more effective if that role were performed by an international institution such as the World Bank or a regional organization such as the IDB or the OAS. The answer to this question is closely related to that of whether the bulk of U.S. development assistance should be made available on a bilateral basis or channeled through international and regional agencies. Although individual country situations differ and will undoubtedly change over time, it is believed that in most cases the locus of responsibility and leadership in the coordination of aid programs in individual developing countries should be in an international or regional institution. Such an arrangement is likely to be more successful if the dominant institution in the coordinating organization also administers the largest economic assistance program. We are led to this view in part because we believe that international organizations will be more effective in influencing the internal policies of developing countries.

D. SHARING THE AID BURDEN

1. How much aid for development assistance?

Determining the amount of development assistance which an individual country or all of the countries which comprise the underdeveloped category will require over a period of years in order to achieve a condition of self-sustaining economic growth, involves not only a highly speculative calculation, but in a certain sense the problem is incapable of solution. There are two basic reasons for this observation. We have rejected any mechanical relationship between the volume of external capital and the rate of economic growth. Growth is a complex function of a large number of social and economic factors including the quality of the labor supply, natural resource endowments, social attitudes toward achievement and accumulation, the amount of entrepreneurial talent, and the quality and motivation of governmental administration at all levels. It must also be emphasized that financial capital, whether derived from domestic or external sources, is not synonymous with an equivalent amount of capital formation. Enterprises, public or private, may borrow funds to finance a portion of their investment, but whether over a period of time there is an increase in capital formation equal to, greater than, or less than the amount of funds borrowed cannot be determined in advance. Still less can we know what the impact on actual capital formation will be from an inflow of financial capital to the country as reflected in the balance of payments. The ability to transform external financial capital into real capital assets which, combined with other factors of production, produce a net increase in total output is sometimes spoken of as the "capital absorptive capacity" of a country. Much can often be done by means of technical assistance and external advice to expand the capital absorptive capacity of a country, but again, this cannot be determined in advance.

A second obstacle to the calculation of the amount of development aid needed to achieve reasonable growth rates is that development assistance is basically a matter of helping countries to help themselves. This point has been emphasized in the new AID program. What countries will be able to obtain from external financing agencies is therefore in considerable measure a function of their willingness and ability to take the necessary self-help measures for mobilizing their