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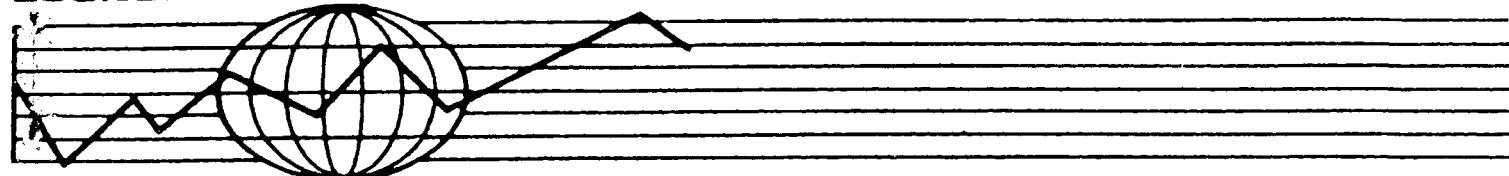
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**LOST DIRECTIONS: U.S. FOREIGN ASSISTANCE
POLICY SINCE NEW DIRECTIONS**

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LOST DIRECTIONS:

U.S. FOREIGN ASSISTANCE POLICY SINCE NEW DIRECTIONS

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The current emphasis on poverty and on meeting basic human needs is a logical next step in the evolution of development thinking that offers several fundamental advantages compared to the previous approaches focusing on growth, employment, and income redistribution.

John Sewell (1981)¹

...the emphasis today is on the Soviet problem. It is because it is indeed this problem that puts the broader and the longlasting universal aspirations of the American people first to world peace and secondly for the realization that the basic human values which this nation stands for in jeopardy. These are values which are embodied in our constitution and which we hope to see broadened internationally among states who have been less blessed than ourselves.

Alexander Haig (1981)²

Foreign assistance in the United States has been subjected to many diverse and, at times, conflicting objectives. They have ranged from meeting U.S. security and economic needs to enhancing the economic and political development of developing countries. The means employed to reach these objectives have been equally diverse: the Marshall Plan, the

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technical and institutional programs of the 1940s and 1950s, and the more growth-oriented projects of the 1960s. In short, strategies reflect changes in the global political and economic environment, and in U.S. politics.

The 1973 Foreign Assistance Act (referred to as the Basic Human Needs Mandate [BHN] or New Directions), redirected U.S. development assistance strategy to the poorest, mostly rural people of the developing world. BHN was hailed initially as a "significant departure" from the growth-centered assistance of the 1960s and concentrated on food production, rural development, nutrition, population planning, health and education.³ Unfortunately, the mandate turned out to consist of more rhetoric than deeds. For example, although BHN was "enshrined"⁴ in policy in 1978 when Congress declared the principal purpose of U.S. bilateral assistance to be to support equitable growth and to enable the poor majority to "satisfy their basic needs and lead lives of decency, dignity, and hope,"⁵ the Carter administration and the Congress soon began to reallocate resources away from BHN to more U.S. security-dominated interests; and they regarded with skepticism the value to the United States of multilateral development assistance. Thus there was initiated a dramatic shift to bilateral economic and security assistance.

The two Reagan administrations used this security emphasis to swell foreign assistance appropriations for their purposes. Nevertheless, by 1986, the growth of the federal budget deficit emboldened the Congress to become less obliging. The foreign assistance program became a political quagmire. Since then, assistance appropriations have been scaled down.

Economic development may dominate the rhetoric of foreign assistance but its implementation reflects a rivalry between the administration and Congress. Each promotes a different agenda in the search for a feasible policy. To understand the reality and the rhetoric of the U.S. assistance program since the inception of BHN it is necessary, consequently, to identify the underlying determinants of the U.S. policy. This paper examines these sources.

As a start, let's examine the budgetary trends of the years 1978-1989 and their origins: and continue with the presidential administrations; the United States Agency for International Development (USAID); the Congress; external and societal influences; and intellectual institutions and writings.

Trends in Foreign Assistance

By reviewing specific allocations of U.S. foreign assistance, administration priorities can be identified for the various programs and/or initiatives (see Tables 1-5).⁶ The foreign assistance trends are especially revealing for the Carter and subsequent Reagan administrations because of the clear contrast between administrative rhetoric and actual aid disbursements. The rhetoric stressed BHN, economic development based on free markets, and democratic capitalism. The disbursements, however, emphasized U.S. national security interests and assistance to political allies. These trends are illustrated in the foreign assistance accounts (USAID functional accounts, Economic Support Fund [ESF], multilateral assistance, etc.), the geographic areas where funds were disbursed, and the budget process.

TABLE 1

U.S. Foreign Economic and Financial Assistance
Annual Budget Authority, 1978-1989
(Functional Code 150; in billions of current dollars)

	Carter Administration				First Reagan Administration				Second Reagan Administration			
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988^g</u>	<u>1989^g</u>
Development Assistance ^a	1.3	1.7	2.0	1.9	2.0	2.0	2.0	2.3	2.1	2.2	2.2	2.1
Food Aid ^b	1.1	1.3	1.5	1.6	1.4	1.4	1.6	2.2	1.7	1.5	1.4	1.4
Multilateral Assistance ^c	2.2	2.8	2.5	1.3	1.5	1.8	1.6	1.7	1.4	1.4	1.4	1.5
ESF ^d	2.2	2.3	2.0	2.1	2.9	3.0	3.3	6.1 ⁱ	3.8	3.6	3.2	3.3
Total Economic Assistance ^e	6.8	8.1 ^h	8.0	6.9	7.8	8.2	8.5	12.3 ⁱ	9.0	8.7	8.2	8.3
Military Assistance ^f	2.4	6.6 ^h	2.1	3.2	4.1	5.5	6.5	5.8	5.8	5.0	5.2	5.7
<u>Total</u>	<u>9.2</u>	<u>14.7^h</u>	<u>10.1</u>	<u>10.1</u>	<u>11.9</u>	<u>13.7</u>	<u>15.0</u>	<u>18.1ⁱ</u>	<u>14.8</u>	<u>13.7</u>	<u>13.4</u>	<u>14.0</u>

a. Bilateral USAID functional accounts, miscellaneous programs (i.e., disaster relief), Peace Corps, International Narcotics Control, refugee assistance, other miscellaneous economic assistance (Sahel Development Program, the Development Fund for Africa).

b. PL480 Program, Titles I and II.

c. Contributions to the multilateral development banks (i.e., World Bank, International Development Association) and international organizations and programs (i.e., United Nations)

d. Replaced security supporting assistance in the International Security Assistance Act of 1978. Includes monies for large projects, commodity import financing and cash grants.

e. Assistance given to bolster economies of recipient countries: not considered military assistance.

f. International Security Assistance: Military Assistance Program (MAP), foreign military sales (FMS) credits, military training (IMET).

g. Estimated.

h. Includes \$4.8 billion economic and military aid package to the Middle East.

i. Includes \$1.1 billion emergency economic aid transfer to Israel, Egypt, and Jordan.

Source: Budget of the United States Government, various issues, FY 1980-89, Produced by the Office of Management and Budget (Washington D.C.: GPO).

Program Trends Table 1 presents the trends in the flow of foreign assistance since 1978. The year 1978 was chosen as the base because it was the first foreign assistance budget prepared by the Carter administration.

For purposes of this study, development assistance refers to the direct transfer of funds from the United States to a recipient country; and it is considered bilateral (as opposed to multilateral) assistance, placing emphasis on long-term development and humanitarian concerns.

PL480--Public Law 480/Food for Peace--provides food aid through bilateral assistance. The U.S. government offers concessional, long-term financing for the commercial sale of U.S. agricultural commodities under Title I and Title III (the latter is the Food for Development Program), and through grants (Title II) to meet emergency and humanitarian needs; it includes economic and community development in recipient countries. The authority for Title I and Title II programs is included in Table 1.⁷

The Economic Support Fund (ESF), also bilateral assistance, is mostly used to provide security assistance. It replaced Security Supporting Assistance by the International Security Assistance Act of 1978 to assist countries that have special economic, political, or military significance for the United States. ESF is a very flexible account and allots funds in the form of project support, commodity import financing, or cash grants.⁸

Multilateral assistance includes the budget for Multilateral Development Banks (MDBs) and International Organizations (i.e., UNICEF, United Nations Development Program, and Organization for American States). Its assistance is directed to development.

The assistance trends in the Carter budgets emphasize bilateral assistance, development assistance, and food aid; a sharp decline in multilateral assistance; and relatively stagnant ESF authority.

During the first Reagan administration, ESF funding shows substantial increases whereas other bilateral economic assistance programs increased only slightly, and multilateral assistance funding decreased and became virtually stagnant at its lowest level since 1981. The overall budget for economic assistance grew by 20 percent. During the second Reagan administration, a downward trend occurred in overall budget authority with drastic cuts in the ESF account--the favored budget during the first administration.

The trend in military assistance also is shown in Table 1 to illustrate the linkage of economic, security, and military assistance. The large build up of military assistance during the first Reagan administration coincided with increased ESF authority. Military assistance continued to be high during the second Reagan administration.

Table 2 shows the foreign assistance authority for the same period of 1978-1989. The dollar amounts have been deflated to reflect constant 1982 dollars to make the appropriation trends clear. Thus the table makes evident that during the second Reagan administration sizable declines occurred in development assistance, food aid, and multilateral assistance whereas funding for ESF peaked in 1985 and then started the decline that still is in effect. The budget authority for foreign economic assistance, in real terms, clearly declined by almost 30 percent between 1978 and 1989 whereas the authority for military assistance increased by almost 40 percent.

TABLE 2

U.S. Foreign Economic and Financial Assistance
Annual Budget Authority, 1978-1989
(Functional Code 150; in billions of constant 1982 dollars)

	Carter				First Reagan				Second Reagan			
	Administration		Administration		Administration		Administration		Administration		Administration	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988 ^a	1989 ^a
Development Assistance	1.8	2.2	2.3	2.0	2.0	1.9	1.9	2.1	1.8	1.8	1.8	1.7
Food Aid	1.5	1.6	1.8	1.7	1.4	1.3	1.5	2.0	1.5	1.3	1.2	1.1
Multilateral Assistance	3.0	3.6	2.9	1.4	1.5	1.7	1.5	1.5	1.2	1.2	1.2	1.2
ESF	3.0	2.9	2.3	2.2	2.9	2.9	3.1	5.5 ^c	3.3	3.1	2.7	2.7
Total Economic Assistance	9.3	10.3	9.3	7.3	7.8	7.8	8.0	11.1 ^c	7.8	7.4	6.9	6.7
Military Assistance	3.3	8.4 ^b	2.5	3.4	4.1	5.3	6.0	5.2	5.1	4.3	4.3	4.6
<u>Total</u>	<u>12.6</u>	<u>18.7^b</u>	<u>11.8</u>	<u>10.7</u>	<u>11.9</u>	<u>13.1</u>	<u>14.0</u>	<u>16.3^c</u>	<u>12.9</u>	<u>11.7</u>	<u>11.2</u>	<u>11.3</u>

a. Estimated.

b. Includes \$6.1 billion (in constant 1982 dollars) economic and military aid package to the Middle East.

c. Includes \$1.0 billion (in constant 1982 dollars) emergency economic aid transfer to Israel, Egypt and Jordan.

Source: Budget of the United States Government, various issues, FY 1980-89, Produced by the Office of Management and Budget, (Washington D.C.: GPO).

To further illustrate the priorities of the Carter and Reagan administrations, Table 3 compares the budget components of the economic assistance category as a percentage of total assistance. Opposing trends show up for development assistance, multilateral assistance and ESF. The 40 percent funding level for ESF was attained mainly at the expense of funds for multilateral assistance.

TABLE 3

U.S Foreign Economic and Financial Assistance
(Program as a percentage of Total Economic Assistance)

	Carter Administration				First Reagan Administration				Second Reagan Administration			
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> ^b	<u>1986</u>	<u>1987</u>	<u>1988^a</u>	<u>1989^a</u>
Development Assistance	19.2	21.0	25.0	27.5	25.6	24.4	23.5	18.7	23.3	25.3	26.8	25.3
Food Aid	16.2	16.0	18.2	23.3	18.0	17.1	18.8	17.9	18.9	17.2	17.1	16.9
Multilateral Assistance	33.3	34.6	31.2	18.8	19.2	21.9	18.8	13.8	15.6	16.1	17.1	18.1
ESF	32.3	28.4	25.0	30.4	37.2	36.6	38.9	49.6	42.2	41.4	39.0	39.7
<u>Total</u>	100	100	100	100	100	100	100	100	100	100	100	100

a. Estimated.

b. Includes \$1.1 billion emergency economic aid transfer to Israel, Egypt, and Jordan.

Source: Budget of the United States Government, various issues, FY 1980-89, Produced by the Office of Management and Budget (Washington D.C.: GPO).

Geographic Trends. Because political and strategic importance is often dictated by geographic region, the geographic allocations of U.S. foreign assistance also illustrate the concerns of administrations. By determining the amount of assistance to a specific country or region, judgments can be made on priorities and objectives.

Tables 4 and 5 show that the Near East consistently received the largest share of assistance and that assistance to Latin America doubled in real terms from 1978 to 1989. Assistance to Africa fluctuated by 0.1 or, at most, 0.2 billion, in keeping with the trend of the overall foreign assistance budget, but assistance to Asia (and the other components of the category) steadily declined.

TABLE 4 U.S Foreign Economic and Financial Assistance
 (Economic Assistance in billions of constant 1982 dollars)

	Carter				First Reagan				Second Reagan						
	Administration	1978	1979	1980	1981	Administration	1982	1983	1984	1985	Administration	1986	1987	1988 ^e	1989 ^e
Africa ^a		.9	.8	1.0	.9		.9	.9	1.0	1.1		1.0	.8	.7	.7
Asia ^b		1.5	1.5	1.3	1.1		1.1	1.1	1.2	1.4		1.4	1.3	1.1	1.0
Latin America ^c		.6	.7	.7	.7		1.0	1.0	1.4	1.5		1.4	1.3	1.2	1.2
Near East ^d		2.7	3.1	2.7	2.5		2.5	2.6	2.4	5.2		2.5	2.5	2.4	2.3
Total		5.7	6.1 ^f	5.7	5.2		5.5	5.6	6.0	9.2 ^g		6.3	5.9	5.4	5.2

a. Sub-Saharan Africa, including the Sahel Development Program.

b. East Asia and Southeast Asia; also includes Europe, Eastern Europe, and the Developed Countries.

c. Central and South America, Caribbean.

d. Middle East, Northern Africa, Turkey and Near East Regional.

e. Estimated.

f. Includes portion of \$6.1 billion economic and military aid package to the Middle East.

g. Includes \$1 billion emergency economic aid transfer to Israel, Egypt and Jordan.

Source: Foreign Assistance and Related Programs Appropriations for 1988, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 100th Congress, First Session, AID Congressional Presentation Fiscal Year 1988, February 1987 (Washington D.C.: GPO, 1987); see Main Volume, Part II.

TABLE 5U.S Foreign Aid Obligations, 1978-1989, by Major Region
(as a percentage of total)

	Carter				First Reagan				Second Reagan			
	Administration				Administration				Administration			
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988 ^a	1989 ^a
Africa	15.8	13.1	17.5	17.3	16.4	16.1	16.7	12.0	15.9	13.6	14.6	14.6
Asia	26.3	24.6	22.8	21.1	20.0	19.6	20.0	15.2	22.2	22.0	21.8	21.8
Latin America	10.5	11.5	12.3	13.5	18.2	17.9	23.3	16.3	22.2	22.0	21.8	21.8
Near East	47.4	50.8 ^b	47.4	48.1	45.4	46.4	40.0	56.5 ^c	39.7	42.4	41.8	41.8
Total	100	100	100	100	100	100	100	100	100	100	100	100

a. Estimated.

b. Includes portion of \$6.1 billion economic and military aid package to the Middle East.

c. Includes \$1 billion emergency economic aid transfer to Israel, Egypt and Jordan.

Source: Foreign Assistance and Related Programs Appropriations for 1988, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 100th Congress, First Session, AID Congressional Presentation Fiscal Year 1988, February 1987 (Washington D.C.: GPO, 1987); see Main Volume, Part II.

The Carter administration placed great emphasis on the Middle East and Latin America. In its efforts to downplay East-West tensions, the administration sought smaller obligations for Europe and the Asian countries.⁹ The Reagan administration continued support to the Middle East and further increased funds for Latin America. The administration intensified the cold war rhetoric to achieve large increases in the total foreign assistance budget. Increases in assistance to Asia and to the developed countries of Europe were based on strengthening NATO allies and base-right agreements with countries such as Spain and Portugal.¹⁰

Budget Process. The U.S. government establishes annual budgets for foreign assistance; the issues of how much to allocate and to whom are

largely political and vary little from year to year (e.g., Israel has received \$3 billion per year in total economic assistance from 1987-1989). What varies from year to year is the issue of how the foreign assistance will be used by recipients. This issue in the budgeting process generates the most intense debates and rifts between executive and legislative branches in the budget process. Both branches sometimes use the process to manipulate the foreign assistance program to meet their particular agendas.¹¹

The budget process is "exceedingly complex and time consuming."¹² It begins in Washington with programming guidelines that are sent to U.S. field missions and then are returned to Washington in the form of proposals written by the USAID missions and U.S. embassies. At the missions, the personnel (mainly Geographic officers and Development Resource and Development Planning Personnel) develop Country Development Strategy Statements (CDSS) that lay out recommendations for development assistance, PL480, and ESF; the CDSS provide the framework for USAID Planning. The recommendations are reviewed in Washington, along with the input collected from country ministers, consultants, and State Department Officials,¹³ and Project Identification Documents (PID) are created. These, in turn, give rise to the Annual Budget Submission (ABS), that justifies the funding needed to carry out the CDSS objectives. The ABS levels are established by State-USAID consultation based on a mix of perceived security-development needs. Regional Bureaus consolidate the data into an overall USAID-ABS that is integrated, in turn with State Department recommendations for an overall package consisting of economic, ESF, and security assistance funds.¹⁴

At the State Department, the mission proposals and recommendations are routed to the Interagency Review Group, which is coordinated by the Under Secretary for Security Assistance, Science and Technology¹⁵ and final budget recommendations are sent to the Office of Management and Budget (OMB). OMB reviews the budget and submits it to the president for review and recommendations. When the president gives his approval, the budget is printed and sent to Congress.

