

Speech
by
Senator Hubert H. Humphrey
before the
Fourth National Conference on International
Economic and Social Development
Washington, D.C. - February 12, 1957

Ladies and gentlemen, my good friends of the Fourth National Conference on International Economic and Social Development: You have asked me to say a few words at your opening luncheon on the topic "America's Economic Responsibilities in the World's Crisis". There could be no more timely topic.

Rethinking our foreign economic aid, a process which is going on these days all over Washington, is merely part of a needed broader re-examination of American foreign policy. This re-examination has been prompted by a series of changes in the world situation. If you will permit me at this point in your day's program, I would like to sketch some of these world changes, as I see them.

Since 1951 nearly all our foreign aid -- totalling about \$25 billion in six years -- has gone to arm and maintain a circle of allies around the Communist bloc. No matter what else the Republicans or anyone else may call it, this is our "policy of containment". We have sought to establish a ring of pacts, of military bases, a ring of standing armies, a ring of political and economic strong points, a ring of information, pamphleteering and propaganda for freedom. Consequently, about 60 percent of our foreign aid went for military hardware, another 25 to 30 percent for budgetary and financial support of governments which were maintaining armies otherwise beyond their means, and approximately 10 percent for technical and developmental assistance.

It is fair to say, I believe, that we have never really had a definite policy for speeding up the economic growth and development of friendly non-Communist countries. Whatever we have done along this line was basically only incidental to our military containment policy. Hence, the appropriateness of the term "defense support" for much of our development aid.

Last summer some members of Congress -- I among them -- thought it was time to re-examine the basic premises of our foreign aid program, which had remained unchanged since the start of the Korean War. It was time we took a look at the changes in the world which might require alteration of our aid programs. In 1956 this call for a re-examination led to the creation of the Fairless Committee by the White House, and to separate investigations by the House Foreign Affairs and Senate Foreign Relations Committees.

Frankly, I think it is important that we all understand the world changes that many in Congress had in mind. Many of these changes have no connection with economic development. Yet the changes in policy which they suggest may very well affect economic development. Here are some of them that bothered many of us last year when the re-examination began:

First, the Russians had achieved an extraordinary break-through in developing a long-range air force and the intermediate missile, which brought into question the usefulness of many of our overseas bases. While this was happening, Congress chopped \$900 million off the foreign military budget and added the same amount to our domestic air force.

Second, the American development of tactical atomic weapons raised very serious questions about the development and size of the NATO ground forces in Europe.

Third, the Russian propaganda for coexistence had seriously weakened the bonds among our North Atlantic allies.

Fourth, the rapid growth of the Russian economy had permitted the Communist bloc for the first time to offer a steel mill to India, to pave the streets of Kabul, to build a technological institute in Rangoon, and even to dicker tentatively with Egypt about the Aswan Dam. This raised the question whether we should try to outbid the Russians. In fact, it was a panic of outbidding that produced the original offer to finance the Egyptian dam, just as it was our subsequent reversal - very clumsily done - which immediately precipitated the Suez crisis.

Fifth, the growing unrest in the satellites brought into doubt our East-West trade rules, which treated these puppet governments exactly the same way we treat the Russians.

Sixth, Soviet participation in the United Nations technical assistance program caused some members of Congress to oppose our participation, or at least they wished to scale down our contribution. That was a factor in the amendment to limit American participation to one-third of the funds.

Seventh, and finally, there was a wave of nationalist fervor among African and Asian nations which challenged and exposed some of our political attitudes toward colonialism and neutralism, and raised serious questions about the adequacy and purpose of our economic programs.

This is not an exhaustive list of the world changes that affected our aid programs, but it will serve as a sufficient backdrop for the points I wish to make.

Different members of Congress have reacted very differently to these seven changes. For me, they pose one overriding question: Is "gunboat diplomacy" an adequate policy for the leader of the Free World?

Even if we bring up-to-date that Coolidge-era phrase about gunboats, and call this "H-bomb diplomacy", or "military pact diplomacy", or "massive retaliation diplomacy", my question remains: Is this an adequate policy for the United States?

