further awakening within so that we do not miss the 'many splendoured thing'. And this naturally leads on to the assertion of the need to work in with so many others, learning from them, supported by them. By this I mean not only the Church—bishops, theologians, fellow priests, fellow Christians—but also the wide-ranging insights of psychology and medicine, sociology and so on. These are at hand and should be used for the benefit of God's people in God's world.

One final word. To me, this new decade is a time of immense possibility and hope. I cannot subscribe to the depression and fear and loss of confidence which is shown so often now within the Church. Let us cheer up and be glad to live dangerously, going ahead with faith and hope, not confused and scared of putting a foot wrong. The more depressed and unconfident we are, the more we will reflect this in our counselling—and the less we shall attract old or young or middling to Christ. In the long run, whether our counsel is accepted or not, it will be of value in itself, in so far as it witnesses to Christ—and him crucified.

Crisis in the Foreign Aid Industry

by Jonathan Power

Last year the largest aid budget in the world was steered through the American Congress—yet it was the smallest budget since America began giving aid twenty-three years ago. But perhaps this is no cause for alarm. Consider the following vignettes.

- Washington. December 18th, 1969 (U.P.I.). 'Senate Democratic leader Mike Mansfield said that the foreign aid programme had lost its original purpose and he would oppose it. "Foreign Aid is no longer an aid programme. It's a programme for the benefit of American business", Senator Mansfield said at a news conference. He added, it was no longer being used for the humanitarian precepts (*sic*) for which it was established.'

- Washington. June 7th, 1970 (A.P.). 'U.S. Foreign Aid Chief John Hannah acknowledged today that the U.S. aid programme is being used as a cover for C.I.A. operations in Laos.'

- A Board of Trade spokesman, in 1968, told the Estimates Committee of the British House of Commons: 'I think it would be wrong to suggest that aid has been given without regard to British commercial interests. What I think is probably a fairer way of putting it is that at the present time, and as things have moved since the

Overseas Development Ministry was set up, there is even more commercial emphasis in the way we look at aid questions.'

● Senator William Fulbright, Chairman of the U.S.'s Senate Foreign Relations Committee, wrote in his book, *The Arrogance of Power*: 'The idea of foreign aid as a source of American military involvement is certainly not my own; on the contrary, such a connexion never even occurred to me, or, I daresay, to other members of the Foreign Relations Committee until Administration officials began referring to the aid program as a cause and evidence of what they judged to be an American obligation in Vietnam.'

● General Ne Win has all but ended foreign economic assistance to Burma despite its great need of capital and technical assistance: 'Unless we Burmans can learn to run our own country', he has said, 'we will lose it. Of course, there are hardships. But we must put our house in order.' Commenting on the effects of vast American military and economic assistance to such countries as South Vietnam and Thailand, Ne Win said: 'This kind of aid does not help. It cripples. It paralyses. The recipients never learn to do for themselves. They rely more and more on foreign experts and foreign money. In the end they lose control of their country.'

● The recently published Pearson Commission report, heralded among others by Prime Minister Harold Wilson who called it 'one of the most important documents of the twentieth century', was meant to be, with its calls for a six per cent growth rate in the developing countries and one per cent of national income for aid from the rich countries, a pacesetting document. Yet its arguments and proposals have been publicly decried by a hundred distinguished scholars and civil servants. The signatories of a statement issued in February of last year included Hollis Chenery, considered by many to be America's leading development economist, C. V. Narasimhan, Chef de Cabinet of the U.N., and the late André Philip, former finance minister of France, and then director of the Development Centre of the Organization for Economic Cooperation. They said, 'The Pearson Report, by setting forth proposals which appear "acceptable" and "reasonable", leans far towards reluctant public opinion in the developed countries. A frank report on the developing countries would have revealed a more pessimistic picture, especially when attention is directed: to the losses from changes in the terms of trade which often exceed annual gains from aid; to the prospect of growing numbers of unemployed; to the inequities in the distribution of aid under bilateral (i.e. from one donor to one recipient) political influences; to the weaknesses in the existing institutional framework of aid and to the growing strength of the multinational corporations which often distort the pattern of national development.'