The Reagan administration sought to manipulate the budget process at the congressional level. Traditionally, Congress first passes the authorization and then the appropriation for foreign assistance. However, during the first years of executive-legislative debates on foreign assistance, the Reagan administration bypassed the usual process to move foreign assistance directly through the appropriations process, thus forcing aid into a continuing resolution.¹⁶

The executive branch achieved its major objectives, mainly sharply increased spending in selected areas, especially security assistance programs, through continuing resolutions, while avoiding many congressional conditions and limitations that would likely have been attached to regular foreign assistance statutes, particularly authorization measures.¹⁷

This strategy was very effective during the first administration owing largely to William Schneider, Under Secretary for Security Assistance, Science and Technology. He was the State Department's top foreign aid official and point man on the Hill for foreign assistance.¹⁸ He knew how to work the system; to bypass the authorization process and achieve the administration's objectives he only had to "lobby" the current power base in appropriations: Clarence D. Long (D-MD) and Jack K. Kemp (R-NY) in the House, and Robert W. Kasten (R-WI) and Daniel K. Inouye (D-HW) in the Senate.¹⁹

Kasten and Kemp supported the administration's objectives for the most part. Inouye and Long finally agreed to the proposals when the administration "gave in" on the continued funding for development assistance, principally, the International Development Association (IDA), the World Bank agency specializing in low-interest loans. Inouye was a strong supporter of IDA. Long was perceived as a weaker person and, thus, not an obstacle to Schneider and the political pressure of the administration.²⁰

This system effectively increased spending and changed priorities during the first administration but was not conducive to new programs or initiatives. Nevertheless, it suited the needs of the administration. More important, the priority changes were achieved without modifications to the structure of the foreign assistance act.²¹

During the second Reagan administration, the imposition of budget restrictions and the election of a new chairman of the Foreign Operations Subcommittee for House Appropriations, (David Obey (D-WI)), in conjunction with the lack of a new initiative and policy design, severely hampered the administration and sent it searching for ways to maintain a foreign assistance program. Now Congress no longer supported security assistance and clearly desired to maintain the development assistance budget. The administration, however, continued to stress short-term political and security needs over developmental needs. The result? a series of executive-legislative confrontations that essentially stymied the entire foreign assistance program (see section on Congressional sources).

Administration Sources

The White House and State Department, which are part of a president's administration, establish foreign policy goals that affect the flow of assistance. Thus in this section, we present our analysis of administrative sources in terms of the Carter administration and the two subsequent Reagan administrations.

Whatever the time period, it can be argued that the administration is most influential in formulating both foreign policy and foreign assistance policy under the leadership of the president. The success of any policy provision is reflected in the inclusion of that provision in legislation.

The Carter Administration. Like previous administrations the Carter administration commissioned a study of foreign assistance to develop an effective strategy. In October 1977, the Development Coordinating Committee (DCC; an interagency task force comprising representatives of the departments of State, Commerce, Treasury, Agriculture, OMB, and National Security Council, chaired by John Gilligan, director of USAID) set the tone for development assistance during the first years of the Carter administration, by calling for a commitment to improve conditions in poor countries through economic and technical assistance, multilateral lending, and basic human needs.²² The DCC report was not planned to build public support for foreign assistance but, rather, to ascertain an effective approach to BHN.²³

Trying to improve the implementation of BHN and, thus, the efficiency, effectiveness, and overall coordination of foreign assistance, the administration reorganized of the foreign assistance program under one

umbrella organization: the International Development Cooperation Agency (IDCA). Its main objective was to incorporate all economic assistance programs scattered throughout the various Departments--State, Treasury, Agriculture, and others--into an independent agency²⁴ and thereby give foreign aid more political and bureaucratic clout.²⁵

IDCA took over responsibility for USAID and for the Overseas Private Investment Corporation (OPIC; a quasi-governmental agency providing government-backed insurance and loan guarantees for private investments in developing countries), the funding and advising of international development agencies, and "partial responsibility" for the U.S. role in the MDBs.²⁶ The director of IDCA reported to both the President and the Secretary of State, and was the "principal development adviser to each."²⁷ Some foreign aid officials hoped the reorganization would give foreign aid more political and bureaucratic clout.²⁸

The establishment of IDCA also included the formation of the Institute for Scientific and Technological Cooperation (ISTC). The latter was to be set up to improve the technical side of U.S. foreign aid programs in agricultural production, population planning, health, and energy. Essentially, ISTC was designed to take over the USAID research programs that supported BHN objectives.²⁹

However well-intentioned the motivation to establish IDCA and ISTC, it foundered on interagency bureaucratic politics. IDCA may have been formed, in part, to counter a State Department move to acquire more influence in program planning.³⁰ USAID lobbied heavily for more autonomy, while Henry Owen, White House special assistant for economic matters and an "ally" of USAID, led the administration drive to push IDCA through

Congress.³¹ IDCA, however, lacked the necessary power base to change the foreign assistance bureaucracy. The role the director of IDCA relative to the role of the administrator of USAID was unclear, so too was the chain of command: who was to report to whom and who had the final say on budget matters. Many congress persons saw both IDCA and ISTC as just another layer of bureaucracy surrounding the foreign assistance program.³²

The proposed formation of IDCA came at the end of the Carter administration. It is extremely difficult to establish an agency during the transition to a new administration. This certainly was the case with IDCA; the conservative Reagan administration basically "ignored" IDCA, embedding it and USAID (the same person was appointed director of IDCA and administrator for USAID) in the State Department.³³ IDCA is still in existence, but in name only, and ISTC was never funded and thus, not established.

The Carter administration's major foreign policy initiatives that influenced the foreign assistance program most were human rights and North-South dialogue. Regionally, the administration focused on the Middle East and Latin America.

Critics argue that the human rights initiatives were flawed, given that some countries received preferential treatment. Foreign aid became a tool to enforce human rights in countries of little strategic importance, whereas countries of greater political/strategic significance to the United States were not subjected to the same sanctions.³⁴ Also, many policymakers viewed the North-South dialogue as counterproductive in the pursuit of a global balance of power.³⁵

At the regional level, two treaties reflect the Carter foreign policy: the Panama Canal Treaty (1977) and the Egyptian-Israeli Peace Treaty (Camp David Accords; 1979).³⁶ The latter was the last step in the revision of a U.S. assistance program that began in the middle 1970s. Up until 1973, Israel and Egypt had received approximately \$3 billion in U.S. military and economic assistance. They now receive that amount annually.³⁷

The Panama Canal Treaty, had been negotiated almost exclusively by Henry Kissinger. It reflected the Carter administration's commitment to a more positive relation with the countries of Latin America. This commitment was also reflected in the administration's response to the Nicaraguan revolution (1979) and in the special draw-down authority that funded El Salvador after civil war broke out there in 1980. The administration clashed with Congress over support for the newly formed Sandinista government and resorted to executive powers to assist El Salvador.

These actions were symbolic of the Carter relation with Congress in the twilight of his administration. Carter's foreign policy was beleaguered by rising Soviet expansionism and economic crises (both global and domestic); he gave "lip service" to healthy and productive relations with the third world, but Congress was more concerned with inflation, the Soviet Union and fiscal restraint.³⁸ These concerns were behind the the foreign assistance program shift toward a more security-dominated, bilateral program and the decline of the entire foreign assistance budget.³⁹

What was most distinctive about the foreign policy of the Carter administration--idealist objectives, tolerance of leftist revolutionary nationalism, and relatively open decision making--eroded as conflicts with traditional security and economic concerns emerged and as the domestic political salience of those traditional concerns became manifest.⁴⁰

The First Reagan Administration. The Reagan administration also commissioned studies of foreign assistance but not until well into its second year. The reason is that the Reagan administration's strategy for foreign assistance policy had been planned in advance; the studies were commissioned, consequently, to support rather than set the administration's ideological bent. The Republican platform actually set the tone for the Reagan approach to foreign assistance when it articulated the shift from multilateral to bilateral programs and from economic to military and security accounts.⁴¹

Robert Berg, then director of evaluation at USAID, described the Reagan administration as knowing exactly what foreign assistance policies to pursue before they occupied the White House.⁴² The transition team for USAID was headed by Edward J. Feulner, Jr., president of the Heritage Foundation, who opposed government-to-government assistance and favored more bilateral assistance programs in which U.S. economic interests and foreign policy objectives were dominant.⁴³ He believed foreign assistance programs created inefficient bureaucracies that hindered economic development. Feulner worked with the administration and M. Peter McPherson, general counsel for the transition and USAID administrator (1981 to 1986), to adopt policies and programs consistent with this view.⁴⁴

Unlike the Carter administration, which publicly espoused BHN in foreign assistance but actually shifted to security concerns, the Reagan administration rhetoric focused on security from the start. The administration denounced the Soviet Union's expansionist tendencies and labelled the Soviet presence as the underlying factor in the "turmoil which disturbs mankind around the world."⁴⁵ Thus it responded to Soviet expansionism with a massive buildup of defense programs and then "declared intent to respond firmly to any Soviet move."⁴⁶ The Reagan administration sharply distinguished those who were friends of the United States from those who were not. Like the Carter administration, the Reagan administration elected not to work with cumbersome international bureaucracies (MDBs and international organizations) but favored the more manageable bilateral initiatives.⁴⁷

The administration channeled funds, for example, to friendly nations regarded as threatened by internal (El Salvador, Sudan) or external forces (Honduras, Pakistan), and cut aid to governments considered unfriendly, uncooperative or mismanaged (Nicaragua, Tanzania).⁴⁸

The Reagan administration immediately embraced the ruling centrist junta in El Salvador. The aid given for military purposes--"to repulse leftists"--and economic purposes--"to help relieve social unrest"--was administered by military advisers.⁴⁹ In the case of Pakistan, Reagan sought warmer relations with President Mohammed Zia ul-Haq in hopes of countering the influence of the Soviet Union during the 1979 invasion of Afghanistan.⁵⁰

We pointed out earlier that the administration resorted to the continuing resolution and manipulation of the budget process in order to

raise the levels of foreign assistance. By targeting strategically important countries with ESF funds and policy reform measures conducive to privatization, the administration was able to satisfy conservative opponents of foreign assistance. With an overall increase in the entire budget and policy guidelines, which became known as "four pillars," the administration was able to satisfy more liberal calls for BHN.

Most important, the administration achieved these ends surreptitiously; that is, the foreign assistance act did not have to be restructured because the four pillars were written into the existing foreign assistance act in general policy language. Hence the administration could pursue programs that fell under the definition of either BHN or four pillars without having to follow strict policy guidelines.⁵¹

The four pillars of development assistance were based on a memo submitted by M. Peter McPherson during the presidential campaign in which Reagan's ideas for foreign assistance were outlined. The four pillars were designed to "achieve the kind of foreign assistance program envisioned by the President--one which seeks to foster self-sustaining development by using initiative and creativity to help people help themselves while at the same time stimulating international trade and aiding the truly needy."⁵²

The four pillars are

(1) Policy Dialogue and Reform, seeking to agree with host country governments on the policy constraints to development and practical improvements that could be made;

(2) Institutional Development, focusing on decentralizing institutions and encouraging reliance on private and voluntary, rather than public, institutions;

(3) Technology Transfer, seeking breakthroughs in such areas as biomedical research, agriculture and family planning; and

(4) Private Sector Development, enhancing the role of the private sector in solving development problems.⁵³

The administration's second Secretary of State, George Schultz, expanded on the notion of foreign and U.S. national interests by setting forth two basic premises for U.S. involvement in the Third World:

1. there will be no enduring economic prosperity for our country without economic growth in the Third World; and

2. there will not be security and peace for our citizens without stability and peace in developing countries.⁵⁴

Schultz went on to say that "Our security and economic assistance programs are essential instruments of our foreign policy and are directly linked to the national security and economic well-being of the United States."⁵⁵

The crux, then, of the Reagan foreign assistance policy was how to fit the rhetoric of the four pillars into a foreign policy design that secured U.S. national interests. Many critics opposed the four pillars.⁵⁶ But that does not negate the fact that the administration was able to achieve overall increases in the foreign assistance budget.

In February 1983, the Commission on Security and Economic Assistance (the Carlucci Commission) was appointed to define the role of security assistance vis-a-vis that of development assistance in U.S. foreign

policy.⁵⁷ The most prominent of its many recommendations was the establishment of a Mutual Development and Security Administration. The Commission's conclusion was that "the most effective means to achieve program integration, a country approach to program development, an improved evaluation system and increased public support is to consolidate certain aspects of current programs under a new agency, reporting to the Secretary of State."⁵⁸ The new organization would be responsible for integrating the economic and security assistance programs.⁵⁹

The ultimate goal of the Commission was not only to show that foreign assistance is indeed an important foreign policy tool, but also to demonstrate "that in the absence of an effective security framework and a sound macroeconomic policy environment, economic cooperation has substantially reduced potential for positive long-term development impact."⁶⁰ The Commission concluded that all the instruments of foreign cooperation must be combined in "sound, well-managed and integrated programs, with consistent, coherent policy goals, or all interests may suffer."⁶¹

Critics argue that the "sound" advice of the Commission did not have a major effect on policy implementation, and that the Commission was only a "rubber stamp" for a policy approach already underway in the administration.⁶² Throughout the entire first Reagan administration, economic and security assistance, at least at the rhetorical level, were being used to achieve the same ends: growth and stability. This link between economic and security assistance was the major reason for the sharp increase in the ESF account.

The ESF was used extensively by the administration for various reasons. Its programs were relatively free of restrictions (compared to other aid categories), funds could be disbursed very rapidly to countries strapped by the world recession and rising debt crisis, and base-right commitments could be expanded. The administration's emphasis on economic reform and security lent itself nicely to the cash and budget support transfers of ESF.⁶³

Two other studies were commissioned during the first Reagan administration. At Treasury, Donald Regan and Barry Sprinkle, both exceedingly skeptical of a continuing U.S. commitment to foreign assistance, arranged for Professor Raymond F. Mikesell of the University of Oregon to study how developing countries might make the transition to self-sustained development. The narrow terms of the study's reference disturbed USAID and the State Department officials. When Treasury was unwilling to widen the scope, USAID and State commissioned its own study by Professors Anne O. Krueger and Vernon W. Ruttan of the University of Minnesota to examine the development impact of economic assistance by.⁶⁴

The Mikesell study was more supportive of the aid effort than Regan and Sprinkle had hoped. The Krueger-Ruttan study, however, was more critical, particularly of some "New Directions" program efforts, than USAID and State had anticipated. It is doubtful that either study had a major impact on assistance policy. Nevertheless, some agency personnel argue that the studies contributed to a more informed and rational interagency discussion of assistance policy.⁶⁵

The following outline of four program initiatives illustrates the ideological/political/strategic emphasis of the Reagan administration:

(1) Private Sector Initiative. This initiative is the best example of the Reagan administration policy orientation: the commitment "to finding practical means of enhancing the private sector's role in assistance programs and in LDC development."⁶⁶ The premise of the initiative was that

The most efficient allocation of scarce resources occurs when individuals seek to increase their incomes in an environment characterized by open competition in the supply and exchange of goods and services. When complemented by prudent management of necessary government services, the aggregate effect of individual free market behavior is growth and development of the economy at large.⁶⁷

This premise derived from the firm belief that developing countries were overly hostile to reliance on market forces to guide investment and consumption decisions and, hence, not using their resources efficiently. "LDCs which have overextended the role of the public sector and restricted the operation of the private sector have experienced slow growth, heavy budget deficits and rising debt burdens."⁶⁸ Here is the heart of the dramatic shift away from multilateral assistance to bilateral assistance. The resulting USAID policy was to engage in "specific direct program actions to eliminate legal, regulatory and other constraints to private enterprise development, and to assist and promote private enterprises."⁶⁹ With multilateral assistance, USAID could not target specific enterprises or political institutions; furthermore, the administration wanted to influence the direction of MDB and international organization assistance at every opportunity.

The private sector initiative was believed to be free of all restrictions on form of assistance. Development Assistance, ESF, and PL480 loans or grants were seen as "appropriate" devices to support private enterprise development.⁷⁰

In 1983, the President formed a task force to develop guidelines for this private sector focus. The task force, made up of prominent business persons or "private sector leaders," was commissioned "to determine how U.S. resources, particularly foreign assistance, could increase trade, investment, and private enterprise in developing nations."⁷¹ The recommendations included the formation of an Economic Security Council to coordinate domestic and international policy and increased emphasis, "to the maximum extent feasible," on channeling resources to the private sectors of developing nations and not to governments.⁷²

(2) Population Assistance The Reagan administration ideology is most evident in its policy on population assistance.⁷³ Since the late 1960s, the United States and some Western European and Asian nations had been trying to unify efforts to limit fertility in the developing nations. The United States supported the belief that unbridled population growth had an adverse effect on economic development, health and individual potentials, particularly among women; therefore they favored family planning programs to reduce fertility and promote economic growth.⁷⁴

At the first World Population Conference in Bucharest, August 1974, the United States prompted the participants to confront the issues of population and its relation to development as well as consider population policies and action.⁷⁵ The nations of the Third World, however, did not concur with U.S. views. They believed in a New International Economic Order to alleviate the problems of population growth and argued that "development is the best contraceptive."⁷⁶

Nevertheless, by the 1980s the Third World nations were accepting the view that population growth threatened economic development while donor

countries were increasing efforts at control. By this time the United States had altered its view. At the Second International Conference on Population in Mexico City (1984), the official U.S. position held population to have a neutral effect on economic growth; where the effects were detrimental, they could be alleviated by rapid economic growth.⁷⁷

James L. Buckley, head of the U.S. delegation to the conference in Mexico, defined population growth as, "neither good nor bad. It becomes an asset or problem in conjunction with other factors, such as economic policy, social constraints, and the ability to put additional men and women to useful work."⁷⁸ The new U.S. strategy as outlined by Buckley was to remove subsidies and controls and rely "on the creativity of private individuals working within a free economy."⁷⁹

Julian Simon, an economist at the University of Maryland and an intellectual standard-bearer in the delegation, gained notoriety with his work The Ultimate Resource, in which he argued for population increases: "the most important economic effect...is the contribution of additional people to our stock of useful knowledge."⁸⁰

To further emphasize the break in policy, the preparation for the Mexico conference did not follow standard procedure. Instead of the State Department carrying out the planning and preparation, the White House acted unilaterally to issue a position paper and form a delegation, which became a source of conflict with State and USAID.⁸¹

Prior to 1984 the United States had channeled money for population programs through many international organizations. Owing to criticisms from the "New Right" and other anti-abortion pressure groups, support was suspended for organizations that funded abortions, (e.g., International

Planned Parenthood Federation, IPPF; and United Nations Fund for Population Activities, UNFPA).⁸² The administration began withholding funds from UNFPA and IPPF in 1985.