I do not question the need for adequate defense; I support it. For some time, however, I have publicly doubted whether the United States has begun to develop the kind of affirmative and constructive policies, which show what we are for, as well as what we are against, -- policies which can draw together the forces of freedom everywhere, policies which can ultimately establish a secure world climate for the freedoms we cherish here at home. Our foreign policy needs a new emphasis. It needs the emphasis of economic growth, and progress, along with national independence for free people and nations. Military containment must give way to economic and social development.

This dynamic policy can be compounded of many elements. The policy includes a vigorous support of the United Nations and its agencies, in deed as well as in word. It includes a rethinking and re-emphasis of our educational exchange programs, of our information programs, of our diplomatic representation, to make them adequate to the new world situation. We need to back up openly the new plans of the Western European union, Euratom, and the common market. We must support the embryonic North African Federation, the regional stirrings in Africa south of the Sahara. We need to speak out in responsible Jeffersonian language on the subject of colonialism and national independence, and Wilsonian idealism on self-determination. The rest of the world honors two Americans above all others in the Twentieth Century: Woodrow Wilson and Franklin D. Roosevelt. It is high time that the United States Information Service and the Voice of America mentioned them once in a while.

Our disarmament efforts must be more than posturing and slogans; they must be serious, practicable, and believable. We need a much broader program for stimulating private trade, private investment, public loans; and we need to take a new look at a public investment program.

All of these things the Eisenhower Administration endorses in its forward-looking speeches. And some actions have been taken. But for the most part, these ideas remain generalized slogans.

This brings me back to the subject of this conference. A vigorous approach to world economic growth has been advanced as one of the important tools in a dynamic American offensive for freedom. I agree. This is one of the keys to a practical and effective foreign policy.

I don't mean the kind of half-hearted effort we have undertaken in the past, hidden under a label of military containment. I mean the kind of bold, affirmative proposal which could capture the imagination of the entire world. Such a plan has been supported by some of you on humanitarian grounds. It has been defended by economists on economic grounds. There is good justification for each position. But I suspect the approach to world economic development that has the greatest chance for political action in the United States is the one which stresses positive American leadership in the free world.

So, if I may sum up what I have thus far said in a round-about way: world economic development is but part of a much broader discussion about the adequacy of American foreign policy, and an economic aid program offers one of the most important ways to demonstrate a positive leadership.

My second point is closely related to my first: There will be no significant departure in our economic development programs in 1957 unless President Eisenhower gives us both a proposal bearing his name, and more than his customarily mild, detached leadership.

I have heard some optimistic opinions about the magic effect of a Vandenberg-type resolution in the Senate, or a Stimson-Paterson type committee to stir up public support for a new policy, or something like the Harriman and Krug committees of 1948 to gather the facts for a new program. As you know, these steps played a significant part in the launching of the Marshall Plan. But sober political thinking must make us realize that without General Marshall's speech at Harvard, without President Truman's prompt and vigorous support, without the meeting of European representatives to draw up a European Recovery program, there would have been no Marshall Plan. Then, as now, the leadership of the top officials of the Executive Branch was the critical element.

Yet, frankly, I find no evidence today that President Eisenhower is preparing a recommendation for a bold departure in foreign economic policy. The Fairless Committee, according to all present reports, is prepared to recommend a reduction in foreign aid. The House Foreign Affairs Committee is already studying a report by its recently retired chairman, Mr. Richards, which proposes a reduction in foreign aid. I will not presume to speak for the other members of the Senate Foreign Relations Committee, since we are scheduled to submit recommendations on the same subject within a month or two.

I am convinced that the United States will sooner or later be driven to a more far-reaching foreign economic policy, if not by the logic of groups like yours, then by successful Russian economic penetration of the free world, or by a series of political disasters in Asia and Africa, which can only be ameliorated by bold economic action.

