we spoke of the large Southern cities in the U.S., we meant Baltimore, Washington, St. Louis,

and Cincinnati—which were really border cities. Only New Orleans was at once a large city and truly "deep South." But now, in 1963, of the 25 largest cities in the United States, 8 are warm climate cities: Los Angeles, Houston, Dallas, New Orleans, San Antonio, San Diego, Memphis and Atlanta.

LARGEST CITIES OF WORLD

Of the 35 largest cities in the world, more than half—18 by my count—can be classified as in warm temperate to tropical locations: Tokyo, Shanghai, Mexico City, Bombay, Sao Paulo, Buenos Aires, Jakarta, Rio de Janeiro, Hong Kong, Manila, Cairo, Calcutta, Osaka, Los Angeles, Bangkok, Sydney, New Delhi and Tehran.

If he has a choice, man will live where he can be most comfortable. Is it not conceivable that, if the European Common Market grows into a true union of European States—with free movement of peoples from north to south—that the rush of Swedes and North Germans to Sicily and Southern Spain might become something like our own migration of Iowans to California? At least we can be sure that further changes are in store in the urbanization patterns of the world.

PLANNING FOR WARM AREA CITIES

For our warm area cities, we must think of urban problems and of planning to meet those problems in different terms than we are used to applying in New York or Philadelphia, in London or in Rotterdam. Even within our own country, there is a developing variation between the older city of Northeast and Midwest and the newer air-conditioned, automobile-oriented, outdoorsy city of the South and Southwest. *Time* magazine recently compared Houston's climate with Calcutta's. But in Houston during the hot season, the natural climate does not too much impinge on the air-conditioned man. He now has the capacity to create his own indoor climate by controlling the temperature and humidity.

The city where it is one's objective to keep cool may require different patterns of planning than the "cold" city, just as the city dependent upon the automobiles for transport have different needs from a densely built community.

I am not suggesting that Calcutta or Jakarta are about to find an urban life akin to San Antonio or Phoenix. *I am suggesting that in planning for the future of such cities, we must be careful*

of all established north temperate American and European form. We must, it seems to me, examine all our premises, review our techniques, see everything afresh if we are to understand the processes at work in the cities of the tropics and the semi-tropics and if we are to render advice—when asked—which will have value because it has perception.

URBAN PLAN FOR DELHI

The Ford Foundation has furnished advisory service in the formation of a development plan for Delhi. That plan has just been published and is available.

The plan makes major contributions to the future of Delhi and to planning service in Asia. It embraces the decision of Government officials to industrialize the city beyond the mere 'nation's capital' class, and to locate the industries in nearby ring towns. Also, the plan provides for amalgamation of seven local municipal bodies into the Delhi Corporation for coordination of capital improvements. An innovation was the preparation of a civic design report, "The Ninth Delhi," that translated into illustrations the design for the visual structure of the city—from Government buildings down to the residential communities and block layouts.

The Delhi plan provides: (1) A revision of density standards to levels considerably over Western standards; (2) a complete schedule of Indian house types, beginning with a basic dwelling on a small plot, using stabilized earth walls and bamboo roof trusses—all indigenous materials—to reduce housing costs to one-fifth the present cost of two-room dwellings. Housing clusters were designed, resembling the mohalla structures of the old cities and bazaars of India and (3) a transportation plan with maximum utilization of cycle tracks running along internal greenways from the outlying communities into the heart of the city. This will permit two-thirds of the workers to travel to their jobs by cycles.

Of special importance is the slum clearance program, which calls for minimum dwellings to be built adjacent to industrial centers. Already about 5,000 families have been moved out of the slum areas into new housing projects. Another feature of the Delhi Plan was the recommendation for public acquisition of an entire area of 55,000 acres earmarked for development up to 1981. Of this total 5,000 acres have been acquired, 500 for industrial growth and the remainder for housing and the community facilities. An

additional 7,000 acres is now in the process of acquisition. A new Government Authority has been created to deal with the program for development of new communities.

SITUATION OF CALCUTTA

Calcutta presents quite a different set of problems from those of Delhi. Its difficulties are many and critical.

Calcutta is a city of 2.9 million people (1961 data), who live in an area of 32 square miles. As you may recall, this area is just about half that of Washington, D.C. Obviously, the city is crowded, Metropolitan Calcutta has 5,500,000 people, the second largest urban concentration in the Commonwealth.

Calcutta is a seaport, a manufacturing center, a financial center, and the capital of West Bengal State and its region. Its population has more than doubled since 1931. The Calcutta Metropolitan Planning Organization estimates that the Calcutta City population of 1971 may total 3,174,000 and that the Metropolitan District's number will reach 8,126,000 compared with 6,500,000 in 1961. The city total is expected to be over 4,000,000 by the year 2000—and that of the metropolitan area may be 14,000,000.

Calcutta has distinctive qualities: it is a city of immigrants, many of them non-Bengalis; it is a city of men more than women; it is a city of street sleepers; it is a city where every urban problem—those of India, those of Asia, those of hot countries, those of universal application—may be identified, analyzed and perhaps corrected.

PLANNING IN CALCUTTA

It is for these reasons that The Ford Foundation has undertaken a substantial involvement in Metropolitan Calcutta, by providing consultation, training, and research services to assist in the preparation of a master development plan by the Calcutta Metropolitan Planning Organization. In this, it is hoped to institutionalize the planning process as a permanent function of democratic government in this enormous center.

The Calcutta Metropolitan Planning Organization has been created and is at work. In less than two years, with the assistance of the advisors supplied by The Ford Foundation, it has assembled a great amount of relevant data as to land use, transportation, public facilities, prototype housing studies, and the economic, gov-

ernmental, and social information which is necessary to formulate a comprehensive plan.

As a matter for immediate action, the World Health Organization, with support from the United Nations Special Fund, is now concerned with improvement of the city's water supply and sewage systems. This is a program of grave importance in a city where cholera is still endemic.

The World Bank is concerned with the maintenance and development of the port, which is essential to the city's economy, and with a new bridge across the Hooghly River, which is essential to its transportation system and to future distribution of the population.

The Central Government of India has posted important sums in its capital programming for projects to benefit Calcutta.

All of these courses are vital, even as planning proceeds. No one wishes a "stand-still" on important public projects while the processes leading to a comprehensive plan are being organized and activated. In fact, that would be disastrous. Orderly and considered progress is the ultimate goal, not planning as an end in itself.

The planning process in the Calcutta Metropolitan Planning Organization is just at its beginning. The assemblage of data and the selection of important projects for prompt action are under way, but these are not yet fused together in a comprehensive plan. We in the Foundation hope that this work will result in a broad and effective plan of urban development which can receive the serious, dedicated, understanding support of Calcutta's and India's people and institutions, as well as of the planners.

FORD FOUNDATION'S ADVISORY ASSISTANCE

It is the Foundation's purpose to put in the field in Calcutta, at the service of the Calcutta Metropolitan Planning Organization, as expert a team of advisors as we can recruit, well balanced between the disciplines and with a clear sense of purpose. These specialists are enlisted for terms of service long enough to insure cohesion in the group, continuity in its work, and a steady deepening of its familiarity with the region.

We are not seeking to render advice solely on the making of a physical plan. We are seeking an interaction of disciplines, to help the physical planners avoid economic impossibilities and help the economists to understand the physical components and

capacities of the area. It is our hope that—always at the direction and with the leadership of the Calcutta Metropolitan Planning Organization—the guide lines and principal elements of a comprehensive development plan will be evident by the end of 1965. The interdisciplinary functioning of the advisory group must be matched by a similar approach in the Calcutta Metropolitan Planning Organization. It is hoped that that organization will recruit the best specialists available.

THE PLANNING ACTIVITIES

Much of the CMPO effort thus far has concentrated on assessment of the present level of development. The conclusion from this assessment is that by all reasonable standards of urban living, Calcutta is woefully deficient. This is true not only for such social services as education and recreation, but even for the fundamental services like water, sewerage and sanitation. It has become plain that improvement in most aspects of the development of the metropolis must begin at the very bottom.

Projections for the design year, 1986, indicate that the Calcutta Metropolitan District must be prepared to accept a population increase of at least 50 percent. A corresponding increase in services and expenditures thus should be envisaged to maintain even present standards. If an economic growth of 6 percent, as desired, is achieved, with this increase in population, many things will have to happen. For example, industrial space may well require 150 percent expansion. The Port of Calcutta may have to handle an additional 4½ million tons per year. Housing needs will increase by 40 percent in the city proper and by 105 percent elsewhere in the district. Transportation facilities may require a 50 percent expenditure increase.

The cost of bringing facilities and services to minimum modern levels will be enormous. Therefore, its payment must necessarily be spread over many years. It is also apparent that new demands will be made on the metropolis even while it tries to cope with the accumulated deficiencies from the past.

The key to the area's improvement is an improved economy. To supply the public services necessary to modern urban living requires revenue. Metropolitan Calcutta has significant resources for economic development and stimulation of investments, but no significant growth will be possible without adequate power, water, communication, and healthy manpower.

An urban renewal program on any large scale would be out of the question in the built-up areas within the Metropolitan District. Instead, development must emphasize the *improvement* and supplementation of existing facilities. This applies to streets, roads and transport; to electric power consumption; and even to bustee (slum) housing communities. The principle of aided self-help must also be supplied on as wide scale as possible.

Outside Calcutta City, the opportuniites for accommodating an expanding population and providing modern living conditions lie in the urbanizable areas. Ten such areas have been selected by the CMPO as possible sites for immediate expansion. These are now being planned for. Development in these areas is aimed at fulfilling the city's most urgent needs for housing, employment and decongestion.

Of course, adequate financing for its implementation and provision for its effective administration are essential. Since the planning being done directly involves more than 30 municipalities in the conurbation, there are both financing and administrative difficulties. A major task of the CMPO plan will be to advise how administration can be carried out.

SUPPORT OF THE COMMUNITY

A very important factor in carrying out the plans that emerge for urban development is the support of the private citizenry, their institutions, and the community as a whole. This support requires their participation in the planning task itself, and their full understanding of what the plan involves.

To bring about this participation in a city like Calcutta, whose residents have, for a long time, been throwing up their hands at the mention of any plans for improvement, requires a systematic, deliberate, and continuous campaign for training in urban citizenship. Not all the citizens are immigrants or transients, who are sometimes excused for not having a sense of civic responsibility. Even in the bustees, a program of community organization and information that informs about development plans and goals can be helpful.

Citizen initiative, participation, and self-help are powerful engines for urban development. Without them, in fact, it is doubtful that any continuing, self-generating move for improvement can long be maintained. The problem is how to get these engines created and started in the trouble-ridden cities where they are non-existent or rusty from disuse.

This task is by no means easy. The rapidly expanding cities have received floods of new people, most of them poor and seeking employment at low wages. The cities' own attitudes and institutions are, by definition, oriented to the needs of an earlier period, with their new needs but dimly perceived. For the people as a whole, the mobility and anonymity of city living, the impersonality of mass employment, and the routinization of community services makes many feel that they have little responsibility to the community; that it is their job to work, keep out of jail, and pay taxes; that some nameless "they" are supposed to provide for sanitation and health, housing, education, recreation, and welfare services. There is a feeling of futility, apathy, and smoldering resentment. We know, of course, that slum living conditions, deterioration of the character of the people, and the growth of civil disorder are the expectable results. We have seen them arise within recent years in places as far removed as Delhi, Dacca, Hong Kong, Caracas, and Rio de Janeiro.

Moving upon its urban problems, India has launched two experimental projects of citizen participation in urban community development. One of these has been under way in Delhi since 1959. The other was begun this year in Ahmedabad, a city of more than a million persons. Both projects are partially supported by The Ford Foundation.

This work has been carried on experimentally through civic campaigns, the organization of citizens' development councils, and work with existing voluntary groups. The goal is to involve as many organizations and people as possible in supporting community improvements, in keeping with a planned program of development. It seems possible that such work may even lead, in time, to some aspects of municipal administration being entrusted to small groups of local citizens.

The results have been highly encouraging in these two cities. Hundreds of self-help activities have been organized in Delhi and Ahmedabad in the areas of physical improvements, health and sanitation, education, recreation and culture, economic advances, and the control of deviant behavior.

Municipal Departments of Urban Community Development have been created in both cities. The assigned functions of these departments are to : (1) Develop civic consciousness and civic responsibility among the people; (2) encourage self-help and the assumption of local area responsibility for solving locality problems; (3) identify and train local leaders; (4) encourage people to maintain and make better use of community facilities; and

(5) assist in promoting changes in ways of living that are unsuitable under urban conditions.

This experimental work represents the beginning in India of a wholly necessary adjunct to urban planning and urban improvement. I feel certain of its importance in Delhi, Ahmedabad, Calcutta and all the cities of India, as well as in other cities of the world. These projects seem to me the beginning of an effective, democratic means for achieving solutions to many of the major problems of urban development. They offer great hope in helping downtrodden slum-dwellers gain self-respect, and in realizing they can through group efforts improve their environment as well as contribute toward providing conditions leading to increased incomes.

CONSIDERATIONS IN PLANNING

I do not pretend to know all the major questions which must be raised in the making of a comprehensive development plan for the Calcutta complex. Still less do I know the answers. However, the Calcutta Metropolitan Planning Organization and its Foundation advisors must look to matters such as these:

What would the population of the metropolitan district be in 10 years, and in 25 years, if nothing were consciously done to limit its population growth or to disperse people over broader areas?

Another question is whether the metropolitan district's public facilities—water supply, sewage, transportation—which are insufficient for its present population—can be improved and extended rapidly enough to meet the current needs of the people and also those of the future—or will there be inevitable deterioration and eventual self-enforcing population control?

Also, will the metropolitan area be able to provide schools, hospitals and medical treatment, cultural institutions, open space, recreation—factors which we assume to be essential to a good urban life?

Will it *ever* be possible to stabilize population in a center such as metropolitan Calcutta if there is a large, real or an imagined differential between its living standards and employment opportunities and those of its heavily-populated regional hinterland? If a goal of population limitation is set, how can it be achieved?

What kind of an economic base can the area anticipate? How close can it come to achieving full employment and rising personal incomes? Can it provide housing low enough in cost to fit

the income level of its people and yet be measurably better than slums?

Finally, will the cost of government and public services increase as a result of urban population growth at a ratio faster than the public resources developed by that growth? Would it be more economical for a hard-pressed continent to have 10 medium sized cities than one megalopolis? And can anyone do anything about these situations?

We believe that the Calcutta project will help us to find out.

ROLE OF CITY IN ASIA

In 1958, at the seminar on regional planning which the United Nations sponsored in Tokyo, Professor Philip M. Hauser told us that:

"The relationship between industrialization and urbanization in Asian countries is complicated by the presence of the primate city. The fact that the great cities are already there creates a tendency for further centralization of industrial, commercial, and service development. Moreover, the great city may also have a paralytic effect on the development of other urban places. Hence, the city in Asia, unlike its counterpart in the more developed areas of the world, may be a barrier to, rather than a product of, economic development; it calls for further national economic development to provide it with a sound economic base rather than being a product of such economic development."

We cannot help feeling that the Calcutta Planning Project has important implications for all the cities of Asia, and, indeed, for urban planning everywhere in the world.

CONCLUSION

The ingenuity of human beings, their resourcefulness, and their patience, too, can find ways to make their cities meet the demands of the future. Awareness of the growing problems of urban concentration, adequate discussion of their implications, and careful forethought and planning will be required in steadily increasing degree. Urban concentration is a powerful and advancing force which will test our social capacities to the full. There is today need for much wider realization of the nature of the problems ahead, and for informed leadership in helping society to deal with them effectively and promptly.

3

Urban and Rural Tasks in National Development*

CHESTER BOWLES, *Ambassador to India, was born in Springfield, Massachusetts, on April 5, 1901. After receiving his B.S. from Yale University in 1924, Mr. Bowles was employed by the George Ballen Co. of New York, then founded the advertising firm of Benton and Bowles of which he was Board Chairman from 1936-1941. During the war Mr. Bowles served first as Connecticut Director of the Office of Price Administration, then as National Price Administrator and Member of the War Production Board. In 1946 he became Chairman of the Economic Stabilization Board, and served as a United States Delegate to the Paris Conference of UNESCO. In 1947 he became a special assistant to the Secretary General of the United Nations. Elected Governor of Connecticut in 1948, Mr. Bowles served in that capacity until 1951 when he became Ambassador to India and Nepal. Returning to the United States in 1953, he devoted his time to writing and speaking on public affairs, and in 1958 he was elected to the House of Representatives, where he served on the Foreign Affairs Committee. In 1960 Mr. Bowles became adviser on foreign policy to Senator Kennedy, and in January, 1961 was appointed Under-Secretary of State. Mr. Bowles served in that post until December 1961 when he was sworn in as Special Representative and Adviser to the President on African, Asian, and Latin American Affairs.*

Each year at this point the demise of the foreign aid program is regularly predicted by many members of the press. Yet every year the program somehow manages to struggle through in a relatively familiar shape.

The reason for this annual charade is not that people who dislike the program in April suddenly come to love it in September. Rather, there is a realization among most Americans that what we are striving to do through foreign aid is vitally important to the security of our country and to the peace of our era.

It is, of course, urgently important that we learn how to use this instrument of our foreign policy more effectively. In the less than 15 years the program has been in existence, we have already learned a great deal. Yet the problems with which we are dealing

* Address as delivered.

are very, very old and, relatively speaking, the foreign assistance program is very, very new.

We are therefore still struggling to find the standards and criteria that will help us improve the techniques of development assistance. There are many areas in which our effectiveness is limited by a lack of sufficient knowledge. Let us consider four of them.

Perhaps the most important is our deep-seated tendency to equate development with economic growth.

We tend to judge our progress in 'development' by such purely *economic* criteria as per capita income, increases in kilowatt-hours of electricity, in miles of railroad, and in number of irrigated acres.

Yet those of us who have worked closely with the process of development have learned the hard way that such narrow standards of judgment can be grossly misleading. After all, Batista's Cuba, before Castro, had the third highest per capita income in Latin America. Indeed, there is almost no relationship between those Latin American countries with the highest per capita incomes and those that are most politically stable.

Economic growth is enormously important to national development. But if such development is to lead to political stability, it also requires a sense of participation among the people involved —a sense of belonging and a growing sense of justice. Without these social gains a booming per capita income can actually widen the gulf between rich and poor and lead to a political explosion.

As a case in point, I recall two letters I received from friends of mine working in Iraq in the spring of 1958. The first was from a young engineer in Baghdad, who reported with great excitement his work in damming the Tigris and the Euphrates. He listed all the exciting industrial development that would grow from these power projects and which would presumably benefit the people of Iraq.

That same week I received a letter from a former associate of mine in India, who had worked with the Ford Foundation. His letter in effect was a reply to the engineer, although neither one knew the other.

"I am living in an Iraqi village," he said, "and we often hear that things are going remarkably well in Baghdad, that the Tigris and the Euphrates are being dammed, and that great industries are coming into being. This is undoubtedly a grand thing. But out here in the countryside where most of the people of Iraq live, you would never know there was any change.

"Indeed," he continued, "The only sign of change here is in the fact that the landlords and the money lenders who formerly came by horse or donkey to collect the rent or interest now arrive in Buick cars."

Obviously something must have changed *somewhere,* but it hadn't affected many of the people of Iraq. This was shortly before the political explosion in the *Spring* of 1958 when the Iraqi government came apart at the seams.

A second area where we are limited in our thinking about national development grows out of our own very successful experience with private enterprise. Because it has worked so well for us here in the United States, we often assume that our precise approach is the formula for everyone else.

We have every reason to feel that there are great lessons to be learned by the new nations from the growth of our own country, as indeed there are. But we also must realize that modern capitalism, as we now know it here in America, is a product of a long series of evolutionary changes.

These changes go back to the days of Alexander Hamilton and Andrew Jackson and continue through the eras of Lincoln, Cleveland, Teddy Roosevelt, Woodrow Wilson, F. D. R., and the other great leaders who have helped bring our explosive industrial growth under private capitalism into balance with the demands of social and economic justice.

In contrast the people of most developing countries—and this is particularly true in the Middle East—are still inclined to equate capitalism with the colonialism they so deeply detest. Colonialism came to their countries hand in glove with capitalists who, in their view, often took advantage of their poverty for narrow and selfish ends. If we fail to realize the depths of such attitudes—however distorted they may be—we will find it impossible to communicate with other peoples.

A third development that has often given us a somewhat distorted perspective on the problems of internal development and economic growth is our over-riding emphasis on mechanization. Because costly, complex machinery has been the key to not only our industrial growth but also to much of our agricultural success, many Americans working abroad have wrongly assumed that it is the immediate key to successful growth everywhere.

For instance, our agricultural technicians often overlook the fact that the major purpose of expensive farming machinery here

in America is not to produce *more* food, but to lower our *labor* costs per acre of production. We can afford to expend large sums of money to operate costly machinery because of the high wages paid to American farm laborers.

This is rarely the case in underdeveloped countries, most of which now have a great surplus of labor. Moreover, the Japanese have demonstrated that family labor can get more production out of an acre of rice-land than great tractors.

The Japanese and Taiwanese, who are among the most skilled farmers in the world, don't farm as we define it; they get down on their knees and *garden* each plant as we would cultivate prize roses. This is hard for many Americans to grasp because we have moved far from the fundamentals of grass-roots agriculture as the peoples of these nations know it.

Fourth and finally, because we live in an urban-oriented society it is often difficult for us to understand the problems and peoples of rural areas.

The average American farmer today has more than $40,000 worth of farm equipment, and his competence depends in large measure on his ability to keep it in good working order. While our concepts become more and more mechanized and urbanized, the world with which we are dealing remains basically rural.

It is not surprising, therefore, that the developing nations are sometimes difficult for many of us Americans to understand. The gap is increased by the fact that we as a people are comparatively rich, while most of the world's people are very poor. It has never been easy for rich people to put themselves in poor peoples' shoes, or to understand what motivates them. In short, it is hard for a wealthy nation to understand a poor people of a different culture striving to achieve an economic and social revolution.

Yet while taking into account our errors, we shouldn't underestimate our advantages, for they, too, are very great. Among them is our rural tradition of earthy, grass roots community development and social justice.

One hundred years ago our Congress passed the Homestead Act which provided 160 acres of land to anyone who wanted to farm. It is helpful to remember that our great-grandfathers who homesteaded those farms were in many ways quite radical people.

They also had a sense of community cooperation and a fierce dedication to their own rights as citizens of a free republic. Many of them were constantly in conflict with what they called the "in-

terests." For instance, they didn't like the railroad companies at all and continually accused them of exploitation; nor did they have much use for the great banks or the insurance companies.

They would never have allowed half the value of their crops to go to some absentee Philadelphia or New York landlord. Nor would they cheerfully accept a 20% interest rate from a local money lender.

The Populist Party, for example, was a radical and powerful force in the development of our West. Many of world's people today are similarly radical—if opposition to usury and feudalism can still be called radical. While most of them dislike communism as much as we do, they are in a very great hurry; and if we read our own history, we can better understand why.

Fifty years ago we accepted the need for the progressive income tax and understood the need for better balance within our society. We did not believe that any group of Americans should be allowed to exploit any other group. This has led us into some bitter political debates which were part of the evolutionary process of a great country adjusting itself to the new ways and problems of a mechanized age.

Out of our own history, in short, we can draw on a kind of pragmatic evolutionary, revolutionary approach that is urgently needed in today's world. Our capacity to deal with the great political, economic and social questions that confront us in the Middle East as in Latin America, Africa and Asia is closely related to our capacity to relate ourselves to our own past and to draw from techniques and attitudes that apply in a realistic sense to the problems facing the developing continents.

What I am suggesting is the need for a quite different perspective in dealing not only with Middle Eastern development, but also with African, Asian, or Latin American development.

Let us first consider our objectives. Are we trying through U.S. development assistance to run the Middle East? Are we trying to put ourselves in a position where we can control events there, and decide who is going to do what?

Any sensible person who knows the Middle East would say this is too big a task for the United States, the USSR, or anyone else. The world is too complex for any single nation to run.

What we are *actually* trying to do can be very simply stated: we seek to help the people of the Middle East peacefully build nations in which they can put their trust and faith; nations that reflect

their own framework of culture, religion, and history; nations that can give their people a better start, a better opportunity, a new sense of growth, and a greater sense of justice.

This is, after all, what we helped to accomplish in post-war Europe so magnificiently. This is what we are now trying to do elsewhere.

If we try to buy the allegiance of other people or to make them love us, however, we will certainly fail.

Deep down in our hearts we all know this is true. But I think we must continue to underline it: *The only realistic program we can pursue with any hope of success is the fundamental one of helping people to help themselves* evolve something that they are willing to defend themselves.

Within this framework of general objectives, it is important that we consider how to achieve a better balance between rural and urban development. Although most Americans are urban-oriented, we are conscious of this fact and as a result often make a sincere effort to get out into the rural areas and to try to understand them.

Yet frequently we find the people are strangely apathetic, it is difficult to carry on a meaningful conversation, and we begin to wonder what if anything is being accomplished. So we then decide that what this particular country really needs is a cement mill. After all, we say, *every* country needs more cement.

The point is we are not yet adequately aware of rural people and how to better their lives. They are not often ready to move, and we're not sure what to do about it. Yet somehow the rural areas, where 80% of the people of the developing countries live, must be introduced to modern techniques of agriculture, public health, and communications and brought into a more balanced relationship with the urban areas.

We recognize the urban areas as a market for farm products shipped in from the countryside. But unless the flow also works in reverse, it is difficult for any nation to achieve significant economic growth. How can people who are completely outside the money system buy bicycles, lanterns or sewing machines? And if they can't buy, and buy in quantity, how can industrial factory centers be kept humming?

Throughout much of the Middle East, the same pattern prevails: 70 or 80% of the people are almost without purchasing power, and as a result industries find no markets.

This economic interdependence of urban and rural areas is

evident in every country including our own. One of the first signs of a national recession is usually an initial slump in the rural areas. Decreasing purchasing power for the farmers is eventually reflected back in the great industrial centers of which our cities are the heart.

In addition to more adequate purchasing power, it is essential that the rural majorities feel that they have a personal stake in national development. If they are not cut in on the pie, the result is the increased *political* instability I mentioned earlier.

In 1917, when Lenin decreed that Russian peasants should seize the land which they tilled and displace the landowners, he remarked that "now the Russian revolution is irrevocable." He knew that the peasants would defend their newly acquired land against the counter-revolution of the White Russians. And Lenin, cynical though he was, took a relatively tolerant view in later years of the peasantry and their opportunities. Under Stalin, however, Russia turned to the forced reorganization of the countryside from which she is still suffering.

Today the Achilles heel of Soviet industrial development is the slow growth of Soviet agriculture. Forty-one percent of the Russian people are occupied with farming while only 9% of us in America provide all the food we can eat, plus a huge surplus. A country of Russia's industrial size and capacity should have at the most no more than 20% of her people on the land.

In China, the Communists used the disgruntled peasants as a major vehicle of revolution. Having won, they turned on the peasants, denied them the land they had fought for, and pressed them into communes. Today the peasants are the Achilles heel of China even more than in Russia.

Yet, paradoxically, we often fall prey to the same misconception the Russians do, with their emphasis on the urban forces in the developing nations. Just as the Soviets have never understood the potential of rural people, so the free countries of the world have tended to ignore the fact that over the long haul these are the people who make or break any developing society.

This takes us beyond the simple question of who owns the land. Often "land reform" is no more than a political slogan; yet properly applied it can open the door to vast new opportunities for the human spirit and for economic, social, and political development.

To illustrate my point, we need only study the Mexican Revolution when millions of acres of land were distributed to the tenant farmers—unfortunately, with considerable bloodshed. In a brief

period, agricultural production dropped sharply. As a consequence, right-wing groups who oppose broader land distribution point to Mexico's experience as a failure.

Yet the failure was not the fault of individual ownership, but was due to the lack of a coordinated rural development program. What was needed was an extension service, an adequate amount of rural credit, rural marketing cooperatives, better transportation facilities, and a massive effort to educate the new land-owners in the techniques of farming and community organization.

We should never underestimate the extraordinarily complex problems of land reform. Indeed, there have been only a few cases in all history where land reform has been carried through effectively under a parliamentary or congressional form of government.

Czechoslovakia, in 1926, under the elder Mazaryk, effected a successful democratic land reform. And so did Mexico—although, as I have indicated, it was not as productive as it should have been. India has moved ahead with well-planned programs, and so has Pakistan.

But progress is not achieved easily; the educated people who own the land have a big stake in maintaining the status quo, and it is expensive to compensate them.

We need a great deal more economic study and ingenuity in finding ways to finance and distribute land on an equitable, practical, and productive basis.

Even when an integrated program of rural development has been launched, there is still one further ingredient required. That is a sense of individual participation in the growth of the community. In this regard, it is better to stimulate the villagers to build their own roads and schools—even if the results are not perfect—than it is to have the government do it for them.

I have visited one-room Indian village schools where the learning process is more purposeful and more dedicated than in many of the finest city schools. The pride in these schools is intense, so intense that even the implication of criticism puts one in very hot water.

Such self-help projects create a sense of excitement that grows from the realization that they are creating a better life for themselves, their village, and their children.

Where this self-help approach has not been used, efforts to benefit the people, however spectacular in appearance, may sharply boomerang.

For example, a year and a half ago in one Middle Eastern coun-

try I visited a most impressive series of villages with neat little houses—each with running water, a little outside garden, with a neighborhood buffalo, a school and health clinic. On the surface it was a picture-book setup, well organized and well managed.

But something was missing. The crowds around our car seemed angry and bitter. Through an interpreter I inquired into the trouble. It developed that the villagers had been given an interest-free fertilizer loan early in the year to be paid back when the crops were harvested. Now the government wanted the money, and they were reluctant to pay. "We want to keep the money," they said. "It's our money. What do you mean we must pay it back?"

One man was particularly distressed because his buffalo had died. When the farm extension worker explained that he had forgotten to feed it, he exclaimed: "What does that matter. The government must give me another buffalo."

That evening I talked with government officials who were keenly aware of what had gone wrong: the people had not participated in any way in the development of that particular village. "Next time you come," they said, "we'll take you to many other villages where the people have participated, where they have helped with the schools and the clinics, and where they feel a real stake in their community. These villages may not be quite as showy as those you saw today, but they will be happier places in which to live, and you will not find the difficulties we saw this afternoon."

All this comes under the general heading of "community development," by which we mean the integration of all the different aspects of rural life. In the Middle East and elsewhere, a great deal depends on the way this program is organized.

Within the governmental apparatus, the Ministries of Health, Agriculture, Education, Welfare, Transportation, Labor and the rest are usually all involved in local development. When their lines of communication and administrative control each run straight down to the village, the result is often chaotic, with each ministry competing for the attention of the village leadership in behalf of is particular program.

The method which has been most successful in eliminating this confusion is a coordinated Community Development operation in which the Prime Minister or the President acts as the Chairman of a National Rural Development Board. On this Board sit the Ministers of Education, Agriculture, Public Health, Welfare, and

Transportation. The Board's task is to develop priorities for rural development among schools, agriculture, road building, clinics, malaria control; to decide how much money will be allocated to each activity; and to divide up the available manpower.

This plan—for that is what it is—is then given over to a rural development administrator who is just that: an administrator, not a policy-maker. His organization works at the village level, with staff specialists from the ministries on hand to see that the programs agreed to by the National Rural Development Board are properly carried out. The administrator sees to it that each ministry gets its full share of resources at the local level and supplies its services at the proper time and in the proper sequence. This is integrated rural development.

Without an integrated administrative organization of this kind, the various ministries are rarely able to agree on anything. The result is waste of both resources and trained people.

Another major facet of rural development that has largely been ignored is the towns.

The development program for India, for example, which was originally proposed in 1952, called for groups of approximately 300 villages set around a central town. Here a central market place would be provided with a high school, technical training school, agricultural training centers, and a sizeable sprinkling of light industries.

Unfortunately this program, which made sense on paper, was too expensive for the pace of change that was felt necessary. At that time, India had only had 4½ years of independence, and the average Indian villager had little to prove that independence had bettered his lot.

Malaria came at the same time every year, his children were still illiterate, and he faced the same food and land problems that he had under the British Raj. The government was desperately looking for a way to show that the villagers' lot was improving. The result was a ten-year community development *village* program which has been successful far beyond expectation. Now, many observers agree, the time has come to create new life and development in the provincial towns.

My final point involves the inter-relationship of agriculture, consumer goods, and industry. This is where private capital, both local and foreign, has an enormous role to play.

What controls and motivates a totalitarian society is a combination of parades, excitement, appeals to patriotism, regimentation, and censorship. In a free society a major motivating force is the prospect of more consumer goods. People will work hard for an extra pair of shoes, for a bicycle, a lantern, or a sewing machine.

A little over a year ago I asked the head of a small Southeast Asian country why his peasants produced only one crop of rice a year, despite plenty of sun, water, rich land and wonderful people.

"Build us a bicycle factory," he said, "and we will double our rice harvest." Why, he was asking, should these nice and gentle people, who can pull a fish from the river and pick a mango off one tree and a banana off the other, strain themselves for an extra crop of rice when there is nothing they can buy with the proceeds?

The approach which I advocate is best illustrated by the recent development of Japan:

Before the war, about 30% of Japanese farmers owned their land, and the rest tilled the soil of landlords. General MacArthur and his Japanese and American associates in the military government saw this maldistribution as one of the causes of the Japanese militarism that produced World War II.

The result was the Japanese land reform program which was so enthusiastically accepted by the people.

Under this program, 94% of all the peasant families secured the ownership of their own land. Although the average farm size was only 3½ acres, the output per acre is now the highest in the world. This is not only due to patient and careful tending, but also to an ample supply of fertilizer, cheap credit, and cooperatives to get their goods to market.

As a result, the average Japanese farmer gets over 55% of the consumer price of the products that he sells, which is the highest ratio in the world. Small factories are within easy reach of almost every agricultural area, and 70% of all Japanese farmers have a part-time job that gives them, or members of their families, a cash income in addition to their farm income.

Out of all this has come the extraordinary political stability of the Japanese countryside. It has also played a key role in the dynamic development of industrial Japan. Today something like one-third of all the farms in Japan have television. Nearly all are electrified. Many have electric washing machines, television sets, and many of the other consumer goods with which we are familiar in this country. Because the rural people are able to buy these things, industry booms in the cities where the goods are made.

It is important to remember, however, that the Japanese are an educated people with a high literacy rate and a tradition of organizational and administrative skill. To repeat the pattern elsewhere is easier said than done. Nevertheless, it is a pattern from which much of the world—including ourselves—can learn a great deal.

As I have indicated, our grandfathers would have understood the present-day struggle of the people of Asia, Africa and Latin America for greater economic opportunity and justice.

The challenge to our generation of Americans in the next decade is enough to take one's breath away. Can we meet it successfully? I am essentially an optimist; and on balance I believe that we can.

4

The Nationalization of Take-off

WALT WHITMAN ROSTOW, *Counselor and Chairman of the Policy Planning Council of the Department of State, was born in New York City in 1916. After receiving his B.A. from Yale University in 1936, he attended Oxford University as a Rhodes Scholar, and then returned to Yale, where he received his Ph.D. in 1940. After World War II service with the OSS, Mr. Rostow joined the State Department as assistant chief of the German-Austrian economic division, and in 1947 he became assistant to the Executive Secretary of the Economic Commission for Europe. In 1950, Mr. Rostow joined the faculty of Massachusetts Institute of Technology as a Professor of Economic History, and in 1951 he also became a staff member of the Center for International Studies at Massachusetts Institute of Technology. In January 1961, he was appointed Deputy Special Assistant to the President for National Security Affairs, where he served until December of that same year, when he was appointed to his present position. Mr. Rostow is the author of numerous works on economics and international affairs, his most recent being* The Stages of Economic Growth, a Non-Communist Manifesto, *and* The United States in the World Arena.

The concept of nationalizing the take-off has nothing to do with an expanded role for government in the economy of underdeveloped areas—if anything, the opposite is the case. The concept does have a good deal to do with where the bulk of the developing nations now stand in the growth process.

In preparing this year our foreign aid presentation for the Congress, AID grouped the various developing nations in a most interesting set of categories from which the following broad conclusions emerge.

About 5 percent of the population of the developing nations now live in societies approaching self-sustained growth. In the relatively near future their requirements for abnormal international assistance should come to an end; and they should be in a position to acquire the external capital they need from hard loans, either public or private.

About 50 percent of the population of the developing nations live in societies which, over-all, have demonstrated a capacity for

growth and which are moving forward more or less regularly with their programs in tolerable balance. Whether they demonstrate in the years ahead a capacity to withstand the inevitable structural adjustments that regular growth requires and emerge into self-sustained growth remains to be seen. What can be said is that they are exhibiting, before this full demonstration, most of the characteristics of a nation in successful take-off.

Fifteen percent of the population of the developing nations live in countries which are experiencing one or another kind of serious vicissitude, but which, essentially, appear to have most of the essential assets necessary for take-off or even some more advanced stage of self-sustained growth; for example, Argentina. What they lack in either the essential political stability and national commitment to the growth process which sustained forward momentum requires; or they are suffering from structural distortions that must be overcome if tolerably balanced growth is to proceed; for example, Brazil.

The balance of the population of the developing nations—about 30%—fall into two categories.

The first consists of societies at a relatively early stage of what I would call the preconditions period. Their essential tasks are to build the infrastructure of modernization in education, transport, power, administration, etc. Some quite considerable period may be required before take-off can begin.

The second category within the residual 30% consists of nations under one form or another of acute external pressure—usually Communist pressure—which threatens their stability and prevents an effective development effort at the present time.

These figures are of interest in several respects; but they dramatize an important fact, central to this particular discussion; something like 70% of the population of the developing areas are already living in societies which have either demonstrated quite definitely a capacity to grow regularly or with some political stability and luck they ought to be emerging into that category in the years ahead. While many nations are further back down the line, in terms of stages of growth, the fact is that growth itself, in the form of a demonstrated capacity to produce a rate of increase in total output substantially greater than the rate of increase of population, is becoming the normal condition of a good part of the developing world.

In the face of this fact I would suggest that the problem that we confront and shall confront in the developing nations is not

merely the problem of developing and sustaining a sufficient rate of investment to produce a regular rise in income per capita; it is the lack of regional and sectoral balance in the growth process.

The simplest way to state the problem I'm getting at is that, with very few exceptions, what we see in the developing nations is, as one would expect, that growth has taken hold in certain regions and, certain urban sectors, with a marked lag in the development of the rural areas.

It is, of course, nothing new for growth in the first instance to center in certain key sectors or regions. In the United States, for example, the take-off begins in New England, rooted in the cotton textile revolution, which can be roughly dated between 1820 and 1840. Something like a national take-off only occurred as we went beyond the Appalachians with the railroads in the pre-Civil War generation. And, indeed, the nation as a whole can only be said to have completed its take-off in this generation, with the gathering of momentum in the South since the mid-1930's.

And the problem of regional stagnation is evidently not confined to our own experience, as the evolution of Italy and even France suggests.

So far as the developing nations are concerned, it is not accidental that rural development should have been generally slighted in the first phase of growth. Typically the modernizing governments are urban coalitions: in the Middle East, Asia, Africa, and Latin America. As urban men, reacting against the traditional rural societies, their first thoughts turned to the more glamorous symbols of industrialization, whether they be modern weapons or steel mills; and, indeed, a serious modernization of rural life does depend on the existence of an initial industrial base and an urban administrative apparatus of some competence.

Moreover, as politicians, it is natural that their minds should turn in the first instance to their constituency which has been primarily urban; and from this loyalty has tended to come subsidized services of various kinds, beyond the capacity of their economies and their national budgets easily to bear.

Thus, if one attempts to generalize the situation in most of the developing countries, one can see quite remarkable enclaves of industrial and modern urban activity coincident with stagnation or very slow progress in the countryside.

Rural development is proving, however, not merely a social duty to the less advantaged portions of the population, but a fundamental condition for the maintenance of a high rate of develop-

ment for the society as a whole, including especially its industrial development.

In the early post-war years there was debate about industrial versus agricultural development. Some representatives thought that emphasis on agricultural development was somehow a denial of the crucial role of industrialization—a kind of neo-colonialism. The lesson of experience is that sustained industrialization requires the modernization of the countryside.

There are, in fact, three distinct major roles that agriculture must play in the early stages of the development process. First, obviously, agriculture must supply the food necessary to meet the inevitable rise in population, without yielding either starvation or a depletion of foreign exchange to buy food at the expense of purposes essential to industrial growth. This requirement is heightened by the typically disproportionate rise in urban populations which demand either an increased transfer from the countryside or the acquisition of food from abroad. Second, agricultural expansion is required as working capital for non-agricultural development: to generate raw materials for industry or to earn foreign exchange. Finally, a rise in agricultural incomes can provide important direct stimulus to other aspects of development: it can provide expanded markets for chemical fertilizers, agricultural equipment, and manufactured consumers goods, and it can provide a critically important source of increased tax revenues.

The world about us offers a number of illustrations of what happens to societies when these dynamic interactions between industrial and agricultural development are ignored or inadequately respected.

The most remarkable example is, of course, the situation inside Communist China. There a regime committed itself to a program of heavy industrialization, linked explicitly to the modernization of its military establishment. It was prepared to substitute for peasant incentives the massive power of its control system and substitute for an adequate level of agricultural investment—notably investment in chemical fertilizers—only labor intensive investment, carried out substantially by forced labor. The upshot, carried to a rare extreme by a purposeful and unified group of wrong-headed men was this: first a breakdown in agricultural supplies, such that the whole vast Chinese nation is living at a substandard diet and a third of its foreign exchange—about $500 million—must now be allocated to buy food for the coastal cities; second, a breakdown in its capacity to supply industrial materials from

agriculture to its industry and in its capacity to earn foreign exchange from its agricultural sector (Chinese Communist exports dropped by about 25% between 1959 and 1962); third, a reduction in total resources available for the industrialization process itself. Industrial output in Communist China radically declined between 1959 and 1962, perhaps by 30%.

The measures taken to correct this gross distortion in the Chinese Communist development process have not succeeded in producing anything like a sustained industrial revival, although disintegration has been halted. Many plants are idle or working under capacity; and millions of men and women have been thrust out of the cities to fend, as best they can, back in rural areas where, with private incentives only partially restored, the Chinese peasantry are struggling to keep their heads barely above water.

There has been no failure in the Free World quite as dramatic as that of Communist China, but one can see a pattern of severe structural distortion in a good many countries. In parts of Latin America, for example, industrialization is dampened because of a lack of a sufficiently wide popular market. An excessive amount of industry is producing goods for the relatively small urban middle class; consequently industry works with idle capacity, prices and tariffs are excessively high, and profits are not ploughed back into industry. At the same time the potentialities of modern technology and agriculture are not being rapidly diffused, and many rural regions have not moved away from the fatalism and low productivity methods of traditional life.

With a melodramatic gap between rural and urban life, the more enterprising flock from the countryside to the bright lights and cinemas of the cities, where the rate of industrial growth is not sufficient to absorb them fully in regular employment, while they impose on the public authorities heavy claims for social overhead capital (housing, schools, etc.) which inadequate budgets cannot fully meet, in part, because tax systems are ineffective, in part because income is not rising fast enough.

Further, since the potentialities of modern agriculture are not being applied, some of these countries are unnecessarily sliding into dependence on imported food and they are not exploiting the possibilities of agricultural products as a source of commercial crops for industry or for export.

Finally, as an Egyptian friend pointed out to me, the lack of industry working to a mass market limits industrial productivity and prevents the development of manufactured or processed ex-

port products which can compete in international markets and relieve the dependence on exports of traditional products with a limited future in world trade. It is no accident that the classic initial manufactured product of a developing area, capable of marketing abroad, has been cotton textiles, where generally a mass domestic market can be developed and industrial efficiency attained.

In the broadest sense, what I am asserting is that the present state of a good part of the underdeveloped world requires that we take seriously two of the oldest propositions in economics, to be found, for example, in Adam Smith's *Wealth of Nations* which, read afresh, is a relevant handbook for a developing nation, not merely a free trade pamphlet. One of these propositions is that agricultural output is, in the widest sense, the basic working capital of development of a nation in its early stages of growth. The other proposition is that industrialization depends for its profit and momentum on a progressive widening of the market, with the specialization and efficiency that widening permits.

Although various schemes for creating international common markets among developing nations commend themselves on various grounds—and deserve encouragement and support—I suspect that the most important task in most developing nations is to learn how to widen the domestic market.

In emphasizing the critical importance in the next stage of development of the agricultural sector, I am, of course, saying nothing very new. The role of agriculture in the development process has been emphasized by a good many of those concerned with the development process, not least by one of your distinguished speakers, Douglas Ensminger, who has worked so effectively for the Ford Foundation in India. Interesting and useful efforts have gone forward in many parts of the developing world, designed to accelerate the pace at which modern science and technology are brought effectively into both the production methods of rural life and into its standards of welfare. The brute fact is, however, that the diffusion of modern methods and attitudes in rural life is going too slowly for the good of the developing nations; and it may be useful for those concerned to attempt to take stock of what we have learned out of our experiments in various parts of the world and to consider explicitly how the diffusion process, now rather laboriously and expensively proceeding, can be accelerated.

It is a fair question to ask, for example, whether the terms of

trade—the relative prices of urban and rural goods—are such as to stimulate the kind of agricultural development required to give momentum to the national development process as a whole.

Beyond this exhortation for a critical review of our experience and a search for methods for accelerating rural modernization, I have one limited suggestion of my own to put into the pot.

It struck me sometime ago that in certain of the developing areas it might be helpful to encourage a purposeful effort to manufacture locally and to market in the rural areas on a more effective basis both cheap agricultural equipment and the kinds of consumer goods likely to constitute, at rural levels of income, an incentive to accept and to apply modern methods of agricultural productivity.

This kind of effort could make a contribution to all four of the structural weaknesses to be found in many developing nations which I have described.

It could put the private industrial sector into the production and marketing of goods on a mass market basis, even in poor countries. I have in mind not merely textiles but canvas shoes, flashlights, household equipment, transistor radios, and the classic first phase durable consumers goods—bicycles and sewing machines, as well as pails, hand tools, fertilizers, and other basic agricultural equipment.

Second, these goods, if cheaply and effectively brought into the rural areas, could provide an important incentive to rural families to increase output as well as a part of the means to do so.

Third, by bringing something of modern life to the countryside and permitting rural areas to share at least some of the fruits of the more modern sectors of a developing society, it might help dampen, the excessive flow from the countryside to the urban slums. An Indian friend recently suggested that mobile film projection units in rural areas could significantly reduce the incentive of villagers to move to the cities.

And, finally, by developing efficient production on the basis of mass markets of goods of this kind, additional items for export could be generated.

In short, I am proposing that we consider seriously whether the experience pioneered in this country by the mail order houses, pioneered abroad in urban areas by Sears Roebuck, and in rural areas by the Singer Sewing Machine Company, might have a real relevance to the structural problems now confronted in the underdeveloped areas.

I am, of course, conscious of the care with which any lesson of

our own development experience should be applied in other societies with problems of a different kind. It is clear, for example, that there are very few developing areas where one could actually use the mail order catalog given the state of literacy and the postal services. But I have always felt that of all our experiences in development there were three which might prove of quite general significance: the nineteenth century role of the Army Corps of Engineers in what is now popularly called civic action; the role of the Federal government in stimulating the development of schools of agriculture, mining, and industrial technology under the Morrill Act, passed a century ago; and the role of the mail order houses which, along with the county agents, constituted a powerful complementary team imparting great vitality to the American farming communities.

In any case, I think we ought to experiment with our friends in the developing countries to see if it would work.

What is required essentially, I would say on the basis of a preliminary examination of the practical problems, is that some foreign enterprise experienced in mass production and marketing, link closely with local manufacturers and distributors; arrange for appropriate market surveys and new methods of distribution —probably mobile stores, transported in trucks. Arrangements must be made for a maximum volume of local manufacture; and financing must be organized in such a way as to provide something like three to five years for the concept to take hold and profits to be made on a pure commercial basis.

Aside from the general experience of the United States (and the special experience in the Tennessee Valley), Puerto Rico suggests all this is possible and constructive, as well as certain other regions within developing countries.

This proposal is, I suspect, more than a gimmick. It is rooted in the most fundamental things we know about the way in which human action changes. Action represents a choice among perceived, realistic alternatives. In many tradition-bound parts of the underdeveloped areas the possibility of acquiring modern consumers goods is not a realistic choice, given the lack of economical methods of distribution where, indeed, no methods of distribution exist at all. Nor do peasants in many areas perceive it as a realistic possibility for them to change their methods of production. The objective of this exercise would be to dramatize both the possibilities of new methods and to widen the range of choice that rural families perceive open to them.

Our task is to change action—what people do in rural areas—

and this seems one tool for achieving that objective.

I would make one additional observation: I can think of no form of foreign private enterprise less likely to raise difficulties in developing nations than an enterprise which, in association with local people and institutions, aims to enlarge the production and distribution of consumers goods for the poor citizens and to provide them efficiently the means for enlarging their agricultural output.

But, evidently, this proposal is not a sufficient answer to the basic structural problem I have tried to define today. Moreover, in judging whether it is practical in particular cases, it will be necessary to assess whether the resources exist within the society to generate this kind of production and commerce and to weigh what economists call the opportunity of cost of doing so. In addition, of course, we must press on with rural development on a wide basis, accumulating all the lessons that we can acquire from what is now almost a generation's postwar experience in the development business.

My basic point is, then, that the time is past when we can afford to regard industrial and agricultural development as simply competing for scarce capital resources. In many parts of the developing world the initial basis for take-off has been established in industry and in urban areas, but the maintenance of that momentum requires that the diffusion of modern technology, with all that it carries with it, be extended on a national basis and especially to the lagging rural areas which are, at once, a relatively untapped source of food, industrial working capital, foreign exchange earning capacity, industrial markets, and taxes.

Having established in the first postwar decade the foundations for take-off in the developing areas, representing most of the relevant population, we must move on to nationalize the process if we would not risk frustrating the momentum already achieved.