The administration maintained rhetorical support for the population program albeit in the context of its position at the Mexico Conference and of the view from the new right. Thus, the budget requests for population assistance program funds were increased only slightly. Congress expressed its disagreement by appropriating additional funds.⁸³ USAID Administrator M. Peter McPherson mediated between the administration and the Congress to maintain a steady flow of funds to the population assistance programs.

(3) Regional Emphasis. Four regions were designated to receive special emphasis: Central America, the Caribbean, the Middle East, and Africa.

Central America. Aid to Central America increased seven-fold from 1980-1987. USAID missions have significantly increased their staffs, "becoming what amounts to shadow governments in some countries."⁸⁴ The emphasis, however, was not so much on development as on stabilization: either to destabilize the government of Nicaragua or to stabilize the regimes of the surrounding countries. The ultimate goal was to "reestablish uncontested U.S. political and economic hegemony in our own backyard."⁸⁵

The administration approach to foreign aid in Central America was based on "providing arms and cash to promote military access, counter-insurgency and insurgency."⁸⁶ The major tool was ESF. The Reagan administration was accused of using U.S. veto power to block MDB loans to

some countries throughout the region while forcing approval of loans to other countries that were "favored in Washington."⁸⁷

In hopes of generating a broad consensus of support for the Central American program, the Reagan administration appointed a National Bipartisan Commission on Central America (chaired by Henry Kissinger and referred to as the Kissinger Commission). The Commission found the roots of the problems in poverty, injustice, and stagnant economic growth which were both "indigenous and foreign. Discontents are real, and for much of the population conditions of life are miserable..." Hence the region was "ripe for revolution."⁸⁸

The Commission endorsed the Reagan view of the turmoil in Central America and of what should be done: "substantial" increases in military aid for El Salvador and "covert" aid to the Contras in Nicaragua. Recommendations included long-term military and economic aid for the entire region, and a meeting between Reagan and Central American leaders to plan the long-term economic development of the region.⁸⁹

The Kissinger Commission had little effect on the aid policy but it demonstrates the importance placed by the administration on the region.⁹⁰ After all, it was the Reagan Doctrine of supporting resistance movements around the world that justified support for the Contras. Congress, however, was unwilling to fund many of the President's policies-- the growing caution of a Vietnam revisited--and was reluctant to acquiesce to the administration's policy of providing largely cash transfers.⁹¹

The Caribbean. The administration's commitment to the Caribbean was evident in the Caribbean Basin Initiative (CBI). Unveiled in March 1981 as a plan to fuel the economies of the Caribbean and Central American

nations and, thus, to "cool the fire of revolution," CBI was supposed to include a "quick injection" of \$350 million in economic aid in fiscal 1982, to remove trade barriers for most Caribbean products, and to enact tax incentives for American businesses that would invest in the region.⁹²

The economic instability in the region was regarded by the administration as a political threat to the United States. Thus steps were taken to foster economic development. They centered on the diversification and expansion of production and exports, accomplished by "several trade-related and tax-related incentives."⁹³ Joseph Pelzman, pointed out that "the centerpiece of the act was the provision for unilateral and nonreciprocal duty-free treatment...for a wide range of U.S. imports from the region."⁹⁴

Critics, however, claimed that the problem with trade in the region was not tariffs but how to attract U.S. manufacturers away from Asia to these labor surplus, low income countries of the Caribbean: "How to provide the proper environment for the formation of the necessary infrastructure, the training of skilled workers, and the establishment of internal markets..."⁹⁵

The CBI rhetoric was directed to the economic development of an area of strategic importance; in fact, as yet only the implementation of selective trade agreements has occurred and they have made only marginal improvements in the region's economic progress. Critics argue that even these marginal improvements have been offset by the losses created by U.S. trade policy.

Africa. The mix of foreign assistance objectives in Africa is exceptionally confusing and contradictory.⁹⁶ The objectives include

promoting the U.S. global geostrategic position, supporting U.S. positions in multilateral forums and elsewhere, insuring access of U.S. diplomats to the many governments in Southern Africa, fostering economic development through financing projects or balance-of-payments support conditioned on policy reforms, and providing humanitarian relief. If any administration policy could be classified as lacking design, the Africa policy would be it.

During the first years of the Reagan administration, Africa benefitted from the overall increase in overall foreign assistance authorization. The program placed a lot of stock in ESF to address the perceived policy reform needs of many African countries. ESF offered the necessary flexibility: the kind not provided by normal development assistance. However, when foreign assistance was decreased in 1986, funding for Africa was lowered and the short-term ESF transfers did not generate a long-term development strategy.⁹⁷

Many administration initiatives in Africa were criticized as reactionary--simply responding to crises--and as ignoring long-range planning.⁹⁸ The Sahel Development Program, for example, which originated in President Ford's FY1978 foreign aid request, was designed to institutionalize the U.S. commitment to a coordinated, long-term, multinational project to support severely drought-affected West African States; it was never fully supported by the Reagan administration and thus was stalled owing to the lack of funding.⁹⁹

The Reagan administration opposed most multilateral lending to Africa. The administration believed U.S. funds should be used for bilateral programs directed to policy objectives, such as promoting

market-oriented activities and rewarding friendly nations. The United States could not control programs within the MDBs (see following section on multilateral assistance).¹⁰⁰ U.S. contributions to such organizations as IDA, a major lender to Africa, the International Fund for Agricultural Development (IFAD), and the African Development Fund were consistently lower than those of other donor countries.¹⁰¹

The World Bank and other donors (including many PVOs in the United States) took special interest in African Development. The consensus was that Africa needed "plenty of aid."¹⁰² In 1984, participants in the World Bank and International Monetary Fund (IMF) proposed a "special assistance facility" for the region but the administration opposed the special fund in favor of bilateral activities.¹⁰³

Other administration initiatives, such as the Economic Policy Initiative (EPI), a plan to provide aid to countries that were willing to promote changes in their economic systems or to countries that were willing to promote growth through more capitalist-oriented free market policies, met with little success in Congress. One Democratic House aide expressed concern in Congress that EPI "had become a slush fund to reward political allies."¹⁰⁴

Most development experts agree that the many aid programs for Africa have not been very successful.

The basic reason for the failure of these projects is their inappropriateness to African conditions. They were too complex, requiring a degree of coordination by African bureaucracies that would be difficult for any government.¹⁰⁵

An additional problem faced by the United States faced was how to impose restrictions on the assistance when its funds were but a fraction of official development assistance for Africa.¹⁰⁶

Middle East. Assistance to the Middle East goes mainly to Israel and Egypt. These two countries account for well over 90 percent of the foreign assistance to the region; ESF accounts for all the aid to Israel; Egypt receives mainly ESF and a large amount of PL480. Total development assistance, as we have defined it, accounts for approximately 2.5 percent of the regional total.¹⁰⁷

Assistance to the Middle East is both more basic and more complex than that to other regions.¹⁰⁸ It is given mostly in terms of cash-grants (ESF) with little oversight. Inasmuch as the region is wrought with ethnic-political-religious upheaval, U.S. presence and influence there always will be in check.

Prior to the Reagan administration, assistance to the Middle East was directed largely to bringing peace and stability. The American people accepted the Arab-Israeli peace initiatives as fundamental and supported peace with increasing amounts of assistance. This support, coupled with the large Jewish population and successful Jewish lobby in the United States, has led to a "closer" relation between the United States and Israel.¹⁰⁹

The Reagan administration built on this relation and elevated Israel to the role of strategic ally; it began with the signing of a memorandum on strategic cooperation in 1981. The first years of cooperation, however, were beset by Israeli ventures into the Golan Heights and Lebanon. They caused great strains in the relation and cooperation was even suspended for a short period. The administration ultimately realized the importance of peaceful coexistence with Israel--the country, after

all, is the only U.S. ally in the region¹¹⁰--and Israel realizes that the country's security depends greatly on the West.¹¹¹

Strategic cooperation with Israel has since been formalized in a "memorandum of understanding" in which the United States and Israel coordinate military and political planning, share intelligence, and discuss Israel's aid requests. This cooperation also affords the United States with opportunities to advise on economic policy.¹¹² What is lacking is a cooperative effort to bring peace to the Arab-Israeli conflict which continues unchecked.

(4) Multilateral Assistance. Taking its lead from the policy established late in the Carter administration, the Reagan administration was very skeptical of multilateral assistance. This skepticism is best exemplified by the cuts in the foreign aid program proposed by David Stockman, director of OMB, in 1981; he labeled them "deep cuts in foreign economic aid on the basis of pure ideological principle."¹¹³ The principle was to give bilateral assistance precedence over multilateral assistance and security assistance took precedence over development assistance. Only ESF received "lenient treatment."¹¹⁴

Stockman and others, particularly Donald Regan and Barry Sprinkle at Treasury, believed the many international organizations, including USAID, to be "infested with socialist error."¹¹⁵

The international aid bureaucracy was turning Third World countries into quagmires of self-imposed inefficiency and burying them beneath mountainous external debts they would never be able to pay.¹¹⁶

In the spring of 1981, the administration commissioned an interagency review of the MDBs, chaired by the Treasury Department. The purpose was to provide a "comprehensive and dispassionate examination of the [MDBs],

and by applying the administration's basic policy preferences and priorities to the findings, to establish a policy and budgetary framework for U.S. participation in these institutions in the 1980s."¹¹⁷ Although the study listed nineteen criticisms of the MDBs, ranging from staff salaries to systems of project evaluation, it supported MDB lending in general and advocated political impartiality by lending institutions.¹¹⁸

The U.S. foreign assistance undertaking, however, sought more political support for the private sector and for those specific sectors that could influence the success of USAID projects.¹¹⁹ MDBs cover broad areas of policy that may undermine U.S. bilateral efforts or foreign policy objectives; thus much of the administration's anti-MDB sentiment centered on this potential threat and on Robert McNamara's BHN rhetoric.

Robert McNamara, President of the World Bank from 1968 to 1981, had used BHN to elevate the rhetoric of lending institutions and to devote bank funds to the poorest of the poor.¹²⁰ Opponents on the right criticized the bank for promoting socialism.¹²¹

Robert Clausen, a Carter appointee, succeeded McNamara as president of the World Bank in 1981 and attempted to change its rhetoric. He claimed that the banks programs favored the private sector and political and institutional adjustment, which could be interpreted as an attempt to gain Congressional support for funds, given the claim's similarity to the rhetoric of the Reagan administration.¹²²

The administration, however, "successfully" cut funds to the World Bank and other multilateral lending institutions; the only multilateral program that escaped major cuts was the controversial IDA.¹²³ Earlier we noted that the IDA commitment was necessary to the administration to

satisfy liberal calls for a more BHN-oriented approach to assistance. Criticisms of IDA centered on low-interest loans as basically gifts and their ineffectiveness as an instrument of U.S. influence abroad.¹²⁴

By the end of the first Reagan term, the initial U.S. pledges to MDBs had been cut by more than 30 percent. All the banks--the Asian Development Bank, the Inter-American Development Bank, and the African Development Bank--were all affected.

The belief is widespread belief in the development community that the banks provided much of the intellectual force behind development assistance strategies in the 1980s. The administration, however, de-emphasized the role of the MDBs, which could be interpreted as a sign of the importance given to development by the administration.¹²⁵ Critics of the administration contend that the policies of alleviating poverty were "sacrificed to the Washington ideology."¹²⁶

The reservations in regard to the U.N. and international organizations center on budgets. McPherson testified that "there has been a tendency for budgetary increases in some of these programs to outstrip donor interest and financial support, and in some programs there has been a resulting thinness or lack of focus."¹²⁷ The administration habitually proposed cutting contributions to most U.N. specialized agencies; the most drastic cut was made to funds for the United Nations Educational, Scientific and Cultural Organization (UNESCO).¹²⁸

The administration announced its intention to withdraw from UNESCO in December 1983. A State Department document accused UNESCO of not adequately reflecting the view of minority groups within the institution.¹²⁹ UNESCO showed "endemic hostility" toward free society

institutions--free press, open markets, and human rights--and displayed widespread mismanagement or "excessive budget growth."¹³⁰

The administration appointed a commission to study UNESCO and its response to the administration's criticisms. Since no satisfactory change in UNESCO operations was found, the United States withdrew in 1984. However, the United States still has "observer status" at UNESCO and makes voluntary contributions to "selected international scientific or cultural activities in UNESCO's field of competence considered important to U.S. interests."¹³¹

These Reagan administration initiatives demonstrate a definite shift away from the BHN philosophy toward a more short-term security orientation centered on macroeconomic growth. The shift generated considerable controversy among traditional aid constituencies.¹³² Perhaps Larry Nowels, a specialist in foreign affairs, said it best:

The new directions legislation, which calls for aid directly to the poor remains on the books, but the thrust of the Reagan administration's four pillars is toward macroeconomic growth. The question of the extent to which aid resources should focus on promoting growth through reliance on the private sector and market mechanisms as opposed to strengthening the resources of the poorest population remains a key issue for debate.¹³³

The Second Reagan Administration. During the second Reagan administration, the central focus of foreign assistance shifted again. Where the first Reagan administration was characterized by increased bilateral economic and security assistance, the second Reagan administration was characterized by an increased sense of international cooperation and lower levels of assistance. The Realpolitik of the Reagan

administration suddenly took on properties of the idealist doctrine of foreign policy.¹³⁴

A major shift, at least at the rhetorical level, moved U.S. policy from security to economic stabilization and growth. U.S.-Soviet relations were improving dramatically and the outlook for future cooperation was good. The U.S. economy could no longer support--in a political sense--the increases of earlier foreign assistance budgets; hence policymakers questioned the efficacy of an assistance program "dominated by military and short-term security concerns."¹³⁵

John Sewell and Christine Contee (Overseas Development Council) argued that four major factors were involved in this shift.

(1) The U.S. has been transformed from a creditor nation to a debtor nation.

(2) The U.S. global trading position shifted (the United States experienced unprecedented trade deficits).

(3) The commercial banking system became internationalized, that is, the health of the U.S. banking community was dependent on the ability of foreign banks to repay loans.

(4) The "political stake of this country [U.S.] in broad-based growth and development in key countries such as Mexico, Brazil, Argentina and the Philippines is increasing as these countries liberalize both their economic and political systems."¹³⁶

For Reagan's second term, James Baker III traded jobs with Donald Regan and became Secretary of the Treasury; he set out to work with international lending institutions to provide the impetus for developing countries to "grow" their way out of their economic crises. Baker

understood the urgency of resolving the deteriorating world economic situation which was being attributed to the domestic policies of Reaganomics.¹³⁷

Just as Kennedy had turned the cold war security concerns of the Eisenhower administration to increased concerns with development assistance and aid, so James Baker turned the concerns with global debt into concerns with international cooperation. The argument was that the United States could assist developing countries to restore growth and resolve debt problems that, in turn, would benefit the economic and political interests of the United States. This line of reasoning was instrumental in changing the administration's view of MDBs.¹³⁸ Baker believed that the United States, along with the banks, could bolster third world development by promoting the use of structural adjustment lending and maintaining tighter surveillance of economic indicators within borrower nations. Baker was an adamant supporter of free trade.¹³⁹

His most notable initiative was the Baker Plan, an international debt strategy based on loans of \$20 billion in new monies from commercial banks and \$9 billion in loans from the World Bank and other multilateral development banks to debtor nations. The plan hinged on the borrowers' "reforming" their economic systems to become more market-oriented (adopting growth-oriented macroeconomic and structural policies like those of the International Monetary Fund). Implicit in the plan was World Bank oversight responsibility.

The Baker Plan, however, was essentially unsuccessful. Commercial banks were unwilling to provide the necessary capital and the economic "reforms" were too ambitious for many politicians in the borrowing

countries. In addition, critics claimed that the World Bank mandate was never specified.¹⁴⁰

This sense of international cooperation during the second Reagan administration intensified with the reversal in sentiment toward the Soviet Union.¹⁴¹ The warming in East-West relations brought about an atmosphere of optimism. However, the sense of international cooperation and optimism forced greater scrutiny of the security assistance budget and increased the development orientation in the entire foreign assistance budget. No longer could massive defense buildups be justified solely on the basis of countering Soviet insurgency.

The major difference in the subsequent foreign assistance strategy was curbing the sharp increase in security assistance and relying even more heavily on private sector initiatives, market mechanisms, and private voluntary organizations. The diminishing funds also meant that Congress had greater effect on the flow of assistance (via earmarks) and on the administration's flexibility in achieving foreign policy goals. That is, because of ESF earmarks and the lack of funds, the Middle East, Central America and base-right countries had a virtual monopoly on the account.¹⁴²

Nevertheless, other programs were not completely neglected. For example, in 1987 the administration proposed--and Congress supported--the initiation of the Development Fund for Africa,¹⁴³ a fund within the development assistance program that provided a flexible source of aid for policy reform and balance-of-payments support. Congress earmarked \$500 million for the fund exclusively under a Continuing Resolution (HJ Res 395).¹⁴⁴

The U.S. relation with the U.N. also changed. In September 1988, the Reagan administration reversed its eight-year feud and authorized the release of \$44 million in outstanding U.N. dues and "signalled a willingness to release an additional \$144 million in dues to be appropriated by Congress for the next fiscal year."¹⁴⁵ It was an apparent reaction to the decline in anti-western sentiment in the U.N. under Secretary Perez de Cuellar.¹⁴⁶

In addition, the administration asked the State Department to "work out" a multiyear plan for distributing another \$520 million in past debts to the U.N. and specialized agencies, such as the World Health Organization (\$28 million) and the Food and Agriculture Organization (\$82 million).¹⁴⁷

USAID Sources

USAID has gone through three major changes in the last fifteen years. BHN was the first change. It was made under the "centralized" agency system of Daniel Parker and John Murphy. New Directions legislation altered USAID objectives to a concentration on more project orientation as opposed to the centralized programming procedures of the 1960s. At the same time, Congress became more active and began to restrict USAID activities. Functional budgeting, earmarking and additional reporting requirements subjected USAID to Congressional micro-management.¹⁴⁸

The second change came in 1978 under the direction of John Gilligan. He appointed the Babb Commission in 1977 to study USAID's organizational structure. The Babb recommendation led Gilligan to modify the centralized

agency format in favor of a more decentralized structure; the latter seen as a more effective means of implementing New Directions legislation.¹⁴⁹

Decentralization entailed increasing the number of people in the field, placing more authority in the hands of regional bureaus, and organizing smaller central bureaus. Inasmuch as New Directions was targeted at poor and small--mostly rural--projects, the Babb Commission also recommended the formation of a Rural Support Bureau and a new Bureau for Private and Development Cooperation with responsibility for "encouraging increased participation of private and non-governmental institutions."¹⁵⁰

Because of the nature of BHN, USAID shifted away from operational responsibilities to planning and financing projects that other groups implemented, but USAID monitored and evaluated.¹⁵¹ The arguments for this shift were based on the lack, in many recipient countries, of skilled middle level managers who were capable of carrying out development projects. The BHN projects often were technical in nature and outside the expertise of USAID staff members and country management. It led to recipient countries and USAID staff members working together to identify the contractors needed to carry out projects.¹⁵²

The effect of this situation was that the administration and USAID formed coalitions of special interest groups and key members of Congress to pass legislation. It also expanded the USAID/Washington bureaucracy because officials were forced to diagnose the Washington "policy climate" and to package programs to fit a particular goal, product, or service, or a specific region.¹⁵³ This "dependence" on interest groups and Congress led to many restrictions on amendments to USAID funding and shifts in

regional focus and policy; more important, it reinforced Congressional mistrust of USAID and the administration's intentions.¹⁵⁴ Thus USAID became an extremely complex and bureaucratic organization.

