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LIVINGSTON F. MERCHANT

SPEECH TO THE PRINCETON UNIVERSITY CONFERENCE

LIVINGSTON T. MERCHANT

March 24, 1966

THE UNITED STATES AND THE MODERNIZING WORLD



I.

However terrifying the title your Chairman was kind enough to bestow upon what I am about to say--"The United States and the Modernizing World"--it does have the virtue of being sufficiently general as to provide me with considerable room for verbal maneuver.

One can argue--I would suppose--over the meaning of Modernization. Clearly, it can evoke different concepts and different associations if one relates it to cultures or economies or political institutions. I take it, however, from the highly interesting talks which we have listened to this afternoon and which are promised to us tomorrow, that this conference is considering Modernization primarily in terms of the political adjustments--under great and varied pressures--which a number of countries, frequently categorized as "under developed", are making to the modern order of the highly developed industrial societies. The latter are found predominately in Europe, in North America and on the Japanese Islands. And further, I assume that all of you participating in this conference are primarily concerned on this occasion with the countries of the Near East and North Africa which are undergoing this Modernizing experience.

This is a good point at which to establish my credentials, or rather my lack of them. First of all, I do not appear here in any sense as a spokesman for the United States Government ~~for~~ for the International Bank for Reconstruction and Development.

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Secondly, my first hand familiarity with the Near East and North Africa is almost non-existent. Although I have served in Europe and in the Far East, my direct acquaintance with North Africa is confined to a single fascinating, crowded day in Morocco. I have been in Turkey and Afghanistan several times each and I did, six years ago, spend a week or so in Teheran for a CENTO conference. I can claim, however, from certain responsibilities I have had in the past in the Department of State in Washington, a vicarious and fairly extended experience with every one of the countries which are named on your program. Most of these experiences, I would add, were connected with what is now euphemistically described as "crisis management."

My role tonight, I take it, is to relate the United States--not to changes just in this segment of the world undergoing Modernization--but to the modernizing world as a whole. Of course this concept of my role overlooks the fact that the United States is also undergoing Modernization at a rate which I find at times frightening. But I will not pause to share with you my wonderment at what we ourselves are experiencing.

I purpose to be brief, for I am well aware of Voltaire's dictum that the mind can absorb only so much as the seat can stand. I plan to break my remarks down into three sections. First, let me discuss briefly and in very broad terms the major forces and influences which seem to me to be shaping the future for all of us. They bear with particular weight and sharpness on those countries undergoing what in the framework of this conference we call political Modernization. Let me try to underline the particular impact which these forces and influences have--in my opinion--on the modernizing world, and finally I will comment on the role that the United States is playing in this

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process--what its attitudes and policies have been and are, what its contribution can be to a more rapid, more orderly, more sensible process of Modernization.

II

Let us look for a moment at the world in which we live and consider specifically what has happened to us and what forces and influences have been at work in the last twenty years or so. The most striking--and the most obvious--fact is that we are living in a revolutionary world. Indeed we are being battered and buffeted not by a single revolution, but by what seem to me to be three.

The first of these, which is far and away the most obvious and in the long run the most important, is the scientific or technological revolution. I will not dwell upon the impact of the application of science and technology on communications. Under this rubric, of course, come the airplane and the other vehicles developed for the more rapid transportation of people and cargo. Under the same rubric come the telephone, the radio and T.V., now with space relay stations. The physical consequence of these developments has been quite literally the compression of time and space. The world has shrunk and the political consequences have been equally revolutionary. For one thing, ponder for a moment what this speed-up of communications has done to the conduct of diplomacy; or to the ability of local leadership to mold local political opinion.

This scientific revolution seems to be gaining speed as it proceeds. It is not new, of course. The most obvious testimony to this fact which occurs to me is what science has done to agriculture in the US since the birth of this Republic. One hundred and fifty years ago over 90% lived on farms. In other words, it took over nine people to support one person

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in the town or cities. Today only 5% of the working population of the United States is engaged in agriculture.

