

THE PASSAGE AND IMPLEMENTATION OF POINT FOUR
IN UNITED STATES DIPLOMACY

by

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TABLE OF CONTENTS

PREFACE..... 111

INTRODUCTION..... 1

POINT FOUR DURING THE FIRST SESSION OF THE 81ST
CONGRESS..... 15

PASSAGE OF THE BILL..... 49

THE ROLE OF THE STATE DEPARTMENT IN THE PASSAGE
OF POINT FOUR..... 85

THE IMPLEMENTATION OF POINT FOUR..... 100

BIBLIOGRAPHY..... 123

APPENDIX..... 127

PREFACE

On January 20, 1949, President Truman in his inaugural address laid the foundation for what was to be known as Point Four. This plan was to make available to peace-loving peoples the benefits of the United States store of technical knowledge and to foster capital investments in the areas needing development.

The purpose of this study is to present to the reader the conflicting attitudes and the various interpretations in regard to the Point Four program. Idealists saw in the concept an opportunity without parallel to extend to all who want them, the standard of living and the way of life that had made the United States envied among nations. Skeptics suspected we were being tricked into dissipating our resources in a task we could never expect to complete, leaving the United States prey to a cynical enemy who hopefully awaited our economic ruin. Between these two extremes students of the idea saw an opportunity to foster stable governments and contented nations while building up markets for our own exports and sources of the raw materials we need.

Technical assistance is a revolutionary idea and a gigantic undertaking. The last section presents to the reader a general survey of what has happened since the Act for International Development was passed on June 5, 1950.

The principle sources of information were the Congressional Record, the State Department Bulletins and Publications, the Foreign Policy Association Reports and Bulletins, the New York Times, the Brookings Studies Group Publications, and various

periodicals including Newsweek, Time, and the Annals of American Academy of Political and Social Science.

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INTRODUCTION

President Truman's call for "a bold, new program" to promote "the improvement and growth of underdeveloped areas" -- the much-discussed Point Four in his Inaugural Address of January 20, 1949 -- gave timely emphasis to what had hitherto been a relatively minor aspect of the foreign economic policy of the United States. The Point Four program was America's response to the aspirations of the nations embodying two-thirds of the world's population, for economic development as a means of achieving a better life. It had been said recently that the term "economic development" had become the shibboleth of our time.¹ It had become, since the war, the byword of the peoples of the underdeveloped areas of Latin America, Africa, and the Middle and Far East. It had been closely associated with nationalism and the desire for independence on the part of the colonial areas or countries whose internal economic affairs had been largely dominated by foreign economic interests. It had also been associated with the growing unrest on the part of hundreds of millions of people who, after countless generations of unquestioning acceptance of their traditional manner of living, had suddenly yearned for and demanded a social and economic revolution. This new social ferment was in part the consequence of the contacts of many millions of people with representatives of the industrial nations of the world. The

¹ Raymond F. Mikesell, United States Economic Policy and International Relations, p. 223.

sight of a jeep or an Army truck passing long lines of Chinese coolies climbing hills with sacks on their backs, the American bulldozers doing the work of hundreds of natives working with crude picks, the luxuries available to the lowest-ranking American soldiers at the PX, made a lasting impression on millions of Chinese, Indians, and Egyptians.

The awakening aspirations of the peoples of the underdeveloped areas had been echoed by their leaders at home and abroad and had been frequently used as an argument for greater economic and political independence on the grounds that foreign domination was a barrier to the realization of economic development. These aspirations had been repeated time and time again in councils of the United Nations and other international bodies. The Communists had been quick to capitalize upon this desire of the underprivileged masses for a better life. They had declared with considerable justification that the pashas, the rajas, the foreign companies, and the reactionary politicians were barriers to a more abundant life for the masses and that the way to begin was to destroy the existing social and political fabric. The Communists had pointed with success to Russia's five-year plans in industrializing the Soviet Union without the help of Western capital. They had an alarming degree of success among people who had nothing to lose but their chains, even though it meant simply exchanging old chains for new ones.

The Point Four program represented an effort to meet the aspirations of the underdeveloped peoples, and at the same time an effort to meet the challenge of the Communists. In a recent

address, Secretary of State Acheson said:

The Communists talk of organizing great masses of people in five-year plans to carry out elaborate economic programs. They say this is the way for people to get more of the necessities of life. They promise hunger, distressed people food and material comforts if only they will accept slavery to the state in return. And to people who have always been miserable, who have never known the protection of a Bill of Rights, these spurious promises sound real.

The alternative that is offered these people through the President's idea is a way to improve their material welfare and at the same time live as free men, retain their personal dignity and independence, and develop to the full extent of their individual capacities. They are offered a way of life that leads not only to freedom from want but also the most priceless freedom -- the right to be let alone.²

The concept of Point Four was boldly conceived, but it had not as yet been as boldly planned. It was not new. Government officials, business men, and economists had long been familiar with the need for extending industrialization to the nonindustrialized areas of the world. They had, moreover, shown understanding of some of the more general problems involved in such a policy. The great merit of the Point Four approach, in the words of Secretary of State Dean Acheson, was that "it established (the) economic development of the underdeveloped areas for the first time as a national policy."³

During the Second World War, the economic resources of leading European creditor nations were considerably reduced, with the result that the United States was now the only large potential

² Mikesell, op. cit., pp. 224-225.

³ "A Task For Generations," Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 68.

exporter of capital and technology. Under these circumstances, the initiative in promoting world economic development rested mainly with this country. Point Four recognized the fact that, for some time to come, United States foreign policy must give greater weight to problems of economic and social advance abroad. As a member of the United Nations and its affiliated agencies, this country shared a common obligation to contribute to world economic, social, and cultural progress.

With the end of the Second World War, the President felt compelled to proclaim on August 21, 1945, that lend-lease would cease immediately. Although the economic costs of war did not cease at the moment of victory, the Congress had been repeatedly assured that lend-lease would not continue into the postwar period. This sudden termination imposed a great strain on European countries, particularly on Great Britain. Special credits to finance supplies that were in the lend-lease "pipeline"⁴ were granted to some countries to ease the strain of transition. For others, the strain was eased by the American contribution to UNRRA, which rose from \$589,000,000 in 1945 to \$1,589,000,000 in 1946, and by the distribution of civilian supplies by the American armed forces.⁵

⁴ Mikesell, op. cit., p. 93. Lend-lease supplies and services under contract of agricultural commodities under allocation, under agreements with the recipient countries to pay for them either immediately upon delivery or on time.

⁵ The International Studies Group of the Brookings Institution, Major Problems of U. S. Foreign Policy - 1951-1952, September, 1951, p. 112.

The first and most important over-all settlement of lend-lease and reciprocal aid was made with Britain on December 6, 1945. This Anglo-American Financial Agreement provided for more than a loan and the settlement of the lend-lease and surplus property accounts. It obligated Great Britain to begin the dissolution of the sterling area by abandoning the application of quotas, and to make sterling convertible for current transactions. In addition, Great Britain gave its full approval to the main points of a document, largely American-drafted, entitled "Proposals for the Expansion of World Trade and Employment." These proposals, which were designed by the United States to give effect to the commercial policy objectives of Article VII of the Master Lend-Lease Agreements with Britain and a number of other countries, became the basis for the Charter of the International Trade Organization. Lend-lease agreements were also made with France, India, Australia, New Zealand, Belgium, and Turkey in 1946.

While the United States, in cooperation with other countries, was thus developing support for its long-term economic objectives, the true nature and extent of the economic dislocations of the war were only gradually being recognized. At the end of the Second World War, the American policy was largely concerned with converting the policies, agreements, and international institutions that the wartime coalition had developed into a course of common action that would seek to establish a world order of peace and security and growing well-being. Within the year following the war, however, it had to be assumed that

the Soviet Union did not mean to honor the agreements into which it had entered, but was on the contrary exploiting for its own national ends the arrangements that had been adopted for taking common action. American policy began to be adjusted to this new reading of the international situation, and courses of action were rapidly initiated and multiplied to meet the threat that was implicit in it.

The winter of 1946-1947 was extraordinarily severe in Europe and many European countries began to experience serious difficulties with recovery programs. Great Britain was compelled to reduce its foreign political commitments and to announce in February, 1947, the cessation of its assistance to Greece. In March, 1947, President Truman called to the attention of the Congress the precarious condition of Greece, and in the course of his message said:

I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.

I believe we must assist free peoples to work out their own destinies in their own way.

I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.⁶

This proposal became known as the Truman Doctrine, and led to the enactment in May, 1947, of the Act to Provide Assistance to Greece and Turkey. The type of action taken also came to be

⁶ "Aid to Greece and Turkey," Department of State Bulletin, Supplement, May 4, 1947, p. 1.

identified as a policy of "containment," and was regarded as a means of checking the aggressive features of Soviet-Communist policy. Political considerations began to infringe upon economic policy, and by the middle of 1947 it was clear that a re-appraisal of foreign needs for American aid was necessary.

In June, Secretary Marshall proposed a new basis for future assistance, of which the keynote was European cooperation in joint recovery effort. The Marshall Plan was the logical outcome of the Truman Doctrine for the supporting of the economies of friendly countries so that they could maintain their political independence and their democratic institutions.

Proposals for a long-range recovery program were presented to the Congress by President Truman in December, 1947, and after extensive debate the Foreign Assistance Act of 1948 was passed in April. The objectives of the act were both political and economic. They were to restore and maintain "principles of individual liberty, free institutions, and genuine independence," which, it was recognized, depended "largely upon the establishment of sound economic conditions, stable international relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance." It was the judgment of the Congress that concerted European efforts were necessary to achieve these objectives. Each participating country, in addition to adhering to a multilateral convention to guarantee the jointness of the recovery effort, was required to conclude undertakings to increase domestic production, to restore monetary stability, and to cooperate in reduc-

ing trade barriers. The agreements also contained pledges to make effective use of all resources, to help the United States in its stockpiling program, and to establish local currency accounts equivalent to the aid received as grants. These "counterpart" funds were to be used only for purposes approved by the United States. The participating countries signed a Convention for European Economic Cooperation containing the required multilateral pledges, and established the Organization for European Cooperation (OEEC) to carry them out.

Simultaneously, the general international trade objectives of the United States were furthered by the signing of the Charter of the International Trade Organization (ITO) at Havana by the representatives of fifty-three countries. The major principles and objectives of the ITO Charter, which reflected the general international economic policies of the United States, were written into the principal documents governing the European Recovery Program.

The inauguration of the European Recovery Program marked a new attempt to rehabilitate the world economic system. A four-year attack was planned on the economic ills of Europe, both because of the desperate situation existing there and because of the importance of this industrial region to the world as a whole. It was hoped that, as the problems of Europe were solved, the flow of European goods and capital to other countries would go far to restore the rest of the world-trading system.

By the middle of 1950, it appeared that many of the European Recovery Program's goals were going to be realized perhaps, in

some cases, well ahead of mid-1952. By June, 1950, industrial production in the ERP countries had reached 128 per cent of prewar, and exports to the rest of the world were 28 per cent above 1938. Western Europe's over-all current-account deficit had declined from \$7,400,000,000 in 1947 to less than \$3,000,000,000 in the period 1949-1950. By 1949-1950 the gold and dollar deficit on current account had also been reduced to well under three billion dollars. Since ERP countries had received four billion dollars in American aid during 1949-1950, they were able to increase their gold and dollar reserves by \$2,100,000,000 between September, 1949, and September, 1950, of which about two-thirds was accounted for by the United Kingdom. Merchandise imports of the ERP countries from the United States declined from \$5,700,000,000 in 1947 to about \$3,400,000,000 in 1950. There was, however, only a modest increase in merchandise exports to the United States from \$843,000,000 in 1947 to \$1,300,000,000 in 1950.⁷

These over-all figures concealed many important differences in the positions of individual ERP countries. While in the second quarter of 1950 industrial production in Sweden was 169 per cent of prewar and in Britain 149 per cent, production in Western Germany was less than prewar and in Italy and Greece 109 per cent and 119 per cent of 1938, respectively. Similar differences existed in the recovery of exports in the second quarter of 1950, with Britain leading with exports at 165 per cent of the

⁷ Mikesell, op. cit., pp. 277-278.

1938 volume, and France, 160 per cent; while Western Germany, 78 per cent and Italy, 99 per cent were exporting less than pre-war. It should be said in the case of Germany that the 1950 levels of production and exports represented a remarkable improvement over the levels of 1947 when they were only 34 and 8 per cent, respectively, of the 1938 volume.⁸

Except in the case of a few countries, e.g., Austria and Greece, most ERP countries were rapidly expanding their productive capacities to the point where they would not require additional net resources to maintain living standards at politically tolerable levels. There were, of course, some factors which remained in doubt. Viability required not only the ability to produce, but the ability to find markets and to earn sufficient dollars or dollar-convertible currencies with which to pay for essential imports from the dollar area. Whether or not most ERP countries would need additional United States assistance after 1952 appeared to depend upon:

- (1) Their ability to convert surpluses with non-dollar countries into dollars, (2) their ability to switch from dollar to nondollar sources of supply, (3) their ability to expand exports to the dollar area, and (4) the degree of deterioration in their terms of trade.⁹

Since V-E Day, the implementation of our foreign economic policy had been largely in the field of reconstruction rather than development. Because of their important role in the world

⁸ Mikesell, loc. cit.

⁹ Op. cit., p. 280.

economy, the industrial nations of Western Europe had enjoyed priority in the allocation of grants, credits, and supplies. Restoration of the productive capacity of these countries had been considered an essential preliminary to any over-all plan for overseas development. Although well aware of the logic of first restoring the export capacity of Western Europe, spokesmen for the underdeveloped areas had nevertheless become increasingly critical of Washington, D. C.'s world recovery program. There had been a growing impatience to translate into action the promise of international cooperation to promote social and economic development.

Postwar activities of American private industry abroad consisted of assisting development of primary producers by long-term licensing agreements which included the export of technology. In the past many companies had established branch plants in other countries, but recently there had been several instances in which a foreign business contracted to import our machinery and know-how. The Westinghouse Electric International Corporation had signed a number of such agreements since 1945. One of these was with a Brazilian manufacturing company -- Electromar -- and provided that engineering assistance should be given in the design and construction of plants to produce certain electrical products under Westinghouse patents. As compensation, the American concern was to receive stipulated fees.

Many more examples might be cited of the export of technical knowledge to develop the industry of other countries. Since 1945, a large number of plants had been designed, built, equipped

and put into operation for foreign interests by United States firms. These projects included units to produce steel, chemical products, textiles, cement, and so forth. Again, many contracts had been signed for the construction of highways, irrigation projects, power plants, and port facilities. The demand for American engineering and management advice had, in fact, grown to such proportions in the postwar period that several new businesses specializing in foreign contracts had been organized. As an example, the American Industrial Development Engineering Company might be cited. It had constructed or was constructing plants in India, China, British East Africa, Union of South Africa, French Morocco, South America, and elsewhere. Its services included not only design and building, but also arrangements to expedite the shipment of machinery from this country. Other firms doing a similar business overseas included the F. H. McGraw Company, J. G. White Engineering Company, W. W. Kellogg Company, Morrison-Knudsen Company, and so forth. Not infrequently, the government of an underdeveloped country seeking to map out a sound long-range program for social and economic progress had contracted with one or more of the above-mentioned companies to carry out a comprehensive survey and recommended specific developmental projects.

In many underdeveloped countries, particularly during and since the war, the acute shortage of foodstuffs had prompted the United States to place much emphasis on agriculture in its foreign aid program. Moreover, adequate planning to meet the food, health, and educational needs of a country was a precondition for

sustained industrial development. But improvement in standards of living also required a carefully considered increase in industrial facilities. Accordingly, long-range foreign assistance must give due attention to the industrial potential of the particular country. This approach had not been neglected in the United States foreign economic policy, although hitherto only a few technical missions had undertaken comprehensive surveys. The experience gained, however, was sufficient to serve as a satisfactory guide in future cooperative planning of economic development.

In his inaugural address of January, 1949, President Truman proposed to make cooperative economic development a major national policy and a major enterprise of the American people and their government. However, the President proposed more than economic development. He called for "a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies." President Truman believed we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. Here he was proposing a program to help the governments of underdeveloped areas do those things which would make the areas attractive for large-scale capital investment from private sources. He recognized that this kind of aid was vital to the development of backward areas and had value far out of proportion to the money involved in helping underdeveloped countries to help themselves. The most striking feature of the underdeveloped areas was the low standards of liv-

ing compared to advanced countries. More than half the people in the world were living in conditions approaching misery. Disease, malnutrition, high mortality rates, illiteracy, social disorganization, and civil unrest were all associated with low productivity. Widespread and chronic poverty tended to engender unrest. Their poverty was not only a handicap and a threat to them, but also to the more prosperous areas. According to President Truman:

Greater production is the key to prosperity and peace. And the key to greater production is wider and more vigorous application of modern scientific and technical knowledge.¹⁰

Thus President Truman presented to Congress the first vague outline of what had been called "one of the most enlightened ideas of the first half of the century." The fourth point of his inaugural address was to become a new departure in American foreign policy.

¹⁰ "The Faith of the American People," A New Era in World Affairs, (Department of State Publication), 1949, p. 8.

POINT FOUR DURING THE FIRST SESSION
OF THE 81ST CONGRESS

On January 20, 1949, speaking from the east front of the capitol in Washington, Harry Truman delivered his first inaugural address. The fourth point, or Point Four as it soon came to be called, was in general well-received by the Congressmen grouped behind the President on the Capitol steps. Partisanship was largely absent,¹ but questions were soon raised by the members of both parties, for the President's address had sketched only the merest outline of his proposal. Congressmen immediately inquired what would be its scope and its cost. There was particular interest in the sentence which implied that there should be guarantees for private investments abroad.

Among the Senators, particularly those from the South, there was an initial wariness both of the proposal to share industrial techniques and to encourage foreign investment, but this was viewed more as the normal senatorial reaction than as an indication of a coalesced opposition to the program.² Senator O'Mahoney (D-Wyo.) soon indicated his loyalty to the administration with the statement that "this is a proclamation by the President of economic freedom, to be coupled with the political freedom already supposed to have been won. This plan will preserve the system of private property if we handle it in harmony with the

¹ New York Times, January 21, 1949, p. 1, column 4.

² Loc. cit.

President's concept."³ Senator Taft's (R-Ohio) first comment was that he saw "nothing particularly revolutionary about it."⁴ Senator Harry Byrd (D-Va.), Chairman of the Joint Committee on Reduction of Non-Essential Federal Expenditures, hinted that President Truman's program would meet with his disapproval, for he viewed it as "neither wise nor practical."⁵ Senator Homer Capehart (R-Ind.) failed to perceive the difference between Point Four and previous economic measures. In his opinion, "The plan sounds a lot like my proposed substitute for the Marshall Plan that was to promote international trade and commerce by developing private trade instead of socialism or communism."⁶ It seemed that a good many Congressmen probably overlooked, at first, the essential distinction between aid for the economic recovery of industrial nations devastated by the war, and aid for the economic development of nations which had never been industrialized and had neither the education nor hygienic standards of the Marshall Plan countries.

Senator Wherry (R-Neb.) echoed a widespread sentiment when he said, "(Truman's) proposals are on such a colossal financial scale that deficit spending would be inevitable and would threaten, if not destroy, our national solvency."⁷

³ New York Times, January 21, 1949, 1:4.