The third reorganization came in 1979 under William Bennett when he succeeded Gilligan as administrator. Bennett continued the decentralization policies of Gilligan but commenced the necessary procedures to move USAID from the State Department to the International Development Cooperation Agency (IDCA).¹⁵⁵ Bennett also is credited with strengthening the Office of Evaluation.

Toward the end of the Carter administration, concern grew with the limits of the BHN approach to development assistance; hence policy reform and dialogue were recognized as important elements of assistance strategy. Critics claim that BHN was interpreted too narrowly and did not allow for the changing needs of recipient countries arising from the changing global economic environment, that "the success of individual developmental efforts is as much a function of the overall set of economic policies that induce individual decisions as it is of the sound design of individual projects."¹⁵⁶ Critics also were quick to point out the slow-moving USAID bureaucracy which BHN had created.¹⁵⁷

The Reagan administration was strongly committed to moving away from the BHN orientation and streamlining the aid process. Acting quickly and decisively, it placed IDCA and USAID firmly within the State Department and implemented strategies and policies congruent with the Four Pillars. The ideological standard-bearer for USAID and the administration was John Bolton, Deputy for Program and Policy Coordination. He moved rapidly to develop a set of new policy papers outlining rather specifically, sector

by sector, and program by program, the new USAID approach to economic development.¹⁵⁸ The policy papers, the "blueprint" for USAID, codified systematically a broad range of decisions. They were designed to make a lasting impression on the USAID decision-making apparatus and to institutionalize the change in direction proposed by the Reagan administration.¹⁵⁹

It must be emphasized that these policy papers were only part of the larger drive to bring USAID into line with the Reagan administration's philosophical thrust. Other roles were played by the State Department, OMB, Treasury, and the administration itself. USAID was very much a part of the administration's overall foreign policy strategy and, consequently, subject to the budget allocations dictated by the administration and State, and to the political pressures of Congress and special interest groups.

M. Peter McPherson, USAID Administrator and, subsequently, director of IDCA, was more sympathetic to the BHN objectives than was the administration. Although he coordinated the USAID program with the programs of the State Department, he was willing to resist administration pressures and to blur the difference between development assistance and strategic concerns. He also was able to "hold the center" against pressures from proponents of the "social agenda" to cripple USAID's contribution to, for example, family planning.¹⁶⁰

McPherson had acquired development experience as a Peace Corps volunteer in Peru. Later, he became a lawyer and served on the White House legal staffs of Nixon and Ford. Prior to the 1980 election he was deputy to E. Pendleton James, Personnel Director for the White House;

later, both men became members of the Reagan transition team.¹⁶¹

McPherson believed that the enunciation of the Four Pillars of development assistance was a major contribution of USAID.¹⁶² He stressed mainly the private sector approach to aid, the focus on policy reform, and the transfer of technology.

In efforts to increase agency efficiency, McPherson continued the decentralization measures begun by Bennett and strengthened the system of evaluation and information gathering.¹⁶³ USAID was given the authority to "deobligate" funds from projects that are "lagging" and to "reobligate" them to other projects.¹⁶⁴ In addition, McPherson emphasized project implementation as opposed to the more bureaucratic-laden project design. He accomplished this emphasis largely by increasing reliance on nonproject-type assistance in which assistance was linked to policy reforms and structural adjustment.¹⁶⁵

In keeping with the Four Pillars and the use of nonproject assistance, USAID established the new Bureau for Private Enterprise. It was headed by Elise R. W. du Pont, a lawyer and wife of then-Governor Pierre S. (Pete) du Pont (DE). She had very little development experience. The bureau defined its policy as fostering "the growth of productive, self-sustaining income and job-producing private sectors in developing countries using the financial, technological and management expertise of the U.S. private sector, indigenous resources, multilateral institutions and agency resources where appropriate."¹⁶⁶

The bureau kept the historic USAID perspective by focusing most of its efforts on agricultural projects. It was willing to "go one step further," however, and to help to finance agribusiness projects as well as

intermediate financial institutions, "such as private development funds and venture capital firms, that will operate in the developing world."¹⁶⁷

By 1986, McPherson commented, "the concept of private-enterprise development...permeated our entire program,"¹⁶⁸ as in, for example, the advances of private sector development in the area of health services. In Bangladesh, "contraceptives reached the people much faster through the private sector than they would have done through the government. The same is true with a variety of other health programs, such as the distribution of packets for oral-rehydration therapy."¹⁶⁹

Other areas that were emphasized by the Bureau for Private Enterprise were privatization (through the AID-funded Center for Privatization) and financial market and institutional development, which provided credit for people and organizations previously unable to obtain credit. The Bureau also worked through the International Executive Service Corps (IESC) to provide technical assistance to the private sectors of recipient countries. The USAID participant training programs added an emphasis on private sector assistance, especially business management training.¹⁷⁰

McPherson commended the program's operations in 1986. "Probably the biggest single change in the way we have run the program in the last 5 years has been the increased focus on policies."¹⁷¹ Currently, USAID is putting increased emphasis on "transitional assistance"--assistance to reform economic and political institutions that are regarded as a hindrance to development.¹⁷²

USAID gave increasing responsibility to the Private Voluntary Organizations (PVOs); they are active participants in development and relief activities overseas and are associated with grass-roots, people-to-

people programs.¹⁷³ In the Policy Paper on PVOs, the first objective listed is "to increase the economic development impact of PVO programs through increased program integration and focusing resources on field programs."¹⁷⁴ PVOs treat the more project-oriented objectives of assistance which allows USAID to concentrate on more macroeconomic concerns.¹⁷⁵

During the Reagan administration, USAID was forced to be more responsive to the needs of U.S. foreign policy than to the needs of the developing countries. A major preoccupation of the administration was using USAID programming effectively in order to achieve foreign policy objectives, but success was limited because McPherson was committed to maintaining the humanitarian and development objectives of the agency. The work of McPherson, along with some members of Congress and special interest groups, especially the humanitarian PVOs, enabled the agency to resist many of the more radical reforms on the Reagan administration agenda.

Despite attempts to create a more efficient and focused agency, USAID was subjected to many diverse and often conflicting needs of the administration, Congress, and special interest groups. As a result, USAID became a slow-moving bureaucracy intent on juggling the needs of the administration and the Congress with those of developing countries.¹⁷⁶

Congressional Sources

During the 1970s, Congress took the initiative in implementing programs and developing new strategies in foreign assistance. The initiatives were begun during the Carter administration when BHN

legislation was in its initial stages, but they stalled somewhat in the Reagan administration.

During the Carter administration, the major Congressional initiative was the creation of the International Development Cooperation Agency (IDCA); however, it collapsed of its own political weight. Congress subjected the Carter assistance packages to many "across the board" spending cuts. Indeed, Carter often complained of being unable to administer his aid program effectively because of intense Congressional oversight.¹⁷⁷ When Carter took office he had pledged to double foreign aid by 1982¹⁷⁸ but he was balked by the rise of Soviet expansionism, the Iran affair, the Nicaraguan revolution, and the domestic economic crisis. Congress became very disillusioned with the Carter foreign policy and with the foreign assistance effort.

What the Carter administration lacked in executive power, the Reagan administration made up for it in popularity and the ability to push bills through Congress. The major Congressional role during the first Reagan administration was to influence policy via amendments and earmarks. The role is most evident in the dialogue between Congress and the Executive over priorities: The administration dramatically increased security assistance and ESF whereas Congress favored more economic-oriented programs but initiated no major foreign assistance strategies. Mainly Congress acquiesced to Executive initiatives and then earmarked and appropriated funds under continuing resolutions largely within the design of the administration.¹⁷⁹

According to Rep. David R. Obey (D-WI), current Chairman of the Foreign Operations and Export Financing Subcommittee of the House

Appropriations Committee, it was "the lack of support for aid and the lack of consensus on how foreign aid should be used [that] prevented Congress from passing a freestanding appropriations bill."¹⁸⁰

Congress made some efforts to remedy the lack of Congressional input in foreign assistance and to take more initiative in legislation. In a major policy shift, the House and Senate, in 1981, agreed to a proposal by Clement Zablocki (D-WI), Chairman of the House Foreign Affairs Committee, to make aid authorizations good for two years. Zablocki argued that it would be beneficial not to have to debate and vote on politically unpopular foreign assistance programs every year, and especially during election years.¹⁸¹

Both the House and Senate Foreign Relations Committees initiated major legislative provisions to maintain oversight of the foreign assistance programs. The Reagan administration, in turn, sought to bypass the Congressional restrictions by the use of reprogramming and "emergency powers" (e.g., providing military assistance to El Salvador).¹⁸²

The Senate committee's unprecedented response was to earmark the entire ESF account. Both the House and Senate committees also rejected the administration's efforts to limit the sanctity of Congressional earmarks, and they voted to give themselves reprogramming veto power, power previously limited to appropriations committees.¹⁸³

Then, in 1983, an amendment (presented by Senator Paul Sarbanes (D-MD), Senate Foreign Relations Committee) was enacted to shift funds from the Military Assistance Program (MAP) and ESF accounts into development aid programs; the United Nations Development Program was a direct beneficiary.¹⁸⁴ Sarbanes said it was "important for the committee to

establish the proposition that we ought to be moving in this direction."¹⁸⁵

Nevertheless, the first Reagan administration was able to increase the foreign assistance budget and to pursue its policy of a security-dominated assistance effort. During the second administration, however, budget constraints and ensuing disagreements between Congress and the administration over foreign assistance priorities brought about major decreases in overall spending. The most serious funding cut resulted from the Balanced Budget and Emergency Deficit Control Act, written by Senators Phil Gramm (R-TX), Warren Rudman (R-NH) and Ernest Hollings (D-SC).¹⁸⁶

The Gramm-Rudman-Hollings Act (G-R-H) was to balance the budget by 1993. Thus it set annual ceilings on the budget deficit. In the event of a deficit exceeding the set limit, the act mandates automatic reductions--sequestration--in federal spending. According to Obey, the act has had a "major influence on congressional spending decisions."¹⁸⁷

Obey became chairman of the Foreign Operations and Export Financing Subcommittee of the House Appropriations Committee in 1985. This committee, which controls foreign aid spending, had accumulated much power in the absence of Congressional authorization bills by the Foreign Affairs Committee. An out-spoken critic of the Reagan administration and its emphasis on security over development assistance, Obey believed that under Reagan the aid program was a "short-term put-out-the-fire program."¹⁸⁸

Obey was critical not only of the administration's approach to assistance but, also, of G-R-H. When the bill passed despite his efforts, Obey made a commitment to its principles and tried to hold the administration to the budget limits. The administration, however,

continued to ask for large increases in the foreign assistance budget as if G-R-H had never happened. A political battle ensued between Obey and the administration in which the foreign assistance budget was a pawn.

Larry Nowels referred to one interesting example as the "Manila Meltdown." Just months after passage of G-R-H the administration requested a 15% increase in the FY1987 foreign assistance budget. Instead, Obey cut the budget by the required G-R-H guidelines. Secretary of State Schultz, who was in Manila at the time, returned as soon as he heard that his budget was slashed and began a massive campaign to generate public support for foreign assistance, but to no avail. Nowels pointed out that had the administration's request been more reasonable, perhaps the budget would not have been decreased so dramatically.¹⁸⁹

According to Nowels, Obey held foreign assistance hostage to lower defense spending and increase revenues (i.e., increased taxes). Carol Lancaster argued that Obey, probably the most influential person on the Hill in terms of foreign assistance, used his political acumen and ability to build coalitions to hold put the administration's security efforts in check. He called for a broad-based approach to foreign assistance and more attention to international debt, environmental concerns, and BHN.¹⁹⁰

Since the first year of G-R-H and the hotly contested foreign assistance funding debate, foreign assistance has been part of the overall Budget Summit arrangement which sets ceilings for all categories of the U.S. government. The foreign assistance budget has been maintained at levels even higher than expected because of compromises reached with federal spending, taxes and deficit reduction.¹⁹¹

The budget austerity measures extended to funds for U.N. agencies. The most important measure was the Kassebaum Amendment (Section 143 of Public Law 99-93). It went into effect in fiscal year 1987 and restricts U.S. funding of U.N. organizations to under 20 percent of their annual budgets until these organizations "adopt voting rights on budgetary matters proportionate to the contributions of each member state."¹⁹² Funds are also withheld from U.N. activities benefitting the Palestine Liberation Organization (PLO) or the South West Africa Peoples' Organization (SWAPO). The estimated total effect of these reductions is only around \$1 million.¹⁹³ Foreign assistance funding shortfalls, combined with Congressional earmarks and oversight, greatly hinder the flexibility of the foreign assistance program.¹⁹⁴ Even when Congress brings bills to fruition, however, partisan differences and declining funds create difficulties. Recently, Congress tried to alter the priorities (e.g., Child Survival Act and Global Poverty Reduction Act) of the foreign assistance program in hopes of building a more bipartisan base of support for assistance.¹⁹⁵

Earmarking and micromanagement are products of a policy that is not well-defined in objectives or goals. Hence a task force, headed by Reps. Lee Hamilton (D-IN) and Benjamin Gilman (R-NY), was formed to study foreign assistance and to provide direction for rewriting the Act. The purpose was to find workable solutions to the many problems complicating the foreign assistance legislation of the last decade. The task force concluded that "foreign assistance is vital to promoting U.S. foreign policy and domestic interests, but...the program is hamstrung by too many

conflicting objectives, legislative conditions, earmarks, and bureaucratic red tape."¹⁹⁶

External and Societal Sources

With global interdependence on the rise, the United States is more sensitive to uncertainties in international relations. Interdependence also has increased the awareness of the U.S. population to the world around them.

External Sources. Many external sources that led to New Directions legislation (e.g., the legacy of Vietnam and the economic rise of the Third World) affected policy makers in the late 1970s and early 1980s. The two dominant sources throughout the 1980s were the international debt crisis and the rise of conservatism.

The underpinnings of the debt crisis began in the early 1970s when the Oil and Petroleum Exporting Countries (OPEC) quadrupled oil prices. This rise, in conjunction with many other factors,¹⁹⁷ culminated in Mexico's devaluating its currency in 1982 and the "official" commencement of the global debt crisis.

The U.S. foreign assistance policy has been greatly affected by the global economic situation: The United States recognized the growing economic interdependence of the global economy, the effect of its domestic policies, and the impact of debt on the development and security of developing countries.¹⁹⁸ The major impact of the debt crisis, however, is evident in the sharp decline of private financial flows to developing countries. Doubtful credit worthiness and sound fiscal management have

kept private funds out of debtor nations and severely hampered their prospects for growth.¹⁹⁹

Because of the sharp decrease in private flows, the second Reagan administration abandoned some of its private sector rhetoric and supported public sector involvement in financial markets. Specifically, the Reagan administration (1) contained much of its hostility toward MDBs; (2) intervened in the management prerogatives of commercial banks on how much they should lend to developing countries; and (3) worked with Congress to increase the authority of regulatory agencies that oversee international banking.²⁰⁰

The global economic crisis brought the United States back to the realm of global economic cooperation, which foreign assistance translated into a new focus on structural adjustment and policy dialogue. This focus also played a role in warming U.S.-Soviet relations and led to the Soviet withdrawal from past overtly expansionist policies and to the articulation of Glasnost and Perestroika.

The rise of conservatism is best described by George Will:

Liberalism is political astronomy--anachronistic astronomy, unaware that even the planets do more wobbling and wandering and banging about than the eighteenth century thought. Conservatism is political biology. It emphasizes the indeterminateness, the complexity of things, and the fact that there is more to a social system than meets the eye.²⁰¹

"Conservative thinking," wrote Gregg Easterbrook in The Atlantic, "has not only claimed the presidency; it has spread throughout our political and intellectual life and stands poised to become the dominant strain in American public policy."²⁰² He cited the growing number of conservative think tanks and other "noteworthy" public policy groups that are swaying policymakers.²⁰³

The conservative thinkers in the Reagan administration by and large were products of (or destined for) the Heritage Foundation; it is well known for its opposition to the foreign assistance program. In 1981, Edward Feulner, president of the Foundation, argued that

Aid is neither a necessary or a sufficient condition for economic development. Foreign assistance too often encourages wrong attitudes, wrong developments. It tends to be from government to government: the most able, skilled individuals in third world countries generally end up working for government instead of the private sector. It ends up reinforcing government as opposed to private structures.²⁰⁴

The Heritage Foundation takes positions that are opposed to the mainstream of "post World War II internationalism."²⁰⁵ Feulner, who headed the USAID transition team for the Reagan administration, believed that IDCA should be abolished, Food for Peace cut back substantially, and MDBs de-emphasized. He supported the trade and development program, the Overseas Private Investment Corporation (OPIC), and increased use of PVOs.²⁰⁶

Societal Sources. Public opinion and the work of special interest groups are the focus of this section. The first is examined polls conducted by Christine Contee, John Reilly and Frank Ballance.²⁰⁷

The results of Contee's study show that Americans in general believe development issues and relations with LDCs are less important than domestic issues. A majority, however, endorse U.S. assistance programs that center mainly on humanitarian concerns and a "sense of responsibility."²⁰⁸ Another interesting finding is that public opinion and U.S. policy show major differences in key areas; for example, in the area of economic assistance, the public shows a preference for development assistance. Yet during the Reagan Administration the ESF account received

the largest funding increases. The public seems not to understand the political intricacies of formulating assistance programs.

