

appropriation. This Fund, money for which was subsequently appropriated, is to be used for social projects in Latin America of the following general types: (a) Improved land use and rural living conditions; (b) housing for low-income groups; (c) water supply and sanitation; (d) education and training; (e) public health facilities; and (f) measures for the mobilization of domestic resources, including assistance for maximizing domestic savings and tax reform. Development assistance for similar types of social programs is provided for under the administration's new AID program for all developing countries with special emphasis on Africa.<sup>3</sup>

The determination of the administration to provide a larger role for social development in its foreign assistance programs is a consequence of a perhaps belated realization that unless social progress goes hand in hand with overall economic growth, the political objectives of our economic programs will not be realized. If, for example, industrial output continues to expand in the industrial centers of Latin America and agricultural productivity is increased on the large farms and plantations, but at the same time the ring of slums surrounding the industrial centers continues to grow and the lot of the Andean or northeastern Brazilian peasant does not improve, or even declines, the political battle will be lost. A similar problem exists in many Asian countries, while in Africa the problem of the changeover from a tribal to a modern agricultural and industrial society involves such complex social problems that a great deal of experimentation and research will be necessary in some areas just to determine where our maximum effort should be placed.

In the past there has been some tendency to regard social projects and social reforms as internal matters and largely outside the realm of external assistance except where a specific technical assistance job was needed and requested. Moreover, many of the social projects can be financed very largely by local expenditures with little direct foreign exchange outlays. Mainly what is required is a basic change in internal governmental legislation and fiscal administration.

While it might well be argued that a lack of foreign exchange or external assistance has not been the fundamental barrier to the adoption of social programs, the offer of external assistance for formulating and providing initial assistance for such programs as land reform, slum clearance, improved education, etc., may serve as a prime mover or catalyst for social progress; once projects and programs are initiated, they are very likely to be continued and expanded by the local governments.

Although programs for social development are exceedingly important from the standpoint of their political impact, they cannot be carried on and expanded by local governments in the absence of a sound production base and growing national product. Many of these programs, such as education, health, and even land reform programs of the proper type, will in the long run increase productivity, but they also involve an increase in social consumption which represents a drain on the national product. There is always a difficult problem of judgment as to how far countries should go in improving housing, education, and even health services in relation to the level and rate of growth of their total output. Decisions in this field require the

<sup>3</sup> See "An Act for International Development, a Summary Presentation," June 1961, pp. 56 ff.