PART II

ORGANIZING FOR DEVELOPMENT

5

The Planning Process: Its Role in The Developmental Revolution

KENNETH R. HANSEN, *Assistant Director of the Bureau of the Budget, was born at St. Anthony, Idaho, in 1923. He received his college education at the University of California at Berkeley, and at California College in China. Following wartime service with the United States Army in Europe, Mr. Hansen spent five years in Austria, first with the Military Intelligence Service, and then with the ECA Mission. Returning to the United States in 1951, Mr. Hansen was a Consultant to the Senate Interstate and Foreign Commerce Committee, and later Assistant Deputy Director of the Foreign Operations Administration. From 1955-1958, he was with the Atlantic Refining Company of Philadelphia, first as Supervisor of Foreign Marketing Research, and later as Administrative Assistant to the Vice-President and General Manager of Marketing. Early in 1958 he went to Tehran as a leader of a group of advisers on the economic development of Iran. After spending three years in Iran, Mr. Hansen returned to the United States in 1961 to join the Bureau of the Budget.*

THE MIDDLE East is an area of the world where national planning and the planning process need no introduction. Indeed, in the annals of history of the "developmental revolution" the growing literature on national planning theory and practice already abounds with case histories drawn from the region. The Middle East has been a major testing ground for new approaches and techniques, a basic school for a rapidly growing number of national and international practitioners, and a pace-setter in some respects in bringing about the emulation of this process throughout the less developed countries. In fact, several convincing demonstrations of the country planning process have prompted industrialized countries and international institutions to look increasingly to national plans as a bell-wether of developmental prospects. Middle East experience with national planning has therefore already made an important contribution to this aspect of the "developmental revolution," and if the right lessons are learned from this experience, it will continue to do so.

But national planning—like any other approach to achieving order and logic in the affairs of men—is a many-sided and uncertain phenomenon. Clearly, several experiments in national development planning by the Middle Eastern as well as other countries have been unsuccessful. Here, as elsewhere, there have been false starts where attempts have been made to draw up plans solely from exacting scientific calculus of economic and social behavior, the so-called "paper" plans which gather dust today as many-volumned mementos of scholarly enterprise.

We have witnessed several hasty pseudo-scientific foreign assistance shopping lists drawn up largely to elicit external financing. At the cynical extreme, we have observed the creation of so-called national plans which were thinly disguised treatises of political dogma and nationalistic exhortation. And, of course, implementation of national plans has ranged widely from failures to halting successes to enthusiastic repeat performances. Nonetheless, we find a growing embodiment of this approach in the institutions and political structures of those countries intent on achieving rapid economic growth and modernization. A question then arises of what lessons regarding national planning we can draw from the past and apply in the future in the Middle East and elsewhere.

Against the Middle East background, experience with national plans *as such,* has not validated the universal applicability of any particular methodology of plan formulation or any hard and fast doctrine of planning policy. Actual practice and implementation certainly has not lent credibility to the claim that adoption of a formal national plan is a guaranteed shortcut to economic and social development or an open sesame to generous loans and grants from abroad. Even rigorous post mortems of successful planning efforts have not led to the discovery of miraculous cures for sick economics or major elixirs to dull the pain of the stresses and strains of social and cultural change.

Rather, out of a near decade of trial and error experience, we are coming to recognize that national planning as an instrument of economic development, social change, and political progress should be judged—not by the technical excellence of published plans themselves, nor even by the nominal accuracy by which their predictions are fulfilled—but by the contribution the planning *itself* is making to the difficult and elusive task of modernization and nation-building. For even though we now readily recognize that national plans are often brittle and imperfect, and that the

heterogeneous circumstances of their application do not permit broad generalizations of policy and procedure, there are underlying functional characteristics of national planning activities which encourage prescription of this *process* as a means of achieving progress. And we recognize that this *process* has validity when it becomes a dynamic continuing feature of national decision-making—whether explicitly embodied in a centralized national plan of a developing country or when the process occurs implicitly in a more or less decentralized price-market system common to the more economically advanced countries.

Accordingly, it is useful to consider what are the functional characteristics of the planning process which, when reasonably carried out, make the contribution of the planning process especially valuable to developing countries. It is in this context, too, that I suggest that we consider several of the emerging challenges which face the planning technician and his lord and master, the politician-administrator-entrepreneur, euphemistically referred to in the trade jargon as the "decision-maker." Along the way, I propose also to discuss some of the current myths and misunderstandings which tend to distort perspective of this difficult and contentious field—propagated alike by both friend and foe of planning.

FUNCTIONS OF PLANNING

By far the most pervasive function which lies at the heart of the planning process, whether formal or informal, is the systematic collection, recording, analysis, publication, and presentation of information which adds to the store of knowledge of key individuals about their own country, its resources and institutions. Facts about the economy and the social and institutional forces and forms which dictate the ultimate use of material and human resources are the key building blocks upon which any meaningful national decision-making is based. And the planning process of necessity brings into existence a system of collecting information and enables a flow of data to be made an explicit part of the apparatus by which in some degree both the public and private sectors determine their actions.

The design of this information-gathering and information-dissemination apparatus is a deliberate action . . . it cannot by the very nature of the planning process be left to chance and haphazard or parochial impulse. A planning administration—whether highly centralized or decentralized—needs extensive data

about the essential resource picture of the economy. Concurrent with this, an overview of the various sectors must be obtained which will be detailed enough to point up and measure a large variety of inter-sectoral relationships. Technically, there must exist a basis for an examination of the structure and interaction of the various factors of production of an economy, price and income elasticities, transformation and production functions, and for an analysis of behavior.

Thus, the planning process induces an organized effort of information seeking and reporting—directed not only at domestic factors but also extended to foreign markets, patterns of trade and international capital movements. Ideally, it services not only the immediate needs of the planning exercise itself, but provides new sources and forms of data for collateral interests. It should be a continuous and dynamic system; it should be self-correcting, provide for timely acquisition of new experience data, and be so designed that it provides not only static knowledge of what exists, but also information and insight on causal factors and future trends—a picture of what is going on.

The educational result of this process—among government officials, businessmen, students, the general public and even representatives of foreign agencies and institutions—is extremely important. It is a first concrete step toward a commonly held factual picture of an economy and society from which can be developed the superstructure of economic understanding, social awareness, and eventual political consensus necessary to a coherent national effort toward self-improvement.

Accordingly, for most developing countries the deliberate establishment of new and orderly mechanisms for information-gathering, with attendant collation and publication of data is a basis prerequisite to mounting an attack on the problems of development and social change. This could, of course, occur without formal planning. But by inducing and accelerating this development alone, the planning process performs an inestimable service. And to relate this specifically to the Middle Eastern region, we observe that one aspect of the developmental revolution there has been the explosive growth of the universe of data and analysis which has occurred as a stimulus to and concomitant with the development process.

Moreover, this growth of self-knowledge accelerates as the modernization process creates ever greater demands for the factual tools to understand and manage more complex and sophisticated

industrial, commercial, agricultural and governmental undertakings. As this results, it becomes necessary to relate with increasing precision the resource picture to the social, psychological, cultural and political forces working for or against change.

Once this has been undertaken it becomes possible, in turn, to identify the possible impact of change on traditional behavior patterns and values. And these factors must be judged so that the likelihood and desirability of changes of output and consumption, income distribution, and capital accumulation, as well as a host of other considerations, may be assessed with realism and imagination. In short, the planner turns to the task of identifying and accosting the obstacles to specific achievement as well as determining the dynamic forces which can be mobilized and their potential benefits measured.

This second functional operation of the planning process is not, however, so widely and publicly shared. The assessment, categorization, evaluation, and discussion of circumstances stimulating or impeding economic growth and social change, usually takes the form of a protracted dialogue between decision-makers in the public and private sectors and the planners. But the process of confrontation between technical and disciplined analysis on the one hand, and intuition or practical judgments on the other, is a crucial step toward development of a synthesis of judgment and harmonization of diverse public or private interests upon which initiatives for development must ultimately rely.

The degree to which these new considerations are injected into the national political dialogue, either in the course of formulation of a national plan or upon its publication, and the process of legislative adoption and enactment are of great importance not only for its educational effect but also because they can serve to induce the sense of participation in a national endeavor which is subsequently vital to the implementation of a national plan.

Throughout this process, too, the planners and decision-makers come to grips with the problems and obstacles to development which are normally not explicitly faced until the comprehensive overview required in national plan formulation has forced these problems to emerge. It is in this stage that it is possible, for example, to relate shortage of investment capital to the apparent inadequacies of infra-structural facilities. The lags of social capital formation—educational and health facilities—can be appraised from the viewpoint of productivity and manpower requirements; patterns of consumption or savings can be related to the institu-

tions influencing distribution of capital and means of income generation. On the purely technical side it becomes painfully clear, for instance, that creating new jobs requires definite quantities of new capital investment, and this, in turn, indicates the nature and magnitude of future demands on the saving mechanism. The requirements of developing greater income incentives for production efforts, better transportation, and credit and distribution facilities, as well as enlarged technical services to achieve desirable levels of increase in agricultural productivity become apparent. Educational requirements, both general and technical, can be measured and related to specific requirements for skills and for greater efficiency. And, in turn, the entire structure of an educational system is measured against immediate and prospective demands for not only the output of trained people but, even more important, it becomes possible to identify the necessary inputs of teachers, equipment, and specialized curriculum.

Thus, the planning process begins to focus the time perspective in which decisions must be made, relates aspirations more closely to costs and real resource availabilities, and transforms vague and impressionistic ideas of cause and effect into more coherent knowledge of the forces working for and against development and social change.

What lies beyond this stage in the functional planning process is the logical step of taking this new body of knowledge and testing alternative allocations of resources, using various assumptions concerning political, social and economic behavior. This is the "moment of truth" of the planning process; the time when the costs and benefits of different uses of resources—at different levels of availability—are evaluated and monitored by the practical limits of political acceptability and feasibility. This process constitutes an exploration of the possible combinations of government actions, which, together with probable behavior of the private sector, may achieve socially acceptable change and growth. The accumulated data and insights of earlier procedures are synthesized through the process of making judgments as to possible priorities, policies and specific targets which will ultimately represent the outline of the development plan.

Finally, there is the arduous process of formulating and devising the formal plan itself. At this juncture the relentless necessities for choice become compelling. Scarcities become recognized in a perspective which leads to the earnest search for alleviation. Existing policies and strategies are challenged and revised or ad-

justed to accord with conflicting objectives or priorities. Regulatory policies, social welfare activities, subsidies and incentives, taxes and tariffs, patterns of credit and monetary policies, pricing, debt servicing, and a host of other economic and socio-political phenomenon are related to a set of principles and goals which emerge from the process of comprehensive and reasonably disciplined search for understanding and a framework for action which underlies the planning effort.

The result, of course, is a formal development plan. Fashioned by study, debate, and an ever-growing dialogue about means and ends by economists, sociologists, bureaucrats, politicians, private entrepreneurs and representatives of special interests—good and bad—the plan document which emerges represents a singular product of a process which, if based upon relatively widespread participation, has an incalculable impact on the decisions of a large number of key people and provides an explicit benchmark for their subsequent actions.

Thus, to the degree that this process has broadened understanding, increased communication, elicited cooperation, and stimulated new insights on the affairs of a nation or sectors of a society —it has provided a better basis for progress than existed before. And if the plan is put to subsequent use as a disciplined framework for decision-making—as a guide to more efficient mobilization and utilization of resources, and as a comprehensible articulation of social values—the dividends of the effort are multiplied. Even if the specifics of the plan are revised or even repudiated under the stress of changed circumstances in the future, the capability to adjust and revise finite targets and judgments will have been enhanced. In the last analysis, the national plan provides a focus, a forum, and a set of criteria for judgments which hitherto were largely haphazard, implicit, or untested by exposure or debate; it enables public issues to be identified and analyzed in terms of measured magnitudes, time-perspective, and casual interrelationships; and permits a new dimension of public exposure, appreciation and participation in the process of self-determination.

Now, lest my enthusiasm for the possible benefits of the planning process prove misleading, it must be made clear that these attributes do not flow automatically. Experience has shown that a plan drawn up in isolation from those who must understand and implement it does not have educational impact or form in itself the basis for future action. A plan which does not mobilize sufficiently the interest and participation of the key intellects, the

opinion-makers and the "doers" of the public and private sectors does not create the forum of national opinion upon which a consensus may be built. And a plan which is not realistic enough to achieve a certain momentum of enthusiasm and broad public support will not survive beyond its publication as an instrument of policy and a spur to change.

These facts have been learned the hard way in the Middle East and elsewhere, and we can take some comfort that the lessons learned are being applied increasingly in the design of the process of plan formulation.

Now, in sketching the outline of the planning process and the fundamental utility it has to national decision-making, I did not attempt to discuss the detailed means of technical analysis being applied or point to the methodology commonly used in each successive stage of the process. I assume this audience is informed of most of these. There are, however, several developments in the methodology of national planning which deserve specific mention. I propose to discuss these in the framework of apparent or actual disputes or issues which have arisen concerning the planning process as an aid to development.

"MODELS" VS. SUCCESSIVE APPROXIMATION

One of the first of these is the so-called dispute between the econometricians, the "model builders" and the planners who espouse the approach of successive approximation—or trial and error methods of formulating national development plans.

This formulation of the issue is largely false. Few, if any, responsible economic planners claim that the building of massive and complex structures of input-output studies, simulation studies, mathetical programming, and the use of some of the more complex techniques of analysis such as shadow pricing, operations research, or other similarly esoteric means of plan formulation are to be used exclusively in drawing up a plan. The issue, if any, lies in the relative degree to which the resources of planning administrations should be engaged in these processes—and the utility of the product of this technology in making specific judgments and choices.

All of these techniques are to some degree applicable when utilized to give new insights as to the relationships between different sectoral activities, cost benefits, and the probable results of

different allocations of resources. The state of the art of economic analysis has been improved by these approaches when used with discretion and good judgment.

Conversely, it is not correct, as asserted by some, that these techniques are invalid because they do not take adequate account of sociological or political factors or because the gap between planning and implementation—between the laboratory and the field—is still so very wide.

Rather, this somewhat parochial and sterile debate tends to obscure some of the real problems faced by the planning practitioner and to distract attention from the fundamental problems and improvements which occur in the evolution of the techniques of planning.

Without going into detail, I would like to briefly describe some of the insights which might be drawn from the reasonable application of econometrics in planning, as well as some of the legitimate issues which different approaches or different emphasis give rise to.

Some of the most significant assists to the planner arising from the use of the more advanced econometric techniques are:

> The greater assurance of consistency among various parts of a development program. Cause and effect relationships and interactions can be better identified and measured through simulation and the calculation of trial programs.
>
> It becomes possible to systematically compute and test a number of alternative solutions to a problem—using different variables of data inputs and different assumptions. It is possible to present for decision consistent alternatives rather than partially worked out proposals which are often mutually inconsistent.
>
> These calculations provide insight into determining what are the key policy variables—and thus enable the planner to describe alternative development strategies. Time, magnitudes and policy assumptions can be varied with enough precision that better judgments can be made about the future results of decisions made now.

Clearly, with these new tools of analysis, the planner gains more insight into the development process and widens the range of choice among all the various decisions which must be made.

Like any other process of prediction, use of these tools has drawbacks—not the least of which is that the practitioners tend to form a guild and needlessly erect formidable barriers of jargon and complexity between the planner and the decision-makers. And

there is often a misleading aura of precision and certitude arising from formidable calculations and formulae utilized in this process.

But underlying these superficial problems there are more serious questions, especially regarding the application of these techniques to the less developed countries.

THE PROBLEM OF VALUE CHOICES

First, there appears to be a general tendency by both the theoreticians on planning criteria and by the practicing planners themselves to project future allocations of resources largely on the basis of the apparent current objectives and values which any given community may have. Too often planning authorities accept unreservedly explicit growth targets and the implicit social values which exist currently, and work from these to prepare an optimum mix of resource use which would achieve these goals and reflect these same values in the future. Even where attempts are made by more complex methods of economic analysis to present a choice among consistent plans, this too often represents merely variations in the rate of growth of gross national product measured in current prices, and selection from among these plans is considered as the plan that maximizes social welfare.

The problem posed is whether or not current prices and current determinations of social values are enough of a basis for making a large number of decisions which over a longer period of time are almost irreversible. Clearly, for developing countries which have not developed the more responsive price-market mechanism and the means of more informed self-determination—whose values are somewhat inchoate and unformed—there is a real problem about the degree to which planning should solidify any given current set of values and project these firmly into future years. Key choices must be made by developing economies between the goods and services to be produced by the price-market channels on the one hand and those provided by the government on the other.

Choices regarding sacrifices of current consumption made in the context of newly-won political independence change rapidly as the sobering experience of self-government unfolds. Choices as to strategies and timetables change as the impact of technology, transportation and communication create new demands and new awareness of the costs and benefits of changed behavior. And current prices and the current attitudes of uninformed and inexperienced administrators, entrepreneurs and consumers constitute a

very shaky foundation upon which to make judgments of future wants and needs.

Economic planners of both schools could make a better contribution if, with presentation of alternative consistent patterns of resources allocation, at the same time they would attempt to take account more of the fact that not only will the physical resources and availabilities markedly change in the future based upon decisions made now but also that the system of social values and institutions will also change in the future. In short, the plan as it is drawn up should not become such a brittle structure, either with respect to presumed facts or implicit values, that it can be shattered by the radical and rapid transformation of the very society which is to be launched on the road to modernization.

THE BALANCED GROWTH ISSUE

Another aspect of this problem relates to the belief, in part prompted by the greater apparent precision of economic calculation, that planning must be devoted to the achievement of "balanced" growth. Striving for a high degree of consistency and balance in an economic plan can very often cause an allocation of resources which is not ultimately efficient. In some instances, heavy reliance can be placed upon the small and discontinuous changes brought about in the price-market mechanism. In other cases, dramatic and massive gains are possible by a deliberate and intense concentration of resources on given factors of production for a reasonable period. In short, planning for massive jumps in the availability of certain factors of production based upon future assessments of comparative advantage can often have a greater impact on aggregate growth, even with disequilibrium, than a planning approach which attempts to make "balanced" advances along the entire broad front of economic and social development. As it has been put by several exponents of this view—it may be preferable to attempt to influence progress in a certain direction through the creation of dynamic tensions by key investments and policy decisions, and let the collateral factors sort themselves out, rather than attempt to draw up detailed blueprints which may be so imperfect that they impede process and can only be corrected or adjusted at great additional cost and confusion. Clearly, many decisions need only be made in the aggregate, and the results that flow need not be predicted or guided except through the regular mechanism of producer risk and consumer choice.

Accordingly, the composition of future output consistent with a given rate of current sacrifice is one of the criteria which can and should be explored explicitly by the planner and communicated to the decision-maker. And the planner clearly should not narrow the range of options because of dogmatic adherence to analytical processes of plan formulation which stultify the decison-makers who are willing to take the risks of policies and programs which rest on ambitious assumptions of the rate of social change and motivation and the direction these will take. In the last analysis, the planning process can serve to determine feasible objectives, but the application of planning technology itself should avoid setting sights too low as well as guarding against the pursuit of unrealistic goals.

This leads to another question—in part a misconception, in part a dilemma.

PLANNING AS A POLITICAL INSTRUMENT

Many people inevitably associate planning with socialism, communism, or some extreme form of state ownership, direction and control. This is doubtless an understandable judgment, especially in view of the massive reliance on plans which characterizes the Soviet Bloc's activities since the October Revolution. Doubtless, too, many people in the less developed countries are influenced in this judgment by the continuous drumfire of propaganda which extols the relative progress of the so-called socialist camp through planned forced industrialization and communal agriculture.

But this is not a polemical argument alone.

Clearly, most economies are mixed economies—where the degree of government activity and the role of the price-market mechanism vary. Also, the degree to which decisions are centrally made and what is left to subordinate units, public or private, is variable. Essentially, the problem faced by most developing countries is the extent to which planning should use market prices and the market mechanism, and the extent to which market forces should be encouraged or curbed by planned controls, or the production function performed by the government. Even in the United States, just as the Government does not have direction of the dominant share of output, employment, or capital investment in the economy, the U.S. is not prepared to leave all economic decisions to the market. In fact, there has been a growing trend toward greater

concern for the effects—positive and negative—of Government programs and policies upon the economic performance of the private sector. These relationships will vary as among countries and, over time, with each individual country. The Communists apparently are being forced over time to decentralize decision-making more and more to provide different incentives and bring into play more market forces in seeking greater efficiencies. India has been going through changes in these relationships from plan to plan. Egypt is evolving a new mix of public and private endeavors—just as are Pakistan and Morocco and Turkey, to name just a few.

The main point here is not to point to the proximate causes of these different mixes and socio-political systems, but to point out that the planning process itself is not the precursor of this political development—but, like many advances of technology and disciplines of social science, can be adapted to both systems and can be used to reinforce both. Every plan implies some combination of direct implementation through Government action, and indirect implementation through the guidance provided by Government policies and the planning process itself on private decisions. Most of the *techniques* of economic evaluation, projection and formulation are politically agnostic in spite of many efforts to attribute political virtues to their form and political motivations to their exercise.

The underyling differences in political organization, power structure and value systems are the prime determinants as to whether the planning process is to be bent toward democratic, autocratic, fascist or communistic systems. And while plans can be used as instruments of authoritarian control and dominance—so can they be instruments to enlarge the areas of free choice and maximum opportunity for the individual to improve his way of life. I suggest that this debate about planning is a gross and often deliberate confusion of means and ends.

A WIDER HORIZON FOR NATIONAL PLANNING

Finally, to touch on another aspect of the planning process, I should like to point to an aspect of current planning efforts which should be more fully emphasized. This is the need for individual national plans to be fashioned with increased attention to external factors—whether these are simply export-import balances, judgments of international comparative advantage, commodity stabilization—or the multi-national aspects of regional economic inte-

gration and long-term approaches to trade adjustment. Too often national plans are formulated without the perspective of the international market place, regional specialization and the need to accommodate both domestic investment decisions and economic policies to the growing impact of international interdependencies.

This need arises not only because these external factors represent large areas of uncertainty—often lying beyond the control of the individual country—but also because attention to the external developments in trade and finance can result in positive gains in the growth process. We are now participating in an era posed on the threshold of difficult but possible massive changes in international trade relationships among the large industrialized countries and between them and the less developed areas. There is increasing scope for trade, and a more rational international division of labor among less developed countries themselves. And in both of these processes may lie much more than the prospect of economic diversification—important as that is for countries relying heavily on few export commodities. It can mean that greater overall efficiency of resource use on an international scale can contribute to the growth rates of all countries. Deliberate rationalization of specialization by individual countries in the context of freer trade, as well as steps toward commodity stabilization and regional integration, can and should be injected into the investment and planning decisions of less developed countries. In many respects this will be easier for them for most of their investment will be new—and most of it still lies in the future.

Clearly, we are just beginning to consider these problems and opportunities as this decade of development unfolds.

Now, these comments are but examples of some of the many issues and problems which are raised by study of the planning process and its role in the developmental revolution. I have not singled them out because they are the most important or most controversial. We all know that when any *two* economists get together, at least *six* points of view are expressed. But I hope these remarks will tend in some modest way to indicate that the so-called "gloomy" science looks with hope and not despair on the development process—and, through the medium of this evolving technology, can be designed to make an even greater contribution to the "developmental revolution."

6

Should We Insist on Comprehensive Planning?

CYRUS SAMII, *Economist with the Development Services Department of the World Bank, was formerly Deputy Managing Director of the Plan Organization of Iran and prior to that, Undersecretary of Finance. For several years he was successively, Chief of the Budget Bureau, Director of Finance and Director of the Economic Affairs Division of the Plan Organization of Iran. In addition, he has also taught for two years at the University of Tehran at the Institute for Administrative Affairs. Mr. Samii received his B.A. from the University of Tehran in 1948, his M.A. from the University of Michigan in 1950, and his M.A. and Ph.D. from the University of Kansas in 1955. He is the author of* Problems of Budgeting in Iran *(1957).*

Comprehensive planning is currently accepted, almost universally, as the key ingredient in development. No one would deny its utility, but, from my own experience, I should like to pose some problems in practice. To do this, let me set the following—not too fictional—scene:

Professor X, who is extremely interested in economic development, has arranged an extensive tour of visits to a number of underdeveloped countries which are engaged in economic development planning. He is interested in finding out how economic development is planned, what sort of a model is used, how priorities are established, who is responsible for the preparation of projects, and who is responsible for the implementation of the plan: the planning agency or the government agencies concerned.

The Professor is in the office of the Director for Planning in a newly-created Planning Commission.

The Director explains that the country's experience in planning has been limited. In about a year the so-called first plan will come to an end and the second plan for which he has been responsible and on which a fairly large staff, native as well as expatriate, has been working hard will be launched.

He tells his visitor that the first plan was no more than a shopping list. It actually consisted of earmarking a percentage of a particular source of revenue of the country and a list of physical projects to be implemented. There were no targets and no objectives except for a vague reference to an increase in the standard of living of the people, promotion of exports, substitution for imports, and extension of social services. There was no analysis of the available resources of the country. There was no effort to establish the project priorities based on a scientific approach. Furthermore, because of the lack of comprehensiveness of the plan, there was waste due to duplication. Worst of all, again because of lack of comprehensiveness and coordination, the implementation of the plan ran into serious trouble when, due to inconsistent and contradictory policies, inflationary pressures increased the cost of the projects, the country was faced with severe foreign exchange problems and could not meet its foreign obligations, and also the funds allocated for development had to be diverted to current expenditures.

The Director is very enthusiastic about the new plan. He tells the Professor that the experiences of waste, duplication, and lack of coordination of the past few years with the first plan will not be repeated. The second plan, he insists, is a scientific piece of work, worked out carefully by competent economists and other qualified technicians. It is a comprehensive plan for the public sector covering all development activities of the Government and it does not ignore the private sector and its important contribution to development either.

He explains that the objectives of the plan are clear and attainable. Priority is given to the increase of national income and this should be at the rate of six percent a year. Next in the list of priorities comes a more equitable distribution of additional wealth generated as a result of the planned investments and finally the plan calls for providing employment opportunities and improving the condition of the people in the more depressed areas of the country.

The plan is based on an accurate projection of total public revenues, total public expenditures, and the resulting public savings to be applied to economic development plus the foreign assistance that would fill up the gap in order to achieve the six percent rate of growth.

Finally, the Director expresses the opinion that planning cannot be a one-agency show as it has been during the first plan. It has

to be a cooperative endeavor, in which at least the interested government agencies would participate effectively—play their respective roles in planning and also, he declares, the planning agency should not be engaged in the execution of the plan. The execution should be the responsibility of either the various existing government agencies or, in case no competent agencies exist, an agency established for the purpose.

The Professor leaves the office of the Director well satisfied, feeling that the country has really come to grips with the problem of economic development and has made rapid progress in its development efforts.

The second plan is quickly approved with little or no opposition first by the cabinet and then by the Parliament. But in subsequent meetings of the cabinet decisions are made that violate the spirit as well as the contents of the plan. Not much later the Prime Minister smothers the planning organization with instructions for the inclusion of various projects not included in the plan. When the annual budget is submitted to the cabinet for its approval, it becomes apparent that current expenditures are going to be increased substantially more than projected in the plan and consequently the development expenditures have to be drastically reduced. But this anti-development budget is quickly approved.

While the industrial sector of the plan is based on the efforts of the private sector and the role of the Government is limited to financial assistance, the Government, uncaring or unaware, passes legislation that destroys confidence and discourages private investment.

After violations of planning principles in conflicting legislation, insertions of politically expedient projects, and cancellations of projects necessitated by reduced funds, little remains of the "comprehensive" planning described to the Professor.

Still later the representatives of a lending institution come to discuss the new plan and one of the major weaknesses they identify in the plan is lack of properly engineered projects that are ready for implementation. In concentrating on producing a comprehensive plan and reworking it almost monthly after its approval in order to salvage its comprehensiveness, there was insufficient time for detailed project preparation.

Let me digress for a minute and mention something that the Director in his enthusiasm for comprehensive planning failed to

mention and about which the Professor failed to ask. What the Director failed to mention was the achievements of the so-called first plan. He failed to mention that a few thousand miles of good roads were constructed, that the railroad system was extended substantially, that the construction and expansion of two important ports was completed, that two international airports and a number of small airports were in operation, a number of industries were established, three big dams were constructed, a fairly large number of social welfare projects in the fields of education, health, and municipal development were implemented, and a good deal of survey and preparatory work was initiated for future development activities. As a result of these activities the country had developed a number of competent consulting firms and contractors who did not exist before but could now take over, in certain fields, what was previously entrusted to foreign consultants and contractors. The Director failed to mention that the rate of investment during the first plan was perhaps the highest that the country had achieved in recent times.

By signing contracts and firmly committing the government to a large variety of projects—a variety both in scope and in nature—the first plan did involve some waste and duplication, but it also made it more difficult for succeeding cabinets and parliaments to divert those committed funds into other channels.

The Director is not alone in his enthusiasm for comprehensive aggregative long-term planning based on mathematical models. In fact we observe that in the last few years the aid-giving and capital exporting countries as well as the international lending institutions insist on a long-term comprehensive plan and make loans or assistance conditional on the preparation of a satisfactory plan by the aid-receiving countries. Whether the underdeveloped countries requesting aid wish to do so or not, they have to have a long-term comprehensive plan in order to qualify for foreign assistance.

Let me make it abundantly clear at the outset that comprehensive planning is absolutely desirable if, in simple language, it means a careful estimate of the domestic and foreign resources available, the best utilization of such resources and adoption of policies and measures that would be conducive to domestic and foreign investments and the creation of an atmosphere which would encourage cooperation of all people towards economic de-

velopment. This is true not only for underdeveloped but also for highly developed countries.

The point I wish to make is that a long-term comprehensive plan is no guarantee for development, that comprehensive planning can hurt as well as help, and that the validity of the generally accepted idea that the planning agency should plan, coordinate and be the watchdog but should not engage directly in the execution of the plan is open to question.

The advocates of long-term comprehensive planning, whether they realize it or not, start with two basic assumptions. These are that, first, there is the desire for development and, second, that there is cooperation among the preponderant majority of those who manage the affairs of the country and hold the responsible positions of authority. This requires a certain level of social and political maturity which many underdeveloped countries have not yet achieved. If these two assumptions are wrong, insistence on the preparation and implementation of a comprehensive plan may waste time, in so far as its preparation is concerned, and delay rather than hasten development, in so far as its implementation is concerned. If this should be the case, comprehensive planning would be at the cost of economic development since it would mean engaging one of the most scarce resources of the country, namely its well-educated and trained manpower, in a task which will have only academic value when they could have been contributing to actual economic development, and since it would mean dilution of authority and responsibility in the execution of the plan.

The economists were scientific in their approach and in their figures, but they did not take into account that few parliaments, even in highly developed countries, are fully sympathetic to the economists' blueprints for an ideal growth plan. In underdeveloped countries where the governing bodies themselves may be in an experimental stage and those governing are constantly coming and being replaced, long range planning has little meaning. The terms of appointments and office are often so short and tenuous as to make a long-term plan of seven or ten years seem unrealistic to those governing and therefore not imperative.

The short range expediency of diverting development funds from one project to another and even from the development to the administrative budget are much more sensible to the practical politician. For him a dam five years in the future creates no politi-

cal capital but a series of small, quickly completed hospitals, schools, and roads, is a current popularity asset. A port system, in political terms, may be less effective than a five-percent wage increase to civil servants. The initially applauded scientific plan is approved as a political gesture and perhaps as a sop to the aid-giving countries and institutions, and once approved, practical politics takes over. The second *plan* was different from the first but the politics and attitudes of those governing did not change.

In the first plan the planning agency was involved in the execution of the projects as well as in their planning. This did, undoubtedly, make for a certain amount of waste or duplication of effort in the planning agency and in the ministries. However, the planning agency, being in most underdeveloped countries a new agency, usually draws on a younger, more progressive, technically more trained staff. The ministries may not have either the administrative apparatus or a qualified staff. The salary scale, civil service code, and attitudes toward development may make it difficult to attract the staff required, even should a ministry wish to do so.

When the planning agency also participates in the implementation of projects, it must, of necessity, lose its role as an impartial judge. However, the planning agency is vitally interested in development; existing ministries and agencies are often indifferent if not antagonistic to the development plans prescribed for them by the new development board. The planning agency has no powers to combat a ministry's failure to act on its recommendation or to defeat delaying tactics in the implementation of projects when the ministry is opposed to them. Implementation by the planning agency may create a certain amount of waste, jealousy, and vested interest on the part of the development agency, but the jealousy will always exist and it is perhaps desirable to sacrifice the waste and partiality to greater accuracy, efficiency, and a quicker rate of development.

The two major questions are: (1) Is it desirable to have comprehensive planning in all underdeveloped countries? and (2) Who should implement the plan?

Unfortunately, the answers to these two questions depend totally on the conditions prevailing at a certain time in a particular country so no one answer is applicable to all. By the conditions prevailing in the country I mean here the type of government, the position and the strength of the Prime Minister, his attitude towards development; the position and the strength of the Minis-

ter of Finance, his jurisdiction and also his attitude towards development; the technical staff available in different government agencies who would be responsible for the preparation of the sectoral plans and the projects and the implementation of the program and projects and their attitude towards development, consulting engineers and contractors, especially foreign firms; the degree of honesty and integrity of the staff, and whether the salaries paid according to the civil service laws can attract a qualified and competent staff necessary for the task of development.

To start *a priori* with the assumption that in order that development may be achieved there needs to be a comprehensive economic development plan, that this plan should be prepared by an agency outside the regular ministries but directly under the Prime Minister, that a committee of responsible officials should approve the annual investment budget and review the plan in the light of its past progress, that the planning agency should plan and not be responsible for financing and execution but from a remote distance observe the progress of the implementation of the plan is a wonderful theoretical model, logical in its construction and ideal for an ideal underdeveloped country but not always practical and unfortunately not always conducive to economic development.

It is often argued that if the above rational approach is not followed the underdeveloped country will involve itself in all sorts of difficulties hindering economic development. Granted that the absence of a comprehensive plan produces problems, if economic development within a country is more extensive and more rapid with the less logical approach, is this approach not more desirable? It is also often argued that the cost of delay in comprehensive planning should be charged to the education of the leaders of the country. But what should be the cost in delayed development, who should pay it—the masses of people?—and finally what guarantee is there that a lesson taught is a lesson learned? Is there any reason why this learning process should not repeat itself indefinitely with the frequent changes of leaders often common in underdeveloped countries?

To return to the Director's office, the first plan or "shopping list" the Director so deprecated represented a realistic assessment, by those responsible for the arrangement of the first plan, of the indifference, incompetence, and frequent changes of leadership in government and government agencies. It was decided that the source of the funds at the disposal of the development agency should be clearly identified for the period of the plan and not

subject to annual approval either by the cabinet or the legislative body and the agency should have the power to prepare as well as execute projects either through its own staff or through local or foreign consulting firms and contractors. The agency should have the authority to hire people and pay salaries in excess of those stipulated in the civil service laws.

Most observers agree that the people responsible for this arrangement were extremely well informed about the conditions in their country, realistic in their approach, and sound in judgment. I would go so far as to say that they knew themselves and their colleagues well enough not to have any false illusions about their capabilities. In spite of their awareness of the shortcomings of the approach they came to the conclusion that this was the best approach under the circumstances. Naturally because of lack of comprehensiveness there was waste and duplication and because of lack of coordination and cooperation serious problems arose. But the achievements by far surpassed what is being done now that the so-called comprehensive plan is being implemented.

If comprehensive planning is to be practical, when we use the term comprehensive planning we should realize that in the majority of the underdeveloped countries the emphasis should be placed on comprehensiveness in the sense of coordinating the economic and development policies of the country rather than on the mere execution of projects. It is lack of comprehensiveness in this sense that creates monetary and fiscal problems, balance of payments difficulties resulting in uncompleted projects, waste, duplication, increased cost, and loss of confidence in the financial community. So far as the planning aspect is concerned, namely, establishment of needs and priorities, very often these can be satisfactorily based on relatively unreliable data. It does not matter so much if the implementation of the project which should receive the highest priority is a little postponed and the one which should come fifth in the list is executed first. Let us not forget that the first statement of the people engaged in setting up the beautiful mathematical models is generally an apology for lack of reliable statistical data.

In the final analysis what is needed is a realistic estimate of revenues against expenditures and the domestic and foreign funds available for economic development, a sound judgment of the immediate and long-run requirements of the country, and a realistic assessment of the probable economic policies and attitudes towards development of the governing bodies.

7

The Development Equation in Northwest Africa

WILLIAM H. LEWIS, *a member of the History Department faculty of Georgetown University, is also serving as Chief of the North and East Africa Division of the Department of State's Bureau of Research and Analysis. He has attended the University of Arizona, American University, and the Johns Hopkins University, specializing in Middle East and North African studies. Awarded a Ford Foundation Fellowship in 1958/59, Mr. Lewis conducted special field research in North Africa. He has published articles and reviews regularly in* Africa Report, *the* Middle East Journal, Review of Politics, *and* St. Louis Post-Dispatch. *In addition, Dr. Lewis has co-authored several books on international relations, as well as editing the recently published* New Forces in Africa *and* Emerging Africa: Economic and Social Problems. *He currently has two books under preparation dealing with social change in North Africa and problems of historical continuity in the Horn of Africa.*

Prevalent in Western society today is a quaint conceit which fosters in many of us a conviction that underdeveloped societies are bound to reshape themselves in the Western image. Equated with the Western social image is an advanced technology, a highly developed standard of living, and a constantly expanding productive capacity. Subsumed also is a substantial degree of political pluralism, a prevalence of individualism, and an open-endedness of society in terms of its ability to spawn a never-ending combination of new forces and elements.

At the heart of our little conceit is the feeling that the West already has gone far in setting underdeveloped societies on the road to "modernity" in only a few short years. In Africa, for example, less than four score years of colonial rule have produced "far-reaching" social and economic transformations. A new generation of indigenous leadership—Western educated and Westward facing—has emerged which is seeking to re-edit the recipe for the cake of custom, if not to dispense with it entirely. Human and physical infra-structure, thus, exists for the great leap forward.

Underlying our expectation is the notion that sustained contact with the material and other advantages of technologically advanced Western societies will lead Africans to embrace those ways of life necessary to emulate us. The technique to be adopted for successful emulation, as it is contended, involves centralized planning and controls, establishment of clear priorities, and rigorous adherence by African governments to these plans and priorities.

A number of very obvious perils and pitfalls are apparent in the highly ethnocentric nature of this approach. For example, it has been pointed out by Everett Hagen: "It is a non-sequitur . . . to conclude that if . . . custom is broken by Western intrusion, the ways of living necessary for technological progress will then seem desirable."[1] Indeed, whole societies in Africa have felt the heavy intrusions of European influence without, *ipso facto,* thirsting for Western ways of human organization, values, and patterns of living. Where adjustment to Western ways has taken place—as in Casablanca, Algiers and Tunis—accommodation arises in the form of a marriage in which traditional elements remain extant.

But even more basic are the issues posed by development planning itself. In the abstract, the planning process is in character with American temperament. It is especially in harmony with the physical and social engineering orientation of our national society; it underscores our principles of logic, orderliness, and prudence; it offers expectations of reasonable progress, at least as we define "progress" in the Western world. By some in our own as well as traditional societies, a cautionary note is sounded lest development planning lead to a dehumanization—a devaluation—of societies.

A more substantive criticism, perhaps, is the tendency of planners to work with and to perpetuate geographic and functional compartments which are too narrowly based. For example, the present units of planning are generally the newly emergent nations. Yet, the question may properly be posed if the new collectivity is an adequate development planning reference point. Certainly, most such nations lack economic viability, some are socially irrelevant as autonomous collectivities, and several are even notable for the absence of realistic political justifications for their existence. (Potential micro-states such as Gambia, French Somaliland, the Seychelles, and Zanzibar attest to the logical lengths to which self-determination in the 20th century might lead us.) As em-

1. Everett E. Hagen, *On the Theory of Social Change,* Homewood, Illinois: Dorsey Press, 1962, p. 19.

phatically underlined by Margaret Mead, the new nation-state often is "an imperfect unit for the administration of human welfare and is an even more imperfect one for the administration of economic development."[2]

Unfortunately:

> ". . . just at the moment in history when most of the paraphernalia of the nation state, postulated on the political protection of citizens whose economic lot it was powerless to ameliorate, is becoming obsolete . . . the nation state has been transformed into a highly valued and highly inefficient instrument for the equalization of opportunity and the optimization of a good life. At a time when there is a crying need for transnational organizations . . . most of the efforts of the world have gone into the construction of mechanisms that are not transnational but inter-governmental."[3]

These supreme political units of international measurement all too frequently command only an overpowering array of disabilities which economic development planning can only partially ameliorate. They often suffer one crop economies, low consumer incomes, inability to adjust to rapidly changing world market conditions, widespread illiteracy, high birth rates, and a host of related factors. In essence, then, economic planning for many of the new nation-states involves a desperate race to maintain existing living standards—or, in more precise terms, constant exertions to increase production in order to keep pace with a proliferating population. Planning within the confines and for the express benefit of the new nations, in the end, does not assure "modernity" but only a breathless race to hold on to what one has.

Moreover, development programs in our society exemplify a tendency to divide life into neat compartments. In the present instance, discussions of development all too often refer only to a scale of wants, preferences, and goals which are a part of the economic realm. We set this realm conveniently aside as a type of encapsulated stage upon which designers manipulate various elements.

But for possibly 90 percent of the non-Western world's actors

2. Margaret Mead, "The Underdeveloped and the Overdeveloped." *Foreign Affairs,* Vol. 41, No. 1, October 1962, p. 88.

3. *Ibid.,* p. 84.

such a stage would be empty and meaningless. For them, all of life is functionally interrelated. The separation out of the economic realm creates only a half, or quarter, world of reality. What also must be taken into account are such factors as social milieu, cultural values, and human orientations. Above all, what is fundamental in the developmental process is Man himself. And since we are dealing with the complex and often puzzling problems of humanity—no matter what the scale—we must remind ourselves repeatedly of the pitfalls of dealing with the human calculus in terms of manipulable assets and liabilities.

The planning process then must confront a whole range of factors and situations. If planning is to offer any prospect of success it must grapple with cultural biases, social anchors, and individual prejudices. The planning process cannot be simply an academic abstraction or a design prepared from afar. It must descend to the level of the village; insinuate itself into problems of marriage, childbearing, the allocation of social and political power; elaborate a new mix of hope, tradition, and outlook. As pointed out by others,[4] salvation cannot be won by proxy. While technicians, engineers, loans, and earthmoving equipment may be factored into development programs, what is of greater concern is the factoring of human willingness to change, invent, innovate, and finally to articulate new personal standards of achievement. Whether or not the latter is achieved through spontaneous combustion or is obtainable through social engineering is a moot question.

Of greater concern is: (1) Who shall establish the priorities? (2) Who is to decide what is of value in a people's traditions? (3) What means—suasion, coercion, etc.—should be applied in pursuit of "modernity"? We shall examine these questions against the background of northwest Africa.

The North African littoral, embracing Morocco, Algeria, and Tunisia, has been swept over by many peoples and civilizations. It has known Hebraic and Christian prophets, felt the imperium of Rome, and been laid to waste by innumerable conquering hordes. The centuries have witnessed North Africa pillaged and rebuilt in an almost ceaseless cycle of birth, death, and rebirth.

As a result, the area's 25 million inhabitants today reflect every conceivable strand of Mediterranean civilization. Their national cultures, indeed, are a tapestry of many influences—Arab, Berber,

4. See G. L. Mehta, "Interrelated Tensions" in *A Study of World Tensions and Development*. New York: Dodd, Mead & Co., 1962, pp. 35-40.

French, Spanish, Turkish, Italian, Saharan, Sudanic, and perhaps even an almost indescribably small pinch of American.

While change and adjustment have been a constant necessity in North Africa over the centuries, there remains one common cultural benchmark for the area as a whole. Its inhabitants are primarily Arab and Berber in cultural configuration, clan and tribe oriented in basic social loyalties, and given over to agricultural and pastoral pursuits. Taking the region as a whole, more than 80 percent of the indigenous population resides in rural areas. These people remain rooted to local custom in most instances, follow a folkloric form of religious confession, and, while possessing a broad sense of awareness of the nation as a sovereign entity, tend to identify the nation with a living chieftain.[5]

Three distinct, but overlapping enclaves exist in the region as a whole. The first enclave is ecological in nature and reflects the harsh demands of geography and environment. While northwest Africa encompasses a land surface of more than 1,000,000 square miles, the area's population is clustered in less than one-third of its confines. This essentially coastal belt, extending intermittently from Agadir on the Atlantic through Sfax on the Central Mediterranean, accounts for more than 65 percent of northwest Africa's indigenous population. Outside this rich agricultural zone are to be found the Atlas chain, and the steppe lands of the Sahara, all of which are capable of absorbing only a limited number of inhabitants.

Throughout the northern littoral population pressure is mounting and threatens to produce serious economic scarcities. The situation in Morocco is characteristic for the region as a whole. Recent *sondages* (soundings) by the Moroccan government[6] underscore some significant factors. In 1960, preliminary census totals were as follows:

	TOTAL
Moroccan Moslems	11,070,841
Moroccan Jews	150,806
Foreigners	395,823
Total	11,626,470

5. The tendency to identify the state with a charismatic leader has been noted elsewhere in the underdeveloped world. Further study should be made, however, of the psychological roots of such personalization and of its effects upon the developmental process.

6. *Résultats du Sondage au 1/SOè du Recensement 1960.* Rabat, Morocco.

A recent government estimate indicates the following changes:

Moroccan Moslems		11,850,000
Moroccan Jews		125,000
French		160,000
Other Nationalities		165,000
	Total	12,300,000

Several highly significant trends emerge from these and other recent *sondages*. They reflect a net departure of more than 30,000 Jews, a continuing small loss of skilled French personnel, and the return of more than 150,000 Algerian refugees to their homeland in 1962. Despite this drain, the total population increased by approximately 750,000—an increment which is the exclusive hallmark of the indigenous Moslem sector. These estimates indicate a three percent net annual increase in population. Significantly, Morocco's original 1960-64 five year development program erroneously assumed a 2.5 percent growth rate.[7]

This general population upsurge affects all northwest Africa's geographic zones. However, its ultimate impact is felt most acutely within the coastal enclaves. (1) Population pressure in the disinherited regions fosters seasonal and permanent migrations to the coastal enclaves. (2) A multiplier effect is produced in urban centers which themselves have only a very limited absorptive capacity. (3) A new social and economic phenomenon is beginning to emerge as a result—the tin can, shanty villages (*bidonvilles*) of the *bled* (countryside) and their seasonally underemployed populations. Such agglomerations are now to be encountered in many rural towns of 3,000 and more. They represent the backup from the modern cities which no longer are able to accommodate the once torrential influx of workers in search of salaried employment. Such middle-belts of "urbanization" indicate that the influx into coastal enclaves may have saturated the current urban population absorptive capacity.

It is within these same coastal zones that we find northwest Africa's two remaining enclaves—the centers of modern economic activity and the loci of government authority. Until recently, these latter enclaves were largely the preserve of the Europeans. While Moslems might enter them in search of employment they lived apart from the Europeans and received smaller incomes. In reality, Moslem and European milieus were separate worlds.

7. Morocco's indigenous Moslem population increased twenty-nine percent, or 2,520,000 from 1952-60 alone.

That Moslems and Europeans shared few social prerequisites or economic advantages in the pre-independence period is evident from the situation that obtained in Algeria. Numbering little more than one million out of a total population of ten million in 1960, the Europeans accounted for an estimated 45 percent of total personal income for the country as a whole. Other figures are equally instructive. Europeans (1) supplied almost 65 percent of the industrial labor force, more than 60 percent of top echelon governmental personnel, and more than 17 percent of the personnel in commerce and the "liberal professions"; (2) reportedly were responsible for employing 90 percent of the national labor force in industry and commerce; (3) accounted for 92 percent of gross business earnings; and (4) provided 92 percent of Algeria's private investment.[8]

The segregation of the Moslem from the modern sector probably was most clearly reflected in Algeria's educational system. While 870,000 Moslems were matriculating at various levels in 1961—an increase of 380,000 over 1958—only 31,500 youths were in secondary schools. Of more than 7,000 students enrolled at the University of Algiers, only 1,300 were non-European (on the other hand 3,350 were pursuing advanced studies, many with Algerian nationalist financial support[9] outside of Algeria.)

The primary challenge posed to northwest Africa's nationalist leadership in the post-independence period has been the rapid integration of the separate communities. No longer may the modern enclaves of commerce, trade, industry and education remain the special preserve of the Europeans, and under the vigorous guidance of nationalists like Habib Bourguiba, Abderrahim Bouabid, and Mehdi Ben Barka programs of "decolonization" have been introduced in Morocco and Tunisia to equalize opportunities and rewards between Moslem and European. In respect to losses of special European skills through emigration, dramatic declines in savings and consumption, and a lowering of confidence on the part of potential French investors the costs have been quite high. Nevertheless, the present generation of nationalist leadership sees decolonization and integration as an imperative for future economic development planning. For without meaningful integration, the governments feel that they would be unable to introduce balanced development programs, properly to

8. See the author's "Algeria, The Plight of the Victor," *Current History,* January 1963, p. 22-28.

9. *Ibid.,* p. 23.

assess the overall needs of the various national sectors, or to anchor their people to development priorities which will be fashioned over the next 5-10 years.

That the costs of decolonization can be critically high is attested by Algeria today where all hope of long-term development planning must be sacrificed for programs aimed merely at survival.

INTEGRATION: THE ALGERIAN DILEMMA

Paradoxically, the pains felt by Algeria's nationalists in the struggle for liberation have produced few earthly graces. Independence has brought Algeria to the threshold of economic and social collapse. The dislocations of transition to independence have been so far-reaching that the government of Prime Minister Ahmed Ben Bella is confronted with problems of recovery and rehabilitation in every conceivable sphere of human enterprise. Since the consummation of the peace accords at Evian in March 1962, the flight of more than 800,000 Europeans has virtually paralyzed some key sectors of Algeria's modern economy so that unemployment claims more than 50 percent of Algeria's indigenous manpower force—in excess of 3.5 million are without adequate income, food, or shelter. In addition, the country's subsistence agricultural sector has been completely upset by more than seven years of war, so that Algeria today is unable to feed itself adequately. In the chaos, the vital records and statistical data required for national reconstruction have been misplaced or lost.