In response to a question on the United States as a world leader which "should set an example for other wealthy nations by helping other poor nations," 78 percent agreed. Yet the United States is ranked last among DAC countries Official Development Assistance as a percentage of GNP.²⁰⁹

In general, all three public opinion studies came to the same conclusion: that for most Americans domestic concerns should take precedence over international concerns. The studies also indicate the presence of great differences among the views of political leaders, the administration, and the public.²¹⁰

Furthermore, the studies found that the decline in national interest toward U.S. participation in world affairs continued until 1982. In that year, the respondents showed increased interest in a more active role for the nation in world affairs.²¹¹ It may be concluded that public opinion influenced the administration's rising concern with global economic cooperation at the outset of the international debt crisis. However, public opinion seems to have had little effect on the flow of financial assistance; in fact, "people-to-people, poverty-oriented aid was considered more effective by the public." The administration's focus, nevertheless, was on security and growth.²¹²

The rise in public awareness and sentiment toward humanitarian assistance, coupled with the administration's emphasis on macroeconomic concerns, may have been at the heart of increased involvement of the PVOs. It can also be argued that the BHN initiatives of the 1970s created their

own special interest groups; the emphasis on the rural poor drew many church and service-oriented PVOs into the realm of third world development.²¹³

We mentioned in the section on USAID sources that the agency sought a closer relation with the PVOs; and the PVOs reciprocated with increased support of the development assistance effort. They formed networks that reached millions of Americans to inform them of the assistance effort. Leaders of PVOs testified before Congressional committees, met with USAID officials, and were able to mobilize wide-spread support.²¹⁴ However, given the increased demands for charitable contributions, the roles of AID and the PVOs began moving closer and closer together.²¹⁵

Many members of the PVO community see this movement as a threat to their autonomy. Bishop Broderick of Albany, then Executive Director of Catholic Relief Services, commented in 1983, "we do not want to look like the tool or fool of the United States Government."²¹⁶ Some PVOs--notably OXFAM--refused government funding for the very reason that they do not want to be associated with the administration's policies.²¹⁷

Larry Minear labelled the relation between USAID and the PVOs as "politicized."²¹⁸ He cited the increased amount of funding available to the PVOs and the ESF resources that was "provided within a more explicitly political context."²¹⁹ Minear claimed that even though PVOs were able to extend the reach of U.S. development assistance, it was because the United States had become "less guided by humanitarian imperatives,...the independence of PVO collaborators is at a greater risk."²²⁰

Other interest groups playing a significant role in shaping the administration's assistance policy were the environmental groups, the

agricultural interests, including BIFAD and the universities, and the "geographic" lobbies, especially the American-Israel Public Affairs Committee.²²¹

Historically, universities have been greatly involved in agricultural research on behalf of developing countries²²² but their influence appears to have undergone a decline. The Board for International Food and Agricultural Development (BIFAD) institutionalized the program, giving strong support to USAID and a voice to the university system.²²³ The conservative voice of the administration, however, may have circumvented the role of universities in developing its approach to assistance.²²⁴

Israel's special interest representative on Capitol Hill is the American Israel Public Affairs Committee (AIPAC). Some attribute the "strategic partnership" of the United States and Israel to AIPAC. It claims large, sustained, perennial levels of funding. Other countries tried to emulate the AIPAC model in garnering support for foreign assistance. The more successful have been Greece, Turkey, Cyprus, and recently, Ireland.

The most intriguing interest movements to have influenced policy are the environmental and agricultural groups. Historically, agriculture lobbies worked to sustain the level of subsidies and to "protect" our "competitive advantage" in agriculture.²²⁵ The environmentalists, not too long ago, were labelled "a luxury of the rich."²²⁶ Currently, however, both groups have been working toward the same goal: sustainable development.²²⁷

Although some agricultural organizations prefer that the United States not engage in the transfer of agricultural technology and support,

many agricultural groups have realized that "accelerated development in the developing countries is desirable and feasible,"²²⁸ and that economic development can be fostered through the transfer of technologies, training, and research, for the benefit of all.

The environmentalists believe that "poverty itself pollutes the environment. Those who are poor and hungry will often destroy their immediate environment in order to survive."²²⁹ Such groups as World Resources Institute, the Natural Resources Defense Fund, and the Sierra Club actively lobby Congress and publish material on environmental degradation and development. They also have successfully generated grassroots support.

Both environmental and agricultural groups have found that by coordinating their efforts, they can generate support for development assistance programs that are environmentally sound, sustainable, and directed toward poverty alleviation and resource management.²³⁰ John W. Mellor referred to this goal as "breaking the cycle" of a cause and effect relation of poverty and environmental degradation.²³¹

Intellectual Sources

The ideological perspective of the Reagan administration brought to the fore conservative critics of the foreign assistance program. This forced the critics from the left to continue to make their points, albeit with little impact. The effort by mainstream academics, or students, of foreign assistance was to recapture the center.

Development theory from the right, in its pure form, can be characterized as the belief that assistance hinders the growth and

development of recipient countries. "As a form of intervention channelled to recipient governments, [assistance] is said to frustrate the free operation of the market, to distort the price system, and to impede private-sector development."²³²

The Reagan administration adopted what was essentially a centrist version of conservative or rightist views of development assistance. The centrist view is based on a firm belief in the magic of the marketplace, nondistorted prices, and private enterprise, which enable recipient countries "to achieve sustained and accelerated development on their own."²³³

The beliefs of the right are "rooted in the theory of perfect competition and central theorems of welfare economics and equilibrium analysis."²³⁴ The most quoted critics of foreign assistance are Bauer and Yamey who see foreign aid as "the source of the North-South conflict, not its solution,"²³⁵ and who believe that

Economic achievement has depended, as is still does depend, on people's own faculties, motivations, and ways of life, on their institutions and on their rulers. In short, economic achievement depends on the conduct of people, including governments. External donations have not been necessary for the development of any country anywhere.²³⁶

Bauer and Yamey argue that aid inhibits the development process by making governments more powerful and more apt to pursue policies that retard growth. The right also argues that when foreign aid is given, it should be to governments whose economic policies are likely to promote general welfare and economic progress; relief aid should be given through PVOs; and free trade is a means to further development.²³⁷ The Heritage Foundation transmitted this message to the administration.

Nicholas Eberstadt of the American Enterprise Institute for Public Policy Research is a defender of the right that supports the liberal international economic order.²³⁸ He argued for U.S. development assistance programs that support the promotion of policy reform, competence in administration, and acting on opportunities afforded by international markets in goods, services, and finance.²³⁹

The right, including the Heritage Foundation, currently espouses the ideas of Hernando de Soto. De Soto supports the idea that the problem in third world countries is the state, not the informal economy or black market. Inefficient government bureaucracies stymie peasants' creativity and entrepreneurial genius leaving the poor majority at the mercy of the established upper class minority.²⁴⁰

Oddly enough, the right has been supported in this "anti-aid" view by the left; both are anti-statist. Where de Soto emphasized the peasant entrepreneur, the left emphasizes the peasant community leader who organizes people to fight against the ruling class. In its purest sense, the left holds that in a donor-recipient relationship, "the interplay of power and economic interests prevents them [the recipient governments] from utilizing the aid provided in a manner conducive to poverty alleviation in their countries...," that is, rich countries use poor countries only to further their own objectives.²⁴¹

Among the better known critics on the left are such writers as Frances Moore Lappe' and Teresa Hayter and such organizations as the Development GAP.²⁴² The left compromises two categories: the institutional pessimists and the structural theorists. Both concentrate on the interplay between economics and power and on how institutions

impede the effectiveness of assistance; the structural theorists, however, are more global in their analysis.²⁴³ Though not popular as they were during the 1960s, the left has been gaining support since the mid-1980s.

Critics from the left generate support for their ideas through grassroot and community-based lobby groups. GAP is very influential in, for example, Bread for the World and Results; and Frances Moore Lappe' is co-founder of the Institute for Food and Development Policy, a not-for-profit research and educational center that promotes food and justice issues around the world. The influence of these groups stems from their ability to motivate the people concerned with these issues.

Riddell pointed in his study to the weakness in the theoretical structure of both right and left arguments and to the need for "retaking the middle ground."²⁴⁴ He demonstrated that many studies of foreign assistance and of the causal relation of assistance and growth have been flawed because of data problems and methodology.²⁴⁵ He argued for the middle ground, not on the basis that assistance is necessary or sufficient for development but that assistance is an effective tool in the development process.

This sentiment is widespread in current development assistance thought and it is taking root in the setting of foreign assistance policy, such as the emphasis on structural adjustment and policy reform. It could be argued that the theme of the foreign assistance debate was in defense of the middle ground: the relation in recipient countries between aid and domestic savings and between aid and economic growth performance.²⁴⁶

Supporting the retaking the center are the studies by Mikesell, Krueger and Ruttan, Cassan, and others. They focus on the Krueger and

Ruttan argument that "official flows on commercial terms could hardly reduce world welfare."²⁴⁷ These arguments, however, are contingent on the need for institutional development and policy reform to sustain investment and productivity.²⁴⁸ Other proponents of the middle, such as Tony Killick, warn readers of the "impending decline of market solutions" and argue for a more balanced approach to development assistance.²⁴⁹

The extent to which any of these groups influence foreign assistance policy is contingent on their capacity to influence key decision makers. Because the first Reagan administration was successful in implementing initiatives, the right was very influential. The second administration found Congress increasing its role in setting assistance policy; indeed, the policies show the influence of the middle and left lobbyists.²⁵⁰

Conclusion

Some of the many influences that have shaped U.S. foreign assistance debate over the last 15 years are outlined in this paper. Two distinct shifts in assistance policy are identified: (1) the move away from BHN toward more security-domination and (2) the move away from security toward a policy incorporating some of the ideas of economic cooperation and internationalism.

The sources have been both foreign and domestic. The shift away from BHN, for example, reflects the changing needs of developing countries and the failure of the BHN approach to successfully address many elements essential to the development process: the growth of economic capacity and the policy environment needed to assure economic growth. This shift was strengthened by the cold war rhetoric of the Reagan administration and its

determination to achieve closer linkages between economic and security objectives.

The shift toward global economic cooperation was motivated by the international debt crisis and the recognition of the need for increased economic interdependence. The domestic economy's slow growth and the burden of exceptionally high budget deficits resulted in Congress's increased reluctance to sustain foreign economic assistance. Both the Congress and the development community were increasingly critical of a policy that allocated assistance resources primarily to meet short-term political and strategic objectives rather than long-term development needs. Congressional concerns with the politicization of the aid program were voiced by David Obey as chairman of the House Subcommittee on Appropriations. He was successful in restraining and then reversing the allocation of resources to the economic support fund.

During the 1980s, USAID lost much of its capacity to influence the direction of the foreign assistance program because its initiatives were more administrative than substantive. By the early 1980s, intellectual leadership on development issues, particularly policy reform, had been assumed by the World Bank; and leadership in the resolution of the world debt crisis shifted to Treasury and the International Monetary Fund. The State Department was extremely influential in the allocation of assistance resources and in determining the size of the economic support fund relative to the development assistance budget. USAID was forced into a running battle with its domestic critics on the right and into a rear-guard battle to protect its budgetary discretion against contractors and clients.

The evolution of program assistance has been more a product of bureaucratic and Congressional politics than of administrative initiatives. What is perhaps most surprising is that USAID and the U.S. assistance program were not more badly damaged. The reason, in substantial measure, is the fact that the ideologies of the right were unable to follow up on their initial successes in reordering agency policy with a new policy focus capable of capturing the imagination of the Congress and the aid bureaucracy.

NOTES

¹John W. Sewell, testimony, Targeting Assistance to the Needy, Hearings before the Subcommittee on International Development Institutions and Finance of the Committee on Banking, Finance and Urban Affairs, House of Representatives, 97th Congress, First Session, 16 July 1981 (Washington, D.C.: Government Printing Office (GPO), 1981): 50.

²Alexander M. Haig, Jr., testimony, Foreign Assistance Legislation for Fiscal Year 1982, Hearings before the Committee on Foreign Affairs, House of Representatives, 97th Congress, First Session, 18 March 1981 (Washington D.C.: GPO, 1981): 167.

³For discussion of the Basic Human Needs Mandate and New Directions, see Rolf H. Sartorius and Vernon W. Ruttan, "The Sources of the Basic Human Needs Mandate," Journal of Developing Areas, 23 (April 1989): 332-362. See also Frank Ballance, "State of the Aid Mandate in the United States and Canada," paper prepared for the Overseas Development Council, New York, June 1984, 10-19. For an excellent overview of the history of U.S. foreign assistance programs, see also, "The New Directions Mandate and the Agency for International Development," in AID's Administrative and Management Problems in Providing Foreign Economic Assistance, a study prepared by the Foreign Affairs and National Defense Division, Congressional Research Service, Hearing before a Subcommittee of the Committee of Government Operations, House of Representatives, 97th Congress, First Session, 6 October 1981 (Washington D.C.: GPO, 1981): 65-128.

⁴See the policy chapter of the 1978 Foreign Assistance Act; also Richard L. Hough, Economic Assistance and Security: Rethinking U.S. Policy (Washington, D.C.: National Defense University, 1982): 59.

⁵Foreign Assistance Act of 1961 as amended, Chapter 1, Sec. 102, cited in Hough, Economic Assistance and Security, *ibid*.

⁶The five tables clarify the exposition. Each table is divided into three sections coinciding with the Carter administration and two for the subsequent Reagan administrations. The figures shown are based on the (Office of Management and Budget's [OMB]) Budget of the United States Government, and three additional studies: Budget of the United States Government, 1980-1989, various issues, Office of Management and Budget, (Washington D.C.: GPO): see sections for International Affairs; Foreign Assistance and Related Programs Appropriations for 1988, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 100th Congress, First Session, AID Congressional Presentation Fiscal Year 1988, February 1987 (Washington D.C.: GPO, 1987); see Main Volume, Part II; Foreign Operations, Export Financing, and Related Programs Appropriations for 1989, Hearings before a Subcommittee of the Committee on Appropriations House of Representatives, 100th Congress, Second Session, 9 March 1988 (Washington, D.C.: GPO, 1988): 41-44. See also Trends in Foreign Aid, 1977-86, Study Prepared by the Foreign Affairs and National Defense Division Congressional Research Service for the Select Committee on Hunger U.S. House of Representatives, November 1986 (Washington D.C.: GPO, 1986).

⁷For a discussion of PL480 see Susan B. Epstein, Food for Peace, 1954-1986: Major Changes in Legislation, CRS Report for Congress, 30 April 1987, 87-409 ENR, especially the Introduction.

⁸The major factors influencing annual ESF allotments are, in order of importance, political symbolism, short-term economic needs, response to a country's support of U.S. objectives in the local region, level of funding in previous years, long-term development needs, and finally base access agreements. See General Accounting Office, Political and Economic Factors Influencing Support Fund Programs, 18 April 1983 (Washington D.C.: GAO, 1983): 13-14. In recent years, cash grants are preferred to provide ESF funds, owing to the increasing importance of balance of payments assistance (the overriding economic objective of ESF). Cash grants are easy and fast to administer. Many aid officials have termed ESF the "fast track" to aid disbursement. ESF does not provide assistance for the direct purchase of military wares but it frees up other funds for that purpose. See AID's Administration and Management Problems, 294.

⁹However, in Carter's last budget request for foreign assistance, the number of ESF recipients was expanded to include Oman and Tunisia. The administration rationalized this use of funds by claiming the need to support informal base-right agreements. The Carter administration also was the first to use the special drawdown authority to channel money to El Salvador for FY1981. Larry Q. Nowels, Specialist in Foreign Affairs, Foreign Affairs and National Defense Division, Congressional Research Service, 24 March 1989.

¹⁰Spain "graduated" from U.S. foreign assistance in 1988. "Spain,...,is now too prosperous to qualify for (or, given Spanish pride, to ask for) economic and military aid as compensation for the stationing of U.S. troops on its soil." The agreement of October 1988 permitted U.S. military bases in Spain for eight more years. Jim Hoagland, editorial, "The Spanish Succession," The Washington Post (4 October 1988).

¹¹The most important decisions--how much? and to whom?--in foreign assistance do not involve USAID personnel; they deal only with the substantive questions of how to use assistance after it is appropriated. (Carol Lancaster, Center for Strategic and International Studies, interview, 23 March 1989.)

¹²Carol Lancaster, U.S. Aid to Sub-Saharan Africa: Challenges, Constraints, and Choices (Washington, D.C., Center for Strategic and International Studies, 1988): 22.

¹³The strong link with the State Department of both economic and security concerns has been criticized by proponents of BHN and development-oriented assistance efforts. Congress approved a request by the administration in 1986 for the DOD to play a greater role in foreign assistance. The DOD thereupon instituted the Office of Humanitarian Assistance to promote its role in determining U.S. economic and security assistance. See Larry Minear, "The Forgotten Human Agenda," Foreign Policy, 73 (Winter 1988-89): 83.

¹⁴For discussions of the USAID budget process, see George M. Guess, The Politics of United States Foreign Aid (New York: St. Martin's Press, 1987): 95-108; and Caleb Rossiter, The Bureaucratic Struggle for Control of U.S. Foreign Aid (Boulder: Westview Press, 1985): 120-128. See also, GAO, Political and Economic Factors Influencing ESF Programs, 5.

¹⁵James L. Buckley was the first person to hold this post in the Reagan administration, followed by William Schneider, and Edward Derwinski. The Deputy Secretary of State, John C. Whitehead, oversees the 150 account, or the account for International Affairs. The Interagency Review Group works with the Bureau of Political and Military Affairs, which prepares a global security assistance budget proposal that ranks countries in order of strategic importance in meeting foreign policy objectives. This is all done with the help of the Security Assistance Program Review Working Group, of the State Department.

¹⁶In the absence of a complete bill, the foreign assistance budget falls under a continuing resolution or an omnibus budget package, which means in the absence of authorization bills, that a large portion of policy-related legislation falls to the appropriations process. The consequence is that under continuing resolution, foreign assistance represents only a small amount of the omnibus spending bill and attracts little attention in floor debates. Thus the assistance package is opened to "demagoguery and destructive amendments" which may be of special interest to one party or another. The continuing resolution, however, suited the needs of the administration because large budget increases could be obtained with little debate. See Rep. David R. Obey and Carol Lancaster, "Funding

Foreign Aid," Foreign Policy, 71 (Summer 1988): 147. In one interview with a Senate Staffer, it was pointed out that the Foreign Relations Committee, owing to a certain lack of leadership, has been steadily declining in importance. This factor contributed greatly to the inability of an authorization to be passed.

¹⁷Congress and Foreign Policy-1984, U.S. House of Representatives, Committee on Foreign Affairs, reproduced by the Library of Congress, Congressional Research Service, 15 January 1987 (Washington, D.C.: GPO, 1985): 81.

¹⁸Schneider came to the State Department from OMB where he was associate director for national security and international affairs. Prior to that, he had been a staff associate for the Defense Subcommittee of the U.S. House Appropriations Committee.

¹⁹Larry Q. Nowels, Congressional Research Service, interview. Long was chairman of the House Appropriations Foreign Operations Subcommittee in which Kemp was the ranking minority member; and Kasten was chairman of the Senate Appropriations Foreign Operations Subcommittee in which Inouye was the ranking minority member.