⁴ Loc. cit.

⁵ Loc. cit.

⁶ Loc. cit.

⁷ Loc. cit.

By no means were all Republicans opposed to Point Four, for Representative Jacob K. Javits (R-N. Y.) approved of the program on the day of its announcement, and later lent strong support to its principles throughout its progress in Congress. He viewed Point Four as "...one of the most fruitful concepts for future development of the world and for resisting communistic influences."⁸

By the following day Senator Taft's thoughts on Point Four had crystallized in opposition to the proposal for government guaranteed private foreign investments. It was chiefly in opposition to the guarantees that dissent in the Senate came to a focus. Senator Taft saw great danger, domestically, in huge-scale guarantees of investments abroad, and reflected a considerable body of senatorial opinion when he expressed the danger in an overestimation of the force American guarantees could have in raising living standards in under-developed areas. He saw an even greater hazard in "over-promising" areas against Communist advances.⁹ Senator Taft recalled that the House's Post-War Economic Policy Committee had recommended Government guarantees of foreign investments in 1945, up to the maximum of two billion dollars. The International Bank, Taft said, had as one of its authorizations the guaranteeing of investments abroad, but instead had raised money through issues of its own debentures. His

⁸ New York Times, January 21, 1949, 1:4.

⁹ New York Times, January 22, 1949, 1:4.

reasons for distrusting any system of guarantees were many and varied:

I doubt the wisdom of wide-scale guarantees to private investment abroad. There is uncertainty as to the way Governments operate, particularly socialistic Governments. Such operations may lead to imperialism, and there we would be left holding the bag....I would almost rather put up a half-billion dollars in grants yearly, as a part of the Marshall Plan, for these projects, and forget them, rather than to try and collect them.

Then, as though remembering his father's painful experiences in certain Latin-American countries, he went on to say:

We are not popular as a collector, and we are no good at being an imperialist. At the same time, we are not strong enough to undertake this program, except under limited expense....If the objective is to raise living standards in these underdeveloped areas to those of the United States, what we could do by guaranteed investment would be only a drop in the bucket to what these areas would have to do for themselves.¹⁰

On the same day, Senator Vandenberg (R-Mich.) asserted that he wished to "underscore" the President's admonition that American resources had their limits,¹¹ a sentiment repeated the following day by Senator Lucas,¹² and suggested that international plans be perfected before new ones were begun.¹³

While a number of the Republican leaders expressed their disapproval, Democratic leaders expressed confidence that Congress would enact any legislation proposed by the Administration necessary to implement the new program for economic development of backward areas. However, they sought further enlightenment be-

¹⁰ New York Times, January 22, 1949, 1:4.

¹¹ Loc. cit.

¹² Ibid., January 23, 1949, 30:3.

¹³ "World Fair Deal," Newsweek, January 31, 1949, 33:18.

fore putting the legislative machinery to work on it.

Although he had no idea what manner of bill the Administration might put forward, Speaker Rayburn (D-Tex.) did not hesitate to say that "...if we can pass lend-lease and United Nations, we can certainly do this."¹⁴ He gave the plan his unconditional endorsement as "very generous, statesmanlike, and the thing to do if we are going to be this big world power we have got to be."¹⁵ Rayburn saw an opportunity for the investment of private capital, but had no information on what the Administration might be contemplating to encourage such action or guarantee the investment. However, he did not visualize any "world-wide RFC."¹⁶

Foreign reaction to the Point Four portion of the inaugural address was quite varied. A dispatch from Tass, official Russian News agency, denounced the whole speech as an "enraged attack" on communism, and described Point Four as a plan to secure the "maximum possibilities for penetration by American capital into backward nations."¹⁷

The Inter-American Economic and Social Council (representatives of the 21 American Republics) viewed this new and bold policy as one that "fully meets with the objectives which the council has been seeking and which were examined at Rio de Janeiro

¹⁴ New York Times, January 23, 1949, 30:3.

¹⁵ Loc. cit.

¹⁶ Loc. cit.

¹⁷ Ibid., January 23, 1949, 30:5.

and Bogota Conferences...."¹⁸

England's Foreign Secretary Ernest Bevin, who was the first major statesman in Europe to embrace the Marshall Plan, led the way again in welcoming President Truman's program. Bevin spoke for all powers responsible for overseas territories in saying, "that we welcome President Truman's statement, that we shall join with them, that we will throw into the pool all knowledge, ability, and resources that we have at our command."¹⁹ He believed that a good standard of life and happiness in association with Western civilization was probably the greatest contribution that they could make.

The statement of Italy's Foreign Minister, Count Carlo Sforza, in which he pledged support to a "twentieth century mission" to promote greater progress in Africa, inferred support for Truman's program.²⁰ Later, he referred to the program as a "cornerstone on which peace can be built."²¹ The former French Premier, Paul Reynaud, said he was "struck by the note of altruism."²²

There was actually little in the President's outline of the Point Four program that was new to the American scene. For years technical aid and capital investment in economically backward

¹⁸ New York Times, January 23, 1949, 33:5.

¹⁹ Ibid., January 26, 1949, 1:5.

²⁰ Ibid., January 28, 1949, 17:7.

²¹ "World Fair Deal," Newsweek, January 31, 1949, 33:18.

²² Loc. cit.

countries had been a part of American commercial activities overseas. Now, these practices were to be greatly enlarged and consciously incorporated into American foreign policy. Harold E. Stassen, a leader in the Republican party, urged that the American program of aid to foreign nations be extended to include "export" of the basic concept of freedom. The concept of the freedom of man as expressed by Franklin, was "the very basis on which the technical know-how and the cultural advance of our people' has been built."²³

Several days later, W. Averell Harriman, special representative to the Marshall Plan, said after talking with President Truman that the President's proposal "fits in" with plans of the Western European countries for development of their dependent areas, and that the President's suggestion for world development would "give impetus" to this work.²⁴

Both European and American economic experts believed the President had pointed the way to a world answer to Communism for which the Marshall Plan had been groping. In the opinion of the economic experts, to save Europe, all the brains and administrative ability available must be mobilized to prevent President Truman's idea of a world program of economic development of backward areas from being smothered in ill-informed enthusiasm.²⁵

On January 27, President Truman announced that he had di-

²³ New York Times, January 23, 1949, 17:3.

²⁴ Ibid., January 26, 1949, 19:4.

²⁵ Ibid., January 28, 1949, 12:4.

rected Secretary of State, Dean G. Acheson, to call the Federal Department Chiefs together to begin preliminary planning of his "bold new program" for improving the underdeveloped areas of the world. The chief executive frankly acknowledged that he did not know the specific details, the when or the how of his plan. He did say, with all the stress that he could put in his voice, that he knew what he wanted to do. He linked the plan to his effort to achieve world peace. The plan came into his mind, Truman explained to his weekly news conference, when he proclaimed the Truman Doctrine of containing totalitarianism and when he offered the Greek-Turkish aid program in March, 1947.²⁶ The plan would now be the administrative policy for the next four years and would materialize gradually.

According to The New Republic, the President's inspiration came from a group of New Dealers in his administration, notably from two men in the Department of Interior: Oscar Chapman, at that time the assistant secretary, and Arthur Goldschmidt, special assistant to the secretary. This periodical hailed the program as a tremendous step in the right direction. "The plan for aid to the backward nations of the world is a proposal magnificent in purpose and breathtaking in scope, the sort of thing Franklin Roosevelt would have loved and to which he certainly would have turned eventually had not the clouds of war intervened."²⁷ In Ernest K. Lindley's article in Newsweek, he said

²⁶ New York Times, January 28, 1949, 12:2.

²⁷ New Republic, January 31, 1949, 120:5-6.

that Wendell Willkie would have applauded President Truman's fourth point, for he had preached the same theme in his chapter on the Middle East in One World. Lindley further stated that the program was a carefully formulated statement of major policy: the long-range answer of the free world to the ambitions and pretensions of Communism in Asia and other economically backward areas of the globe.²⁸

About two and one-half months later, Newsweek contained an article entitled, "Whose Bold New Program?" The author said that he did not know who sold the ideas to Truman, but that at least the record showed clearly where the idea came from in the first place. It came out of a book, Teheran: Our Path in War and Peace, by Earl Browder, who was at that time head of the Communist Party in the United States. To back up his statement, he gave several excerpts from the book, one of which was the following:

Our government can create a series of giant industrial development corporations, each in partnership with some other government or group of governments, and set them to work upon large-scale plans of railroad and highway building, agriculture, and industrial development, and all-around modernization in all the devastated and underdeveloped areas of the world...On a world scale the combined projects could be self-liquidating in the period of a generation. They would become the best investments the American capitalist class had ever made in its whole history.²⁹

²⁸ "The President's Fourth Course," Newsweek, January 31, 1949, 33:19.

²⁹ Henry Hazlitt, "Whose Bold New Program," Newsweek, April 11, 1949, 33:75.

On February 28, Charles Sawyer, the Secretary of Commerce, urged American businessmen to cooperate in following President Truman's suggestion that we launch a "bold, new program" of assistance to other countries. Addressing the Chicago world trade conference, Sawyer said, "The time has come to intensify our cooperation with other nations to enable them to participate more fully in the technological achievements of our age."³⁰ According to Sawyer, the main barrier to a prosperous world trade was fear and insecurity among nations, and, to eliminate this barrier, he suggested three types of assistance:

One of the most effective ways to restore confidence and build a healthy world trade is to help build stronger basic economies where they are weak. American business can do much through private investment to strengthen the economies of other nations.

A second type of assistance American businesses can lend to other nations is the direct training of foreign nationals in the management and operation of American installations abroad. This practice is good business because a country that learns to use American equipment wants more American equipment.

The third type of assistance involves the application of American techniques in foreign countries to achieve low cost production and efficient distribution of basic necessities.³¹

Representatives to the United Nations Economic and Social Council expressed varied opinions on Point Four. Dr. Katz-Suchy, the Polish representative, denounced the plan as primarily another attempt to provide private investors with new opportunities

³⁰ New York Times, March 1, 1949, 37:1.

³¹ Loc. cit.

for profits.³² William Borberg, Denmark's delegate, described the program as a "very, very good thing for the United Nations" in special praise for the insistence that as much of the work be channeled through the world organization as possible.³³

Without the benefit of guidance from the Administration, Congressmen were forming their own opinions as best they could. Perhaps the lack of concrete recommendations from the White House accounted for the fact that congressional views of Point Four did not at once become polarized in the familiar patterns of party doctrine. Another reason was found in the nature of Point Four itself. It became evident that two distinct acts of Congress would be necessary to make it a reality: one bill to authorize and define abroad policy of technical assistance, and another to establish a system of guarantees. The heart of Point Four lay, of course, in the provision of technical aid. Few Congressmen disputed the virtues of this aspect of the program, their approval being encouraged by the likelihood that its cost to the government would be relatively small. Also, there was little in an offer of technical knowledge to identify the program with "a quart of milk for every Hottentot" or lead to a belief that it would be the "final projection of New Deal statism."³⁴

It was the second part of the President's venture, the proposal to guarantee investments, which led from the outset to the

³² New York Times, February 24, 1949, 11:4.

³³ Ibid., February 26, 1949, 6:7.

³⁴ "Point Four," Fortune, February, 1950, 41:88.

greatest dissension among Congressmen of both parties. The President had indicated in his address that these investments were to be made by private individuals. Consequently, the basic problems were (a) how to induce American capital to enter underdeveloped areas; (b) how to make it reasonably safe after it got there; and (c) how to avoid the seemingly inevitable charges of imperialism. A related problem was that of which agency should furnish the guarantees the President had asked for.

The first person to offer an answer to these questions was Representative Christian A. Herter, a Republican from Massachusetts. Basing his suggestions on a report prepared by the School of International Studies, Herter called for the negotiation of bilateral treaties specifically designed to protect American interests. He recommended that the treaties offer assurance that investments would not be discriminated against; that prior payment would be made in the currency of the investing country in the event of expropriation or nationalization; that a flow of exchange would be maintained for the remittance of profits; and that the nations affected would accept the principle that investments were entitled to a fair return. In addition, such treaties would provide for the investors to employ and place in the development projects adequate personnel of their own choosing, and that such investors would be freed from restraints involving arbitrary acceptance of local capital or local directors, as some countries require. The primary purpose of these treaties was to create a suitable climate for and to safeguard the American investments without recourse to guarantees. Without such treaties,

Herter said the program might turn into one of "false hope."³⁵

Like many Republicans, Herter believed that the program should be dissociated as much as possible from the Federal Government.

If consideration of Point Four gives false hope to the world that the United States is embarking on a great international WPA program, then it will lead to disappointment and failure. If, on the other hand, Point Four is implemented in a sound way, it can be of the utmost importance both from the economic and social viewpoint.³⁶

In thus advocating the separateness of investment from government, Herter formulated a policy which played a major role in the committee hearing to follow.

In the eleven weeks following the President's proposal, official thinking had apparently shifted away from the ideas that the dominant element in the plan would be broader technical assistance to the backward areas; that is, more teams of health, geological, and agricultural experts. Now technical assistance and private investment were considered of "parallel importance" in all plans. The real long-range burden was ultimately to be borne by private capital, because the greatest potential expansion lay in the flow of private American capital to these areas.

To stimulate and create a "favorable climate" for private investment, three groups of guarantees would probably be sought from the countries concerned. Group one would include guarantees of convertibility of local currency into dollars; guaran-

³⁵ New York Times, April 8, 1949, 4:3.

³⁶ Loc. cit.

tees against expropriation without adequate and effective compensation; and guarantees against discriminatory laws. Group two would consist of treaties to be negotiated by the State Department for the establishment of a code of fair investment behavior, which would treat foreign investors fairly on the understanding that the investors would not engage in old-fashioned dollar-imperialism. Group three would guarantee tax inducements of various kinds, including lower tax rates.

About this time one government official asked rhetorically, "What is in all this for us?" Then he went on to say, "A world so settled that there is enough social progress in it so that people won't find the economic appeal of communism attractive." His final comment was that, if the people of the world realized that their future lay beside us rather than against us, the cost of this program would be a small price to pay.³⁷

Charles Sawyer, Secretary of Commerce, continued urging American businessmen to make the investments necessary to carry out the ideals of the President's program. He said that some elements in business favored government guarantees while others opposed them. However, business must be insured a profit on its investments, since business could not exist without a profit, and companies must be assured of convertibility of their profits as well as their original investments. Also, the free consent and cooperation of the foreign nations must be secured. We must not try to force our money and techniques on those countries,

³⁷ New York Times, April 10, 1949, IV, 5:6.

and we must not seek any extra-territorial privileges or preferential treatment beyond what rights we give reciprocally in the country. In recognition of strong nationalistic feelings we must give ample assurance that the inflow of American capital would not be accompanied by interference with national policies or by American domination of their economies.³⁸

On April 30, the United Nations reported that hostility toward private foreign investors on the part of governments in many underdeveloped countries was giving way to increasing eagerness to attract their capital into ambitious projects conceived under the "bold, new program." Mindful of an increasing economy and the already heavy commitments of the United States in Western Europe, the delegates from Latin-American and Asiatic countries were ready to concede that what large-scale financial assistance they received would have to come from individuals and corporations in this country and not from the State Department.³⁹

Although underdeveloped countries were becoming surprisingly ready to lower bars to American investors and foreign capitalists generally, there were naturally great differences among countries and regions as to what constitutes a liberal foreign investment policy. Strong and growing countries like Chile and Uruguay had little to fear from an inflow of American capital. Peru boasted that it maintained no restrictions or regulations to hamper the American investor and was perfectly attuned to the

³⁸ New York Times, April 25, 1949, 32:6.

³⁹ Ibid., May 1, 1949, III-1:1.

ways of private enterprise. The same confidence in their ability to cope with the problems of foreign investment was not evident among Indonesian and Indian leaders; and the most distrustful of the private capitalists were the states of the Middle East. Egypt and Iraq, while in desperate straits for American assistance, were more inclined to go through United Nations channels than solicit aid directly from Washington and New York.⁴⁰

Truman's proposal had been universally interpreted to include colonies and other non-self-supporting territories. For this reason, British colonial experts, and to a lesser extent French and Belgian authorities, had eagerly awaited clarification of the whole plan as it might affect them. The British looked upon the program of economic development carried out under United Nation's auspices as the least desirable alternative for implementing the President's plan. They pointed to the delay, red tape, and the obstructionism that any such program would encounter in the United Nations.⁴¹ The British made vigorous efforts to convince American businessmen that sinking funds in colonial projects could be profitable.

On May 16, it was announced that two pieces of legislation for a technical assistance program were being drafted in the Department of State. The first of these would authorize the President or Secretary of State to administer the program; contract

⁴⁰ New York Times, May 1, 1949, III-1:1.

⁴¹ Loc. cit.

for the services of individuals, corporations, and government agencies; and suggest tasks to be carried out by the United Nations. The second piece of legislation concerned appropriations, and of a total proposed cost of \$105,000,000 for the first year, the major part was to come from the participating nations and only 30 million dollars from the United States. Two days later, Secretary Acheson reported progress on the technical aid measure, but said that legislation to promote international investment was still in the early stage of discussion.⁴²

These proposals comprised the first of a series of draft measures which were fed to Congress piecemeal until the session ended in October. At no time was a completed plan for Point Four presented to Congress. Rather, Congress was offered the pieces and asked to fit them together into a workable mechanism. Anticipating the introduction of draft bills via the State Department, a group of 46 Representatives sponsored by Jacob K. Javits (R-N. Y.) and Abraham J. Multer (D-N. Y.) joined in presenting a resolution to create a special commission to study the possible development of Near Eastern countries by the United States alone or in conjunction with the United Nations. Senators Paul Douglas (D-Ill.) and Raymond Baldwin (D-Conn.) said they would introduce a similar resolution in the Senate.⁴³

The President took the next step in a speech he delivered at Little Rock on June 12, 1949. He linked Point Four with our

⁴² New York Times, May 19, 1949, 12:1.

⁴³ Loc. cit.

fight to "knock out the social and political evils on which communism thrives,"⁴⁴ and said he would soon send to Congress the recommendations then being developed by the State Department. A few days later, Assistant Secretary of State Ernest Gross elaborated the Administration's plans when he said that the exploratory projects which President Truman had mentioned in his speech would not be financed out of federal funds, but that the Federal Government would assist other governments in finding technicians and financial aid from private sources. The cost of the part to be played by the Government was estimated at 48 million dollars. He asserted that the United States would not guarantee private investors against loss, but would encourage them by providing assurances (treaties?) against confiscation, and guaranteeing the convertibility of their original investments into dollars.⁴⁵ It thus appeared that the Department of State had incorporated a part of Representative Herter's recommendations into its draft. The New York Times predicted that the Senate would give the Administration's proposals a cool reception, pointing to Senator Vandenburg's reluctance to add 48 million dollars to the budget or increase the already heavy load of the Foreign Relations Committee.⁴⁶

Thus far in June, Congress had been offered very little substantial material on which to base a program of Point Four legis-

⁴⁴ New York Times, June 12, 1949, 1:6.

⁴⁵ Ibid., June 15, 1949, 14:3.