Let me say a word about the so-called Eisenhower Doctrine in this connection. All of us know that in the Middle East there are real and present dangers of regional war, subversion, and poverty. Nothing in the Eisenhower Doctrine attempts to meet these real dangers except for the request for discretionary reallocation of some economic aid already appropriated. We do not even know where that economic aid is to go, to what governments, and for what purposes. In fact, I may say that I am gravely worried that the economic aid aspect of the Eisenhower Doctrine may do the cause of economic assistance generally grave harm.

I am a champion of economic assistance for underdeveloped nations when there is a realistic probability that this assistance will be used for economically and socially progressive results. In places like India, Burma, Pakistan and Turkey -- nations where hopeful, democratically-oriented, welfare-conscious governments are in power -- the case for economic assistance is a strong and persuasive one. The State which most conspicuously offers that kind of opportunity in the Middle East, Israel, presumably will not benefit from the economic assistance aspects of the Eisenhower Doctrine. Indeed it appears that the nations of the Middle East most likely to receive new financial benefits from the United States are those nations ruled by the most feudal and reactionary regimes.

By deliberately asking a Congress, already increasingly skeptical of economic assistance programs, for authority apparently to bribe feudal Middle Eastern potentates under the guise of an economic assistance program, President Eisenhower may well have done a disservice to the cause of economic assistance generally.

I have never been known as a pessimist. I hope I am wrong about what I have just said, as well as about the chances for a new program this year. But I believe your discussions at this conference will be more realistic if they are based on the hard, discouraging outlook that there is not likely to be a substantial change in American foreign policy leadership this year. I think this is deplorable, but I believe it is the fact of the matter.

This leads me to my third point. I also believe that forward-looking groups such as yours can perform a service in advancing ideas and establishing a favorable climate for a new American economic leadership. I suggest this can be done best by identifying those key issues, those leading questions, on which a shift in American policy must be based. I have not studied this subject at length, as some of you have, and I am sure this list of issues can be improved by your discussions. In a very abbreviated form, here are my suggestions on those key questions, and my personal answers to them.

Question No. 1: Have underdeveloped countries, especially those in Asia and Africa, acquired a new importance to the United States and the Free World that requires us to work out policies of accommodation to their legitimate needs, just as we have long worked out accommodations with Western Europe?

My answer is an unqualified yes. No one privileged to serve on our American delegation to the United Nations, as I have been at the current session, can fail to grasp that these new and developing nations of Asia and Africa, now numbering 27, control over a third of the votes in the General Assembly. By the end of the year, two more may be added, that is, Ghana, formerly the Gold Coast, and Malaya. Almost all future additions to the family of free nations will lie in Asia and Africa. The outcome of the great struggle between freedom and Communism will unquestionably be decided by the turn of events in these countries.

Question No. 2: Is economic development the most important relationship which the United States can employ to build a position of trust and respect among developing nations?

Unquestionably it is. All the more reason, therefore, why the new economic approach must be accompanied by more sensitive attitudes toward neutralist foreign policies and toward the remnants of colonialism.

Question No. 3: Is it a fact that the developing countries need, and can wisely use, a substantially larger flow of outside capital?

I have talked to no reputable economist who does not confirm this fact. One of the ablest authorities on the subject, Professor Rostow of MIT, has been advising our Senate Committee, and is appearing on your program. When you think back on the large amounts of capital which the United States found it necessary to import from Europe in launching its own development process, it is not surprising that these newly developing countries likewise look to older economies for their initial capital.

Question No. 4: Can private investment provide a sufficient capital flow for these purposes or must we look also to public investment?

The United States has not done nearly enough to encourage its citizens to invest abroad. More private investment is certainly possible. But I never heard of a private investor prepared to finance hospitals, malaria control, a teacher training school, a county agent operation, or a community development project. We know that these steps are often necessary before private investment can go into an area. The conclusion seems inescapable that public investment must supply a substantial portion of the capital, at least in the early years.

Question No. 5: Have we fully explored the use of our abundance of food and fiber as an integral part of a general economic assistance program?