Keith Griffin of Oxford in a recent study revealed that the data from twelve Latin American republics for the years 1957–64 showed that there was a negative correlation between aid and growth. In other words, the more aid, the less growth there was. The evidence appeared to suggest that foreign aid and foreign investment merely lowered the domestic savings rate; thus severely reducing the amount of capital available to a country for investment in development projects. Griffin found that in Colombia, between 1950 and 1963, 'for every dollar of foreign aid received, domestic savings declined by about 84 cents'. The conclusion to be drawn from Griffin's findings is that growth would be accelerated to the extent that aid was curtailed. This is a remarkable finding: it goes against not only the conventional wisdom, but against the findings of scholars of the stature of Hollis Chenery, yet Griffin's documentation is impressive.

Another facet of aid that has come in for criticism recently from establishment dons and a few of the more progressive civil servants is, surprisingly, private investment; particularly when it is linked as a kind of package deal with aid. All too often countries have found that the price for discouraging private investment is discouraging aid. Peru, for example, lost all her American aid and much private credit because last year she nationalized the American oil companies.

These dons and civil servants are arguing that at a particular stage in a country's development foreign private investment may be a harmful thing. I am not referring to those radical economists, like Michael Kidron of Hull and Stephen Hymer of Harvard, who are against private investment *per se*, but to those economists and civil servants who for a long time have been arguing the case for private investment on the grounds that it is a creative way of introducing into backward countries technical innovation, new skills and methods, and foreign exchange. Now they are suggesting that foreign private investment in the more advanced developing countries, for example Latin America, may be playing a 'stunting role': its superior abilities and organizational techniques mean that it can pre-empt many of the opportunities that local entrepreneurs might otherwise take, thus inhibiting local initiative. A considerable body of evidence, brought forth less by design than accidents, such as wars, depressions, or nationalist sanctions, suggests strongly that, after an initial period of development, the domestic entrepreneurial spirit left to itself is far more alive and creative than was ever thought. This evidence, coupled with the fact that today far more funds are being repatriated from the developing countries than are being invested and that private investment has shown itself to be often opposed to social and political changes, has convinced such mainstream authorities as Professor Paul Streeten of Oxford and Professor Albert Hirschman of Harvard that the time has come, to quote Hurschman, for 'a policy of selective liquidation and withdrawal of foreign private investment . . . [it] is in the best mutual interests of Latin America and the United States'.

Despite all these criticisms of aid—its lack of correlation with growth, its inhibiting effect and its links with private investment—there is a mood of ebullience amongst the aid establishment—the Pearsons and McNamaras of the world. They believe aid has played a distinguished rôle in the development of the 50's and 60's. They cite the 'success' of the developing countries in achieving an average annual growth in the 1960's of five per cent, thus meeting the target of the U.N. Development Decade. They compare this favourably with the two per cent growth rate of Britain between 1790 and 1820 and the four per cent growth rate of the United States between 1820 and 1850—the time when they were developing. And now they are arguing, as the Pearson Commission does, for a six per cent growth target for the 1970's which they believe will be achieved if the rich countries increase their aid to one per cent of national income and reform some of the present economic structures such as trading arrangements. If this is done conscientiously, the poor by the year 2000 will no longer need our help, so they say.

But the Pearson Commission and its friends glide over many unpleasant facts. For a start, the Commission bumped up the average growth rate for the developing countries by including Southern Europe in this category—such countries as Spain, Greece and Yugoslavia—and excluding a country which has one-third of the population of the Third World—China. Second, it has, at this point in its argument, played down economic growth *per head*. But this is the key statistic and it brings the five per cent figure down to 2.0 to 2.5 per cent—a figure which is about the same as it was in North America and Europe at a comparable stage of development.

In one continent—Latin America—the average *per caput* annual increase in the last few years has been a mere 1.6 per cent. And twenty-two per cent of the population of the developing world live in countries where the *per caput* increase was *less* than one per cent a year. These facts take the wind out of the sails of the Pearson's Commission P.R. What is more, if the Indo-Pakistan sub-continent, for instance, achieved a six per cent growth rate tomorrow and maintained it until the end of the century it would still have, 30 years later, one and a half billion people with an average income of only \$200 (£48) a year.

Not only can we criticize aid itself and the arguments of the aid establishment in encouraging us to give more aid but we can question the kind of economic growth they would like to see initiated.