⁴⁶ Loc. cit.

lation. On June 25, however, the President sent to Congress a message well-provided with food for thought. The President asked Congress to appropriate 45 million dollars for technical assistance, revising upward by 15 million dollars the State Department's original estimate. He adopted in part the Herter proposal by announcing his intention to negotiate treaties to protect the American investor from "unwarranted risks" in other countries. But he advanced beyond the scope of Representative Herter's suggestion in asking that the Export-Import Bank be authorized to give guarantee investments against devaluation, expropriation, or destruction by war or rebellion. American capital was to be encouraged to expand overseas by a combination of the Herter system of bilateral treaties and what amounted to the federal insurance of foreign investments. President Truman qualified the scope of these guarantees, however, by adding that "we do not, of course, ask privileges for American capital greater than those granted to other investors in underdeveloped areas, or greater than we ourselves grant in this country."⁴⁷ In urging that Congress adopt his recommendations, the President pointed out that both the United States and Europe needed the raw materials and the new markets which would arise from Point Four; further, that the improvement of underdeveloped areas would help to remove the economic causes of war and thereby strengthen the United Nations. Nor did he neglect to remind Congress that these areas might turn

⁴⁷ The text of the President's message is reproduced in the New York Times, June 25, 1949, 6:2.

to "false doctrines" should their expectations be disappointed.

The Congressional reaction to the President's message was generally favorable, for the progressively worsening situation in the Far East gave Point Four a greater urgency than it had possessed in January. The Far East was an area specifically singled out for development, and a hope arose that the Chinese and their neighbors might be enticed into the Western camp by offering them aid not forthcoming from Soviet Russia. Some of the influential legislators were pleased that the President had not followed the counsels of those in the Administration who had urged him to request an additional one billion dollars to guarantee private investments, but they were disappointed that the program had been sent to the Hill when members were trying to find time and money to deal with projects already on the calendar.⁴⁸ Speaker Rayburn and House Majority Leader John McCormack (D-Mass.) were of the opinion that the program would be warmly supported in the House if it were favorably reported by the Foreign Affairs Committee.⁴⁹

One of the more objectional opinions to President Truman's message was given by Representative Robert F. Rich (R-Penn.) when he said:

Now did anyone ever hear of the Government guaranteeing American business in this country against losing money? No doubt a law of this kind in effect when Mr. Truman was in the haberdashery business would have prevented him from going into bankruptcy -- the Government would have bailed him out....

⁴⁸ New York Times, June 25, 1949, 1:1.

⁴⁹ Ibid., June 26, 1949, 6:1.

Is it not about time that Mr. Truman recognized that we cannot finance everybody and every country all over the world?...Who does not have it in his heart to help another man when he can do so? But when it is going to mean ruin to your own country to continue to help a foreign country, then I say it is time to attend to our own business. Let us cease to experiment with theories and return to the fundamentals of sound business practice which have withstood the test of the years.⁵⁰

Jacob K. Javits expressed a favorable attitude toward the Presidential message when he commented:

It cannot be overemphasized that about two-thirds of the world's population -- about 1,500,000,000 people -- live in the underdeveloped areas, and that only about one-third of the world's population -- something over 750,000,000 -- live in the developed areas and in the areas in transition to development. It is the peoples in the underdeveloped countries whom we are seeking to aid.⁵¹

He further emphasized his point by referring to an editorial written in the New York Times called "Investing in Peoples."⁵² This editorial stressed the fact that what was required was an investment not merely of money, but also of skill and understanding the human being, and it was that investment that would pay the big dividend. The example of the Philippines showed that the United States had had some experience in this type of an investment. Our investment of money, public and private, was relatively small. The machinery of the government was self-supporting from the beginning, and the funds that were used for amelioration and then for growth were largely of local origin. There was,

⁵⁰ Congressional Record, 81 Cong., 1 Sess., p. 8534.

⁵¹ Congressional Record, (Appendix), p. 4108.

⁵² Loc. cit.

however, an indirect investment in the policy of giving a preferential position in our markets to the island's major products that, in turn, gave an economic advantage to the young country. Our trade was mutually profitable. But, above and beyond this, was the great investment in human skills, some American and some Filipino. The application of those skills wrought a transformation in the country in a comparatively short time. The dividend took a variety of forms, such as the elimination of contagious diseases such as smallpox, an increase in the number of children attending school, and the general all-over rise in the Filipino's standard of living.

The same type of investment that was given in the Philippines could be made in various parts of the world under the Point Four program. This would mean more than dollar investment. It would mean giving enthusiasm and knowledge and coming to grips with realities, with courage, and patience. It meant dealing with people and not just countries with genuine warmth of heart.⁵³

On July 2, drafts of two measures were submitted to the Senate. These drafts comprised most of what the President had requested. The guarantees proposal was assigned to the Committee on Banking and Currency, and the technical aid measure to the Foreign Relations Committee. One brief proposed to amend the existing law to permit the Export-Import Bank to guarantee investments abroad by American private enterprise against risks "pecu-

⁵³ Congressional Record, (Appendix), p. 4108.

liar to such investments." The second dealt with a program of international exchange of technical knowledge. No specific sums of money were proposed in either bill. The measure also called for the establishment of an Institute of International Technical Cooperation within the State Department.⁵⁴

In mid-summer, Senator Maybank (D-S. C.) and Representative Spence (D-Ky.), chairman of the Senate and House Banking and Currency Committees, introduced identical bills providing for investment guarantees through the Export-Import Bank. At the same time, Representative John Kee (D-W. Va.) introduced the draft of an International Technical Cooperation Act which would authorize the President to plan and execute "technical cooperation programs," and in so doing to make advances and grants-in-aid to any qualified person, foreign government, or international organization.⁵⁵

In the meantime, the Communist Party newspaper, Pravada, charged that President Truman's Point Four plan to aid underdeveloped areas of the world was an attempt to replace British, Dutch, and French colonial empires with a "world-wide American monopoly."⁵⁶ Approximately the same time, the Turkish Government circles frankly admitted that additional economic aid from the United States was more needed than additional military assistance, and the leading Turkish newspaper, Cumhuriyet, pub-

⁵⁴ New York Times, July 2, 1949, 1:4.

⁵⁵ "Concerning the Progress of Point Four," Cong. Digest, November, 1949, 28:260.

⁵⁶ New York Times, July 10, 1949, 7:2.

lished an article urging Turkey to start collecting data immediately for eventual United States assistance under Point Four projects.⁵⁷

George Hakim, counselor of the Lebanese Legation in Washington, D. C., declared that nothing had been put forward except a limited program of technical assistance that would "barely scratch the surface" of the problem and that nobody could be expected to be very much excited about the prospects of long-term results from such work. He also said that Truman's program was clearly envisaged as a method of preventing "economic recession in the United States," and stressed the fact that underdeveloped countries needed money and lots of it, to go along with technical assistance.⁵⁸

Prime Minister Liagot Ali Khan of Iran said that the Point Four program was a step in the right direction, but how big a step it would prove depended upon the amount of funds given for this program. He said, "What is needed is a Truman plan for the Middle East on the line of the Marshall Plan for Western Europe."⁵⁹

By now, much soul-searching and many questions had been asked about the now-famous Point Four, and interest in it had been quickened by the fear of a domestic depression. Also, the evidence seemed to be clear on all sides that, if the United

⁵⁷ New York Times, July 18, 1949, 9:4.

⁵⁸ Ibid., July 27, 1949, 7:1.

⁵⁹ Ibid., August 14, 1949, 21:1.

States was to make the European recovery program succeed, and, if it were to answer the Communist challenge in the world, a plan was needed to succeed the recovery program and to bring about world economic recovery. Jacob K. Javits believed that there could be nothing more electrifying to the peoples of Asia than a broad-scale effort by the United States to improve their physical conditions of living, and that we could hold Asia against Communism with soldiers or with diplomacy or with traditional influence, but that the mobilization of America's resources in the skilled was the answer to the Communist challenge in the world.⁶⁰

On August 18, the Administration's chief spokesman before the House committees sought to dispel the rising conviction of a number of Congressmen that the foreign countries involved should underwrite investment risks, not the United States.⁶¹ He stressed the point that the Administration bill would not provide guarantees covering ordinary business losses nor assure anyone of a profit.⁶²

On September 27, shortly after the House Foreign Affairs Committee had begun its hearings, a "comprehensive draft" of Point Four legislation arrived from the Executive. It was termed a "reminder" that the President wanted the program to be enacted during the current session. The reminder was indeed comprehen-

⁶⁰ Congressional Record, (Appendix), p. 9519.

⁶¹ "Concerning the Progress of Point Four," Cong. Digest, November, 1949, 28:260.

⁶² New York Times, August 18, 1949, 22:3.

sive, for it outlined a scheme of technical assistance in nearly 20 fields in three principal geographic areas: the American republics, the Near East and Africa, the Far East and Asia. The proposed cost for 1950 was \$85,500,000, of which one-third was to be borne by the country receiving assistance and two-thirds by either the United States or an appropriate international agency. The reaction of Representative Joseph Martin (R-Mass.) was that Point Four in this form would impair the national defense. He declared that this country's security was more important than "charitable or benevolent deeds," and added that "as a precautionary measure we should suspend now all spending until we find out what we need for defense against the atom."⁶³

The same day, James E. Webb, Under Secretary of State, appeared before the House Foreign Affairs Committee. He was given a cool reception by numerous Republicans who objected to the scope and cost of the program. Their hostility was sufficiently intense to arouse concern lest bi-partisan cooperation in foreign affairs be injured. Webb said the bill was not charity. It was an enlightened businesslike attempt to solve one of the crucial problems with which our world was confronted, and he pictured it as a move "in the interest of world security as well as world progress."⁶⁴ Representative John Vorys (R-O.) was particularly aroused. He described Webb's presentation as the "craziest thing

⁶³ New York Times, September 28, 1949, 1:5.

⁶⁴ "International Technical Cooperation Act of 1949," House Hearings (H. R. 5615), p. 9.

I ever saw....Rube Goldberg must have been your consultant."⁶⁵ The spokesman for the Administration sought to reassure the Committee by stressing the role of private enterprise, saying, "We hope to do the minimum of public investment and encourage the maximum of private investment."⁶⁶ In a long, strong voice for the proposal, Javits said he thought he could "punch holes through the bill" but approved it as "top-flight American policy thinking -- a real American answer to Communism."⁶⁷

Further assurance came from the testimony of Secretary of Agriculture Brannan, who claimed that the sources of agricultural assistance programs already operating in Central and South America augured well for the future of Point Four. He reminded the Congressmen that only a prosperous nation could be a good customer, and said he did not fear competition from newly-developed nations because higher living standards would mean higher consumption at home. Robert B. Chipperfield (R-Ill.), second-ranking Republican on the House Foreign Affairs Committee, was unimpressed. "The millions that are to be spent on this program are not chicken feed. The best success story this country could find is for this Congress to adjourn and quit spending money right now."⁶⁸

The hearings were given a new twist on September 30, when Oscar Ewing, head of the Federal Security Agency, revealed in his

⁶⁵ New York Times, September 28, 1949, 1:5.

⁶⁶ House Hearings, p. 27.

⁶⁷ Ibid., p. 34.

⁶⁸ Ibid., p. 60.

testimony that, since health and education would rank first on the Point Four agenda, his own FSA would be the operating agency in the first phase of the program. The point of this, he said, was that, while the United States ultimately sought the economic rehabilitation of backward areas, it was first necessary to increase the output of their workers. Ewing testified that the President's project was directed against "the disease of social unrest" and was not "a supply program or a give-away."⁶⁹

When Representative Burlison (D-Tex.) asked, "Then, as far as private capital investment in those areas is concerned, that is likely to be a thing far off in the future?", Ewing replied, "That is true." Ewing's testimony reminded Representative Vorys of the case of a man who had recently been committed to Gallinger Hospital, a mental institution, for giving away money to casual acquaintances. Dismissing Ewing's scheme as "just another give-away plan," he said, "This man was sent to Gallinger. Perhaps he should be in the Cabinet instead."⁷⁰

Secretary of Commerce, Charles Sawyer, told the House Foreign Affairs Committee on October 4 that "it certainly is not my idea that this is a give-away plan." He said it was a program whereby this country intended to use its scientific knowledge, industrial techniques, and economic power to help other nations "make progress against hunger, misery, and despair, the ancient enemies of decent living."⁷¹

⁶⁹ House Hearings, p. 66.

⁷⁰ Ibid., p. 77.

⁷¹ Ibid., pp. 121-122.

On the same day, Dr. Katz-Suchy of Poland, before the United Nations General Assembly's Economic and Financial Committee, said that the Point Four was an attempt to use the United Nations as a disguise for the penetration of American "monopoly capital" into colonial territories of Western European countries. Dr. C. Patyn of the Netherlands characterized Dr. Katz-Such's views as "the most complete nonsense." However, the Polish spokesman was backed up by the Byelorussian delegate V. P. Smolyar, who argued that Anglo-American financial assistance in underdeveloped countries represented "the uncontrolled, ruthless domination of monopolies."⁷²

The most significant testimony of the final days of the hearings was given by former Assistant Secretary of State Spruille Braden, whose views were shared by the more conservative Republican members of the committee. He believed the United States should consider its own underdeveloped areas first, following which he described the Administration's investment guarantees bill as fundamentally in error because it sought to plan from above on a global scale. In response to a question from Representative John D. Lodge (R-Conn.), he said that guarantees might actually discourage expansion of private capital overseas since "government guarantees or insurance often are viewed with distrust by the investor." He preferred to support the Herter bill with its system of treaties.⁷³ A week later, having failed to

⁷² New York Times, October 5, 1949, 13:1.

⁷³ House Hearings, p. 243.

decide whether to endorse Representative Herter or the Administration, the committee postponed further consideration of Point Four until the new session in January.

Meanwhile, the House Banking and Currency Committee had agreed on a guarantees bill similar to a measure approved by the Senate Banking and Currency Committee on September 20. Both of the bills conferred a guarantees function on the Export-Import Bank and both provided for insurance against loss through inconvertibility of currencies, and confiscation, seizure, or expropriation without adequate compensation.⁷⁴ The senate measure, however, incorporated the Executive's request that investments be covered by an all-inclusive guarantee against "all risks peculiar to foreign investments." Among the risks included in this category was physical destruction caused by war or similar disturbance. The Senate bill carried with it no recommendation for an appropriation, for the Export-Import Bank was expected to carry on its new function with the \$970,000,000 it held in uncommitted funds.⁷⁵ During the course of the Senate hearings, the guarantees proposal was endorsed by H. E. Gaston, chairman of the board of the Export-Import Bank. Gaston summarized his opinion of the bill in these words:

The enactment of the bill would not commit the government to a program of any specific character of magnitude. The legislation would merely vest in the Bank...the discretionary authority to exercise a function. The guarantee function is closely allied

⁷⁴ New York Times, October 6, 1949, 1:6.

⁷⁵ Ibid., September 23, 1949, 3:1.

to and indeed is but an extension of the power which the Bank has been exercising since 1934.⁷⁶

Speaking to a convention of the Association of Land Grant Colleges, Brannan, the Secretary of Agriculture, charged that the President's program was not impractical and not costly. It was not impractical, he said, since it had been successfully demonstrated in Latin America that American aid could promote production and development. The charge that the cost would quadruple taxation was denied as most of the investment abroad would be provided by private capital. Another fallacy of the critics was that the program would add competition for America's wheat, livestock, and cotton. If there was to be greater development in foreign nations, they would need to buy more supplies such as seed, breeding stock, and machinery, and these things would be bought from the United States.⁷⁷

Iran had become the first nation to announce a complete industrial, social, and economic development plan to take full advantage of Point Four. An increase in Iranian agriculture and industrial output of more than two hundred per cent during the next seven years was the goal.⁷⁸

At the time Congress adjourned in October, it was certain that several matters would have to be clarified before Point Four could be shaped into law. Although the Administration had been lavish in the number of words it had expended in urging Congress

⁷⁶ New York Times, September 23, 1949, 3:1.

⁷⁷ Ibid., October 27, 1949, 23:2.

⁷⁸ Ibid., October 12, 1949, 12:1.

to pass a bill, it had offered relatively few recommendations to assist the legislators in their work. The Administration's bill introduced in July was criticized by Republicans and Democrats alike as being "too general."⁷⁹ Its most serious weakness was the absence of any provision for a specific agency to administer the program. Both the Herter bill and a substitute for the Administration bill later proposed by Senator Saltonstall (R-Mass.) would set up a Foreign Economic Development Administration to handle Point Four affairs, including the drafting of treaties, making guarantees, and furnishing technical services. The appointment of the administrator would be subject to Senate confirmation. It was clear that this agency must be attached to the State Department if Point Four were to be made an economic instrument of foreign policy. The draft of Senator Saltonstall's bill made as a pre-condition for the receipt of technical or financial aid the signing of a treaty pledging no discrimination against American capital privately-invested and promising that the recipient government would not sponsor local corporations in competition with those of the United States. The Saltonstall bill was expected to provide a basis for general agreement when Congress reconvened in January, 1950.⁸⁰

Spokesmen for the business interests of America seemed, on the whole, to favor the Point Four idea. Like Representative Charles A. Eaton (R-N. J.), they were "tremendously pleased to

⁷⁹New York Times, December 17, 1949, 7:1.

⁸⁰Loc. cit.

hear the words 'private capital' spoken over and over again." But, like Messrs. Herter and Saltonstall, they stipulated reservations on its use. Noel Sargent, Secretary of the National Association of Manufacturers, said in July that American capital was ready to invest up to two billion dollars annually on condition that the nations concerned were willing to "provide a political and economic climate which makes foreign investment reasonably attractive to Americans." He suggested that a pilot bilateral treaty be drawn up with a South American country to serve as a pattern for other governments. Such a treaty, according to Sargent, would commit the recipient country to put its financial house in order, stabilize its currency, and guarantee that profits be convertible into dollars.⁸¹ These stringent and probably unrealizable conditions undoubtedly were intended to avert the need for government financial guarantees which Sargent deemed unacceptable on the grounds that they would discriminate against investments previously made.

The United States Chamber of Commerce also accepted the principles of Point Four, and the reservations it attached to its approval were more moderate than those of the National Association of Manufacturers. The Chamber asked only that the program be started on a modest scale (in deference to the budget and to avoid charges of imperialism) and that reliance be made on private capital, which again was to be sheltered by a screen of tre-

⁸¹ New York Times, July 27, 1949, 5:1.

aties. The Chamber further urged that the liability of the Export-Import Bank be limited to five hundred million dollars, and wished that the government make clear that "it has no intention of providing loans for economic development in fields which are appropriate for private investment."⁸²

American capital thus offered its support, however qualified, to the "bold new program" envisaged by the President in January. Without the adherence of American capital, the program would lack the leaven of private enterprise originally called for by the President, and might indeed become the International WPA so much disliked by its early critics. It remained for the second session of the 81st Congress to enact legislation in harmony with the requirements of American business, thereby assuring the Administration of its continued support.

⁸² New York Times, October 3, 1949, 8:2.

PASSAGE OF THE BILL

Point Four of President Truman's inaugural address was virtually nothing more than an idea almost one year after he declared that the United States "must embark on a bold, new program" to aid the underdeveloped areas of the world. It was true that the program received dual consideration by the first session of the 81st Congress and that the International Bank for Reconstruction and Development and the Export-Import Bank had made some loans that could be regarded as supporting Point Four; but this was far from a full-scale program.