The Ben Bella regime is concentrating on the most essential tasks—determining what needs to be done and securing the administrative and other means to ameliorate the existing situation. Lacking in experience, severely short of trained administrators at all levels, and uncertain of its control over some geographic regions, the Ben Bella government is still seeking to establish the range of its own capabilities as well as the scope of national requirements. In short, during the present period of travail and readjustment, the new regime is still attempting to find its way.

The indicators for short-term Algerian recovery are far from reassuring. (1) The structure of the national economy has been severely unbalanced by the European exodus, with a resulting decline in industrial output, commerce, and trade. (2) Domestic capital formation has been inhibited by declines in domestic savings and the uncertain climate for investment from abroad.

Socially, probably the most critical problems have been the

rising level of urban unemployment and the threatening collapse of traditional subsistence agriculture as a generally self-sustaining sector. The latter development has fostered a large inflow of peasant farmers to towns and cities, thus increasing employment, housing, and related social problems, as well as clogging normal channels of distribution and domestic trade. In the past, Algerians in the traditional subsistence agricultural sector have had a low horizon of wants. However, the turmoil of war, destruction of their homes, and French resettlement policies have upset traditional patterns. In the disinherited eastern and south central reaches of Algeria particularly, which are now attempting to reabsorb hundreds of thousands of refugees and regroupees, these upsets have engendered severe social pressures.

On the whole, the socio-economic problems which engulf Algeria's nationalist leadership today are likely to retain a configuration for at least the next several years which include: (1) a high birthrate and declining morbidity rate; (2) about 90% functional illiteracy; (3) a youthful population—in excess of 50 percent under 21 years of age—seeking better education, employment opportunities, etc.; (4) an increasingly irrational distribution of population in cities and towns; (5) mounting social overhead costs which cannot be met without tremendous financial transfusions from abroad; and (6) pressures for the adoption of policies and palliatory measures which impede the formulation of logical or consistent economic development or social reform programs.

Preliminary planning already undertaken perforce has concentrated on such emergency priorities as feeding, make work projects, and demobilization of men under arms. On the whole, the Ben Bella regime has proved pragmatic and flexible in its efforts to achieve a vectoring of needs and capabilities. The primary concerns at present are to consolidate its own political power position, to root governing cadres in the countryside, and to establish a type of self-help program which will generate enthusiasm for self-sustaining local projects. In order to preserve the modern economic enclaves built up by more than 130 years of French rule, the Ben Bella government also has moved to reopen and assume direct responsibility for the operations of manufacturing establishments and farms left vacant by the departing Europeans. In addition, the government has sought to interdict the efforts of wealthy Moslem "profiteers" and "exploiters" to purchase European property at abnormally low prices.

The essentially utilitarian approach of the government has been

characterized by Prime Minister Ben Bella himself as a purely Algerian form of socialism. One provocative feature which has been prominent in the government's approach, thus far, however, is its heavy emphasis upon collectivization of sequestered property. In the agricultural field, for example, self-management committees have been formed under a system of "democratic reorganization." As envisaged by the Prime Minister, a national congress of these committees for collectivized property is to be convened ultimately to share combined experience and knowledge and to elaborate new structures for further "agrarian reform." Ben Bella seeks in this approach to permit Algeria's "valid revolutionary forces . . . to emerge, to regroup, and to organize."[10]

During the present formative period the Ben Bella government has moved carefully to preserve its ties with France and quietly to nurture a still-fragile spirit of cooperation. This spirit, while by no means pervasive, has convinced the de Gaulle Government to offer substantial credits and grants, as well as subventions for more than 10,000 French school-teachers, and the provision of 130 French experts to assist the beleaguered Finance Ministry. The same spirit has encouraged the petroleum industry so that Algerian oil and natural gas production is expanding at a relatively rapid rate and promises to provide much needed revenues. Output of crude oil, for example, will be well beyond an annual rate of 20 m. tons by next year assuring revenues in the neighborhood of $50 million.

There are, of course, numerous critics of this still relatively cautious approach in Algeria, and the Prime Minister is under pressure to adopt more nearly classical socialist policies and programs. Rather than an emphasis upon local self-help these critics would prefer a greater centralization of responsibility in the government at Algiers; instead of reserving a special position in the community for foreign investors—particularly, for European entrepreneurs—they would nationalize all sectors of the economy and apply even more broadly the austerity programs already introduced by the government; finally, they would concentrate upon essentially non-agricultural sectors for recovery purposes, emphasizing development planning in terms of enlarging and reinforcing the modern but precarious economic enclaves.

The differences in approach are substantial. (1) While the one school is inherently authoritarian, the other is more inclined to establish representative institutions. (2) The extremists would

10. *Le Monde,* April 24, 1963.

be willing to accept the risks of a rupture with France, with all of the serious consequences that might ensue. (3) The pattern developed by the extremists for the mobilization and guidance of the Algerian people resembles a Chinese Communist model in which human sacrifices and losses probably would be monumental.

Thus far, the dialogue which has taken place between Prime Minister Ben Bella and his critics has been confined to refined broadsides in the local Algerian press. But the promethean urge towards recovery and progress undoubtedly will place even greater strains upon the protagonists. It is, of course, possible to envisage a graduated position along the spectrum. But even a partial accommodation on the part of the present government leaders might involve incalculable social and political costs.

Philosophically and conceptually, the casual Western observer might underline the necessity of treating Algeria as a wartime casualty whose wounds must be bound up before economic planning may be prudently attempted. For the present generation of Algerian leadership, however, the real points at issue revolve ineluctably around a different type of decision-making: (1) what type of society is deemed both desirable and attainable?; (2) who shall establish the priorities?; and (3) what are the instrumentalities to be employed?

The divergencies in answers to these questions are predicated upon honest differences of opinion.

TUNISIA: AN EXEMPLAR OF BALANCED AUTHORITARIANISM

One of the principal dilemmas confronting North African social planners revolves around the role to be accorded the region's newly emergent functional elites. Aiming at the erosion of the "traditional" folk community and the forging of broader loyalties and networks of social and economic relationship, social planners must bring into stable equilibrium a host of non-traditional groups. Each new group wishes to carve for itself special privileges, rights, and identities (thus threatening to cause fresh fissures in the body politic). To frustrate the aspirations of these functional elites is to slow the momentum of change. On the other hand, to give them free rein is to foster aimless competition.

The real test of legerdemain for today's planner is the achievement of political integration of a newly emerged and expanded national society. The most promising answer would appear to repose in a functionally interrelated society. In such a society, as Howard Wriggins has pointed out,

> ". . . a premature acceptance of competitive party politics or the unduly rapid development of autonomous mass organizations in the name of greater representation of popular demands, may only induce political disruption. Conversely, an undue preoccupation with providing adequate public order may only result in mounting popular resentment against an unresponsive government. . . ."[11]

Each government must "find its own appropriate combination of order and responsiveness."

In Tunisia, President Habib Bourguiba, after 20 years of nationalist leadership and nearly eight years of post-independence stewardship, has brought into existence and apparent balance a network of organizations with representative elements from many spheres of modern Tunisian life. Through the magnetism of his vibrant personality, personal courage, and strength, he has almost singlehandedly forced Tunisia's various functional elites—labor, intellectuals, men of commerce and trade, teachers, and military personnel—to accommodate their own parochial interest to the "national good."

What precisely is the Tunisian President's apprehension of this ultimate good?

No simple, empirically-based response is possible. However, from the very inception of his political career, Habib Bourguiba appears to have developed an obsession with what he believed to be the necessity to build a new Tunisia. As early as 1931, he issued a challenge to the Tunisian people to rise above their existing ignorance and stagnation, and to seek a new identity for themselves.

> "Is . . . this a country without vitality, a degenerate people which is declining, reduced to be nothing more than a dustbin of individuals, a lump of people. . . .? Or is it, on the other hand, a sound and vigorous people which international competition or a momentary crisis has forced to accept the tutorship of a strong state? Contact with a more advanced civilization has led to a healthful reaction. A true regeneration is being produced [in it] and thanks to a judicious assimilation of the principles and methods of this civilization, Tunisia will inevitably attain by degrees its definitive emancipation."[12]

11. W. Howard Wriggins, "Politics: Purpose and Program," *AID Digest.* August 1962. Agency for International Development, Washington, D. C., p. 18.

12. Cited by Charles F. Gallagher in his chapter on "Tunisia" in *African One-*

With independence, the *supreme combattant* of the protectorate period has transformed himself into his country's supreme guide. Through a relatively judicious application of varying techniques—lectures and harangues, suasion and coercion, institutions *a la base* and paternalistically authoritarian techniques—the Tunisian President applies constant pressures and urgings for modernization.

Tunisia today has progressed far along the road toward integration and cohesion. The emancipation of women, secularization and reorganization of the educational system, rearrangement of landholding patterns, rationalization of "means of production," all of these achievements have moved Tunisia onto new thresholds of progress. They are reflected in single families where different age groups manifest dramatic variations in emancipation and progress. One Tunisian family with which I am acquainted shows the following variations: (1) grandmother, essentially tradition and clan oriented; (2) mother, a transitional, has dispensed with the veil but adheres to generally traditional religious prescriptions; (3) eldest daughter, votes, attends evening classes at secondary level, and is a member of several social clubs; (4) youngest daughter, openly dates members of the opposite sex, engages in disputation with parents, plans advanced study in France, and insists upon the right to live apart from the family. Obvious emotional stresses and interpersonal strains are evident in this transitional family, but its inherent durability and elasticity assure it continuity. These general characteristics are undoubtedly widespread in Tunisia.

The general framework in which progress has been planned emphasizes an essentially egalitarian society in which rank, education, and talent may claim no special rewards. Self-sacrifice, dedication, and loyalty are much prized qualities. All of these characteristics also are sought in the relationships which obtain among the country's theoretically representative institutions and organizations. Tunisia's phalanx of organizations includes the Neo-Destour Party, the Tunisian National Labor Union (UGTT), the Tunisian National Farmer's Union (UNAT), the General Union of Tunisian Students (UGET), and the National Union of Tunisian Women (UNFT).

The intricate webb of inter-dependence which has been spun among these organizations stresses compromise for the general im-

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Party States (Gwendolen M. Carter, ed.) Ithaca, New York: Cornell University Press, 1962, p. 30.

provement of the average Tunisian's lot. The connections and terminal boxes of the system are tied into one office, that of the Presidency. Surrounded by a talented government *equipe*—whose members have their roots in the various national organizations—President Bourguiba operates a type of "brain-trust" for the nation as a whole. The arms of the "brain-trust" are the national organizations, with the Neo-Dustour and the UGTT serving as the senior members. Opposition parties are not tolerated, although some journals representing the viewpoints of "irredeemable" upper-middle class elements are permitted to discharge broadsides against the administration from time to time.

It may be argued, of course, that by sacrificing roles as defenders of their membership's claims to special status such organizations as the UGTT also surrender the primary functions of labor unions —at least as we know them in the West. While this is a valid observation, the Bourguiba administration contends that the exigencies of development planning and the imperative of modernization do not permit Tunisia the luxury of special interest groups or autonomous elites. Instead, erstwhile labor leaders like Ahmed Ben Salah have been absorbed into the highest government levels and have assumed primary responsibility for Tunisia's development planning. That such an approach is not entirely successful is obvious. The December 1962 coup plan uncovered at the last moment by the President himself is indicative of public resentment. In addition, some UGTT leaders have grown restive under the recently introduced austerity programs. Other sectors of the society also chafe under various restrictions.

On the whole, however, there is general recognition that Tunisia—with its small limited area and resources—is in a desperate race against time. Involved is a struggle to increase national output in goods and services at a rate substantially above that of the burgeoning population. In a land endowed with moderate rainfall, good soil, and large deposits of commercially exploitable mineral resources the problem might be less herculean. Tunisia, however, is in more modest circumstances. Its agricultural base embraces less than 50 percent of land area; mineral production is limited, energy resources are scant, and industrial expansion has been painfully slow; the country suffers a chronic trade deficit; the government itself has been running a substantial budgetary deficit. Its position has been underlined in the observation that "population and public expenditure are developing more rapidly

than production, while production is developing more rapidly than employment."[13]

The Bourguiba regime, for its part, has assumed most of the burden in meeting Tunisia's mounting social overhead costs. Much of this cost is concentrated in the educational and agricultural fields—a maneuver by the government calculated to increase skills and productivity in two vital sectors. Under the government's existing economic and social program, it is hoped that planned economic growth will develop at a rate sufficient to meet a major outpouring of talented and skilled youths from Tunisia's technical schools and colleges—anticipated in the late 1960's. If there is any substantial shortfall in the country's economic expansion program, Tunisia will have on its hands a generation of unemployed intellectuals, technicians, and other skilled personnel—one which could become northwest Africa's "lost" generation.

The success of the Tunisian development program is largely predicated upon state control and direction of most major economic sectors. For example, in April 1962, six decree laws were announced establishing state control of such basic sectors as foreign trade, textiles, power and gas, minerals, and grain. The government's regulatory controls are largely to "rationalize and harmonize" these sectors in terms of its three and ten year development plans. The larger, more ambitious ten year plan, which ends in 1971, calls for investments of $2.24 billion (as compared with $750 million for the three year program.) The aim of both programs is to reform and modernize Tunisia industry and agriculture so that Tunisian per capita income will rise from a current $34 to at least $120. The country's major planning projects include formation of largescale farming "cooperatives," creation of an oil refinery and steel complex, developing chemical, textile, and cellulose industries, and constructing almost 200,000 dwellings for poorly-housed Tunisians. This program, of course, will require substantial external financing—probably in excess of 50 percent. The U.S. Government already has agreed to finance $180 million in projects under the three year phase of the plan.

THE NEED FOR CONTINUING WESTERN AID

One imperative is clear for all three northwest African states if economic development is to offer any hope for amelioration of

13. Nevill Barbour (Ed.), *A Survey of North West Africa.* 2nd edition. New York: Oxford University Press, 1962.

local living standards—i.e., close and harmonious relationships with the West, particularly France. All are heavily dependent upon France for protected markets for their exports, training for their graduate students, assistance in overall development planning, and various forms of monetary stabilization. While other Western nations, including the US, have played mounting roles since independence, France continues to bear overwhelming responsibility for various forms of support. For example, Tunisia—which has been independent for seven years—relies upon France as a market for 55 percent of its exports and 70 percent of its imports. In addition, of more than 1,500 students receiving advanced training abroad, more than 80 percent are matriculating in French schools.

Algeria's need for close collaborative links with the West is even more striking. In the most promising economic field of oil and natural gas, for instance, Western Europe will be the primary consumer, with France reserving the lion's share for itself. Even more crucial, for the moment at least, is the availability of Western talent and skill to rehabilitate Algeria's modern economic sector and to populate it with trained and skilled Algerians. These are responsibilities which only the West can shoulder with reasonable hope for success.

We are, then, at a major historical turning point in northwest Africa. The region's development needs are monumental; the pressures upon existing governments for amelioration are more and more pronounced. In isolation, the region cannot hope to mount the services demanded of it. Only close economic association with Western Europe offers any serious hope—whether it be only in the context of EEC or in a relationship even more intimate. The response must be formulated by the present generation of North African leadership.

8

The Role of Private Consultants

JAMES LANGLEY *joined the staff of Arthur D. Little, Inc., in 1956 from the University of Baghdad, Iraq, where he established and directed the Department of Economics in the College of Arts and Science, and served as an adviser to the Development Board, as a member of the Iraq Government's Wages Board, and as a consultant to Arthur D. Little, Inc., in its Industrial Survey of Iraq. Since joining Arthur D. Little, Inc., Mr. Langley has dealt with problems of industrial development both in the United States and abroad. Among his more recent activities have been the direction of the company's work for the Pakistan Planning Commission and the Government of Qatar. He is Visiting Lecturer in Middle Eastern Economic Affairs at the School of Advanced International Studies, Johns Hopkins University, and Visiting Lecturer in Economics at Harvard University.*

Private consultants operating in the Middle East and elsewhere in the economically underdeveloped regions of the world can be broadly divided into two groups. One group assists in the construction of capital projects by preparing specifications or supervising construction. Persons and organizations operating in this area are best described as *consulting engineers* or *contractors.* Their concern is with the construction of roads, bridges, dams, power stations, and public buildings (in the Middle East, all too often, palaces). They frequently toil in remote places and achieve impressive feats of engineering and improvization with untrained labor and inadequate equipment. They have transferred engineering "know-how" to many thousands of Middle Easterners, who have been ready learners.

While their importance should not be underestimated, their work is less interesting from the point of view of development than the work of a second group of private consultants that has become increasingly common on the Middle Eastern scene in recent years. These men assist governments to survey natural resources, to prepare programs of economic and social development, and to build and staff new institutions such as development banks, economic planning boards, and industrial and economic

research and training institutes. The personnel recruited for these tasks include engineers, geologists, marine biologists, economists, industry specialists, financial and market analysts, and large numbers of other highly trained specialists in many different fields. It is becoming fashionable to describe the members of this group as *development advisors.* They are employed individually or as members of academic, consulting, research, manufacturing, and financial institutions, either directly by foreign governments, the U. S. Agency for International Development, or by international agencies such as the World Bank, the Food and Agricultural Organization, and the International Labour Office.

There are no accurate estimates of their total number, but in a paper delivered to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas, in Geneva, Mr. Frank M. Coffin, Deputy Administrator of the Agency for International Development, estimated that more than 100,000 technicians from developed countries provide advice and assistance to developing nations through bilateral and multilateral arrangements. This figure includes the more than 5,000 young Americans serving in the Peace Corps, as well as government officials, teachers, doctors, and consulting engineers, but it may be assumed that a substantial proportion of the total number may be reasonably described as *development advisors.*

They have worked in most countries of the world, and the Middle East has had its share of them. Since the end of World War II, private consultants have carried out a wide variety of consulting assignments in all the major countries of the Middle East and in many of the remote areas such as Qatar and Afghanistan. Their activities are of particular interest in the three countries that have absorbed the greatest number of consultant man-years (Iran, Pakistan, and Iraq) and in Lebanon, where an interesting project has been carried out by the Baltalle Memorial Institute.

IRAN

Beginning in 1922 with the first Millspaugh Mission, American private consultants (supplemented in recent years by advisors from several other countries) have worked in Iran on many national economic problems—financial stability, industrial and agricultural development, land reform, economic planning, and resource and regional development. Following in the footsteps of Dr. Mills-

paugh and his colleagues, who struggled to place Iran's finances on a sound basis in the 1920's and again during the second world war, was a group of American consultants, who were invited to the country in 1947 to prepare a list of potentially feasible industrial projects, and two years later, to prepare a report on the draft seven-year development plan. The consultants concerned, Morrison-Knudsen and Overseas Consultants, Inc. (a consortium made up of eleven American construction and engineering companies), filled in many of the details of the seven-year plan and helped to mold the organizational structure of the Plan Organization itself. Morrison-Knudsen and Overseas Consultants should perhaps be described as *consulting engineers* rather than *development advisors,* but in this case their activities were concerned more with planning and evaluating projects, and advising the Iranian Government on development problems, than with constructing industrial plants, roads and public utilities.

After the break in Iran's economic development planning and programming caused by the loss of royalty earnings following the nationalization of the petroleum industry, a group of development advisors, recruited and supervised by Harvard University and financed by the Ford Foundation, provided development advisory services to the Plan Organization for a period of four years. This project, which recently came to an end on the expiration of the Ford Foundation grant, helped to train many Iranians in the techniques of development planning and programming and to prepare a carefully documented plan for national economic development.

Continuing the tradition of the American private consultant in Iran, The Development and Resources Corporation of New York (DRC) was retained in 1956 by the Plan Organization for the planning, execution, and initial operation of the Dez River project. This is a remarkable, and probably unique, arrangement, under which a foreign consulting firm has taken the responsibility for developing a major part of Khuzistan for the Iranian Government. Despite the apparent success of the undertaking (due, perhaps, in large measure to the prestige and ability of DRC's two principal members—both previous chairmen of TVA —and the DRC's link with the Lazard Frères banking group), it does not seem likely to set a pattern for private consulting activity in the Middle East or elsewhere. Bureaucratic delays and frustrations have been greatly reduced, if not entirely circumvented, by the DRC project, but it has placed a group of foreign advisors and consultants in an executive position—a situation which the consultant should normally endeavor to avoid.

Unfortunately, despite the dedicated work of a large number of high-quality consultants, comparatively modest success has been achieved in solving Iran's major economic and social problems. Iran has not yet found the political stability and sense of national purpose necessary to solve the problems of the Development Revolution; this deficiency the consultant cannot remedy.

IRAQ

Iraq has had a shorter exposure to private consultants than its eastern neighbor, Iran, but the consultant had his day between 1952 and 1958, when the Development Board and the Ministry of Development employed a most impressive stable of them. The American companies J. G. White & Co., Ralph M. Parsons & Co., and Arthur D. Little, Inc., were responsible for preparing development programs for electric power, water, and industry; the Greek consulting firm, Doxiadies Associates, planned and initiated the implementation of a housing and a new town development program; and the British-Canadian Hunting organization was responsible for geological surveys.

The Development Board and the Ministry of Development did not employ an advisory team of foreigners, as did the Plan Organization in Iran and the Planning Commission in Pakistan; instead, they hired directly a substantial group of individual foreign technicians and appointed two foreign members (British and American) to the Development Board. Some of the people concerned were direct employees of the Iraqi Government, others were employees of the U.S. International Cooperation Administration, but others were private consultants or members of consulting organizations.

During this period two other consultant groups were of particular interest and importance. In 1952 the National Bank of Iraq commissioned Professor Iversen (a leading Danish economist) and two colleagues to prepare a report on monetary policy in Iraq. The report had no noticeable effect on policy except, perhaps, to postpone Iraq's departure from the Sterling Area, but it provides a remarkably comprehensive treatment of monetary and banking problems in an underdeveloped area and is of permanent value to the student and administrator concerned with the problems of economically underdeveloped countries.

In 1954 Lord Salter (a British peer with a distinguished background as an international civil servant and British Cabinet Minister), assisted by a Bank of England official, advised the Develop-

ment Board on problems of development planning and presented a report that succeeded in introducing a previously absent element of coherence into Iraq's development strategy. Unfortunately, Salter's report came too late and was acted upon too slowly to change the subsequent course of events that lost for Iraq many precious years in its struggle with poverty.

Despite the quantity and quality of the work carried out in Iraq during this period, it is not a good example of the use of private consultants. An over-all development strategy was lacking, and coordination among the large number of persons and organizations concerned seldom exceeded that provided by limited personal contacts. Most serious of all, there proved to be too little time to complete the lengthy processes of survey, evaluation, and implementation, before revolution brought development planning to a standstill.

Nevertheless, a great deal of valuable information was collected, and many important projects were developed and evaluated that may be of future value. It is interesting to note that after a period of reorganization and reevaluation lasting for about two years, the Qasim Government began to move forward along lines not very different from those being pursued by the Royalist Government it had overthrown. The Soviet-Iraqi Industrial Agreement bears a family resemblance to the previous plans of the Development Board, and other projects proposed by the Qasim Government were based on studies carried out by private consultants a few years earlier.

After the Qasim Revolution, the European and American private consultant was replaced by Soviet and other communist-country technical advisors. Although these men do not appear to have been highly regarded by the Iraqi technicians with whom they worked, they appear to have been hard-working, if unimaginative, technicians. In two ways, they differed markedly from the westerners they had replaced: they came either with some competence in the Arabic language or supported by young bilingual assistants and they were prepared to live much more modestly than westerners have traditionally been willing to do in Middle Eastern countries.

PAKISTAN

Because of the high caliber of the senior members of the Civil Service of Pakistan, the need for outside consulting assistance did not become apparent for some years after the creation of the new

state. After independence, the Government of Pakistan was preoccupied with the problems of creating a viable administrative structure for a country divided into two geographically separate parts. Despite the additional problems created by Pakistan's separation from the rest of the Indian subcontinent (particularly in East Pakistan, which was cut off from the manufacturing, commercial, and government complex of Calcutta), the foundation of Pakistan's national economy was laid with the great expansion of cotton textile production in the West and the beginnings of jute manufacturing in the East.

By the early 1950's, it became apparent that a mechanism for planning and directing the country's economic development was needed to assure further progress. In 1954 the Government of Pakistan created a Planning Board (now Planning Commission) and invited Harvard University to provide a group of advisors drawn from its own faculty and from other United States and foreign universities, government services and private firms. This advisory group, financed initially by the Ford Foundation and now jointly by the Ford Foundation and the USAID Program, has played a key role in the development revolution in Pakistan during the last decade. Its staff members, employed as advisors within the Planning Commission in Karachi and in the provincial government capitals of Lahore and Dacca, have assisted their Pakistani colleagues to prepare the first and second Five-Year Plans and are now working on the preparation of the Third Plan. Under their guidance, the Planning Commission has assessed the nation's human and physical resources and developed priorities, targets, and procedures for the orderly development of these resources.

The type of planning that has become characteristic of Pakistan's approach to its economic development has involved the setting of targets, the harmonizing of the needs of the different sectors and regions of the economy, and the devising of measures to meet the necessary savings, foreign-exchange, and human and technical requirements. The Planning Commission has appointed other private consultants to study and report on industry, transportation, energy, and numerous other matters, but none of them has had an influence on the Planning Commission and its staff in any way comparable to that of the Harvard Advisory Group. Private consultants have also been employed by the water and power authorities, by the Pakistan Industrial Development Corporation, and by the Ministry of Industries.

During recent years, Pakistan has imported a substantial body

of western industrial technology with considerable benefit to the country's economy. The results of the first Five-Year Plan were generally considered disappointing, and the targets of the second Five-Year Plan seemed to be unduly optimistic two or three years ago, but recent reports suggest that significant increases in industrial and agricultural output are now being achieved. It is far too early to conclude that Pakistan has found the key to economic growth, but recent progress is very encouraging.

LEBANON

The general standard of education and technical training in Lebanon is considerably higher than in the rest of the Middle East. For this reason, Lebanon has tended to be an exporter rather than an importer of private consulting services. An American research organization, the Battelle Memorial Institute, has, however, performed a service to Lebanon that may well prove to be of value, not only to Lebanon itself, but to the whole Middle East. In 1953, under contract to the U.S. International Cooperation Administration, Battelle assisted a group of academic, business, and government representatives in Beirut to found an Industry Institute.

This institute is now well established in permanent headquarters that possess excellent laboratory and library facilities and is equipped to carry out investigations into a wide variety of industrial processes. It has already served many private companies in Lebanon, Jordan, Kuwait, Saudi Arabia and elsewhere, in addition to working for several Middle Eastern governments. The Institute's wide range of activities includes process and plant design, initial plant operation and management, economic and marketing surveys, and analytical services. Its staff, most of whom have had extensive graduate training and practical experience in western countries, consists of engineers and economists from a number of Middle Eastern countries.

The creation of the Industry Institute, comparable in some ways to the productivity centers that have been established under the USAID Program in other parts of the world, provides an example of an unspectacular, but important, long-term contribution to the process of development in the Middle East.

The cases of Iran and Pakistan provide an example of what might almost be described as a controlled experiment. Both gov-

ernments established central planning organizations (although one was provided with much more luxurious premises than the other) and staffed them with officials of high quality. Both governments invited Harvard University to provide an advisory team, and teams of comparable quality and size (administered from the same office in Cambridge, Massachusetts) were installed in Tehran and Karachi. Other circumstances were somewhat less comparable: Iran was receiving substantial foreign exchange earnings from its reestablished petroleum industry and was faced with a by no means impossible resource-population ratio; Pakistan, divided into two parts and separated by 1,000 miles of Indian territory, was desperately short of foreign exchange and, particularly in the East, suffered from an intolerable population pressure.

Although it would be unduly optimistic to assert that Pakistan has succeeded in really significantly reducing the severity of its economic problems, it has at least been able to provide a framework in which foreign development advisors can carry out a worthwhile task and convince the world (and so acquire substantial financial assistance) that it is facing its problems with determination. Iran has been less successful, and the Plan Organization is no longer, for practical purposes, carrying out its planning and directing function; the present general weakness and lack of direction in the Iranian economy is in sharp contrast to the situation in Pakistan. Iran has been unable to find a government with a sense of national purpose comparable to that of Pakistan, and hence, to make profitable use of consultant assistance.

Iraq's Royalist Government employed many consultants, but it was never really prepared to risk the animosity of the landed interests by implementing development projects that would disrupt traditional interests. The strength of these traditional elements in Iraq would probably have been greatly weakened by the development planning activities (carried out for the most part by consultants) of the years between 1952 and 1958, if these activities had continued for a few more years; but the fact remains that the pre-Qasim Government was reluctant to pay the price of the development measures it was asking consultants to draw up. If the consultant was not exactly used as a scapegoat, he was in effect frequently employed to provide an excuse for continued delays.

The foregoing examination of the role of the private consultant in the Middle East during the Development Revolution provides two important lessons for the future.

(i) The consultant can make a worthwhile contribution to the

development process only if the governments for which he works know what they want and are willing to take the necessary steps to gain their objectives. The presence of clear objectives and the willingness to take bold action have enabled the consultant to be effective in Pakistan; inadequately defined objectives and timidity in facing the consequences of change have reduced the private consultant's effectiveness in Iran and Iraq. The consultant may be able to assist the client government to define and sharpen its objectives as he has, in fact, done in Pakistan, but his primary concern should be with means, rather than ends.

(ii) The consultant can achieve particularly satisfactory results when he is able to assist in the building of new institutions and in the training of their staff. The Planning Commission in Pakistan and The Industry Institute of Lebanon are particularly good examples of this.

If these lessons are well learned by Middle Eastern governments, technical assistance organizations and private consultants themselves, the transfer of scientific and technical knowledge to the Middle East and the creation of the new institutions necessary to secure its adaptation to the local environment may be expected to take place at an increasingly rapid pace. Since the new leaders who are taking over in the Middle East will probably establish clearer objectives for their countries' development than their predecessors and demonstrate a less hostile attitude to change, the private consultant may make a greater contribution to the process of development in the Middle East in the future than he has been able to do in the past.

9

The Role of the Military in Development

FRANK KEENAN SLOAN, *Deputy Assistant Secretary of Defense for Regional Affairs, is responsible for coordinating and directing the development of politico-military-economic aspects of international security affairs affecting the Department of Defense. Mr. Sloan has been associated with the Columbia, South Carolina, law firm of Cooper & Gary since 1947, and was counsel to the firm. He is also Associate Professor of Law at the University of South Carolina Law School. He is a member of the Richland County and American Bar Associations, the American Law Institute, the American Judicature Society, and the International Association of Insurance Counsel. Mr. Sloan served in World War II as a Naval officer, and was recalled to duty during the Korean War. He currently holds the rank of Commander in the Naval Reserve.*

At least a half dozen of the Middle Eastern states are governed either by military regimes or by governments founded on military coups. In another half dozen of them the military plays a key if not the predominant supporting role: in fact it is hard to find a dozen in which the military plays a minor part or is actually subordinate to civil authorities. Manfred Halpern has said: "Soldiers have governed a majority of Middle Eastern countries almost continuously for at least a millennium . . . since 1930, military coups have overturned governments on at least twenty-five occasions . . . there has never been a tradition in the Middle East of separating military from civilian authority."

U. S. POLICY TOWARD MILITARY CONTROL . .

The potent role of the military in so many underdeveloped countries, of course, represents neither a creation nor goal of the United States. It is a "given" of the contemporary Middle Eastern scene—inherent in the dynamics of modernization—to which the U. S. must and does adjust its efforts. As a matter of policy and practice the United States Government publicly and privately

opposes the military takeover and looks forward to the time when the military will leave governments in the hands of responsible, popularly designated, civilian authorities.

The U. S. does not encourage either military or any particular type of government, but seeks to cooperate with and support, to the extent possible, any government which shows signs of being capable of promoting development and playing an international role compatible with U. S. basic objectives. In other words—and here I speak more personally—we must and do accept the world as it is, not solely as we would like it.

In reality, a military ascendency of longer or shorter duration seems an almost inevitable stage in the evolution of a nation toward modernism and we would be well-advised to recognize the event and seek to turn it toward fruitful ends rather than indulge in pious hand-wringing. Characterizing the military as either "good guys" or "bad guys" is not only inaccurate but also beside the point: military power is a fact. What is important is how that power can be used effectively for nation-building.

Questions we face include these:

What are some of the factors which have stimulated or accompanied the spread of military control in the Middle East and other new and less developed nations of the world?

Does the provision of military aid to a developing country necessarily mean more authoritarian government? Is the expenditure of large sums to strengthen the military forces necessarily "money down the drain"?

Can and does the military—U. S. and indigenous—have a constructive role to play in the developmental revolution?

THE REASONS FOR AND NATURE OF MILITARY CONTROL IN THE MIDDLE EAST

In the first place, military leadership, for many new nations of the Middle East and elsewhere, is not necessarily synonymous with conservative or reactionary support for unprogressive autocracies and oligarchies, with which it has been commonly identified in history. Nor does the military's political prominence in the Middle East usually rest upon martial accomplishments or upon the family and religious ties of its leaders, although there are, of course, examples of both. No longer is the military leader necessarily recruited from the few traditional ruling families. Rather, given the existing social patterns, where there are relatively few

opportunities for social mobility, where the economies are not rapidly expanding, and where educational opportunities are very limited, the Armed Forces increasingly recruit their officers from the brightest and most ambitious young men of the city, the small town, and the countryside. Coming from often modest family backgrounds they have little stake in perpetuating government by and for the political, religious, or economic elite.

Upon entering the armed forces the young man's horizons are broadened from the village, the family, and the clan to those of the nation. In the better military organizations he learns that merit, training and ability are awarded with added responsibility, prestige and power. He learns discipline and sees that organization and cooperation make it possible to get things done.

Frequently, the military organization or individual military leaders emerge as political powers because they believe that they alone effectively symbolize "modernity," and the aspirations of the new, growing middle and professional classes. Therefore, as the military has at its command the instruments of power, when civilian governments falter, when their popular support falls away, or when they take what may seem a "dangerous" political turn, the military has the means readily at hand for a takeover.

Finally, and perhaps most important for its direct impact on the developmental revolution in the area, military forces today must be modern. To handle modern military tools in modern ways, one must have professional and technical skills. Thus, the young officer soon learns the advantages of education and training. This very training may give him a broader outlook, set for him a higher standard by which he judges his civilian contemporaries, and provide him with some of the technical or management expertise so badly needed in the life of developing states. In some states the military have a near monopoly of the skills needed for development and for nation-building.

The dynamic role of the military in the development of new states in this era of de-colonization is well described by Hans Speier of the RAND Corporation: "As a revolutionary force, they have contributed to the disintegration of traditional political order; as a stabilizing force they have kept some countries from falling prey to Communist rule; as a modernizing force they have been champions of middle-class aspirations or of popular demands for social change, and they have provided administrative and technological skills to the civilian sector of countries in which such skills are scarce."

For whatever combinations of reasons, and whatever our views, military regimes and military forces throughout the Middle-East are important to the area and to the world and will probably continue to be for a long time.

It follows that we need to examine more closely what the Middle East—North African armed forces can and have done, and how the United States can and does seek to assist these military organizations, to aid in the development of their countries.

U. S. MILITARY AID POLICIES AND OBJECTIVES

With leaders of the armed forces either in direct control or the immediate background, and surrounded by real or imagined military threats, leaders of new and developing states are often determined to obtain up-to-date military equipment, and lots of it. Logic and experience may raise doubts whether they can either use or afford such material, but "prestige factors" and the "trappings of sovereignty" make it a "must" nonetheless. These attitudes are compounded by political rivalries and the fact that Country "A" is jealously watching Countries "B" and "C" to see what military equipment they have and may obtain, either from the East or the West.

In spite of these pressures, the U.S. seeks to use its military aid programs to fulfill its national policies—which call for a world of healthy, developing societies—limiting such aid to that necessary to meet Free World defense objectives, and seeking to avoid both the dangers and waste of an arms race in the Middle East.

In pursuing U. S. aid policy for the Middle East, we keep in mind that the close interdependence of military and other considerations calls for military assistance to a developing country to enable it to secure real independence and stability. This we consider the best means to guarantee long-term peace, security, and progress. We realize that Middle East—North African preoccupation with "sovereignty" creates at least a psychological need for aid from countries other than the former colonial powers: thus, U. S. policy adapts to the reality that many States will seek military aid from the Soviet Bloc as well as Western sources.

Then, too, a sincere effort to inspire self-help may require some "pump-priming" by the U. S.: The kind of pride that insists on "prestige items" in an armed forces inventory may well be the material of which progress in a new nation will be made. A recognition of these considerations often requires a sympathetic

U. S. response to what may otherwise seem an overly ambitious military program. It should be noted, too that the amount of sophistication of weaponry in a military establishment bears little or no relation to the degree of the military's involvement in political activity. The shibboleth that military aid causes revolutions should be spiked here and now. The military coup in developing nations was a fact of life before the discovery of America by Columbus.

However, it should be obvious that the limited Middle East resources cannot support both a major military buildup and all-out economic development. At times, therefore, Middle Eastern governments—like our own—face hard decisions of priorities. With these in mind, we must attempt to measure carefully the proportions of U. S. military and economic aid we can make available from the limited sums appropriated by the Congress.

Much, perhaps the bulk of U. S. military assistance is for defensive material which has little developmental utility. However, we believe the military aid programs for the Middle East have contributed to that security and stability essential to even the best-organized and financed economic development effort. No country can even begin—much less be successful—in a development program until there is public order and protection against external or internal attack.

Moreover, all of the U. S. programs, in varying degree have included items useful in economic development efforts—trucks, earth moving equipment, radios and telephones, transport aircraft and ground-handling equipment, port and navigation facilities, to name only a few. Virtually all, in years past, have also included what is sometimes called "defense support," or direct economic support designed to permit a military force to improve and/or enlarge. Under this concept not only have barracks been erected, troops paid, food purchased, and uniforms furnished but also roads have been built, oil pipelines laid, hospitals built and equipped, airfields and airstrips constructed or improved, harbors and docks modernized, and cement plants set up. One has only to travel in many areas of Turkey, Greece, Morocco, Iran, Libya, Jordan or Saudi Arabia, as examples, to become aware of the very considerable public works which have resulted from the U. S. military aid programs in the Middle East and North Africa.

Each of these programs—which since 1950 have totalled nearly $4 billion for the Middle East-North African area—is tailored to

the needs and capacities of the receiving country; we believe each has furthered peace and security in many direct and indirect ways.

MILITARY TRAINING AS A CONTRIBUTION TO DEVELOPMENT

For all of the larger military aid programs—Greece, Turkey, Iran, Pakistan—the United States has sent fully-staffed Military Assistance Advisory Groups or Missions which give extensive instruction in the use and upkeep of equipment furnished, as well as providing other training programs.

Much of the military training conducted by U. S. missions, MAAGs, and Service Schools is of a technical nature but the U. S. has long since found that at least a rudimentary general education —as opposed to technical training—is essential for officers and most non-commissioned officers in an effective, modern military force. Education is not only necessary to permit effective use of equipment furnished but also develops the latent abilities of potential military leaders. Also, quite frankly, it has the further advantage of permitting a maximum exposure to U. S. and Western values and ways of thinking, and acting.

The bulk of this training is provided in the countries of the recipients by skilled military and civilian personnel assigned to the military missions. For more specialized, advanced, or elaborate types of training or where only a few may be involved we either send mobile training teams to the various countries or bring the foreign military personnel to the U. S. or Europe. A few samples from the extensive list of U. S. military training courses which have been given to foreign students will indicate the range and nature of the program.

1) From 1951 to 1962 U. S. personnel at Dhahran Airfield, Saudi Arabia, trained selected Saudis in Airport operation and management—to the obvious advantage of a country with few roads.

2) In 1958 in cooperation with the Turkish General Staff, a basic literacy course was set up with the result that conscripts can become "functional literates" in four months—and 150 thousand have done so in the last two years.

3) A considerable number of officers from throughout the area, including Egyptians, have attended U. S. courses in Aviati on medicine and other types of specialized medical training.

4) Some 200 high ranking or otherwise key officers from the Middle East—North Africa last year had specially-conducted orien-

tation tours designed to acquaint them with the United States and to give them an overview of important segments of the U. S. military establishment.

5) Pilots, navigators, airfield operations officers as well as aircraft mechanics are trained in considerable number—and one merely needs to scan rosters of pilots or other key personnel in the civil airlines of the world to see the large number trained by the U. S. Air Force.

6) All manner of technical and general courses are provided, and attended by military students from the area, in such subjects as radio operation and maintenance, communications, electronics, and a wide variety of technical fields.

7) Courses in logistics management, for supply clerks and managers, in such subjects as petroleum analysis and supply, in railroad transportation, in vehicle maintenance, and in purchasing are offered.

8) Middle East-North African officers have attended the various U. S. command and staff schools in increasing numbers each year. These seek to develop promising officers who will be capable of holding senior command exercising greater responsibility, and who will have a broader perspective. Many of these officers have moved or will move on to senior posts in the military services or in government.

These samples make it apparent that the variety of educational training offered is wide and its applicability to non-military activities very extensive indeed.

The programs discussed up to now clearly have an important impact on the developmental revolution in new, growing countries. In the last two years, however, the U. S. has placed heavy emphasis on a variety of programs intended to make an even more direct, immediate, and comprehensive contribution to nation-building. In the simplest terms, we are increasingly impressed with the need to encourage more rapid development in all areas of activity and at all levels. This shift in priorities has important effects on many U. S. Government activities.

Of most immediate interest is President Kennedy's support of the so-called counterinsurgency programs to counter Krushchev's strategy in support of so-called "liberation" wars. Counter-insurgency includes political, social, economic and informational efforts, as well as military and police-type programs. U. S. military assistance is designed to aid vulnerable countries to provide the security essential to permit economic and social development

programs to start and to show results. An important part of counterinsurgency programs is activity by the military designed to demonstrate to the people of the country that their ultimate national goals are in consonance with those of the nation and that the military can and will undertake constructive tasks for the national benefit—i.e., what we call "military civic action."

The philosophy behind the President's emphasis on civic action runs something like this: Well-trained, well-equipped military forces are everywhere necessary to forestall external attack, to prevent insurgency, and to assist in maintaining law and order. Such standing forces, however, are often subject to serious criticism and bitter domestic attack on the grounds that their police-type activities may be repressive in nature and, in the absence of war, military forces use up limited resources in non-productive activity. As I said above, the Military can be destructive or creative, conservative or radical—but it is a reality; so we seek to derive the maximum benefit from it for the nation by putting military forces to work on peacetime nation-building projects. The military are urged to use their time, their skills and their equipment, all of which are purchased and maintained at public expense, for constructive purposes. By doing so, the armed forces help to alleviate the economic and social conditions upon which Communism and subversion breed. Equally important is the fact that these programs bring the armed forces closer to their people. Such joint military and civilian projects as construction of a road or village school have proved to be a powerful impetus in identifying the armed forces with the people, and both with national aspirations.

Furthermore, the military may have the only organization capable in some developing countries of mobilizing for a planned and continuing economic developmental effort. It may have a virtual monopoly of certain skills—organizational, technical, and professional. The people have a right to expect these skills to be used in developing the nation.

CIVIC ACTION IN THE U. S. AND IN THE MIDDLE EAST

The U. S. Army, of course, played a key role in the development of our own West. For example, the War Department assumed this role as early as 1802 when it financed the Lewis and Clark expedition to explore the far West. The U. S. Army not only helped explore but also "opened" the West by strategically locating its garrisons to help make settlement possible. Later, the Army Engi-

neers began to build roads, bridges and harbors. As early as 1807, U. S. Naval forces were given $50,000 to finance a U. S. Coastal survey to facilitate private commerce. The U. S. Navy has helped in waterway development, navigation aids and advances in naval construction. One need not be an historian to recall the U. S. Air Force part in developing air facilities throughout the U. S.—and overseas—and in developing the techniques for air mail, air cargo, and passenger air travel.

Nor has civic action been limited to the U. S. or U. S.-initiated projects. The Royal Hellenic Armed Forces, for example, have a most effective civic action program. Organized under a national headquarters and seven regional offices, the Greek program is broad in scope and imaginative in conception:

(1) Aid teams assist motorists and truckers over the Pindos Mountains of northern Greece each winter.

(2) Army units help in reforestation. One corps planted 60,000 trees in March and April 1962. In two years one regiment grafted good pear branches onto some 1200 wild pear trees.

(3) The Army builds community centers in the Villages where dances, weekly movies and religious services are held.

(4) An engineer construction battalion rebuilt 5,000 buildings after the 1956 earthquake; and is still active in various construction projects.

(5) Army units dig post holes, erect power lines, and provide transport, for the Public Power Corporation for rural electrification.

(6) Army units are active in national, feeder, and secondary road building.

In assisting industrial development, they have built an earthwork for a nitrogen factory; roads and earthwork for a sugar factory, a steel and aluminium works, and hydro-electric dams and power plants. They have also participated in such development projects as land reclamation and drainage, flood control dams and levees, and well-drilling and water supply for small communities throughout Greece.

The U. S. military assistance advisory groups encourage adoption of similar programs everywhere in the Middle East, and encouraging beginnings are being made. Turkey and Iran have broad programs. The Jordanian Army does considerable civic action, and is the largest single employer in Jordan. It helps in pipeline construction, irrigation projects, dam repairs, and even in promoting tourism. The U. S. military aid program encourages

this activity in many ways—including provision of pipe, road-building equipment, and the like.

CIVIC ACTION IN MEDICINE

The medical civic action programs are among the most successful and encouraging of all. For example, in February 1962, a U. S. Army mobile medical training team, composed of three doctors specializing in surgery, internal medicine, and pathology went to Jordan where for six months they helped develop military medicine. U. S. military aid provided badly-needed pathological laboratory equipment for a military hospital which had been built under financing by the German Federal Republic. One result is that Jordan's military hospitals include one of the largest in the Near East, and treat a substantial portion of the rural civilian population as well as military personnel and dependents.

The U. S. Air Force has also developed a unique and useful preventative medicine "package" for civic action now being delivered to Latin American countries but available to countries of the Middle East. This package will, for some $34,000, provide a 6-place Cessna 185 aircraft, training for a pilot, 1 year medical supplies and training for five medical technicians, to complete the six-man team.

The U. S. Navy has, for some years, maintained a Naval Medical unit in Cairo. It has been conducting important research in endemic and epidemic diseases of the Near East. These are only a few ways in which U. S. military medicine has contributed to the well-being of peoples of the Middle East, and only the imagination and resources limit possibilities in this great humanitarian field.

LITERACY AND TECHNICAL TRAINING PROGRAMS

I have referred to the literacy program in Turkey. This course (designed to provide "functional literacy" in four months) now includes information on health, civics and how to perform simple tasks important to village life. Almost 1,000 reserve officers, who must have college degrees, are detailed to teach at reserve centers and about 15,000 high school graduates have been assigned in village schools as civilian teachers, thereby fulfilling their military duties. The Turkish Armed Forces say that every young man leaves the service better-trained and educated than when he came in, and they do. The program has been expanded into technical

training in auto mechanics, comunications, and other areas. It is immediately obvious that any developing country would benefit from such programs in its armed forces.

CIVIL AIR AND THE MILITARY

With limited railroads, vast distances with a few good highways, and sparsely-populated deserts or mountain areas, the Middle East-North Africa is a natural for air travel and transport. As elsewhere, military aviation in the Middle East is leading the way to air facilities, airlines, and skilled aviation personnel. In this the United States has contributed much, as by-products of our own military needs, or in the form of military assistance.

For a few examples, we have encouraged civil aviation in Saudi Arabia and built Dhahran International Airport, one of the major airports of the area, as a military airfield, turning it over to the Saudi Arabian Government last year. As a sidelight, the Air Force also made available a building, textbooks, and English- language teachers at Dhahran, for the first co-educational school in Saudi Arabian history, for the children of Saudi military personnel.

At Wheelus Field, in Libya, the Air Force provides a small school to train indigenous employees in manual skills—carpentry, machine shop, motor repairs, vehicle maintenance, and the like—using USAF equipment and instructors. Military airfields built by the U. S. abound in Turkey, Greece, and Iran; all have some civil aviation functions and activities.

The U. S. has agreed to evacuate the bases in Morocco this year. One of them—Nouasseur—will become a major international airfield for Morocco and the U. S. military aid program is encouraging the Moroccan air arm to develop its transport air capacity and skills.

CIVIC ACTION PLAN FOR IRAN

Iran has most recently embarked upon a considerable program of civic action. By a major cooperative effort between the U. S. Embassy, the U. S. AID mission, the U. S. Army Mission to the Iranian Army and its companion Military Assistance Advisory Group (ARMISH-MAAG, Iran), and the Iranian Government and military forces, a civic action plan has been developed to improve distressed areas and to improve the Iranian public image of its government and armed forces. The Shah as well as

Iranian military commanders and civilian officials are urging full cooperation in civic action, particularly at the local level.

In its scope, this Iran plan is for the Middle East a model project; but every U. S. military assistance group is urging the idea, to the extent their respective host governments find the concept acceptable. How much these developing Middle East countries do and our success in helping them, will serve as one measure of the part the United States and the local military forces can contribute to the developmental revolution in the Middle East.

CONCLUSIONS

In conclusion we should review briefly the major items in the role of the military in the development of new nation-states, primarily in the Middle East:

a. Among the countries most caught up in the developmental revolution, the military as an organization and ex-military personnel as political leaders, have historically assumed and now are assuming crucial roles.

b. One such role is that of the governing power or, in any case, the real authority behind the civilian governors. However, military coups to replace civilian authority and military control of governments are not of U. S. making. In any event the military are going to have a major if not dominant role in most of these countries.

c. In areas like the Middle East-North Africa, military leadership may reflect a demand for reform, development, and a national viewpoint—rather than the traditional, archaic status quo so often associated with military rule. The military may provide the only available vehicle through which youth can become educated, obtain skills, and advance on the basis of merit.

d. U. S. military equipment and training programs are, quite properly, oriented primarily to the maintenance of internal security resisting aggression and promoting Free World military strength, but we believe they have important, constructive by-products:

—They strengthen a regime, thus promoting that stability without which the most progressive of governments cannot start a development program; and buy the time to permit such a program to demonstrate its value to the citizenry.
—Many end-items have or can have a dual military-civilian role.
—They provide many skills and considerable education to those

unlikely otherwise to have them; and introduce an increasingly large number, including potential political leaders, to training and education in the democratic environment of the U. S. or Europe.

e. Civic action programs, which the U. S. now promotes as a matter of high priority, make a direct contribution to economic development and focus military sights increasingly on national economic development and well-being.

f. The U. S. accepts military control as a fact of life in many developing countries, and seeks to promote a program which aims toward maximum stability and nation-building activity in the military. A military regime, although authoritarian in disposition, may provide the best short-run hope of constructive and ultimate democratic development. In some cases, the military may offer the only apparent alternative to Communist domination in the immediate years ahead; in others, it may represent the only organized and dynamic force on the political horizon. Nevertheless, it is perfectly clear in my own mind and I hope in the minds of all of you that military control of a country is not a goal of the United States. We have repeatedly made overtures and representations to various governments headed by military men to encourage steps towards the introduction or resumption of civilian authority.

