

THE UNITED STATES "POINT FOUR" PROGRAM*

SAMUEL P. HAYES, JR.¹

THE President's proposal for a "bold new program" of aid to the underdeveloped areas of the world, announced in his inaugural address of January, 1949, aroused tremendous interest both at home and abroad. The reactions of listeners ranged from those who saw in it a solution to particular problems, such as support of the natural rubber industry to enable rubber producing countries to purchase their own development, to the most imaginative and far reaching proposals for expanding and integrating the economic programs of the United States into a single program capable of solving the "dollar gap," relieving pressures of overpopulation, stabilizing the business cycle, disposing of surplus commodities, and replacing the European Recovery Program. A great many kinds of suggestions and advice came from people with experience in this field, including scientists, educators, economists, business men, cultural anthropologists, and missionaries. These suggestions and this advice were combined with the information and experience already obtained by government agencies to form the projected Point Four program.

The Congress was asked by the President to consider two pieces of legislation to implement the President's Point Four proposal. The "Act for International Development," approved by the Congress in May, 1950, provides authority to finance, carry out, and coordinate a wide variety of international technical cooperation activities. Among these are the sending of technical experts to advise foreign government agencies, private organizations, or business enterprises, and to take part in operating many kinds of activities—for example, research and experiment stations, public health or education services, rural

* This paper has been revised to take into account developments since November 16, 1949, when the paper was presented before the Round Table on Modernization Programs in Relation to Human Resources and Population Problems, held in connection with the 1949 Annual Conference of the Milbank Memorial Fund.

¹ Special Assistant to the Assistant Secretary for Economic Affairs, Department of State.

extension services, projects for irrigation, reclamation, reforestation and so on. A very effective instrument of technical interchange thus authorized is the *servicio*, in which transmitting and receiving countries jointly finance and administer projects in various fields. Here, the receiving country gradually assumes the cost of the project, which eventually becomes an integral part of the local governmental structure. Other methods authorized include the exchange of teachers, students, and specialists; the establishment of technical libraries and film services; international seminars and conferences; and the translation and distribution of technical publications.

Both governmental agencies and private commercial and non-profit groups in this country have had considerable experience, particularly in Latin America, in teaching technical know-how. The agencies of the United Nations and of the Organization of American States have also done substantial work in this field. The proposed technical cooperation program will build upon this experience in a greatly expanded program, mainly carried out by financing increased operations by the private and public agencies that are already active.

The second bill proposed to carry out Point Four, but not yet enacted by the Congress, would authorize an experimental program of investment guarantees intended to encourage the flow of private investment capital to underdeveloped areas. Private savings constitute in this country the major source of year-in, year-out investment, now running at an annual rate of about \$35 billions. This provides a far greater potential source of capital for investment abroad than the amounts of public investment capital likely to be available in a predominantly private enterprise economy like that of the United States. Also, in private equity capital there is available an agent that is particularly effective in bringing about economic development abroad, because this is active, not passive, capital; it carries along with it the technical, managerial, and organizational talents needed to put the funds invested to most effective use.

The guarantees contemplated in the proposed legislation

would protect the investor (for a fee) against such non-business risks as confiscation of his property without fair compensation, and inability to convert into dollars a specified amount of foreign currencies derived in the form of earnings, capital liquidation, and so on. There would not, of course, be any guarantee that an investor would make a profit.

These guarantees would supplement the bilateral commercial treaties, now under negotiation with many countries, which are designed to assure fair treatment of the investor as well as of local interests.

It is hoped that such guarantees and treaties will succeed in stimulating a substantial flow of private American investment capital to the underdeveloped areas.

The term "Point Four program" is appropriately applied only to the United States program, of course. The United Nations and its specialized agencies were carrying on technical assistance programs before the President made his speech and are planning to carry on very large programs in the future. Although the great expansion of these programs came about as a result of the President's speech, and although they will draw substantial support from the Point Four funds of the United States, they are international programs in which the United States is simply one participant. These international programs face problems similar to those which the Point Four program faces, and much of the following discussion will be pertinent to them, but it will not touch on the United Nations programs except in terms of their relationship to ours.

It is probably not appropriate at this time to undertake an extended discussion of the general objectives of the Point Four program or its relationship to other American foreign policies and programs. These are pretty generally understood. Suffice it to say that the Point Four program is a part of our foreign policy. It helps to achieve, and it is intended to help achieve, the same objectives that our foreign policy in general is attempting to achieve—to create a world in which all peoples may find peace and security, broader freedom for the individual,

and greater economic well being. This program derives its justification from the contribution it makes to achieving those general objectives.