Willard A. Thorp, Assistant Secretary of State, found that business was beginning to lose interest in the proposed guarantees. Those investors who already had capital in foreign countries were more interested in having their current funds "unfrozen" before seeking additional situations in which to invest. In addition, State Department officials learned that private capital could not be attracted to the underdeveloped areas until the countries themselves had made some progress.¹

President Truman, in his State of the Union Address on January 4, 1950, to Congress, said:

An expanding world economy requires the improvement of living standards and the development of resources in areas where human poverty and misery now prevail. Without such improvement, the recovery of Europe and the future of our own economy will not be secure. I urge that the Congress adopt the legislation

¹ New York Times, January 3, 1950, 83:1.

now before it to provide for increasing the flow of technical assistance and capital investment in under-developed regions....This program is in the interest of all peoples, and has nothing in common with either the old imperialism of the last century or the new imperialism of the Communist....Recent world events make prompt action imperative.²

The House Foreign Affairs Committee reopened hearings January 13, 1950, on Point Four. The program legislatively was in two parts. The measure that was up for consideration, which was written in general terms, would authorize this country to give a variety of technical assistance in health, education, agriculture, and industry to backward areas. The administration had estimated that the first cost to this country would be about 35 million dollars. Another bill followed which would provide for government guarantees of private loans made abroad for economic development. The central intention was to strengthen non-Communist countries socially and industrially.

The same day, President Truman at his Press Conference conferred with Winthrop W. Aldrich, banker, who was chairman of a Presidential committee on financing foreign trade. Aldrich said he was "enthusiastically interested" in Point Four, which might bring a "good flow" of private investment abroad if it were set up "in precisely the right way."³

Dr. Ray Moyer, Acting Head of the Economic Cooperation Administration mission in Formosa, told the Foreign Affairs Committee that Point Four would be "a very important weapon in our

² New York Times, January 5, 1950, 4:5.

³ Ibid., January 13, 1950, 4:5.

foreign policy."⁴ Dr. Frank Laubach of the Foreign Missions Conference of North America told the Committee: "The churches all over America are being alerted for this bill. The churches are going to be keenly disappointed unless the rest of the world is satisfied with the bill."⁵ The director of the Washington Office of the United Auto Workers, Donald Montgomery, said he spoke for the entire CIO in endorsing the proposal, but said the organization was opposed to guarantees that would be required from beneficiary areas under a measure suggested by Representative Christian A. Herter. He described provisions in Herter's bill as amounting "to onerous and humiliating conditions of special favoritism for United States corporations."⁶

Dr. Raymond B. Fosdick, former President of the Rockefeller Foundation, accepted the chairmanship of a committee on technical assistance set up by the American Association for the United Nations. The committee was established to stress the role of the United Nations in the proposed program for technical assistance to economically backward areas, as put forth by President Truman. The new committee planned to conduct a country-wide educational drive that would sell the assistance plan as a program to help people help themselves and as a project that affected the common interests of the people of the United States.

The Administration and Republican forces in the House's For-

⁴ "Act for International Development," Hearings before the Committee on Foreign Affairs (H. R. 61089), p. 366.

⁵ Ibid., p. 383.

⁶ House Hearings, p. 441.

sign Affairs Committee united informally January 17 on a compromise bill to provide technical assistance under Point Four. Willard A. Thorp, Assistant Secretary of State, and Representative C. A. Herter of Massachusetts, leader of a Republican group that opposed the original Administration bill, gave their endorsement at a hearing to the draft of a compromise presented by Representative John Kee (D-W. Va.), the committee chairman.

The compromise measure was designed to meet demands, among others, for the stating of conditions and policy under which the United States would help finance technical cooperation programs and provide knowledge and skills in the development of resources and production in the so-called "backward" areas. While putting the administration of the law under the President instead of an independent agency as proposed by Herter, the new bill would require him to seek the participation of the United Nations, other international organizations, and private agencies "wherever practicable." A number of conditions for providing assistance under bi-lateral programs were also stipulated, including cooperation with other participants in the exchange of technical knowledge and skills, coordination of technical programs within the recipient country, and payment of "a fair share" of the cost. In a statement of Congressional policy, the bill sought to remove fears of discrimination against private investors of the United States or seizure of their property without prompt compensation. An advisory board "broadly representative of groups interested in the program" was to be created under the new bill, although the board would not have the veto powers suggested by some crit-

ics of the original Administrative proposal.⁷

President Truman sent a report to Congress January 20 urging a removal of tax deterrents. The report was designed to attract private investment capital in support of Point Four.

Endorsement of Point Four legislation introduced in the House in the identical bills of Representative John Kee and Christian A. Herter was voiced by the National Foreign Trade Council. In a telegram to Chairman Kee, the Council declared promotion of private enterprise abroad "is a fundamental of American foreign economic policy and Point Four specifically." The telegram went on to say:

We note with great pleasure that a bipartisan approach has been exemplified by introduction of identical bills by yourself and Congressman Herter....Our conviction reinforced by expressions of the 36th National Foreign Trade Convention is that promotion of private enterprise abroad is a fundamental of American foreign economic policy and Point Four specifically.

We are somewhat disappointed that the scope of Governmental activities in technical assistance is not more clearly defined and limited to fields in which the Government has demonstrated reasonable competence, but believe that ultimate review and control of such activities may be made effective through procedures as to appropriations and periodic reports to the Congress.⁸

It hailed Section two and three of the bills, H. R. 6834 and H. R. 6835 as aiding in the objective of facilitating private investment through the negotiations of bi-lateral treaties with foreign nations.

⁷ New York Times, January 18, 1950, 5:3.

⁸ Ibid., January 25, 1950, 37:1.

Wilbert Ward, vice-president of National City Bank of New York, said:

It is disturbing to find that disinclination of Government to accept the business viewpoint persists in current discussions with respect to implementing President Truman's Point Four. The President's thesis was simple. It was that American capital should go abroad on a private enterprise basis to stop the drain of the taxpayers' dollars, of which about thirty billion dollars have been committed for loans or gifts to foreign governments since the end of World War II.⁹

President Truman's Point Four program was assailed by James P. Warburg, banker, economist, and author. He criticized it as being too little and not freely given. Large amounts of capital, termed by Warburg "seed money," must be distributed without any strings attached. Warburg, in a speech before members of the Town Hall Club, said our Point Four program "should be a lion and not a mouse."¹⁰ He reiterated his belief that the program must be world-wide in scope, not limited to the so-called under-developed areas, and he proposed that it be channeled through the United Nations.

In Senator Brien McMahon's (D-Conn.) address on the hydrogen bomb, he made the following proposal:

We now spend about \$15,000,000,000 annually for armaments. Why not offer to take two-thirds of this sum, or \$10,000,000,000, and instead of amassing sterile weapons use it to foster peace throughout the world for a five-year period? Why not offer to spread the annual \$10,000,000,000 over three programs: President Truman's Point Four proposal, development of atomic energy everywhere for peace, and general economic aid to help all countries, including Russia?

⁹ New York Times, January 26, 1950, 37:5.

¹⁰ Ibid., February 6, 1950, 5:2.

Such a global Marshall Plan might combine with the marvelous power of peacetime atomic energy to generate universal material progress and a universal co-operative spirit.¹¹

James P. Warburg hailed Senator McMahon's proposal for world-wide economic recovery program as "the turning point in post-war United States policy" and "a mighty weapon for peace."¹²

In a Newsweek article, "Fifty Billions for Tribute?" Henry Hazlitt said:

Senator McMahon himself calls his proposal (of 50 billion over five years) a "global Marshall Plan" and casually drops Point Four inside it. It is a super-giveaway program. It is not only politically preposterous, but rests on the same fundamentally false economic assumptions as the Marshall Plan and Point Four. It wrongly assumes that the American capital thrown into such schemes is a net addition to the world's capital. It is, in fact, a mere diversion of such capital and it is a diversion, in the main, from productive private enterprises into far less productive collectivist projects.¹³

Persons who were looking for indications of how the Point Four program for aiding the peoples of underdeveloped areas could be worked out should attach some importance to recent reports from Liberia. There a development program, based on a combination of private investment and Lend-Lease grants, was being carried through its first stages. The new port operations at Monrovia were to be in full swing by the first of May. Earlier impetus to Liberia's development had been given by the Firestone Rubber Plantations. They brought in a new source of wealth which

¹¹ New York Times, February 2, 1950, 2:5.

¹² Ibid., February 12, 1950, 4:2.

¹³ "Fifty Billions for Tribute?", Newsweek, February 20, 1950, 35:69.

accounted for three-fourths of the country's exports in 1948. The Lend-Lease program had a somewhat different base. It was designed to improve the harbor, build bridges, provide access road, and supply both storage facilities and power sources. Better facilities for trade were designed to broaden the base of Liberia's production and to increase total trade by as much as 40 per cent within five years. In this way, Liberia was becoming something of a "pilot plant" for Point Four. The little African republic might well show what could be done in raising standards and making people more prosperous and happy.

The United States Inter-American Council, part of the Inter-American Council of Commerce and Production, filed strong objections to the proposal for Government guarantee of American "Point Four" investments abroad. The Council called the Point Four investment guarantee program "basically unsound and objectionable." It said recipient countries might try to protect themselves against making payments, and if local government capital was involved along with United States money, "it would tend toward socialistic ventures." From that base the criticism continued:

Serious international complications may result if the capital exporting nation is forced to take over any of the assets of its nationals, forcing the government of the exporting nation to participate in ownership or operation in the territory of an independent nation, causing widespread repercussions on the credit, finances, and policies of that country.

The council contended further:

That the basic error is compounded if guarantees are limited to new investors when old investors have oper-

ated under risks involved without government assistance. Guarantees should be given by the recipient country instead of the capital exporting countries.¹⁴

Samuel P. Hayes, Jr., Special Assistant to the Assistant Secretary of State for Economic Affairs, and Walter M. Kitschnig, Director of the State Department's Office of United Nations Economic and Social Affairs, emphasized the "self-help" aspect of the Administration's Point Four program. They declared that mere expenditures without training in "know-how," would not induce private capital to invest in backward countries. Hayes said the program required international participation, and that the dominance of one country should be avoided.¹⁵

Representative C. A. Herter, at the 79th annual meeting of the American Institute of Mining and Metallurgical Engineers, said resistance in many countries to foreign investments, being concerned with emotions, must be treated delicately. No single pattern could be used everywhere. Methods that have offered success in different countries would be used to help develop in other countries the "climate" in which American investors would be willing to operate. The legislator warned against any "hand-out program," which he declared would antagonize other nations and might create situations in which new investors would gain unfair advantages over existing ones. Government money should be invested only where private enterprise would not function, and then only through sound operations by the World Bank and the Ex-

¹⁴ New York Times, February 6, 1950, 31:2.

¹⁵ Ibid., February 12, 1950, 4:2.

port-Import Bank, which do not have surplus funds. Wise development of resources in other countries could help fill the needs of the United States for strategic materials and at the same time do as much "as almost anything else" to strengthen those countries against the "ideological scourge" threatening the world.¹⁶

Assistance by this country to underdeveloped areas of the world to encourage the democratic forces in those regions and to curb the danger of war was endorsed by two speakers before a meeting of the League of Women Voters. The speakers were Anna Lord Strauss, National President of the League, and Josephine Schain, Foreign Policy Chairman of the League. Both speakers said they had found considerable suspicion among foreigners about this country's motives in extending aid to other parts of the world. They also reported that Communist propagandists were active, particularly among the Asiatics, in spreading charges that Americans were guilty of discrimination against the Negroes. Miss Strauss declared that American aid under the Marshall Plan and Point Four was absolutely essential, but warned that "we must not expect to see quick results."¹⁷

In Alexander, Virginia, at the unveiling of a statue of George Washington, President Truman declared thus:

We are not trying to sell them automobiles and television sets. Our purpose is to help them to grow more food, to obtain better education, and to be more

¹⁶ New York Times, February 14, 1950, 7:1.

¹⁷ Ibid., February 16, 1950, 26:7.

healthy. That is the way they can gain the physical and moral strength to be free and to maintain their own governments.

As these nations prove to themselves and to others the effectiveness of free institutions in meeting their people's needs, they will show as nothing else can the true value of democracy and the false claims of Communism.¹⁸

The Foreign Policy Association cited, in a report by Warren Wilhelm,¹⁹ the progress of Soviet development of four backward countries in Central Asia to demonstrate that the proposed Point Four program would not necessarily cost "formidable amounts of money." The report stated that the need for new outside capital by backward areas envisaged under Point Four would be greatly lessened if local resources were fully exploited for increasing production. It was added that the Soviet Union managed the development program without lowering the living standards of the area under development.

Disappointment that Bills H. R. 6834 and H. R. 6835 regarding Point Four legislation had been superseded by H. R. 7346 was expressed by the National Foreign Trade Council in a telegram to Representative John Kee, who had introduced H. R. 7346 on February 20. The changes, the council held, substantially weakened the emphasis on the development by this country through bi-lateral arrangements of an effective program of foreign economic assistance. Referred to particularly was Section Four, which made it mandatory for the United States to accomplish the purposes of

¹⁸ New York Times, February 23, 1950, 3:2.

¹⁹ Warren Wilhelm, a former Government economist, and now associated with Harvard University's Russian Research Center.

the act by participation in multilateral programs carried on by the United Nations and other international organizations wherever practicable, and specifically authorized contributions to these organizations for this purpose, limited only by the total amount of the appropriations.

Secretary of the Treasury, John W. Snyder, told the Mexico Pilgrims Foundation, Inc., at a dinner forum that "very little new American private capital" had moved into areas other than Venezuela, Canada, and the Near East, and into industries other than petroleum. If such capital was to be attracted, he said, it must be assured in advance by the foreign countries involved that it would be secure from confiscation and that reasonable earnings could be transferred into American dollars. He declared that:

Such assurances our Government is endeavoring to obtain through the negotiation of bi-lateral investment treaties. This Government placed great stress on these treaties as concrete evidence that foreign countries do want our private capital and that they are prepared to afford it a fair opportunity to be put to effective use.²⁰

The second speaker at the dinner forum, Spruille Braden, former United States Ambassador to Argentine, took issue with Snyder on the Government's role in fostering greater foreign investment.

No Government -- still less the United Nations -- except in a few fields possesses the scientific and industrial knowledge, experiences, and techniques to implement Point Four....Nor are public officials usually equipped to play the role of promoter, industrialist, or bankers.²¹

Braden also observed that the proposal for Government guarantees

²⁰ New York Times, March 8, 1950, 6:6.

²¹ Loc. cit.

of investments was "unsound" and would not do the job. Such guarantees, he said, would be "squandered or filched by the fly-by-night or crooked adventures" and involve the United States in bad deals.²²

Methods by which advertising could be used to improve Americans' understanding of world economic and social problems were to have immediate and intensive study by the Advertising Council, it was announced March 9, 1950, by Samuel C. Gale, the newly elected Chairman. The decision to investigate an advertising campaign as a medium for making the American public aware of factual information on international problems was the result of speeches made by Paul G. Hoffman, Economic Cooperation Administrator, in October, 1949, and by Secretary of State Dean Acheson in February, 1950. In answer to questions whether such a "world-problems" campaign would not involve political controversy, Theodore S. Repplier, reelected President of the Council, emphasized that such a campaign would be "purely an understanding campaign." Basically, it was pointed out, the campaign would present ideas and information and allow the public to make its own decisions.²³

According to the Foreign Policy Association, "the United States must teach the world's backward peoples to delay marriage and reduce their birth rates if the Point Four program is to succeed."²⁴ In a report prepared by J. B. Condliffe, Director of

²² New York Times, March 8, 1950, 6:6.

²³ Ibid., March 10, 1950, 39:1.

²⁴ Ibid., March 6, 1950, 15:5.

the University of California's Teaching Institute, the question of population increase was declared to be a major factor in economic development. It was stated that educational processes should be used to reinforce the desire for improved living standards. Condliffe said that these proposals run counter to the "traditional folkways" and, therefore, progress would be slow. He went on to say:

But, economic development, if it is to succeed, must be a slow process of remaking the social organization and aspirations of communities that for centuries have followed a pattern of behavior inherited from time immemorial.²⁵

Secretary of State Acheson's plan, which was released by the State Department, called for active cooperation of the American people with those of basically democratic countries in countering "all thrusts of the Soviet Union." It also put strong emphasis on a need for increasing Americans' understanding of world problems.

On March 21, the House Foreign Affairs Committee authorized 45 million dollars for Point Four, including 10 million dollars for the Institute of Inter-American Affairs. A preliminary count of noses in the House indicated that the request of 45 million dollars for Point Four would be approved, if at all, only by the narrowest of margins. Herter asked the House to think twice before rejecting all funds for the purpose because "too many people around the world are looking to us for this little bit of help."²⁶

²⁵ New York Times, March 6, 1950, 15:5.

²⁶ Ibid., March 26, 1950, 4:4.

Republican Charles A. Eaton of New Jersey was roundly applauded by supporters and opponents of the measure when he said:

We want to tell our friends across the sea and the Russians who are carefully watching us that America is still on the job and that we do not propose to let free men down. The grim reality is that this is more than a piece of legislation we have before us.

It is a program that represents one of the greatest contributions to the security and hope of mankind and to the safety of the United States. It has erected a wall against the Communistic philosophy of hate, fear, and ruin and taken Europe out of the abyss of despair and given it new hope.²⁷

Representative John Kee said that he had heard many conflicting views expressed in regard to the proposal, but that in all his years of experience as a member of the Foreign Affairs Committee:

I have never known a hearing upon any other measure to attract a greater attendance of apparently deeply interested listeners. It can also be said that but few, if any, measures ever referred to this committee have had as many and as strong supporters, and this support comes from men and women in all walks of life.²⁸

Succeeding speakers expressed agreement that, except for the Marshall Plan, the entire continent of Europe would be under Communistic domination as far as the English Channel. But the opposition was yet to be heard from, and the economy advocates had not yet taken the floor. Meanwhile, the Senate Foreign Relations Committee postponed action on the Point Four program authorization, deciding to await the outcome of debate in the House.

President Truman warned the economy bloc in Congress that

²⁷ New York Times, March 25, 1950, 4:4.

²⁸ Congressional Record, 81st Congress, 2nd Session, p. 4055.

its threatened slash of recovery funds for other nations would create the risk of World War III. In a letter to Representative John Kee, Chairman of the House Committee on Foreign Affairs, Truman urged favorable action on the omnibus foreign aid bill.

He said:

These measures are not acts of charity. Neither are they a waste of the resources of the United States. They are, indeed, the keystone of our protection against the destruction of another war and against the terrible weapons of this atomic age.

Our armed forces can afford us a measure of defense, but real security for our nation and all the rest of mankind can come only from building the kind of world where men can live together in peace. The United States turned its back upon the rest of the world after the first World War. Some twenty years later, we found that we had to fight another World War. We cannot afford to follow that course again. We will save nothing if we ignore the needs of other nations now only to find that the result is World War III.²⁹

Reports from the capital indicated that the economy advocates claimed Democratic as well as Republican support for their objective of making a substantial cut, primarily in the funds earmarked for European recovery. No figures were mentioned in the President's letter, but he clearly implied that he still was standing firm for the full amount he called on Congress to authorize. He commented that failure to enact the full amount would do irreparable damage and that we could not live isolated in relative wealth and abundance.