Venezuela is one of the blue-eyed children of their kindergarten. It has grown at a remarkable 10 per cent a year—by far and away the highest in Latin America. Yet its number of unemployed is as high as ever. A recent report in the *Los Angeles Times* relates that there are more than a million abandoned children in Venezuela—about 10 per cent of the population. And more are being abandoned at the rate of over 100,000 a year.

Pakistan is considered by many western development experts to be a model of how the problems of economic growth should be handled. But information from the Pakistani Planning Commission informs us that while industrial production has soared by 160 per cent in eight years, real industrial wages actually declined.

The old policies have failed and there is no sign that the World Bank, A.I.D., the Ministry of Overseas Development and Uncle Tom Cobley and all have prescriptions adequate for what is coming.

A child born today is one of three billion. If he lives until he is 70 he will die in a world of 15 billion. His grandson would share the planet with 60 billion.

India is adding a million people a month to its population—and this in spite of the oldest family planning programme in South East Asia.

But more terrifying than the simple population statistics is the plight of the cities of the underdeveloped countries. The picture here is of population run riot, where the individuality of human beings is submerged in the statistics of a body count that stretches western man's credulity to the point of disbelief. In ten years time Calcutta's population will be 15 million. It already has a density of population twice that of Chicago and 70 per cent of its families live in single rooms and uncounted thousands on the pavement.

In 1920, 185 million people in the more developed countries lived in towns of over 20,000, with 80 million of these in big cities. For less developed lands the figures were 68 million townsmen and only 16 million in big cities. But by 1960 the developing countries' urban population had multiplied nearly four times, while developed urban populations had only a little more than doubled. The comparison for the big cities was even more startling: a growth of two and a half times for the developed countries and eight times for the developing countries. Today the population of people living in cities in the developing countries is 10 per cent higher than it is in Europe. But the full horror is only dimly perceived. By 1980, cities in the developing world will contain 100 million more inhabitants than the developed cities, and 71 million of these will be living in big cities.

Eighteen cities will be beyond the million mark; Lima will have more than three million inhabitants, Bogota five million, Buenos Aires nine million. Yet when the industrial revolution began in Europe, only Paris and London had a population of one million. New York had a mere 50,000.

Traditionally we have been brought up to think of cities as synonymous with economic activity, industrialization and modern civilization. Large concentrations of people subdivided into a myriad of economic tasks, served by railways, factories and banks, could produce goods at a far greater rate than could the rural economy with its peasants, blacksmiths and carpenters. And for all their faults this is just what the American and European cities did.

But these 'hot-house' cities of Asia, Africa and Latin America are being suffocated by the upsurge of humanity within them. They are not so much centres of economic growth as centres of population growth.[1]

But if the cities seem beyond repair the rural areas offer only little hope.

A couple of centuries ago, when all the countries of the world were underdeveloped, the agricultural system of Europe was such as to support only a small population. The land and crops used gave very low yields under traditional methods of cultivation. The equipment available enabled a man to farm only a few acres. But in Asia, where rice was the primary crop, the picture was different. Rice is a very high yielding crop and even under traditional agricultural techniques can support a large population in a small area.

The result was that when the industrial revolution did get off the ground in Europe, the population was not of a size to overburden the resources of the new technology. And the agricultural revolution that had preceded it by a few years had at its disposal plenty of potentially fertile under-utilized land that the new scientific techniques of farming could turn into abundance, providing sustenance for the new expanding population.

In Asia the opposite was true. Here there was little slack to be taken up. The land was so crowded already that once the match of western medicine was added to the powder-keg of its tight-packed population, its numbers have exploded at an exponential rate of increase. This is one reason why millions have poured into the towns.

Not only is our development of yesterday and their development today different because of the change in balance between town and country and the growth of population, but it is different in that we were able to organize the world around us to suit our needs. Our surplus population was able to pour out into the wide plains and fertile valleys of Canada, Australia, South Africa, New Zealand, Rhodesia, and of course the United States itself. Often vast acres were uninhabited: virgin land ready to bring forth abundance. Others were sparsely populated by native herdsmen and cultivators. They were driven off by force, often decimated in the process, pushed into the mountains, the forests or the desert. Where the native peoples were too many to allow this kind of settlement we organized their economic systems so that they worked more to our advantage and helped to underpin our economic progress. In India, to take the most important example, the British, fearful of French commercial competition, were at first drawn almost unwittingly into the vacuum created by the disintegration of the Mogul Empire. But once established, thanks to the prowess of Clive of India, India became merely a market for the new manufactured goods of the

[1]cf. Barbara Ward, *Poor World Cities*, Catholic Institute For International Relations, 1970.

industrial revolution. In return she had to supply raw materials.