Put in other terms, one farmer family raises enough food for itself and in addition enough for about 19 other American families. In fact, that is not the entire story because there is a surplus of food raised by these American farmers which is shipped abroad. Today, for example, more than 20% of all the wheat raised in the United States is being shipped to India.

It is obvious that many of the domestic problems with which we are wrestling in the United States today arise from this revolution on the farm. Urbanization, mass transportation, shifting domestic political party allegiance--as different economic interests become dominant--reapportionment, the tug between cities and states and states and the Federal Government, and cities and the Federal Government.

A not insignificant side effect of this scientific revolution on both the developed and less developed nations has been in the field of medicine and sanitation. The reduction in infant mortality, the control of epidemics, the reduction in the death toll from famines (for a variety of reasons ranging from pesticides to helicopters to PL 480) and the widening application of modern techniques of sanitation and public health have all combined to produce the population explosion. ~~This has created obvious problems in the United States for our schools and universities, to give one example.~~ It has posed ~~far more~~ serious, stark problems for the underdeveloped countries--with food shortages heading the list.

So much for the scientific revolution. Since I have not even mentioned

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the exploration of space, you can judge what broad brush treatment I have given to this dynamic, disturbing accelerating whirlwind in which all of us live.

Before leaving it, however, let me give you a statistic which I dug out ~~for myself~~ the other day. It reinforces my conviction that the pace of the scientific revolution promises to accelerate and as a consequence the lead of the industrially advanced countries is more likely to widen than to narrow the gap between themselves and the less-advanced countries, unless something is done about it. What that something might be I will come to later. The statistic is this. Less than a dozen countries in the world have an entire Gross National Product equal to or exceeding what the United States is spending this year on Research and Development alone, counting expenditures by government, the universities, and industry.

The second revolution of our times seems to me to be the revolution of Nationalism. I will not argue whether nationalism qua nationalism is a good thing, or in its extreme form even appropriate to the 20th Century. It would appear to be in fact, however, a major force in changing the political environment of the entire world since the end of World War II. When the second great European civil war of this century broke out and spread around the world--as the first had before it--the great Empires ruled from Western Europe were doomed. Nationalist forces in dependent territory after dependent territory rose up, in the immediate post-war period, to accelerate the emergence of new independent countries out of what had been dependencies of one character or another. More than a billion people--a third of the world's population--have gained their political independence since 1945. There are more than 60 ^{new} independent states since that date. In Africa--to take

- one example--

one example--at the close of the last war, there were only four independent governments. Today there are approximately 40. The membership of the UN has much more than doubled since the Charter was signed in San Francisco 21 years ago.

One should likewise note that concurrently a new quasi-empire or colonial power was appearing on the world scene in the form of the collection of eastern and central European countries which were overrun by the Red Army in the later months of World War II and attached as satellites revolving around Moscow. In the past five or ten years these states--once proud and independent--have been by no means immune to the winds of nationalism and in addition to the break away of Yugoslavia from tight embrace, virtually all of them have succeeded in loosening to a degree the bonds tying them to the Soviet Union.

This nationalist revolution, I think, has not yet run its course. In fact, one can cite examples on every continent, including our own, where *nation* states--many of them long-established--are being subjected to severe internal strains and stresses which may portend political fragmentation in contrast to the coagulating political processes which dominated ~~the~~ European ~~scene~~ for nearly a century following 1848.

The third revolution--though I am not quite sure this is accurate terminology--is the Communist Revolution. The first national base for Communism of course was established by the Bolsheviks in Russia in 1917. This base was reinforced by the victorious westward sweep of the Red Army across Europe in the latter months of World War II which--as I have earlier indicated--enabled this national power center to impose Communist governments on the weak eastern and central European states.