Anticipating a drive to eliminate Point Four funds from the House measure, Jacob K. Javits (R-N. Y.) said Point Four should

²⁹ New York Times, March 26, 1950, 1:8.

not be made a target of opposition because it first had been proposed by the President and not by Congress. He told the House:

As a matter of fact, all the President did was to blow up into a major statement of policy an activity which had been going along very successfully under the Institute of Inter-American Affairs since 1942.³⁰

Representative Abraham A. Ribicoff (D-Conn.) made the following statement to the House:

Whether we wish it or not, the Nation has been thrust into a determining position in the Western World. We shall rejoice in the opportunity or shrink from its implications, depending on the degree of our confidence in ourselves and our Nation.³¹

To put further emphasis on his statement, Ribicoff quoted Abraham Lincoln: "We cannot escape history. We of this Congress and Administration will be remembered in spite of ourselves."³² During the same debate Representative Harold Dunbar Cooley (D-N. C.) said he was reminded that President Roosevelt once said that "there is a mysterious cycle in human events. To some generations much is given. Of others much is expected. This generation has a rendezvous with destiny."³³

Representative Thomas S. Gordon (D-Ill.) was in favor of Point Four because he believed it to be a realistic policy that furthered the interest of the United States. He said:

There are dollars involved, to be sure, but they are dollars to finance the export of American know-how. It is not a grant or loan program. It makes good sense

³⁰ New York Times, March 28, 1950, 23:1.

³¹ Congressional Record, 81st Congress, 2nd Session, p. 4139.

³² Loc. cit.

³³ Ibid., p. 4158.

because it gets down to fundamentals. It proposes to use expert knowledge to get lasting improvements. Its aim is economic development, and the benefits come to us as well as to those who get our help. Point Four gets maximum effort and results for a minimum expenditure.³⁴

Secretary of State Acheson urged the Senate Foreign Relations Committee to hasten in authorizing 45 million dollars. He said that a quick enactment would have salutary effect on the free countries of Asia, on the Middle East, and on Latin America. Delay, he said, would be interpreted in those areas as a lack of interest in a program upon which they had been putting very great hopes.

Senator H. Alexander Smith (R-N. J.) and Senator J. William Furbright (D-Ark.) questioned whether a whole new bill was needed to broaden technical assistance already authorized by the Smith-Mundt Act. They suggested that an amendment of the law might be more feasible. Smith likewise feared that the proposal's progress might be jeopardized by attaching it to ECA. He pointed out that ECA was popularly accepted as a temporary expedient, to end in 1952, whereas Point Four program was expected to be a continuing process.

Senator Tom Connally (D-Tex.) was the most critical of the proposal. He doubted the wisdom of contributing any of the 45 million dollars to the agencies of the United Nations. He believed they would "chisel half of it" and would "mess it all up," contending that the United States would be better advised

³⁴ Congressional Record, 81st Congress, 2nd Session, p. 4138.

to keep sole control of any assistance it offered to foreign countries.

On March 31, 1950, the House passed and sent to the Senate a 25 million dollar foreign aid bill. The vote was 287 yeas, 86 nays, and 58 not voting. In rapid order, the Democratic majority headed off amendments to the Point Four program which would:

Prevent United States participating in any technical assistance programs jointly with the United Nations. The measure as passed authorized these programs both bi-laterally and jointly with the United Nations.

Limit to 40 per cent of the cost of joint technical assistance programs the United States contribution to their financing.

Bar technical assistance to recipient nations found to be "exploiting" colonial possessions or dependent areas.³⁵

It was not until Speaker Sam Rayburn took the floor in support of Point Four that any speaker received the individual attention of the members. There was never a time when the United States needed friends all over the world as it needed them now, Rayburn told the House. He said there never were more dangerous times for the people of the remaining free nations of the world. He described the amount authorized in the bill as a "paltry sum" when measured against the need of the nation for friends and the importance of making these friends strong in order that they could "hold the line until we can get there" in event of another

³⁵ New York Times, April 1, 1950, 1:8.

conflict. Rayburn went on to say that it was to be hoped that there would not be another war, but added that "nobody can penetrate the workings of a dictator's mind nor pierce the strong heart of people who deny liberty and destroy democracy wherever they find it in the world."³⁶

An unfamiliar quiet gripped the House as Rayburn spoke, and it prevailed until he had yielded the floor. His remarks were in striking contrast to the initial stages of the day's debate when Representative Pat Sutton (D-Tex.) brought cheers for his suggestion that "we should tell Russia to go straight to hell, and if they don't go there, we should send them."³⁷ In the same debate issue, Sutton remarked:

Let us get America back on a sound basis, balance our budget, and quit this deficit spending. With the debt we now have and the condition the world is in today, some country has to be on a sound basis. I say it should be America. This is not an issue between democracy and communism; this is Point Four legislation. My answer to communism is build America strong.³⁸

Throughout the day, Republican members attacked the Point Four program as Communist-inspired and as a blueprint for a "world-wide WPA." Representative Smith, the Wisconsin Republican, said the program was not so "bold" as it was dangerous. He went on to say:

Truman in his address was only parroting the words of a notorious character in the international world -- none other than Earl Browder....

This is public planning on a global scale, and the

³⁶ New York Times, April 1, 1950, 1:8.

³⁷ Congressional Record, 81st Congress, 2nd Session, p. 4527.

³⁸ Loc. cit.

American taxpayer will be asked to foot the bill. This would just be a start with the sky as the limit. It would just get a foot in the door.³⁹

Representative Dewey Short (D-Mo.) said, in opposition to the bill:

Times and men change, but there are certain truths that are eternal and unalterable. You cannot as the head of your family, you cannot as the head of your corporation or business, you cannot as the head of any government -- local, state, or national -- continue to spend more than you take in without getting into serious difficulties. You cannot dance without paying the fiddler. Your chickens will come home to roost.⁴⁰

Congressman Chatham (D-N. C.) said that he thought this bill was the most forward-looking piece of legislation that had been before the Congress in his time. He also made the remark that he had been called a Republican many times, and that he was proud of the fact that he was for the American business. He concluded by saying that he hoped "you Republicans will join with us in putting over this program."⁴¹

(Mrs.) Katharine St. George (R-N. Y.) was not necessarily opposed to the bill, but she simply could not see that it had any part in the present legislation. Section 301 of the bill read: "This title may be cited as the 'Act for International Development'" and Representative St. George thought this was exactly what it should be.

So before we embark upon another program to save the world, before we embark upon business all over the

³⁹ Congressional Record, 81st Congress, 2nd Session, pp. 4518-4519.

⁴⁰ Ibid., p. 4526.

⁴¹ Ibid., p. 4528.

world, we should stop and consider....If it is so good, why can it not stand on its own merits? Why can it not be debated as a separate piece of legislation?⁴²

Representative John W. Byrnes (R-Wis.) also felt that Point Four was out of place in this bill and that it was a completely new program.

Representative Abraham J. Multer (D-N. Y.), to override charges of communistic doctrine, quoted from an article "Words, Bombs, and Enterprise" from the New York Herald Tribune of March 28, 1950.

If the Point Four program were a shrewdly refurbished WPA for the world, congressional opposition to it would be praiseworthy. The fact is that the program is admirably consistent with the worthiest traditions of American enterprise. The leading role would be played by private capital. Utmost reliance would be placed on private technicians and managers. Government's role would be enrolling, not controlling.... Congress cannot reject the program without rejecting its responsibility to fight against Communism by working for democracy.⁴³

Representative Herter sponsored the 20-million dollar cut in the Point Four funds. He told the House the program would be a better one in the long run for having started modestly. The small appropriation would make it necessary, he said, to exercise greater care in selection of personnel. His amendment as approved also provided for a 16-thousand dollar a year director to be appointed by the President and to be confirmed by the Senate, and directed that existing agencies must be called on to provide needed personnel.

⁴² Congressional Record, 81st Congress, 2nd Session, p. 4528.

⁴³ Ibid., p. 4548.

While the House was completing action on the foreign-aid authorization, the Senate Foreign Relations Committee cited Communist victories in China to support its contention that a continued European Recovery Program was needed.

According to an article in Time,⁴⁴ United States businessmen were not too impressed with the passage of a 25-million dollar aid bill. While the Administration dawdled and Congress argued, businessmen had boldly gone ahead with their own private Point Four plans. Despite currency and trade restrictions, shaky governments, and threats to nationalize industry, United States businessmen had been willing to take chances. For example, the first of five projects to help modernize Persia under a seven-year plan had gotten underway. This project, costing six million dollars, was started by Manhattan's Kennedy-Van Saun Manufacturing and Engineering Corporation with the shipment of equipment for a 200-ton-a-day cement plant at Shiraz. Around the plant would be built a model city, complete with hospitals, electric lights, and so forth.

Some Point Four planners in Washington thought that reluctance to invest abroad would be overcome by guarantees from United States investors for losses overseas. But many businessmen took a harder-headed view. Chairman Philip D. Reed of General Electric, which had had 85 million dollars abroad since the war's end, stated: "What is needed is a real desire on the part

⁴⁴ "Needed: An Open Door," Time, April 10, 1950, 55:81.

of foreign countries for American private capital and 'know-how' to come to their countries."⁴⁵ In short, it was up to the foreign nations and not the United States to open the door to United States businessmen and guarantee them a square deal. If the door was open and the deal looked good, United States business was showing that it needed no other incentive to move right in.

Warren R. Austin, United States representative to the United Nations, said that it was essential that the organization obtain a share in carrying out the proposed Point Four program. To add emphasis to this point he said:

We Americans are far from having a monopoly of the skills that are needed in the underdeveloped areas. For another thing, it is much easier for some countries to enter into this kind of cooperative endeavor with the United Nations than it is for them to do it with our country alone. It is an unhappy fact that some people mistrust our motives and fear that our aid will lead to some kind of American imperialism. Also they are naturally and rightly proud of their own countries and don't like the idea of seeming to take charity from us. All of these difficulties -- and they are very real -- are avoided when a large part of the program is channeled through the United Nations.⁴⁶

Spokesman for the Protestant Church organizations told the Senate Foreign Relations Committee that the United States must guard against trying to "buy" friends with foreign aid programs. Dr. Walter van Kirk, representing the Federal Council of Churches of Christ in America, said the program should be undertaken in cooperation with the United Nations. He did not think "friends

⁴⁵ "Needed: An Open Door," Time, April 10, 1950, 55:82.

⁴⁶ New York Times, April 1, 1950, 3:4.

can be bought" with a unilateral program.⁴⁷ Clarence E. Pickett, representing the American Friends (Quaker) Service Committee, said it would be "fatal" to use foreign aid "to further political ideology and not primarily because of our interest in helping underdeveloped people."⁴⁸

On April 4, the Senate Foreign Relations Committee voted eleven to nothing to restrict the House-approved Point Four program for elevating the economies and living standards of the world. The Committee voted to limit the plan to the provision of technical aid and skills. It rejected a House provision offering United States Government guarantees or other devices as a means of encouraging the flow of private investment capital into countries participating in the program. If Congress wanted to provide such guarantees, the Committee decided it could be done through separate legislation. A bill proposing guarantee of private investment abroad was now under study by the Senate Committee on Banking and Currency.

The Foreign Relations Committee acted against the background of a Presidential recommendation that technical cooperation programs be carried to areas where countries had not been able to develop fully their resources, productive capacities, and foreign trade. Also, the Senate Committee limited the program to five years; the House put no limit. Under both House and Senate rules no single program would run longer than three years. The

⁴⁷ "Act for International Development," Hearings Before the Committee on Foreign Relations (Senate 64973), p. 43.

⁴⁸ Senate Hearings, p. 45.

Senate voted 45 million dollars, the amount asked by the Administration, and cut the salary of the Administrator to 15 thousand dollars. The Senate rejected the House provision calling for negotiations, including collective bargaining in backward areas for the establishment of "fair labor standards of wages and working conditions."

Both branches appeared to be in general agreement in seeking to provide that the President would make Point Four assistance available only when:

- (1) The country being assisted paid a fair share of the cost of the program.
- (2) The participating country provided all necessary information it had on the subjects involved, and gave the aid full publicity.
- (3) The participating country sought the "greatest possible" coordination of the technical assistance programs.
- (4) The country involved cooperated with other participating countries in the mutual exchange of technical knowledge and skills.⁴⁹

The House and Senate Committee decisions appeared to be in harmony concerning general authorizations to the President to carry out the program.

Senator Tom Connally (D-Tex.), Chairman of the Foreign Relations Committee, said he planned to introduce the committee decisions as an amendment to the Senate's omnibus foreign aid bill when it reached the floor.

William E. Knox, President of Westinghouse Electric International Company, said:

⁴⁹ New York Times, April 5, 1950, 1:4.

In my opinion two things must be done before Point Four can become a motivating force in the world working to the detriment of Communist plans. A climate agreeable to American venture capital must be established by the foreign countries wishing to be assisted, and there must be incentive for American venture capital to go abroad, taking with it the managerial and technical "know-how" and the private enterprise incentive system which has worked out so well in this country.

The only incentive that can conceivably attract a large volume of additional American venture capital is a tax incentive.⁵⁰

The conflicting points of view existing in Congress and in the country regarding the programs for the development of underdeveloped areas were illustrated anew by the proposal of Senator Edwin C. Johnson (D-Col.) that we invest billions in it, and the action of the House in slashing the first funds requested to 25 million. Morris L. Cooke, Chairman of the President's Water Resources Policies Commission, said Point Four should receive greater financial support than the 25 to 45 million dollar appropriation proposed in Congress. He said that he expected Point Four expenditures to be looked upon ultimately as a "good investment whatever heights they reach." There was "no less-expensive method to accomplish the master wish of our people -- peace, security, and prosperity," he declared.⁵¹ Cooke urged American institutions of higher learning to equip and enthuse students for service abroad, and called upon technicians and engineers to work toward social objectives.

⁵⁰ New York Times, April 8, 1950, 20:1.

⁵¹ Ibid., April 12, 1950, 7:1.

The "servicio approach," an administrative device for international cooperation developed by the Institute of Inter-American Affairs, a unit of the State Department, seemed likely of adoption for the United States bi-lateral Point Four program. Under this device, contained in the bill pending in the House, the President would establish an Institute of International Technical Cooperation which would have the same director as the IIAA and would use its "know-how" on a world-wide basis.⁵²

In an address before the 54th annual meeting of the American Academy of Political and Social Science, James P. Warburg declared that Senator Brien McMahon's 50-billion five-year aid plan for world-wide recovery should be shorn of its conditional provisions and endorsed as this country's policy. He emphasized that the plan must not be made conditional, as the Senator suggested, on the Soviet Union's acceptance of international control of atomic energy and reduction of military expenditures. George Haklin, counselor of the Lebanese Legation in Washington, told the meeting that the present proportions of President Truman's Point Four were too small to provide any effective contribution toward economic recovery in underdeveloped countries. These countries needed "no less than a social revolution involving the transformation of a semi-feudal reactionary social order into a new industrial system under which the forces of production can develop and expand freely so as to raise the standards of living

⁵² New York Times, April 12, 1950, 7:1.

as a whole."⁵³ Professor Owen Lattimore said the entire field of Truman's program should be thought of in terms of alliance, rather than control, since its aim was to draw away underdeveloped countries from Russia. Dr. Alan Valentine, President of the University of Rochester, warned that, unless Point Four soon became a working reality, it would become a major failure in our diplomacy. He said:

The proposal raised excessive hopes in eager but underdeveloped minds. Their concepts of their need and of the endless riches of America inflated their expectations; their economic ignorance gave them no realistic understanding of the slowness and difficulties of economic progress. Impatience and disappointment has led toward disillusion and cynicism about American promises.⁵⁴

Vyaya Laksahmi Pandit, India's Ambassador to the United States, told the 174th Dinner Meeting of the Economic Club of New York that the threat to world peace lay in the underdeveloped countries with their teeming populations of underdeveloped peoples. The lion's share of solving this problem lay with America, projected as she had been into the position of leadership, and with her great material wealth and scientific knowledge she could offer workable solutions. She said that India was not seeking gifts; that the nation had the resources to pay for what she needed, and that it was "only the time and method of payment that is required."⁵⁵

A Republican-sponsored move to cut 600 million from the

⁵³ New York Times, April 15, 1950, 2:6.

⁵⁴ Ibid., April 16, 1950, 1:6.

⁵⁵ Ibid., April 20, 1950, 18:3.

third Marshall Plan authorization and to postpone the start of Point Four gathered momentum in the wake of an Administration appeal for nonpartisan support of foreign-aid legislation. Senator Eugene D. Millikin (R-Col.) said that he would sponsor with Senator Leverett Saltonstall (R-Mass.) an amendment striking out the 45 million dollars for beginning Point Four. Millikin said it was the purpose of his amendment to substitute a provision for a bi-partisan commission to study the program and report back to the Senate before termination of the Marshall Plan in 1952. Both sponsors of the postponement amendment made the point that the Government was without adequate information on which to base a long-range program of technical assistance, and that such a policy should not be undertaken until an investigation had been made. Senator Homer Ferguson (R-Mich.) suggested that the proposed study include findings on the "climate" for private investments abroad. He was joined in this by Senator Henry Cabot Lodge, Jr. (R-Mass.). This amendment was rejected by the Senate on May 5.

Senator Wherry (R-Nebr.) told the Senate that he thought it was ridiculous to imagine that the United States would raise the standards of living in the backward countries without the expenditure of billions upon billions of dollars. He said:

What I deplore most in the promotion of Point Four as a national policy is that it is assumed we have not already put millions of dollars into underdeveloped areas of the world. We are told because the ECA concentrates its efforts, in technical assistance for western Europe, we must add a coordinated program to take care of the rest of the world....Nothing could be further from the truth.⁵⁶

⁵⁶Congressional Record, 81st Congress, 2nd Session, p. 6351.

Senator Robert Taft (R-Ohio) said that this nation was wholly incapable of improving the standards of living of people of India and China, and that we were already spending more than six billion dollars we were able to obtain in taxes. This new program seemed to Taft to be inconsistent with practically everything that the best thought in the United States had advocated.

This is merely a kind of tag end, anyway to the other idea. The other idea was that we should spread money all over the world actually to bring about improvements in underdeveloped countries and help them develop their economy. That has been dropped out. That is not popular enough. Instead of that, we are going to take the tag end of that program and hand out money for relief, for health, for education, and for all sorts of purposes and things, and particularly advice, which we think we are so well capable of giving -- and we are not.⁵⁷

On May 5, 1950, the Senate sustained by a vote of 37 to 36 S. 3304, the Senate's omnibus foreign aid bill. However, the Senate insisted upon its amendments and requested a conference with the House of Representatives.

The United States Chamber of Commerce plugged for the House of Representatives version of Truman's Point Four program. In a letter to the House and Senate conferees, who were attempting to write a compromise three-billion dollar foreign aid bill, the Chamber said that provisions in the House measure should be adopted because they would:

(1) Permit American capital and technology to make maximum contributions to development of backward areas.

(2) Make governments seeking aid responsible for providing favorable investment conditions, and call on them for adequate contributions of their own.

⁵⁷ Congressional Record, 81st Congress, 2nd Session, p. 6479.

(3) Provide an advisory board to give guidance in aid programs.⁵⁸

The House and Senate conferees reached agreement on a \$3,121,450,000 foreign aid authorization bill May 15 after a week of wrangling over its provisions. The measure was now to go to the House for approval. In the conference report there was no guarantee or any private investments. Instead, provisions to create a climate, by bi-lateral agreements with countries to which our investors would want to go, was set up.