It may be said that the challenge of our time in the Middle East is to maintain peace and stability in the area, while directing the dynamism of the developmental revolution, including its military component, toward constructive ends. The bright promise of success, and the dire consequence of failure in a world where a mis-step may lead to atomic holocaust, demands that our utmost ingenuity and effort be turned upon this challenge.

10

Development and Democracy

YUSIF A. SAYIGH *is Professor of Economics at the American University in Beirut, and Director of the Economic Research Institute of that University. Dr. Sayigh recently spent several years in the United States, 1959-60 as a research associate at Harvard University under a joint grant from the Center for Middle Eastern Studies and the Center for International Affairs, and 1960-61 as a Visiting Associate Professor at Princeton University. He is the author of* Entrepreneurs of Lebanon.

From Yemen to Morocco, there is no Arab leader today who is not eager to launch large-scale development. There is little doubt or hesitation as to what the content of development ought to be, and there is little resistance to deep involvement by the government in the design and initiation of development. But this widespread concern for development is not generally accompanied by an equal concern for political democracy. So far, development and democracy have on the whole been sought and thought about separately, although it is clear that the ordinary Arab hopes for political rights along with his hope for material and social welfare. I believe it is both timely and essential to ask ourselves what relation the political ideology in force in the Arab world bears to the content of development, and how development in turn influences the ideology and the locus of political power.

The relation is neither simple nor clear. Nor is it a one-way relation. It must therefore be examined within the pattern of the distribution of power in Arab society. This is so because the determination of the content of development, and likewise of the categories of population likely to benefit most from development, is clearly a function among other things of the identity of the group that has the authority to design and promote development. And the kind of relationship emerging between the political ideology in force and the extent and benefits arising from development, is a function among other things of the identity of the group that is in control of political power. For, in the final analysis,

supreme economic authority resides where supreme political authority resides in Arab (as in other underdeveloped and Eastern Bloc) countries.

This identity, which we take as given, is perhaps one of the most important differences between the social systems of the more developed countries and those of almost all other countries. For, unlike the more developed societies, the less developed do not keep the locus of political power quite apart from that of economic power. Furthermore, in the less developed societies the decision-making process is highly concentrated in both the political and the economic sphere, while it is diffuse and widely-based in the more developed societies.

This is no mere accident. Quite naturally and rationally, the group that until recently enjoyed the concentration of one type of power in its hands in the Arab world saw to it that the social system assured it of the other type of power too. It is obvious that economic power is precarious when not protected by political power, and political power is precarious when not supplemented by economic power, in countries like our own where little room is allowed for the concept and the mechanism of countervailing power familiar to Americans, Britishers, or Dutchmen.

The Arab social system has not lent itself comfortably to the application of democratic institutions of the Western style. The attempts have been numerous but their failure is a well-known story by now. Where the parliamentary system has been retained, it has done so as a legalized and more respectable form of oligarchy which has had the appearance of Western democracy but maintained the reality of concentrated power. In monarchies and republics alike, the application of Western-style democratic institutions has done little to give the citizen the freedom *and* the power of political choice, the power to hire and to fire governments so to speak, which is the essence of modern Western democracy. In brief, when the vote failed to satisfy the real masters of political power, it was usually the vote that was changed; the element of constancy was thus the group in power, and the variable was the electorate's will which had to be bent to accommodation point.

This state of affairs was not solely the product of the politicians' greed and obsession with power nor of the voters' submissiveness to force and readiness to be manipulated. Exceptions to both accusations exist in most Arab countries. The state of affairs was rather the product of a combination of factors, of which the qualities I have just named were but one part. Perhaps more essen-

tially the powerful and the powerless alike in Arab society were the slaves of history and of human nature. Shaping the attitude of the powerful was an accumulation of power over generations plus the emergence of supplementary economic forces that buttressed that power, and a human nature to which power and its trimmings were quite appealing. The powerless masses, on the other hand, had inherited weaknesses and ignorance and had, over a long stretch of time, become conditioned to caution and accommodation rather than rebelliousness in circumstances of great hazard. By the second world war, both the powerful and the powerless were in the grip of a rigid social system and reacted as was expected of them.

I have little hesitation in saying that until the Egyptian revolution of July 1952 there was no serious attempt in the Arab world to break the grip of this social vicious circle. The concentration of political and economic power in a relatively small number of greedy hands succeeded in maintaining a state of poverty and backwardness of the masses under whatever political institution in operation at the moment. The helplessness of the masses enabled the powerful to continue in power and to keep the masses powerless.

The Egyptian revolution has turned out to be much more significant to Arab society at large than even its local economic and social achievements may indicate. It achieved an effective break out of the vicious circle in the first place. Then, step by step, it has radically changed the structure of power in Egypt itself and inspired action in the same direction in a number of other countries.

I do not intend to review the Egyptian revolutionary thinking here, my intention being merely to point out the underlying logic of this thinking and its relevance to the search for political, social, and economic balance between the various groups in Arab society. According to this logic, the poor, mostly illiterate, long-subdued and utterly dependent masses could not genuinely exercise their political rights as free citizens within the framework of Western-style democratic institutions unless the impediments to such exercise were first removed. Removal of these impediments could not conceivably be expected at the hands of power groups which had all along been the beneficiaries of the imbalance in society. Consequently, only a ruling group imbued with the principles of social and economic justice for the whole population would be

willing and able to prepare the masses for the full exercise of their political rights as citizens—for genuine democracy. The revolutionary group in Egypt felt itself destined to be such a ruling group, and I think that feeling has been justified.

The first step in the correction of the social imbalance is to give development a social content along with its economic and technical content. Development cannot be satisfactory if all it means is change in the production function and a rise in national income per head. It must mean something beyond more and better factories and a larger flow of goods and services. It must be associated with a fairer distribution of income; but it must also aim at a fairer distribution of ownership of wealth and capital. And, along with these largely material advances for the masses, it must involve more and better schools and health services, more opportunities equally open to all, a reasonable measure of economic security, and above all the evolving of the legal and social institutions that will safeguard, for the formerly underprivileged individual, his newly-found dignity and material betterment. With such a content, development benefits the population at large, so that no group that contributes to the realization of material progress will be deprived of the rightful rewards of its efforts.

This kind of development cannot be expected to be designed and initiated and, above all, actually allowed to unfold in all directions as designed, if economic decision-making is to remain largely in the hands of private businessmen. This statement should not be taken as belittling the role of business enterprise, or as denying the significance of this role at higher stages of development in other types of societies. But one must bear in mind here the difference in time dimension between, say, the eighteenth and nineteenth centuries in Europe or in the United States, and the post-war era of the nineteen-fifties and sixties in the underdeveloped world, with its social and political pressures, its compressed revolutions, its gross contradictions.

Arab man of the mid-twentieth century is one of the most impatient of the generation of impatient men in the underdeveloped world. He wants to live man's life fully, in freedom and dignity; yet, with his niggardly current endowments in education and wealth, and with his handicap as a late-starter, he can do little better than subsist. Hence his willingness to relinquish much to an agency, a trustee, that promises quick returns by breaking the social structure unfavorable to himself. The government, offering to act on his behalf, is accepted, even welcomed, as the only trustee capable of helping him.

This brings us to another question: Where does the locus of decision-making reside for the design and initiation of development? The answer to this question became obvious through our discussion of the desired content of development. In fact, if the underprivileged in the Arab world are to gain dignity, to improve their material lot, and to become able to exercise their political rights in their essence, then the development that is to serve them cannot but be designed and initiated by a ruling group that attaches priority to these social targets.

Two strong objections can be levelled at this reasoning. The first may run somewhat as follows: What assurance have we that in the absence of a democratic process of election a ruling group eager to serve the social targets enumerated will come to power? Or, to state the question in another way, aren't the underprivileged masses the best trustees of their own interests and the party best fitted to choose the government most capable of serving these interests?

I can think of two answers to this questioning. First, the underprivileged masses can probably articulate their grievances, but rarely their objectives; (we largely impute to them the objectives we think they seek or ought to want to seek). They will probably be unable to determine the caliber of men best fitted for the pursuit of the imputed objectives. Secondly, we have no assurance whatsoever that today these masses can, through the mechanism of Western-style elective institutions, express their interests and desires, given our starting point that in many Arab countries the social system is patterned to serve the interests of a privileged minority. Furthermore, where the system has changed in favor of the underprivileged, these have not had enough time and education yet to learn how to exercise their rights properly, free of pressure or fear.

The second objection may run somewhat as follows: If for the sake of the argument we were to admit the superiority of a self-imposed ruling group claiming a messianic sense of mission, wouldn't we then be allowing a concentration of power in the political and economic decision-making processes, very much like the concentration which we attacked as the vicious circle sheltering the perpetuation of backwardness and poverty? The objection is no doubt forceful. In answer, we can say that there is an essential difference in the sincerity and seriousness of purpose of the two groups. The one attacked was itself the privileged product of social imbalance and naturally sought to keep the dual reins in order to perpetuate, for personal ends, a power it had inherited;

the other is itself the underprivileged product of imbalance whose emergence is a rebellion against the imbalance. Yet alone, this answer is lame. For it may rightly be countered that the new ruling group, though originally underprivileged, or perhaps because of being originally underprivileged, will be corrupted in a matter of years and turn its zeal for social reform into a zeal for personal power and enrichment at the expense of the very masses it had set out to serve.

Indeed, more regimes of the type we have postulated as the spearhead of reform have turned economically selfish and politically greedy than have maintained their purity and their idealism. In this respect the ruling group in Egypt stands out as an example of resistance to temptation—an example so distinct that it brings out the frequency with which temptation has been succumbed to. Yet I would venture to generalize that the first few years of reforming zeal are enough to stir mass expectation of such a volume and quality that even the corruption of the reformers will fail to return the situation of the underprivileged to its initial state of helplessness and resignation. What is more, Nasser's example and success, and his influence in the whole of the Arab world, further insure the masses against a long-term relapse at the hand of corrupted reformers. However, in the final analysis, the resistance of the ruling elite to temptation is a matter of character. For, in the absence of the possibility of corrective action by the population through organized political institutions, only extreme reactions remain open for the masses: resignation to the new misuse of power, or violent revolt against it.

I believe that the way out of this formidable impasse is the spread of social and economic development. It is only through development and the concomitant break of the old rigid system that a solid foundation for political democracy can be laid. Only citizens living in an open social system and participating in a dynamic process of development can properly exercise their political rights.

However, it is obvious that concern for speedy development in the social and economic spheres, free from obstructions by particularist interests or disinherited politicians of the old regime, may cause a neglect of the speedy development of political institutions within which the citizen can express his wishes regarding the form of government he wants, as well as express his approval or disapproval of the way he is governed. In consequence, it is quite conceivable for a society to produce a developing economy and a

largely egalitarian social system much sooner than it produces a largely democratic political system. And, while it would be legitimate to put off for a number of years the institutions of representative government, there might be a danger of the delay lasting beyond its legitimate excuse. Under such circumstances, the ruling group would fall into a contradiction, since it would then be denying the citizen the very political rights for the proper exercise of which it had taken over power and replaced the older undemocratic regimes.

Naturally, the length of the interim period must be a matter for debate, and the observer, the restive intellectual, and the ruling group can all make mistakes about the right length. However, it is not the mistakes made in good faith which are most dangerous, but the ones committed knowingly or irresponsibly: either by the restive intellectual (and his shadowy allies in the ancient regime eager to regain power) unrealistically underestimating the time needed for the preparation of the masses for the vote; or by the ruling group enjoying its uncontrolled power and so overestimating the time needed.

Another kind of contradiction into which the ruling group might fall, sincere as this group might be, is in its method of preparing the citizen for the vote, a method which might in practice have the opposite effect. The government might in all good faith prove to be so paternalistic and sheltering, and its decisions on behalf of the population so exhaustive and far-reaching, that the population might become too dependent on the government and thus lose its readiness, if not its desire, to take initiative.

These dangers are as real, though not as serious, as the danger which a society governed by a self-centered, privileged oligarchy faces. They are not as serious because under such an oligarchy both true political democracy and true socio-economic democracy are impossible. And it is precisely here in the distinction between the two types of government that hope lies for those Arab countries now governed by new groups determined to achieve socio-economic development. For, at least in their determination, and to the extent that they approach their objective, these society-centered groups rouse the appetite of the masses not only for socio-economic benefits but for political democracy as well; because with a stake in the economy comes the desire to safeguard the stake through the exercise of political rights. In other words, even the single-minded focus of these groups on socio-economic development

creates a built-in hope for the ultimate achievement of political democracy.

The fulfillment of the hope, however, might be delayed unduly by the ruling group. It is the duty of the thinking Arab, therefore, to guard against complacence in the face of a protracted relegation of democracy to a secondary place in the system of priorities established by this group. Equally he must guard against the exaggeration of the ruling group in laying down the conditions that have to be satisfied before society is declared ready to practice democracy. The governing principle in our attitude to democracy ought to be that democracy is absolutely necessary in the substance of government but that Arab society ought to evolve the forms of democratic political expression most protective of the essence of democracy and most suitable to our national conditions and culture. On a realistic assessment of the serious imbalance in Arab society it will be perfectly legitimate to defend the surrender of political right of choice by the masses to an enlightened and honest leadership at the start of the take-over by such leadership. The surrender will enable this leadership to establish the foundations for socio-economic development. But it must not be taken to mean continuous surrender once the structure of imbalance is broken and development has begun to move into a self-sustained stage. Whereas in an earlier stage the concentration of political and economic power may well be not only permissible but also necessary, at the later stage such concentration will be cumbersome, inconsistent, and unjustified.

The position we take is not merely one of principle; it is also of practical significance. This is so because once the initial stage of redress for the masses has been passed, they can be relied upon to be a good guardian of their newly-acquired socio-economic rights and benefits. At this stage it will be useful to allow as full a participation by them in political life as possible, along with the full participation in the development effort which will have already been made open to them. From this point onward, the broadening of the base of government becomes beneficial both to development and to democracy, once the breakthrough in the field of development has been made and has been adequately protected against the encroachment of the particularist interests of the old regime. Beyond this point a protracted denial of the exercise of political democracy will probably prove more of a handicap to the achievement of the ultimate objective of development, which is the progress of man in freedom and dignity, than

even protracted underdevelopment is to the proper functioning of genuine democratic institutions.

I submit what I have so far said as a framework for the understanding of events in the political, social, and economic life of the Arab world over the past two decades, but especially since the Egyptian revolution of 1952. It is within some such framework that we can understand the collapse of old regimes in many an Arab country, and appreciate the underlying causes for what must look on the surface like mere instability. It is within some such framework that we can properly understand the significance of President Nasser's ideas and actions and the immense impact they have not only on the whole of the Arab world but much further afield. And lastly, it is within some such framework that we can understand the expectations that attach to the moves toward Arab unity and can predict the socio-economic and political content of the unity sought.

There is no difference worth mentioning in the definition of the content between the two forces shaping the destiny of the Eastern Arabs in their drive for unity today: President Nasser and the Baath party. The differences are mainly ones of time-table and style. Essentially the two forces seek the same objectives, although they approach the formulation of these objectives in different ways. The coherent, full-fledged social philosophy of President Nasser, as expressed in the National Charter of May 1962, started in 1952 as a simple set of ideas and objectives. Through trial and error, action and meditation, and with pragmatic openness, the ideas have grown into an ideology. And the ideology has been made concrete in legislation, institutions, policy and achievement.

On the other hand, the Baath started with a doctrine and a social philosophy and therefore experienced a more modest growth in the body of their doctrine over the years. As they have not until recently had the advantage of actual power, they have not had the opportunity to make their ideology concrete as President Nasser has. Nevertheless, the idealist-pragmatist and the idealist-doctrinaire agree about the social, economic, and democratic content of the Arab unity they are now constructing.

I believe I am reading current events and trends correctly in saying that the leading parts of Arab society—notwithstanding error, impatience, amateurishness, and confusion—are now entering a stage where the drive for democracy will be launched along with an intensification of the drive for development. Elections

are planned for July in Egypt, now that social and economic imbalance has been corrected in a decade of revolutionary government. Syria and Iraq, the other two countries to form the new United Arab Republic, will probably not be very far behind in the institution of representative government, judging by the basic position of the Baath in favor of such government, and by the statements made by the Syrian and Iraqi delegations in union talks in Cairo that their governments aim at holding elections as soon as possible within the next two years.

If so, the new federal state, symbolizing as it does Arab hopes for union, will have a good start. It will have faced the three basic questions that have to be answered satisfactorily if Arab society is to develop materially and politically. To sum up, these questions are:

1) How to give development a social content as well as an economic content and therefore through it to provide the Arab masses, for the first time in centuries, with the opportunity for a decent life;

2) How to seek a power structure capable of providing the design and the motive force for development in the broad sense in which we have used the term, and of protecting the interests of the population as a whole; and

3) On achieving a breakthrough in the first two endeavors, how to put into the hands of a better prepared citizen the responsibility for his political destiny through the functioning of democratic institutions.

Of the achievement of all this the Arab of today is highly hopeful.

11

The Role of the Foundations and the

HUMAN RESOURCES OF THE DEVELOPING COUNTRIES

REY M. HILL, *representative of the Ford Foundation in Iran, was born in Utah in 1912. After receiving his B.S. in Economics and Business Administration in 1935, he served on the Utah State Planning Board; then, in 1939 joined the U.S. Department of Agriculture as an Economist. In 1942, he served as a program Officer in the Institute of Inter-American Affairs in San Jose, Costa Rica. From 1944 to 1954 he served as Director, Division of Agriculture and Natural Resources; Vice President; and Associate Regional Director for Latin America in the Institute of Inter-American Affairs of the Department of State. From 1954 to 1958, Mr. Hill served as Assistant Near East Representative of the Ford Foundation and from 1958 to 1961 as Director, U.S. Operations Mission to Bolivia and then as Regional Director for Latin America of the International Cooperation Administration.*

A newly appointed United States Secretary of Defense having just spoken before the Washington National Press Club was asked: "How long will it take the United States to reach the moon?" Quickly the answer came: "Four days and two weeks", said the Secretary, "four days enroute and two weeks to get through Russian customs".

While the secretary was expressing his frustration in regard to the moon race, he, perhaps inadvertently, pointed a sharp finger at man's relative pre-occupation with physical rather than human development, with things more than people.

On March 31, 1942 one of the first U. S. overseas agencies to concern itself almost wholly with human development was created. It was The Institute of Inter-American Affairs, a government corporation under President Roosevelt's Coordinator of Inter-American Affairs. That Institute, which concentrated on the development of the capacity of local technicians and administrators to solve their own problem in education, health and agriculture, flourished for a few years in a manner much like the Peace Corps today. It had autonomy, relative freedom from strangling adminis-

trative procedure, longer term funding, and an inspirational objective, each of which contributed to a high degree of dedication and group spirit. But a governmental agency cannot act for long like a non-governmental agency and survive.

The IIAA became part of a world wide regular governmental agency, the Technical Cooperation Administration (TCA), which under the fourth point of President Truman's now famous address to the Congress, was boldly launched with strikingly similar human development objectives. But just as IIAA was submerged by TCA, TCA soon lost its identity in a merger with the Mutual Security Administration (The Marshall Plan) into the Foreign Operations Administration (FOA). Although the programs of human development have had an active role in a succession of foreign aid agencies, since the beginning of FOA the unsung task of increasing the thickness of the talent layer has been a secondary preoccupation.

The submersion of the smaller human resource agencies and the dominant role of economic and physical development was accompanied by a leadership which concentrated on and felt more at home with immediate economic and political pressures. A principal source of these leaders was the Marshall Plan, where there had been a vast experience in such matters, plus the prestige which comes from recognized success. That success, however, was in applying economic resources to *restore* physical plant in an area which already had unrivaled human competence. Achieving a like result in the less developed areas, where the reservoir of human abilities is less than half full, is quite another matter.

The demands for progress, however, are urgent ones. The desire of the developing countries to share more fully in the goods the modern world offers is growing more rapidly than is the indigenous technical and managerial competence required to meet the expectations. Often these wants are expressed in dams and power plants, steel mills, paved highways, and in programs of agrarian reform. Each such undertaking requires trained and experienced manpower which is often unavailable in sufficient numbers to permit effective project implementation.

There are political and often economic and social pressures, many adequately justified, which make desirable immediate response to such project demands. Political leaders have little patience with voices which suggest that modernization must await the development of more effective manpower. They insist on action despite inadequacies and they proceed to carry the activities forward, even if ineffectively.

Developmental Revolution

North Africa * Middle East * South Asia

PART IV

PAYING FOR DEVELOPMENT

It shall continue to be so. The practical response cannot be for a nation's leader to postpone unduly its urgent pressures. On a rapidly expanding scale the developing countries must increase their skills in preparation to meet the compelling requirements of world progress. The need is for a greatly improved effort which will bolster the development of the human resource.

The capacity of people, and the ability of international cooperation agencies to participate in the development of it, is a role to which the philanthropic foundations of America could lend greater vitality and strength. The foundations could add back into the total effort some of the advantages which autonomy and flexibility gave the old IIAA.

Political and economic pressures are more easily avoided by the foundations; they need be less in the limelight. Funds are assured for a longer period ahead than for most public agencies, hence there is less pressure for quick and photogenic results. Mistakes have fewer repercussions. Given such advantages the foundations can make their most unique contribution to the whole of foreign participation by seeking the more difficult, often neglected, usually longer term, yet important projects, including those for which credit or recognition is not a factor.

It is believed that the foundations should respond more selectively to requests for participation in activities in which the large public agencies can do a reasonable job. Sufficient funds would then be available for the foundations to explore and influence in depth, and on a wide enough base to have lasting impact, the factors which deter the successful beginnings of many needed institutions upon which sustained growth depends. The governments themselves, and the large public foreign assistance agencies on a temporary leverage basis, should be responsible for the capital investments toward, and the maintenance of, the ever expanding institutions. The foundations should concentrate their attentions on the proper underpinnings upon which solid institutions can be built, less on the institutions themselves.

A rough calculation indicates that if all The Ford Foundation's overseas program, as measured in money, was added to the U.S. effort in economic and technical assistance, the increase would be one half of one percent. Add the foreign participation of all the other foundations and the increase probably would not be more than one or two percent. The foundations must therefore be selective, seek leverage, and do the important which otherwise may not be done. This is not to say that public foreign assistance

agencies should not recognize also a similar need to be selective and to exercise leverage. Their resources are also small in comparison to those of the nations they seek to assist.

The total foreign resources available to developing countries are small indeed. Even during the period of greatest concentration of funds, the Marshall Plan contributed less than three percent to the GNP (gross national product) of Europe. For Iran, which has had one of the larger programs on a per capita expenditure basis in the developing countries, the highest expenditure in any one year of external economic and technical assistance was three and one half percent of Iran's GNP.

The foreign cooperators, therefore, need to concentrate their three percent on programs and policies which would help the host country to spend the ninety seven percent of local origin more effectively. That there is a multitude of organizations concerned with the three percent need not be of much concern. If there are too many agencies we may be assured that the number will not grow less. As one foundation official said recently, "old soldiers, foundation financed institutes, international organizations and government bureaus never die."

What is needed is the integration that comes from a better appreciation and understanding of objectives, rather than any form of operational or administrative closeness, with the frustrations and the stifling of competitive spirit which would ensue. The various foreign participants in the development process can fish in the same stream of progress without dangling their lines in the same pool.

The foundations have a unique role, in which they can cooperate with the aspirations of the developing countries and be helpful at the same time to the efforts of the larger foreign assistance agencies. They can provide leverage to *their* leverage projects.

There are many activities, many areas which require preparation before real development can begin, in which the foundations could give greater stress. To illustrate:

DETERRENTS TO RURAL DEVELOPMENT

One need is to create more interest in solving the problems which are deterrents to rural development. In the developing countries around seventy five percent of the people live in rural areas. The lack of their capacity to become good customers holds back national prosperity. Unfortunately, many rural development activities have not lived up to their early promise. The job is

proving longer and more complex than were the unrealistic expectations. Some enthusiastically begun programs are dissolving through disappointment. And there is growing evidence that foreign assistance in this field is beginning to lag.

Continued catalytic support based on a recognition of the very long term aspects of the problem is required. To insure eventual success the pipeline of education must be extended to the more apt of village or rural youth. The urban born and educated now dominate the making and the administration of policy, even for those programs which extend, though inadequately, to rural areas. There is need for more individuals who have a concern and understanding for rural problems, a concern which comes from deep associations and sympathetic contact with rural people. Until rural oriented, educated men and women can infiltrate to an important degree the machinery of both governmental and private endeavor, the rural areas will not get the concentrated, continuous, and understanding attention necessary for sustained growth.

NATIONALISM IN ITS FINER SENSE

A second area for the attention of the foundations would concern itself with the failure of nationalism to develop in its finer sense, the nationalistic feeling that comes from the pride of understanding one's own culture and the desire to develop it. A sad commentary on the jet age is that even the highly educated in many countries know in considerable detail, from first hand experience, the people and the geography of the United States and of Europe, yet are almost totally ignorant of their own country and its people outside their capital city. Most modern books are translations, foreign oriented. There is little original writing, nor is the research and study of local culture, history, and geography sufficient to provide the source material upon which the development of indigenous literature depends. Intracultural exchange has been neglected. There is a need to develop the vehicle whereby adventuresome scholars can expand enormously, and in a meaningful way, their effective knowledge of *their* country.

LIBRARIES WITHOUT BOOKS

That the knowledge already available in book form is not really made accessible suggests a third area of opportunity. Books too often fail to reach the libraries, libraries are archives or store houses, not circulating systems; and teachers teach without books.

The problem goes deeper than the production or the housing of books. These are tangibles which already get some attention. The problem is one of motivation, how to get the books circulated and the pages turned. The situation is needful of vast improvement.

THE JUNGLES AND THE DESERTS

A fourth area, that of world population growth, is one which should benefit from increased foundation involvement. Already there is a courageous and commendable effort by the foundations in the field of population control. But there is a less aggressive concern with how well prepared future generations will be to use, effectively, the now underutilized sections of the earth's surface, principally the hot, wet areas and the deserts. It is just possible that the scientists will fail to make it possible for the urban areas to absorb the three billion people yet to be added to the world's population during this century. Or, we may fail to solve enough of the problems of urbanization to make them want to live there.

As an insurance policy for the future, there is need to evaluate continually man's effort to subjugate the jungle and the desert, to circulate more effectively that which is known, and to fill in the gaps through research in depth, principally applied research, on a continuing long-term basis.

THE APPLICATION OF JUSTICE

Fifthly, there is one of the most illusive and neglected of all deterrents to progress in the developing countries. It is the inadequate, uneven and unenlightened application of justice. Fear that actions in the interest of progress will fail, as they often do, and then be interpreted by the judges as having an improper motive, reduce public administrators to men of cautious inaction. Inaction may maintain the status quo but it cannot sustain economic and social progress. The seriousness of the problem needs assessment; the ways to approach it require careful analysis, as indeed this is a delicate and sensitive area. It could be an exclusive field of concern of a great foundation, with the potential results worth the risks. Without success here the vast expenditures to uplift public administration, to create responsible local government, to establish the bases from which democracy might begin, can come to naught.

THE TRANSFER OF EXPERIENCE

And sixthly, there is the evasive problem of how experience gained in the far flung technical and economic cooperation activities can be transplanted with a higher degree of effectiveness. The participants in this business go on year after year making the same mistakes and ignoring the successes of others.

By the very nature of the human animal it seems impossible for any informal "share the wealth" plan to be implemented on a sustained basis even *within* major organizations, not to mention effective exchange between them. The mere circulation of even well documented objective statements is not good enough. They seldom reach the individual most able to benefit, and when they do he is so submerged with paper that he cannot digest them.

Normal methods of idea exchange are not working adequately. There is an indicated need to find the vehicle whereby experience can be transferred *with impact* to the individuals who influence decisions. It is probable that one or more of the foundations, interested in but not itself too directly involved in foreign operations, could devise and help implement a system that would vitalize the process of learning by doing.

A reduction of the frustrations which lead to economic and political crises will come with the capacity of people to live up to the expressed expectations of their leaders. The foundations can make their greatest contribution to this end. They can help create a favorable basis for the development of the institutions which aim at the acceleration of the capacity of people to utilize effectively the resources which science is making ever more accessible to them. Along with people's expanded capacity to want intelligently and to produce efficiently will gradually evolve governments with a growing ability to govern, to lead and to expect, with wisdom.

PART III

RESOURCES, HUMAN AND NATURAL

12

Cultural Contributions to Development

LUCIUS D. BATTLE, *Assistant Secretary of State for Educational and Cultural Affairs, was born in Dawson, Georgia, in 1918. After graduation from the University of Florida, he served in the Navy during World War II, then returned to the University where he received his LL.B. degree. In 1946 he entered the State Department where he served in the Office of European Affairs until 1949, when he became Special Assistant to Secretary of State Dean Acheson. Following this assignment, Mr. Battle served in the American Embassy in Copenhagen, and with NATO. In 1956, Mr. Battle resigned from the Foreign Service to become the Vice-President of both Colonial Williamsburg and Williamsburg Restorations, Inc., where he remained until February 1961. He returned to the State Department to become Special Assistant to the Secretary of State, and Executive Secretary of the Department of State. In June 1962 he was sworn in as Assistant Secretary.*

THE GENERAL field I represent—educational and cultural affairs—is itself a developing and growing one. The great educational and cultural explosion of our own and other countries, and the revolution of rising expectations in so much of the world, have provided a most favorable climate for these activities. They are today more widely recognized than ever before as being not just nice, but *necessary,* things to do. They are seen to have an increasingly important place in the total framework of constructive foreign relations.

Cultural activity or encouragement, whether intra- or international is, however, an activity that provides relatively little precise statistical proof of effectiveness. And in a conference where representatives of the physical sciences, the social sciences, finance, the military, and other more precise and measurable activities are participating, the contrast is sharp and clear.

The spokesman for "cultural contributions to development" is necessarily limited to more general evidence. He cannot say, for example, that the introduction of education in a primitive com-

munity has produced results as precisely measurable as the introduction of, say, electricity.

I believe James Bryce was recognizing the limits to what one can claim for the effects of education, but at the same time expressing his own quiet confidence in their importance, when he said:

> "Education, if it does not make men good citizens, makes it at least easier for them to become so."

I share this same quiet confidence. One finds in the ancient cultures and civilizations of the Middle East strong supporting evidence. These are the cradle lands of much of our own culture. From these lands have come some of the great expressions of the human mind and spirit—in science, in literature, in philosophy, and in other fields.

My part in this Conference is, therefore, to represent in the present-day development context one of mankind's age-old beliefs —in the power of mind and spirit, through educational and cultural enrichment, to improve man's lot upon his planet. And my part is to indicate, too, some of the steps being taken—or that can be taken—to broaden and deepen the stream of contributions which cultural activities can make to development in today's complex terms.

I will not be adding to the scientific and technical literature of development—a fast-growing literature, I am happy to note. For the most part, I am thinking of long-range growth. My main focus is not on immediate ends, but on long-term ends—and even on those *ultimate* ends that have to do with "the good life"—with "Life, Liberty and the pursuit of Happiness," as we have been fond of phrasing it in this country for nearly two centuries.

My case is, therefore, for the basic and, I believe, crucial contributions which educational and cultural affairs can make to the building of healthy economies and of viable and durable societies.

How do we know *where* to place educational and cultural affairs in this process? What *priority* should they have?

What bench-marks are there, for example, for determining how much of a developing nation's income should go into educational development? One approach was given by the premier of a small nation, who was questioned as to why a relatively large percentage of his country's budget was devoted to education. He is said to have replied: "It is because we are such a poor country."

We need, first of all, to get a broad look at what educational development can mean to an economy and to a society.

We will find some specific and relevant facts to go by if we take a broad look at our own American society. I suggest this example because we too have been, and *are,* a developing society. The more spectacular development of the United States, as Secretary Rusk has pointed out, has occurred literally within the generation of people now living. A native of a rural section of Georgia, Mr. Rusk is one of many Americans who grew up in a predevelopment environment, on pre-scientific farms, in communities where there was no medical care, where doctors were relatively unknown, where science and technology had not begun to make their contribution to development. *Many* of our citizens remember in their own experience what development can mean, under free institutions.

The roots of the rapid development the United States has experienced in the last half-century go far back. From the first colonies founded on these shores, Americans have shown a strong faith in the educational process. It was expressed in the establishment of our first two colleges, Harvard, the oldest, and William and Mary. Construction actually began on a college in Virginia —now the College of William and Mary—as early as 1619. The founders of Harvard have left us a moving statement of their purpose, now cut in stone at a Harvard gate. It reads:

> "After God had carried us safe to New-England, and wee had builded our houses, provided necessaries for our livelihood, rear'd convenient places for Gods worship and settled the Civill Government; one of the next things we longed for, and looked after was to advance *Learning* and perpetuate it to Posterity. . . ."

Thomas Jefferson was deeply interested in making educational opportunity more widely available. Among all his great accomplishments he asked that only three be inscribed on his tombstone at Monticello. One was that he was "the father of the University of Virginia."

And so the roots of America's faith in education lie deep in the nation's history, in the first settlements of the Virginia Colony and the Massachusetts Bay Colony.

But the role to be played by education in the development process in the United States was soon to be made more direct and

more specific. When Abraham Lincoln in July 1862—in the darkest days of our Civil War—signed the Morrill Act, he opened the way to a whole new system of colleges and universities which could help serve the nation's developing needs. These are the land-grant colleges and universities, now embracing one or more in each of the 50 states and Puerto Rico.

The leading object was to teach branches of learning related to "agriculture and the mechanic arts," but without excluding other scientific and classical studies. Institutions came into being, essentially, to assist in the process of development—even though the thought was not phrased in that way at the time. We had a continent to open up more fully and to develop, and we needed the help of additional kinds of educational institutions to do it.

When the Centennial of the land-grant colleges was celebrated some months ago, President Kennedy said they had "played no small part in shaping" much of the history of our country. They offered instruction for productive employment and to serve the broad educational needs of more Americans at lower cost. Initially, their services were largely limited to their own states; but gradually their campuses have become as wide as the world. Land-grant institutions have undertaken more than 100 contracts for the Agency for International Development (A.I.D.) and predecessor agencies in some 50 countries in Asia, Africa, the Middle East, Europe and Latin America.

At virtually the same time as the Morrill Act, efforts were beginning to help expand educational opportunities overseas. The oldest American educational institution in the Middle East—Robert College in Istanbul—is celebrating its centennial this year.

One more major fact about higher education in America is its striking growth in the last half century—an increase from 5 to nearly 40 percent in high school graduates going on to college. Has this rush to the colleges been a *cause* of national development and growth, or a *result*? In any case, more and more Americans want, and need, educational opportunity in order to meet their opportunities and requirements in an increasingly urban, industrialized, complex, and developing society.

We might well note one important reason for the increasing desire for higher education, both at home and abroad. It is the growing recognition that science and technology constitute the ultimate "natural resource" on which economic growth and security depend. We may not, for example, have ready access to adequate supply of a particular commodity, a rare mineral, say.

But so long as we have ready access to minds that can "think up" or "engineer into" new industrial materials—or new sources of power, new sources of water, etc.—we have assurance for the future. Here we see clearly—not only for our country but for all countries —the 20th Century's ultimate dependence on education for the trained minds today's world requires.

Now let us look more closely at some of the contributions of cultural exchange.

In our educational and cultural exchange programs with Middle Eastern nations, we in the Department of State have brought to our country in the years 1949-1962 several hundred grantees as students, lecturers and research scholars, teachers, leaders and specialists. Grants have been made to American citizens in similar categories, enabling American professors, for example, to lecture and teach in Middle Eastern universities in a wide variety of subjects, including economics, science, American studies, and English as a second language.

I would like to discuss with you each of our programs—and those of other agencies for which I have a general coordinating responsibility. But I think it may be more useful to convey a sense of the strong impact these exchange porgrams, taken together, have. Fortunately, we have good evidence on this point from a report just published by the U.S. Advisory Commission on International Educational and Cultural Affairs. This Commission, which is headed by Dr. John W. Gardner, President of the Carnegie Corporation of New York, found that the Department's exchange programs had established their overall effectiveness "clearly and beyond question" and has become "a significant aspect of foreign policy." They are "an integral part of America's long-range constructive relations with other nations." Under the Department's exchange programs, to which the Commission's study was confined, a total of 53,000 citizens from other countries and 21,000 from this country have been exchanged in the years 1949-1962.

I quote from the report:

> "There has been nothing quite like this—a peaceable, sizeable exchange of persons, carried on by a government on behalf of an entire people—in the whole history of human affairs."

The Commission gave special attention to "The Exchange Program in the Developing Countries." I believe the consensus is clear from their discussion and from other evaluations that the

exchange program should concern itself directly with the strengthening of educational and other social institutions in the developing countries. While the Agency for International Development has the primary role in institution-building, all exchange programs carried on with a developing nation can play a part.

Exchange programs can serve developing nations with maximum effectiveness only if they have the benefit of careful, long-term, country-by-country planning. Manpower requirements must be kept in mind in selecting exchange grantees—and, of course, the fields in which they wish to study. "Manpower" is used here not only in the restricted technical sense, but in the broad sense of an educated effective citizenry, capable of taking political leadership in the country's development.

It is here that the State Department's educational and cultural exchange program plays one of its major roles. The approach through educational and cultural affairs may be somewhat indirect and oblique, but it has been called the approach "most welcomed and accepted, the least likely to be resented or suspected, the most potent long-range" in our efforts to assist our friends in their developmental revolutions.

Through exchanges, it is possible to select a few key persons who will give a forward thrust to an entire development program or institution on their return. Some may be specialized technical people—key medical men, scientists, engineers. There is a need too, however, for able "generalists" who, through widened vision and knowledge, can create and administer better technical development programs, and provide progressive leadership to their societies.

Both graduate and undergraduate students will keep coming to the United States for study and training. At the same time the exchange program can constantly strive to strengthen home country institutions.

Among the Commission's specific recommendations, to which we will be giving close attention in the months ahead, are:

1) That more teachers be sent abroad—to some countries under the State Department program, to others through the Peace Corps, A.I.D., or other agency.

2) That more university-to-university relationships be encouraged.

3) That much wider use be made of the "third-country" approach, so that study experience more relevant to educational background and interest, than might be available here, can be had.

4) That both the U.S. Government and private agencies do more to draw upon available experience and understanding of the best ways to help developing countries progress more rapidly.

So, the subject of exchange programs and developing countries is one of great current and continuing interest to us.

One of the principal exchange activities of my Bureau has to do with the some 60,000 foreign students, both undergraduate and graduate, now enrolled in nearly 1,800 American colleges and universities. On the graduate side, the distribution is far less than the foregoing suggests because of the desire of many graduate students from overseas to enter a very few institutions standing at the top of most people's prestige list. All the evidence available now indicates that the numbers of foreign students will increase over the next decade or more, and that the category of greatest increase will be graduate students.

Our opportunities for service to developing countries—through the provisions of educational opportunity in this country, especially on the graduate level—could be greatly widened if more foreign graduate students had greater knowledge of the wide range of excellent graduate facilities in this country. The view is all too prevalent among such applicants that only a degree from one of a relative handful of institutions is a real hallmark of distinction.

I believe a service would be done for all concerned if this obsolete view could be cleared away. Perhaps some statistics will help to this end. For the academic year 1962-1963, a total of 1,433 Woodrow Wilson Fellows—who have indicated their intention of entering the teaching profession on the college level or higher—chose *58* U.S. institutions of higher education as their first choices. Their choices were most heavily clustered around a half-dozen or so institutions. But the significant fact, I think, is that this group of highly promising young American scholars selected for their varied academic pursuits some three score institutions and in some 30 states.

Another item of evidence. If we review the list of institutions at which National Science Foundation fellowship awardees are enrolled—in all grades of fellowship, from graduate to senior post-doctoral—we find a total of some 175 institutions chosen by these awardees.

Data relating to production of doctorates and contributions to learned journals indicate, according to one author, a group of some *50* universities holding a leading place.

It is clear that some institutions possess a larger number of dis-

tinguished departments, by such criteria, than others. It is also clear that some departments in other institutions may do at least as good a job of training as their counterpart departments in institutions enjoying higher general recognition in the academic community.

Recently, Dr. Clark Kerr, President of the University of California, pointed to the formation of three "mountain ranges" of institutions of higher education, in the Boston-Washington area, the Pacific coastal area, and the Midwest, each with substantial representation of Nobel laureates and members of the National Academy of Sciences, and a fourth developing in South Central states.

So, it would be our hope that the unique system of higher education we fortunately have in this country can render even more effective service to developing nations in future years—both through services abroad and through receiving a broader distribution of foreign students on the graduate level here. As a matter of fact, one of the aims of the program we hope to develop overseas for counselling non-Department grantees is to help them find institutions, among the varied array America offers, which will be most suitable to their needs and purposes.

"Cultural contributions to development" also include the Participant Training Programs of A.I.D., teaching and other programs of the Peace Corps, USIS libraries and information centers, and many other international activities of this government. Foundations and corporations also add significantly to the flow of financial and technical assistance. So, too, do multilateral organizations—including agencies of the United Nations, the Organization for Economic Cooperation and Development (OECD), and the Organization of American States (OAS).

The ways in which such contributions may serve development are varied, indeed. Examples appear at every turn. Former foreign students in the United States now occupy prominent positions in many countries of the Middle East. As recently reported in the press, five such former foreign students now hold high posts in the Government of Iraq, as Ministers of Agriculture, Agrarian Reform, Guidance, Oil and Planning. And we might note the two dozen youth leaders and social workers from the Middle East who joined some 100 other colleagues from many other countries to come to the United States last spring and summer for study, work and observation. They came under the Cleveland International Program for Youth Leaders and Social Workers, an excellent ex-

ample of strong and imaginative leadership coming from a part of the American private sector—in this case, citizens of a large American city. With the Department of State's help, the program is now entering its eighth year. I like to cite this example, from the variety of exchanges in which we participate, because it represents a kind of activity which may be somewhat outside the usual concepts of cultural exchange.

The real significance to us here, however, is that it relates to the strains and stresses in many societies, old and new, as industrialization, urbanization and other forms of modernization proceed. Adequate social services and youth leadership have a special urgency in such growing and changing societies, if the conditions of freedom and independent nationhood are to be kept or won. The work of these grantees—and another group is already in this country for the 1963 program—can help to strengthen the foundations of their societies. They will therefore better stand the impact of new cultural and political developments arising from the wider spread of educational opportunity, and from new technologies of industrial or other productive activity.

There are more examples I could cite—for instance, programs designed to recognize indigenous arts and help give them the position of priority in total country development they should have. The arts are not a mere adornment of life. They are in, and of life. Songs and dances and folklore are part of a people's heritage and of its national life. Architecture of buildings, design of clothes, statues, implements, monuments—these are among the elements of a nation's personality and around them national spirit and pride often center. We do well not to lose sight of the forms of creative expression that men in all times and places live by.

The impact of modernization will mean changes, but the changes should hopefully be adaptations of old cultural patterns, old value systems and historic symbols so that these social moorings will not be swept away. A common language, common ethnic origins and common geography may not, alone, make a nation. There are cultural experiences and traditions, often expressed in the plastic arts or in dance or music, that may be a social bonding which helps to hold a people together.

The efforts of several nations to preserve the Egyptian temple of Abu Simbel and other Nubian Monuments in the flood basin of the Aswan Dam provide a dramatic and current example of the importance we all attach to archaeological and other cultural symbols of earlier civilizations.

The construction of the Aswan High Dam created perhaps the most massive threat to cultural monuments ever experienced except in war. The new reservoir, to extend some 300 miles up the Nile Valley, will cover literally hundreds of sites occupied by temples, monuments, lost cities and tombs. Fortunately, some three years ago UNESCO and the United Arab Republic set in motion the great tasks of archaeological excavation, exploration and temple removal necessary for the protection of these treasures. More than fifty states have contributed to this work, and more than 80 percent of the required exploration and salvage effort in Egyptian Nubia has been undertaken. The work has moved more slowly in Sudanese Nubia but there, too, it seems reasonably certain that all of the essential measures will be taken before the waters rise in the Valley.

But with all this effort, one large task remains that still challenges the world. It is the salvage of the temples of Abu Simbel, largest and most important of the Nubian monuments.

We came back from the General Conference (of UNESCO) last December with the difficult task of helping UNESCO save the temples. There should be no doubt as to our concern for the fate of these temples and as to our earnest efforts to keep them for future generations.

The President made this concern quite clear two years ago in a letter to the President of the Senate and the Speaker of the House, when he noted that it was in the interest of the United States to join in the international effort to rescue these historic treasures.

This is the policy which has prompted our efforts in the UNESCO campaign and which will continue to guide our actions.

You will recall that the Congress, in September 1961, responded by appropriating the equivalent of $4 million in Egyptian pounds —$2.5 million for the removal of smaller temples and $1.5 million for archaeological research. In addition the President has directed that the Egyptian pound equivalent of $6 million be set aside to save the temples on the Island of Philae. This work cannot be undertaken until the dam has been completed—probably about 1968. An appropriation will be sought at that time.

In line with our interest in Abu Simbel, we attended a meeting of interested countries convened in Paris in April to determine whether it would be possible to proceed with a lifting plan developed by Italian engineers. Pledges made at that time by 39 coun-

tries amounted to $7.5 million, falling well short of the estimated cost. At the close of the meeting—with a deficit of $23 million in view—a final appeal was addressed to Member States of UNESCO.

The United States carefully considered both this appeal and an earlier request received from the Director-General of UNESCO, and informed the Director-General and the UAR that it would not make a contribution to the cost of the plan to lift the temples above the future level of the Aswan Reservoir. The decision of the United States not to participate in the Italian plan was based primarily on economic considerations.

The UAR has now put forward a new plan developed by Swedish consulting engineers who had earlier prepared plans for the lifting operation. This new plan calls for dismantling the temples and for reconstructing them on the hills just above the present sites.

A second proposal is under study which calls for cutting the temples from the hillsides in large blocks and floating these blocks on pontoons as the waters rise and moving them to the new, higher ground above the present site.

Since the flood waters are expected to rise to a level higher than the entrance to the temples by November 1964, a decision must be taken within the next few weeks on the plan to be adopted in order that the salvage operation can be carried out.

It is too early to make a commitment to a new plan,* but we view these developments with cautious optimism. Any contributions of funds by the U.S. would, of course, require approval of the Congress.

In connection with Nubia, I might also remind you that cultural exchanges are two-way streets. For example, the UAR has offered to give to contributing countries a number of objects of art, statues, monuments and temples in return for their contributions. An announcement was made some two years ago as to some of the things included. I think you will be interested in the fact that one of the rock-cut temples, the Temple of Derr, will probably be available for the United States if we are able to accept the

* The United States has since made a conditional commitment to support the plan drawn up by the Swedish engineers, following approval of the plan by the UAR and by the UNESCO Executive Committee for the Nubian Monuments. The commitment, subject to the approval of Congress and other conditions, is for approximately one-third of the estimated cost, provided cost estimates remain in the expected range of $33-38 million and firm arrangements are made with other countries in regard to total financing.

temple and to pay the cost of moving and reconstruction. I am told that the temple contains some of the best wall paintings to be found in any of the Nubian monuments.

We have now received an estimate of the cost of dismantling this temple, of transporting it in blocks to Alexandria and of shipping it to the United States. The estimated cost is about a half million dollars, not including the cost of reconstruction.

The United States has not made a formal request for the temple, nor has it formally been offered to us; but we have been given to understand that it would be available if we were interested. A decision on this matter will be reached only after a decision is reached on the salvage of Abu Simbel.

I have dealt at length with the Nubian Monuments because this example shows so graphically the interest these cultural monuments of ancient times have for today's world. But we are looking *forward* in our cultural activities, as well as back. Many of our universities, with a heavy inflow of foreign faculty members and students, are becoming increasingly *world* universities. The President of Harvard, in his annual report two years ago, spoke of his university's growing sense that her mission is world-wide, and her devotion to "the advance and development of emerging regions of the world. . . ." The scholarly interest of his and other great universities has now widened "to embrace the whole globe."

Finally, let me say that I see the Development Revolution of the Middle East—the theme of your conference—and the Permanent Revolution of American history as having common antecedents and aims. I see them both as inspired and sustained by high expressions of man's mind and spirit—in science, technology, the arts, and other fields of insight and of information. And I see an increasingly vital role for educational and cultural exchanges in making possible the fuller sharing of these high expressions among nations.

13

Improving Trained Manpower Capabilities in the Middle East

EDWARD W. OVERTON, JR., *Executive Vice-President and Member of the Board of The American Friends of the Middle East, received his B.A. from Williams College in 1940. After active duty with the United States Navy during World War II and several years as Publisher's Representative for* Fortune Magazine, *Mr. Overton went with the Department of Defense in 1952 to do economic research in Germany. In 1954, he joined the Department of Commerce as a special assistant to the Director of Economic Affairs, where he concentrated on developments in the Near East and African regions. In this capacity he acted as a liaison officer with the Department of State, and on loan to that agency, served in the United States Embassy in Tehran. Mr. Overton joined the staff of American Friends of the Middle East in 1959, and in September 1960, was appointed to his present position.*

Certain new attitudes today are emerging from the surge of familiar ideas and aspirations which, since the end of World War II, have reflected the political and social ferment churning the Middle East.

Though overshadowed by continuing impact on the international scene of more dramatic political developments, these new attitudes in the Middle East are, nevertheless, highly significant, for they indicate a growing awareness of the basic problems blocking area progress toward national goals of modernization. High on my list of these problems is the acute need to effectively develop manpower capabilities.

Almost all governments in the area consistently have set high goals for themselves regarding "trained manpower." The actual results, however, have been far below expectations. Belatedly, these countries have been shocked to realize that despite their new political and social momentum—nationalist in concept and free of foreign domination—they must continue to utilize foreign specialists, technicians and, occasionally, even relatively simple skilled labor to fill the huge gaps in their local manpower capabilities.