²⁰Larry Q. Nowels, *ibid.* Long was often criticized for his inability to write an aid bill that could get through Congress. See Congressional Quarterly (CQ; 19 December 1981): 2492. In an interview, Caleb Rossiter of the Arms Control and Foreign Policy Caucus, 23 March 1989, commented that Reagan "rolled" the House leadership on the tax cut issue in 1981 and from then on the House was apprehensive to question many administrative

initiatives.

²¹Ted Weihe, "Congressional Strategies for Development Cooperation Initiatives" (unpublished manuscript, U.S. Overseas Cooperative Development Committee, 1987). The continuing resolution permitted unpopular foreign assistance provisions (e.g., funding of the MDBs) to be added to the bill in the Senate where they were most likely to be supported.

²²The Carter administration also encouraged private investment, particularly in Latin America and the Caribbean, and discouraged arms sales. The Congress enacted the Foreign Military Aid Bill of 1976-77 to give it a "stronger voice" in the U.S. arms sale trade. "The focus is shifting to arms control rather than the promotion of arms sales." "Foreign Aid Panel Urges Special Effort for Poor," New York Times, (13 October 1977): 11. See CQ (11 June 1977): 1177.

²³The administration intended to comply with the report, however. Neither DCC nor the administration anticipated some substantive problems in the BHN approach, for example, the narrow interpretation of BHN legislation and the changing global economic environment. Furthermore, it became evident that economic development was dependent on certain basic economic policies within the recipient countries. Carol Lancaster, interview.

²⁴CQ (13 May 1978): 1162. IDCA ostensibly was formed in honor of Hubert H. Humphrey (D-MN) who had died in January 1978. Humphrey, who returned to the Senate after an unsuccessful bid for the presidency, was a long-time advocate of civil and human rights, and worked to strengthen the foreign

assistance programs for poorer countries to "avert famine and malnutrition." See editorial New York Times, "The Happy Legacy of Hubert Humphrey" (15 January 1978).

²⁵CQ (24 February 1979): 345.

²⁶Ibid. IDCA was given the responsibility to ensure that "development goals" were considered by agencies that made decisions on trade and other economic issues affecting developing countries.

²⁷Graham Hovey, "Single Agency Planned for Managing Foreign Aid," New York Times (16 February 1979): A5.

²⁸CQ (24 February 1979): 345.

²⁹CQ (14 April 1979): 727. Congress feared that ISTC might become a "gravy train" for research grants to American universities, *ibid.*, (14 July 1979): 1405.

³⁰Carol Lancaster, interview. Lancaster, then deputy assistant secretary in the Department of State's Bureau of African Affairs, recalled that at this time no central office looked at the overall USAID budget in terms of worldwide foreign policy priorities and tradeoffs. The State Department tried to influence the budget and questioned the policy objectives of the foreign assistance program.

³¹*Ibid.*

³²Dr. John H. Sullivan, interview, 7 February 1989. Most people agree that IDCA was still-born because no influential advocate of foreign assistance appeared after the death of Hubert Humphrey. Ed Feulner of the Heritage Foundation and head of the Reagan transition team believed that IDCA should be abolished, calling it a "useless bureaucratic appendage." Feulner, "Foreign Aid: Debating the Uses and Abuses," New York Times: E5. Carol Lancaster argued that Henry Owen never really cared for IDCA, that he saw it as a way to get ISTC through Congress. For a number of years Owen had supported passage of ISTC. Lancaster also considered the mandate of IDCA to be unclear in relation to the MDBs and OPIC. When it was seen that IDCA had no control over either, IDCA simply was ignored.

³³Carol Lancaster, interview.

³⁴Military training funds were banned for Argentina, Uruguay, and Ethiopia; and all types of assistance were banned for Angola, Cambodia, and Laos. However, although the Philippines, Iran, and Panama were cited for human rights violations, aid was not cut to them. See CQ (14 July 1979): 1402. See also Richard Burt, "Criticisms Ahead for Carter on Shifts in Rights Policy," New York Times (10 February 1978): 14; and Bernard Gwertzman, "U.S. Rights Report on 105 Lands Is Bleak Except for a Few Gains," New York Times (10 February 1978): 1. Congress passed a law in 1976 for annual reviews of aid recipients' human rights records to be prepared by the State Department and presented to the House and Senate foreign relations committees.

³⁵Daniel Patrick Moynihan (D-NY) commented in 1978 that the United States was part of a "worldwide ideological struggle" with the Soviet Union and by concentrating on North-South rather than East-West issues, the United States had lost all the initiatives it had gained from the detente of the early 1970s. See Richard Burt, "Criticisms," New York Times.

³⁶SALT II could have been included here, but it was never ratified and received very little Congressional support.

³⁷CQ (31 March 1979): 553-559. Carter's emphasis on the Middle East was a direct reflection of the Carter Doctrine to do everything possible to prevent the establishment of a Soviet power base in the Persian Gulf. The Middle East is of strategic importance to the United States but the Carter administration rhetoric was directed more to peace and stability than to building powerful political allies. The Peace Treaty, coupled with financial assistance, established the United States as "chief protector and benefactor" of both Egypt and Israel.

³⁸Clyde H. Farnsworth, "Aid to Poor Countries: Even the Lip Service Gets Softer," New York Times (5 October 1980); sect. IV, 3. The world economic situation was deteriorating owing in part to the oil crisis which had caused considerable damage to many economies in the world in terms of inflation and interest rates. In the United States, there was growing concern to balance the federal budget.

³⁹The final foreign assistance expression of the Carter administration came in 1980, when it commissioned The Global 2000 Report to the President Entering the Twenty-First Century. The report was a departing message

warning subsequent administrations of the dangers of overpopulation and poverty. It recommended unprecedented global cooperation in food production and environmental and natural resource protection to preserve the "global commons." The Report urged that the United States take a leadership role in coordinating the promotion of trade, investment and assistance "to relieve poverty and hunger, to stabilize population growth, and enhance economic and environmental productivity." The Global 2000 Report to the President Entering the Twenty-First Century, Council on Environmental Quality and the Department of State, vol. I (Washington D.C.: GPO, 1980). See Foreign Assistance Policy Studies: A Review of Major Reports and Recommendations. Prepared for the Committee on Foreign Affairs U.S. House of Representatives by the Foreign Affairs and National Defense Division Congressional Research Service Library of Congress, August 1988 (Washington D.C.: GPO, 1988): 58-60.

⁴⁰Kenneth A. Oye, "The Domain of Choice," in Eagle Entangled, Kenneth A. Oye, Donald Rothchild, and Robert J. Lieber, eds. (New York and London: Longman, 1979): 25.

⁴¹Ted Weihe, "Congressional Strategies," 16.

⁴²Robert Berg, President, International Development Council, interview, 30 March 1989. Berg was director of evaluation in the Bureau for Program and Policy Coordination at USAID during the Carter years and throughout the transition.

⁴³"Foreign Aid: Debating the Uses and Abuses," New York Times (1 March 1981): E5. The article is an interesting discussion among Hollis Chenery, Alan Cranston, and Edward Feulner on assistance to needy nations.

44 This view was supported by many in the administration. One of the more vocal was David Stockman, Director of OMB. The OMB Budget Working Group initiated sessions entitled "foreign aid retrenchment" which called for drastic reductions in the foreign assistance budget. The document claimed the U.S. should "not support aid programs that do not offer direct political and security benefits for the U.S." Supply-side economics and overall conservative views were not favorable to the foreign assistance program. See Juan de Onis, "Haig Fights Proposal for Drastic Reduction in Foreign Assistance," New York Times, 29 January 1981, 9. For additional comment on foreign aid retrenchment, refer to the section on multilateral assistance.

45 Aron Raymond, "Ideology in search of a Policy," Foreign Affairs: America and the World, 1981, 60, 3: 504.

46 Andrew Knight, "Ronald Reagan's Watershed Year?" Foreign Affairs: America and the World, 1982, 61, 3: 512. The first term of the Reagan administration was distinguished by the largest peacetime military buildup in the nation's history. See Tom Riddell, "Military Spending, the Pursuit of Hegemony and the First Reagan Administration," paper presented at the Union for Radical Political Economics at the Allied Social Sciences Meetings, New York City, 29 December 1985, 9. Riddell also quoted a statement from the Center for Defense Information, 1984: "For President Reagan, the military budget has primarily been a symbolic instrument for sending political messages to friends and enemies. He has seen increased military spending as a central symbol of a reassertion of America's power in the world."

⁴⁷ John Sewell, Richard E. Feinberg and Valerina Kallab, eds., U.S. Foreign Policy and the Third World: Agenda 1985-86 (Washington D.C.: Overseas Development Council, 1985): 5. For additional discussion of the Reagan economic policies with respect to the global economy, see Henry R. Nau, "Where Reaganomics Works," Foreign Policy, 57 (Winter 1984-85): 14-37.

⁴⁸ Sewell, Feinberg and Kallab, *ibid.*, 5. The Carter administration lobbied to establish relations with the Marxist Sandinistas but the Reagan administration severed ties and worked obsessively to overthrow them.

⁴⁹ CQ (19 December 1981): 2514.

⁵⁰ In October 1981, Vice President George Bush travelled to Pakistan and visited the Khyber Pass with General Zia to emphasize the U.S. commitment. Reagan proposed \$3.2 billion in military and economic aid; in December 1981, a House-Senate conference authorized the president to provide the aid with the provision that Congress reserved the right to veto the president's action. CQ, *ibid.*, 2516. The Carter administration had banned aid to Pakistan because of Pakistan's human rights violations and pursuit of nuclear capabilities. This was overlooked by the Reagan administration when Pakistan's strategic security importance was judged to outweigh the implications of its developing nuclear weapons. Carter offered \$200 million to Pakistan immediately following the Soviet invasion of Afghanistan but General Zia rejected it, calling it "peanuts." See also, "Less Reticent White House Acts on Military Aid," The New York Times (29 March 1981): 2E.

51 Ted Weihe, "Congressional Strategies," 16. Weihe argues that this demonstrated an "interest in change...based on a general perception that the foreign assistance climate has changed, fatigue with the BHN approach and frustration with the size and complexity of the foreign assistance act which has grown like topsy and become all things to all people." The administration incorporated specific four pillars' language into the development policy section of the Foreign Assistance Act in 1985. USAID now has legislative authority to pursue either new directions programs, four pillars programs, or both. Theodor W. Galdi, testimony, Foreign Operations, Export Financing, and Related Programs for 1989, 117.

52 M. Peter McPherson, testimony, Foreign Assistance Legislation for Fiscal Years 1984-85, Part 1, Hearings before the Committee on Foreign Affairs, House of Representatives, 97th Congress, First Session, 23 February 1983 (Washington D.C.: GPO, 1984): 246. McPherson went on to say, "It is a program which fosters the political atmosphere in host countries wherein practical solutions can be applied to social and economic problems."

53 Theodor W. Galdi, Foreign Affairs and National Defense Division, Congressional Research Service, "Development Assistance and Food Aid: Historical Overview," presented in Foreign Assistance and Related Programs Appropriations for 1988, Hearings before a Subcommittee on Appropriations House of Representatives, 100th Congress, First Session, Part 3, 2 April 1987 (Washington, D.C.: GPO, 1987): 105.

⁵⁴George Schultz, "Foreign Aid and U.S. National Interests," speech given at the Southern Center for International Studies, Atlanta, February 24, 1983, reprinted for publication in Realism, Strength, Negotiation: Key Foreign Policy Statements of the Reagan Administration (Washington, D.C.: U.S. Department of State, Bureau of Public Affairs, 1984): 143.

⁵⁵George P. Schultz, testimony, Foreign Assistance Legislation for Fiscal Year 1984-85 (16 February 1983): 93. These premises and the four pillars were based on an overall foreign policy strategy consisting of three fundamental goals: building peace and sustaining the security of the U.S., fostering a growing world economy and protecting U.S. access to free markets and critical resources, and expanding the forces of democracy and freedom. Alexander Haig had his own version of the "four pillars of foreign policy": restoration of American and Western economic and military strength, reinvigoration of alliances, promotion of progress in an environment of peaceful change among LDCs, and relations with the Soviet Union based on restraint and reciprocity. See James E. Dougherty and Robert L Pfaltzgraff, Jr., American Foreign Policy: FDR to Reagan (New York: Harper & Row, 1986): 342.

⁵⁶Clifford Lewis, currently Deputy Assistant Administrator for Program and Policy Coordination, interview, 22 March 1989. Lewis called the four pillars a "public relations ploy." Robert Berg referred to the four pillars, as the "four nonsenses."

⁵⁷More formally, the Carlucci Commission was appointed to "review the goals and activities of United States foreign assistance efforts." The Commission on Security and Economic Assistance, Report to the Secretary of

State (henceforth the Carlucci Commission), Department of State

(Washington, D.C.: GPO, 1983): 3.

⁵⁸Ibid., 4. The major recommendations of the commission were to combine development and security assistance, increase overall aid, promote the private sector, and increase flexibility in both development and security assistance. The Commission advocated the use of ESF to "further U.S. political and commercial objectives." See Stephen Hellinger, Douglas Hellinger, and Fred M. O'Regan, Aid for Just Development (Boulder: Lynne Rienner Publishers, Inc., 1988): 28.

⁵⁹The organization also would have "direct control over economic assistance and ESF program operations." Carlucci Commission, 5.

⁶⁰Ibid., 31.

⁶¹Ibid. For example, the Commission recognized that many balance of payments supports were being used to pay for interest on U.S. weapons. Economist (6 April 1989): 21.

⁶²Carol Lancaster, interview.

⁶³Larry Q. Nowels, "An Overview of the Economic Support Fund," study prepared for Foreign Operations, Export Financing, and Related Programs Appropriations for 1989, 82.

⁶⁴See Raymond F. Mikesell, The Economics of Foreign Aid and Self-Sustaining Development (Boulder, CO.: Westview Press, 1983); and Anne O. Krueger and Vernon W. Ruttan, The Development Impact of Economic Assistance to LDCs, Vols. I and II (Minneapolis: University of Minnesota

Economic Development Center, March 1983). The Krueger-Ruttan study has since been revised and published as Anne O. Krueger, Constantine Michalopoulos, and Vernon W. Ruttan, AID and Development (Baltimore: The Johns Hopkins University Press, 1989).

⁶⁵In June 1982, the President signed Executive Order 12369 which established the President's Private Sector Survey on Cost Control (the Grace Commission) in the executive branch. An executive committee, under the chairmanship of J. Peter Grace, identified opportunities for increased efficiency and reduced costs that could be achieved by executive action or legislation; and recommended short- and long-term operating improvements throughout the entire federal government. For USAID in general, the commission found the cycle of planning, approving, and monitoring project assistance is sluggish and inefficient because of (1) pressures by Congressional mandates and oversight; (2) foreign policy and strategic considerations; (3) bureaucratic inadequacies and socio-economic weaknesses of beneficiaries; and (4) bureaucratic inertia within USAID itself. The Commission recommended that USAID (1) increase the use of Private Voluntary Organizations (PVOs); (2) work to repeal the deobligation/reobligation authority of Congress; (3) further decentralize USAID; (4) reduce reporting time; and (5) move to a two-year budget submission cycle. The Grace Commission was not designed to study foreign assistance specifically but it outlined many of the bureaucratic pitfalls that had plagued the agency for many years. See President's Private Sector Survey on Cost Control: Report on the Department of State/AID/USIA, Spring-Fall 1983 (Washington D.C.: GPO, 1983).

66 M. Peter McPherson, testimony, Foreign Assistance Legislation FY82, 249.

67 Private Enterprise Development, AID Policy Paper, Bureau for Program and Policy Coordination, March 1985 (Washington, D.C.: GPO, 1985), 1.

68 M. Peter McPherson, testimony, Foreign Assistance Legislation FY82, 249.

69 Private Enterprise Development, AID Policy Paper, 10.

70 Ibid.

71 See press release for The President's Task Force on International Private Enterprise: Report to the President, December 1984 (Washington, D.C.: GPO, 1984).

72 Ibid., 2.

73 Larry Nowels, interview. See also, Population Assistance, AID Policy Paper, Bureau for Program and Policy Coordination, September 1982 (Washington, D.C.: 1982).

74 Gayl D. Ness, "The Impact of International Population Assistance," in AID and Development, Krueger, Michalopoulos, and Ruttan, 7.

75 See Jason L. Finkle and Barbara B. Crane, "The Politics of Bucharest: Population, Development, and the New International Economic Order," Population and Development Review, 1, 1 (September 1975): 87.

76 Ibid.

⁷⁷Ness, "The Impact of International Population Assistance," in AID and Development, 8.

⁷⁸James L. Buckley, "U.S. Commitment to International Population Planning," statement presented to the International Conference on Population, Mexico City, 8 August 1984, Current Policy, no. 604 (Washington D.C.: U.S. Department of State, Bureau of Public Affairs, 1984), 2.

⁷⁹Ibid. Buckley found population growth to be a threat only in centrally planned economies where "the concentration of economic decisionmaking in the hands of planners and public officials tended to inhibit individual initiative and sometimes crippled the ability of average men and women to work toward a better future." He cited Hong Kong and South Korea as countries experiencing major increases in population while undergoing rapid economic growth.

⁸⁰Julian Simon, The Ultimate Resource (Princeton, NJ: Princeton University Press, 1981): 196. See also Vernon W. Ruttan's review of The Ultimate Resource in Economic Development and Cultural Change, 32, 4 (July 1984): 886-889, The University of Chicago Press. Simon is not known as an advocate of the pro-life movement; he is an intellectual who was able to justify scientifically the administration's position.

⁸¹Constance Holden, "A 'Prolife' Population Delegation," Science, 224, 4655 (22 June 1984): 1321. The paper was prepared by the Office of Policy Development.

82Ness, "Impact of Population Assistance," 8 Also USAID, in accordance with legislation passed in 1974, was forbidden to "provide support for abortion services or a number of other abortion-related activities." All AID-funded projects and contracts with other agencies prohibit abortion activities. See AID Policy Paper: Population Assistance, 6. For a description of the "New Right," see section on external sources.

83Werner Ferno, President, Population Institute/Population Action Council, noted in a prepared statement that the United States was sending mixed signals on population assistance. See Foreign Assistance Legislation for Fiscal Year 1984-85, 581-585. Ferno also noted that in 1982 USAID and the State Department prepared a report in which UNFPA had been characterized as "important to the achievement of U.S. government foreign policy objectives," and as servicing "more than 100 countries and [providing] a variety of assistance needs that are not always met by AID bilateral population assistance programs...which often are vital to the successful implementation of AID activities."

