remain stationary. However, if an amount of external capita equal to, say, 3 percent of the country's national output is provided for investment purposes, total annual investment rises to 9 percent, output per annum increases to 3 percent, and per capita output would increase by 1 percent per annum.

However, such a mechanical relationship between external aid and investment, on the one hand, and economic growth, on the other, constitutes a greatly oversimplified picture of the development process and cannot be used as the basis for determining the amount of economic assistance required to achieve a certain rate of economic growth. Economic growth is a product of many factors of which the availability of capital is but one. Foreign financial and technical aid can assist the growth process, but it cannot guarantee a particular rate of economic growth. Even the amount of development assistance that can be absorbed or productively used by a country is dependent upon a large number of internal social, political, and economic factors which together help to determine the rate of economic growth. To the extent that long-term development assistance can be productively employed, its fundamental purpose should be to assist a country in achieving what has come to be called a condition of self-sustaining growth, i.e., one in which domestic savings, technical and managerial skills, and entrepreneurial activity have reached a level which will enable the country to maintain a continuous increase in output per capita without further external public assistance. A discussion of the amount of financial and other types of assistance required for self-sustaining growth is reserved for a later section.

3. Assistance for social development

Emphasis on United States and multilateral assistance for social development in U.S. aid programs is of rather recent origin. There have, of course, been a number of technical assistance programs for improving health and education, and limited sums have been spent on rural improvement, including measures for increasing the productivity of small farms and for rural community development. However, the development financing agencies, such as the World Bank and the Export-Import Bank, and even the Development Loan Fund (at least before 1960), have by and large stayed away from financing so-called social development projects as contrasted with productive projects. There are several reasons for this, some of which might perhaps be justified in terms of investment priorities, if one is concerned solely with the increase in the gross national product of a country as it is usually measured. Social projects such as slum clearance, housing, schools, hospitals, and rural improvement are often difficult to evaluate from a purely economic point of view. Also, in many cases they require legislation in the host country, changes in administrative procedures, and a considerable amount of technical assistance.

The first important evidence of a change in emphasis in favor of assistance for social development came with the Act of Bogotá.[2] At the Bogotá Conference in September 1960, the U.S. Government on the basis of an authorization by the Congress of August 31, 1960, pledged to the establishment of a special Inter-American Fund for Social Development totaling $500 million, subject to congressional

[2] For the text of the Act of Bogotá and an analysis of the Bogotá Conference of September 1960, see "Report of Senators Wayne Morse and Bourke B. Hickenlooper to the Committee on Foreign Relations," U.S. Senate, Feb. 27, 1961, 87th Cong., 1st sess.