What has proven more disturbing is that in some cases these gaps have been widening as changing manpower needs failed to be met because of outmoded training practices. Clearly, the painful transition from a relatively stagnant to an expanding economy puts a high premium on a country's "trained manpower capabilities."

DEFINITION OF TERMS

At this point let me briefly outline in pragmatic rather than theoretical or purely academic terms the meaning of the phrase "trained manpower capabilities" as used here.

Obviously, no country, whether its economy is highly developed or seriously underdeveloped, comes close to making optimum use of its manpower capabilities. For an underdeveloped country, however, there are certain minimum levels of performance in manpower utilitization which must be attained if the country is to progress in this "developing" or modernizing process. Specifically, these minimum levels of performance must exist in all the principal categories or elements of employment within a country, such as agriculture, industry, education, health, the professions and in government administration. Put bluntly, the acceptable "minimum level" of trained manpower we are talking about is that which allows a net increase in actual national economic productivity. Anything short of this level simply means the country is standing still economically.

Equally fundamental, though perhaps less obvious, is the fact that the "general level of operating performance" for each one of these broad categories is not just an average of the performance levels for each of the wide variety of separate job responsibilities (or tasks) being performed within that category. Unfortunately, if only a *few* key job skills are missing, this general or mean level can be disastrously affected. In fact, if a shortage develops in any of the different kinds of "operating skills" that, together, go to make up the actual level of productivity within the particular category, there is a marked adverse effect overall.

The construction industry in the Middle East is illustrative. Today the Middle East has an adequate number of well-trained architects of considerable merit. On the other hand, the construction industry comprises a building profession which, though skillful at the craft level (carpentry, plastering, concrete construction, etc.), has few experienced or responsible individuals available at the senior foreman or assistant superintendent level to insure that

the actual construction matches the detailed plans and is otherwise efficiently and professionally accomplished. Frequently walls and floors of new commercial buildings are completed only to be subsequently ripped open so that such items as pipes, heating and electrical equipment—which were in the plans from the very beginning—can be installed. Delays in final completion, improper installation and inefficient operation of the modern equipment finally installed are the results.

An essential part, then, of any realistic examination of "trained manpower capabilities" must assess the real level of *working or operating performance* of those with actual job responsibilities. There is a vast difference between this kind of analysis of manpower and that of the "planners" who too often are satisfied with "paper" progress alone. In too many Middle Eastern countries the preparation of manpower studies and the listing of job titles has become the goal in itself. The primary task of determining methods to both train and select qualified candidates to fill responsible positions has been largely ignored.

DETERMINING REAL VERSUS APPARENT OBSTACLES

Having defined "trained manpower capabilities" in these terms, just what are the obstcales to its more rapid development in the Middle East? Which are the more serious, and can they be overcome?

All too frequently this aspect of the subject is discussed—and dismissed—with the discouraging and relatively glib analysis that certain historical and cultural traditions of the area place insurmountable roadblocks in the path toward modernization. Cited in support of this view is the traditional Middle Eastern philosophy of shunning tasks which require manual labor because these represent a loss of dignity and stature. Also noted are certain undisciplined attitudes toward job responsibility in general. These are perhaps most aptly described by such familiar phrases as *Inshallah*—loosely translated as "God willing"—and *Malish*—which translates just about as it sounds into something like "Why worry —forget about it—it can't be helped!"

Now no American acquainted with the Middle East would deny the existence of such attitudes. I would maintain, however, that these, in fact, are *not* the critical obstacles to progress they have been portrayed. Indeed, and as will be noted further on, there is ample evidence that numerous job responsibilties are being

well met and that technical training involving manual skills is frequently sought.

On the other hand, a narrow, traditional concept concerning education in general and its role in modern industrial countries in particular has led to serious errors. In brief, *Middle Eastern countries have failed to understand sufficiently that the successful development of human resources demands that a country concern itself* with *training* as well as *educating* its manpower. While training and education clearly complement each other, there has been so much emphasis on higher academic study that the practical training needed to provide competent technical, professional and administrative operating practices has been badly overlooked.

The results of this mistaken concept have led to the following three principal shortcomings, each a serious obstacle in itself but forming, collectively, a major roadblock to meeting trained manpower needs in the Middle East:

1) Most of the countries of the Middle East have established elementary and secondary school systems whose curricula and social emphasis point almost entirely toward the relatively *few* students who "go on to college" rather than toward the *majority,* whose formal education ends at one or the other of these two levels and who, accordingly, should have been preparing for subsequent training in the kind of job skills required by the needs of the local economy.

2) Promotion and advancement policies—that is, actual job position, status and, more importantly, *authority* in the Middle East—are almost totally dependent upon the individual's having obtained certain prescribed academic degrees rather than upon any assessment of the *individual's capabilities* and/or his actual *job performance.*

3) Wage and salary levels are tied to arbitrary and pre-determined classifications which pertain to levels of formal education reached by the individual, not to *his productivity* or the *job's requirements.*

Each of these three serious weaknesses deserves examination. First, however, let me illustrate the dimensions and possible ramifications of the kind of manpower training dilemma I am suggesting. Certainly everyone is familiar with the dramatic and unexpected (from the Western viewpoint) success achieved by Egyptian management of the Suez Canal Company after its nationalization. It is generally agreed that failure in this endeavor could well have toppled the government and that, in any case, the resulting loss

of revenue to the UAR would have been disastrous. Success lay in three key decisions taken by the head of the new Canal Authority, Mr. Mahmoud Younes. First, he screened the limited number of available local pilots, designating the few most qualified as senior pilots. Then, taking advantage of a tight convoy system, he assigned a senior pilot only to the lead ship, positioning the less experienced ones on the remaining or "following" ships. Lastly, he divided the total canal passage into two parts, alloting half of the total number of pilots to each section, thus enabling inexperienced pilots to become familiar much more rapidly with their immediate navigational routes. Looked at in the prosaic terms of this present discussion, one could describe this illustration as follows: First, a responsible individual was given full and proper authority. Second, faced with limited manpower capabilities to accomplish this job, he selected and promoted key personnel on the basis of actual job performance. Third, he used intensive training techniques and practical operating practices to develop as quickly as possible a sufficient cadre of properly trained manpower.

On the other hand, one can examine the medical profession—in the same country or in any of the Middle Eastern countries—and find a rather low level of efficiency. This, despite the fact that today there are in these countries a number of outstanding doctors who have both interned and undergone residency training at top flight U. S. hospitals (hospitals, which, I might add, would have been delighted to retain them). The problem: in most Middle Eastern countries government policies in the field of medicine remain in the hands of those who, over the years, established seniority by acquiring a series of relatively superfluous academic degrees—generally from European medical institutions—and who are more concerned with academic theory than results. The importance, for example, of developing carefully trained and responsible hospital administrators so that proper medicines, supplies, suitable equipment and support personnel also will be available to service the skills of highly qualified surgeons and doctors is neither understood nor accepted by appropriate senior officials. In this instance, then, failure of administrative procedures seriously undermines the actual working performance of highly trained professionals. The result: a continuing low level of medical service in the area.

Although there are other equally valid case histories, these two illustrations will perhaps serve to place in a more realistic per-

spective examination of the three major obstacles cited.

Most critical of the three major obstacles noted—and surely the most complex to effectively overcome—is the problem of elementary and secondary school systems oblivious to any other requirement than preparing students for higher academic studies. While Middle Eastern countries cannot shift the fundamental blame for this situation, it is also true that a large percentage of American educational advisers sent into the area during the past decade have further encouraged this questionable approach. Tragically, the new impetus and national drive for modern, mass educational facilities within the Middle East was left to the area's professional academicians to execute. In essence, their method was simply to expand a system which was originally designed to satisfy the higher-education needs of a small elite. All too frequently, within growing bureaucracies, this new emphasis on education was exploited to enhance academic prestige. Too little attention has been paid to the need to develop educated and trained manpower at the varied levels a developing country requires.

While it is true that as a country's economy becomes more advanced it has a greater need for individuals with superior academic backgrounds, it is *not* true that multiplying the number of individuals receiving higher education results in *economic progress.* Today, the Middle East presents demonstrable proof that if a man is educated beyond the needs of his job, and if his education is not supplemented by sound training for that particular job, he ends up being both *dissatisfied* and *unqualified* to handle his job responsibilities.

The majority of young men and women from the Middle East enter secondary school with the sole aim of continuing on to college. They finish imbued not only with this single goal but with expectations of future jobs unrelated to the realities of their countries' economies—nor, at this point, are such individuals eager to undergo training for the kind of "lower level" jobs for which the local economy has pressing needs.

Should anyone question the harshness of this indictment, let him examine the present plight of the secondary school system in one highly industrialized nation where such a failure might be least expected. I quote from an article by Mr. Edward T. Chase entitled "Learning to be Unemployable," which appeared in the April 1963 issue of Harpers: "The biggest failure of American education is not its inability to produce more scientists than Russia; it is the way in which it is turning millions of young

people into unemployables. . . . This menacing situation is a direct consequence of a gross imbalance in our educational system. Its attention has been overwhelmingly concentrated on the 20% of students who go through college. *The vocational future of the other 80% has been either ignored or sabotaged by an archaic system of job training.*"

While it is not my purpose to compare educational systems, there is a useful, though ironic, analogy between a highly industrialized nation which faces rising unemployment due to rapidly expanding techniques of automation and an underdeveloped nation which fails to build up the different levels of skilled manpower necessary to productively employ a growing labor force. In both instances secondary school systems have become too oriented around the relatively small percentage of students going on to college. More surprisingly, an industrialized nation, as well as the less developed countries, can be highly vulnerable if vocational training facilities are inadequate to meet the changing needs of the economy.

The tragedy, of course, is that unlike the wealthy industrialized nations, none of the less developed countries of the Middle East can even temporarily afford the luxury of "educating unemployables."

The second major obstacle—the substitution of academic degrees for sound job qualification standards—clearly is hinged to the first. In fact, one can even argue that as long as job advancement and promotion policies in the Middle East are almost totally dependent upon the individuals concerned having obtained certain prescribed academic degrees, why wonder that the secondary school student views college as a minimum goal or that the college student, in turn, seeks every possible opportunity to continue graduate work.

While there is no precise cause-and-effect relationship between these two major obstacles, the second clearly exacerbates the seriousness of the primary/secondary school system failure. Due to this distorted perspective on the part of Middle Eastern countries regarding educating an "elite," an individual's overall qualifications for a particular position have become of secondary importance, while the prime—and frequently the only—criterion for promotion to responsible positions is the graduate degree. The artificial job qualification gauge thus established is as dangerous to sound educational practices as it is destructive of any effort to fill responsible job positions with competent personnel.

First, this policy ignores the fact that an individual, after acquiring several degrees (but without job training or work experience), has proven only that he is capable of passing certain academic requirements—and the quality of these, of course, varies considerably among universities. More importantly, their attainment alone does not demonstrate a capacity to effectively apply the theoretical knowledge to specific job situations.

Secondly, this situation has fostered in young men and women of the Middle East a tendency to seek academic degrees as the ultimate attainment, an attitude which rapidly undermines the very real value in higher education. As a result, these countries are producing a growing body of individuals who assume they are the nation's elite simply because of their higher education. Lacking in most cases the first-hand experience to test theory against reality, these individuals tend to become increasingly concerned with form and to ignore the less glamorous but essential practical techniques which must be mastered if a job is to be accomplished, not just talked about!

To date, individual efforts to fight against this dangerous trend have been unsuccessful. A typical example concerns a young Syrian civil engineer holding a B.S. from a respected American institution and with four years' field experience in water resource development. He determined that the water resource development techniques practiced in his country were not making optimum use of available resources and that procedures developed under comparable climatic and soil structure conditions in the U. S. might be adaptable. Happily, it was possible to arrange thorough practical training for this man with individual and engineering firms in the U. S. working on this same problem. After an intensive nine-month training period, he returned to his country competent to apply techniques and procedures which would effect more efficient exploitation of water resources. Unfortunately, without the graduate degree necessary to qualify him at the central government level, he was forced to remain at a regional post lacking authority. His experience, unique training accomplishments and proven ability were simply not recognized. Management of the country's program to develop its water resources remained in the hands of inexperienced and untested individuals whose main credentials were certificates of graduate study.

One could list similar examples affecting every country of the Middle East. The most discouraging evidence, however, is the fact

that today, among the qualified Middle Eastern nationals selected for practical training in the U. S., almost every candidate without a graduate degree attempts to have his training reoriented into an academic study situation which will provide the treasured graduate certificate. There is no doubt that this dangerous attitude will continue to prevail as long as young men and women believe their career potential is assured by such degrees and forever limited if not obtained.

Naturally enough, the whole question of salary and wage standards—the third major obstacle under examination—parallels the second obstacle, because it too is tied to the level of formal academic study that an individual reaches.

The debilitating effect of this aspect of the problem, however, is even more widespread, since it cuts across all levels of employment instead of being limited to more senior echelon jobs. Essentially, this concept reflects the old European practice of rigidly categorizing both the level of the *job skill* and the *individual* who performs the skill.

Thus, for example, wages for mechanics became fixed at a certain level. Other trades, from stone mason to machinist and from clerk to accountant were similarly structured. In turn, and depending upon the stage at which formal academic study was terminated (partial or completed primary studies up through secondary schooling), an individual entered either the "lower" or the "higher" of these trades. Once in a particular trade, there he remained!

While this rigid system has broken down rapidly in Europe under the impact of a booming post-World-War II economy in which manpower skills have been at a premium, no such impetus has shaken employment practices in the Middle East. As a result, not only is so-called "advancement through the ranks" practically impossible, but the rigid job and wage restrictions just cited have further restrained any stimulus toward greater job productivity.

Although this productivity failure is damaging at all job levels, perhaps it most seriously affects the skilled technical and other lower to middle management job positions. In fact, the trained manpower gap faced by Middle Eastern countries appears to be greatest, right at this point. The experienced shop foreman, the production line supervisor, maintenance and spare parts technician, construction superintendent, and administrative expediter —almost without exception, this type of key operating individual is missing in most fields.

Admittedly, there is no totally satisfactory shortcut to developing full cadres of these key individuals, since unless such men have actually experienced most of the job functions underneath their supervision, they can neither organize nor technically carry out their responsibilities. In most industrialized countries there is ample opportunity for an individual's abilities to be observed and refined in the course of his advancement to more responsible job functions. The Middle Eastern nations, however, lacking on one hand the traditional industrial base which produces skilled technicians and applying, on the other hand, discriminatory standards as regards both job advancement and wage levels, have made little headway against their critical shortage of this kind of trained manpower.

Belatedly, the seriousness of this situation is becoming recognized. Even hallowed academic circles have been shocked into some awareness because teaching of the vital physical sciences has fallen behind acceptable standards, due, in large part, to minimum availability and use of laboratory facilities. The head of the chemistry department of a well-known U. S. university, who recently was asked by certain Middle Eastern countries to examine their facilities for the teaching of science, made the following point: "Very often fine equipment is on hand but cannot be used for lack of some part or because repairs cannot be made locally. Good technicians, machinists, storeroom men and shop workers are in extremely short supply. The need for people of this type almost transcends the need for professors and intellectuals."

CURRENT CORRECTIVE ACTION

Despite the over-all discouraging picture outlined above, a growing awareness of the training problem has at least facilitated the following practical measures currently underway in most Middle Eastern countries:

1) Technical and/or "trade" schools are beginning to be fitted within the educational picture. Still poorly staffed and restricted to urban areas—and therefore of little help in developing needed manpower skills in rural regions—the new status accorded these schools will eventually have a healthy effect.

2) Manpower planning studies now tend to be more realistic. In a recently completed study, the Tunisian Government heads its assessment of general obstacles blocking the development of the Tunisian economy with this blunt statement: "The Tunisian

economy is severely handicapped by a shortage of skilled personnel at higher and medium technical grades . . ." In subsequently detailing an evaluation of educational and training needs, the report determines that primary and secondary schooling must relate closely to the country's economic needs. It stresses vocational training in particular and emphasizes that specialized training within the different sectors of industry and agriculture must be facilitated either abroad or at home for those students *completing* higher education.

3) There are other signs that technical and administrative proficiency are being accepted as valuable skills. Too many Middle Eastern countries have experienced initial failure in a variety of industrial projects ranging from food processing to iron and steel production. In most cases, the basic weakness has been a lack of trained personnel at both the management and technician level, not an intrinsic flaw in the merit of the project itself. Almost every investment or contractual arrangement which a foreign company makes in a Middle Eastern nation today, therefore, entails extensive *training commitments* on the part of the foreign company. In theory this concept has been practiced for some time. It is only more recently, however, that host countries are beginning to seriously exploit this facility.

4) Finally, Middle Eastern countries are taking increasing advantage of offers of "technical training programs" on the part of both Western and Soviet Bloc nations. Although the calibre of this training—at least on the part of the West—still falls far short of what it could be (as does the calibre of many of the trainees, it must be admitted), these programs at least focus further attention on the manpower training problem.

It would be pleasant simply to assume that the above steps will eventually solve the problem—as, indeed, perhaps they would in time. But whether one likes it or not, the time element is a complicating factor that cannot be avoided. Aspirations have been aroused. Middle Eastern leaders have no choice today but to seek rapid economic development for their countries. Clearly, for the West—and the United States in particular—there is both opportunity and risk in a situation which invites sharp comparison between socio/economic systems and their techniques for rapidly raising economic productivity. The development of the Middle East's trained manpower capabilities as rapidly as possible, obviously, must be the aim of all concerned.

If such a task remains primarily the responsibility of Middle

Eastern leaders—and it clearly does—there is, nevertheless, a tremendous oportunity for techniques and methods evolved from the full range of U. S. enterprise, industry and other facilities to become a determining factor in any successful training effort. The following conclusions and recommendations, therefore, concern both the task facing Middle Eastern countries and the challenging oportunity open to the United States:

Regarding the former, Middle Eastern countries must become fully aware of the extent to which the level of their economic productivity depends upon the level of their trained as well as educated manpower. Until such acknowledgment, the present fuzzy line between educational and training programs will continue, and one can be equally sure that the "technical training assistance" they receive from other countries is likely to be rendered in a similarly fuzzy way.

These countries must, then, organize a clearly defined manpower training effort. In most Middle Eastern countries Ministries of Education (in addition to responsibility for the local development of vocational and other training facilities) have full—or at least de facto—authority over individuals sent abroad for training under government sponsorship. These Ministries, quite naturally, are staffed primarily with academically oriented personnel. The operating executive or technician is simply not represented. Unless and until officials held responsible for the development of particular sectors of the economy have an authoritative voice in *who* gets trained and *how* this training is to be accomplished, little progress is possible.

Ministries of National Planning, Economy or Industry have, to date, played minor roles in the manpower training effort of most Middle Eastern countries. This may be partially due to the fact that individuals with operating experience are seldom given appropriate authority within such Ministries. In any case, the recommendation here is not for proliferation of Ministries involved with training. Rather, the need is for experienced and responsible individuals to be put in charge of each country's manpower training effort.

Once this essential step is completed, each particular country should be able to define training goals and take steps to balance its emphasis between training and education. To date, for example, national budgets for most of these countries provide funds for individuals to pursue higher academic study abroad. Seldom,

however, have funds been available for carefully selected individuals to undergo the kind of intensive practical training that can significantly raise an individual's productivity.

Furthermore, only after responsibility for a country's manpower training is placed in competent and authoritative hands will the major obstacles noted earlier receive appropriate attention. These problems will not dissolve, of course, but certain constructive steps can be taken immediately regarding the selection of individuals to be "trained up" to more advanced key positions or to receive specialized training in various fields. If selected initially on the basis of job performance and if placed in appropriate job responsibilities following the successful completion of intensive training, there will be no dearth of applicants. The record of the Economic Development Institute, as it has functioned under the World Bank, is demonstrable evidence that top flight training under these conditions will be oversubscribed.

On the other hand, training programs offered by industrial nations have often been of inferior quality. All too frequently, these programs have more closely approximated either "guided tours" through industrial complexes instead of actual training, or they have been geared to the industrialized nation's temporary shortage of labor, not to the real training need of the Middle Eastern country concerned. The United States has been guilty of the former shortcoming, while European countries have abused the latter.

There is no good reason, however, why more effective U.S. participation in the training of Middle Eastern nationals cannot be arranged. This applies both to the training of selected individuals in the United States and to assistance rendered local training facilities of Middle Eastern countries. For training in the U.S., the following criteria need to be applied:

1) Each individual training experience must be based upon a detailed assessment of the trainee's qualifications and must relate just as closely to the job responsibilities he will assume upon return.

2) Sound training cannot be spoon fed to an individual. If the individual selected is both qualified and motivated for training, he will respond to the kind of intensive training experience that depends greatly upon individual initiative for success.

3) Unless training is made intensive and tailored to the precise needs of the individual, it too easily becomes a relatively expensive

experience in international travel that fails to raise either the individual's productivity level or his respect for U.S. techniques, methods and materials.

4) In general, no single institution or U.S. company can provide a trainee all the specific requirements for the job in his own country. In most fields individualized intensive practical training can be aranged only by an experienced executive familiar with the Middle East and knowledgeable concerning the abilities of different institutions and companies to supply that portion of the training for which they are best suited.

5) Only if the training is planned and monitored in this fashion can it adapt to the needs and progress of each trainee. Under such circumstances, however, practical training can generally be compressed into an average period of six months. This limits the period the trainee is away from home, keeps his concentration high and his training related to the actual conditions under which his job must be carried out when he returns.

The kind of training just outlined cannot be executed in a routine manner. As in any other quality service, it is costly on an individual basis but a relatively inexpensive investment if the results are productive. Any less effective level of training, moreover, will not warrant the nomination of good candidates by Middle Eastern countries. Finally, of course, training other than good candidates is simply wasted money and effort. Since the evidence is clear that successful training of superior candidates can assist the Middle East to bridge its most acute trained manpower gap, any U.S. participation should be on a *quality*—not just a *quantity*—basis.

At the other end of the training spectrum is the need on the part of most Middle Eastern countries to develop more semi-skilled and skilled craftsmen in both urban and rural areas. As noted previously, urban trade schools fail to solve the over-all problem and frequently are an added attraction pulling the more ambitious young farm men into the already overcrowded cities. Once removed from their provincial homes, relatively few trainees are content to return and work in rural areas where their services are most needed by the economy.

In order to supplement existing trade school efforts, there are significant advantages in mobile training centers set up on industrial rather than classroom lines:

1) There is no major investment in school buildings. When a

training center has filled the need in one location, it can be dismantled easily and moved to another area.

2) This technique also facilitates local training of the relatively large labor force temporarily needed for major public works in regional areas. Such temporary requirements do not justify the construction of costly school facilities which later will remain idle.

3) By keeping training procedures flexible and locally oriented, they can be constantly altered to produce whatever level of local skills are currently required by the surrounding economy. Instead of demanding that a trainee achieve some theoretical level in a particular skill, the goal is to develop the degree of usable skill which enables the individual to be productively employed.

4) A mobile training center can be partially self-supporting, since it is organized along industrial lines which can facilitate the performance of services to the community on a semi-commercial basis. This same feature also enables possible conversion to straight industrial purposes under conditions where economic development of the local community can support such productivity.

Today there is hardly a Middle Eastern country which has not seen economic growth of its overpopulated urban areas dangerously outstrip the more rural sectors. Training techniques along the lines just described will promote the kind of basic manpower skills in rural regions that are essential either for the development of modern mechanized agriculture or the growth of small, light industries. It is vital, therefore, that such training become a part of a country's over-all manpower training effort.

As a final word—the West clearly gains from a thriving Middle East. Since there seems to be little doubt that increasing the skills and productivity of a country's manpower is an essential link in its economic development, every practical measure taken by the United States to stimulate the trained manpower capabilities of the Middle East will surely be serving our own, as well as Middle Eastern, national interests.

14

Science in Development

JEROME B. WIESNER, *Director of the Office of Science and Technology, was born in Detroit, Michigan, on May 30, 1915. He received his B.S. in Electrical Engineering in 1937; his M.S. in 1938, and his Ph.D. in 1950, all from the University of Michigan at Ann Arbor. In 1940 Mr. Wiesner was appointed Chief Engineer at the Library of Congress, then in 1942, joined the staff of the Massachusetts Institute of Technology, where he remained until 1945 when he went to work at the University of California's Los Alamos Laboratory. In 1946 he returned to Massachusetts Institute of Technology and in 1952 became Director of its Research Laboratory of Electronics. In January 1961 President Kennedy appointed Mr. Wiesner his Special Assistant for Science and Technology, and on July 20, 1962 appointed him to his present position. Mr. Wiesner is a member of various technical societies such as the Institute of Radio Engineers, the American Academy of Arts and Sciences, and the National Academy of Sciences, and has published numerous technical papers in scientific journals.*

My own assignment in Washington these days is to assist the President in relating science and technology, on the one hand, to our national needs and purposes on the other, a relationship which has become increasingly complex and important as the sciences and their resultant technologies pervade all aspects of our life.

Our lifetime differs from anything that has gone before us by the great science-generated technical explosion in the midst of which we go about our complex affairs. This enormous exploitation of science has begun to free whole families of men from bondage to nature. Within our grasp we hold the promise of freedom from the tyrannies of fear and want for all the three billion inhabitants of the planet.

This undoubtedly is the first period in the long history of man in which there can be genuine hope that life need not be primarily a grim struggle for survival, though it is still true that most men occupy most of their life-times in an endless, grinding effort to provide food and shelter for their families.

My task here is to explore ways in which science and technology can contribute toward the growth process in countries interested

in using them. Here in the United States we realize that there is still much to learn about the development process and development institutions. So I approach these questions in the spirit of free inquiry and the scientific method.

I am, however, convinced of one fact, that we do not fully appreciate the possibilities inherent in the application of present-day research techniques—the tools of science—to the problems of the less-developed countries. Whether the problems be technical, economic, social or political we have today powerful and effective tools of analysis and study that have only begun to be used properly. We have powerful new techniques of analysis to assist planning and to help identify the factors limiting growth in a given region; and we have the scientific capacity to develop new techniques, new devices, and new understanding to circumvent those limitations; we need the determination to apply modern techniques of research and development in this task with the intensity now being employed in the fields of atomic energy, space and electronics. We need to find the means to attract more of the world's best scientists and engineers to these challenging problems.

Secondly, I would say that of equal importance is the attitude and approach we take to economic and political development. Here, too, I believe we have a major lesson to learn from science, and it is found in the concept of experimentation. In the physical realm we have learned that it pays to conduct experiments, that the reward when a solution is obtained can be great, that it can return a thousand-fold the cost of the experiments. It is man's ability to learn through experimentation that has made possible the advances of science and technology and that makes possible the application of those advances to the needs of all societies.

More deliberate application of the experimental approach of scientific research to national development programs would be very rewarding. We would learn to try more variants of a promising scheme. Most important of all, we would learn not to be dogmatic in defense of efforts in need of change; we would learn to be sensitive to possible improvements; and we would learn to keep the individual trials to the smallest size consistent with effective experimentation.

Another important point is this: with this attitude toward experimentation in the development process, the efforts of many lands can be made to reinforce each other. Incidentally, the advantage that comes from large numbers of independent experiments comes rather automatically in our society. The recent

increase in the family of independent nations will provide, for all, opportunities for national trial and error which should be mutually stimulating and productive.

In the development task we have become involved, without quite recognizing it at the outset, in a massive human engineering effort. This effort really has two parts, that of creating the necessary human resources and that of providing the capital equipment needed for modern agriculture and industry.

In the past little effort was made to understand the interaction between the various aspects of a social and economic development program, and in particular too little attention was given to the problem of the human resources and the social conditions necessary to insure that a country would actually move toward the desired goals of a wholesome democratic and economically viable society. I am suggesting that we should view the problem of national development as a system design problem, to be worked out much as the design of a complex physical system such as an air defense system would be. Obviously a complete national development program is much more complicated than the most complicated physical system that has been designed, and we do not even have a good understanding of many of the individual components which must be integrated to make up the system. Nonetheless, I believe that it would be profitable to attempt to study the development process in this manner. A great deal can be learned by study of subsectors of the complete system, as I will attempt to show in a few minutes. In addition to whatever guidance would be gained regarding the overall system, an attempt to make a model of a development program would help identify critical subsystem problems requiring attention either in the form of intensified effort or possible study.

Behavioral scientists as well as physical scientists and engineers can work as system engineers. Actually, many of them are deeply engaged in aspects of these problems. Furthermore, I would argue that just as many of the most important fundamental advances in the physical sciences have been stimulated by a study of an applied problem, so, too, I believe the behavioral sciences would prosper if the society would trust it with more of these problems.

I recently had the opportunity to see the value of the systems approach, as I call it, in a study that was carried out under my direction with the initial objective of improving agricultural land in Pakistan. This experience provides an interesting example of the possibilities modeling affords. It is an example of an applica-

tion of simulation techniques to a more limited problem, and it shows how such a study will help isolate specific problems requiring further attention.

In July 1961, during a State visit, President Ayub Khan of Pakistan told President Kennedy that increasing salinity of Pakistan's soil, due to salt carried to the soil by irrigation water, was robbing his country, already unable to feed adequately its growing population, of cultivable land at the rate of roughly 1% per year. He told President Kennedy that a number of technical solutions had been suggested for arresting this deterioration of the land and asked for assistance in judging whether the vast expenditures that would be involved were justified. President Kennedy recognized the possibility that assistance here would be extremely valuable and said that he would have me study the problem.

To do this, I appointed a panel of twenty specialists from a variety of disciplines in the natural, agricultural, engineering and social sciences, and asked Dr. Roger Revelle, Special Assistant for Science and Technology to the Secretary of the Interior, to head the group.

At the beginning, we concentrated on the problems related to salinity. Incidentally, this is an interesting example of a phenomenon that is all too common in the application of technology in contending with man's problems. Technology applied to cope with one problem more often than not creates new problems which ultimately may be as difficult to solve as the original one.

During the 19th century the British worked a major transformation on the land in West Pakistan. They created great irrigation works—dams, barrages and 10,000 miles of canals—which turned the area into one of the most fertile in the world and built a pattern of villages along the canals. Actually this development of irrigation is continuing today under the auspices of the Pakistan Government. At the present time the canals of the Indus Basin water 23 million acres of land, by far the largest single irrigated region in the world. Some 30 million people live in this area. Yet, something is wrong. In spite of the vast land and the plentiful water, the people of Pakistan are hungry and malnourished. In spite of the fact that this land once had a vast surplus to export, the country must now import food even to maintain its present subsistence level of life.

The usual explanation for this situation is the fact that for a great many years the irrigation waters have been depositing salt on the surface of the soil, until now about 6½ million acres of

land are totally unusable and almost 50% of all the land under cultivation has been affected to some extent.

This, then, was the problem as it appeared to President Ayub, and a formidable problem it was.

Our group visited Pakistan, examined a number of areas that had been thus affected, talked to the men in charge of irrigation projects and the existing reclamation projects; visited farms, talked to economists, leaders of agricultural schools, to President Ayub himself and a large number of other interested Pakistanis. As the inquiry continued, it became perfectly obvious to us that although salinity was a major problem, merely arresting its course and reclaiming the land already affected would not begin to solve the food problem. A great many other difficulties were also present. Agricultural techniques were unbelievably primitive. The varieties of crops being grown were ill-suited to the region. Land holdings were too small for effective farming. Neither fertilizer nor pest control methods were used to any extent and land management was virtually non-existent. It was soon recognized that in addition to investigating hydrological problems, it was necessary to look at the broader problem, i.e. the depressing state of the agricultural and living conditions in Pakistan and to see whether a more comprehensive attack on the problem was feasible.

We actually did devote a great deal of time to a study of the salinity problem by means of computer studies and experiments, and we have achieved a good understanding of what could be accomplished by tube-well pumping, drainage, canals, canal lining, leaching and proper water management to reclaim the soil. But detailed examination also convinced us that our first impression was correct. Just solving the salinity problem would have little impact on the real problem.

Dr. Revelle has characterized the situation by saying that for every mouth that is deprived of food by increasing salinity of the soil, there are ten mouths to feed as a result of the increases in population. Clearly, then, the problem was that of trying to find a means whereby agricultural output could be increased dramatically. Here the combined efforts of engineers, agriculturists and economists have produced a scheme which we believe could correct the situation. We have concluded that an investment in land reclamation in Pakistan can only be useful if it is accompanied by energetic developments of other kinds. The panel has become convinced that a vast improvement in farm productivity is possible if a combination of efforts can be applied and has suggested a pat-

tern for intensive development of million acre plots in which all the needed reforms and developments are faced simultaneously. They have also concluded that it would be possible to initiate development of one of those plots a year, and that if this were successfully done, the agricultural output of West Pakistan would grow at a rate that would feed its growing population and still provide an ever-improved standard of living for the people.

Much computer simulation of the whole development process was carried out in an attempt to get guides for the optimum allocation of resources. This work has been done for us by graduate students at Harvard University under the supervision of the members of the panel.

The simulation studies showed that to get momentum in increasing production, an optimal sequence of human resources development and capital investment is essential. First expenditures should be for the training and organization of technicians, agricultural experts, administrators and field workers to assist the farmer, and for the development of underground water and drainage, fertilizer plants, pest control facilities and the development of better plant varieties. Later, roads and transport facilities must be provided to haul a greatly increased volume of agricultural products to the cities and towns. Processing mills and textile factories will have to be built to utilize these products profitably. Still later, a farm machinery industry will be needed, and factories to produce consumer goods for the farmers will ultimately be required.

All aspects of the program rest on agricultural extension and vigorous education programs to guide the farmers in carrying out their part of the task, ample credit to make the farmers' participation possible, and efficient marketing and distribution facilities. Massive and determined effort, and continuing experimentation will be necessary to transmit new technical skills to very large numbers of desparately poor and illiterate farmers, and to create economic conditions in which they will be motivated to help themselves.

What we have is a broad outline of a means of attacking the problem. It is clear that many social and psychological problems of education, motivation, etc. will have to be met if this effort is to succeed. Here again are problems that could be dealt with more effectively if they were supported by adequate behavioral science studies.

The limiting factor in carrying forward this project will un-

doubtedly be trained manpower, trained manpower at all levels—farmers, technicians, engineers, agricultural experts, factory managers, doctors, and teachers.

This lack of adequate human resources is the limiting factor in nearly all of the countries that are trying to establish a self-sustaining modern society on a traditional social base. Without the human capital it will never be done. In the short term, much of this human capital must come directly from the industrialized nations, as must many of the teachers required to build a local educational system. It seems appropriate then to place a great deal of emphasis on the development of a proper educational system and particularly on trying to make that system as effective and efficient as possible. Here, then, is a place to take advantage of the efforts we are making to improve our own educational system. Here is a major opportunity to use our best ideas and tools. I have been particularly interested in the teaching of science and engineering in the developing countries and, based on our efforts here at home, I am convinced that the needs can be met if only we are bold enough to really apply ourselves to the task. Over the past few years it has been demonstrated repeatedly and upon a grand scale that a comprehension and appreciation of science can be conveyed effectively at a very early age in the elementary and secondary schools. The results are not merely encouraging, they are startling.

Why should such dramatic improvements in teaching of science be possible? Or perhaps the question should really be, why should such dramatic improvements in *learning* be possible? The answer to this question can be found in at least two separate aspects of the problem. First of all, most fields of science are relatively new. The level of understanding of the subject matter among the professional scientists themselves is changing rapidly. Most sciences were largely descriptive as recently as thirty years ago, and even in such fields as physics, where certain restricted areas were thoroughly understood, even the experts were hard put to explain in any fundamental way those portions of the science which were most interesting to the engineer. As for the students, they could hardly be blamed for feeling that their own inability to comprehend a subject was a personal failing. It was difficult for a student to realize that his teacher was fundamentally no better off, however prepossessing might seem the intellectual structure that he had laboriously constructed.

Today the body of scientific knowledge in most fields is exten-

sive, and sufficiently interrelated as to provide a deep understanding of the subject matter. Unfortunately, most textbooks in elementary and secondary schools, and even in the colleges, do not yet reflect this great advance. A fundamental understanding of a subject is even more critical in the preparation of an elementary text than in college, and perhaps even in the graduate subjects.

The second aspect of the problem is the fact that the field of education has been probably the most backward field in our modern society. It is surprising that the scientists and technologists in universities, who have made possible and led the great revolution through which we are living, have failed to apply their methods to their own profession. Modern teaching aids have rarely been employed, either in general education or in the universities. The process of invention has been almost ignored. The most highly-developed devices in common use are still the old-fashioned textbook, the blackboard, the written examination. But books, blackboards and examinations alike can all profit from redesign—in a country which finds it necessary to trade in automobiles every two years, five hundred years is, after all, a long time to make a model last—and with the books, blackboards and examinations, moving pictures, experimental equipment, models, recordings, learning machines and a dozen other aids can be exploited to enhance a student's ability to learn. Not least of all, it is possible, as you know better than I, to conduct research into the manner in which people learn, and to let such research contribute to the design of teaching aids.

All these possibilities have existed for a long time, and many people have made sporadic attempts to take advantage of them. What was lacking was a recognition of the magnitude of the effort required to do the job adequately. It is precisely this component which has been added by recent curriculum reform programs. They have brought men and money to the task. But until a few years ago, the same scientists and engineers in our universities, and schools of technology who so ably organized teams to uncover scientific knowledge and to exploit it, failed unbelievably to recognize that the same methods could be applied to teaching: *that the art of teaching could become an applied science.*

The validity of these two points—the need for coherent, well-organized exposition of the fundamentals of a discipline and the well-planned use of teaching aids—has been amply demonstrated. Along the way an additional and very important fact has been discovered. We have been grievously underestimating our chil-

dren. Their ability to absorb mathematical and scientific concepts at an early age has been grossly underestimated. If the presentation of such concepts rests upon a firm understanding, the children, too, will understand—they will be interested, they will even be excited.

Similar effort in the humanities and social sciences will, of course, also be needed if we are to create a truly balanced society. I believe this quite firmly, and if I do not say more about it, it is only because I think the humanists could say it better than I.

The preparation of first-rate curriculum materials is a complex operation in research and development. It requires the use of teams of workers from a wide variety of backgrounds. The teams comprise not only the outstanding masters of the field, but also outstanding teachers at the appropriate levels, specialists who have conducted significant research on the learning process, and technicians such as artists, photographers, laboratory and shop workers, who can help in devising new methods of presentation.

Like research and development in other fields, the creation of new educational techniques also requires a large and genuine testing component. New curriculum materials are not made generally available until they are demonstrated to work in the classroom, in an experimental process that can involve many schools over several years.

This new approach to education could make possible a massive attack on the problem of illiteracy. To attain basic literacy, as well as scientific literacy, true cooperation is in order. Another important point is this. There is no rule saying that the citizens of one country—experts in subject matter and experts in new teaching devices—cannot work with the citizens of another country in developing new materials. People with distinct kinds of special experience also may be necessary on the teams. There may be problems of special frames of reference, for example, exploiting local flora and fauna in a biology course or—to cite a more subtle problem—teaching experimental science in a culture that traditionally deprecates manual labor.

In some cases, especially in mathematics, some of the curriculum materials already developed might be useful directly in other lands. In fact, some efforts for such transfer are already under way, as are some efforts to use teams made up of people from many countries to develop new curriculum materials.

There is one aspect to improving educational quality which dwarfs all others; it is a problem both here and abroad, but it is

a particularly difficult problem in newly developing countries, the preparation of teachers to teach the new courses—both the retraining of teachers now teaching traditional courses, and the education of new teachers. A large number of teachers is needed, and so is a large number of teachers of teachers. But if we are willing to experiment a little in finding more efficient ways to prepare people for both tasks, it may not necessarily take generations to build up a large supply of skilled professionals. Many experiments are under way. Many colleges and universities have set up special institutes to retrain teachers, both in short summer programs and academic year programs.

At first glance it may appear wrong to lump together the problems of Asia, Africa and South America, where only a small fraction of the population can attend school, with the problems in the countries where education is, for all practical purposes, universal. Nonetheless, I think the substantive needs are much the same. The scientific and technological development of a country that has started late in the game does not require the transition through all the stages that older societies have traversed. The best place to join the parade is well along the line of march.

Probably the most important problems though are longer-run problems concerned not with the American participants and not with the requirements for development, but with the host countries. Improvement of material conditions seems from our standpoint relatively straightforward increase of agricultural productivity, development of crafts and industries, improved sanitation and medical practices, better transportation, and so on. But our standpoint is not the only one to be considered. We know from behavioral research that each society has its own way of doing things—its own culture—and that changes in one aspect may have unexpected and unwanted results in another. From the standpoint of recipients, the adoption of new techniques may be a choice between two evils. Does a new agricultural method require disruption of a land tenure system closely bound up with family structure or collide with a calendar of religious obligations? We want to introduce the benefits of technology while preserving the diversity of human cultures.

15

Resources and Development in the Middle East

EDMOND Y. ASFOUR, *now Associate Professor of Economics at the American University of Beirut, was Senior Economic Analyst of UNRWA from 1951 to 1955. After a period as a Research Fellow at the Center for Middle Eastern Studies at Harvard, he joined the Secretariat of the United Nations as Economic Affairs Officer. He is the author of* Syria: Development and Monetary Policy *and co-author of* Backdrop to Tragedy: The Struggle for Palestine. *Mr. Asfour has also served as Economist with the UN Advisory Council in Somalia and was the UN Economist with the Development Board of Jordan where he drew up an outline of a seven-year Development Plan for Jordan.*

In the current trend of fashion among development economists, who search for the general causes of economic development or dispense policy advice on how to remedy its slow rate, a clear shift of emphasis has taken place away from capital accumulation as the key element and towards technological advance and institutional factors, including the socio-political. The theoretical shift, which finds an echo in the developing countries themselves corresponds in many of these countries to what is considered at the time as the narrowest bottleneck. The size of the market also attracts the attention of economists as a growth factor of considerable importance. The role of natural resources, however, does not seem to have generally been considered of enough importance in affecting the rate of economic growth to merit the title of a key factor in the growth process.

In considering recent history of the Middle East such an attitude would seem rather strange if not unrealistic. The importance of such natural resources as oil, irrigation water, the Suez Canal and the geographical position, and the extent to which these resources have brought economic blessings, not always unmixed, to many of the countires involved seems obvious. In fact, these resources have influenced the whole socio-political structure in much of the area and have entered seriously into forming the interna-

tional relations of its countries with foreign powers, and these national and international political frameworks have no doubt influenced considerably the shape and rate of economic growth of the region. The contribution or role of natural resources in the economic development of the Middle East cannot therefore be ignored. Its relative importance, to be estimated, has to be measured against that of other key factors in the growth process.

While capital is still the main bottleneck in many underdeveloped areas of the world some areas have escaped from it earlier than others. The Middle East, taken as a single area, has probably more funds available to it now than it can usefully spend on economic development without creating administrative and technological bottlenecks, of an order and kind, that will affect the efficiency of execution and the rate of return on the capital expenditure.

The abundance of capital does not imply that it is being largely used for development purposes nor does it of course apply to several countries of the area, notably the United Arab Republic, Jordan, Syria, and Yemen. The Arab oil-producing countries except Iraq have a capital surplus which they can fully invest within their bounds, and in productive projects, only by including marginal projects with small returns per unit of capital. The other countries of the area, namely Iraq, Iran, Turkey, Lebanon and Israel have been able to finance a high level of investment from oil revenue and/or foreign grants and loans.

An intra-regional flow of capital has been taking place in fluctuating but relatively small volumes from Kuwait and Saudi Arabia to Lebanon, Syria, Jordan and the UAR in the form mainly of investment in real estate, workers' remittances and bank deposits but no formal mechanism other than the recently created Kuwait Fund exists at the present time to help in systematizing inter-regional flow of capital.

Similarly, several of the more glaring of the institutional weaknesses have also been vigorously attacked and are being remedied to a greater or lesser extent and at varying paces in the various countries of the area. Among these should be mentioned the land tenure problem, weak agricultural and industrial credit institutions, foreign control of the banking system and the lethargy of government in the field of resource development. Political changes and instability remain however as a short term obstacle to fuller application of available resources and energy to the problem of economic development.

Modern technology in the Middle East on the other hand, has been largely imitative. Certain major industries have been bodily transplanted from the West and are actually being run largely by westerners according to methods learned and applied abroad. The oil industry, the airlines and a good part of activities initiated by immigrants to Israel are illustrations of the transplantation process. However, though largely imitative, technological advance has been applied by the growing class of local entrepreneurs and has proceeded at a pace which would look impressive if it had been of more than recent beginnings. In addition, improvement of old and proven methods of production and adjustment of modern technology to the requirements and potential of the local environment can contribute substantially to increasing productivity.

The literature on economic development contains surprisingly little consistent material on the role of natural resources in a developing economy.[1] The endowment of a country with resources figured much more prominently in international trade theory and its concept of comparative cost advantage than in the theories of growth. In fact, a quick review of published economic studies of the natural resources of underdeveloped countries indicates that they concern themselves almost exclusively with descriptions and analysis of land and mineral resources which can be developed to supply raw materials to the industrial West.

Some economists did, however, point out that the exploitation of new resources is of importance in the development process. Joseph Schumpeter considered 'the conquest of a new source of supply of raw materials or half manufactured goods . . . irrespective of whether this source already exists or whether it has first to be created'[2] as one of five main forms of 'innovation' which he considered the mainspring of development. To him '. . . development consists primarily in employing existing resources in a different way, in doing new things with them irrespective of whether those resources increase or not.[3] Alvin Hansen writing perhaps with the American West in mind pointed out that the opening up of a geographic frontier, or more specifically, the 'discovery and development of new territory and new resources' have particularly stimulated private investment.[4] Others argued that climate has an important influence on development as wit-

1. See C. P. Kindleberger, *Economic Development,* New York 1958, Ch. 2.
2. J. A. Schumpeter, *The Theory of Economic Development,* Cambridge 1949.
3. *Ibid.,* p. 68.
4. A. H. Hansen, "Progress and Declining Population," *The American Economic Review,* March 1939.

nessed by the fact that the tropical areas of the world are generally underdeveloped.

No one would probably strongly deny that with a given institutional framework and a given level of technology, entrepreneurial talent and capital stock a country should reach a higher level of income if the natural resources at its disposal increased in quantity or became more abundant. This type of abstract analysis is less convincing however if two different countries are compared. For, the type of technology, the quality of entrepreneurship and the kind of economic institutions which prevail in each are themselves adjusted to the kind and the availability of their specific resources and cannot be considered in a vacuum. Thus a resource that has little or no value in one economic environment may become of great value if the necessary technology, capital and organization is applied to it. Illustrations of this point are numerous and one could mention here as examples the revaluation of uranium following advances in the field of atomic physics, a harnessed river in the desert areas of the Middle East or reclaimed land in the North Sea shores of the Netherlands and the production of synthetic rubber and fibres out of cheap materials. This substitutability of the various factors of production and the influence of the human skill and effort in creating new resources and changing the cost structure of existing ones can be credited with the relative neglect of natural resources as a key development factor.

However, the greater ease with which technology can nowadays be exported or, to a certain level, acquired, and the continued readiness of capital to move in large volumes to where needed and cheap resources exist should, perhaps, lead us to reappraise the role which unknown but discoverable resources can play in the 'take-off' towards sustained growth. The important fact about Middle East oil in this connection is not only that new methods of exploration and discovery became available and that international capital was ready more than in any other industrial field to finance the various oil ventures but particularly that the cost of producing oil in the Middle East is far lower than in any other area of the world. It has been estimated that the average cost per barrel of crude in the Middle East in the past decade was 16 cents compared with 51 cents in Venezuela, 82 cents in the Far East, $1.73 in the USA and $3.10 in Canada.[5] Cheap and abundant resources in this situation have overcome technological and capi-

5. United Nations, *Economic Developments in the Middle East, 1959-1961,* pp. 58-59.

tal shortages and have led to the establishment of a profitable industrial complex with widespread impact on the economies of the region.

In addition to their direct effects on income the discovery and exploitation of natural resources have three important characteristics which are of particular significance in influencing the form and rate of economic growth. In the first place, they make available the raw materials on which manufacturing industries can be based. This is of particular importance in the present stage of economic diversification and development of the Middle East because of the fact that capital has become relatively easy to obtain in many countries of the area, whether internally or from foreign sources, and the technological bottleneck is being widened at a fast pace. The extreme case of Kuwait is an interesting illustration in this context. Although richly endowed, as it is, with oil and capital and able to import skills of the higher order which it needs, its desire to diversify the economy and build an alternative base to oil has been met with great practical obstacles, specifically, because of the lack of natural resources other than oil and its by-products. In fact, it negotiated in the past for the diversion of water from the rivers of Iraq so as to build an agricultural base in its own territory. On the other hand a fertilizers industry has developed in the UAR and Israel and may be developed in the future in Jordan because of the availability of phosphates in the area. The growth of cotton cultivation and the expansion of its textile industry in Syria after the war have been made possible by the exploitation of the waters of the Euphrates river and the virgin Jazira lands. Generally, the lack of extensive and rich reserves of iron ore and coal in the region except in Turkey has made it difficult to develop the so-called heavy industries which are necessary for the production of capital goods and which have historically been at the basis of the industrial revolution in the industrial countries.

The second important characteristic of natural resources in the Middle East is that they enabled the area to expand its exports at an unusual rate and therefore saved several but not all countries of the area from the balance of payments and inflationary difficulties that have beset many developing countries in other regions of the world. The high level of exports of metals, minerals and cotton has enabled the majority of the countries of the region to maintain a high level of capital goods imports required for development. The UAR, Turkey and Iran supplemented their export

earnings with substantial receipts of loans or grants from abroad and Israel and Jordan depended extensively on both. However, except in Israel, Iran and Turkey no significant price inflation occurred. The point is worth recalling here that earnings from export of raw materials have nevertheless contributed to fluctuations in income and exchange earnings due to the price instability of such exports and that their purchasing power has been dropping since 1957 because of the greater drop in their prices than in prices of imported goods.

In so far as the production of raw materials represent the larger share of exports of most countries of the region (or result in the reduction of imports) it is worth noting that an increase in the value of exports from year to year, to the extent that they are not offset by increased imports, have a multiple effect on internal employment and income similar to that of an autonomous investment. In other words such a net increase results in a rise in income which is a multiple of the original net increase in exports. This characteristic is of significance to the development policy of many countries in the Middle East as a means of stimulating fuller utilization of underemployed labour and other underutilized capacity. The exploitation of phosphate, copper and potash for export in Jordan where unemployment is of staggering proportions and the country is vitally dependent on foreign aid is a significant example of this particular effect.