Before the British raj took over, India had been known around the world for the beauty of her jewellery and silverwork, for her fine silks and cotton. So dominant were her abilities that the British had to settle their trade deficit with her with silver bullion. But from 1800 to 1850 there evolved a whole network of elaborate mercantilist provisions whose purpose was simply to increase the exports of Britain. Indian exports to Britain were prohibited by tariff walls. Within India, British textiles had to pay only a small $3\frac{1}{2}$ per cent *ad valorem* import duty while local manufacturers and traders in Indian textiles had to pay from 6 to 18 per cent *ad valorem* inland transit duties from which British traders were exempt. India's main industry, and with it all the traditional skills, went into rapid decline, not to emerge again until Gandhi's Khadi movement resurrected it in the 1930's.

The simple truth is that the world confronting today's developing countries could not be more different than that confronting Europe and America in the eighteenth and nineteenth century.

Then there were only a few countries developing, blessed with large amounts of surplus land, facing a large number of potential markets, confronted by a large number of competitive companies. Today when there are a large number of countries developing they are hamstrung by a shortage of land with nowhere to expand to. They face increasingly restricted markets—the advanced countries protecting themselves with tariffs and quotas, and they are confronted by a few companies—the multi-national corporations with assets larger than whole continents who make the bargaining of the market place a contest between a child and a giant.

This, then, is the total problem of all total problems. And for this pyramid of troubles the policies of the 'aid establishment' are proprofoundly inadequate. We face a problem of mounting proportions with the old tools suspect and the horizons of the opinion leaders circumscribed.

Some of the wiser leaders of the Third World have done their sums and realize that to rely on the magnanimity and policies of the rich capitalist world is hopeless and they have turned in to themselves. Julius Nyerere's Tanzania is the most exciting example. The distinguished West Indian economist Sir Arthur Lewis, generally considered a traditional liberal on development matters, quite surprised the 'aid establishment' recently when at a private conference he openly challenged the assembled company, which included among others McNamara and Walt Rostow, to deny that the developing countries would be better off going it alone. He argued what was in essence a sophisticated form of Black Power.

He first took the Pearson Commission goal of a six per cent growth rate and argued that even if the one per cent aid target was forthcoming, which he doubted, it would be an impossible rate of growth to achieve. For a six per cent growth rate to be possible, he said, the developing countries would need to have their exports grow at six per cent a year. Although in recent years the growth rate in the export of manufactures has been quite good—eight per cent—agricultural exports have only grown by about $3\frac{1}{2}$ per cent. And this has been in a time of unprecedented high rate of growth of world trade. The outlook for a substantial, increased rate of growth of agricultural products which form the backbone of the exports of the developing countries is bleak—a four per cent growth is the most they could possibly hope for. All this takes Lewis to his Black Power conclusion. The developing countries, he believes, must stop expecting their solution to come from the rich countries. Rather they must fall back on their own resources and develop trade between themselves. 'There is no reason why they must *in the long run* depend on trade with the industrial countries', he said. 'They have enough land to feed each other; they are surplus producers of most of the major agricultural raw materials, metals and fuels; they are capable of learning the industrial skills quite quickly; and they should within the next two or three decades be in a position to finance rapid growth entirely through their own savings.' He ended his blunt analysis with an even sharper conclusion. 'So if, in the year A.D. 2000, all the countries now industrialized were to sink under the sea, this should make little difference to the potential growth rate of the countries that are now less developed!'

Unfortunately Lewis' Black Power is of the C.O.R.E. black capitalism kind, rather than the Carmichael or Newton brand. Given the record of capitalism in the western world one has to question seriously whether it would serve the Third World any better. Also I think it is fair to question, however critical one is of today's aid arrangements, whether the Third World can, given the magnitude of its problems, go it alone without support from the rich world.