Then in 1949 the Communists in China completed their conquest of the mainland. When that happened, one-third of the world's population had fallen under the control of a movement--international as well as national in character--which was essentially expansionist. A basic tenet of Communism was and is that history, with such assists as Communists may helpfully provide in the way of subversion, support of "wars of liberation," and even classical military invasion, ineluctably decrees that Communism will replace all other forms of political and economic organization throughout the entire world.

The collision of this concept with the determination of this country and those free people in ^{*The Western Hemisphere, in*} Europe and Asia who have been willing to ally themselves with the United States for the purpose of preventing this happening has produced what is known as the "cold war."

I appreciate that this is an over-simplification of a crowded quarter of a century of history, but I believe it to be a fair statement. I further believe that the persistence of this Communist effort to dominate the world by revolutionary means remains one of the most powerful ingredients in the revolutionary period we live in.

Certainly it is one of great importance in considering the process of modernization for the new emergent states.

These then are the three revolutions which seem to me to be affecting the lives of everyone on this globe.

Before moving on to my next point, however, I would like to note that for the less developed countries, elements in all three of these revolutions

have combined to give rise to what has been popularly described as the "revolution of rising expectations." For myself, I do not consider this understandable and wide-spread psychological phenomenon to be in fact a true revolution.

Science and technology have helped produce for all to see in North America, in Western Europe and in Japan, the wonders of modern production and consumption, in its great profusion and variety.

The Nationalist Revolution, which gave so many hundreds of millions of people control--as they thought--over their own destiny, led many of them to believe that they could now take giant steps to move from poverty to affluence. More as a form of economic organization than as a political ideology, Communism at first blush appealed to some of them as providing a blue print--ready at hand--for the achievement of forced-draft, rapid industrialization. A large measure of disillusionment with this asserted short cut has developed but excessive hopes for economic miracles still exist as one of the products and consequences of the three genuine revolutions through which the world is passing and which I have attempted briefly to describe.

Against this background how should one depict the process of political modernization which many of the newer, less developed countries, are undergoing? For if we agree on this, I can then turn--in closing--to a description of what in my view has been the response of the U. S. over the past 20 years to the "vast external realm," and--even more important--the directions in which its future actions might render its response to the modernizing world even more constructive and effective.

III

Frankly, I find it difficult to describe the process of political modernization in the less developed countries in purely political terms. I think it is more realistic and helpful to talk about it in terms of the political economy of these countries, for in large measure their political problems arise from their own inescapable and intertwined economic problems.

I should perhaps note here that I interpret Modernization in the economic sense as comprehending the acquisition of new skills and techniques through education and the transmission of know-how, the development of an adequate infrastructure--roads, ports, dams and power plants--for example, and the provision or development of plant, techniques and tools which result in greater productivity. Food to meet a famine or a chronic deficit is charity or sustaining aid, not development assistance or modernization.

Broadly speaking these less developed countries are suffering from the excessive expectations for industrialization which most of them associated with independence. In the last decade this has just not worked out as a general proposition. Moreover, the majority of them have been grappling with the chronic difficulties which afflict all primary producers. The terms of trade have not been changing to their benefit. In point of fact, the rich nations have tended to become richer while the poorer nations have become--if not poorer on a per capita basis--then relatively stagnant. The gap between dreams and reality has been a tragic one.

Mr. George D. Woods, President of the International Bank for Reconstruction and Development, had some sobering words to say on this in his article, which is entitled "The Development Decade in the Balance," in

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last January's issue of Foreign Affairs.

Mr. Woods said: "When allowance is made for population growth, per capita income in about half the 80 underdeveloped countries which are members of the World Bank is rising by only one percent a year or less. Even to keep abreast of recent high rates of population growth is not a negligible achievement, but it is far from sufficient. The average per capita income in this lagging group is no more than \$120 a year. At a one percent growth rate, income levels will hardly reach \$170 annually by the year 2000. In some countries they will be much lower.