Recognizing the political difficulties confronting a large-scale economic assistance program, it is all the more important that we explore the possibilities of increasing our activities by means of programs such as the Agricultural Trade and Development Act of 1954. Congress originally spelled out the use of foreign currencies accruing from the food and fiber sales under Public Law 480 as follows: (1) to expand international trade; (2) to encourage economic development; (3) to purchase strategic materials; (4) to pay United States obligations; and (5) to foster in other ways the foreign policy of the United States.

Merely to list these objectives answers the question of whether we have used this law to its fullest extent. The answer is clearly no. Both in my role as a Delegate to the United Nations General Assembly, and as a member of the Senate Agriculture Committee, I have recently proposed increasing this type of program, including the actual extension of Public Law 480 for a two-year period with an authorization for \$3 billion.

Already we have gained practical experience under this program in India, Turkey, Spain, and certain South American countries. Further development of national food and fiber reserves, coordinated with the program of the Food and Agricultural Organization, operating under the auspices of the United Nations, remains to be explored. We have merely scratched the surface of the real possibilities in this field.

Question No. 6: Should we look to national governments like the United States, or international bodies like the United Nations, to administer such a program?

I fail to understand why this question is so often posed as an either-or proposition. We need both. But I do think the greatest gap in our present economic development machinery is an international fund which can finance sound projects in underdeveloped countries. That is why I have always supported the Special United Nations For Economic Development (SUNFED), though I recognize that the present proposals for the capitalization of SUNFED are wholly inadequate. We need a good deal more thinking on what the relationship of such a fund should be to the International Bank and the International Finance Corporation, for unless that question is worked out satisfactorily, there will be little inclination of the donor countries to entrust funds to an international body. Nor should we neglect the possibility of regional economic development authorities, especially in the Middle East.

Question No. 7: How long will this proposed development program continue?

The only honest answer is that it will continue throughout our lifetime, and probably throughout the lives of our children. Our initial commitment should not be for less than four or five years. If we think this is a quickie job for political expediency, we would do better to keep the money in our pockets and forget the proposal.

Question No. 8: What would this proposal cost?

There have been many estimates. Last year the Committee for Economic Development suggested from \$500 million to \$1.5 billion in new capital each year, over and above the present flow. The most detailed estimate I have seen was that advanced by the MIT study project, which came up with a total cost of \$2.5 billion a year, of which some part would be borne by other industrialized countries, part could be financed with American farm surpluses, and the balance of about \$1.5 billion a year would be provided by American public funds. This represents a little less than we are now spending on so-called "economic aid", though of course under the MIT proposal this amount would go entirely for economic development, rather than military support.

Question No. 9: Can we afford it?

In 1956 the United States spent 1.1 percent of its gross national product on foreign aid. Nine years ago, during the first year of the Marshall Plan, we spent 1.7 percent of our gross national product, a proportion half again higher. Can you blame the United Nations members for hanging their heads in embarrassment when our government told the Economic Committee two weeks ago that we cannot support SUNFED because we cannot afford it? Actually two UN members - Canada and France - are making larger contributions to international development, in relation to their present economies, than is the United States. Western Europe and Canada combined are making larger net investments in foreign countries than is the United States.

The question has never been whether we can afford it, but whether our national interest will assign a sufficiently high priority to this foreign policy leadership to justify the use of our resources. It is one of the purposes of this conference, I trust, to help establish that priority.

In closing, let me quote the speech of President Eisenhower, delivered three weeks ago at his second inauguration. It was one of his great utterances. He said:

"We must use our skills and knowledge and at times our substance to help others rise from misery, however far the scene of suffering may be from our shores. For wherever in the world a people knows desperate want, there must appear at least the spark of hope, the hope of progress - or there will surely rise at last the flames of conflict." The President concluded: "We are called to meet the price of this peace."

I should like to conclude with the hope that he will help us meet it, with the active leadership the situation so urgently requires. If such leadership is forthcoming, I need not tell the President that you and I and all others devoted to the cause of a more enlightened foreign policy will support his efforts wholeheartedly.



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