Thirdly the discovery and/or exploitation of a natural resource within the various economies of the Middle East has generally resulted in enlarging the pool of skilled workers and administrators and in expanding the network of integrated industries and services. These latter indirect benefits, although not immediately obvious in their effects, are in their cumulative impact of the essence of economic development. Numerous examples can be given to illustrate the point. In addition to the oil revenue of the order of $1.4 billion in 1960, which accrues to the oil producing countries of the Middle East and of $40 million to the pipeline countries in 1961, the requirements of oil exploration, drilling, production, refining, shipping, distribution and marketing has resulted in a growing body of skilled workers and professionals of high technical standards to assist in all these activities. It has also stimulated the growth of a host of ancillary servicing industries and of some manufacturing industries which supply the oil industry itself as well as its employees and suppliers with various products.

Similarly the Suez Canal, following its nationalization, contributes income of the order of $180 million a year to the UAR but has also encouraged the fast development of technically competent personnel, and has stimulated the expansion of shipyards. The construction of the East Ghor Canal in Jordan or of the various large dams in Iraq, the UAR and Iran, though largely contracted to foreign firms has nevertheless led to the development of a group of irrigation and construction engineers with experience and ability in these countries and encouraged the growth of local construction contractors who are undertaking large jobs. Similar results can be seen in the many activities aiming at the exploitation of iron and manganese ores in the UAR and Turkey, copper in Cyprus, oil in UAR and Syria, coal and chrome ore in Iran and Turkey, and phosphates in Jordan and the UAR. Nor should the natural resources represented in the summer resorts of Lebanon and the historical sites of the UAR and Jordan, among others, be ignored.

The geographical position and topography of the Middle East, which is a natural resource whose value is generally derived from international conditions, has had a significant impact on development, both political and economic. The region has historically been of great strategic and economic value as a land bridge connecting three continents and hence as a passageway of trade and armed forces between the continents. The region borders on five seas all of which, except the Caspian, open onto the oceans. The Suez Canal, and the land bridge connecting the Arabian Gulf with the Mediterranean Sea, are two great examples of the economic value to the area and to world trade of this resource, which is the result of their large contribution towards reducing the cost of transporting bulky products entering trade in large quantities. Crude oil moving westward by pipeline and tanker, and a variety of agricultural and manufactured products moving eastward by ship and truck, keep the two routes near full capacity. But the expansion of transit trade from the Mediterranean coast to Iraq, Iran and the Gulf awaits the improvement of the road and rail systems and the removal of border obstacles. Other communication routes of importance are the Bosphorous—Dardanelles passageway, the Nile and Tigris rivers, the Gulf of Aqaba, Bab el Mandeb at the Southern tip of the Arabian Peninsula and the roads connecting the Gulf with the Capsian Sea. In recent history, refuelling and provisioning stops such as Aden and Port Said for ships, and Cairo, Beirut, Kuwait, Baghdad, Istanbul, Tehran and

Dhahran airports for commercial and military planes have added considerably to the value of this type of natural resource of the area.

I should hasten to add here that the position, topography and climate quite often present an obstacle to economic development rather than an asset. The wide expanse of desert in the Arabian Peninsula, Iraq and Syria and the high and rugged mountains of Lebanon, Turkey and Iran have posed communication problems that are overcome only at high cost and often with small immediate returns. Long distances often represent a high cost of transporting the agricultural and mineral resources that have to be moved to port or market. Main examples of such situations include the transportation of cereals and cotton from the Jazira area in northeast Syria to the Port of Lataqia and similarly of agricultural products from central Turkey and Iran to their sea ports; transporting the phosphates rock of Jordan to Beirut or Aqaba ports; moving cheap power and fuel from the Gulf to the East Mediterranean littoral and central Iran; transporting fruits and vegetables to the oil centers.

This quick review, inevitably sketchy as it is, reflects clearly enough the view that while the wealth of resources is a determinant of the level to which developing countries can reach at a given level of 'the state of the art' it is not nevertheless a sufficient condition for the realization of this potential. The favourable political and institutional framework has to be present and the capital acquired for applying known technology has to be obtainable. However, an important consideration in this context is that changes in 'the state of the art' may themselves be of equal or greater importance than the other factors. A technological breakthrough, as for example, the desalination of sea water at low cost, may result in an immediate revaluation of wide expanses of now waste deserts of the Middle East. The spread of modern technology which is already known on a wider front can also have revolutionary effects. Thus the more efficient exploitation of existing agricultural resources through better methods of production or the creation of greater demand for tourist attractions of the area can also contribute substantially to economic growth through application of technology already known abroad.

This most important link between resources and technology leads us to the conclusion that for the greater part of the region at the present time the narrowest bottleneck is indigenous technological progress and entrepreneurship—the improvement of the

scientific and technical skills of the human factor. While such progress is obviously a function of several educational, social and economic factors, as well as time, the base for such progress can be enlarged considerably through a deliberate policy aiming at the expansion of technical training, establishment of serious technical research institutions, establishment of qualified organizations empowered to undertake or subcontract intensive economic surveys and explorations of natural resources, and the preparation of 'projects' aimed at utilizing these resources and ready to be implemented as and when the capital and necessary organization exist.

16

Health

A DEPENDENT VARIABLE OF ECONOMIC AND SOCIAL REVOLUTION IN NORTH AFRICA, THE MIDDLE EAST, AND SOUTH ASIA

JOHN M. WEIR, *Associate Director for Medical and Natural Sciences, The Rockefeller Foundation, was born in Bonneterre, Missouri, in 1911. He attended the University of Chicago, where he received his B.S. in 1933, and his M.D. and Ph.D. in Pathology in 1937. Dr. Weir joined the Rockefeller Foundation in 1939 as a member of the Field Staff of the International Health Division. During the war Dr. Weir served in the United States Army as a malariologist in the South and Southwest Pacific Theaters. Following this duty, he attended the Johns Hopkins School of Hygiene and Public Health, receiving his Master of Public Health degree in 1946. He then went to Egypt with the Rockefeller Foundation, where he was adviser to the Ministry of Public Health and worked on the development of local health services in rural areas. Returning to the United States in 1952, Dr. Weir spent a year as a Research Associate at the Cornell University Medical School, and then went to the New York office of the Rockefeller Foundation. Dr. Weir is the author of numerous articles on medicine and public health.*

Developmental revolution implies change in a range of social and economic variables and the evolution of men and women from a life of hopeless drudgery in which a struggle for mere existence is the order of the day, to a life full of hope that the daily struggle for existence will result in an array of creature comforts, independence from social and political slavery, and a modicum of time for the pursuit of happiness. Many of the preambles to declarations of revolution include health as a fundamental right or goal of mankind. Though it is difficult to prove with acceptable statistical data that the creation of a healthy population results per se in an economic, social, or educational advance, one hardly can quarrel with the statement that a desire for health appears to be a fundamental drive in most people seeking social change. A short visit to any new health center in a developing area of the world will make this point self-evident.

While a burden of disease is commonplace in any underdevel-

oped sector of this world, countries of the Middle East, North Africa, and South Asia certainly rank high in their capacity for carrying this burden and in the need for alleviating the basic environmental and social causes for the high incidence of debilitating and lethal illness. Before the era of antibiotics and insecticides the attention of the world was directed almost annually to some devastating epidemic that swept through these countries. A capacity to control, or at least to curtail, such outbreaks unhappily has not afforded a similar and dramatic reduction in the load of endemic diseases that prevail in these areas. The world is aware that Middle East people suffer from a load of parasites and die of enteric diseases daily, but, as with sin, unless a scandal or epidemic arises, few realize the magnitude of the problem.

The areas of North Africa, the Middle East, and South Asia share many common environmental factors which lead inevitably to high infestation of their peoples with endemic disorders. High population in relation to tenable land and economic resources, and lack of basic education combine with lack of readily available potable, sanitary water, high prevalence of insect and other vectors of disease, and absence of suitable mechanisms for disposing of human wastes to create a picture of disease that with minor variations is similar throughout this important and vast area of the world.

Perhaps the most important complex of diseases insofar as survival is concerned is the enteric infections that produce acute and fatal illnesses in a major portion of the infants and babies. In the first year of life acute diarrheal disease accounts for a significant portion of the high infant mortality rate that in most of these areas terminates the life of up to 40 percent of all babies born in any given year. A careful study[1] by a team of World Health Organization experts indicated that in selected villages in the Nile Delta 66 to 80 percent of the deaths of children under six years of age resulted from enteric infections. Forty-three percent of the children under six years of age suffered at least one attack of intestinal infection with diarrhea each month. Acute infectious diseases such as measles, chickenpox, and diphtheria combine with a low level of nutrition and inadequate child care to continue this massive slaughter of the young through early childhood and into the teens. Poliomyelitis and infectious hepatitis are diseases that flourish in poorly sanitated areas. Studies in the Middle East[2] have shown that for all practical purposes all children of two years of age have been exposed to and infected with poliomyelitis virus. For tech-

nical reasons it is not possible to make a similar assessment of the prevalence of hepatitis in these populations, but the high rate of infection of non-immunes visiting the area from better sanitated countries indicates that the viral agent of the disease is widespread throughout all of the countries.

Lack of satisfactory local civil services makes it difficult for the governments of the area to assemble valid and accurate information on disease and death rates. However, even the existing official statistics show that an appalling percentage of the children born today will die before they reach five years of age. Careful studies of smaller samples of these populations in a number of the countries indicate that at least 40 percent of the youngsters die between birth and five years of age and often this figure reaches the level of 65 percent.[3] The tragedy of course is that almost none of these deaths need occur since modern science and technology, given the resources and personnel, can control and alter the basic lacks of sanitation and medical services which are responsible. The solution is the subject of later portions of this paper and of this whole conference.

In the younger age groups malnutrition creates serious disorders of protein metabolism which result in death and in retardation of growth and development in most of the rural population and in the increasing number of slum dwellers resulting from uncontrolled urbanization throughout these areas. I use the term malnutrition rather than low food intake advisably since in much of the area nutritional disease results not only from a low supply of protein but also from a multiplicity of social factors dependent upon the low educational level of the populations. In most of the area inadequate food supplies and economic resources of the average family result in low caloric intake but need not necessarily result in disease if proper utilization of available food could be maintained. Having started life with an inadequate diet, the survivors of disease and malnutrition continue into adult life suffering from the initial effects of nutritional disease and a continuing chronic hunger that surely lowers the drive for productive work and certainly aids and abets the sometimes violent reaction to stable government and progress.

So far we have considered the killing and maiming diseases that plague the people of North Africa, the Middle East, South Asia, and for that matter, most of the developing countries. The same basic lack of sanitation combines with the same social, economic, and educational deficits to produce in these struggling people an

impressive load of parasites which they carry throughout life. For the most part the effect is not as dramatic as the killing diarrheas, the marasmic child, or the cripple from poliomyelitis, but the long-term drain on health and energy is serious and may well be an important factor in the low production by individuals in these areas. Hookworm, ascaris or roundworm, a variety of tapeworms, and amoebic infestations are widespread in the area. Since much of the region is dry, hookworm has not reached the high levels that were so common in the southern portion of the United States in the early part of the century, and which prevail in the humid developing areas, but it still represents a substantial problem. With poor community and personal hygiene, amoebae and ascaris are prevalent at high levels and cause a serious drain on health and vitality. In one country at least, detailed studies indicate that almost 100 percent of the population are infested and infected with *Amoeba histolytica,* the virulent member of this group of organisms, and 85 percent to 90 percent carry a heavy load of roundworms. While scientists differ in their opinion of the effect of these parasites on human development and health, there is no question that they utilize a constant quantity of the host's blood to maintain themselves in the bowel and appear to contribute to lethargy and low energy output. Certainly they increase the need for an adequate iron intake which is often restricted in the diet of these areas.

Bilharziasis is a disease in which small schistosomal worms develop in the veins surrounding the rectum and bladder, as well as in other organs. In the process of reproducing its species the worms lay eggs in the surrounding tissues which attempt through one mechanism or another to reach the outside world. They manage to do this rather successfully with severe irritation by passing through the tissues to the bowel or the bladder where they are excreted along with body wastes. In the normal course of events when the eggs are introduced along with excreta into the water of canals, lakes, or streams, they hatch into free-swimming forms that invade certain snails which in turn serve as a host for development of infective larval forms. These then enter the water and infect any hapless individual who is forced by circumstances to use the water for bathing, laundering, or irrigation. While this vicious and debilitating disease is widespread in any area with bad sanitary practices and the appropriate snail, the Middle East is an unusually fertile ground for its propagation. The arid nature of countries such as Egypt, Iraq, Iran, and the Sudan combines with the low level of sanitary facilities to provide the ideal setting for

massive infestation since in order to grow crops one must turn to irrigation of the land. Irrigation canals afford an ideal spawning ground for the vector snail and a natural site for the youth of the area to bathe and pass their water. The inevitable result is a massive infestation of the population with a debilitating and at times fatal disease, treatment for which is expensive, tedious, severe, and dangerous. Control is even more difficult to achieve in the present state of sanitation, illiteracy, and low economic status. In Egypt for all practical purposes anyone old enough to walk to a canal is infected. The disease has spread widely in Iraq and the Sudan as irrigation schemes designed to improve the lot of the people have been developed. A grave hazard exists in southwest Iran where a modest seedbed of the disease will almost certainly spread like a prairie fire as irrigation is extended under the Khuzestan development scheme. To anticipate one point to be made later, ironically, efforts to increase food production and economic output also extend to the population the non-benefits of a serious and chronic disease.

Eye diseases are the curse of the entire area. Acute infections of the eyes in children by a range of bacteria including gonococcus are annual occurrences that leave behind scarred corneas and blindness. Almost the entire population suffers from trachoma which over a period of years produces chronic changes in the eyes that impair vision. I suspect that all of you have had occasion to see endless numbers of unfortunate young children in the towns and countryside of these countries endlessly brushing away swarms of flies which delight in returning at once to the moist areas about the eyes. These are the culprits that provide for constant reinfection.

Thus we have returned to the vicious reality that bad sanitation and cultural patterns of the area spawn blindness, decreased vision, and constant pain and irritation through propagation of eye diseases. Fortunately in this area antibiotics applied at regular intervals to the eyes will break the cycle. Trachoma virus, which causes the disease, has now been isolated (by a doctor in Red China) and there may be hope of a vaccine which is now being tested. The Arabian-American Oil Company has made it possible for a brilliant group of scientists under Dr. J. C. Snyder from the Harvard School of Public Health to undertake a large-scale trial of this vaccine in Saudi Arabia covering over 30,000 individuals. The acute infections will remain with us, however, until the basic environment is changed.

Malaria has been a problem in North Africa, the Middle East,

and South Asia. It has always been a hazard of life and a drain on the vitality of the population there, although the severity and the extent of the disease have not been as formidable as in areas such as Africa south of the Sahara, Southeast Asia, and portions of Latin America. The recent campaigns to eradicate the disease from the world have been quite effective in reducing the incidence. While malaria has not been eradicated from any of the three areas, and in my opinion will not be under present conditions, it has been reduced to manageable levels and at the moment does not rank among the major plagues. Continued control, if the cost can be sustained, may hold back the menace until our economists, agronomists, and the developmental revolution provide a permanent recession of malaria through improved living. This modest hope, however, should not blind us to the need for continued and increasing control since the disease can and will assume major importance if the control efforts are abated.

Surely these burdens should prove sufficient unto the day. Indeed, they do, but the population also suffers from additional disease. Tuberculosis flourishes in an environment which provides minimal housing with overcrowding, borderline nutrition, heavy and debilitating endemic disease, and illiteracy. All of these basic criteria are met by the three areas and tuberculosis remains at levels of 0.8 percent to nearly 2 percent in the population[3] with heavy mortality; posing a constant threat to newborn children. The same conditions are ideal for maintenance of body lice so that typhus, which smolders in most of the areas, constantly is a threat. Cholera comes and goes in some of the countries with devastating rapidity and a high mortality. And of course being human beings the whole population is subject to all of the "civilized diseases" that plague the Western, developed nations at such a high cost in lives, lost time, and disability.

This situation at first might seem to indicate that the entire area is barren of medical and public health facilities. Such is not the case, but let me hasten to say at once that none of the countries has anything like the total health force needed to deal effectively with the problem even if the economic, social, and educational development permitted it. The number of physicians available for care of these populations varies widely from one physician per 1,071 individuals in the Lebanon to one per 47,080 in the Sudan (Table I), but the general range is one per 5,000 to 8,000 of population. These data do not, however, reflect the true picture of available medical personnel for the population as a whole since

most of the physicians and other health personnel are concentrated in the major towns. As an example, in Iraq there is one physician per 1,888 inhabitants in Baghdad while in some of the provinces there is only one physican for 19,000 to 25,000 people. Damascus has one doctor for 1,769 people while the provinces have only one per 5,000 to 11,000 people.

With the exception of a few of the smaller countries such as Libya, Saudi Arabia, Kuwait, Jordan, and the Sheikdoms, each country has one or more medical schools (or, as in Tunisia, arrangements for medical education), each has schools of nursing, some have facilities for training sanitary and ancillary personnel, and all can utilize regional facilities for training as well. In 1960 the medical schools of the area graduated 92 physicians in Iraq, 59 in the Lebanon, 19 in the Sudan, 866 in Egypt, 69 in Syria, and approximately 4,000 in India. While this represents a substantial output of doctors, it is not sufficient to provide even the manpower needed to maintain the accepted standard for developed countries of one physician to 1,000 of population, even if 41,601 physicians could be provided now to reach this level. In order to do so these countries would have to produce annually 198 graduates in Iraq, 46 in Jordan, 46 in the Lebanon, 702 in Egypt, 181 in Saudi Arabia, 308 in the Sudan, and 133 in Syria. Only Egypt and Lebanon show an excess of graduates over the number needed to maintain a ratio of one physician per 1,000 population. However, Egypt assists other countries such as the Sudan, Libya, and Saudi Arabia with physicians and many of the Lebanese graduates migrate to Western countries. Under foreseeable economic conditions and educational development it is unlikely that the other countries will reach an output of physicians in the coming ten years that will keep pace with the changing demand over this period generated by social change. Nonetheless, each country could expand health coverage if the economic base could support increasing numbers of nurses, and particularly sanitary engineers and sanitarians. Unless these countries can expand their economy to provide for sanitary installations and the maintenance of sanitary and nursing personnel, there is little hope of improving the endemic and epidemic disease situation of the region even if the physician ratio improves.

Each country in its own way and within its present capabilities has some system of health centers to serve segments of the rural areas, and district and general hospitals to care for a fraction of the seriously ill persons. In general these countries each provide

about 1 to 1.5 hospital beds per 1,000 of population. Exact figures are not readily available for all of the countries but will vary little from Iraq with 1.5 beds per 1,000, Syria with 1.1, and Jordan with 1.4. Little Kuwait with its relatively high economic base from oil resources stands out with 5.88 beds to serve each 1,000 of the population, as it does with its doctor-population ratio of one per 1,300. Only the latter country remotely approaches the standard of Europe or North America where there are approximately ten hospital beds for each 1,000 persons. One should not be unduly concerned with this shortage of beds, however, since the shortage of nurses, hospital technicians, and physicians makes it difficult to man even the currently available facilities. The paucity of economic resources makes it even more difficult to provide the modern equipment necessary for operation of these institutions.

The real concern should be with the low level of sanitation which is the fundamental cause of the appallingly high death rates in infancy and childhood. Perhaps the point can best be made by comparing the availability of doctors for 1,000 persons to the crude death rates and infant mortality rates of the area. As Table I shows, the doctor-population ratio varies from a respectable one physician per 1,070 persons in the Lebanon to one per 47,080 in the Sudan. In spite of the spread from standards close to those of developed countries to that of the Sudan or India, the fact remains that in almost all of these countries the real crude death rates of 20 to 40 per 1,000 of population, and infant mortality rates of 180 to over 400 deaths per 1,000 live births far exceed those of developed countries. This point is self-evident to the health authorities of all of the countries. All are striving to provide in one form or another water supplies that are potable and safe. Water and sewage installations that are acceptable and usable are enormously expensive, particularly in rural areas with a large population scattered through thousands of villages. Consequently effective systems of sanitation are found primarily in the major cities and larger towns, and even these cannot cope with the continuing influx of rural inhabitants to the towns where they settle in slums that are worse in many respects than the villages from which they migrate.

Each of these countries has had a surfeit of international advisors pointing out the advantages of modern health systems and the need for expansion. Each has made some progress in combating all of these diseases.

Why then are all of these nations, in view of the vast technical

knowledge available to them, and the presence of a framework of health facilities, unable to gear their health services to their hope of a developmental revolution? Overlooking social customs which presumably will alter with the progressive social revolution, the major barriers are economic and educational. Doctors and nurses share with their Western colleagues a normal human desire to eat, live in a reasonably comfortable home in a decent community, and provide for the development of their children. The governments of these areas cannot pay from current resources for the technical and professional help needed for full health coverage and full public health facilities. The rural communities do not and will not offer for some time to come the creature comforts and educational and intellectual environment in which health personnel are willing to work. Examples are found in each of the countries. In the Sudan the current output of fully trained and competent physicans is about 30 per year and will soon increase to 50. Physicians are desperately needed throughout the country solely to man current physical facilities. And yet, as new doctors become available the government is forced to retire expatriate staff from service because budgetary considerations do not permit it to maintain the current establishment and add new recruits who are vitally needed if the health services are to be extended to new centers. In Egypt and the Lebanon the medical schools produce substantial numbers of physicians annually and have done so for years. While government services absorb a fraction into what amounts to forced labor in the rural centers, most congregate in the major towns such as Cairo and Alexandria simply because they cannot earn a living in the rural communities and cannot raise a family adapted to modern life in the overcrowded villages.

Even when physicians, nurses, and sanitarians work in the rural communities, or in urban communities for that matter, illiteracy and the lack of fundamental facilities such as clean water, clean milk, and waste disposal make their efforts toward prevention of disease difficult and well-nigh impossible. It serves little purpose to instruct a mother to feed a child clean milk if it is not available and the means for boiling the milk are beyond her economic resources. It serves little purpose to lecture and instruct the population as to the danger of flies and haphazard deposition of human wastes when the condition of the house and the need for animal fertilizer precludes proper care of manure heaps and the disposal of human wastes. It serves no purpose to tell a school child to stay out of canals infested with bilharzia parasities when the canal is

the only source for bathing and washing clothes. To be sure, in most cases these defects can be remedied but they cost money—colossal sums of money. They require increased land for new housing in an area where every square inch of arable land is needed to maintain the current subsistence economy. And, assuming that we can and will provide an increasing economic base to support these community services, education must make great progress if the population are to utilize them intelligently even under the drive of social and developmental revolution.

Fortunately progress, though slow even with the force of the current revolution in North Africa, the Middle East, and South Asia, is steady, particularly in education; less so in economic development; perhaps the least in health. No doubt vast sums will be expended on hospitals by these nations since their leaders are human and will meet the obvious and pressing need for medical care before they turn fully to the less obvious but more important need for prevention. One would hope, however, that economic development and the provision of modern gadgetry may well force the issue by indirection. Our own TVA scheme is an example. The health conditions, particularly the sanitary installations, were not appreciably better in the Tennessee Valley than those described in relation to the Middle Eastern countries until TVA produced power and wisely established a concomitant health program in the area. Power produced a higher economic return and provided a cheap source of chemical fertilizer, but it also provided a means to run electric pumps and washing machines. Only then, as recently as the 1930's, was it possible for individual rural families in this area of the United States to enjoy clean running water and waterborne waste disposal.

The practical-minded planner may well agree with these sentimental and human observations but will necessarily want to know what magnitude of expenditures are involved in meeting expanded health services and facilities. The recent development of new health facilities in Kuwait with its small population and high per capita economic base provides a microcosm for illustrating how high these costs are. In the last ten years or so this country has managed to provide one physician per 1,300 of population, 5.88 hospital beds for each 1,000 persons, an excellent urban water supply, increasing number of nurses (373), and a small corps of dentists. Fifty-six qualified midwives and the doctors deliver 99 percent of the babies. Community services are provided through district dispensaries and health centers. But these advances were

achieved only by using 25 percent of the annual budget of the country. Other countries find it difficult to spend over 3 percent of their budget for health and meet other expenses for education, agriculture, public services, and, unhappily, defense. A recent economic mission to Libya recommended what amounts to minimal expansion of health and sanitary facilities. Over a five-year period the cost will be in excess of $10,000,000 or 8 percent of the total budget to provide modest expansion of the water and sewage systems of the main capitals and additions to current hospitals. The present shortfall of doctors to meet the standard of developed countries of one physician per 1,000 of population in Iraq, Jordan, Lebanon, Saudi Arabia, Sudan, Egypt, and Syria is 41,601 physicians. The shortfall of nurses, sanitarians, sanitary engineers, and technicians is even greater. Since it is manifestly impossible to construct and operate sufficient schools in these countries over the next ten years to make up this deficit, one can only speculate on the cost of educating this number outside the area of European, British, or North American schools. Assuming there were candidates, the cost to the area or to world resources would exceed $125,000,000 per year for four to six years. To recruit a similar force of physicians from abroad is no more practical since the bodies are not available and the cost annually would exceed $400,000,000.

Assuming that the area could reach this goal in the coming years, the bare cost of maintaining this number of physicians is substantial. With current population levels just these seven countries of this area would have to increase the annual output of doctors by 686. A modern medical school and teaching hospital capable of producing 80 physicians annually costs something in the range of $10,000,000 for capital expenditure and $1,500,000 to meet core expenses irrespective of where it is located. Consequently these seven countries alone would have to provide $120,000,000 in capital investment to provide 12 new schools and find $18,000,000 annually from tight budgets to maintain the schools. Nurses, paramedical, and public health personnel can be produced at a lower unit cost, but since the need for them is something in the ratio of ten or more of each category per physician, the overall cost will approximate that for physicians. Since health personnel require hospitals, health centers, and dispensaries to operate effectively one must add to this bill the cost of expanded physical facilities. In general this will require the addition of nine hospital beds per 1,000 of population at a cost not less than $10,000 per bed.

For Jordan alone this represents an expenditure in the range of $130,000,000 for capital alone.

While these estimates are staggering, one must remember that if such sums were available and the bodies could be found to fill the posts, the whole corps would serve only to care for the sick who reach the dispensary or the hospital. Without community sanitary facilities and an educated population to use and maintain them, little advance in health would result. Costs of water supplies and sewage systems are dependent on so many variables that no accurate estimate is possible of total or even unit costs for North Africa, the Middle East, and South Asia. In Egypt during the 1940's and early 1950's the cost of installing a deep bore-hole well, diesel pumps, and a 10,000 gallon tank for a village of 6,000 to 10,000 people was in the range of $25,000 without provision for distribution to the homes. Even at this level of less than adequate water supply for the rural areas, $100,000,000 would be required for Egypt's 4,000 villages.

Whatever the cost in manpower and money the peoples of this section of the world are going to demand and deserve better sanitation and health facilities. These services will have to be provided if the area is to make the social and economic progress that it should in this modern age of technical advance. Western technology will have to free itself from the rigid thinking in terms of its own patterns of care and community services to develop new approaches for developing countries that can achieve reasonable standards of health at a cost substantially less than these estimates. While the challenge may not be as alluring as conquering the atom or space, it is certainly as important and perhaps more vital to the welfare of Western civilization.

I do not suggest that health personnel and planners should mark time until the economists, technologists, agriculturists, and educators have solved their problems. I do suggest, however, that adequate health services, however strong the drive for a developmental revolution may be at the present time, will be dependent on economic and educational development. In the meantime, the governments of these areas and the myriads of advisors from the better-developed countries that swarm about them must continue to develop health personnel and the basic facilities to house them in their professional work. While they may not be creating miracles at the present time, with the aid of antibiotics and insecticides they are making appreciable inroads on disease. Fulfillment of

their desire for a healthy population worried only about cancer and coronary heart disease will come when the countries have the economic and educational base to support health.

TABLE I

Country	Pop. in Millions	No. Physicians	Pop./Physician
Lebanon ('59)	1.547	1,445	1,071
Kuwait ('63)	.315	242	1,300
Egypt ('58)	23.410	8,854	2,644
India ('61)	367.	80,000	4,588
Syria ('59)	4.555	988	4,610
Iran ('59)	20.182	4,358	4,631
Iraq ('59)	7.085	1,245	5,690
Algeria ('58)	11.020	1,895	5,815
Jordan ('60)	1.695	265	6,400
Tunisia ('60)	4.168	548	7,606
Libya ('60)	1.195	149	8,019
Morocco ('60)	11.626	1,093	10,637
Pakistan ('54)	92.727	5,497	16,866
Saudi Arabia ('58)	6.036	249	24,240
Sudan ('60)	11.770	250	47,080

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17

Books and the Problems of Urbanization

DATUS C. SMITH, JR., *President of Franklin Publications, Inc., was born in Jackson, Michigan in 1907. After graduation from Princeton University in 1929, Mr. Smith was employed by the Princeton University Press, becoming Chief Editor in 1939, and Director in 1942. Mr. Smith is a past president of the Association of American University Presses, former member of the Board of Directors of the American Book Publishers Council, and is presently a trustee of the Asia Society and a member of the Advisory Council of the Department of Oriental Studies, Princeton University. He is the author of many magazine articles, and of the book,* Land and People of Indonesia. *In connection with the work of Franklin Publications, Mr. Smith has made nineteen trips to Asia and to Africa.*

Books are prime agents of urbanization in both the senses intended in this conference. They stimulate urban development and urban grouping of the population, and they accelerate and enlarge the transfer of ideas, customs, and concepts from urban centers to rural areas. It need not be added, I think, that some of the results are wholesome and some baleful. But in either event books merit a prominent place in our thinking about urbanization, whether our interests are directly educational and cultural—bookish, so to speak—or whether our chief concern is with the hard facts of economic development and the good and bad sociological byproducts that follow in its train.

The use of books as vehicles of information in themselves is obvious enough, but in any developing country books are of much greater importance as instruments of education than as direct transmitters. To lay the groundwork for this discussion it may be worth while to state once again a sequence of thoughts that is by now pretty familiar around the world, though in the past decade national planners have often pretended they did not know about it:

Education is the basic capital investment for economic development; reading is the basis of education; books are the basic tools

of reading. And, for our purposes in this conference, we should add that economic development is the key influence leading to urbanization.

Those of us who work with books must guard against overstatement of our importance, and especially against suggesting a monopoly of virtue and against denigrating other media. But frank recognition of the place of books at least imposes a proper sense of moral responsibility on the book people whose wisdom or unwisdom, vision or myopia, can have a powerful effect not only on the speed and extent of urbanization but also on social and political integration or dislocation within a country as development takes place.

Radio, television, movies, film strips, tape recordings, and other audio-visual devices have critical roles to play in mass education in the future. It is quite possible that education in many of the developing countries can "cut cross-lots," thus avoiding obstacles or roundabout routes that delayed us on our own educational journey. We believe, however, that the new methods—which the new countries should be encouraged to use as rapidly as possible—will not decrease the importance of books. Any use of audio-visual methods that is not consolidated and intensified through books will have only a superficial and transitory effect.

Given the fact that books are critical not only in themselves but also as instruments of education, it follows that there must be indigenous industries for producing books that are truly responsive to the needs and interests of the people living in a country. Even when there is not an insurmountable language barrier—as in Pakistan and India, where the educated classes can employ English-language books from Britain and the U.S.—books from abroad serve only a small part of the need. University textbooks in English and French can indeed be useful in certain countries, but only for that tiny fraction of the total population at the top of the educational scale. For the overwhelming mass of the literates in most developing countries, not to mention the millions upon millions who will become literate in the coming decade, thanks to both formal education and mass literacy campaigns, the books must clearly be in national languages that are already known through the ear as mother tongues or at least as major national languages.

But the issue concerns more than just language. The content and even the mood and tone of the books must meet the life experience of the people using them, and publications of that sort

cannot be pre-fabricated and laid on from abroad. They must grow in local soil. And the only method of nurturing them effectively is through local book industries.

I have been asked to report on the experience of Franklin Publications in working with books in the Middle East and Asia. The preamble in the preceding paragraphs has been set down to explain why Franklin Publications puts greatest emphasis on something other than the books themselves. Our work was initially concerned exclusively with arranging for publication of American books in translation, and that is still the object to which we devote a major share of our attention and financial resources. But as the years have passed we have become more and more absorbed in a broader objective, of far greater long-term importance, namely aiding in the creation or strengthening of indigenous book industries in each of the countries where we work.

The two functions go hand in hand, of course, and they support each other. In the very act of preparing, printing, and distributing the books for meeting today's need it is possible to do it in such fashion that it helps to create or to strengthen the mechanism —a local book industry—that can keep on supplying books for years into the future, and of a sort far more serviceable to the local society than the ablest foreign book industry can possibly produce.

For the sake of those who do not know about Franklin, I shall briefly recapitulate the history, and then proceed to some of our conclusions that may shed light on development problems in a more general way.

Franklin Publications, Inc., was formed in 1952 as a non-profit educational organization in response to suggestions coming initially from joint meetings of committees of the American Book Publishers Council and the American Library Association. It is governed by a board of directors composed of leading book publishers, librarians, university presidents, and other representatives of the public interest. It has had financial support from foundations, governments (U.S. and other), individuals, and corporations, and from operational income. It has arranged for publication of about 1,600 editions of roughly 1,000 titles in 34,000,000 copies. The languages of publication have been Arabic, Persian, Pashtu, Urdu, Bengali, Malay, and Indonesian. The great majority of the *titles* (chosen by local people, not by Americans) have been translations of American works, though by far the largest number of *copies* represent Iranian textbooks newly written by

Persians. Every book has been done entirely within the country where it will be read: translated or written locally, printed locally, published locally.

The operating offices, which are largely autonomous, are staffed entirely by nationals of the local countries. There are no resident Americans. The offices are in Cairo, Beirut, Baghdad, Tehran, Tabriz, Lahore, Dacca, Kuala Lumpur, and Djakarta. Franklin is now planning expansion of its work to include sub-Sahara Africa, and possible projects in Latin America are under consideration.

Aside from the policy of local selection of titles to be published and the policy of staffing exclusively with nationals of the country being served, the most important operating principle is that Franklin is not itself a publisher. All of the books that have appeared have been brought out by local firms and at their own entrepreneurial risk. Furthermore, the books have been issued for sale through normal commercial channels. Except for certain of the textbooks and school-library books turned over to Ministries of Education under special arrangements accounting for a small fraction of the total number of titles, the publisher has got his money back not by subsidies or bulk giveaways but by the arduous though muscle-building labor of moving books through the retail trade at prices that are appropriate to the local economy.

It has been thanks to the policy of maintaining principles of normal publishing economics that it has been so natural to combine the function of stimulating the issuance of books with the function of aiding development of the book industry itself. The methods of aiding mastery of publishing techniques have been many and varied, and have encompassed all fields from editing, illustrating, and book-design through printing and distribution. Technical assistance has been provided to some extent through visiting consultants on the ground in the operating countries and to some extent through foreign-training programs. But the largest and most important part of the technical advance has been directed and carried out by the people themselves with no more foreign help than the provision of opportunities to observe, in person and through study, methods successfully used by other countries.

I feel I must emphasize that last point, because I think it may hold a useful clue as to development in other fields besides book-publishing. The Americans in Franklin (who, incidentally, are outnumered about 10 to 1 by our colleagues in the Middle East and Asia) know that the real achievements in developing and

strengthening book industries have come about through the observation, creative imagination, and sheer hard work of people in the countries concerned.

I suggest applicability in other fields because there must be many other sectors of economic-cultural affairs in which the techniques themselves are not very complicated, but in which there is the same need as in publishing for single-heartedness and vision. What is required is some stimulus or assistance in visualizing goals, a chance to see different ways in which other people have achieved those goals, and then just a minimum of direct technical training or minimal provision of special materials or basic tools.

When I speak of the opportunity to see how other people have met similar problems it is important to understand that the term "other people" means more than just Americans. Even if we did not know it ourselves, I am sure that our friends in the Middle East and Asia would courteously convey the information that the U.S.A. does not have all the answers to all the problems, even in the limited field of book-publishing. At all events, there are advantages in comparing different methods. We have been greatly pleased, therefore, at having the cooperation of the British and the French in various travel-and-training programs under Franklin auspices. The British Council, the Syndicat National des Editeurs, and the Société du Livre Français à l'Etranger were among the cooperating organizations. We have recently received word from the German Textbook Publishing Institute of their eagerness to help with later projects, and we hope the pattern can be enlarged to include other European countries in addition.

But probably the most useful training experience has been not in the fully developed countries of the West but in countries such as Iran and Egypt whose book industries have achieved notable progress in recent years, and whose state of development and whose book history are much closer to the countries from which the trainees have come. I know that some of the book industry people who have travelled under Franklin sponsorship would say at once that they learned more that was helpful in planning development of their own industries in Tehran and Cairo than they did in London, Paris, or New York.

As an example of ways in which developing countries can sometimes help each other more effectively than the West can help them—or at least of ways in which a modicum of outside assistance can be multiplied through inter-Asian cooperation—I would like to cite the example of five sister projects that Franklin is sponsoring for heavily adapted translations of the *Columbia-Viking Desk*

Encyclopedia. When the first of these was started in Tehran, with financing jointly from the Ford Foundation and the Princess Ashraf, the Persian editor was given an introduction to the dangerous trade of encyclopedia-making by American and British specialists. But a few years later, when the other projects started, it was clear that for the particular sort of work (an unusual and exacting combination of editing, translating, and original writing) there was literally no one else on earth as well qualified as that Persian editor to counsel the new encyclopedists just beginning work in the other countries. It was an Asian editor, therefore, rather than any American expert who went as a consultant to advise the new encyclopedia offices that had been set up in Lahore, Dacca, and Djakarta.

In considering the place of books in economic development and in urban-rural relationships, as alluded to at the beginning of these remarks, there are three main areas of concern which I would like to discuss: the methods of putting books into the hands of readers; the content and function of the books considered in sociological terms; and the purely economic-business-industrial aspects of the book business in a developing country.

The first thing to say about putting books to use—in broadest terms, that is, about the machinery of distribution—is that exclusive dependence on conventional retail bookshops or on conventional libraries as known in the Middle East and Asia is not good enough. It was not good enough in this country, and it surely will not be good enough in a new country with an incomplete communication system but wide dispersal of potential book readers. America's turning to new methods has brought about a breathtaking increase in book sales and book use. The devices have included book clubs and other books-by-mail schemes, a great proliferation of school libraries and branch public libraries, including the use of bookmobiles and other ways of extending library service into rural areas, and pervasive entry of paperback books into every nook and cranny of our life.

It is worth pausing a moment on the reference to paperback books, as the subject is sufficiently misunderstood even in its U.S. manifestations, and the mystique of paper covers has led many people to some pretty silly conclusions about book distribution in Asia. There is no magic, of course, in a paper cover, and even the manufacturing economy as compared with hard covers is far less than laymen usually assume. Indeed, most books in Asia and the Middle East traditionally carry paper covers anyway, so if the

material itself furnished the key the book problem would be solved already.

The basic elements that have been put together to make the American paperback industry are: (a) "taking the books to where the people are," that is, informal point-of-sale racks, stands, and other self-advertising displays at places where people congregate naturally, without the need for large capital investment or personnel exclusively devoted to bookselling and without having to draw the customers into a bookstore; (b) constant servicing of these points of sale with replacement stock or additional stock; (c) manufacture of books in sufficiently large quantities (in anticipation of sales to justify them) to permit relatively low unit costs and hence selling prices; (d) a broad enough selection of titles to give everyone the feeling that, although only a tiny fraction of the whole may be found on any one stand, the total offering of paperbacks includes many titles sure to interest him; (e) such widespread literacy that most citizens are potential customers.

That analysis of the American paperback industry, which would otherwise be out of place in this paper, is given to emphasize interrelations among the different elements in any country. You cannot set up a mass distribution system without a constant stream of new books to pass through it and, conversely, the wisest conceivable selection of titles will accomplish nothing unless there is a distribution system to take the books to the readers.

The last of the elements listed above—a generally literate population—cannot be found in any part of the area we are discussing, but that does not prevent a movement *toward* absolute mass distribution, noting incidentally that such a movement is itself one of the most effective contributions toward eventual universal literacy. At least a dozen and a half Middle Eastern and Asian languages (in addition to English and French which account for a large number of readers) serve literate populations each of which is large enough to support the paperback method of book distribution, even though quantities may be in tens instead of hundreds of thousands. A book that would naturally have an edition of only a couple of thousand under conventional methods can move into an entirely new area of usefulness and commercial feasibility if it is possible to visualize a market of ten to twenty thousand.

Franklin's Persian staff has organized just such a scheme in cooperation with a group of local book publishers, and there are now about 4,800 "wirerack" sales outlets spread throughout the country; initially they were all in the metropolis, then in major

provincial cities, then other large cities, then market towns; the directors of this project declare they will not be content to stop the expansion until there are 20,000 racks in place throughout the country. A quantity of that size will of course include many village centers. Even with the present limited number of racks, and even with the low literacy and a total population lower than that which, in other areas, is served by English, French, Arabic, Urdu, Bengali, Hindi, Tamil, and a number of other Asian languages, the scheme is a triumphant success. Books are being reprinted for this kind of distribution in editions ten to fifteen times the size of their first printings.

Mass distribution of books in some of the other languages is already well under way, notably the large inter-Arab sale of books issued for newsstand sale by Cairo newspapers and magazines and various projects of Bombay and Calcutta publishers. Some of these books achieve highly creditable circulation—the Arabic books incidentally triumphing over political problems to get an impressive export sale—but the audience now served is still very largely in urban centers. The high challenge for the future is to push further into the provinces and especially into those rural communities with a rising number of literates.

The conventional bookshop is by no means obsolete. It is still one of the most important of educational institutions. As literacy grows, and as new book-readers and book-buyers are manufactured by mass-distribution methods, there should be an increase in the number of such shops, especially in provincial areas. The more books a reader knows, the more he will demand the breadth of selection that only a bookshop can offer. And, just as in the U.S. where paperbacks have added significantly to bookstore sales volume, Asian and Middle Eastern retail booksellers will be able to profit from carrying large selections of the same books that, in tiny quantities at each spot, are receiving mass-distribution in many other kinds of places.

The greatest boon to mass distribution in any country is development of the concept of supplementary reading—of the thought that "textbooks are not enough"—through all levels of the educational system. It has become increasingly recognized that textbooks are merely keys to open the treasurehouse in the world of books, rather than sources to be valued in their own right. It is also recognized that the most effective and the cheapest form of education is that which the student pursues through reading by his own desire, carrying him to constantly higher command of the

art of reading and deeper understanding of the concepts he meets.

An integral part of any supplementary-reading program, and one with deep significance both for the educational system and for the economy of book-publishing, is the concept of widely dispersed libraries or library services, especially in schools and in villages. These are not, as national planners have sometimes assumed, frills that can be afforded only by prosperous and well-developed countries. They are needed most desperately of all by those countries whose trained teachers are in shortest supply. Provision of a wide selection of simple, interesting material at varying levels of difficulty, but all of it suited to the life experience of the potential readers, is an inescapable obligation of any state undertaking to offer primary education (even if as yet far from universal) or to conduct adult literacy campaigns.

These thoughts have had a profound effect on Franklin's own policy in recent years. School-library projects and supplementary-reading projects, some of them very large, have been undertaken in Pakistan, Iran, Egypt, and Malaya and are in planning stages elsewhere. There has been experimentation with tiny village libraries in both wings of Pakistan, and such projects seem likely to be of increasing importance in all Asian countries in which, as especially in India, Pakistan, and Indonesia, the village plays a key role in the national government system as well as its traditional role in social organization.

But that leads into the next subject, which is the sociological purpose and effect of all these books, and hence a consideration of their content. Let me say first that the sociological reference is merely for the purpose of directing attention to the function of the books, not a suggested restriction of subject-matter. Just as a hard-boiled economist studying food supply may find that religion is a major factor he must study along with temperature, rainfall, insects, and plant diseases, we must recognize that works of the spirit and imagination may often prove to be as effective in influencing urbanization as books dealing directly with economics or technology.

At all events, it is clear that different books work at different levels. On the one hand, high-level books directed to the intellectual and managerial elite may—by implanting or clarifying or impugning an idea in the mind of a leader, say a member of a national planning council—profoundly change the whole course of urbanization or its effects. On the other hand a book at the lower

end of the scale of sophistication may carry a simplified form of the same thought deep into provincial areas and influence mass opinion to sustain or oppose the leader. Or the book at the lower level may be no more than an educational step upward on the path to richer fields.

I am reminded of pairs of such books, one relatively high-level and one low-level, that have been chosen by local people for inclusion in the list of Franklin-sponsored translations in different languages: Hauser's *Population and World Politics* and Sax's little booklet, *Population Explosion;* Perry's *Realms of Value* and the children's book, Kripke's *Let's Talk About Right and Wrong;* Benedict's *Patterns of Culture* and Brown's *Understanding Other Cultures* for young people; Bruner's *Process of Education* and Seashore's *How to Solve Your Problems;* Brittain's *Let There Be Bread* and the juvenile title, Jupo's *Nothing to Eat but Food;* Chase's *Proper Study of Mankind* and Broekel's *You and the Sciences of Mankind;* Dewey's *Decimal Classification* and Buchheimer's *Let's Go to a Library;* Bethel's *Industrial Organization* and Lateiner's *Techniques of Supervision,* a simple handbook published by the Foremen's Institute.

The function of the book in welding together the different parts of a country becomes much more important during the period of urbanization because the parts are economically more interdependent but, on the other hand, philosophically more antipodal. In an urbanized society the "we"-and-"they" spirit tends to become much more pronounced as the farmer and the industrial worker look at each other's lives. The mere moving of the population into urban groupings obviously brings dislocation for both the urban and the rural society. But as the process continues the articulation of urban with rural economy becomes of an altogether new sort, with reciprocal frictions and misunderstandings.

Franklin's more far-seeing advisers in the different countries seem to have this problem especially in mind when they urge selection of books that will help to give the different sectors of the population something like a common view of national problems and world problems, and at the same time some feeling of how life is lived in other parts of the same country.

This welding together—the giving of a sense of membership in the national community—may be the greatest of all benefits from mass distribution of books, and indeed from education of all sorts. This is not merely a question of giving the producers of rice in East Pakistan some feeling for the wheat growers of West Pakistan

and vice versa, but also giving each link in the chain of industrial economy a sense of joining with the others. The spindle-tender in a textile mill should acquire some sense of partnership with the man who grew the cotton, and both should have some general feeling of what part each plays in the general economy.

Differences in economic geography have always produced enmities and tensions between sections because of differing economic interests and ways of life (or even within the same section, as witness our own cattlemen-sheepmen troubles of a half century ago); and the rural population has had a combination of envy and contempt for the urban dweller through the centuries. But intensified urbanization has brought in new factors. With the introduction of a money economy in place of subsistence agriculture, with the invasion of the village by the artifacts and customs of the city, and with the effort to make the village part of a national political scheme in entirely new ways, the nature of the relationship has completely changed. The need for welding the parts together has acquired a desperate urgency.

One of the most difficult tasks in the revitalizing of village organization or the carrying out of educational and informational phases of community development projects is to determine the dividing line between public enlightenment and political propaganda. Is the purpose to give a sense of participation in the national community or is it merely to keep an individual or group in power or to secure acquiescence in some public policy? Ambiguity in the teaching of civics is by no means unknown in the United States, and we should be hesitant about branding too easily as "just propaganda" some of the efforts at national unification through the use of books that have been undertaken in the Middle East and Asia.

The greatest social danger during the process of urbanization comes from the well-known fact that artifacts and customs spread out from the cities faster than concepts. The destruction or disorganization of established local ways of life before acceptable substitutes for them have been found, or without providing the philosophical foundation upon which new ways can be built, can bring disaster to a community and, through multiplication, to a nation.

It is just here, I think, that books can make their most valuable social contribution, and this judgment is concurred in by all my Middle Eastern and Asian colleagues. We know that the people drawn into the urban concentrations have their own problems

that are in many ways even more agonizing than those afflicting the provinces. But books reach the urban dweller more easily and naturally than his country cousins, and ways of making books available in the cities are already much better provided. We feel that the greatest effort in the book field in the coming decade should be toward achieving nationwide distribution through both sales outlets and libraries; and that national planners should give heed to this as a need no less real than the requirement for classroom education and mass literacy campaigns.

Planning councils which recognize the contribution of books to social unity, as well as their part in serving education as the basic capital investment for economic development, will have these thoughts in mind in framing every section of their master plan. And they will seek to carry understanding of them into every branch of government concerned with execution of the plan.

Special attention should be given to the requirements of a strong indigenous book industry: recognition of printing and publishing as appropriate beneficiaries of development loans; inclusion of schools of printing in plans for vocational education; rational import duties on the basic materials such as paper, ink, type, machine parts, offset film and chemicals (unless development of local industries to achieve self-sufficiency in some materials should itself be established as a goal); development of school libraries and, where amenable to the national plan, village or community-development libraries; provision of book-purchase funds not only to assure the stocking of these libraries but also for the economic support they will give to a book industry in the process of being born; easing of book postal rates and simplification of methods of shipment and payment by mail; coordination of educational planning with library planning, and affirmative action by both the educators and the librarians to let the book publishers see the grand design far enough ahead of time to permit production of the kinds of books needed.

Because almost all book-publishers in almost all developing countries are short of capital—and this has disadvantages for society as well as for the entrepreneurs themselves—there is a great temptation to think of direct subsidy of publishers as a way of meeting the problem. But that policy brings such evils that it should be avoided under most circumstances. Direct subsidy invites corruption, dishonest accountancy, and other evils. It also introduces a note of falsity into the book economy and puts all

the unsubsidized publishers at a disadvantage. But the real argument against direct subsidy of publishers is that subsidizing insulates the publisher from the normal economic effect of title-selection. He decides to publish a book not because he thinks it meets the needs and interests of readers—a judgment that will eventually be corrected or confirmed, with economic penalties or rewards—but because somebody has agreed ahead of time to pay the bill.