"This is crude arithmetic. But its implications are plain and sobering. If present trends are allowed to continue, there will be no adequate improvement in living standards in vast areas of the globe for the balance of this century. Yet, over the same period, the richer countries will be substantially increasing their wealth. In the United States, for example, the present per capita income of about \$3,000 a year will, if it continues to grow at the current per capita rate, reach about \$4,500 by the end of the century. In other words, one group's per capita income will increase over this period by \$50, while America's will increase by about \$1,500."

I am reminded by this of Bob Lovett's description some years ago of the United States as being "the fat boy with a bag of candy in a canoe."

The emphasis of so many of the less developed countries on industrialization as the economic be all and end all, has compounded their difficulties, both economic and political. It has led some of them to seek aid from whatever quarter, without regard to any political strings--dangling openly or concealed--which might attach to that aid. It has encouraged--among other results--a mass movement from the countryside to the urban centers,

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with all that this has entailed in political restlessness, economic misery and neglect of the crops. Mr. Thomas Mann, Under Secretary of State, recently made a point in testifying before a Congressional Committee which deserves continuing emphasis. He said "in virtually all the developing countries of the world an increase in agricultural productivity may well be the critical element to satisfactory economic growth."

- Now how have these economic developments affected the processes of political modernization? I think the short answer in most of these countries is, "adversely."

With few exceptions the newly independent nations embarked on sovereign nationhood with an inadequate nucleus of trained civil servants, technicians and professional people. This varied widely from country to country, but generally speaking I think it is true. Then the political institutions which most of them adopted at the outset were in a great majority of the cases on the pattern of European parliamentary democracy. This was natural since so many of these countries had been colonies or protectorates of the Western European powers and encouraged by them to develop more or less in their own political image. By hindsight we now realize that this is a sophisticated and delicately balanced form of political organization.

Its survival record has not been good in Africa and Asia. In Africa, for example, the civilian government in power has been overthrown and superseded by the military in nine different countries in the last nine months. Disillusionment with many of the early leaders of independence as expectations were not met; ill-planned and grandiose investments in national status symbols; the restlessness and poverty of new masses in the cities; the

-- inadequate

inadequate attention given in many countries to agriculture; the high birth rate--these and other factors have led to disappointingly slow progress in the modernization processes for most of the less developed countries and in consequence to a wide prevalence of political instability.

Before concluding this litany of disappointment and obstacles and political difficulties, I should make two points.

The first is that there is a further compelling reason for considering in this talk the processes of Modernization in politico-economic terms rather than exclusively in political terms. This relates directly to the difficulty of generalizing about the developing countries. Specifically, I am reminded that of the three modernizing monarchies discussed this afternoon--Saudi Arabia, Iran and Morocco--all of them have had long, long histories of national identity and independence. Only one of them--Morocco--can be considered as having re-emerged as an independent sovereign state since World War II. All of the Latin American countries have long been independent. The adaptation of these countries to what we consider the modern world has required adjustment of existing political institutions and not the creation of new ones, but--notwithstanding this fact--the problems of economic modernization are much the same for practically all of the less developed countries of the world.

The second point which I want to make is that progress and economic advancement ~~has~~ ^{HAVE} been varied. Take Taiwan as a shining exemplar. A dozen or so years ago it was generally thought that Taiwan would be dependent on United States economic aid for decades. Let me quote Mr. David Bell's statement on Taiwan's achievement from a speech about a year ago:

"Since 1954, Taiwan's industrial output has tripled, and its total

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output of goods and services has jumped 45 percent. Exports have risen rapidly. Education and health facilities have expanded. Today, Taiwan is in the position of having sufficient competence and know-how, and sufficient economic strength, that it can count on making further rapid gains in economic well-being without the necessity for further grants and soft-term loans from the United States. Taiwan will, of course, require further capital and technical skills from outside, but it is now in a position to obtain them in the ordinary way, through international trade and ^{The} world capital market.