84Tom Barry and Deb Preusch, Soft War (New York: Grove Press, 1988): 3. It can be argued that assistance to Central America is based not on need but, rather, on national security interests. The reaction of this administration was direct response to the threat of revolution. Congress has been skeptical. Richard Stone, appointed special envoy--"ambassador-at-large"--for Central America in 1983, commented, "An awful lot of congressmen [who are not members of the foreign policy committees] don't know all the facts, and what they certainly don't know is the priorities, the emphasis, the nuances of administration policy on Central America."

The administration also gave military aid to Costa Rica: "the only Central American country without a standing army." See CQ (30 April 1983): 820 and CQ (31 December 1983): 2776-2778.

⁸⁵Barry and Preusch, Soft War, 17.

⁸⁶Caleb Rossiter, Arms Control and Foreign Policy Caucus, "Foreign Aid After Reagan," unpublished manuscript.

⁸⁷CQ (31 December 1983): 2776-2780.

⁸⁸Congressional Quarterly Almanac, 1984, 94.

⁸⁹Ibid.

⁹⁰The Reagan administration proposed the Central America Democracy, Peace, and Development Initiative (CAI), for which \$8.4 billion in U.S. assistance was requested over a five-year period. Congress, however, approved assistance for only one year (1985). See Foreign Assistance Policy Studies, 21; for a discussion of Congressional action, see CQ Almanac, 1984, 94.

⁹¹In the case of El Salvador, aid for FY1987 exceeded the country's own contribution to its budget for the first time in the history of U.S. foreign aid. See "Bankrolling Failure: U.S. Policy in El Salvador and the Urgent Need for Reform," a report to the Arms Control and Foreign Policy Caucus by Sen. Mark O. Hatfield (R-OR), Rep. Jim Leach (R-IA), Rep. George Miller (D-CA). Also, Caleb Rossiter, interview, 23 March 1989.

⁹²CQ (5 June 1982): 1320.

⁹³Joseph Pelzman and Gregory K. Schoepfle, "The Impact of the Caribbean Basin Economic Recovery Act on Caribbean Nations' Exports and Development," Economic Development and Cultural Change, 1988, 753.

⁹⁴Ibid. Congress wondered whether the initiative was a front for more aid to El Salvador, which was to get \$128 million. Special interest groups were concerned with protecting domestic industries affected by CBI. Two House subcommittees voted major changes in the program and cut \$75 million from El Salvador's share while the Senate Foreign Relations Committee voted to give the entire \$350 million to the World Bank. Meanwhile the trade proposals lost out to the domestic interests, such as the sugar and leather industries. See CQ (5 June 1982): 1320. CBI was the first instance of the breakdown of the authorization process; Congress had intended to take up the issue but various problems arose and it was passed on to a continuing resolution. See Congress and Foreign Policy-1984, 75.

⁹⁵Pelzman and Schoepfle, "The Impact of the CBERA," 794.

⁹⁶Carol Lancaster, U.S. Aid to Sub-Saharan Africa, 27.

⁹⁷The Africa Program was expendable because funds for the high priority recipients (i.e., Israel, Egypt, base-right countries) continued to be earmarked at high levels. Larry Nowels, interview. Carol Lancaster also argued that many BHN innovative rural development projects were not working and policy reform was a necessary condition for development.

⁹⁸CQ (1 December 1984): 3041-3042.

⁹⁹Ibid.

100 Ibid., 3045.

101 Ibid.

102 Compact for African Development, Report of the Committee on African Development Strategies, Joint Project of the Council on Foreign Relations and the Overseas Development Council (Berkeley: University of California Press, 1986): 23. Also, Continuing the Commitment: Agricultural Development in the Sahel, Office of Technology Assessment Special Report, Congress of the United States, August 1986 (Washington, D.C.: GPO, 1986).

103 CQ (1 December 1984): 3045.

104 Ibid., 3037-3042. ESF was used to support the EPI in 1984. See Nowels, "Overview of ESF," Foreign Operations, Export Financing, and Related Programs Appropriations for 1989, 84. Another initiative was a food aid program that had several provisions to which Congress objected; the most controversial was that monies for the program had to be re-programmed funds from other USAID accounts. Wolpe commented, "to some extent, this smacks of election year publicity." CQ (1 December 1984): 3044.

105 Lancaster, U.S. Aid to Sub-Saharan Africa, 30. Among the additional reasons she cited were that projects seldom contained technological improvements to permit African farmers to expand their agricultural production in a cost-effective manner, ignoring the policy and institutional environment that often discouraged African farmers from expanding their investments and production; and high recurrent costs.

¹⁰⁶Ibid., 29. See also OTA study, Continuing the Commitment. U.S. aid to Africa rarely has exceeded 10 percent of the total aid to the region and remains less than 5 percent of the GNP of any recipient country.

¹⁰⁷Taken from figures submitted by Antoinette Ford, testimony, Security and Development Assistance, 1983, 307. In terms of BHN legislation, the assistance almost seems inappropriate because most Middle East countries are not truly in "need." Lebanon and Jordan, for example, are considered upper-middle-income countries, while Israel is considered a high-income country. Egypt continues to receive large amounts of assistance in compliance with the Camp David Accords. See Guess, The Politics of United States Foreign Aid, 224.

¹⁰⁸Guess, The Politics of United States Foreign Aid, 222.

¹⁰⁹This situation came into being after the late 1960s and Israel's victory in the six-day war. See "Israel and America," Economist (21 January 1989): 22. Both Israel and Egypt continue to benefit greatly from the Camp David Accords.

¹¹⁰When "peace-keeping" Marines were sent into Lebanon, they promptly retreated at the instigation of the Israelis. Ibid.

¹¹¹Joshua Muravchik, "Israel and the Democratic Left," Wall Street Journal (6 June 1984).

¹¹²"Israel and America," 21-24.

¹¹³David A. Stockman, The Triumph of Politics: The Inside Story of the Reagan Revolution (New York: Avon Books, 1987): 126. The actual budget plan was the Gramm-Stockman budget plan, named also for Phil Gramm (D-TX), which was a culmination of the Budget Working Group's sessions on "foreign aid retrenchment."

¹¹⁴John M. Goshko, "Huge Cutback Proposed in Foreign Aid," Washington Post (29 January 1981): 1A. The foreign aid retrenchment also called for withdrawal from UNESCO because of its "pro-PLO" stance.

¹¹⁵Stockman, Triumph of Politics, 126.

¹¹⁶Ibid., 127. Many critics of foreign assistance believe this assessment to be correct.

¹¹⁷United States Participation in the Multilateral Development Banks in the 1980s, Department of the Treasury, February 1982 (Washington, D.C.: GPO, 1982): 1.

¹¹⁸The two specific criticisms that warrant special attention are (1) the overemphasis on loan quantity rather than loan quality and 2) the need for a more effective maturation/graduation policy to make MDB lending more responsive to country need and the availability of alternative financing. The implications for U.S. policy toward the development banks were as follows: (1) participate in the MDB capital increases (established during the Carter administration) but seek agreement that no paid-in capital is required; (2) continue callable capital subscriptions, but on the basis of program limitations rather than appropriations; (3) reduce, in real terms, participation in soft-loan windows, especially in the International

Development Association (IDA); and (4) work to implement a more consistent "graduation" policy in hard loan windows and a more systematic "maturation" program in the soft loan windows. *Ibid.*, 4-9.

¹¹⁹ Foreign Assistance Policy Studies, 11. Also Teresa Hayter and Catharine Watson, Aid: Rhetoric and Reality (London: Pluto Press, 1985).

¹²⁰ Clyde H. Farnsworth, "McNamara Calls on World Bank to Intensify Fight Against Poverty," New York Times (1 October 1980): 1. Also Hayter and Watson, Aid: Rhetoric and Reality, 195-236.

¹²¹ Hayter and Watson, Aid: Rhetoric and Reality, 198.

¹²² *Ibid.*, 199-200.

¹²³ IDA is a World Bank agency that specializes in low-interest loans to the world's poorest countries. In 1979, the Carter administration had promised \$3.24 billion to IDA over FY1981-83. In 1981, Reagan concurred with the amount but insisted on its spread over four instead of three years. See CQ (25 December 1982): 3113-3114. Every IDA replenishment since then has undergone considerable debate.

¹²⁴ Ann Crittenden, "Foreign Aid Has Friends Back Home: Businessmen," New York Times (30 July 1978): Sect. 3, 1.

¹²⁵ The Berg report is considered by most development experts to have the greatest effect on development in the 1980s. See Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington, D.C.: The World Bank, 1981). Written by the African Strategy Review Group, coordinated by Elliot Berg, the report calls for more efficient operation of public sector

organizations and greater reliance on the private sector.

¹²⁶Anthony Rowley, "Ideology Before Need," Far Eastern Economic Review (14 February 1985): 72.

¹²⁷M. Peter McPherson, testimony, Security and Development Assistance, 1983, 141. Gregory Newell, Assistant Secretary of State for International Organization Affairs, listed the U.S. policy priorities in regard to the United Nations and Bureau of International Organization Affairs as (1) reassert the leadership role of the U.S. in international organizations; (2) promote budget responsibility; (3) strengthen U.S. influence in international conferences via reduction in delegations; (4) increase number of U.S. nationals serving in international organizations; and (5) increase the role of the private sector. William Schneider called programs of the U.N. "low-priority, foreign aid pet rocks." CQ (26 July 1986): 1675.

¹²⁸Newell, one of UNESCO's sharpest critics, said in 1983 that, "there is no conceivable way that UNESCO could change its policies, its direction, its practices, such that we would be enticed to remain." See Walter Pincus, "If UNESCO Changes, Schultz Says U.S. Will Reconsider Quitting," Minneapolis Star and Tribune (30 December 1983): 10A.

¹²⁹See U.S. Department of State, U.S. Participation in the U.N., Report of the President to the Congress for the Year 1984, Department of State Publications: Bureau of International Organization Affairs (Washington D.C.: 1985).

¹³⁰Ibid., 232.

131 *Ibid.*, 207.

132 John W. Sewell and Christine E. Contee, "U.S. Foreign Aid in the 1980s: Reordering Priorities," in Agenda 1985-86, Sewell, Feinberg and Kallab, 96. Many development experts express concern with the accountability of ESF funds and the overall lack of design in the administration's private sector initiatives.

133 Larry Q. Nowels, testimony, Foreign Operations. Export Financing. 1989, 114.

134 CQ (5 October 1985): 1999-2000. The idealist doctrine, the perfection of political and economic evolution, maintains that the mission of the United States is to lead the world by example, assistance, and cooperation into a more democratic and prosperous future.

135 John W. Sewell and Christine E. Contee, "Foreign Aid and Gramm-Rudman," Foreign Affairs, 65, 5 (Summer 1987): 1016.

136 *Ibid.*, 1017-1018. Sewell and Contee also pointed out that the trend to liberalize systems is not sustainable if "these countries cannot manage their economies in a manner that will allow them to meet pent-up demand for greater social progress and equity." They stress the importance of a balanced world economic order for sustained demand and mutually beneficial trade. The "prolonged sag" in the performance of the world economy is largely responsible for a halt in the development process throughout the world.

¹³⁷ High interest rates in the United States had caused debtor nations to cut imports and compromise their already low standards of living. Baker also argued that the budget and trade deficits were closely linked: that the deficit worsened because foreign countries were unable to maintain levels of spending on U.S. imports. For a discussion of the world economy since Reaganomics and beyond, see "One-Armed Policymaker: A Survey of the World Economy," The Economist (24-30 September 1988): 1-72.

¹³⁸ Baker's role was important to U.S. participation in many international accords (e.g., the Plaza Agreement, 1985, to coordinate interest rate reductions, and the Tokyo Summit, 1986, which built on the cooperation established in the Plaza Agreement). Baker also was involved in the U.S. participation in the Multilateral Investment Guarantee Agency (MIGA), which was formed in 1987 under the auspices of the World Bank to guarantee investments in developing countries against such occurrences as war, civil disturbance, and expropriation. All these programs were part of the larger U.S. Program for Sustained Growth, an initiative to relieve the debt-burdened nations and open opportunities for sustained growth and economic freedom. For a discussion of MIGA, the Baker Plan and the debt crisis see, James A. Baker, testimony, Foreign Assistance and Related Programs. Appropriations for 1987. Part 3, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 99th Congress, Second Session, 13 March 1986 (Washington, D.C.: GPO, 1986): 591. See also Baker's testimony in Economic Summit. Latin Debt and the Baker Plan, Hearings before the Committee on Foreign Relations, U.S. Senate, 99th Congress, Second Session, 20 May 20 1986 (Washington, D.C.: GPO, 1986). Also CQ (5 December 1987): 2984; and Baker's prepared

statement in Security and Development Assistance, Hearing before the Committee on Foreign Relations, U.S. Senate, 100th Congress, First Session, March 1987, Part 1 (Washington, D.C.: GPO, 1987): 299-315.

¹³⁹Growth rates, the inflation rate, unemployment rates, fiscal deficits, and trade account balances all became part of the lending structure. Baker, Economic Summit, Latin Debt and the Baker Plan, 33-43.

¹⁴⁰"Citicorp's Bold Move," Washington Post (22 May 1987).

¹⁴¹For a discussion of East-West relations and the Reagan foreign policy response see Robert W. Tucker, "Reagan's Foreign Policy," Foreign Affairs: America and the World, 1988/89, 68, 1: 1-27.

¹⁴²See Larry Q. Nowels, testimony, Foreign Operations, Export Financing, 1989, 114. Nowels pointed out that the use of ESF has not shifted dramatically since 1986 and that it "continues to be primarily a tool used to advance U.S. political and security objectives." However, the use of ESF for cash transfer, economic policy reform, and even long-term development projects has been on the rise. Ibid., 86.

¹⁴³Lancaster, Aid to Sub-Saharan Africa, 24.

¹⁴⁴Ibid. In 1987 President Reagan created a special interagency coordinating committee for African aid. Executive Order 12599 charges the committee with assuring that all U.S. economic programs for and policies toward Africa be "consistent with the goal of ending hunger in the region through economic growth, policy reform, and private sector development." Foreign Assistance Policy Studies, 20.

¹⁴⁵Elaine Sciolino, "Reagan, In Switch, Says U.S. Will Pay Some Old U.N. Dues," New York Times (14 September 1988): 1.

¹⁴⁶See "Overdue U.N. Funds Released by Reagan," (Minneapolis) Star Tribune, from New York Times (14 September 1988): 1A.

¹⁴⁷Ibid. Also "Aid to Poor Nations Has Been Disrupted by U.S. Failure to Pay Over \$500 Million," Wall Street Journal (13 September 1988): 58. In October 1988, the U.N. Peace Keeping Forces were awarded the Nobel Peace Prize for its work throughout the world. There is some speculation that the Reagan administration's renewed support occurred not only because of declining anti-western sentiment but, also, of political pressures from the Bush Campaign and Reagan's desire not to have his last speech before the now popular U.N. Assembly tainted by U.S. debts. One Reagan official said, "If he gave warm rhetoric and we continued to withhold our dues, it would undermine his message." See Sciolino, "Reagan, In Switch," New York Times, 10A; also Flora Lewis, New York Times, "Revitalizing the United Nations," in (Minneapolis) Star Tribune (12 September 1988): 14A.

¹⁴⁸Allan Hoben, "AID: Organizational and Institutional Issues & Effectiveness," paper presented at U.S. Development Assistance: Retrospective and Prospects, a Symposium held at Michigan State University, May 1986. The Congressional role is often referred to as micromanagement which occurs when Congress gets involved in minute details of program budgeting and implementation. It becomes a problem when Congress fails to construct broader goals for a particular initiative and only concerns itself with the more trivial aspects of policy implementation. Development experts argue that Congress should be more

involved at the overall strategic and program level.

¹⁴⁹ See Aid's Administrative and Management Problems in Providing Foreign Economic Assistance, 280-285. See also the Babb Committee Report: Task Force Report for the Administrator, Agency for International Development: Organization and Structure of AID, October 1977.

¹⁵⁰ AID's Administrative and Management Problems, 284.

¹⁵¹ Ibid., 296.

¹⁵² Ibid., 295.

¹⁵³ Hoben, "AID," 22.

¹⁵⁴ Ibid., 24.

¹⁵⁵ AID's Administrative and Management Problems, 285. Carol Lancaster saw an additional factor in the downfall of IDCA as the conflict between Bennett and Thomas Ehrlich, director of IDCA. Ehrlich did not have a background in development and his role as director was unclear. When he began to involve himself extensively in the budget process, tension arose between him and Bennett, further debilitating the aid process.

¹⁵⁶ Vernon W. Ruttan, "Development Thought, Development Assistance, and Assistance Impact," paper presented at Oregon State University, Corvallis, Oregon (2 March 1987): 6.

¹⁵⁷ Ann Crittenden, "The Realpolitik of Foreign Aid," New York Times (26 February 1978): Sect. 3, 1.

158 Robert Berg, interview. Berg likened the transition to the era of Joe McCarthy and ideological purity. The transition was very quick and very effective; people, particularly political appointees, were put in place or moved to change administrative policy. The policies were weak in intellectual input, but powerful in ideology.

159 Keith Jay, former deputy administrator for Bureau for Program and Policy Coordination, USAID, interview, 26 May 1989.

160 M. Peter McPherson, Acting Deputy Secretary of the Treasury and former Administrator of USAID, interview, 10 September 1988.

161 Juan de Onis, "Sharp Reduction Expected in Foreign Aid Request," New York Times (26 January 1981): 7. McPherson was also a member of the Board for International Food and Agricultural Development (BIFAD), a government committee that coordinates the work of American Universities and consultants in overseas agriculture projects. The paper on foreign assistance which McPherson submitted to Reagan also called for more emphasis on technical assistance and less transfers of agency money to developing countries. McPherson believed that foreign policy had humanitarian and development components. He also believed that foreign aid was "political" and that ESF was a useful tool in the disbursement of assistance. See "Advancing U.S. Interests With Foreign Assistance," Foreign Service Journal (December 1986): 22.