I have four suggestions to make which I think might be the beginnings of a path towards a solution and which puts the role of aid into a constructive perspective. The first is that the developing countries themselves should take the path of Nyerere's self-reliance: giving their foremost attention to developing their own resources, working on the assumption that outside help will be minimal, trying wherever possible to make use of traditional communal institutions and building new ones like regional economic blocs. My other proposals concern mainly the rich countries. First, that aid giving should be clearly disassociated from private investment. The one should act completely independently of the other. In this way the developing countries can more easily judge private investment on its own merits, rather than finding it the necessary price for something else. Second, that aid be no longer tied, thus helping to break the links with a destructive capital-intensive form of development. Third, that aid be orientated towards projects that encourage local savings, offer alternatives to capitalist-type development and work to halt the pathological development of urban slums.

These latter aims could be greatly helped by two particular thrusts: the first towards agriculture. The last two or three years have seen the introduction of the 'green revolution'—the new strains of wheat and rice, developed in the research stations of Mexico and the Philippines, which are doubling and trebling yields all over the world. Wheat production in Pakistan in the last three years is 60 per cent higher than its previous annual average in the mid-1960's. All the predictions of imminent Malthusian holocausts have gone out of the window. But if the winged horsemen of the apocalypse have escaped, the stealthy advanced guard of bloody revolution has been brought in. Recent research carried out in India by members of the Institute of Development Studies at Sussex have shown that only the bigger and richer farmers have benefited from the new strains, and rural inequality has become even more marked than it was before. They have estimated that only one in three farmers is rich enough to use the new techniques which require the concomitant use of expensive fertilizer and water control. So the richer farmers are raising their own productivity, lowering the price of grain and making life more uneconomic than it already was for the poor farmer. The result is an increase in the number of people leaving the land for urban squalor. So it is imperative that one of our main thrusts in giving aid should be to direct it towards poorer farmers which is, as in Kenya, the reverse often of our policy now. The aid should be in the form of cheap credit and the provision of regional facilities for proper water control and so forth. The credit and water control facilities should be managed wherever possible by farmers' co-operatives, with one man, one vote. At the same time land reform should proceed faster than it does now, establishing as many independent small farm holdings as possible. In this way the advantages of large co-operative structures—efficient use of machinery, credit and marketing—can be combined with the advantages of individual ownership—thrift and self-reliance. In other words, the Danish model rather than the Prussian one.

The second thrust is based on an idea of Barbara Ward's. 'Experience, particularly of the Latin American shanty town', she writes, 'has shown that the squatter groups have unsuspected vitality and initiative. Given help with the layout of the area, given assistance in drainage, water and communal buildings, the squatters themselves, often banded together—the Victorian touch—into improvement associations, can transform a shanty town into an incipient suburb within a surprisingly short time. The provision of roof loans or core houses as, for instance, in the Volta area in Ghana, encourages remarkable efforts of self-help. Moreover, evidence from all the developing continents suggests that the chance of a better home, made possible by state-sponsored mortgages, can be one of the most certain ways of mobilizing people's savings and making a frontal attack on a poor country's shortage of domestic capital.'

The whole process could be helped along by an international system of gaurantees to local mortgage institutions, possibly through a new international apex mortgage bank. As in Britain the government subsidizes mortgages through tax concessions and in America through the Federal Housing Authority's three per cent mortgages, an international mortgage bank, funded by the rich countries to begin with, could provide mortgages at a nominal interest rate of, say, two per cent. This would help make housing a lead growth sector in the economy, instead of at present it being Coca-Cola and television sets. For the reason Latin American slum dwellers consume large quantities of soft drink and install television in their shacks is that they are readily available and, in the case of television, can be bought on credit. There is no incentive to save for one's own house when the price is so prohibitive and credit for such large expenditures so scarce. But there is every incentive to fritter it away on fancy consumer goods. So instead of employment being generated in the bottle-making and valve-making industries it would be generated in plumbing and carpentry industries—much more valuable assets for any self-respecting country. The mortgage money could well be channelled through co-operatives which have the added advantage of being able to provide the structure for a kind of 'work bank' whereby one person contributes a certain amount of time in his particular skill, in return for calling upon the skills of other members. Middle-class housing co-operatives in America have been very successful at this.

Given these kind of policies in the developing countries, backed by the right *kind* of finance from the rich countries, then it may be conceivably possible that a balanced economic growth will take place in the Third World. No matter that they will not be as rich as us. For in the next decades, as the rich countries increasingly learn how illusory material wealth is, particularly when it is as inequitably distributed as it is in our fragmented and egomaniacal society, the poor countries could be building a new kind of society where economic development and human integration proceed hand in hand.

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