"Accordingly, the United States and the government of free China on Taiwan have agreed to end this highly successful aid program, and on next June 30th the economic aid mission in Taipei will be closed. The successful completion and termination of our economic aid program on Taiwan, like previous successes in Europe, in Japan, in Greece, and elsewhere, sets the standard we seek to follow everywhere we work."

In many other countries, solid economic accomplishments meet the eye-- in Pakistan, in Chile, in the Republic of Korea and in Turkey, to name a few.

IV

I come now to my concluding remarks in which I will briefly comment on the role that I think the United States has played in this process of Modernization by the less developed countries and how it can continue--and hopefully, increasingly--to contribute constructively and effectively to the process.

I suppose the outstanding and basic response of the United States to this wave of newly independent countries born since World War II has been one

of instinctive sympathy and of political support.

We in the United States are acutely conscious of our own revolutionary origins and we have sensed the psychological role which our own history has played in many independence movements around the world. We believe, almost as an article of faith, in the right of peoples to self-determination and self-government. We encouraged by our public attitudes and by the exercise of our influence the process of de-colonization. Indeed, if we are guilty of fault I personally incline to the belief that we erred ~~in this matter~~ in the direction of exuberance rather than lack of zeal.

We have welcomed the new nations as they have established themselves in the United Nations as fully sovereign countries. In my view there is no question but that we have attached great weight to the expressions in the United Nations and elsewhere of the attitudes and aspirations and complaints of the developing countries. We have in point of fact on many occasions disturbed and disappointed old friends and allies by casting our vote with the emerging countries on individual occasions when the former believed their own interests were damaged.

I do not think it irrelevant ~~that~~, as an expression of our sympathy for the newly independent countries, ^{That} we have been the largest single financial contributor to the United Nations and its constituent organs, as well as one of its most loyal supporters.

In passing I might also mention that the maintenance of our defensive military establishment, our willingness to give assistance to those countries which have felt themselves threatened and which asked for assistance, and our reaction to direct aggression, as in the case of the invasion of the Republic of

Korea by North Korea, ^{HAVE} ~~was~~ erected something of a shield against militaristic and aggressive expansionism from which many of the developing countries have benefited to a degree which ^{neither} they nor others who also benefited will ~~never~~ acknowledge.

But the most tangible area in which we have attempted to contribute to the processes of Modernization by the less developed countries of the world, has been in economic and technical assistance.

This has taken many forms. Through PL 480 ^{- Food for Peace -} we have made our surplus agricultural products available where they were needed, both to meet famine and disaster, and also to contribute to ~~an~~ economic development programs. We have had at one time or another bilateral economic assistance programs, with more than 70 underdeveloped countries. In the past 10 years we have provided through PL 480, \$13.1 billion worth of agricultural products and through bilateral economic aid programs, \$34.2 billion. We have also contributed generously to multilateral instruments for providing economic aid and technical assistance. We subscribed ^{nearly} ~~to~~ 30% of the capital for the International Bank for Reconstruction and Development; we are the largest single contributor to its offspring, the International Development Association and we have been the largest single contributor to the United Nations Special Fund and Technical Assistance programs.

We are heavy contributors to the Inter-American Development Bank and in the recently created Asian Development Bank we are one of the charter members and, on a basis of equality with Japan, one of the two largest subscribers to its capital.

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We have done all of this partly because as a people we felt it our duty to share something of our own bounty with the less fortunate. We have also quite clearly done it in our own enlightened self-interest. An oasis of affluence surrounded by starvation and poverty is not a particularly secure place in which to live.

Now, looking for the future, what can we do ^{to} ^{further} assist this process of Modernization? I think the simplest answer is to keep on doing what we have been doing, only quite a lot more so.

Specifically, I believe we should continue our support of the United Nations as an institution where old and new nations meet and talk in sovereign equality. I do ~~not~~ think, however, that as new nations become older ~~that~~ we are entitled to expect of them a higher standard of responsibility and behavior than some have shown in their early days of independence.