When the President spoke, he did not present a fully elaborated program of action. As General Marshall had done in 1947, when he announced the basic principle of our readiness to cooperate with European countries in an economic recovery program, the President simply stated a general principle of foreign policy, a principle that would modify existing policies and programs and that would require the development of a detailed action program to carry out the full promise of the proposal. Point Four has, in fact, already had an effect in terms of a reorientation of our existing economic programs, including economic recovery programs, governmental loan activities, the reciprocal trade program, and our existing technical assistance activities. All now give increased importance to the needs of the economically underdeveloped areas of the world.

Essentially, Point Four means a new emphasis in our foreign policy. It is not a departure from previous policy, but it is a development of it. It raises to a new level—both in importance and in range of activities—the kinds of programs already being carried on in this field. It also means their coordination, for, particularly in the first few years, we may get more out of tying together the current and the incipient new activities than we may be able to get in the way of entirely new activities.

First, there is the problem of coordinating different kinds of technical assistance activities. Health and agriculture and educational programs should be run so that they support each other, mutually complement each other.

Second, there is the need for coordination between technical and financial programs. If a loan is being considered for a particular project, consideration should be given to providing technical assistance that will reinforce and make that loan more effective.

Thirdly, there is need for coordination between government

and private activities. Many private religious groups, philanthropic foundations, and educational organizations, as well as business enterprises, carry on extensive operations abroad. Much can be gained by bringing these private profit and non-profit activities together with the governmental activities which are being carried on under this proposed program.

Finally, there is the need for coordination between the United States bilateral programs—which are expected to continue and to expand—with the various multilateral programs. The latter include, not only the programs of the United Nations and its specialized agencies but also, programs carried on or planned by the Organization of American States and its specialized agencies, by the South Pacific Commission, and by the Caribbean Commission. Coordination is going to be one of the real administrative headaches throughout this whole program.

Obviously, the underdeveloped countries themselves have a major job of coordination within their individual countries. If four or five different agencies—all competent as far as legislation and financing are concerned—work in a single country (as is already the case in some Latin American countries) there may be difficulty in coordination. It may be desirable for these governments to develop special mechanisms for keeping the various activities going in such a way that they pull together instead of apart. That is a primary place where this coordination can be effectively brought about.

In the substantial experience with technical cooperation programs that we have already gained, primarily in Latin America, certain general principles have emerged which we feel are very important in planning ahead to a much expanded program. Most of these are pretty familiar to you, so I will mention them only briefly, in the expectation that discussion can develop the details of particular interest.

First, Point Four is basically a program of stimulating and aiding economic development by building up productive resources and improving methods of production. It involves the application of two vital forces—modern technology and capital

—to the existing manpower and natural resources of the have-not areas. In agriculture, health, education, and public administration important improvements can be made without requiring much in the way of capital investment, especially from abroad. Better techniques such as contour plowing, malaria control, seed selection, and repair and maintenance of simple machinery can be very effective quite soon in these fields. Of course, capital becomes the main item in developing power, communications, railroads, factories, and so on.

Second, it is quite clear that economic development must be based on the needs and on the desires of the people who are affected by that development. We know a good deal already about the desires of other countries for particular kinds of economic development. Beyond that, however, it is frequently necessary to sit down with the officials of other governments who have the imagination and intellectual competence and background to see what development possibilities exist in their countries. This is not at all a one-way process. It is likely to be a complicated interaction in which there is mutual suggestion and mutual development of the kinds of things that need to be done and are possible, the kinds of things that are suitable, the kinds that would be desired if they had been proposed and generally discussed, and so on.

Third, there is only a very limited amount that can be done to aid development by agents or aid from outside the country itself. For example, the amount of new capital inflow that can be absorbed without inflationary effects is limited, particularly in the really underdeveloped areas. Moreover, the amount of foreign investment that any country can service without excessive drain on its foreign exchange earnings is likewise limited. The major share of the capital needed for economic development must in every country come from the savings accumulated by the people living in that country. On the technical assistance side, similarly, foreign advisers and foreign technicians or managers who help organize and run local operations can be of great assistance, but only where the people and the government

of the country really want to move ahead. Economic development does not have a firm base unless it rests upon the initiative and the personnel of the area concerned. The foreign advice and example must take root in the attitudes and skills of local people. Point Four can expedite and catalyze the process of development, but no development can succeed that does not draw its main impetus from within an economy.

Fourth, economic development must be based directly on the existing resources of the country, its people, its natural resources, its accumulated capital. Resources, of course, do not mean anything except in terms of comparative costs and comparative advantages, the possibilities of competing when selling in a large market, and so on. It is not a matter of developing self-sufficient economies but self-supporting economies, which is quite a different thing.