162 The Agency's largest contribution to development assistance policy thought was the first long-term strategic plan ever put forth by USAID, the Blueprint for Development. It defined the overriding objective of USAID as

"nothing less than a world in which extreme poverty, hunger, illiteracy, and illness are essentially eliminated, a world in which free nations associate together on a basis of economic self-reliance." These conditions then, would lead ultimately to the political ideal: "a world of a secure peace, a world in which democratic forces within each nation assure respect for human rights and political and economic freedoms." The proposed means to alleviate poverty are policy dialogue, institutional development and training, utilization of the private sector, and technology research, development, and transfer. These means are directly in line with the Four Pillars. Blueprint for Development: The Strategic Plan of the Agency for International Development. Agency for International Development, June 1985 (Washington D.C.: GPO, 1985). McPherson believed, however, that "Foreign Assistance is an instrument of U.S. foreign policy. Foreign Assistance serves our political, military, strategic, and economic interests as well as development and humanitarian objectives. Our bilateral economic assistance is meant in part--in some cases, in a very important part--to achieve objectives that have little to do with typical development indicators. The effectiveness of aid is linked to all these interests and objectives." M. Peter McPherson, testimony, AID Oversight, Hearings before the Committee on Foreign Relations, U.S. Senate, 99th Congress, Second Session, 21 April 1986 (Washington, D.C.: GPO, 1986): 181.

¹⁶³Since the late 1970s USAID has conducted "ambitious" impact evaluations of projects and programs to improving management. See Hoben, "AID," 43.

¹⁶⁴Ibid. This authority is restricted to activities within the same functional account. The process of decentralization is the lengthening of tours abroad of officials, increasing the use of foreign nationals, and using the "deobligation/reobligation" authority. The provisions were provided for by the Grace Commission. See Grace Commission, 62-66. Another step in the decentralization process was giving mission directors greater autonomy and regional bureaus less authority. To that end, McPherson reduced personnel in the two central bureaus and the three regional bureaus in Washington to maintain staff members at the missions. Attempts were made to insure that the program initiatives from the field were consistent with the four pillars. McPherson conceded that this process had worked more effectively in Asia than in Africa and Latin America. M. Peter McPherson, interview.

¹⁶⁵Hoben, "AID," 42.

¹⁶⁶Christopher Madison, "Exporting Reaganomics--The President Wants to Do Things Differently at AID," National Journal (29 May 1982): 961.

¹⁶⁷Ibid., 961.

¹⁶⁸"Advancing U.S. Interests," Foreign Service Journal, 24.

¹⁶⁹Ibid. McPherson listed the oral rehydration approach to infant diarrhea disease and the USAID support to the vaccination against childhood disease as two of the major contributions made during his tenure. McPherson, interview.

¹⁷⁰ Foreign Assistance Policy Studies, 9. McPherson considered private sector development to be the "crux" through which a country can draw the more open economic policies that enable it to develop. See "Advancing U.S. Interests," Foreign Service Journal, 24. Privatization for him could be "the right step at the right time to finally liberate developing countries' economies from slow growth or stagnation." M. Peter McPherson, cited in Martin Tolchin, "U.S. Links Some Foreign Aid to Privatization," New York Times (20 February 1986): 13. In 1986 USAID, like the administration, declared that "the extent of U.S. assistance for some developing countries will depend on their efforts to transfer public assets and programs to private industry."

¹⁷¹ McPherson, testimony, AID Study, 4. McPherson continued, "This is not brand new to AID certainly. But we have put enormous energy into it, and we can point to some good success." He then pointed to Costa Rica where the devaluation of currency and export policies had been important in promoting nontraditional exports.

¹⁷² Foreign Operations, Export Financing and Related Programs Appropriations for 1989, 375.

¹⁷³ Ballance, "State of the Aid Mandate," 41.

¹⁷⁴ Private and Voluntary Organizations, AID Policy Paper, Bureau for Program and Policy Coordination, September 1982 (Washington, D.C.: GPO, 1982): 2. (see the section on external and societal sources.)

175 Appropriate as the PVO projects may seem for some activities, many development officials believe they cannot replace the support for government services which are necessary for sustainable development activities. See Hoben, "AID," 44.

176 Despite the BHN rhetoric that is still maintained by USAID, the only programs to receive increased funding over the last eight years are health and selected development activities. Other functional accounts--agriculture, population and education and human resources--have all declined. Assistance for agriculture actually dropped from a rate of 50 percent of development assistance in 1980 to 40 percent in 1989.

Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs U.S House of Representatives, February 1989 (Washington, D.C.: GPO, 1989): 14-17. "It is hardly surprising, therefore, that these funds have been used primarily to advance the economic and political interests of their relatively small elite, as well as counterpart interests in the United States." Hellinger, Hellinger, and O'Regan, Aid for Just Development, 164.

177 President Carter had long complained that Congress was placing too many restrictions on his foreign relations programs. The FY1978 Foreign Aid Authorization Bill, for example, prohibited aid to Zambia, Tanzania, Angola, and Mozambique. Exceptions were given to Zambia and Tanzania (Carter could waive the prohibition if it were determined that furnishing assistance would "further the foreign policy interests of the United States") but not to Mozambique or Angola. Other provisions included a directive that U.S. representatives of the multilateral development banks

vote against loans to the aforementioned four countries and to Uganda and four other communist countries. Furthermore, these representatives were expected to vote against loans to nations producing palm oil, citrus fruit, and sugar when U.S. producers were being injured by their importation. CQ (3 June 1978): 1409-1412.

178 Crittenden, "The Realpolitik of Foreign Aid," New York Times, 1.

179 Foreign Assistance Policy Studies, 4.

180 Obey and Lancaster, "Funding Foreign Aid," Foreign Policy, 147.

181 CQ (19 December 1981): 2498.

182 CQ (14 April 1984): 831-833. In 1982, the House passed a resolution reaffirming the new directions mandate and criticizing the administration's private sector initiative as "lacking in descriptive detail and policy guidance." The Senate went even further. It mandated a minimum of 50 percent of development assistance to go to "productive facilities, goods and services which will directly benefit those living in absolute and relative poverty." CQ (12 June 1982): 1412.

183 John Felton, "Who Makes Foreign Policy?" CQ (18 June 1983): 1233.

184 Ibid., 1234.

185 Ibid.

186 Obey and Lancaster, "Funding Foreign Aid," Foreign Policy, 141.

¹⁸⁷Ibid., 142-143. After the harsh budget reductions of 1986 and 1987 and the stock market crash (Black Monday, 19 October 1987), the administration and Congress negotiated alternatives to the Gramm-Rudman-Hollings budget reduction plans which were based on the fact that the administration does not meet specific budget ceilings in which a certain percent of the funding is withheld. When this happens, a "sequestration" program is put in place to "mitigate the impact of cuts on organizations considered most responsive to U.S. interests." The right is reserved to withhold more than the allotted percentage to those organizations "least responsive to U.S. interests." United Nations: Implications of Reductions in U.S. Funding, United States General Accounting Office (Washington, D.C. June 1986): 9-10. Larry Nowels argued that the budget for foreign assistance would have been cut with or without G-R-H; the account had been growing even more rapidly than the defense budget and Congress just could not sustain that kind of growth.

¹⁸⁸CQ (16 March 1985): 498. Carol Lancaster argued that Obey is probably the strongest single influence on foreign aid in Congress.

¹⁸⁹Larry Q. Nowels, "The Foreign Affairs Funding Debate in 1987," Congressional Research Service Report for Congress (22 February 1989).

¹⁹⁰Obey and Lancaster, "Funding Foreign Aid," Foreign Policy, 153-155.

¹⁹¹Larry Nowels, interview.

¹⁹²United Nations: Implications, GAO, 1. The organizations affected by this measure are FAO, ILO, UNIDO, WHO, the International Civil Aviation Organization, and the World Meteorological Organization. In addition,

Congress consistently voted increases in assistance over the President's requests for UNICEF and IFAD. However, Congress insists that a careful watch be maintained on the voting practices of all U.N. agencies receiving U.S. aid.

¹⁹³Ibid., 7.

¹⁹⁴McPherson claimed in 1986 that earmarking funds leads to "a mosaic of rules and combinations so that every dollar has some pigeon-hole into which it must fit two or three times." USAID officials continue to request flexibility in the distribution of assistance as well as for less notification and indicating: the formal process by which that Congress maintains close watch of the funds disbursed by USAID See AID Oversight, 7. Obey, however, has always been quick to point out in the face of administration criticism that Congress earmarks the ESF account substantially but not development assistance. Foreign Operations, Export Financing, and Related Programs Appropriations for 1989, 394-398.

¹⁹⁵The conflicts during both the Carter and Reagan administrations illustrate that the foreign assistance debate is not one so much of democrat versus republican but, rather, one of institution--executive versus legislature. The debate becomes extremely heated when confronting the question of who controls what in foreign policy.

¹⁹⁶Task Force on Foreign Assistance, Summary.

¹⁹⁷During the 1970s many industrialized nations accelerated the growth rate of their money supplies. Inflation and the rapid expansion of credit resulted. Interest rates were pushed to a level less than that of the

average price level and, thus, to negative real interest rates, further stimulating the demand for borrowing. James B. Burnham, "World Debt and Monetary Order: Learning From the Past" CATO Journal, 4, 1 (Spring/Summer 1984): 71-79.

¹⁹⁸During the first Reagan administration, macroeconomic policy was made a priority over macroeconomic coordination with allies. See Sewell, Feinberg, and Kallab, Agenda 1985-86, 5.

¹⁹⁹Richard E. Feinberg, "International Finance and Investment: A Surging Public Sector," in Agenda 1985-86, Sewell, Feinberg, and Kallab, 51-71.

²⁰⁰Ibid., 51.

²⁰¹George F. Will, 1983; cited in Linda J. Medcalf and Kenneth M. Dolbeare, Neopolitics: American Political Ideas in the 1980s (Philadelphia: Temple University Press, 1985): 148.

²⁰²Gregg Easterbrook, "Ideas Move Nations," The Atlantic (January 1986): 66.

²⁰³Ibid., 66.

²⁰⁴Feulner, "Foreign Aid: Debating the Uses and Abuses," New York Times, E5. Later, Doug Brandom of the Heritage Foundation published U.S. Aid to the Developing World: A Free Market Agenda, a collection of works dealing with the many aspects of the foreign aid program. It takes a more conservative approach to foreign assistance and, also, stresses private foreign aid through charitable organizations, private corporate investment, and other sources. Doug Brandom, ed., U.S. Aid to the Developing World: A Free Market Agenda (Washington D.C.: Heritage Foundation, 1985).

²⁰⁵Ballance, "State of the Aid Mandate," 41. For example, the Heritage Foundation is extremely critical of the United Nations. See Easterbrook, "Ideas Move Nations," Atlantic, 72-73.

²⁰⁶The administration requested policy recommendations for all governmental bodies from the Heritage Foundation; they were published as Mandate for Leadership: Policy Management in a Conservative Administration (Washington, D.C.: Heritage Foundation, 1981). The administration is believed to have followed many of the recommendations in making policy decisions.

²⁰⁷See Christine E. Contee, What Americans Think: Views on Development and US-Third World Relations, A public opinion project of the InterAction and the Overseas Development Council, 1987; John E. Reilly, ed., American Public Opinion and US Foreign Policy 1987 (Chicago: The Chicago Council of Foreign Affairs, 1987); and, Ballance, "State of the Aid Mandate."

²⁰⁸Contee, What Americans Think, 6. Additional highlights of the study are as follows: (1) Americans are aware of the problems of poverty and do not believe that much progress has been made in improving third world living conditions over the past decade; (2) Americans have strong negative perceptions of third world governments but not of the people of these countries; (3) Policymakers perceive American public support for U.S. economic assistance to be weak and fluctuating; (4) Most Americans are poorly informed about U.S. foreign relations in general but are aware that U.S. economic relations with developing countries potentially are of mutual benefits; (5) The perceived trade-off between promoting domestic well-being and helping nations overseas limits public support to specific U.S. trade,

aid, and financial policies to promote third world growth or alleviate poverty; (6) Most Americans recognize that the United States has political or strategic interests in the third world but many are concerned with overinvolvement in developing-country affairs; (7) The major reasons for public support for economic assistance are humanitarian concern or a sense of responsibility; economics or political self-interest are generally less compelling; (8) Americans express a strong preference for those U.S. economic aid programs that most recognizably deliver help directly to poor people; (9) Economic aid is widely perceived to be ineffective or wasted; however, this opinion does not dissuade many Americans from supporting assistance efforts; (10) The American public makes little distinction between private and official aid efforts; and (11) Personal experience or personal approaches are most likely to motivate Americans to become actively involved in aid efforts to promote development or to alleviate poverty in third world countries.

²⁰⁹Ibid., 21. Ballance showed that most Americans only perceive outlays in absolute terms and do not consider percentage of GNP as an important measure (Ballance, "State of the Aid Mandate," 28). As of 1988, the United States was the largest contributor of ODA in absolute terms; Japan has recently overtaken the United States as largest contributor, however.

²¹⁰See Reilly, American Public Opinion, Summary and Findings, 4-7.

²¹¹Contee, What Americans Think, 15. A question asked in the studies of 1982, 1978, 1974, 1956, and 1947 was: "Do you think it will be best for the future of the country if we take an active part in world affairs or if we stay out of world affairs?" In the 1986 study the question was, "Do you

think it will be best for the future of the United States if we take an active part in world affairs or if we stay out of world affairs?"

²¹²Ballance, "State of the Aid Mandate," 29. Ballance also pointed out that the "anti-communist rationale for assistance was strong at the beginning of the aid program, although polls now show that it does not figure heavily in public thinking," ibid., 39.

²¹³Arguably, the most effective group in this category is the child survival group.

²¹⁴Ibid., 42. Some lobby groups were involved in community organization and in generating support for programs targeted at the poorest levels of society. Two of the more prominent are Bread for the World and Results. The shrinking budget, coupled with the fundamental shift in priorities and the conditionality of policy reform the macro level, were of great concern to these groups.

²¹⁵For additional discussion of PVOs, see Hellinger, Hellinger, and O'Regan, Aid for Just Development, 99-122; and Robert Hunt, Private Voluntary Organizations and the Promotion of Small-Scale Enterprise, AID Evaluation, Special Study No. 27, U.S. Department of State (July 1985).

²¹⁶Kathleen Teltsch, "Aid Groups in U.S. Worry Over Funds," New York Times (13 February 1986): 11.

²¹⁷Ballance, "State of the Aid Mandate," 43.

²¹⁸Minear, "Forgotten Human Agenda," 85.

²¹⁹Ibid.

²²⁰Ibid., 86.

²²¹Ballance, "State of the Aid Mandate," 49.

²²²Ibid., 46.

²²³Ibid., 47.

²²⁴Easterbrook pointed out that "In vigor, freshness and appeal, market-oriented theories have surpassed government-oriented theories at nearly every turn. This feat has been accomplished in the main by circumventing the expected source of intellectual development--the universities. Conservative thinkers have taken their case directly to Congress, the media and the public--to the marketplace of ideas." Easterbrook, "Ideas Move Nations," Atlantic, 66.

²²⁵From Winrock International, Summary of Recommendations of Winrock Colloquium, "Future U.S. Development Assistance: Food, Hunger, and Agricultural Issues," 1. Presented at the National Conference on Cooperation for International Development, 15-17 May 1988, in East Lansing, Michigan. During an interview with Don Reeves at Bread for the World, 22 March 1989, it was learned that the agri-business community is becoming increasingly divided on the issue of foreign assistance; the members favoring no assistance appear to have an upper hand. The policy statement from the American Farm Bureau Federation states, "We oppose economic and/or technological aid through any state, federal or international program which contributes to the production or distribution of any agricultural products

by our foreign competitors which adversely affect the interests of U.S. producers." Remarks by Dean Kleckner, president, American Farm Bureau Federation, before the Winrock International Workshop, Washington, D.C., 4 January 1989. The policy statement was passed without discussion.

226 Janet Welsh Brown, "Poverty and Environmental Degradation: Basic Concerns for U.S. Cooperation with Developing Countries," paper presented at the National Conference on Cooperation for International Development, 15-17 May 1988, in East Lansing, Michigan.

227 Dr. John H. Sullivan said it more eloquently: "They realized they were talking about the same thing." Sullivan, interview.

228 Winrock International, 1.

229 Brown, "Degradation," 10.

230 Ibid.

231 John W. Mellor, "The Intertwining of Environmental Problems and Poverty," Environment, 30, 9 (November 1988): Overview.

232 Roger C. Riddell, Foreign Aid Reconsidered (Baltimore: Johns Hopkins University Press, 1987): 157.

233 Ibid., 157.

234 Ibid., 161.

²³⁵Peter T. Bauer and Basil S. Yamey, "Foreign Aid: What is at Stake?" in The Third World: Premises of U.S. Policy, W. Scott Thompson, ed. (San Francisco: Institute for Contemporary Studies, 1983): 115-135; cited in Foreign Assistance Policy Studies, 47. Bauer argued that developing countries have made considerable progress without foreign assistance and would continue to do so if they were allowed, and if investment funds were required for development, they could be obtained by commercial borrowing.

See Anne O. Krueger and Vernon W. Ruttan, "Toward a Theory of Development Assistance

²³⁶Bauer and Yamey, "The Political Economy of Foreign Aid," 1981, quoted in Riddell, Foreign Aid Reconsidered, 159.

²³⁷Ibid., 49.

²³⁸Nicholas Eberstadt, Foreign Aid and American Purpose (Washington, D.C.: American Enterprise Institute, 1988). William Schneider, long-time Under Secretary for Security Assistance, Science, and Technology is a resident fellow of the American Enterprise Institute.

²³⁹Ibid., 142.

²⁴⁰Hernando de Soto, The Other Path: The Invisible Revolution in the Third World (New York: Harper and Row, 1989).

²⁴¹Riddell, Foreign Aid Reconsidered, 131.

²⁴²Frances Moore Lappe', Rachel Schurman, and Kevin Danaher, Betraying the National Interest, Institute for Food and Development Policy (New York: Grove Press, 1987); and Teresa Hayter, Aid as Imperialism (Baltimore: Penguin Books, 1971). GAP is the acronym for Group for Alternative

Policies, see Hellinger, Hellinger, and O'Regan, Aid for Just Development.

²⁴³Riddell, Foreign Aid Reconsidered, 131.

²⁴⁴Ibid., 265. Riddell's position does not obviate the theories of the right and left; both have had positive influences on the theory of development assistance and provided arguments for a richer analysis.

²⁴⁵Ibid., 102-127.

²⁴⁶Ibid., 103.

²⁴⁷Krueger and Ruttan, Development Impact, 14.

²⁴⁸Ibid., 27.

²⁴⁹Killick, "Twenty-five Years in Development," Development Policy Review, 104.

²⁵⁰In 1987, for example, the "Micro Enterprise Loans for the Poor Act" was passed to provide credit for the poor in developing countries. Also, in 1987, the "African Famine Recovery and Development Act" was passed. This act amended the Foreign Assistance Act of 1961 to establish a separate authorization for assistance for famine recovery and long-term development in sub-Saharan Africa, and for other purposes. Both houses were in the process of discussing "The Global Poverty Reduction Act," which seeks the eradication of the worst aspects of poverty in developing countries by the year 2000, when this paper was being written.