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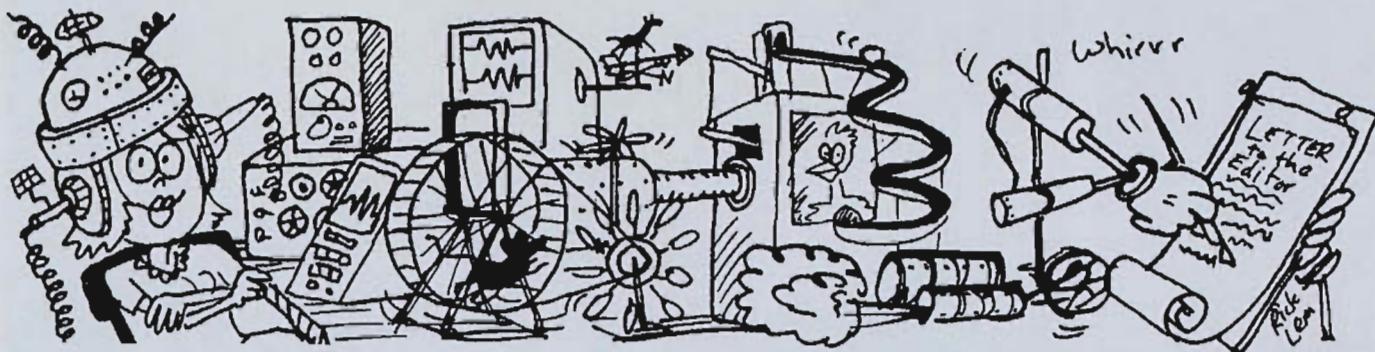
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Letters



Does AID Have a Future?

A comment

■ Professor Vernon W. Ruttan's article raises an important question: "Does AID Have a Future?" (*CHOICES* First Quarter 1995), but does not offer a clear answer to the Agency for International Development's future nor its agenda.

Professor Ruttan identified the two primary constraints to U.S. development assistance policy since the 1940s: the Cold War containment strategy and the gap between the "articulated objectives of U.S. assistance policy" and the limited resources available to meet those objectives. Without a change in the vision of bilateral assistance or domestic politics, resources will continue to be allocated to the same AID agendas.

Did Professor Ruttan overlook some successful examples of development assistance that could provide guidance for the future? The entire "trade versus aid" debate was assumed away in his search for an answer to AID's future. Ruttan assumes that structural reforms, prerequisites for effective economic performance including trade policy, have already been made. But trade policy reform requires action by both partners. Access to world markets, primarily markets in the U.S., western Europe, and Japan, is probably a far more effective engine of economic growth than bilateral assistance.

Would the phenomenal growth in Southeast Asia be possible without access to world markets? Certainly Taiwan and South Korea received bilateral assistance from the U.S., in many cases cheap raw materials such as cotton and tobacco that were manufactured into textiles and cigarettes for export abroad. The case of China since 1979 is illustrative of the benefits of trade. The

U.S.'s second largest trade deficit is with the People's Republic of China—\$22.8 billion in 1993. A large share of China's phenomenal 20 percent real annual growth rate in 1994 can be attributed to its Most Favored Nation (MFN) status with the U.S., and market access to other industrialized countries.

A similar analogy applies to the newly independent states of the former Soviet Union. They are some of the lowest-income countries in the world, but they do not want foreign aid, food aid, or other forms of assistance unless it is absolutely essential to their immediate survival. What they want is market access for their products in the European Union and the United States. The economic multiplier effects of trade are far greater than bilateral aid. International trade assistance should become a primary area of a "reorganized and refocused" AID development assistance program for the 1990s, in addition to the six other areas Ruttan recommends. They are important, but to ignore a role for international trade and market access would overlook a critical component of economic growth and political stability.

Finally, while I agree with Professor Ruttan's assessment of the need for a new Middle East doctrine, his argument that "the United States no longer has vital strategic or security interests in the Middle East" ignores the fact that the U.S. is more dependent upon energy imports than at any other time in recent history. Certainly the U.S. needs to reformulate its policies for the region, but vital strategic interests cannot be ignored.

Glen C.W. Ames
University of Georgia

The author responds

■ I agree with Glen Ames that trade is

important for the development of poor countries. U.S., EC, and Japanese import constraints continue, in spite of recent reforms, to represent a major constraint on the growth of developing countries. And developing country constraints represent important barriers to the transfer of technology and knowledge.

But the issue should be cast in terms of "trade and aid" rather than "trade versus aid." Lack of physical and institutional infrastructure continues to represent a major barrier to the ability of many of the poorest developing countries and former centrally planned economies to respond to the opportunities opened up by trade reform.

Ames's comment on the strategic importance of the Middle East is poorly informed. A little analysis would convince him that the cost per barrel of Middle East oil, when account is taken of the costs of U.S. strategic commitments to the region, is several multiples of the price of oil in the market.

The economic and political viability of the autocratic governments in the region assure that they have no choice but to continue to produce and sell oil. Expansion of petroleum production in Russia and the newly independent states of the former USSR will further weaken the limited strategic value of the Persian Gulf oil supplies to the U.S.

Vernon W. Ruttan
University of Minnesota

Vulgar Federalism

A wake-up call

■ Daniel W. Bromley (*CHOICES* Second Quarter 1995) forcefully and clearly provides a wake-up call with his excellent guest editorial, "Vulgar Federalism." America's politicians are reacting to the outcome of the election campaign of 1994, a campaign marked by an exceed-

ingly low quality of political discussion and debate. Large amounts of uninformed rhetoric, time, energy, and money were expended, and many people contented themselves in feeling that this is democracy in action.

Instead, the United States now has entered an era of increasing ideological anarchy among a substantial segment of our nation's people. This is reflected in the actions of politicians who, while recognizing we must have a federal government, are determined to make it a minimal government.

There is a growing conviction that a massive restructuring of the U.S. economy, as free from subsidies as possible, is necessary to improve technological efficiency so our nation's producers can better compete in the world

economy, and with this I agree. However, technology also has a downside in its effects on the lives of people. Technological progress now seems to be associated with downsizing of employers and increasing structural unemployment.

We do not always see or understand the dilemmas of the people displaced. Without intervention or assistance from society, those who cannot adapt will sink to a lower level of living. Such victims can only harbor resentment against the society that abandons them. The greatest danger of vulgar federalism is America's abandonment of efforts to address the social costs of technological progress. If this happens, America will stand for nothing except lower taxes, as Dr. Bromley concludes.

Will a finer democracy result from a

knee-jerk reaction to one recent election campaign? Nonsense! The essence of democracy is the community that regularly comes together in well-reasoned discussion about problems, issues, and choices facing the community and nation. Rational political debate helps to build sound public values and increase the collective wisdom and mutual caring that should guide our democratic society. This, far more than any election campaign, is democracy in action.

Communities all across our nation need to give well-reasoned and careful thought to the restructuring of our democracy. The Cooperative Extension System nationwide can provide leadership in this educational process.

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