This general conception of development within a world market is not very well understood. The first objective of many countries is a steel industry. There may not be adequate resources or potential markets large enough to support a mass production industry, but a steel industry is wanted primarily on the grounds that it is a symbol of prestige, a symbol of high development. Bringing a realistic attitude into being in many areas may well be the first requisite for economic development that really makes its greatest contribution to the material conditions of the people involved. Building a steel industry may mean getting along with a much lower standard of living than would be possible if the same resources were devoted to other kinds of production.

This leads us to the fifth point, that the kinds of production aided by the Point Four program during its first years will be determined by the possibilities and needs of the underdeveloped countries, and will therefore stress agricultural development. These countries also have needs for basic public services, such as transportation (but probably gravel roads rather than airplanes), improved communications (but probably rural postal delivery service rather than telecommunications), reliable and

safe water supplies, and power (from modest hydro-electric installations), and these may be aided by technical advice and planning, and may be financed where appropriate by inter-governmental loans. It does not look, however, as though a major share of the Point Four effort would go into modern manufacturing technology or even highly mechanized farming. This is not, of course, a policy imposed by the United States. It is a prediction of the form of the needs that will be expressed by the governments of the underdeveloped countries.

All of these factors help bring about the sixth characteristic of the program, that it must be a long-term program which is not oversold in terms of immediate and dramatic results but which is undertaken with the intention of following through over many years. Before capital and modern technology can be fully utilized in an underdeveloped area, there is usually a lot of groundwork to be done. The people in that area must be ready to receive technical knowledge and to make efficient use of capital, and the early stages of economic development in many areas must therefore be concerned with improvements in basic education, health and sanitation, and food supply. Certain services must also be expanded and improved, such services as water control and supply, transportation and communication, and power. Governmental administration may have to be strengthened. Local governments may have to adopt efficient and fair fiscal and business practices in order to encourage the flow of investment from foreign and local sources of wealth.

Beyond these factors, the speed of development may be limited by existing attitudes and social organization; by the extent to which they can be modified in order to bring about improved production methods; and by the rate at which private capital can be accumulated to take its part in development. These processes take time—lots of it. But though they must start slowly, there is no known limit on the extent of improvement that they may eventually bring about.

Seventh, this program must by its nature be international in scope. No one country could possibly carry single-handed the

effort necessary to speed up the development of two-thirds of the world's people. That is a major world problem, and it will require the best efforts of all nations which can contribute to it. Point Four is therefore intended to stimulate a world-wide program of cooperative aid to economic development.

I am sure you are all aware of the vigor and enthusiasm with which the United Nations and its specialized agencies have been attacking this problem. These various agencies already have in operation substantial programs of technical assistance, financed out of their regular budgets. The General Assembly has unanimously approved a greatly expanded program, to be financed by voluntary contributions from member states. It is our intention, if Congress approves, to contribute some \$12 millions to this expanded program. Forty-nine other nations have already announced their intention of contributing also, bringing the total pledges (much in foreign currencies) to the equivalent of more than \$20 millions.

Eighth, this is not solely or even predominantly a governmental program. True, governments will provide funds for a great expansion in international technical cooperation. But much of those funds will be spent through private agencies, under special contracts. Private agencies will be assisted in carrying out their own activities, and their advice will be sought on government plans. On the capital investment side also, a great emphasis will be placed on private enterprise, with government as facilitator and cooperator.

Consistent with the long-range, gradual, substantially private character of the program is its ninth major aspect. So far as United States Government assistance is concerned, this is to be a relatively low-cost program. On the technical cooperation side, it is estimated that not more than 85 million dollars (in all currencies) could be effectively spent during the first year, counting the contributions of all participating nations and the related expenditures of receiving countries. The Congress has authorized the appropriation of \$35 million for expenditure during the first year of the program.

Finally, this is proposed as a program that will develop and change its character as time brings new needs and new possibilities for aiding economic development abroad. There may well be additional legislation requested. This is an experimental approach, a pragmatic approach. We do not know enough about the whole development process to lay out in advance what can be done. We are going to ask for authority as we go along and as it seems that we can use additional kinds of authority.

I think that is, perhaps, all I should say before we get into the discussion. I do want to emphasize that we are looking forward to ideas and we are looking for all kinds of suggestions. We are honest when we say this is an experimental program. We are getting into deep water here, and we need all the help we can get from sociologists, anthropologists, or economists, or anybody else who has good ideas and who can tell us how to do a better job.

We have not yet set up our administration. We can establish new principles of administration under the very broad authorities we have. We can go to Congress and get new authorities. We can do anything that seems necessary to do a good job in order to carry out this basic principle and serve this major objective of our foreign policy, to aid the economic development of the underdeveloped areas of the world.