Capus M. Waynick, Ambassador to Nicaragua and former North Carolina editor and publisher, was named by the State Department on May 17 to direct the first stages of the Point Four program. James E. Webb, Acting Secretary of State, said the ambassador would assume the direction of Point Four on a temporary basis, indicating that a permanent director would be named when the program actually got underway.

Linking by the United States of the Point Four program to aid undeveloped areas with the program for increasing exports of European nations was suggested by Cesare Merzagore, a member of the Italian Senate and former Minister for Foreign Trade. Senator Merzagore said the tie-in of the two efforts would have the double advantage of helping the undeveloped areas of the world and help Europe advance further on the road to industrial recovery. Textiles and other merchandise could be financed, he indicated, in what he termed "off-shore procurement for Point

⁵⁸ New York Times, May 14, 1950, 53:5.

Four."⁵⁹

On May 23, shortly after the prompt approval by the House vote of 247 to 88, the supposed final draft of the \$3,120,550,000 authorization ran into unexpected trouble in the Senate. Trouble arose over changes made by Senate and House conferees in the Point Four phase of the program. Some, but not all, Republicans of the Senate saw in the conference changes a "determined" plan to expand aid by mere techniques into one sought also to encourage investment of American capital abroad, with implied guarantees against financial loss.

Senator Robert A. Taft (R-Ohio) arose as Senator Tom Connally offered the conference report and observed casually that differences seemed to have been worked out and that the Senate, no doubt, was ready to give immediate approval. "I wish to give notice," Senator Taft shouted,

that I intend to take a major effort to have the report rejected because of the substantial change and additions to Point Four program. It seems to me that we have here an absolutely new bill, one which should be debated at length.⁶⁰

The fight was now on. Seldom, it was conceded by observers, had a debate generated so much heat so rapidly.⁶¹

There was no proposal for a guarantee of profits to an investor abroad, Senator Connally asserted. The only guarantees, he insisted, were against the actions of "road agents." On the

⁵⁹ New York Times, May 18, 1950, 5:5.

⁶⁰ Ibid., May 24, 1950, 1:2.

⁶¹ Loc. cit.

House side, as the debate was going on, the Rules Committee refused, by a vote of five to four, to release for floor consideration a separate measure which would guarantee up to 250 million dollars in investments made abroad under Point Four. Fear was expressed, it was reported, that such guarantees would put cheap foreign labor into serious competition with the product of American labor.

Senator George W. Malone (R-Nev.) holding the floor for three and one-half hours, contended that the Point Four program, as drafted in the Senate-House conference, would give major economic assistance even to Communist-dominated countries. He was supported by Republicans, including Robert A. Taft of Ohio, minority policy leader. Senator Malone also said:

Now we come to the truth for the first time, namely, that the desire is to spread the markets and the resources of the United States across the entire world -- to average the living standards of the nations of the world -- and, in fact, to have "one economic world."

I would like to say...that we are now apparently starting to tell the American people the truth. The only thing about which they haven't been told the truth is that it is a permanent program and was intended from the beginning to be so. As we should have realized when, just before the ECA program was adopted, we had given \$3,750,000,000 to England alone, and it was "gone with the wind." Before that we had UNRRA. Before that we had lend-lease with everything written off. One thing leads to another. It is all one program -- a dangerous and continuous pattern.⁶²

Malone also brought out the fact that, as soon as Point Four was agreed to, there no doubt would be a great propaganda machine set up to start to convince the taxpayers and the Members of Congress

⁶² Congressional Record, 81st Congress, 2nd Session, p.7593.

that appropriations should be increased by next year, if not before.

Senator William E. Jenner (R-Ind.) held that the program was, in fact, a program sought eagerly by the Soviet Union in a plot to bleed America to death economically. He named Earl Browder as the "Communist architect and advocate" of Point Four, and said Moscow intended to profit by it as it would "finance revolutionary movements" against "exploitations by Western imperial powers."⁶³ Thus, Jenner told the Senate, Point Four "fitted into the Communist blueprint for the destruction of the Western world," and, further, it had a part in "the tragic collapse of America's interest in China."⁶⁴

The Republicans, under Senator Taft's leadership, sought to send the whole measure back to conference with instructions for a strict confining of the Point Four program to technical assistance and with the alleged promotion of investment capital omitted entirely. Senator Alexander Wiley (R-Wis.) said that it was argued that the bill would permit the President to extend assistance to the iron-curtain countries. He believed that that was a fallacious argument, for there was no intention whatsoever on the part of the executive branch to extend technical assistance to the iron-curtain countries. He said:

Moreover, the President is instructed under Sec. 411 (a) of the bill to terminate any such program if

⁶³ Congressional Record, 81st Congress, 2nd Session, p. 7624.

⁶⁴ Ibid., p. 7593.

it is not consistent with the foreign policy of the United States. Obviously, technical aid to iron-curtain countries would not be consistent with our foreign policies.

It is argued that the bill is a blank check to the President, who may extend aid in any way he sees fit....(However), Sec. 407 (c), for example, lays down five specific limitations on the granting of technical assistance.⁶⁵

Roll call on the Conference Report in the Senate showed 47 yeas, 27 nays, and 22 not voting. Thus, the Senate passed the foreign aid bill, and it was sent to the President for his signature. While Point Four might solve no problems alone, it did help to achieve all the traditional foreign objectives of United States policy. It contributed to the effectiveness of Point One (support of the United Nations), Point Two (economic recovery), and Point Three (defense arrangements) and was, in turn, strengthened by them. It was to play an integral element in a many-sided foreign policy.

On June 5, 1950, President Truman signed the bill that authorized \$3,200,000,000 for five foreign aid provisions. He declared that it was "a memorable step forward in our program for peace." Truman paid tribute to the "forward-looking members of the Congress of both political parties" who had supported the measure through some sharp debate in sustaining the bi-partisan foreign policy. He called the bill a "typically American enterprise in the effort to build a peaceful and prosperous world."⁶⁶

⁶⁵ Congressional Record, 81st Congress, 2nd Session, p. 7720.
⁶⁶ New York Times, June 6, 1950, 1:2.

THE ROLE OF THE STATE DEPARTMENT
IN THE PASSAGE OF POINT FOUR

During the sessions of the 81st Congress, the State Department was playing a role and was making plans to implement Point Four. President Truman's inaugural address had produced an electric effect around the globe. It was at the same time a challenge and a promise. Not a promise of what the United States could do for the world, but a promise of what all freedom-loving people, working together, could accomplish for themselves. To Secretary of State Acheson the essential thing about the program was:

....the use of material means to nonmaterial end. It is not that we believe that other people need or wish things for their own purpose merely to have these material objects. It is not that material objects in and of themselves make a better or fuller life; but they are the means by which people can obtain freedom, not only freedom from the pressure of those other human beings who would restrict their freedom, but help in the ancient struggle of man to earn his living and get his bread from the soil. That is the purpose; that is the objective of this program.¹

The Department of State had been aware of an increasing manifestation by peoples all over the world of their desire to improve their economic conditions by the use of more technical knowledge. The Economic Corporation Administration had increasingly found lack of technical competence a bottleneck to economic rehabilitation. The State Department provided policy guidance for

¹ Dean Acheson, "Point Four Program for World Economic Progress," United States Department of State Bulletin, February 6, 1949, 20:155.

two major programs of bi-lateral technical assistance, although they were operating within limited budgets. The Institute of Inter-American Affairs, a government corporation, worked cooperatively with Latin-American countries in agriculture, health and sanitation, and education. The Inter-departmental Committee on Scientific and Cultural Cooperation (SCC), composed of other government agencies, carried on cooperative technical assistance projects in the basic social and economic fields of government administration. In addition, the Department of State administered the Philippine Rehabilitation Program, and the Army conducted technical assistance programs in occupied areas. The Economic Cooperation Administration regarded the technical assistance provision of the legislation as of key importance since a few thousand dollars spent in channeling technical "know-how" to the areas in ERP countries, where assistance had been needed, possibly would have the effect of increasing vastly the recovery effect of millions of dollars spent for commodities.

Early in 1949, the President asked the Secretary of State to confer with other agencies in outlining an approach to the program. Within the State Department the work was handled by Assistant Secretary Willard L. Thorp. The first general interdepartmental consultations were held by the Executive Committee on Economic Foreign Policy, augmented by representatives of all additional agencies with a major interest in the program. An interdepartmental steering committee of eight agencies and departments was set up, under Thorp's chairmanship, to work on the development of the program.

The International Trade Organization Charter recognized the far-reaching importance of improving the underdeveloped countries. The Charter established the principle that the developed countries should cooperate to make available capital, equipment, and technical know-how to the underdeveloped countries who, on their part, should assure just and equitable treatment for what they receive. The solution of some of the foreign trade problems of Europe lay in plans for the underdeveloped areas of the world. The course of their economic development would affect their capacity to absorb European goods in and to supply products that Europe was obliged to buy from the dollar area. Members would determine the terms upon which they would receive or allow such investment in their territories, but they obligated themselves to give "adequate security for existing and future investments."²

The President, in a special message on February 21, 1949, asked the Congress to extend the life of the Institute of Inter-American Affairs and also to authorize an expansion of its cooperative programs in public health, sanitation, education, and agriculture throughout. This request was based on the fact that the 1947 Act which created it would expire at the close of the fiscal year 1950. At this time the IIAA was chartered by Congress as a wholly government-owned corporation. However, the IIAA programs had been in effect since 1942 under supervision of predecessor agencies of the Institute. Unless the new legislation

² Norman Burns, "The American Farmer and the International Trade Organization," United States Department of State Bulletin, February 20, 1949, 20:218.

was approved by Congress, the Institute would have to liquidate its affairs, beginning in July, 1950.

In referring to a country as economically underdeveloped, the State Department did not mean to reflect on it in any unfavorable way. A number of countries with rich cultural heritages, and which ranked high in the community of civilized nations, badly needed to bring their resources and skills of their people to higher levels of economic productivity. According to John R. Steelman, Assistant to the President,³ Point Four was not a recovery program or a reconstruction program; but a development program, and to that extent a creative enterprise. Its purpose was not to restore living standards but to raise them where they were below the traditional levels enjoyed in many other parts of the world. He said that this was a logical forward step in the United States program of international cooperation. What had been the scattered activities of business and government were to be brought together and made a major part of the United States foreign policy.

Economic development could not be given to, nor could it be imposed upon, a country by international cooperation. But there were practical forms of international cooperation which could facilitate the process. This was the realistic approach of President Truman in his inaugural address. According to his concept, economic development meant the continuous improvement and utili-

³ "Goals and Practical Problems of the Point Four Program," United States Department of State Bulletin, June 12, 1949, 20:760.

zation of the resources and productive capacities of a people for the benefit of the people. This applied to farms as well as factories, to intellectual advancement as well as physical health. It also applied to habits of work and habits of leisure, to the saving of capital, and to its provident investment.⁴

Willard L. Thorp, Assistant Secretary for Economic Affairs, said that American policy did not countenance use of capital investment abroad for the purpose of exploitation. In this era, there have appeared to be many barriers to the flow of considerable quantities of private capital. The suggestion made by the President was that some way be found whereby sufficient assurances be given so the existing obstacles would be removed.

The process of technical cooperation and interchange took place in the past along many channels and through many types of institutions. Immigrants had carried skills from one area to another. Private enterprises had operated in other countries. Engineers and advisors had been employed abroad. Great humanitarian enterprises like the Rockefeller Foundation had carried knowledge to many areas. Professional persons had travelled widely, and technical publications had distributed internationally the results of individual scientific discovery. According to Thorp, many of the above channels could be further developed and expanded. He said that, so far as the United States was concerned, every type of technical cooperation should be encouraged. For,

⁴ Willard L. Thorp, "Meeting of Economic and Social Council," United States Department of State Bulletin, March 6, 1949, 20:283.

he stated:

Here is a field in which genuine international co-operation can expand and flourish. No country has a monopoly of skills, knowledge, or available personnel. Certainly the United States has no such monopoly. The amount of technical assistance will begin to approximate the need only if all contribute to the joint effort....⁵

There is no certain instant when a policy comes into being. It evolves. All policies have backgrounds of shorter or longer periods of time, and they have contributed to them a great many factors and a great many influences. Point Four was indeed both new and bold, if only by virtue of the vast scope that it embraced. In its principle elements, however, its prototype could be found in the technical and scientific programs of cooperation, which the United States had been conducting with Latin America for many years. According to Wilfred Malenbaum, Chief, Division of Investment and Economic Development:

Our whole policy aims at reducing the possibilities of war and the ultranationalistic tendencies which are both a cause and a result of the uncertainties in the present world situation. More specifically, our postwar program...will make further strides toward eliminating the distorted world production and trade picture, which is at the root of the balance-of-payments problem. Progress here, however hopeful, can only be slow.⁶

In order to make Point Four a functional program, the first step in many areas would undoubtedly be to conduct an expert survey in the various fields that were basic to economic develop-

⁵ Willard L. Thorp, "Meeting of Economic and Social Council," United States Department of State Bulletin, March 6, 1949, 20:287.

⁶ "America's Role in Economic Development Abroad," United States Department of State Bulletin, March 27, 1949, 20:374.

ment; such as transportation, health, education, communications, and water resources. Only by surveying from the ground up could future programs be integrated into a practical program.

America's role in the economic development abroad sounded expensive, but Malenbaum showed that the very nature of the economic development process would aid the United States. He said that the state of the world's use of its resources, especially in the areas least well-developed, was such that tremendous progress could be made in this direction alone. Without additional significant amounts of capital investment, better technical methods in themselves could contribute to the efficiency with which existing human and other resources were utilized. Malenbaum brought out the fact that the program, as in the past, would be cooperative in the sense that the recipient countries would be multi-lateral, with other countries contributing the skills. He said that this was essential not only because the United States did not have a monopoly on technical competence, but also because they did not have an unlimited resource of skilled personnel.⁷

On the investment side, Malenbaum stated that the role of the private investor should be increased. He said that it was the venturesomeness of risk capital, a field in which private American enterprise had demonstrated unparalleled capacities, that might be a decisive factor in the economic development of foreign areas.⁸ Under Secretary of State Webb said that the

⁷ "America's Role in Economic Development Abroad," United States Department of State Bulletin, March 27, 1949, 20:371-3.

⁸ Ibid., p. 373.

greater part of the United States industrial technology had been developed by private organizations.

John Steelman believed that there were two difficulties that had to be overcome before private investment could make its maximum contribution to the Point Four program. Both concerned the "climate" for investments. Private enterprise had to be assured that its investments anywhere would receive equal treatment with any other investments in the country. Secondly, it was equally necessary that the countries be assured that the imported capital would improve their standard of living and would not exploit their people, destroy their resources, or impair their independence or political integrity. Steelman added that it would also be necessary to deal with the problem of convertibility into dollars of the returns from foreign investment, for in this period many countries were unable to earn even the dollars they needed to pay for the most necessary imports.⁹

George V. Allen, Assistant Secretary for Public Affairs, said that there was obviously both selfishness and altruism in President Truman's proposal.

It was selfish because the United States does its greatest trade with the countries that are economically prosperous. It was selfish because an economy of private enterprise can remain most healthy in a world-wide expanding economy. It was selfish because the peace of the world and the security of the United States depends upon the well-being of the underdeveloped nations.

On the other hand, this plan was altruistic because the United States was not seeking any political

⁹ "Goals and Practical Problems of the Point Four Program," United States Department of State Bulletin, June 12, 1949, 20:762.

favours. It was asking no privileges for American business greater than those accorded to businessmen from any other country. And the United States was willing to contribute more than its proportionate share in this program.¹⁰

Secretary of State Dean Acheson said that the 35 million dollars being requested for increased technical assistance for the first year was a modest beginning. This sum was a small fraction of the sums being expended in other necessary foreign aid programs. Yet, he went on to say, because of the nature of the Point Four program, this expenditure could be expected to yield results far out of proportion to its size. The sum could not be larger because the number of technical specialists was limited. Assistant Secretary Thorp said that there would be many delays found in the expanding of the supervisory staff, in negotiating agreements with governments, in recruiting the necessary experts, and in organizing the necessary training facilities. Acheson also emphasized that this program was not a short-term one and that "we must recognize that we are entering upon a task that will require generations to fulfill the great promise it holds."¹¹

Samuel P. Hayes, Jr., Special Assistant to the Assistant Secretary for Economic Affairs, in a speech that he delivered to the League of Women Voters,¹² said that the United States considered as economically underdeveloped most of Latin America, Africa,

¹⁰"Where Do We Stand on Point Four," Department of State Bulletin, July 4, 1949, 21:865.

¹¹"A Task for Generations," Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 66.

¹²"The Point Four Program - Catalyst of the Future," United States Department of State Bulletin, February 6, 1950, 22:214.

and Asia. In his speech he outlined what he believed to be the characteristics of the Point Four program. First, Point Four involved the application of two vital forces, modern technology and capital, to the existing manpower and natural resources of the have-not areas. Second, the program was mainly one of self-help by the people themselves of the under-developed areas. They must plan, organize, and finance most of their own developments. Third, this program must by its nature be international in scope. No country could possibly carry single-handed the effort necessary to speed up the development of two-thirds of the world's people.

The fourth characteristic set forth by Hayes was that this program was not solely or even predominately a governmental program. True, he went on to state, governments would provide funds for a great expansion in international technical cooperation. But most of those funds would be spent through private agencies, under special contracts. Also on the capital investment side, a great emphasis would be placed on private enterprise, with the government as facilitator and cooperator.

Fifth, this was a long-range program. It promised no sudden miracles. According to Hayes, the reasons for this were not always understood, and unfavorable comparisons were made with the billions appropriated for ERP and with the large percentage gains in production planned and achieved in Western Europe.

The situation is, of course, very different in underdeveloped areas from what it is in Europe. In Europe the preconditions of economic recovery were, in 1947, already present. The people were healthy, enterprising, literate, and skilled....

Before capital and modern technology can be fully utilized in an underdeveloped area, there is usually a lot of groundwork to be done. The people in that area must be ready to receive technical knowledge and to make efficient use of capital, and the early states of economic development in many areas must, therefore, be concerned with improvements in basic education, health, and sanitation, and food supply.¹³

Sixth, so far as the United States was concerned, this was to be a relatively low-cost program.

In examining the relation of Point Four to the whole United States policy in the light of our broad policies, Hayes said that, traditionally, our national objectives have been personal freedom, peace, and prosperity. Our foreign policies have furthered in a practical way those objectives. In order to strengthen at home those conditions, Hayes continued, the United States must do what it could to strengthen those conditions everywhere. He said that we could no longer afford merely a passive interest, for we were a major nation in the full stream of world affairs. He then went on to say:

We cannot, except for the short run, entrust our security even to a possible preponderance of power. We cannot confine ourselves to dealing with symptoms. We must go much deeper and try to root out the germ causes of mankind's chronic ailments. We must seek a more permanent kind of peace by removing the bases of conflict among men. We must help build a world society in which every man has a real personal stake in peace. Then, if tyrants and governments try to disturb the peace, they will staff against the abrasive antagonism of the great masses of peoples.¹⁴

¹³ "The Point Four Program - Catalyst of the Future," United States Department of State Bulletin, February 6, 1950, 22:216.

¹⁴ Loc. cit.