We should increase, rather than reduce, our bilateral economic aid. But I think we should continue the process already consciously adopted as a matter of policy ^{to} ^{we} concentrate it in a relatively limited number of countries which show a significant degree of cooperation and performance, ^{thus} warranting the contribution we can make. I think we are ~~absolutely~~ right in placing an increased emphasis on agricultural techniques and such related projects as fertilizer factories, in order to ensure that the industrial superstructure which all desire and hope for is built on a solid agricultural base, enabling the adequate nourishment of an increasingly urbanized population. Help where asked in population control matters is another area in which we and others can make a contribution.

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~~Finally~~, I think that the United States should--in company with others--increase substantially its contribution to the funds periodically made available by capital exporting members of the World Bank to the International Development Association. This Association, before approving a credit, requires the same rigid economic justification that the World Bank does for a loan. Its terms for repayment and for carrying charges are concessional and it plays a vital role in the whole developmental process. We would be very unsophisticated indeed if we failed to realize that there are many situations--many countries--where economic progress is in our own general interest, but where aid can be proffered and supervised far more effectively by a multilateral institution than by a single aid giver. The record of the World Bank and its affiliates has been outstanding. Its staff is unsurpassed in professional competence. Hand in hand with our own national aid program should go, in my view, an increased United States contribution to IDA.

Let me make another important point. The problem of assisting the less developed nations to narrow the gap between themselves and the richer, research-oriented countries, to give the former some genuine hope for the achievement of their reasonable aspirations, and to avoid the dangerous consequences which I believe would ultimately result from failure to accomplish these things among the eighty-odd countries undergoing this process of modernization, demands that there be a concerted increased effort by all of the highly developed industrialized countries. The United States, by increasing its own contributions to these ends cannot solve the problem by itself. We are already doing about half of the job that is being done.

In the calendar year 1963, U. S. bilateral economic aid came to

-- \$4.0 billion

\$4.0 billion of which PL 480 shipments were nearly \$1.5 billion. Bilateral aid programs of all the other developed countries, who are members of the Development Assistance Committee of the OECD, came to \$2.7 billion and aid to the developing countries provided by the various international agencies totalled \$1.4 billion. The grand aggregate was \$8.1 billion and the U. S. contribution was 49.4% of that amount. We must all do better and the Development Assistance Committee and the World Bank have invaluable roles to play in the exercise of leadership in mobilizing the substantial, continuing, increasing common effort which is required.

My closing thought is that international and national governmental aid programs can never be expected to provide more than a fraction of the vast sums of development capital which the less developed countries are going to need in the years ahead.

As Mr. George Woods has publicly pointed out, the developing countries could profitably utilize \$3 - to \$4 billion more economic aid annually than they now receive. ~~and~~ In the past five years--as their populations have been growing and as their absorptive capabilities have been increasing--there has been a leveling off, onto a plateau, of the aggregate annual aid available. In the short-run, as well as in the long-run, private investment capital must carry the greater burden of financing development in the less developed parts of the world. In order that it can do so, many ingredients are required.

First, an understanding is needed on the part of the recipient countries of this fact, ~~and~~ I believe this is generally increasing. ^{Secondly, a certain degree of political stability in host countries *is required.*} Next, some encouragement by capital exporting countries, such as investment guarantee schemes and lively governmental interest and support, ^{*must be provided.*} And finally, sophisticated and sensitive understanding of foreign attitudes and policies by the private investing interests, ^{*is called for.*}

- In closing

In closing, I state my conviction that there has been great progress in all these aspects of contributing to the modernizing process in the past ten years. But not yet enough. I think that the combination of sympathetic political understanding, increased contributions to both bilateral and multilateral aid programs and the support of enlightened private investment activities on the part of the United States and other highly developed nations can--in combination--both ease and speed the process of Modernization among the less developed countries.

March 24, 1966