

resources, together with undertaking social reforms designed to remove social injustices and inequities and provide broader opportunities for the great masses of people in the developing countries.

If we were not interested in achieving long-range economic and social development goals, there would be almost no limit to the amount of funds that developing countries could use for meeting balance-of-payments deficits arising from foreign expenditures of all types in excess of their receipts from imports. But the wise employment of funds directed solely toward helping countries achieve these development goals establishes a limit, however uncertain, upon the amounts that can be effectively used in our foreign aid programs. These amounts can only be determined on the basis of experience over a period of several years. (It will be recalled that the achievement of the Marshall plan goals required less than half of the amount of assistance originally calculated as necessary to do the job.) Meanwhile, it is suggested that the best answer to the question of how much the United States and the other developed countries should be prepared to provide for assisting developing countries in achieving reasonable rates of economic growth and the broadest measure of social progress consistent with their resources is *all the material and technical assistance which can be productively employed for mobilizing and increasing the efficiency of the human and material resources of the developing countries.*

It is undoubtedly true that in the field of social development, such as housing, education, etc., the limits of capital absorptive capacity are much more flexible. On the other hand, it would be unwise to undertake social programs which involve a substantial measure of consumption, as against investment for increased output, out of line with a country's ability to maintain such services from future output. To take an extreme case, it would not be wise to provide housing for workers or school buildings similar to those which exist in the United States for countries whose per capita incomes are \$200 or \$300 per year.

While recognizing the uncertainties and experimental nature of the problem of determining the amount of external assistance necessary to achieve our goals in the developing countries, as a practical matter appropriations must be requested from Congress and multilateral institutions must have some idea of the funds that they will require over the next few years. The sums requested by the administration for the fiscal 1962 AID program and the 5-year development loan program aggregating some \$8.8 billion were based on rough estimates of the absorptive capacity of developing countries together with what these countries may be expected to obtain from other development assistance agencies. However, it must be emphasized that only experience in providing assistance within the framework of long-range development plans can provide a basis for the external financial requirements for meeting our goals in the developing countries. Again, this approach argues for maximum flexibility in making aid available over a period of several years. The administration's new approach to development assistance is completely inconsistent with annual aid appropriations, and this applies to development grants as well as to loan assistance.