In late February, 1950, the State Department sent a special mission to Southeast Asia to prepare the way for the most expeditious and efficient use of whatever technical assistance funds would become available for that area. The mission was headed by R. Allan Griffin, publisher of the Monterey (California) Peninsula Herald. The mission was to visit Saigon, Singapore, Rangoon, Bangkok, and Djakarta. He was accompanied by a small group of experts and by Samuel Hayes, Jr., and William McAfee, who was area specialist in the Bureau of Far Eastern Affairs.

The Interim Office for Technical Cooperation and Development was established by the Department of State, February 21, 1950. The Interim Office was assigned general responsibility within the Department for securing effective administration of programs involving technical assistance to economically underdeveloped areas and directing the planning in preparation for the Point Four program. In carrying out these responsibilities the Interim Office would rely upon the regional bureaus, Bureau of United Nations Affairs, and other components of the Economic Affairs area for participation in the technical assistance programs.

On March 30, 1950, Secretary of State Dean Acheson appeared before the Senate Foreign Relations Committee.¹⁵ He spoke to them on the legislation, "The Act for International Development." Acheson said that this legislation was the product of more than

¹⁵ "Point Four Legislation," Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 68.

a year of careful study, in which 43 agencies of the Federal Government had participated. It was also the product of consultation with interested members of Congress and with leading members of business, labor, and scientific groups. According to Acheson, the legislation did two things. First, it established the objectives and the broad policy to guide the whole program of American aid to underdeveloped areas, and, second, it authorized the President to carry out that part of the program dealing with technical cooperation.

The legislation before the Senate Committee was a security measure and, as such, it was an essential arm of the United States foreign policy, so said Acheson. He went on to say that the United States foreign policy was not based on security alone. It was based on the assumption that, in the world today, our own welfare was closely related to that of other peoples. With this being the case, the United States could participate in this kind of program because it served both the interest of other peoples and our own interest. The bill before the Committee established economic development for the first time as a national policy.¹⁶

Acheson reemphasized once again the fact that the people of the underdeveloped countries must have confidence that foreign investors would not squander their natural resources, would pay taxes, obey local laws, and provide decent wages and working conditions. On the other hand, the investors must have confidence

¹⁶ "Point Four Legislation," Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 68-69.

that their property would not be confiscated without fair compensation, that they could take their legitimate profits and their capital out of the country, and that they could have reasonable freedom to manage their business subject to local laws that would apply to everybody equally. He believed that the United States could go ahead with the program while it was trying to develop a "favorable climate" for investment. To him, one of the best ways for developing this climate was to get on just as energetically as possible with technical cooperation.¹⁷

That there were obvious advantages in giving support to the work of the United Nations in the field of technical assistance was one of Acheson's strongest convictions. He said that anything that gave that organization greater authority and experience was good for them and for us. Also, the United Nations and related agencies were set up to do certain things that the United States could not do. For example, they could mobilize the resources of many countries, and moreover they were closer to the problems of the underdeveloped peoples and, therefore, had a better understanding of the basic needs of the people. He added that the United States should have no fear of contributing to the United Nations' technical programs since it was well represented in that organization.¹⁸

Acheson believed that one of the greatest needs in the underdeveloped areas was to train people in the simple basic prac-

¹⁷ "Point Four Legislation, "Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 69.

¹⁸ Ibid., pp. 70-71.

tices of public administration. In this field, he said, we could help people in such things as techniques of census-taking and keeping vital statistics. Here he stated that investment capital was not needed. What was needed was some skilled people, people who could literally talk the language of the country they were working with.¹⁹

By its very nature, Acheson said, this was not and never would be a big-money enterprise. It was a cooperative program, which meant that a considerable part of the expense would be borne by the countries with which the United States would work. Its objective was to show other people how to meet their own needs, not to attempt to meet those needs ourselves. Even though this program must be on a long-term basis, we would not have to wait long to get results. Some results would be seen in a year, but others would take five or ten years or even longer to produce tangible benefits. For further emphasis, Acheson brought out the fact that ten years was a minute in the life of a nation and less than a second in the life of a civilization. Also, the fight for freedom and democracy had been going on for more than two thousand years, and it now would not be won in a decade.²⁰

Speaking for the State Department, Acheson stated:

Here, indeed, is a chance to prove that our civilization, which has grown to vigor and maturity with the help of science, can bend science to its will -- not to destroy but to serve humanity.²¹

¹⁹ "Point Four Legislation," Strengthening the Forces of Freedom, (Department of State Publication), 1950, p. 72.

²⁰ Ibid., p. 73.

²¹ Loc. cit.

THE IMPLEMENTATION OF POINT FOUR

With the passage of the Act for International Development in June, 1950, the Congress of the United States for the first time authorized programs of technical assistance to underdeveloped countries on a global scale. In that act it was declared to be:

...the policy of the United States to aid the efforts of the people of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity, and expanding purchasing power.¹

During the first year of operation, action under the act had been mainly preparatory and administrative. The Technical Cooperation Administration had been assigned to the Department of State by Executive Order 10159 of September 8, 1950,² and was established effective by the State Departmental Announcement 212 of October 27, 1950.³ On December 7, 1950, the Senate confirmed the nomination of Henry G. Bennett as Technical Cooperation Administrator, and also confirmed the nomination of Nelson A. Rockefeller as Chairman of the International Development Advisory Board.

Although the State Department had hoped to have \$45,000,000 to finance the first year of the program, it was not unduly dis-

¹ See Appendix C.

² "Administration for the Act for International Development," United States Department of State Bulletin, 23:499.

³ "Establishment of Technical Cooperation Administration," United States Department of State Bulletin, 23:793.

appointed with the \$35,500,000 granted by the Appropriations Act signed September 6, 1950. Of this total, \$2,600,000 appropriated for International Information and Educational Activities was utilized to finance technical assistant projects already underway, while \$5,000,000 was turned over to the Institute of Inter-American Affairs to carry out its activities frequently referred to as a "preview of Point Four." Out of the remaining \$26,900,000, the United States contributed \$12,007,500 to the United Nations technical assistance program. After several other minor deductions were made, about ten million dollars was left out of the first year's appropriation to be apportioned among participating countries for new projects.⁴

From the first, the Point Four program was forced to labor under the severe handicap of public misunderstanding. The concept was originally presented in such glowing terms that it was easy to overlook the fact that it was essentially a long-term policy of guided self-help. In the underdeveloped areas, Point Four was considered to be a sort of super "give-away" or "hit-the-jackpot" affair, and when the meaning of technical assistance did percolate down to the expected participants, their first action was one of dismay. Prime Minister Nehru of India considered the program of "no great value," and M. A. H. Ispahani, Pakistani Ambassador to the United States, termed it financially inadequate.⁵

⁴ Howard C. Gary, "Point Four Gets Off to Successful Start," Foreign Policy Bulletin, January 12, 1951, 30:2-3.

⁵ Ibid., p. 3.

While the United Nations program of technical assistance was making slow but steady progress, the United States had proceeded to make a number of bi-lateral agreements designed to implement Point Four. These negotiations had led to a clearer understanding of the plan as well as to a friendlier attitude on the part of prospective recipients.

On October 19, 1950, the first comprehensive and integrated project under the program was agreed upon by the United States and Iran,⁶ which involved an allocation of five hundred thousand dollars to help improve conditions in rural Iran. Under the project, villagers were to be taught elementary sanitation, agricultural, and vocational techniques in centrally located demonstration centers. It was hoped that this mass education would, for example, reduce the number (about four million) who fall victim to malaria every year. During the last week in October the Council of Ministers of the Egyptian government⁷ approved that country's participation in the Point Four program, and directed its foreign minister to discuss details of a specific agreement with State Department officials. The Egyptian government had the matter under advisement for several months, and agreed to participate only when convinced that there were no political strings tied to the program.

⁶ "Point Four Project in Iran Announced," United States Department of State Bulletin, 23:703.

⁷ Howard C. Gary, "Point Four Gets Off to Successful Start," Foreign Policy Bulletin, January 12, 1951, 30:3.

On November 7, a general or "umbrella" ⁸ agreement was signed with Ceylon.⁹ Unlike the Iranian arrangement, it did not involve a grant of funds. Rather, the arrangement specified certain lines of technical cooperation, including specific projects, as well as a statement of the conditions that had to be met in order to qualify that island to receive Point Four funds. On November 18, Oscar Meier, chief of the United States economic mission to Liberia, said that the progress made in that small, independent African republic was "a striking illustration of what can be done with technical assistance toward the development of economic and human resources."¹⁰ The allocation to that country was 850 thousand dollars to finance the activities of 67 American technicians working in the fields of health, agriculture, power, transport and public administration.

On December 2, the United States and Paraguay announced the formation of the first joint commission for economic development.¹¹ This body was to survey the needs of the Paraguayan economy and make recommendations as to the specific projects which would be financed with a Point Four allocation. During the week of December 18, Point Four pacts were signed with Haiti and Brazil.¹² The latter document was especially interesting because

⁸ Supra, 114.

⁹ "General Technical Cooperation Agreement with Ceylon Signed," United States Department of State Bulletin, 23:975.

¹⁰ Howard C. Gary, "Point Four Gets Off to Successful Start," Foreign Policy Bulletin, January 12, 1951, 30:3.

¹¹ "Point Four Program in Paraguay," United States Department of State Bulletin, 23:974.

¹² Howard C. Gary, "Point Four Gets Off to Successful Start," Foreign Policy Bulletin, January 12, 1951, 30:3.

it included an "umbrella" agreement, similar to the one used in Ceylon, plus the establishment of a joint committee for economic assistance along the lines of the Paraguayan agreement. On December 28,¹³ the State Department announced that a Point Four compact had been signed with India. An allotment of one million two hundred thousand dollars was to be provided to begin work on five specific development projects. While this would meet India's present emergency need for two million tons of grain, it could do much to assure that a similar situation did not occur in future years.

In each case the recipient nation would provide approximately the dollar equivalent of the Point Four monies in goods and services to be utilized in connection with local projects. It was estimated, for example, that the Iranian contribution of experts, equipment, buildings, and land involved a local outlay valued at four dollars for every American dollar provided. It was, therefore, clear that this country which, beginning with its contribution to UNRRA, had advanced nearly 30 billion dollars in foreign loans, grants, and other forms of aid, had not embarked in Point Four on a program of major financial commitments.

By mid-December, some 350 American technicians were already at work in 36 foreign countries. These men and women were "giving the lie" to the Communist charge that this nation conducted its international economic relations on a predatory or imperial-

¹³ "Point Four Agreement with India," United States Department of State Bulletin, 24:67.

istic basis.

The act had scarcely been passed when the outbreak of war in Korea changed the underlying economic problems. The Point Four program took on a new aspect. It could be used as a vehicle for getting a larger production of raw materials and for maintaining the friendship of underdeveloped countries in a critical period. In addition, rising standards of living would tend to prevent the spread of Communism in underdeveloped areas and would sustain the authority of existing regimes.

The situation in the underdeveloped countries shifted. The increased demand for raw materials made their prices shoot upward, export trade boomed, and foreign exchange became available. Temporarily, the underdeveloped countries had increased resources at their disposal for working out programs of their own.

This new emphasis now being placed on preparing the free world for defense had made it necessary to re-examine the original premises. Two reports made to the President reappraised the program in the light of the increasing international tension. One of these, the report made by Gordon Gray, former Secretary of the Army, Special Assistant to the President, represented an attempt to combine the immediate and long-run objectives of American assistance for economic development in a unified program. Gray's report dealt mainly with what the United States must do to help the rest of the non-Communist world make a living while it was being rearmed. It recommended a world-wide version of ECA to allocate and administer the billions of dollars the job would cost. "The overriding objective of our foreign policy is to es-

establish a just and lasting peace" was the opening sentence of the report.¹⁴ The report suggested that the United States had four major functions to perform in this field:

- (1) to increase the ability of underdeveloped countries to defend themselves;
- (2) to secure the cooperation of these countries in a mutual defense system;
- (3) to increase their productive ability in order to secure the mutual benefits of exchange for civilian and defense use; and
- (4) to promote the more effective immediate use of the economic resources of the free world, while at the same time helping all countries to make progress in economic improvement on a self-supporting basis through increasing international trade.¹⁵

The Gray report, which was completed after the aggression in Korea, emphasized that economic aid was as essential a pillar of American foreign policy as military aid. Its answer to the post-Korean scramble for raw materials was a program of international collaboration whereby every effort would be made to expand the output of critical items in short supply, and of cooperative action for "guiding supplies of scarce materials among the free nations in the manner best calculated to contribute to the common defense" and "to assure the delivery of raw materials required by other countries for purposes that support broad United States interests."¹⁶

To increase international trade, the report said, "we (U. S.)

¹⁴ "Expensive Free World," Newsweek, November 20, 1950, 36:29.

¹⁵ The International Studies Group of the Brookings Institution, Major Problems of U. S. Foreign Policy - 1951-1952, September, 1951, p. 135.

¹⁶ Howard C. Gary, "Rockefeller Report Spells Out Point Four Proposals," Foreign Policy Bulletin, April 13, 1951, 30:3.

must make sure that our own house is in order, that we have eliminated necessary barriers to imports, and that our policies in such fields as agriculture and shipping are so adjusted that they do not impose undue burdens on world trade." Also the report brought out that the United States should not help anybody who would not help himself and demanded guarantees in advance of such self-help. It also noted ruefully that "we must generally operate with and through existing governments, handicapped in some cases by inexperience or other weaknesses...." And it went on to say that Europe's business trouble was that it lacked "entrepreneurial initiative"--a fancy phrase for American get-up and go.¹⁷

The second report, submitted to the President on March 7, 1951, by the International Development Advisory Board headed by Nelson A. Rockefeller, represented an attempt to vitalize the Point Four program. The study entitled Partners in Progress stressed the fact that "strengthening the economies of the underdeveloped regions and an improvement in their living levels must be considered a vital part in our own defense mobilization."¹⁸ The Rockefeller study stated that the military mobilization of the democratic states placed a greater premium than ever on viable economies. It tended, however, to stress even more the immediate benefits that the United States would receive as a result of increasing the productive capacity of the democratic states.

¹⁷ "Expensive Free World," Newsweek, November 20, 1950, 36:30.

¹⁸ Howard C. Gary, "Rockefeller Report Spells Out Point Four Proposals," Foreign Policy Bulletin, April 13, 1951, 30:3.

The report made several specific proposals to help carry out a program of aid to the underdeveloped areas. The first imperative would be to rebuild sufficient military strength to resist aggression. A new unified agency, perhaps to be called the United States Overseas Economic Administration, was suggested as a device to overcome the duplication of effort arising from the fact that, at the present time, 23 United States agencies had foreign economic functions.

The Advisory Board recommended that the new body should first of all press for a two billion dollar development program to expand raw material output -- this increased production to be accomplished under private auspices. This program, as well as all other activities, should be carried out on a regional basis because the approach to each area must be geared to the particular historical, social, cultural, and economic conditions peculiar to that region.¹⁹ The report recommended that the basic service projects be financed with the 500 million dollar appropriation suggested for this purpose by the Gray report.²⁰ In order to assure the fulfillment of essential public works projects, Partners in Progress urged that, in addition to the Gray proposal, the International Bank for Reconstruction and Development and the American Export-Import Bank lend a total of 600 to 800 million dollars annually, and that an International Development Authority be estab-

¹⁹ Howard C. Gary, "Rockefeller Report Spells Out Point Four Proposals," Foreign Policy Bulletin, April 13, 1951, 30:3.

²⁰ "Expensive Free World," Newsweek, November 20, 1950, 36:30.

lished with an initial capitalization of no more than 500 million to finance a portion of the cost of projects which were important although not immediately profitable in a financial sense. The new authority would work very closely with the International Bank. The Advisory Board recommended that member quotas be proportional to the quotas established for the International Bank and that the United States contribution be set at 200 million dollars.²¹

In order to stimulate the flow of private American funds to the underdeveloped regions, it was suggested that tax incentives and bi-lateral treaties of commerce and friendship be utilized. It was further suggested that a 100 million dollar fund from the loan and guaranty authority of the Export-Import Bank be used to underwrite the transfer risk on new foreign investment. In addition, every effort should be made to stimulate the mobilization of local capital. For this purpose it was recommended that an International Finance Corporation, to be affiliated with the International Bank, be set up to make loans in local and foreign currencies to private enterprises in the underdeveloped areas. The United States subscription would amount to 150 million dollars out of a total authorized capital of 400 million dollars. This corporation would also be empowered to make nonvoting equity investments and thus permitted new productive enterprises to start operations without the burden of heavy fixed charges. The international agency would not, of course, have to assume any re-

²¹ Howard C. Gary, "Rockefeller Report Spells Out Point Four Proposals," Foreign Policy Bulletin, April 13, 1951, 30:3.

sponsibility for management.²²

The Advisory Board expressed confidence that, if its recommendations were carried out, the present one billion dollars annual flow of private United States investment to foreign countries could be doubled. If this sum could be raised to \$2,500,000,000, it would be of inestimable value in strengthening the economies of the underdeveloped areas and would also redound to the benefit of the United States and would represent a total flow of funds equal to only one per cent of the national income of this country. The merit of this report was that it went into detail in regard to concrete proposals designed to implement the concepts behind the Point Four program.²³

In both reports, the emphasis was on a greatly enlarged program that would be a vital instrument of American political and economic policy. Both emphasized the dependence of the United States on the underdeveloped areas. In the Gray report, the underdeveloped areas were defined to include Latin America, Africa, Turkey, Greece, Middle East, South and Southeast Asia, and Oceania. These areas contained 45 per cent of the population of the world. They had vast but underdeveloped resources, and approximately 73 per cent of the aggregate value of materials, imported by the United States for stockpiling, came from them. Fifty-eight per cent of all American imports came from these countries

²² Howard C. Gary, "Rockefeller Report Spells Out Point Four Proposals," Foreign Policy Bulletin, April 13, 1951, 30:3.

²³ Loc. cit.

in 1950. Both reports emphasized the dependence of these areas on trade with developed countries and on access to foreign capital.

The sequence of events since aggression broke out in Korea had given renewed emphasis to all the problems associated with programs of economic assistance to underdeveloped areas. The expanding rearmament programs had thrown into relief the dependence of North America and Europe on underdeveloped areas for supplies of strategic materials such as natural rubber, tungsten, industrial diamonds, chromite, and others. But this dependence differed only in degree from that which existed in more normal times. The Western European countries had to look to those areas not only for raw materials but also as export markets on which their recovery so largely depended. The economic and security interests of the United States were likewise linked with these areas. Apart from the present threat of Communist aggression, stability in the underdeveloped areas was conceivable only if economic and political improvements created a durable structure. The interest of the free world lay in the offering of friendly assistance for getting on with the fundamental task, and at the same time in protecting countries unable to protect themselves against immediate threats of aggression.

In his message to Congress (May, 1951) recommending adoption of the mutual security program, President Truman stated that, in addition to military and economic assistance to Europe, aid was requested to continue technical assistance and to initiate developmental programs elsewhere. This assistance was considered

necessary not only from a humanitarian point of view but also for reasons of national security. On October 10, 1951, the United States incorporated the Point Four program into the Mutual Security Act. The Act's purpose was "to strengthen the mutual security and individual and collective defenses of the free world."²⁴ Further conditions were, however, attached. No country could receive aid unless the giving of assistance would strengthen the security of the United States and unless the recipient country agreed to join in promoting world peace and in eliminating causes of international tension. On the economic side, the act made special appropriations for the development of sources of materials in which the United States was deficient. It was also directed that the act should be administered in such a way as to "provide incentives for a steadily increased participation of free private enterprise in developing the resources of foreign countries," to discourage "monopolistic business" in countries receiving aid and, where suitable, to encourage "the development of the free labor movements as the collective bargaining agencies of labor within such countries."²⁵ Finally, the act required the withdrawal of aid, except under unusual circumstances, from any nation sending primary strategic materials to any nation threatening the security of the United States, including the Soviet Union and all countries under its domination.