Yet, because shortage of capital is one of the factors most directly inhibiting expansion of the book industry to serve the whole country in the ways visualized above, *some* method of pumping in more money is clearly needed. Loans can be helpful—long-term loans for capital installations such as printing-plants, short-term working-capital loans for book publishers and distributors. But perhaps the soundest of all methods is the allocation of book-purchase funds to institutions—school systems and libraries—with enough flexibility in the use of such funds to permit some expression of the interest and need of each institution instead of a monolithic closed list of titles.

In conclusion I would like to offer the advice which, because it reflects the experience of all Franklin offices in the last ten years, may properly be regarded as an encouraging pragmatic report: the worst mistake for a publisher in the Middle East and Asia, or indeed anywhere else, is to underestimate the audience. It is of course a mistake to disregard *reading difficulty* of particular books for the intended audience, but to underestimate *intelligence* or the ability of readers to distinguish good quality from bad is an unforgivable sin.

Even today, with the present low literacy rates, there is a large audience waiting for good books and, in Franklin experience, ready to buy them. In another few years, as literacy increases, as education embraces more people, and (hopefully) as the tradition of reading for self-education and one's own pleasure becomes officially encouraged and more widespread, the market for good books in all the major languages of the Middle East and Asia will be enormous.

It is my hope that teamwork among educators, librarians, publishers, and booksellers will permit the countries of the area to take effective advantage of this opportunity for serving the public good.

18

Taxation as a Tool for Development

ROBERT R. NATHAN, *Consulting Economist and President of Robert R. Nathan Associates, Inc., was born in Dayton, Ohio, in December, 1908. He received his B.S. (1931) and his M.A. (1933) from the University of Pennsylvania, and his LL.B. from Georgetown University (1938). Mr. Nathan was with the Department of Commerce from 1933 to 1940, then became Chief of the Requirements Division of the Defense Advisory Commission and Office of Production Management in 1940. During the war he served as Chairman of the Planning Committee of the War Production Board; in the United States Army; and then as Deputy Director of the Office of War Mobilization and Reconversion. Since 1946 he has been President of Robert R. Nathan Associates and has served as economic adviser to France, Burma, United Nations Korean Reconstruction Agency, Puerto Rico, Colombia, Afghanistan, El Salvador, Ghana, and Iran. He is the author of several works on economics, among them* Mobilizing for Abundance *(1944); and co-author of others, including* Palestine, Problem and Promise *(1946).*

NEARLY TWENTY years ago in a book on postwar economic policies in the United States, I used "The Power To Tax Is The Power to Create" as a title for a chapter dealing with taxation. It has always been popular to refer to taxation as a powerfully destructive weapon—which it surely can be—and to taxes as inescapable and dreadful burdens. Economic understanding has grown tremendously in recent decades, especially the role of fiscal policies, but there is still a lack of sufficient appreciation of the great force which taxation can unleash as a tool for economic development.

The impact of taxation ramifies far beyond its serving as a channel and means of collecting public revenues. It can be a weapon for inflation, deflation, or price stability; for allocation of resources among many combinations of alternative purposes; for greater or lesser concentration of income or wealth; for equity or exploitation; for motivating or stifling initiative; for expansion or stagnation. The developmental role of taxes is almost as expansive as the whole subject of economic development. Economy of time

and space will therefore necessitate treating only the more significant and more applicable elements of the broad subject of taxation in this paper. It is necessary purposefully to neglect many refinements and even many qualifications, though this may risk academic displeasure and may raise more questions than are answered.

Fiscal policy encompasses the relationship between public revenues and expenditures and the composition and level of both government revenues and expenditures. Monetary policy embraces the role of central banks in controlling the money supply through currency and credit policies. Through fiscal and monetary policies, governments possess powerful means of determining the pace, direction and functioning of the economy. These policies control the general level of demand and directly affect a myriad of specific and significant activities and forces which have a strong influence on economic and social development.

Of all the components of fiscal and monetary policy it is debatable whether taxation is the sharpest and most potent instrument for controlling aggregate demand. But there is much to commend the view that taking all of its effects—direct and indirect —into account, taxation is surely the most powerful single economic weapon for economic determination which governments possess in a free society.

Increases in tax rates or the imposition of new taxes serve to reduce the levels of disposable incomes of individuals and of business enterprise and thereby restrain private demand. Reductions in taxes have the opposite effects. The same aggregate results can be achieved over time by increasing or decreasing public expenditures but these alternatives are diffierent with respect to timing, speed and degree of response, the purposes sought to be achieved, the degree of governmental direct use of resources, and the cost or burden levied on the private economy. Especially if there is withholding of direct taxes and if indirect taxes are an important source of revenues, changes in taxation can bring more prompt economic responses than changes in public expenditures. This is not to argue that revenue changes are preferable to expenditure changes as policy instruments, but rather to take note of the more *general* impact and more rapid response that might be achieved through taxation measures than through expenditure measures. It can be argued that under many circumstances a given amount of increased expenditures can result in a larger rise in total output of the economy than an equal amount of tax reduction. The choice depends on what is sought to be achieved.

As a first approach, one may conclude that the level of tax revenues should be geared to the needed or desired level of public facilities and public services in a country. It is obvious that such levels must be realistically related to the production and income of the country, taking account also of the capital inflow and outflow. The amount of external resources, in turn, is not entirely independent of internal tax policies because foreign investors might be frightened away if taxes are too high and, conversely, foreign countries or international agencies might not be willing to provide loans or grants if self-help, as reflected in tax policies, is inadequate. The ability of individuals and private enterprises to pay taxes depends on their output and their income. Too heavy a draft on real and financial resources can deter rather than help development through dampening incentives or by diverting resources from the private to the public sector, which resources might more effectively be used privately. Too low a level of taxes will not provide the needed funds for those basic public facilities and essential public services which are prerequisites for a developing society. Also, as will be noted later, taxes can serve as a means of diverting resources from private consumption to public or private investment.

In essence, the relationship of government revenues to the gross national product or national income reflects the decision on the division of the nation's income or product as between public and private use. At any given level of total national income, the larger the share of public revenues and expenditures, the lower the share of private consumption and investment, and vice versa. In most developing nations it is desirable that the public share be increased because of the great needs for basic services such as education and health and for basic facilities such as harbors, dams, irrigation, roads, and the like.

The drives to eradicate illiteracy, to improve health, to provide police protection, and to improve public administrative services all tend to enlarge current or ordinary expenditures and more taxes are needed. But it isn't the money needed for the day to day operations of normal governmental functions which causes most of the trouble. In fact, most developing countries tend to raise sufficient revenues to cover ordinary budgets. Where they almost universally do not succeed is in raising sufficient funds to finance the huge public investment outlays for schools, hospitals, roads, dams, harbors and other facilities essential for development. They have no government bond markets for mobilizing private savings. They must get funds largely through taxation or through foreign

grants or loans or direct foreign investment. Otherwise they resort to currency or credit expansion which brings inflation. As already indicated, capital inflow is not totally unaffected by internal tax policies. Nor is ready access to foreign sources of assistance, public or private, a simple solution to financing large infrastructure investments.

With some exceptions, capital inflow for public projects and often for private projects as well tends to be confined to the foreign exchange component of development expenditures. It is usually expected that the local currency component will be provided locally. The less developed nations could undertake far less capital formation were it not for foreign loans, grants and equity investments, but increasingly it is the lack of local savings that limits the effective use of machinery and equipment supplied through loans or grants from foreign countries or international agencies or through foreign equity investors.

The emerging countries are intensifying their efforts in varying degree to expand tax revenues beyond amounts needed for ordinary expenditures so that current budget surpluses (public savings) will be available for the local currency needed to match the capital inflow in the form of machinery and equipment and materials for investment activities. It is no exaggeration to state that the need for more tax revenues to generate public savings for financing the local currency component of public investment projects is the most pressing financial problem of developing countries. Budget surpluses are needed not only for public investment but also for channeling savings into private investment through agricultural credit institutions, industrial development banks, home loan agencies, and other government-supported instruments for loans to the private sector. The achievement of surplus revenues in excess of ordinary expenditures is rendered more difficult because development invariably increases current costs of government, i.e., teachers, agricultural extension workers, maintenance, debt service, etc.

In many of the less developed countries there is nearly a complete lack of machinery and institutions for the accumulation of savings and the channeling of these savings into investment activities. Of course, some investment does take place by small and large savers in the nature of direct creation and expansion of productive capabilities. However, there are no institutions whereby small or medium sized savers can band together and use their

aggregate savings for specific productive purposes. Even cooperatives are generally unavailable or not very effective. It is for this reason that one must look to governments as an instrumentality for the accumulation of savings for capital formation. Of course, private savings could be assembled through the issue of government bonds or through deposits in government banking institutions and the like. However, the absence of a government bond market, as well as savings institutions, is a common characteristic of the less developed countries. Thus taxation becomes a means of assembling capital and generating savings.

Most everyone would agree that it is necessary in many of the less developed countries for governments to pursue policies designed to hold down consumption and to increase savings and investments. On the other hand, it is recognized that the level of consumption in most of the developing nations is already so low that it is quite difficult, especially in a relatively free and democratic society, to drain off much from incomes that barely provide subsistence. It would seem reasonable to pursue policies which would not reduce standards of living which are already very low but rather seek to siphon off a rising proportion of the incremental income which flows into the hands of workers and other income recipients as development gets under way. However, this is easier said than done. It is almost impossible to assess taxes differently between those who are receiving increasing incomes or new incomes as a result of development and those who do not enjoy higher incomes as a result of development. If a proportionately larger amount of taxes are taken as development expands, then there will tend to be some shrinkage in living standards of those who are not direct beneficiaries of the increasing level of economic activity. Thus, while it is desirable to tax away a larger share of the incremental income, in practical terms it is an exceedingly difficult if not an impossible objective to pursue successfully. Higher indirect tax rates on non-essentials than on necessities will avoid hitting the low income recipients too hard but the revenue yields from such taxes will hardly result in a significantly rising share of national income.

Choices as between types and categories of governmental expenditures determines the way in which at least the publicly used resources of a nation are allocated. This allocation is directly a function of expenditure policy, but since the level of expenditures will in turn depend over time upon the level of revenues, it is fair

to conclude that taxation does influence such resource allocation decisions. For instance, if a government decides to increase the level or share of public expenditures for such current services as health and education, it will limit the share available for such basic investment projects as dams, roads, irrigation and the like. If tax revenues are small then the imposition of priorities among expenditures for different purposes will be tighter. The more tax revenues the government collects, the less strict will be the order of priorities. Thus, public expenditure decisions cannot be made unrelated to tax decisions. Total resources in a country are not unlimited and taxation is the most important element in determining the public-private shares of these resources and the aggregate available for public apportionment. Further, feasible levels of taxes depend on what taxpayers understand about the uses that are made of the taxes they pay.

We may now move from looking at taxation as a force for development from the over-all point of view to some of the important specific aspects of taxation as a weapon for development. Far too many people regard all taxes only as a drain on income and a burden on business or individual taxpayers. They also refuse to recognize the fact that different kinds of taxes have different kinds of economic impact and that inevitably, either by design or by default, there must be decisions on the composition of the tax program and, therefore, decisions which will affect the economy differently. It was not too many years ago when one of the top leaders in American industry—and his name, if mentioned here, would be recognized by everyone—wrote to a publisher in response to an editorial about the differing impacts of different types of taxes, that such ideas were economic heresy because taxes should be levied only for revenue purposes. He was almost incoherent in his anger over the very idea that the composition of taxes was an area for policy determination. It should be obvious that a sales tax will have a different economic consequence than a land tax which in turn will have a different impact than customs duties, or in turn that these will affect the economy differently than do income taxes. There is also a difference in consequences as between income taxes on individuals and on profits of business enterprises.

Customs duties are a major important source of revenue in most developing countries and also serve other purposes. There are some countries which seek to control their imports through quotas, embargoes and other direct measures. These controls are generally

not effectively applied because of a lack of administrative competence and experience in most of the less developed countries. Such controls tend to create windfalls to importers and distributors and for those who distribute the license. Variations in customs duties are often highly important as a policy instrument in influencing the foreign trade of a nation. Higher customs duties on luxury goods than on essentials discourage the importation of luxury goods and drain off relatively more income from the higher income recipients than from the lower income groups. They possess an important element of equity. Similarly, customs duties may be lower for capital goods, raw materials, components and semi-fabricated products than for finished products and consumer goods, thus encouraging domestic production. In these days of increasing emphasis on liberalization of international trade, infant industry protection through higher customs duties is generally frowned upon, but the developing nations can hardly forego some degree of protective action, especially in view of the adverse terms-of-trade trends which have been so onerous for them.

There are numerous choices available to planners and policy makers in determining what kinds of taxes should be imposed and the relative degree of reliance on each type of taxes, but there is often a huge gap between that which is theoretically desirable and that which is practically feasible. It may be highly desirable, as emphasized below, to pursue the principle of "ability to pay" in tax policy, but in countries where there is little or no tradition of maintaining accounting records and few, if any, certified auditors or accountants, progressive income taxes cannot provide a substantial source of revenues. In fact, under such circumstances, attempts to rely heavily on progressive income taxes tend to bring more evasion and more corruption. On the other hand, too heavy a reliance on indirect taxation can result in great inequities and in political instability. Administrative competence in governments must be given considerable weight, along with economic considerations, in determining tax policies.

In many countries land taxes in urban areas are exceedingly difficult to enforce because there has been no survey of land boundaries and no meaningful basis for assessing the value of lands. This is highly unfortunate because development projects tend to bring very substantial increments in land values and the beneficiaries should and could pay substantial revenues to the government, which would in turn help finance further development projects. There is no question that a new or substantially im-

proved road tends to result in substantial "unearned increments in values" to owners of adjacent lands. Similarly, irrigation dams and power facilities often result in significant increases in land values. Water charges and power rates, even when assessed and paid (which is not too common), too frequently do not reflect the investments made and the values received. It is only appropriate that at least part of such investments should be recovered through increased taxes on the owners of the lands who benefit from such investments.

Even urban properties are not usually taxed relatively as heavily in the less developed countries as in the industrialized nations. The lack of sound assessment practices is a serious deterrent. Also, favoritism tends to encourage widespread evasion or underpayment. Economic development and growing urbanization have combined to bring phenomenal increases in urban real estate values and should permit significant collections of real property taxes. Also the hoarding of unused land for speculative purposes, both rural and urban, could be discouraged by appropriate land tax policies. However, real property taxes do not serve as important sources of revenue and the principal reason probably lies in the area of administration rather than economic policy.

There is a very strong tendency to rely on customs duties and on excise taxes relatively far more heavily in the less developed countries than in the industrialized and higher income western countries. No doubt this situation also is largely attributable to decisions made on administrative grounds rather than on policy or conceptual grounds. Personal income taxes are generally less important as sources of revenue in the less developed countries than elsewhere largely because the great mass of people would be exempt and also because enforcement is so weak.

One of the most serious problems in taxation for any country and especially for the less developed nations is that of reconciling incentives, on the one hand, with equity and economic justice on the other. By and large in the earlier periods of development of the presently highly industrialized nations, there was much less interest in the welfare of the masses and in economic justice than prevails throughout the world today. Widespread concern about exploitation of workers or of national resources did not exist in the same degree in the early days of the industrial revolution as at present. Progressive income taxation is a relatively recent phenomenon in economic history. Acceptance of governmental responsibility for combating business cycles and stimulating eco-

nomic growth is also relatively recent. Public measures designed to provide minimum security for the individual such as minimum wages, pensions, unemployment compensation, child labor laws and the like, have become widespread only in the last generation or two. Tremendous concentrations of income in the hands of a few individuals or families did not formerly create the same degree of political instability in earlier periods.

Today the story is quite different and it is different not just in the highly developed nations. Most of the less developed countries are often more concerned with social welfare and equity and economic justice than with investment and production. This is not to imply that the leaders of the less developed countries do not seek higher production so that there can be higher living standards, but rather that welfare considerations are given high priority along with development policies. To use the old expression, they are sometimes pressured to be concerned more with dividing up the pie differently than with increasing the size of the pie. Both need attention and are inter-related. Merely redistributing what is available will not raise mass living standards very much, but neglect of elements of equity and justice can precipitate political and economic environments which are hardly conducive to development.

Many classical economists and many rigid devotees of capitalism and free enterprise believe that great concentrations of income are indispensible for rapid development; that the greater the income concentration the speedier the development. They believe that higher ratios of savings needed for higher level of investment can only be achieved through a high degree of income concentration and that such income concentration provides the needed incentives for enterprising individuals. Such views and practices are often self-defeating. Ostentatious luxury consumption in the midst of mass poverty often breeds revolution or punitive measures which can confiscate high incomes and large holdings of wealth. Also, internal markets for expanding domestic production do not emerge.

There are others who sincerely believe that the less developed countries can and must pursue welfare measures along with expansionist policies and that such welfare measures need not slow the pace of development. They believe that government tax policies should be designed to yield government savings via the route of getting more government tax receipts than are needed for current or ordinary expenditures. Obviously, large public

revenues cannot be derived from the relatively few high income recipients, but it is argued that indirect taxes can be more readily leveled on the masses if the masses know that the burden is fairly shared through direct taxes on the higher income groups.

In many countries the entrepreneurial class fights determinedly against any kind of progressive taxation, insisting that such taxes will destroy all incentives. In fact, in some countries when efforts have been made to increase the share of total tax revenue derived from progressive income taxes, there has been a marked curtailment in private investment and often, where foreign exchange controls are absent or ineffective, a serious flight of capital has ensued. Whether or not such actions can be characterized as blackmail by the rich is irrelevant. The entrepreneurial resources and talents in most of the less developed countries are conspicuous by their scarcity and private investment is universally too low in these countries. The need for incentives must be recognized, but how attractive must these incentives be?

This dilemma of reconciling incentives with economic justice is not one which lends itself to solution through some nicely formulated and commonly accepted principle or standard, but rather one which must be solved in the context of each country's economic, social and political environment. Country planners and policy makers must ask themselves what price they are willing to pay for increasing the proportion and level of private savings and the level of private investment. On strict economic grounds, a high price might well be acceptable if there is more investment rather than luxury consumption, capital flight, hoarding of land, usurous lending and the like. More rapid accumulation of savings and greater investment will tend to increase productive capacity, employment, productivity, total consumer income and living standards. On the other hand, there are political as well as economic factors which cannot be ignored. Too much concentration of income has frequently been a major contributing factor to political instability, which in turn tends to discourage savings and investment.

In many of the less developed countries there is a strong tendency to conclude that direct public investment, including ownership and operation of industrial enterprises, is the appropriate answer when private savings and private investment lag because of progressive taxation. Sometimes direct public participation in productive enterprise is the only alternative because private resources and private entrepreneurial talents are not available,

especially for large-scale enterprises. Nor are there, in many countries, the channels for accumulating savings and for supplying the management needed for sizeable undertakings. However, it should also be noted that public enterprises are far too often managed inefficiently, with huge operating losses and wasted investment. Private enterprise should be encouraged where feasible if development is to be maximized. Also, the availability of private funds and entrepreneurial talent for private investment may be underestimated, especially for small-scale projects. In many countries it has been surprising how many new industrial enterprises have emerged when incentives and environment have been improved.

Again I would emphasize that there is no simple answer to the dilemma of reconciling incentives and economic justice. This is a problem which must be considered seriously by each nation and the proper solution will probably only be achieved after experimenting with alternative policies that may tend to move toward extremes, first in one direction and then in the other. It is to be hoped that these extremes will not be polarized but that the swings will be somewhat limited and that in the final analysis solutions will be found which will reasonably balance off incentives and justice, consistent with rapid economic growth.

Many nations have found that both foreign and domestic investment is stimulated by exemption from or reduction of effective tax rates for a period of years. However, such inducements are of little value if existing tax rates are very low or if existing taxes are generally evaded. It may be attractive to invest where the prevailing tax rate on corporate profits is 25 percent and the investor is offered tax freedom for several years, but if the existing tax rate on corporate profits is 5 percent or even 10 percent, then exemption does not mean much. Provisions for accelerated depreciation are also of limited value if the tax rates are low.

One of the most important problems in the area of taxation in the less developed countries is that of uncertainty. Far too often tax measures are adopted which are exceedingly vague or unrealistically complex. Some experts have concluded that uncertainty is a greater deterrent to investors than high rates of taxation which are simple and precise and readily enforceable. It is particularly in the income tax area where simplicity and certainty are needed. Advisors from industrialized nations tend to apply criteria and concepts appropriate at home but completely meaningless in developing nations. Even customs duties suffer from lack of clarity in definitions of products. Better accounting and more sophisticated

regulations and standards must be pursued but progress will be gradual and in the meantime certainty and simplicity are needed.

Many countries proceed from one kind of taxation to another largely out of frustration associated with less than expected yields from existing tax measures. Too often the expectations are unrealistically high. Frequently, execution and implementation are faulty. Repeated efforts with new taxes lead to increasing frustration and decreasing effectiveness of taxation as a tool for development. It is analagous to the tendency in many less developed countries to build more plants in specific industries, even though those which were recently built are running far below capacity and clearly are not operating efficiently. Logic would dictate that there be concentration on making that which exists function more effectively and efficiently rather than going on to new approaches and new ventures as an escape from reality. Better management of public enterprise along business lines can greatly increase productivity of existing capital and better management of revenue-collecting agencies can greatly increase yields without raising rates.

With respect to enforcement, it certainly is preferable to derive an equal amount of revenue from stricter enforcement of lower rates of taxation than less enforcement and greater evasion of higher rates. Yet it is distressing to note that in many countries where revenues under existing tax rates could readily be doubled through better enforcement, there is a tendency to push tax rates up substantially with little additional revenue. The greater the evasion and corruption, the less is the respect for government. The erosion of morale among salary recipients who cannot evade taxes, especially government officials, is harmful. Particularly serious is the increasing clamor for political and economic reform arising out of knowledge or suspicion that there exists widespread tax evasion and corruption. Many governments would be more strongly supported by the public and would enjoy much greater political stability if they were to intensify their efforts on tax enforcement of rational tax policies rather than merely set unrealistically high rates and thus encourage evasion.

Too often top officials throw up their hands in resignation because they do not have enough competent and honest auditors and other officials to audit all tax returns and thereby achieve complete compliance. They fail to understand that the most important single aid to tax enforcement is the fear of penalties. It is impossible even in the most advanced countries to audit every

tax return and achieve compliance in this manner. Rather, in these countries there is limited evasion principally because those who are caught are fined heavily and often serve jail sentences. This procedure of making examples of those who are caught may seem unfair to those who are punished while other guilty persons escape punishment, but examples must be made of some of the most blatant tax violators if enforcement is to be improved. Again, however, it must be emphasized that enforcement is feasible only if the tax policies are fair and realistic and appropriately related to the development needs of the country.

There are many other aspects of tax policy which could be developed but it is hoped that what has been presented will serve not only to demonstrate the potential power of this tool but also to indicate many useful and practicable directions in which tax policy can be and should be used for accelerating economic development. It is a powerful tool, but it is a difficult tool to use, especially for the less developed nations.

It is the very nature of underdevelopment, namely, the lack of incorporated entities, the lack of proper accounting and record keeping, the lack of efficient government machinery and personnel, the absence of a tradition of integrity and responsibility in business-government relations, and the absence of sound policy considerations which makes it difficult to use this tool effectively. Yet, its use is a *must* for development and therefore it must be sharpened and applied with patience, persistence and, above all, with wisdom.

19

The Role of Trade in Development Program

ARTHUR PAUL, *Economic Adviser to the Ministry of Commerce of the Royal Government of Afghanistan, was born in Chestnut Hill, Pennsylvania. After graduation from Princeton University in 1920, he worked in private industry as Vice-President and Director of the Dexdale Hosiery Mills in Lansdale, Pennsylvania. During the war Mr. Paul served with the government, first as Chief of the Office of Imports of the Board of Economic Warfare, and later as Deputy Executive Director, and then as Executive Director, of the Bureau of Areas of the Foreign Economic Administration. Following the war, Mr. Paul served as Director of the Office of International Trade, and Assistant to the Secretary of Commerce until 1947, when he became President of Overseas Corporation. He has worked with the Ministry of Commerce of Afghanistan since June 1960, under the sponsorship of the Asia Foundation.*

Trade difficulties are at the root of many of the economic problems of the developing nations. Moreover, many of the benefits of the assistance provided by the aid giving nations are offset by restrictive trade policies or by other practices that retard the development of trade. Indeed, it seems quite proper to say that because of these policies and practices, much foreign aid is wasted. The failure to make progress toward a solution to this fundamental dilemma is leading many of those concerned with it to conclude that some form of general reorganization of world trade is necessary. The main theme of this paper is that, although some steps can be taken to ease existing difficulties, the economic conditions prevailing in the Middle Eastern countries, and in many other areas, justify the conclusion that the situation calls for remedies much more fundamental than any now under consideration.

Export earnings are clearly one of the most important of the propulsive factors of economic development. Every developing country is of course conscious of this fact of economic life; what to do about it is the problem. How to create and sustain rapid increases in exports is puzzling the planning boards of developing

countries throughout the world. Evidence of the importance attached to trade problems is the priority given to them at the most recent meetings of the various regional Economic Commissions of the United Nations. Everyone concerned with developmental problems agrees that an increase in the exports of a nation's primary commodities is an obvious and natural method of creating economic growth, but the difficulty is this: by far the largest part of the export side of the foreign trade of the developing nations consists of primary commodities produced by farmers, and efforts to increase export trade in these goods inevitably encounter the very serious impediments that exist throughout the world to the marketing of agricultural products. Other primary commodities face similar difficulties in varying degrees, but the cards seem to be effectively stacked against the success of plans to expand agricultural exports. Paradoxically, this state of affairs persists in the face of continuous and serious shortages of food in many parts of the world.

In fact, the prospects for improved trade in agricultural products are so bleak, that an atmosphere of discouragement has begun to dominate current thinking and planning in this field of development. Reports recently prepared for the U.N.'s Regional Economic Commissions for Asia and the Far East, for Africa, and for Latin America, all reflect this pessimism. A number of the recommendations now being considered by these Commissions, as well as some already adopted, propose that the developing nations in those areas should concentrate their efforts on the creation of industries capable of producing manufactured goods for export or on the local production of import saving commodities. These recommendations reflect a loss of confidence in dependence on the proceeds of exports of primary commodities as the chief source of income needed to pay for the tools required for development; they are also evidence of a determination to take positive steps along new paths in order to try to make faster progress in the achievement of national goals.

This determination is understandable and deserves support, but the difficulties of rapid industrialization must be faced realistically. The availability of indigenously produced raw materials and the scarcity of other necessary resources, such as capital, trained manpower, and low cost power limit the range of choice of suitable industrial projects in the early stages of economic development. Furthermore, the very likely possibility exists that, by the time full scale production has been achieved in many of the newly estab-

lished industrial plants, they will encounter serious problems in finding export markets for their products. The present world wide trends of regional as well as national protectionism can become just as restrictive, if not more so, for manufactured goods as they are for agricultural commodities. The pitfalls and road blocks already in sight on this alternate route may be as hazardous as those now encountered on the present path.

The only encouraging aspect of the situation is that many responsible and serious-minded people concerned with these matters in the developed countries, as well as in the developing nations, are determined that solutions must be found. To continue to condone practices which limit and impede the possibilities of development generated by trade is the height of folly on the part of those nations that are already sharing heavily in the costs of world wide economic development. It is equally shortsighted on the part of primary commodity producing nations to permit their present frustrations to lead to the adoption of programs that may only bring on new and unfamiliar difficulties.

As justification for a more intensive concentration on industrial projects, the example of Japan's success in building an export trade in manufactured goods during her developmental period is frequently cited. We must, however, remember that during that period Japan had the benefit of the proceeds of a very large and lucrative trade in the export of raw silk. The example of Japan's experience is perhaps relevant for those countries who are blessed with petroleum resources, but not to others.

The difficulties of export marketing of agricultural commodities apply in varying degrees of intensity to the different countries of the Middle East. Leaving out petroleum products, which dominate the foreign trade situation in the Gulf area, by far the largest part of the other exports from the Middle Eastern region are agricultural products, and most of these are shipped abroad as unprocessed raw materials. Even when the wines and spirits exported from North Africa and Egyptian yarn and cotton textiles are included, the export of manufactured goods is still a minor factor in the foreign trade of this region. It is clear that the problems which we have mentioned, namely, the bleak prospect for improved marketing conditions for primary commodities and the difficulties encountered in establishing infant industries capable of competing for export trade in the world markets, are important for most of the countries of the Middle East.

Before commenting on ways and means of meeting these diffi-

culties, let us first try to see just how serious they are. Some very thorough and competent studies are available to help us arrive at some conclusions on this aspect of our subject. Among these, two reports prepared by the F.A.O. in Rome are quite pertinent. These are the *Agricultural Commodities Projection for 1970* and the *Commodity Review for 1962*. These reports cite quite conclusive evidence of certain trends that may be expected to continue throughout the 1970's and perhaps for much longer periods of time.

Based on an analysis of the data available on present rates of production and on studies of the future plans and possibilities of the producing areas, there seems to be ample justification for a prediction that, during the 1970's, world production of the leading agricultural products that enter world trade will continue to increase as fast, if not faster, than effective demand. This assumption seems to be valid even when quite optimistic estimates are used for the increases in demand which may be anticipated in the same period. This prospective continuation of the lack of equilibrium in world trade which now exists for many of the important commodities means that constant pressure for lower prices may be expected for some time to come. Furthermore, the improvement in the quality of synthetic substitutes will inevitably exercise an increasingly depressing influence on the prices of natural products.

The F.A.O. studies also predict that the terms of trade on which agricultural producers exchange their goods for manufactured articles will continue to be unfavorable. There are differences of opinion as to how important this is and as to how accurate the comparative price indexes are that have been used in some of the important studies of this subject. This is a complicated argument which will not be easily settled. Suffice it to say that most primary product producing nations feel that they are getting the short end of the deal when they try to buy modern developmental tools with the proceeds of agricultural exports. Each year more tons of goods seem to be needed to pay for the equipment that they require. Sometimes the machines and vehicles that are purchased have been improved, but frequently they are the same models. The prices, however, seem always to be a bit higher than the year before, and in the meantime, the world market price for agricultural commodities may have gone down again. This is superficial analysis, but it represents the prevailing attitude on terms of trade in the minds of those who struggle with economic planning problems in developing countries, and it thus adds to the prevailing pessimism.

Another matter to be considered is the trend toward regional integration, led by the European Economic Community. As now evolving, this trend increases the difficulties of the primary product producers who are not associated with a powerful regional trade bloc. The trend is stronger today than it was several years ago, and it will probably continue to strengthen in the immediate future. Generally speaking, the prospects are indeed depressing for many of the developing nations that depend on the proceeds of agricultural exports to pay for developmental tools. The call for strong remedial measures is quite understandable, to say the least.

A careful examination of the F.A.O. reports and other studies indicates that, although for a number of the agricultural products of the Middle East area the prospects are not good, for certain commodities the future is, in some respects, relatively encouraging. Even when quite high income assumptions are used for the importing countries, it is not likely that excess supplies of cotton or of cereals will disappear from the world markets in the near future, but for wool and other products of sheep raising, the long term prospects look a little brighter. The imports of wool by the Sino-Soviet area increased during the 1950's, and if they continue to expand in the remaining years of the 60's, the expected increases in world production of wool will find a ready and profitable market. Prices for sheep casings have recently been firmer, and the prospects for marketing skins are fairly good. Within the countries of the Middle East, themselves, there may develop shortages of livestock products, particularly meat, and the internal prices for these products may rise. Information about livestock production in many countries is inadequate, but there are a number of indications that in certain areas shortages may develop. As per capita income rises, one of the first results is an increase in the consumption of meat. When a family eats meat twice a week instead of once, this of course doubles its consumption, and this is happening right now in some areas. Another interesting possibility is the increased demand for fats and oils which in some of the lower income countries may exceed the rates at which production is expected to expand. These particular commodity situations have been mentioned because they show some variations from the prevailing pattern, and they illustrate the importance of relating long term planning to the long term projections that are today available. Nevertheless, in spite of a few encouraging possibilities, the generally depressing prospects for marketing agricul-

tural products apply to the Middle Eastern countries almost as emphatically as they do the world economy.

A great deal of study and effort has already been devoted to a wide variety of proposals for solving these problems. International commodity agreements have been laboriously negotiated and continuously renegotiated during recent years, but none have been notably successful. Plans for the establishment of buffer stocks have been under constant study and consideration for many years, with little or no result and with what seems to be diminishing interest. More recently, compensatory financing devices have been carefully examined and estimates of their costs have been prepared. That these devices might perhaps cope with short term fluctuations seems possible, but it seems clear that they cannot control long term trends. Marketing boards have been established in a number of the developing nations, and they have achieved varying degrees of success in different areas. These boards, if properly operated, can ease the impact of price fluctuations on individual producers, but they cannot, as separate institutions, substantially affect world market trends. Workable plans for commodity price stabilizations, acceptable to both producing and consuming groups, are yet to be devised. Even though a more liberal approach to these questions has been announced as the official policy of a number of the developed countries, notably the United States, the nature of the problems involved are such that there is little prospect of the adoption of effective schemes in the near future.

Therefore, what seems to be needed at this time is the application of broader and more comprehensive concepts to the global problems of agricultural production and distribution that exist throughout the world. These problems are the crux of the matter; they lie at the root of the difficulties of economic development in many countries, not only in the Middle East, but throughout Asia, Africa, and Latin America.

Most of the high income countries have found it necessary to stabilize prices and in many cases to provide subsidies for their own raw material producers, especially for the farmers within their national borders. The methods used have eased local tensions and have helped create a viable national economy but these schemes have required the expenditure of large sums of money raised by high taxes on wealth derived from industrial production. Looking at the world economy as a whole, something like this will no doubt eventually have to be done to generate more stable and more

rapid economic development on a world wide scale. But the global dimensions of the problems are so gigantic and the possible costs and the opposing pressures that would be encountered are so immense, that no nation or group of nations are yet willing to face up to this situation in its ultimate terms. Even in the field of economic analysis, few students are applying a sufficiently comprehensive, world-wide approach to these problems. The suggestion that this is a necessary condition to the finding of solutions to today's difficulties will perhaps be considered absurd by many people; by others it may be thought premature. To those whose thinking and experiences with the existing problems are reaching dead ends, a global approach now appears inevitable, if an orderly solution is to be found in the near future.

It is not suggested that many of the techniques of agricultural subsidy used internally by the developed countries can be applied to the world economy. Probably the abandonment of these schemes, accompanied by measures designed to induce and ease the impact of major shifts in the use of resources in developed areas, is a more suitable proposal.

As a first step toward the application of more comprehensive analysis, it would be interesting and useful to compile a set of calculations that would show what the effect would have been, had a substantial part of the money spent for aid been used more directly to assist the export programs of developing nations. The foreign currency earned by such projects would probably have been used, almost entirely, to buy developmental equipment in the countries in which the currency was obtained. A few minor shifts in the economic structures of the importing countries would have been induced, and some of these might have been a bit painful. But continuous development means continuous shifts of this kind. There is no way of escaping the adjustments that must be faced in periods of economic revolution.

Another preliminary step can be an analysis of the way in which the developed nations have assisted the agricultural sectors of their economies. The results achieved by the various schemes used by different countries must be evaluated, and the possible application of these schemes to the international sphere must be considered. Probably many of them are only suitable for local use; some, such as those that subsidize high cost producing areas, are economically hard to justify. Such a study should bring out the inconsistencies inherent in the national policies of those countries that support both the granting of aid to developing economies and

the imposition of restrictive trade practices that retard development that is self-generated by aid-receiving countries making use of their own resources.

It will not be easy to bring about the changes in national policies that must precede the steps that need to be taken to make this kind of "self-help" a practical reality in early stages of economic development. The ultimate solution seems to lie in the direction of a reduction in the use of resources in developed areas for certain types of agricultural production. If this concept can gain acceptance, such necessary steps as lessening and finally doing away with import restrictions and export subsidies can follow. As much concentration of thought and planning effort could then be devoted to finding ways and means of easing the impact of shifts within the economies of the developed countries as is now centered on devising the proper plans and programs for developing countries, who would soon find themselves in a position to make and execute their own plans which would then require less outside assistance.

Meanwhile some preliminary steps can be taken without waiting for major changes in policies that would seriously affect the internal economies of aid granting countries. Excise taxes which, by raising sales prices to the consumer, restrict the distribution of certain imported commodities can be reduced. These apply chiefly to food beverage crops, and they do not affect many Middle Eastern products, but for other areas, particularly Africa and Latin America, such tax adjustments would be important.

There are two quite different techniques of trading that can be used immediately to help export expansion programs in developing countries. One is large scale barter trade, which is the system used by the Soviet Union; the other is the negotiation of long term purchase contracts involving special terms and other subsidy-like considerations. Barter trade has the disadvantage of the limitations that it imposes on the source of the goods acquired with the barter credits; furthermore, proper calculations of costs of barter imports are difficult to make and sometimes misleading under that system. But in spite of these disadvantages, there are certain definite benefits to be derived from long term barter contracts. Prices are relatively stable and if the volume is large enough, the task of planning development programs becomes an easier one. The possibilities of assistance granted as part of the terms of long term (non-barter) commodity contracts have not yet been sufficiently explored to warrant any specific proposals beyond the making of just such an exploration, but that should

certainly be undertaken as soon as possible. Any steps taken in this direction would of course have to be related to the other efforts being made to stabilize commodity markets through international commodity agreements. If the proposed long term contracts are made through strong marketing boards in the producing areas, the negotiations would be much easier, and the results would probaby be more satisfactory. The most immediately effective steps that agricultural commodity producers themselves can take are in the fields of improved processing and better preparation of raw materials and semi-finished products for export shipment. There is a desperate need for modernization in the merchandising methods used in the export of agricultural products from the developing countries. Many of the highly developed countries produce competing agricultural goods, and they usually process, pack, and ship them by the most modern methods. The customers who pay for these goods in convertible currencies have almost all adopted high standards of grading and quality control which they rigorously enforce. On the other hand, many of the developing countries still prepare their agricultural products for shipment by traditional methods, long since unsuitable for distribution in high income countries. The result of this is an unnecessarily narrow market, and abnormally depressed prices. This situation is, in fact, one of the causes of the so-called "deterioration" in the terms of trade so often cited by economists concerned with the difficulties of primary product producers. There has been a steady improvement in the quality of manufactured goods, but in many areas the relative quality of the raw materials produced for export has sharply declined. Trying to export to western markets raisins that have been shoveled off the ground into gunny sacks along with large amounts of dust and dirt is as hard as it would be for a motor car dealer to sell old fashioned models of automobiles in a developing country.

The line of thinking that we are pursuing leads naturally to proposals for the establishment of modern processing plants as high priority projects in the developmental programs of low income agricultural producing countries. These proposals fit with the trend toward greater emphasis on industrialization as well as with plans to use indigenous resources as the main basis of future development.

A good example of projects of this kind is the establishment of wool scouring plants. Today most wool is fully cleaned before shipment. This saves paying for the transportation of many tons

of worthless dirt and grease; it also secures for the seller a net premium in the price obtained for his goods. Those producers who still ship grease wool suffer from unnecessarily adverse terms of trade. The same general considerations apply to the preparation of dried fruits and nuts offered for sale in the European, American and Japanese markets. Modern packaging and merchandising methods can greatly increase the income received for these goods.

The approach to industrialization suggested by these proposals can be carried several steps further. From simple processing operations, such as wool washing for example, the next step is the manufacture of woolen yarn. At this point higher tariffs in the importing countries will be encountered, but that problem exists for any program for the export of manufactured goods.

Another way of helping to overcome some of the difficulties experienced in trying to expand the exports of agricultural products is the establishment of new and better organized marketing boards. Strong marketing boards can be the medium through which better grading methods and higher standards of quality are most effectively enforced. If adequately financed, these organizations can cushion the impact of short term price fluctuations, and they can also help to maintain more orderly conditions in world markets. By a regional pooling of the bargaining power of important national boards, it might eventually be possible to match the trading strength of the high income importing nations. To create the strong, well managed, boards needed to carry out these objectives requires trained manpower and substantial financial resources. There is considerable scope for very useful, cooperative assistance in this field. In the absence of effectively operated marketing boards, many countries must provide for more governmental supervision of sorting and grading and for better governmental enforcement of quality standards.

It will probably be a number of years before the broader, global approach that we have suggested can be employed with any hope of practical effect. In the meantime, the adoption of improved merchandising methods seem to be the most promising of the immediate steps that can be taken. Merchandising as used in this context includes not only the handling, processing, and packing of goods, but also selling practices and promotional activities. There are many ways and means of improving trade that are well within the range of possibility, but it must be admitted that there are limits to their effectiveness and that much more far-reaching

moves must be made before any real solution will be in sight. What is most important is that unnecessary obstacles to normal commerce should be swept aside by the developed countries as soon as possible and that wrong directions are not taken by the developing nations.

Viewed from any angle, the situation which we have described is not a happy one, and little real improvement is yet in sight. Under such circumstances it is often necessary to remove oneself from the immediate troubles and difficulties of a problem and to try to obtain new perspectives. Long term projections such as those recently made by the F.A.O. and to which we have referred several times are of great value in helping to achieve a broader viewpoint, even though the estimates contained in them must be considered very rough. The need for imagination and courage in tackling seemingly insurmountable difficulties is also clear, and taking what first appears to be the easiest way out is frequently a backward step.

The World Trade Conference scheduled for early 1964 and some of the preparatory meetings of the regional Economic Commissions will provide forums for the discussion of these matters. There are many practical problems on which there can be useful exchanges of ideas and experiences at those meetings. But it is of greater importance that out of the gathering together from all parts of the world of the people most concerned with these staggering problems, there should emerge a willingness to look squarely at the situation as it exists and to apply a more comprehensive and world wide approach to the effort to find solutions.

20

Private United States Investment

RELEVANCY TO MIDDLE EASTERN DEVELOPMENT

RICHARD D. ROBINSON *is Lecturer on International Business at the School of Industrial Management of the Massachusetts Institute of Technology, and Lecturer on Economics and Turkish History at Harvard University. He received his B.A. from the University of Washington, his M.B.A from Harvard, and his Ph.D. from Massachusetts Institute of Technology. Mr. Robinson has served as the Turkish area specialist with the American Universities Field Staff, and as a member of the World Bank economic survey mission to Turkey. He is the author of the United States Department of Commerce publication,* Investment in Turkey, *of* Cases in International Business, *and of two forthcoming volumes,* The First Turkish Republic: Case Study in National Development, *and* International Business Policy.

In recent years direct private United States investment in the Middle East has been standing at something over $1 billion ($1.2 in 1962, or $12 per capita), which total includes North Africa and all countries east of the Suez up to and including Iran and north through Turkey. The net flow of non-oil investment has ranged between zero and $100 million ($4 million in 1962). Meanwhile, United States government aid to the same nations has been on the order of $200 to $300 million annually. This is the picture for an area comprising 2.5 million square miles and 106 million persons.

In other words, private United States non-oil investment in the Middle East has been running substantially less than $1.00 per capita; United States government investment at least double that.

By contrast, private United States investment in South and Central America stood at $8.5 billion at the end of 1962 (roughly $56 per capita). The non-oil component has been growing at an average net rate of between $100 and $200 annually ($83 million in 1962), generally well over $1.00 per capita—often substantially more. United States government investment in South and Central America was $478 million in 1962, or about $3 per capita.

The appropriate rhetorical question at this point is: why has direct U.S. private investment in other than oil been so slow to respond to the challenge and opportunity of the potentially large Middle Eastern market which, one suspects, is just now entering upon its period of accelerated growth as economic incentives erupt and political barriers break? But, in fact, this question begs a question, for are our figures really relevant?

The point is that the statistics given here constitute an inadequate measure. The U.S. business commitment in the Middle East is substantially greater if one includes the web of continuing contractual relationships—from licenses and management contracts, through engineering and technical assistance contracts, to agencies and distributorship arrangements—for which we have no firm statistics. A commitment of personnel and knowledge by a U.S. firm is just as much an investment as that moving in the form of machines and working capital or that appearing in brick and mortar. In the final analysis, skilled personnel, research, training, and design cost money just as do machines and buildings. In fact, this type of investment is often *very* capital intensive indeed, for a long time may elapse between the original commitment of resources in the accumulation of knowledge and skills and the recapture of equivalent income derived therefrom.

But, even so, we are forced to accept the apparent fact that relatively few U.S. firms—outside the oil industry—have been active in the Middle East in the sense of a direct continuing relationship. Why is this? And should it be so?

Answering the latter query first, I find it extraordinarily fortunate that more U.S. firms have not been involved in the Middle East, at least as the *owners* of Middle Eastern productive facilities. Psychologically and emotionally most U.S. managements have not been ready for such involvement. In fact, larger direct U.S. business investment in the Middle East probably would have vastly complicated U.S. political relationships in the area by the inevitable reaction their structure and manner of operation would have generated—up to and including expropriation. Until very recently indeed the very much larger U.S. business investments in Latin America has been a very dubious political asset to us.

Parenthetically, let me add that I am convinced that the private business system can be the engine of national growth most appropriate to a liberally-committed society and the most effective international transmitter of technical and managerial skills. Physical and human capital transmitted via private business has the ad-

vantage—from the point of view of the recipient country—of not carrying quite the same undesired political leverage as intergovernmental grants and credits. Nor does private business operate under the same U.S. balance of payments restraints as does U.S. Government investment in the offshore procurement of skills and machines. The "Buy American" requirement is not so operative for private business.

I would unhesitatingly predict that the international business of the future will consist primarily of international federations of largely locally-owned firms, to which the central organization will sell research findings, technical assistance, debt capital, and access to international marketing facilities (such as transport, distribution networks, brand names, etc.). The central organization itself is likely to be owned by nationals of many different states. The present psychological need for people to retain identity with a sovereign nation-state (in the Middle East and elsewhere) severely limits the degree to which local productive facilities may be owned by foreign entities. Important decision-making centers controlled by foreigners acting under the restraints of a foreign state (and often in its interest) are seen as impinging upon national sovereignty—as indeed they do. One might add that the political importance of such a decision-making center is a function of the relation in size between the business activity thus controlled and the host economy.

On the other hand, there is a compelling economic need for international integration. These two pressures—political identity on the one hand and international economic integration on the other—are not incompatible within the framework of the organizational structure suggested, that is, the internationally-owned federations of locally-owned firms.

Let us return to consider the relatively low level of direct, U.S. non-oil business involvement in the Middle East. My own research among American managements leads me to conclude that the principal reason for this possibly happy state of affairs has been the absence of personal contact between U.S. executives and Middle Easterners—and, hence, lack of personal interest in Middle Eastern ventures. To start the ball rolling in a U.S. firm toward eventual commitment of company resources in the Middle East, personal interest must be present some place along the management line—and hence, personal knowledge. Although we maintain a myth to the contrary, in fact, very few managements objectively review global business opportunities and direct resources where

highest financial return seems indicated. Investment does not follow the relative level of expected returns.

Rather, the horizon within which a firm looks—that is, the geographical horizon—is highly influenced by the personal interest and knowledge of key members of management. I would make the flat statement—and I am certain in my own mind that it is true—that the vast majority of U.S. business firms (even if one selected a group of the larger ones) have never even *thought* seriously of an undertaking in the Middle East, let alone measure the rate of return one might reasonably expect from a Middle Eastern enterprise.

The point is that any flow of expected returns is discounted by a management to the extent that management feels uncertainty, and uncertainty is a part—a very large part—a function of ignorance, sometimes unavoidable (for the future can never be known with certainty) but many times clearly avoidable or at least reducible. As ignorance mounts, rates at which possible future earning are discounted to the present are shoved up to such high levels that it becomes pointless for management to look at anything. This is the position of most American managements vis-a-vis the Middle East.

For any nation or group of nations to secure a larger commitment of private U.S. resources, the rate at which future earnings are discounted by management must be brought more in line with the discount rates used for domestic and European investment, and to a somewhat lesser extent for that in Latin America. Or, barring that, the rate of expected earnings must be made so high as to overcome the discounting drag.

At this point, one might expect a sermon directed to the nations of the Middle East on how to put their respective houses in order so as to make them appealing to the U.S. businessman—that is, how to reduce risk and hence the rate at which future earnings are discounted to the present. This, I suggest is a futile and foolish endeavor, even if one's voice were really heard. We are dealing with nations caught up in the psychologically *compelling* process of modernization at a catch-up pace. It cannot be otherwise. And accelerated development, 20th Century style, is inevitably attended by:

1) Chronic inflation,
2) Persistent balance-of-payment problems,
3) Political instability, which breeds political sensitivity,

4) Large-scale public intervention in economic matters, and
5) Denial of present consumption in the interest of future growth, the incentive for which must be non-material—that is, nationalism or a religious or political ideology.

Granted, one possibly should try to minimize unnecessary tendencies in these directions, but a nation cannot contain them and at the same time keep the modernizing pace going at the politically-dictated rate. This being the case, we must live in this unfamiliar—and perhaps sometimes unpleasant—environment. If private U.S. business cannot operate within such an environment, it has little place in the contemporary Middle East, for accelerated development is the explicit goal of all Middle Eastern leaders, with perhaps one or two minor exceptions. It is my belief that U.S. business can not only survive but prosper in this environment—but only if it shows unprecedented flexibility of policy and structure.

For those Middle Eastern states desiring a greater flow of private U.S. resources into their respective economies—and it seems to me in their political interest to substitute private foreign commitments for *public* foreign commitments—I have three suggestions.

First, it appears that United States income tax legislation may for many years be based on the idea of imposing a U.S. tax on world-wide income, whether repatriated to the U.S. stockholder or not—with the important exception that earnings derived within an underdeveloped country and held within an underdeveloped country will not be taxed until actually distributed to the U.S. stockholders. Very substantial U.S. business interest might be generated in the Middle East if a group of Middle Eastern states were to deliberately create a profit sanctuary in one or more of them, a place in which profits derived from business activity in specified underdeveloped countries could be held tax free—that is, free of both local and U.S. taxes—and with a minimum of political risk. Easy convertibility into any of the Middle Eastern currencies and into dollars should be guaranteed by the participating governments. Such funds might be held in this fashion until either reinvested in the Middle East or repatriated to the United States stockholder or contractor. In the latter eventuality —that is, repatriation to the United States—there is no reason that the profit sanctuary should not extract a withholding tax equal to that which the U.S. recipient would otherwise have to pay to the U.S. Government. Inasmuch as such a tax could be taken as a

credit against U.S. tax by the U.S. recipient, it is immaterial to him in most instances where he pays the tax. So long as the United States pursues the principle of imposing a tax on world-wide income, why not take full advantage of it? By so doing, the expected level of earnings would be roughly doubled in the eyes of the U.S. firm, and hence may overcome the high discount rates applied to future Middle Eastern earnings, thereby making investment more attractive. The scheme is roughly the equivalent of a free zone for goods; only it would be a free zone for capital.

