W. W. Rostow has put the point in the following way, with more specific reference to the problems of the less developed countries: "What I am asserting, then, is that the expansion of the domestic market which is required to produce a modernization of rural life and an ample market for domestic industry is also the proper base for the development of diversified exports." [3]

A similar conception seems to infuse programs of financial assistance to the less developed countries. The International Bank's loans and feasibility studies have mainly focused on the infrastructure and the home markets of the less developed countries and have rarely served more directly to develop their exports. Our AID programs have also been chiefly concerned with strengthening the internal conditions for development, though some of the studies of investment opportunities which it has helped to finance point toward export possibilities. The Export-Import Bank has well merited the first half of its name by granting credits to finance sales of capital equipment and other goods to the less developed countries. But little of its financing has been aimed at stimulating imports from them.

The power and transportation facilities, machinery, and technology made available through these loans and grants do, of course, help to build up the economies of the less developed countries and may ultimately serve to diversify and strengthen their exports. Moreover, these public agencies no doubt consider, with some reason, that investment opportunities offering attractive export prospects are particularly suited to private initiative and financing and do not require public development aid.

It seems fair to observe that the advanced countries have accepted restrictive import policies by the less developed countries as a necessary accompaniment of industrial development, and also have so far made little adjustment in their own policies to facilitate the growth of imports of manufactures from the less developed countries.

Under these conditions, it is remarkable that this trade, at least in some products, has grown as fast as it has in recent years. The growth has, however, been very unevenly distributed by exporting as well as by importing countries—a fact that underlies the trade demands put forward with increasing vigor by the less developed countries during and since the United Nations Conference on Trade and Development (UNCTAD) in 1964. The need to find better ways of expanding their exports is evident. The means proposed to this end—on either side—are more debatable, sometimes seeming primarily designed to shift responsibility for action to other countries while avoiding commitments that might entail awkward adjustments on one's own part.

LIMITATIONS OF MARKET SIZE IN THE LESS DEVELOPED COUNTRIES

However persuasive the argument may seem, it rather begs the question to say, with Rostow, that the most effective base for the export of manufactures is a large domestic market. According to one estimate, only five of the less developed countries have national incomes (converted to dollars at prevailing rates of exchange) larger than Connecticut. These are India, Pakistan, Brazil, Mexico, and Argen-

[3] W. W. Rostow, "Economic Development in Asia," Department of State Bulletin, May 31, 1965, p. 850.