Secondly, the creation of a Middle Eastern political federation would, in my judgment, be important in stimulating Western business interest, not only because of the large market (and resulting economies of scale) inherent in a political federation, but also because *political* risk might be significantly reduced. So long as nationalism is based on loyalty to a relatively small geographic and demographic unit, any modern business enterprise is very vulnerable politically. The decision-making center it represents looms too large against the host society for it to be otherwise. With a much larger political entity, the foreign interest becomes much less important and conspicuous and hence less vulnerable politically. In this way, the discounting of future earnings by reason of political risk might be substantially reduced.

Third, I still fail to understand why all of the Middle Eastern states do not participate in the U.S. Government-supported investment guarantee program. Participation commits a nation to nothing. Each investment proposal, including long-term contracts, is reviewed by the host government on its merits. If rejected by that government as undesirable, no U.S. Government guarantee will be issued. If that government selects a project as desirable in terms of its own programs, and is willing to offer a guarantee against loss due to nonconvertibility of earnings and/or expropriation and/or war and/or insurrection, why should it object to the U.S. Government's underwriting that guarantee so as to give the prospective investor or contractor a bankable project? I see no infringement of national sovereignty here. Given the effort by virtually all of the Middle Eastern states to attract *desirable* foreign business interest—desirable as defined by the prospective host government—the refusal of other than Iran, Israel, Jordan, and Turkey to participate in the U.S. Government program is mysterious. (Also these guarantees could be used to create greater confidence in a free zone for capital.)*

* Since this was written, Cyprus and the United Arab Republic have joined the guarantee program.

No one should question the right—indeed, the obligation—of a Middle Eastern government to screen prospective involvements on the part of foreign business interests in the local economy. Whatever the type of foreign interest contemplated, it will mean a commitment of some local resources, many of which are in critically short supply—whether we speak of working capital, skilled labor, foreign exchange, power, housing, etc. Although few Middle Western governments seem to be screening foreign-sponsored projects in a really responsible manner—responsible, that is, to their own interest—one suspects that the criteria used will become increasingly relevant and sophisticated. One problem is that—given the press of population and resources—any established business enterprise seen as operating to the injury of the host economy will become vulnerable. In our defense of the right of private property, we speak of the doctrine of unjust enrichment, which leads us to the principle of requiring effective, adequate, and prompt compensation for any public taking not in the exercise of the police power. But what of the reciprocal doctrine, that of *justified* enrichment, justified by reason of past injury to the taker—the host state? Western jurists are largely silent on that point.

The truth of the matter is that the extent to which private U.S. business is relevant to Middle Eastern development—and hence its security—depends largely on the degree to which the profit-seeking motive of business enterprise coincides with the interests of the host society. To state the same thought somewhat more rigorously: a business enterprise is relevant to the process of accelerated national growth to the extent that its impact on the growth process is internalized in the firm's profit and loss statement over the time period being used by management as the measure of success or failure. Obviously, there are two important variables here: (1) the firm's time horizon (that is, over what period of time is it maximizing profit?), and (2) the firm's flexibility in seeking the structural relationships and operating policies that will maximize the coincidence between financial and national growth measures. Reference here is to management's willingness to consider a variety of arrangements relative to ownership, financing, management, parent company control, personnel policies, procurement policies, product and process design—to mention some of the major policy areas. Any firm adhering to a fixed policy in any one of these areas has no business to be in business in the Middle East. Coincidence of interest then becomes a matter of pure chance and is fraught with political hazard once political authority responsive

to national interest emerges in the host society—which, one suspects, will be sooner rather than later in the Middle East. Furthermore, unless a firm's time horizon—that is, the period over which it is maximizing profit—is at least five years (preferably ten), it will often be impossible to bring about the necessary coincidence of interest as between the financial interest of the business enterprise and the growth interest of the host society.

Incidentally, by national growth I mean sustained improvement in the material well-being, however defined by the host society, of a population under a modernizing, sovereign government. A private U.S. enterprise, I suggest, has two major impact areas here: (1) on the economic growth rate and (2) on political modernization and sovereignty. Let us consider the first.

By economic growth rate, of course, is meant sustained increase in the goods and services produced by a population measured on a per capita basis. Therefore, the first measure of impact on economic growth is the direct, immediate effect the operation of a U.S. firm has on the per-capita national income of the host society, i.e., *the national income effect,* which may be equated with the net value added by employing presently *un*employed or *under*-employed resources. (It is not determined simply by adding up the *total* value added, as done in some recent studies.) In any event, the national income effect as defined here is a short run measure. A second, somewhat longer range measure of impact is the *balance of payments effect,* which is really a measure of the structural relationship between the host economy and that of the rest of the world. Does an enterprise set up a persistent drain due to the mal-allocation of resources it induces? If so, it is perpetuating the imbalance and the debtor position of the host society. Likewise a medium run measure, the *public revenue effect* is relevant because it measures the internal structural balance—that is, the allocation of resources—as between social overhead facilities and direct productive facilities. Does a private venture set up a persistent drain on public resources such as a demand for new urban housing and urban service facilities? If so, it is perpetuating an internal imbalance, which can result in slums, illiteracy and inadequate public services generally. In this connection I would draw your attention to the industrial estates' concept now being introduced in Turkey, which would pull further industrial plants out of congested urban areas.

Finally, there is the *growth effect,* which is a much longer run consideration having to do with the impact on the skill and education of a population, its health, its incentives. For example, does

an enterprise induce greater domestic investment, of the income counterpart of its value added, in further productive enterprise? Or, put another way, does the enterprise tend to expand and support the technically skilled and economically motivated elements among the local population? The relative weights placed on these four measures—national income, balance of payments, public revenue and growth effects—will depend on the relative importance of present and future consumption in the eyes of the leadership. Possible differences between elite and public in this regard is why market forces do not operate effectively. The price system in a near subsistence economy does not measure relative value of goods and services in sustaining growth.

In the area of political impact, although this is obviously not distinct from economic impact, the generalization may be made that any foreign firm greatly increases its risk of assets and market position and hence, profits, if it operates in such fashion as to:

1) Interfere with the modernization of political function—that is, with the development of political processes and institutions toward greater specialization, universality, and effectiveness. (For example, a concession granting broad political powers to a foreign company is clearly dysfunctional in this regard. So likewise would be a foreign enterprise that looms large against the host economy in that is removes important decisions from local political bodies and weakens loyalties to the host political state.)

2) Interfere with the development of meaningful national sovereignty—that is, the transfer of decision-making, which affects the life of the surrounding society in an important manner, to nonmembers of that society.

A very useful test of political impact is to reverse the facts. Would a similar organization, policy, or attitude on the part of a foreign firm—of similar size as related to the U.S. economy—be tolerated politically in the United States? Would we tolerate the foreign ownership of our oil industry? One suspects that we would only so long as we believed we did not possess the skills and institutions necessary to operate it ourselves. And, once we developed a national demand for all of its product, and perhaps more, we surely would not permit its export. But, some might charge, the Middle Easterner is much more nationalistic, by which is meant apparently that he is less accurate in assessing whether or not successful operation by local nationals with local resources is feasible or not. One wonders whether the American or European is really any less nationalistic in this sense.

The significance of this exercise in definition is to underscore

the need for analyzing in fairly rigorous fashion what a U.S. firm intends to do in the Middle East within the national growth calculus of the host nation. Whether we agree with the presumed realism of that calculus is quite irrelevant. If a project is weak on any one of these counts, it should be restructured. If profit maximization and growth maximization do not produce a high degree of coincidence of policy, however a project is structured, then the project should be abandoned altogether regardless of short-run profit. If not, the businessman is living dangerously and has no ground for complaint if his interest is seriously contained or even expropriated at some later date.

Sanctity of private property and contract cannot have the same sacred character in a forced-draft growth situation—amid the developmental revolution (which is seen as a struggle for survival), as in a more complacent, economically-advanced, affluent society. Nor does it for us when faced with a situation of national emergency, such as war.* It is for this reason that I seriously doubt that large-scale direct private U.S. investment in the Middle East, which creates U.S. ownership of local facilities, is desirable from the point of view of the host society unless it be clearly understood that the foreign ownership rights are subject to termination or at least renegotiation as of a given date not too far in the future if and when the foreign contribution ceases to be unique, that is, when its marginal value to the host society falls to zero. For the same reason, the most likely pattern of future international business relationships is of a contractual nature, essentially the sale of services including perhaps debt capital.

What troubles me deeply is that I have discovered virtually no U.S. firms—even those long committed to international ventures—

* If one examines the various legal doctrines which might conceivably be invoked to protect the national interests of a state injured by aliens economically or politically, it seems quite clear that as presently defined there is little reason for an allegedly injured state to expect the application by international bodies or foreign governments of any of the possibly relevant legal doctrines (i.e. doctrines of public interest, state succession, coercion, unjust enrichment, *rebus sic stantibus,* state sovereignty, and the police power) in such a manner as to protect its interests. The central problem originates in the fact that what constitutes national or public interest, and significant injury thereto, has been only vaguely and inadequately defined. Oddly, domestic contract law as practiced by certain Western countries seems to have gone very much further than international law in recognizing the supremacy of national interest and reading such recognition into contracts as an implied condition.

The interested reader is directed to a forthcoming book by the author precisely on this subject, to be called *International Business Policy* (New York: Holt, Rinehart and Winston, 1964).

which really examine what they are doing from the point of view of the host society. And bear in mind that the measures of impact suggested here are not absolute; they are relative, relative to other feasible alternatives for accomplishing the same purpose. An oil concession may pass the national growth test, but still be highly undesirable if some other possible concessionaire or contractor offers an arrangement having significantly greater positive effect on national growth, which is—one should be constantly reminded —viewed as a struggle for national survival. In this regard I would direct attention to the principles underlying our own 1951 Renegotiation Act which requires renegotiation of any national defense contract where profits accruing to the contractor are seen as excessive. In such a determination, these factors are relevant; efficiency, reasonableness of costs and profits, source of capital, extent or risk assumed, contribution to the defense effort. One test is what other firms would have required to do the same job. There is no such concept operating within international law.

If private U.S. business is to live in the Middle East—and elsewhere in the underdeveloped world—management must recognize that the new economic and social environment generated by the historically-unprecedented process of accelerated national development at a catch-up pace renders obsolete former notions of sanctity of contract and private property use. But this does not mean that international private enterprise cannot still be the engine for economic growth in these regions, a *major* transmitter of skill. It only means that its form may be different from that now common. Our problem indeed is to make the private business idea a really viable international concept amid the developmental revolution of the Middle East and elsewhere. This accommodation is not, I suggest, something that will happen automatically.

21

The Role of Private Financing and Development in the Middle East

VICTOR E. ROCKHILL, *President and Chief Executive Officer of Chase International Investment Corporation, received his B.A. from Dartmouth College in 1931. He joined the Chase National Bank in the same year, and became Vice-President in 1949. He has been an officer of the Chase International since 1954, and resigned from the parent bank in 1960 to devote his full time to Chase International. Mr. Rockhill is President and Director of Arcturus Investment and Development Ltd., Montreal; Director of Chase Manhattan Capital Corporation, New York; Chairman of the Board and Director of Nigerian Textile Mills, Ikeja, Nigeria; Director of Esperance Land and Development Company and Experance International Pty., Ltd., in Australia; a member of the Committee on Foreign Investment and Economic Development of the U.S. Council of the International Chamber of Commerce, Inc., and a Member of the Planning Council of the International Management Division of the American Management Association.*

American private participation in the Middle East area represents a very minor part of U.S. global economic activity. Of a total of some $40 billion in U.S. direct investments abroad, not more than $2 billion is in the Middle East. And of that amount, 10% at best is in the non-petroleum industries. Thus, my subject may be more interesting for the potentials rather than for observable accomplishments.

In her perceptive book entitled *The Rich Nations and The Poor Nations,* Barbara Ward discusses a series of so-called revolutions that create a nation of wealth. They are: (1) a materialist revolution by which people become concerned with worldly affairs, (2) a biological revolution by which a community experiences unprecedented population growth, (3) a revolution by which capital and science are applied to all the processes of maintaining livelihood, and (4) a revolution aimed at social and political equality.

In former days these revolutions occurred in a rather orderly fashion, following logically one upon the other, without the vio-

lence of sudden change and unexpected dislocation. The slowness of communication, the lack of far-reaching curiosity or awareness, the relatively narrow spread between rich nations and poor nations, the accepted notion that progress proceeded at a leisurely pace—these made the developing countries of past centuries more isolated, more self-dependent, apparently more content with their rate of advance than is the case today.

Few peoples now can remain other-worldly, for the affairs of this world impinge too much upon them. The growth of populations has become a phenomenon in even the lands least able to sustain them, because we now know much better how to forestall death than provide for the living. And the doctrines of equality have spread to wherever the wind or the radiowave will carry—equality not only within a given society, but among all societies. This is the "revolution of rising expectation," in Adlai Stevenson's felicitous phrase.

But one of those revolutions of which Barbara Ward spoke, the accumulation of capital and the application of science, has yet to make its full impact on large segments of the world. And its absence is felt all the more desperately because the other revolutions, being impelled by the disturbed schedule of development that prevails in the modern world, have preceded it and, in effect, made its attainment more difficult.

Nowhere is this more evident than in that crescent of the globe called the Middle East. Of course, that does not mean that this vast area does not have much hope and potential. It does. But, while there is no cause for despair, there is a need for concern.

These lands have seen the popular pre-occupation with material welfare develop at an astounding pace. Largely as a result of innovations in the fields of health and hygiene, they have seen their populations increase at an annual rate of nearly 2½% over the last decade. They have seen their people develop an awareness of other national societies and, as a consequence, not only to aspire to material betterment, but to demand new measures of equality, giving recognition to the individual and responsibility and authority to the great mass of the citizenry.

With these developments propelled so abruptly and rapidly by the conditions of the Twentieth Century, there has not been a concomitant development of capital savings, with a few exceptions, such as Kuwait. And the demands for such savings are immense, simply because the expectations have so outstripped the ability of the individual nations to satisfy them.

In these circumstances, government-to-government assistance has not only been desirable, but essential.

So affluent nations are called upon to assist the developing nations in constructing huge dams, forming far-flung irrigation projects, building roads and schools and hospitals, eradicating disease and feeding the hungry.

But such elements, important as they are, do not in themselves create a strong and operative economy. They might establish the physical conditions that make some types of business possible, but they do not bring that business into being. For this, the availability of additional capital is necessary and perhaps of even greater importance political stability is required.

To me the absence of political stability is the most important single factor accounting for the relatively small amount of private investment in the Middle East. Even with political stability the private investor needs many other elements before he will dedicate his money to a venture, such as the obvious one of a market large enough and rich enough to absorb the production of the enterprise in which the investor wishes to participate. But large, rich markets without political stability are not enough to attract our wary private investor.

The private money investor goes where the fields are greenest. Since he has money and since other people want to use his money, he has a great freedom of choice. He isn't required to go into any particular country. In that sense he is quite different from the direct corporate investors. When they go abroad they perforce go in their own business and some, such as the mining or petroleum companies, go where the raw material is. They have no choice. If the raw material is in an area with political instability, they must be willing to take risks which our pure money investor is not forced to accept.

By political instability, I mean to include the relatively simple problems that are created when personalities in a government change prior to the end of their legal tenures, to the other end of the scale where we see recurrent revolutions, political murders, and other discouragements; and I also include the cases where a government may be solidly entrenched, but where it deliberately discourages or indeed expropriates private enterprise.

This brings to mind the fact that only a few countries in the Middle East have been willing to conclude arrangements with the United States so that eligible investors would be able to purchase insurance against the risks of inconvertibility, expropriation,

and war. The availability of such insurance might increase the area's chance of augmenting private investment from the U.S.

What has private investment accomplished in the Middle East, and what is its future?

As I have indicated, I do not want to go deeply into the activities of the petroleum industry. To date, the industry has been concerned chiefly with exploration and production of basic products. Recently, however, there has been an interest in developing related industries in the areas where oil and gas production and oil refining are taking place. As examples, there is the fertilizer project in Tunisia being undertaken by private Swedish and American companies; and there is the possibility of a major petrochemical complex in Kuwait which, while assisted by the Kuwaiti Government, will depend to a substantial degree on cooperation with private companies which will also provide investment funds.

Kuwait is also developing a new group of foreign private investors. There are several projects sponsored by interests in that country which will involve the use of funds for investment not only in Kuwait, but throughout the Middle East in private enterprises. Other countries which either have or expect to have substantial surplus revenues are exploring methods of employing these resources most constructively, and from indications I have had, a good share of these will be channelled to help the private enterprise areas. As private foreign investors are frequently hampered in their desires by a lack of local capital participation, these developments should open up substantial opportunities for foreign private investors to come into the area with worthwhile projects.

However, at the risk of repeating myself I say again that while local capital may become available in increasing amounts, the foreign private investor still will be worried about political instability and the amount of mutual distrust and suspicion which exists and which must be reduced before large amounts of private capital will move into the area. Some of the distrust and suspicion is the result of ignorance and the paucity of personal relationships. One of the objectives of the Middle East Institute is to help reduce such distrust and suspicion by bringing together under its auspices personalities from the Middle East and elsewhere. One hopes that this sort of person-to-person exposure will establish friendly personal relationships, will tend to eliminate barriers, and will create better understanding.

May I review two industrial projects which have been set into motion with the substantial participation of private capital from

outside the area, working in partnership with capital within the area.

The first of these is a large integrated steel complex on the Black Sea Coast of Turkey which takes its name from the small town of Eregli where it is located.

It began when the Turkish Government requested the Koppers Company, Blaw-Knox Company, and Westinghouse Electric International Company to prepare a design and feasibility report for the establishment of such a project. The report called for an initial mill capacity exceeding 350,000 tons of rolled product and more than 100,000 tons of ingots, utilizing local coal and ore. The estimated cost of the project is around $250 million.

The Koppers group sought substantial long-term government financing from the U.S. Development Loan Fund. DLF required, and the Koppers group preferred, that the project be privately controlled and that private U.S. investors join in the financing. My company, Chase International Investment Corporation, at the request of the Koppers group, cooperated with them and the Government of Turkey in developing the capital structure and ultimately became an investor.

While it has been necessary in view of the size of the project to obtain considerable assistance from both the Turkish and U.S. Governments (including the purchase by the former of a large amount of stock), it was agreed that the Board of Directors be controlled by private, not government, investors. Furthermore, in addition to the stock being offered at the outset to Turkish private investors, the Government of Turkey has undertaken to make available all of its stock to Turkish private investors, when and if the public is ready to buy.

It is noteworthy that the commitment of the Development Loan Fund (now the Agency for International Development) is $129 million—the largest ever made by a U.S. lending agency to a privately controlled industrial project. The first facility in the Eregli plant is due to go into production before the end of this year, and the entire plant is scheduled to be in production in 1965.

Another project which has been of considerable interest to me is one involving the B.F. Goodrich Company in Iran. This plant was designed to provide Iran with approximately 50% of its tire and tube requirements. Goodrich has invested approximately $2.5 million in the venture and local shareholders have a substantial additional stake in the business.

Experience in this project includes one of the problems which investors encounter not only in the Middle East, but in many other countries. At about the time that the Goodrich facility was due to start production, producers with larger capacities in other countries began "dumping" their tire products into Iran at prices so low that the Goodrich plant would have to operate continuously at a loss to meet competition. It was well known that the Iranian Government wished to have a plant such as Goodrich located within its borders; yet it seemed to take an inordinately long time for the Government to make effective the necessary tariff protection which was visualized by existing laws. Parenthetically, I have the feeling that in countries where industrial development is relatively new local interests who will be hurt by new production facilities established within their countries can effectively influence their governments so that their hurt is long delayed. The investor in the new industry, however, feels he should have the cooperation of his host government from the outset. Without such cooperation his relatively large investment may be made worthless. I admit I am touching on a subject that has many ramifications, but developing countries must give protection if they want new industries in businesses where it is obvious the new industry cannot compete in world markets. In the case of the Goodrich plant the dumping problem has been solved, for the moment at least, and it is now assumed that the plant will be able to earn a fair return for both Goodrich and the local investors, while serving the market on a basis consistent with the host government objectives.

One of my purposes in mentioning both Eregli and Goodrich is to point up projects where both foreign and local capital are participating. There are any number of foreign private investors who would not only be glad to associate themselves with local capital but make it a prerequisite to their own commitment. Such is the fact in Chase International's case, for instance. We frequently go even further and make arrangements in advance to sell our position to local interests after the project has proven itself, so that over a period of time the host country nationals can look forward to controlling it.

In looking over the information available on private investment in the Middle East, one is impressed by the activities of several development banks. The more successful of these ventures in the Middle East have been those that are owned and managed as pri-

vate enterprises. I will mention three cases of successful endeavors in this field, but first I should like to talk in general about aims and methods.

These development entities are not banks in the commercial banking sense—no one has a checking account with them; development *corporation* is probably a more accurate name. They assist the private sector by providing long and medium term financing through loans and equity participation. They also help to create or expand capital markets as we know them here, by underwriting capital offerings for public subscriptions and by educating the public to the advantages (and disadvantages) of employing part of their savings in purchasing stock of industrial enterprises or of companies developing natural resources.

Such institutions usually have available to them both local funds, used for acquisition of plant sites and local building costs, and foreign currencies, used for the importation of machinery, equipment and technical know-how. In addition to assisting local companies to expand their operations, these corporations devote a large portion of their talents to helping *new* projects get underway. In some instances they will on their own initiative seek out areas of industrialization which have not been tried and promote projects which they consider economically sound and feasible for the particular country.

Another element that is inherent in many development corporations is the strength added to the whole by participation of foreign capital. The foreign capital provides not only money, but experience and know-how. The local shareholders can examine the record of the foreign partners because usually the foreigner is well known internationally, having already established a record for integrity. Thus, when such intangible elements are incorporated into the local development corporation, theoretically it acquires a standing which might not be available to it if all of the shareholders were local. This is not intended, and I repeat is *not intended,* to say that local shareholders do not have personal integrity, but very often all members of the local group do not trust their fellows completely, for political or other reasons, and hence almost all local shareholders welcome the foreigner in the development corporation. The presence of the foreign shareholder also permits the local management to defend itself more easily from local political pressures.

Even if the development corporation is well run, its management faces the hazard of political attack when it declines to finance

projects which, while ostensibly of a private nature, are being promoted with support of political interests.

One example of a well-run private development corporation is the Pakistan Industrial Credit and Investment Corporation, known as PICIC. It was established in 1957 and conforms in general with the objectives and characteristics which I have outlined.

Its share capital is the equivalent to nearly $6.5 million, of which 60% has been subscribed by private shareholders in Pakistan and 40% by shareholders in the United States, Canada, United Kingdom, Japan, and West Germany. At the end of 1962 its total resources were the equivalent of $101 million.

Besides its capital it had borrowed by the end of 1962 approximately $30 million from the World Bank and $52 million from various countries acting separately. During its five years of operation, PICIC has approved 318 loans amounting to the equivalent of $84 million and has acquired a large portfolio of shares of other companies. In addition it has underwritten capital issues for public distribution and has assisted in bringing into Pakistan an additional $10 million equivalent in foreign investment. In February of this year, the World Bank allocated another $20 million to PICIC, and just a few days ago the International Finance Corporation agreed to buy new shares issued to expand PICIC's borrowing base. Up to the present PICIC's activities have been divided about equally between assisting existing enterprises and aiding the formation of new enterprises.

The largest share of PICIC's loans has gone to the textile industry—cotton, jute, and wool. Next in importance is the food products industry, including sugar, vegetable oil, flour, food and fish canning, cold storage and freezing. The list continues with mechanical and electrical engineering, chemicals, and pharmaceuticals, cement and building materials.

PICIC attempts to allocate its financial commitments in a manner that will contribute most effectively to the balanced economic growth of Pakistan. For instance, while cotton has long been a crop of great importance, the traditional pattern had been for the raw material to go to India for processing into cloth and yarn. With the partition of the two countries, Pakistan obviously had to establish its own facilities. Since partition, the number of mills has increased more than 450%, the number of spindles has increased more the 1,000% and the number of looms has increased more than 500%. PICIC has so far assisted 31 cotton mills, and nearly 23% of its loans have been to the textile industry.

From the point of view of foreign exchange, jute is Pakistan's most important industry. PICIC has financed six jute mills in its programs of modernization and expansion.

Pakistan ranks fourth among the sugar-cane producing countries of the world, but there has been a tremendous need to increase refined sugar production. PICIC has, therefore, financed the expansion of three existing mills and has financed the entire foreign currency cost of a new mill. It has approved loans to two more mills which will be established in the future.

Because construction material is so vital to a developing country, Pakistan attaches understandable importance to its cement industry. PICIC accepted the challenge to improve cement production by engaging foreign experts to survey the sources of raw materials and available markets, and to determine the technical feasibility and profitability of manufacturing facilities. It is now helping to establish three new cement plants with a capacity to meet nearly one-fourth of the total demand envisioned by the end of the Five-Year Plan in 1965.

Probably the oldest of the major development banks in this area is the Industrial Development Bank of Turkey, which was formed in 1950. An interesting aspect of this institution is that at its inception the entire equity capital was subscribed by Turkish private interests. It had the good fortune from the outset to have excellent management, and after some years of operations it was able to seek additional equity from abroad, with a favorable record as one of the inducements.

In addition to working with its own funds, the Industrial Development Bank of Turkey has been the administrator of a number of different programs, the funds for which have come from various Governmental sources outside of Turkey. For example, at the end of 1962 it was administrating $5.8 million of World Bank loans, $7.4 million of funds from the U.S. Government's "Agency for International Development" and the equivalent of approximately $15 million in "Marshall Plan Private Counterpart Funds." The latter is in Turkish lira generated by the sale of commodities by the U.S. Government to Turkey.

Recently, the International Development Association (the World Bank affiliate) allocated $5 million to Turkey which will be channelled through the Industrial Development Bank to very small shops and industries. This is a loan with a final maturity of fifty years with no amortization over a ten-year period. While the Development Bank must pay 5¾% per annum to the Turkish

Government, it, in turn, pays IDA interest at only ½% per annum, plus service charges at ¾% per annum.

The number of loan requests which this bank processed in 1961 was large, partly because applications are welcomed for very small transactions. It recorded 515 applications which resulted in 490 commitments having a total value of $42 million. In 1962, the applications were 564 and the total value of the 544 commitments made was $54 million.

Because of the shortage of funds in Turkey, the Development Bank has found it necessary to engage in short-term financing which is not a role normally filled by development banks. At the end of 1962, the Industrial Development Bank's portfolio included $5 million of such loans, of which $2.6 million came from counterpart funds.

As development banks go, the Turkish one shows a good earnings record. From a total income of $26.7 million equivalent in 1962 it had net profits of close to $10 million, of which $3.8 million was paid out in a dividend. The dividend was 12% on par value, or a yield of about 6% on market value as the stock is selling at close to twice par value.

The third and last development entity I would like to mention is the Industrial and Mining Development Bank of Iran. It is of special interest to me because Chase International Investment Corporation owns shares in it.

This development corporation was created in 1959, as a privately controlled and privately operated institution. The idea was initiated by forward-looking members of the Iranian Government and was encouraged by the World Bank. The distinguished firm of Lazard Freres & Company and Chase International agreed to accept co-sponsorship of the Bank, to assist in the recruiting of a staff, and to provide guidance in establishing policies which the Bank could follow in carrying out its objectives.

The Government of Iran provided an interest-free advance of $8 million, to be repaid over a fifteen to thirty-year period. The Iranian Government also transferred to the Bank the equivalent of $18 million of capital loans, to be managed by the Development Bank for a fee. The World Bank and U.S. foreign assistance agencies committed initial credits of $5 million each. At the outset it was decided that the Iranian portion of the equity capital of the Bank, 240 million rials, equal to some $3 million, should be offered as widely as possible to the Iranian public. As a consequence, the first truly public offering of shares was made in the

country. It was fully subscribed by more than 1800 Iranian citizens. The remaining shares of 160 million rials ($2 million) were subscribed by the co-sponsors and a group of outstanding European and American financial institutions and industrial corporations.

The Industrial and Mining Development Bank of Iran, then, has present capital funds and credits equivalent to $24 million and is managing capital loans of $18 million. Operations have been reasonably successful. Shareholders have received modest dividends. They will receive 6½% for the last fiscal year, ended March 20, 1963.

The bulk of the Bank's activity is in making medium term loans, rather than working capital loans or equity investments. It accepts applications only if the amount sought is above $65 thousand. As of last March 20th the Bank had approved a total of 67 applications for loans in the amount of nearly two million rials, equivalent to nearly $27 million. This financial assistance has enabled private investors to undertake projects of a total cost more than three times as great.

The industrial lines to which the Bank gave financial assistance in the last year were: beet sugar, industrial electrical equipment, oil heaters and cookers, tires and tubes, radio assembly, sand and gravel, vegetable oil and soap, cardboard and cartons, spinning and dyeing of carpet yarns, and nuts and bolts.

The Bank supplements its loans with advice to customers on technical, market, sales, accounting and financial problems. It has also found that a firm insistence on better-than-average capitalization enables its customers to withstand the stresses of uncertain and variable economic conditions.

There are other development organizations in the Middle East; these three, in Pakistan, Turkey, and Iran, are the best known thus far.

One aspect of these development corporations, common to all, is the broad spread of participation. Their capital, credits and loans derive from both local and foreign private shareholders, from both local and foreign governments, and from international agencies. That type of association tends to assure the cooperation and discipline of all parties that might be concerned; it also creates a sense of confidence that should be a source of encouragement to applicants and investors alike.

Another aspect is the concentration of assistance to relatively modest size ventures. They shun what is grandiose, but unrealis-

tic; what is magnificently ambitious, but most impracticable; what offers prestige but not progress. They show an acute awareness of limitations as well as of possibilities.

The sort of industries that do attract the financial aid of development corporations are those that serve a local need, or that provide for the optimum use of favorable local conditions.

Thus we see that agricultural improvements rank high on the list, including enterprises that will reduce waste of local resources by developing them better for either local consumption or to take advantage of export potentialities. This is true not only of food processing, but of textiles, where efforts are directed toward both improving the crop and establishing facilities for the manufacture of finished goods.

Considerable attention is also given to the establishment of industries that contribute to basic construction. This, of course, is quite sensible, for an adequacy of building materials is vital to any nation that is in the early stages of modernization.

With the exception of a few major enterprises that are designed to exploit an unusual endowment of natural wealth, most projects tend to be relatively small and not overly sophisticated. They are intended to supply readily available markets close to the scene of manufacture and to provide employment opportunities for abundant local labor.

Perhaps all these assorted endeavors impress us as being exceedingly modest, and in many instances they are, but they are also realistic and practical, because most of these development schemes do represent a determination to achieve balanced growth. Their efforts are centered on related industries, where the development of one will contribute to the advancement of another. The general pattern is one of integrating the various sectors of the economy to achieve a fairly uniform rate of progress.*

Naturally most of the developing countries wish that more private investment capital were available to them. But there are limiting factors that we simply cannot ignore. I have mentioned

* NOTE: In this paper I have tried to show that well-run private development corporations make useful contributions in certain developing countries. I think the development corporations' customers and their host countries are the chief beneficiaries. On the other hand, I think the foreign shareholders of development corporations' stock can find specific investments in the same host country with much better potential rates of return and other elements usually associated with desirable investments. Perhaps it can be argued that the large sophisticated foreign investor should continue to put money into development corporations for reasons other than a financial reward on the investment itself.

political instability. Furthermore, many of the developing nations do not have the adequate financial machinery and institutions, such as stock exchanges, that are needed to channel private savings into new business ventures. The low per capita income also means that local markets are limited to a relatively narrow range of goods. And where foreign markets do exist, they are often far away and cannot be entered with manufactured goods that can compete in price.

We also find a severe shortage of technology and mechanical skills, of experienced management and modern business practice. Without these vital adjuncts, capital alone cannot make for sound investment.

On the other hand, we must recognize factors that are operating for improvement. The developments that are going on today are largely of a basic nature and they are forming the foundation for more advanced and diverse enterprises. More sophisticated financial communities are coming into being and private investment practices are becoming less and less inhibited by traditional ways. Technology is being introduced, managerial skills are being developed, and local markets are growing. The maturity and responsibility of several of the governments are being demonstrated in various ways, the encouragement of development corporations and joint ventures, including local and foreign private investors, are examples. The nations of the Middle East are impatient with their rates of progress, and that is understandable, but, as the forces that make for improvement gain momentum, better rates of progress may develop more quickly. As time goes by observers will evaluate continuously the results of the direct investments Americans have made in the Middle East. If those results confirm our hopes, we can expect investments to increase and play a more significant role in helping to build a better future for the people in the area and in the world around us.

22

The Role of Foreign Aid in Middle Eastern Development

HOLLIS B. CHENERY, *Assistant Administrator for Program, Agency for International Development, was born in Richmond, Virginia, in 1918. He received his B.S. from the University of Arizona, his B.S. in Engineering from the University of Oklahoma, his M.A. from the University of Virginia, and his Ph.D. in Economics from Harvard. Mr. Chenery has served as an economist with the Economic Cooperation Administration, and as Chief of the Program Division of the Mutual Security Agency in Rome. In 1952 he became Professor of Economics at Stanford University, where he remained until 1961 when he took up his present duties. While at Stanford, Mr. Chenery also served as Consultant on Economic Development to the United Nations (1957-1961); to the Government of Japan (1956); to the Government of Pakistan (1955); to the Bank of Israel (1958-1961); and to the Bank of Sicily (1962). Mr. Chenery was named a Guggenheim Fellow in 1961, and in the same year served as Chairman of the United Nations (ECAFE) Group of Experts on Programming Techniques. He is co-author of* Arabian Oil *(1949) and* Interindustry Economics *(1959).* CYNTHIA TAFT MORRIS *is a Lecturer in Economics at the Catholic University of America and a consultant to AID. Mrs. Morris received a A.B. from Vassar College in 1949, a M.Sc. (Econ.) from the London School of Economics in 1951 and a Ph.D. from Yale in 1959. She is co-author of the "Evolution of Wage Structure." (1955) and author of "Neglected Aspects of Sixteenth Century Economic Thought."*

Sixteen years ago the United States embarked on a program of economic and military assistance to Greece and Turkey under the Truman Doctrine. Although this measure was undertaken in response to an urgent communist threat to these countries, in retrospect it can be seen as the first of a series of efforts by the United States to strengthen the economic and social structure of less developed countries and to help maintain them as free and independent societies.

Since 1947 the United States has furnished approximately six billion dollars in economic assistance to twelve countries of the Middle East,[1] or an average of more than $50 for each of the 113

1. Cyprus, Greece, Iran, Iraq, Israel, Jordan, Lebanon, S. Arabia, Syria, Turkey, UAR (Egypt), and Yemen.

million inhabitants of the area. Without this assistance the economic prospects of the region—and probably its political prospects as well—would be considerably less favorable than they are today.

The obstacles to development and the role that external assistance can play in overcoming them are much the same in the Middle East as in other less developed regions of the world. The region's per capita national product of about $200 is somewhat below that of Latin America but higher than the other less developed areas. As in Latin America, this average conceals a very wide range among and within countries.

There are three principal ways in which external assistance contributes to the development process: (i) it adds to capital funds for expanding productive capacity—either directly, or by meeting consumption needs and thereby freeing domestic resources for investment; (ii) it helps overcome restrictions on growth created by limited supplies of foreign exchange; and (iii) it provides for other development requirements such as skilled manpower and the training of personnel. Furthermore, knowledge of the availability of aid can enable countries to plan for higher growth rates and to make more efficient use of their total resources than would otherwise be possible.

In recent years other Western countries have joined with the United States in a broad effort to sustain the progress of the less developed countries. Almost all of the Middle Eastern countries receive economic assistance from a number of sources, bilateral and multilateral. The great bulk of this assistance is designed to promote the long-term economic and social development of the recipient countries.

The United States provides nearly three and a half billion dollars a year in economic assistance to less developed countries, which constitutes nearly 60 percent of the free world total. About half of this amount is administered by the Agency for International Development (A.I.D.), and the other half by the Food for Peace Program and the Export-Import Bank. A.I.D. has responsibility for coordinating all U.S. foreign assistance.

The Agency for International Development takes several factors into account in allocating aid among countries and types of programs. One of these is its probable effect on the economic and social development of a given country; this depends both on the country's stage of development and its efforts to mobilize its own resources. Another factor is the significance to U.S. foreign policy of the results likely to be achieved with aid in each country. A

third consideration is the extent of the external assistance which countries are receiving from other public and private sources.

THE PAST EFFECTIVENESS OF DEVELOPMENT AID

The effectiveness of development aid in promoting growth and in increasing the capacity of the recipients to sustain satisfactory growth rates varies greatly from country to country. A broad view of the achievements of countries to which the U.S. has given substantial aid over an extended period gives some indication of the success of these efforts, although we cannot reach precise conclusions regarding the proportion for which external assistance was responsible.

Over the sixteen-year period FY 1946-62, total U.S. economic aid obligated in the Middle East was $6.2 billion; this amount represented about one-tenth of total economic obligations to all countries. $5.2 billion were provided by the Agency for International Development (and predecessor agencies) and by Food For Peace under Public Law 480.

The great bulk of these A.I.D. and P.L. 480 commitments for 1946 to 1962 went to six countries: Greece, Turkey, Israel, Iran, the UAR and Jordan. Five out of these six countries have achieved growth rates of total GNP of 5 percent or more in recent years and per capita growth rates of GNP of 2 percent or more.[2] Among the six, the ratio of gross investment to GNP in 1960-61 varied from about 14 to about 26 percent. U.S. economic assistance has accounted for a substantial portion of this investment and of the growth in per capita income in each case.

Greece and Israel are outstanding cases in which U.S. aid has supported effective local efforts to produce substantial growth. From 1949, when civil war ended, to 1962, Greek gross national product rose at an annual rate of nearly 6 percent and per capita income by about 5 percent. Over this period, Greece succeeded in raising the level of gross investment to about one-fifth of GNP. In the early years the contribution of U.S. assistance to establishing the process of economic growth in Greece was most significant. From 1948 to 1949, U.S. aid exceeded total investment. Since then, the share of Greek investment financed by U.S. economic aid declined to 17 percent by 1955 and less than 10 percent by 1960. By 1962, about two-thirds of investment was financed by

2. See table on the following page for time periods to which these rates refer.

SELECTED INDICATORS OF AID LEVELS AND GROWTH RATES, MIDDLE EASTERN COUNTRIES

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	GNP per Capita 1961	U.S. Economic Aid Obligations (Cumulative) FY 1946–1962		Compound Annual Growth Rate of GNP[b]		Current Rate of Population Growth	Ratio to GNP 1960–61[d]			
		Total ($ millions)	Per 1961 inhabitant	Time Period			Gross Investment	Domestic Savings	Net Foreign Balance	U.S. Economic Aid Obligations[h]
	$		$				(Two-year average)			
Cyprus	416	17	28	1953–61	—.3	2.0	16	8	8	1.8[i]
Greece	431	1785	213	1950–61	6.3	0.9	25[e]	13	12[e]	1.6
Iran	211	732	35	1957–61	5.2	2.5	18	16	2	1.7
Iraq	194	22	3	—	n.a.	2.5	n.a.	n.a.	2	[j]
Israel	814	879	400	1950–61	10.4	3.5	26	4	21	4.3
Jordan	184	325[a]	191[a]	1957–61	7.0	2.7	14[f]	—19	33	21
Lebanon	411	80	47	—	n.a.	2.3	17[g]	n.a.	n.a.	.6
Saudi Arabia	167	46	8	—	n.a.	n.a.	n.a.	n.a.	n.a.	—
Syria	152	96	20	1953–61	1.5	3.6	17	7	10	3.5
Turkey	193	1580	56	1950–61	4.9	2.9	14	12	2	3.2
UAR (Egypt)	120	608	23	[c]	[c]	2.5	16	12	4	3.2
Yemen	90	23	6	—	n.a.	n.a.	n.a.	n.a.	n.a.	1.5
TOTAL	206	6193	55	—	n.a.	2.6	n.a.	n.a.	n.a.	2.5

SOURCES

Col. (1): A.I.D., Statistics and Reports Division, "Estimates on Gross National Product" (April 30, 1963, processed).

Cols. (2) and (3): Aid obligations from A.I.D., Statistics and Reports Division, *U.S. Foreign Assistance—July 1, 1945–June 30, 1962* (Revised, April 24, 1963). Population figures are mid-1961, as in "Estimates of Gross National Product" cited above.

Cols. (4) and (5): A.I.D., Statistics and Reports Division.

Cols. (6), (7), (8) and (9): A.I.D. *Proposed Programs Fiscal Year 1964*, Vol. II; and A.I.D. Statistics and Reports Division.

Col. (10) calculated from "Estimates and Gross National Product" cited above, and from *U.S. Foreign Assistance* cited above.

[b] Two year averages from the beginning and end of the time period shown have been used as end points.

[c] Data for the U.A.R. are only available for a few recent years. The rate of growth for 1959–61 was 4.8%.

[d] Columns (7), (8) and (9) are in constant prices; column (1) is in current prices.

[e] *Including* ships under Greek ownership but registered in foreign countries. The ratios *excluding* ships are 19 for gross investment/GNP and 6 for net foreign balance/GNP.

[f] Fixed investment only.

[g] 1960 only.

[h] U.S. aid for fiscal years 1960 and 1961.

[i] 1961 only.

[j] Less than .1 percent.

[a] Aid obligations exclude UNRWA: however, population figure includes refugees.

domestic savings. Remittances from abroad, inflow of private capital and inter-government aid covered the remainder.

If the Greek economy continues its past average long-term rate of growth, the ratio of domestic savings to total investment should continue to improve. Greece should soon reach the point where it can sustain continued economic growth without resort to foreign assistance.

Economic progress in Greece has been accompanied by political stability and the strengthening of representative government based on free elections and advances in social welfare. Such political and social progress are the ultimate goals which U.S. aid programs are designed to further.

There are of course tremendous variations from country to country in achievements made with help of external assistance, which supplements internal efforts to mobilize resources for development. Greece was relatively well situated to undertake a development effort in spite of the devastation it had suffered during the war, in that its educational system was firmly established and some sectors of its economy relatively advanced. In addition, the rate of population growth in recent years has been less than 1 percent a year. Some of the countries of the Middle East face more serious economic, organizational and social handicaps in their efforts to attain the capacity for self-sustaining growth.

THE ROLE OF AID IN PROMOTING ECONOMIC GROWTH

The immediate purpose of development assistance is to help less developed countries raise their standards of living and increase their capacity for self-sustaining growth. In order for a country to reach a stage where it can finance its own growth within a reasonable period of time, it must usually accelerate the rate of increase of its national product and use some of the extra product to eliminate or greatly reduce its dependence upon extraordinary external assistance.

Since population growth in most Middle Eastern countries ranges from 2.5 to 3 percent a year, increases of 4.5 to 5 percent are required in total output to achieve a per capita increase of 2 percent. As in most underdeveloped countries, the ratio between gross investment and the resulting increase in national product is between about 3 and 3.5, and may be as high as 4 in countries investing in basic facilities. Thus, for a country to obtain a 4.5 to 5 percent increase in income, it will usually be necessary to invest from 15 to 20 percent of GNP. Few Middle Eastern coun-

tries have yet reached the level of savings that would support this rate without an inflow of external capital.

If a satisfactory per capita growth rate can be achieved with the use of aid, a country can then concentrate upon reducing its dependence upon external assistance. To do this, the level of domestic savings must be raised close enough to the level of investment so that private capital inflows and public capital inflows on conventional terms can make up the difference.

The achievement of a high marginal rate of savings is thus a key requirement for reaching self-sufficiency within a reasonable period of time. In successful cases such as Greece and Israel, 20 to 25 percent of the additions to GNP have been saved and invested productively each year.

A second important requirement for a country aiming to reduce its dependence upon external assistance is the desirability of achieving sufficient increases in export sales to meet the increased import requirements. If the domestic demand for imports increases more rapidly than external demand for exports, then it may be necessary to plan for a smaller increase in imports and to channel investments into the sectors that will make this possible.

The contribution of technical assistance to growth is no less important than that of capital assistance. Unless a country has sufficient skilled manpower—including managers, entrepreneurs, and administrators—and adequate facilities for training them, its capacity to make use of additional investment funds may be sharply limited. Furthermore, technical assistance may be desirable to help a country overcome bottlenecks in particular sectors, such as transportation or power, which hinder the growth of other industries.

U.S. technical assistance programs in the Middle East have been an important means of promoting growth. For example, A.I.D. has helped finance an industry institute in Lebanon which makes studies of industrial development needs in the area and provides industrial promotion services to entrepreneurs. In Israel, A.I.D. helped start a management institute designed to train management personnel. The capacity of the Department of Highways in Turkey to construct and maintain the road system was greatly improved. A Bureau of Reclamation was also established to expand the utilization of land and water resources and increase agricultural production in several Middle Eastern countries. Improved agricultural training and extension programs have been established.

The proper balance between investment in human resources

and investment in physical capital is very difficult to assess. There is considerable evidence, however, that the human elements rather than capital shortages provide the main limits to further growth in most countries of the region.

SELF-HELP MEASURES TO PROMOTE ECONOMIC, SOCIAL AND POLITICAL PROGRESS

A major principle of the United States assistance programs is to encourage countries receiving aid to undertake self-help measures to increase resource availabilities, improve resource use and promote political and social progress. The success of a country in using external assistance to promote growth depends both upon its stage of development and upon the effectiveness of its self-help effort.

The stage of development of a country is reflected in the amounts of resources which it can mobilize: its supply of trained labor, domestic public and private savings and inflow of private capital, as well as upon the adequacy of such basic facilities as transportation, housing, power and irrigation systems. Other indicators of the stage of development are the stability and resilience of a country's political system, the quality of its administration and leadership, and the sufficiency of the economic policy instruments in the hand of its government.

On the economic side, self-help measures may either increase the supply of scarce resources such as domestic capital supply, foreign exchange and trained manpower, or increase the efficiency of resource use. More orderly budget procedures, such as those introduced this year in Jordan, and tax reforms which raise rates and improve collections are illustrations of measures which in any country may be expected to raise domestic savings. The best single over-all measure of a country's achievement in improving domestic capital supply is the proportion of additions to national income which it saves. Greece, for example, over the period 1950-1961, achieved a marginal rate of domestic savings of 23 percent, which has brought it from a very low savings level to its present position of relative self-sufficiency.

To increase its supply of skilled manpower, a country may extend its educational system, improve its wage structure, organize training programs or send people abroad to study. University training and vocational education both contribute to a country's needs for trained people. An agricultural college in Iran for example, trains specialists for Iran's agricultural extension services.

UAR efforts to increase technical manpower in agriculture, engineering and public administration as well as to improve the general level of literacy of its population provide further illustrations of the kind of measures taken by Middle Eastern countries to meet their future need for trained manpower.

Measures to improve the efficiency of resource use can raise national income by increasing the output from existing facilities and available resources. Economic measures needed include improvements in planning processes and in procedures for implementation, foreign trade policies, provision of better information and forecasts to private entrepreneurs, and schemes for the utilization of unemployed resources.

Improvements in development planning are a significant means used to increase economic efficiency in a number of Middle Eastern countries. The Greek and Turkish plans are under discussion by the OECD. The Government of Jordan made a first attempt in 1961 to formulate a long-term development plan, which is now being critically reexamined with a view to more detailed assessment of prevailing patterns of resource use. Iran's Third Development Plan which started in September 1962, may well exert an important positive influence on the nation's development over the next few years. The UAR and Israel have also made notable progress in development planning.

Social and political reforms may also indirectly improve resource use. Improvements in public administration or educational systems may indirectly increase economic efficiency as well as promote social welfare. The establishment of political stability in a country may provide a climate more conducive to development. Land reform or profit-sharing schemes may provide better incentives to increase output.

Social and political reforms directed toward increasing democracy and social justice are an important category of self-help measures which U.S. assistance programs are designed to promote. Examples are improved coverage of health and general education programs and broader participation in the political system of a country. Land reform in Iran, improvements in welfare services in Israel and the growth of education in Jordan and Egypt illustrate efforts of Middle Eastern countries to promote social and political progress.

There are several ways in which the United States emphasizes its interest in the effectiveness of measures of self-help. Substantial support is given primarily to countries that are making effec-

tive use of their own resources. An effort is also made to relate U.S. assistance to specific measures to improve resource use and further development, such as land reform or tax reform.

CONCLUSION: TOWARD A COMMON STRATEGY OF DEVELOPMENT

Successful use of aid to promote economic growth requires both careful coordination between donors and recipients and greater cooperation among countries giving aid. The United States and other donor countries are attempting to promote cooperative arrangements to provide funds for the development programs of less developed countries. The objective of coordination is to assure that developing countries obtain sufficient aid on reasonable terms and to encourage improvements in the efficiency with which aid funds are used.

Cooperative lending has several advantages over individual country loans. The joint review entailed may bring greater recognition of the needs of developing countries and may also strengthen the government in undertaking needed self-help measures. Coordinated lending permits better reconciliation of the needs of borrowing countries with the criteria which lenders use in granting loans. Finally, it may increase the willingness of lending countries and organizations to provide aid in general support of development where this is needed rather than aid tied to specific projects.

Consortia of countries giving aid to India and Pakistan have been in existence since 1961. Recently, the Organization for Economic Cooperation and Development organized consortia of aid donors to Greece and Turkey to help to support their development efforts. The consortia review the country's development program and its total resource requirements and make pledges of external assistance to enable the development programs to be carried out.

Although consortia have so far concentrated on capital assistance, there is an equal need for coordination of technical assistance.

In the next several years, it may be possible for lenders to work out for additional countries arrangements similar to those already in existence under the aegis of the OECD, the IBRD and other international agencies. Such arrangements promise to become an effective and desirable means to carry out the common effort to help less developed countries achieve long-term economic and social progress.

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