The Mutual Security Act of 1951 provided for the coordina-

²⁴ "Mutual Security Act of 1951," Public Law 165, 82nd Congress, 2nd Session.

²⁵ Loc. cit.

tion of all foreign aid programs under a Director for Mutual Security. The Technical Cooperation Administration remained an agency of the Department of State, but its operations were made subject to the over-all supervision of the Director. The Act also established a Mutual Security Agency to take the place of the Economic Cooperation Administration, which went out of business on December 31, 1951. In accordance with the policy of the Director for Mutual Security that all economic programs in a single country be administered by a single agency, technical cooperation and other economic development programs in certain underdeveloped areas, namely Greece, Southeast Asia, and the overseas territories of European countries, where the main responsibility had been assigned to the Economic Cooperation Administration, were made the responsibility of the Mutual Security Agency. The Technical Cooperation Administration was made responsible for the programs in the American Republics, the independent countries of Africa (Liberia, Libya, Ethiopia, Eritrea, and Egypt), the Near East (the Arab States, Iran, and Israel), and the South Asia countries of Afghanistan, Ceylon, India, Nepal, and Pakistan.

The program in its new form did not work smoothly.²⁶ Many countries were reluctant to accept the conditions laid down, partly because they hoped to remain neutral in case of war, partly because they were jealous of their sovereign rights. In view of the violent gyrations in the prices of raw materials, many

²⁶ The International Studies Group of the Brookings Institution, Major Problems of U. S. Foreign Policy - 1952-1953, September, 1952, p. 146.

countries doubted the wisdom of allowing themselves to be developed mainly as primary producers. Colonies that hoped to achieve freedom saw in the aid channeled to them through their governing powers a method by which the latter could strengthen their hold upon them. An atmosphere of distrust developed. In the United States, the program also ran into difficulties. Private investment, which had been expected to provide some of the funds, was deterred by the increasing financial and political instability of the world and by a growing tendency in the underdeveloped states to nationalize resources. Growing inflationary pressures made expenditures of public funds more difficult. The "bold new program" had run into interference. In spite of this, the Administration proposed in the spring of 1952 the continuation of the program as it had been set up in 1951.²⁷

The Point Four program began to function under two kinds of agreements. The general or "umbrella" agreements stated the terms on which the host country and the Technical Cooperation Administration would work. This was often used before further organization was determined. The second agreement was the program agreement which specified the content and nature of the program, budget, personnel, time allowed, and the objectives to be reached. This was sometimes independent of any other arrangement. The Mutual Security Act, after it was passed, also required that every participating government agree to "join in promoting internation-

²⁷ The International Studies Group of the Brookings Institution, Major Problems of U. S. Foreign Policy - 1952-1953, September, 1952, p. 146.

al understanding and good will, in maintaining world peace, and to take such action as may be mutually agreed upon to eliminate causes of international tension." By January, 1952, some 30 governments had signed agreements incorporating this provision, and negotiations were continuing with others.

Subject to the determination of the Director for Mutual Security, the Mutual Security Appropriations Act of October 31, 1951, made available up to \$210,000,000 for Point Four programs in fiscal year 1952. Approximately 66 million dollars were earmarked for programs in South Asia. By February, 1952, 50 million of this amount had been committed for cooperative programs in India and ten million for cooperative programs in Pakistan. Each country was to match the Point Four contribution with an equal amount of its own funds. Approximately \$56,000,000 was earmarked for programs in the Middle East, of which \$23,450,000 were committed in January, 1952, for the program of Iran. Congress also provided 50 million for a special program of relief and rehabilitation for Israeli refugees to be administered by the Technical Cooperation Administration; 19 million for programs in Latin America; and up to 12 million for technical assistance programs of the United Nations and up to one million for programs of the Organization of American States.

In most of the underdeveloped areas, the major problems grew out of hunger, widespread disease, and illiteracy. Consequently, the main effort of Point Four operations in the field had been to improve agriculture, health, and education. Approximately 80 per cent of the budget was spent for projects in these fields in the

fiscal year 1951, although cooperative projects were also undertaken in the development of mineral and water resources, transportation, communications, labor and industry, housing, and various phases of public administration.

The emphasis on agriculture, health, and education continued in fiscal year 1952. And, with more funds available, it was planned to help other countries expand certain kinds of facilities which would contribute directly to the effectiveness of technical cooperation and thereby speed economic progress; for example, wells to support better farming in Iran and India, and processing plants for agricultural products in Pakistan. Most of the capital projects were to continue to be financed by private or public capital, or by loans from private banks, governmental institutions such as the Export-Import Bank, or the International Bank for Reconstruction and Development.

In 1952, what was popularly known as the Point Four program was two different but complementary American governmental activities. Point Four proper was the Technical Cooperation Administration, headed by Stanley Andrews from High Point, Missouri, working under the State Department. TCA operated in areas more or less remote from direct Russian threat.²⁸ In areas closer to Soviet Russia the agency doing nearly identical work was the special technical and economic missions of the Mutual Security Agency, known as STEM, an off-shoot of the Marshall Plan. This work

²⁸ St. Louis Post-Dispatch, June 8, 1952, part 3, p. 1.

was headed by Dr. Clarence R. Decker, who was on leave from the presidency of the University of Kansas City.²⁹

Both programs used the "pilot plant" theory, hoping that by teaching the people of a backward area more advanced methods of agriculture, public health, and education, a chain reaction would be started. The pupils, it was planned, would in turn become teachers of new pupils, so that the programs would spread in ever-widening circles. Some tangible results have been achieved already. In one 100-square mile area in India, for example, the wheat yield was increased from 13 bushels per acre to 26 bushels per acre as a result of using better seed, fertilizing the soil, and improving only slightly the primitive tools for tilling the ground.

The corps of Point Four technicians in the field numbered some 450 at the end of the fiscal year 1951. The field staff grew steadily in fiscal year 1952 and, according to Stanley Andrews³⁰ on June 7, 1952, there were 900 technicians from America working in some 33 countries. Associated with these Americans were between 15 and 20 thousand native technicians and workers. American technicians going into the field were chosen not only for technical competence, but also for character, personality, and ability to work with the people of other countries. Before leaving the United States, these technicians received training at the Foreign Service Institute in Washington, as well as at the

²⁹ St. Louis Post-Dispatch, June 8, 1952, part 3, p. 1.

³⁰ Loc. cit.

technical agency directing their work. Their training was designed to give them an understanding of the customs and problems of peoples with whom they were to work and an understanding of Point Four purposes and procedures. The United States paid the salaries of the technicians and the cost of the equipment they needed in their work.

While hundreds of American technicians were being sent abroad to assist and advise countries in solving some of their development problems, it was only through trained, highly-skilled people of their own that underdeveloped countries could expect to carry out long-range programs and achieve economic stability. Almost every Point Four field project involved the training of foreign nationals on the spot. In addition, the Point Four program helped to bring foreign nationals to the United States for advanced training in technical fields. Candidates for training in the United States were carefully screened, and only those found to be exceptionally qualified as to scholarship and trainability were accepted. Candidates³¹ accepted were chiefly government employees in their own countries who needed additional training, or those who would have government positions waiting for them when they returned home. As of January 1, 1952, some 350 nationals of foreign countries were taking advanced studies in the United States under Point Four grants, and several hundred more grants were to be made during the fiscal year 1952. The

³¹ "Foreign Technicians Acquire Knowledge and Skills," Point Four in Action...Department of Interior's Role, United States Department of Interior, p. 21.

program also supported certain kinds of training programs in foreign areas. For example, under a Point Four grant, the American University of Beirut was training students for all the countries of the Middle East in the basic fields: preventive medicine and public health, agriculture and agricultural engineering, economics and finance, and public administration.

The Act for International Development called for the participation of private agencies in the Point Four program to the greatest extent practicable. Up to January 1, 1952, over 50 contracts had been signed with private American organizations, or other agencies not a part of the United States government, for specific Point Four projects. Point Four programs usually grew out of requests for technical cooperation originating with foreign governments. These requests, taken separately, may be random in nature. Therefore, the Technical Cooperation Administration had encouraged foreign governments to think in terms of their major economic problems and made requests for programs which fitted into their nation-wide development plan.

Various mechanisms had been developed to insure that Point Four activities contributed to economic progress and fitted into country-wide development programs. In a number of countries -- Brazil, Paraguay, and Liberia, for example -- Point Four was working through Joint Commissions dealing with nation-wide economic development. These commissions were jointly financed, jointly staffed, and jointly administered. In other countries, the Point Four was managed by a country director under the general supervision of the United States Chief of Diplomatic Mission.

The country director worked closely with the appropriate ministries or agencies of the foreign government in planning and directing technical cooperation programs.

In the most underdeveloped areas today, bi-lateral Point Four projects were going forward along with national development programs, regional development programs such as the British Commonwealth's Colombo Plan for South and Southeast Asia, and multi-lateral technical assistance programs of the United Nations.

The problem of coordinating Point Four efforts with other activities is one which requires continuing consultation, review, and evaluation, both in Washington, where the TCA maintains liaison with the United Nations through the Department of State, and in the field.³²

On March 31, 1952, the Institute of Inter-American Affairs completed its tenth year of cooperative technical assistance in the basic economic fields of health and sanitation, agriculture, and education, in cooperation with 18 Latin American countries.

This anniversary coincided with the decision of the Technical Cooperation Administration of the Department of State to utilize the pioneer experience of the Institute of Inter-American Affairs. It made the Institute its regional office for all technical assistance programs in Latin America.

As part of the President's Point Four program in its expanded scope of operation, the IIAA acted as one of the three regional offices of the TCA which had been assigned responsibilities to direct technical assistance activities throughout the

³² "Outline of Point Four Organization, Policy, and Operations," Department of State Publication, February 14, 1952, p. 4.

world. The Institute at the same time was offering its long-time successful experience to the TCA's new Near East and African Development Service and Asia Development Service which would function similarly to the IIAA. Together these programs offered one of the most effective substantive contributions of the United States to the free world against Communism.

How the joint Latin American IIAA projects had cut the ground out from under Communism was recently illustrated in Peru.³³ The Camana Valley, isolated by nature from the rest of the country, had 8,500 inhabitants which the Communist Party had organized a few years ago, even electing a congressman. The President of Peru called upon the cooperative program to build and run a rice mill in this region. It was agreed to on condition that the program would not be involved in politics and would do only those things necessary for agricultural development. Not only is a rice mill now functioning with the most modern dehydrating equipment, but Camana farmers had improved methods of spraying, irrigation, plowing, cultivating, and harvesting. Today the valley's income is five times what it was before the service began its constructive work. And the appreciative government reported the Communist threat had vanished.

Recently the joint program of which the IIAA is a party had been concentrating on spreading the organization of farm credit facilities. Also, the program had been increasing the education-

³³ "Point Four in Latin America," Peruvian Times, April 18, 1952, p. 12.

al campaign in the Latin American countries in which it was cooperating in the operation of agricultural programs.

Manifestly, this broad and deep program of technical assistance fulfilled the historic Good Neighbor program, particularly in the aspect of that policy to encourage self-help, self-reliance, and self-respect. Also, the program fulfilled not only the specific call of the President for Point Four technical assistance, but also fulfilled the President's further observation in the Point Four speech: "Experience shows that our commerce with other countries expands as they progress industrially and economically...."

The essence of the Point Four philosophy, of which the IIAA is an instrument, was perhaps best expressed by the late Dr. Henry G. Bennett, Administrator of the Technical Cooperation Administration, who recently lost his life in an airplane disaster, when he said:

Our friends of the underdeveloped areas do not want charity. They want to become independent, by their own efforts, of our help and of all outside help. They are eternally right in asking us to share knowledge and skill -- which cannot be given away -- so that they may achieve self-reliance and the dignity that goes with it. They represent old cultures that long predate ours....They would not permit us to superimpose our culture on theirs, even if we were so foolish as to try. There are as many paths to progress as there are nations. They want to choose their own.³⁴

³⁴ "Point Four in Latin America," Peruvian Times, April 18, 1952, p. 13.

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APPENDIX

A

SECTIONS FROM PRESIDENT TRUMAN'S
JANUARY 20, 1949, INAUGURAL ADDRESS¹

In the coming years, our program for peace and freedom will emphasize four major courses of action.

First, we will continue to give unfaltering support to the United Nations and related agencies, and we will continue to search for ways to strengthen their authority and increase their effectiveness. We believe that the United Nations will be strengthened by the new nations which are being formed in lands now advancing toward self-government under democratic principles.

Second, we will continue our programs for world economic recovery.

This means, first of all, that we must keep our full weight behind the European Recovery Program. We are confident of the success of this major venture in world recovery. We believe that our partners in this effort will achieve the status of self-supporting nations once again.

In addition, we must carry out our plans for reducing the barriers to world trade and increasing its volume. Economic recovery and peace itself depend on increased world trade.

Third, we will strengthen freedom-loving nations against the dangers of aggression.

We are now working out with a number of countries a joint agreement designed to strengthen the security of the North Atlantic area. Such an agreement would take the form of a collective defense arrangement within the terms of the United Nations Charter.

We have already established such a defense pact for the Western Hemisphere by the treaty of Rio de Janeiro.

The primary purpose of these agreements is to provide unmistakable proof of the joint determination of the free countries to resist armed attack from any quarter. Each country participating in these arrangements must contribute all it can to

¹ "The Faith of the American People," A New Era in World Affairs, (Department of State Publication), 1949, pp. 5-8.

the common defense.

If we can make it sufficiently clear, in advance, that any armed attack affecting our national security would be met with overwhelming force, the armed attack might never occur.

I hope soon to send to the Senate a treaty respecting the North Atlantic security plan.

In addition, we will provide military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security.

Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a great threat both to them and to more prosperous areas.

For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

Our aims should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.

With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise

substantially their standards of living.

Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments.

The old imperialism -- exploitation for foreign profit -- has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.

All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

Greater production is the key to prosperity and peace. And the key to greater production is wider and more vigorous application of modern scientific and technical knowledge.

Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies -- hunger, misery, and despair.

On the basis of these four major courses of action we hope to help create the conditions that will lead eventually to personal freedom and happiness for all mankind.

B

PRESIDENT TRUMAN'S MESSAGE TO CONGRESS
TRANSMITTING THE PROPOSED LEGISLATION
JUNE 24, 1949¹

TO THE CONGRESS OF THE UNITED STATES: In order to enable the United States, in cooperation with other countries, to assist the peoples of economically underdeveloped areas to raise their standards of living, I recommend the enactment of legislation to authorize an expanded program of technical assistance for such areas, and an experimental program for encouraging the outflow of private investment beneficial to their economic development. These measures are the essential first steps in an undertaking which will call upon private enterprise and voluntary organizations in the United States, as well as the Government, to take part in a constantly growing effort to improve economic conditions in the less developed regions of the world.

The grinding poverty and the lack of economic opportunity for many millions of people in the economically underdeveloped parts of Africa, the Near East and Far East, and certain regions of Central and South America, constitute one of the greatest challenges of the world today. In spite of their age-old economic and social handicaps, the peoples in these areas have, in recent decades, been stirred and awakened. The spread of industrial civilization, the growing understanding of modern concepts of government, and the impact of two World Wars have changed their lives and their outlook. They are eager to play a greater part in the community of nations.

All these areas have a common problem. They must create a firm economic base for the democratic aspirations of their citizens. Without such an economic base, they will be unable to meet the expectations which the modern world has aroused in their peoples. If they are frustrated and disappointed, they may turn to false doctrines which hold that the way of progress lies through tyranny.

For the United States the great awakening of these peoples holds tremendous promise. It is not only a promise that new and stronger nations will be associated with us in the cause of human freedom; it is also a promise of new economic strength and growth for ourselves.

¹ "The Faith of the American People," A New Era in World Affairs, (Department of State Publication), 1949, pp. 25-34.

With many of the economically underdeveloped areas of the world, we have long had ties of trade and commerce. In many instances today we greatly need the products of their labor and their resources. If the productivity and the purchasing power of these countries are expanded, our own industry and agriculture will benefit. Our experience shows that the volume of our foreign trade is far greater with highly developed countries than it is with countries having a low standard of living and inadequate industry. To increase the output and the national income of the less developed regions is to increase our own economic stability.

In addition, the development of these areas is of utmost importance to our efforts to restore the economies of the free European nations. As the economies of the underdeveloped areas expand, they will provide needed products for Europe and will offer a better market for European goods. Such expansion is an essential part of the growing system of world trade which is necessary for European recovery.

Furthermore, the development of these areas will strengthen the United Nations and the fabric of world peace. The preamble to the Charter of the United Nations states that the economic and social advancement of all people is an essential bulwark of peace. Under Article 56 of the Charter, we have promised to take separate action and to act jointly with other nations "to promote higher standards of living, full employment, and conditions of economic and social progress and development."

For these various reasons, assistance in the development of the economically underdeveloped areas has become one of the major elements of our foreign policy. In my inaugural address, I outlined a program to help the peoples of these areas to attain greater production as a way to prosperity and peace.

The major effort in such a program must be local in character; it must be made by the people of the underdeveloped areas themselves. It is essential, however, to the success of their effort that there be help from abroad. In some cases, the people of these areas will be unable to begin their part of this great enterprise without initial aid from other countries.

The aid that is needed falls roughly into two categories. The first is the technical, scientific, and managerial knowledge necessary to economic development. This category includes not only medical and educational knowledge, assistance, and advice in such basic fields as sanitation, communications, road building, and governmental service; but also, and perhaps most important, assistance in the survey of resources and in planning for long-range economic development.

The second category is production goods -- machinery and equipment -- and financial assistance in the creation of produc-

tive enterprises. The underdeveloped areas need capital for port and harbor development, roads and communications, irrigation and drainage projects, as well as for public utilities and the whole range of extractive, processing, and manufacturing industries. Much of the capital required can be provided by these areas themselves, in spite of their low standards of living. But much must come from abroad.

The two categories of aid are closely related. Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful.

This country, in recent years, has conducted relatively modest programs of technical cooperation with other countries. In the field of education, channels of exchange and communications have been opened between our citizens and those of other countries. To some extent, the expert assistance of a number of Federal agencies, such as the Public Health Service and the Department of Agriculture, has been made available to other countries. We have also participated in the activities of the United Nations, its specialized agencies, and other international organizations to disseminate useful techniques among nations.

Through these various activities, we have gained considerable experience in rendering technical assistance to other countries. What is needed now is to expand and integrate these activities and to concentrate them, particularly on the economic development of underdeveloped areas.

Much of the aid that is needed can be provided most effectively through the United Nations. Shortly after my inaugural address, this Government asked the Economic and Social Council of the United Nations to consider what the United Nations and the specialized international agencies could do in this program.

The Secretary-General of the United Nations thereupon asked the United Nations Secretariat and the Secretariats of the specialized international agencies to draw up cooperative plans for technical assistance to underdeveloped areas. As a result, a survey was made of technical projects suitable for these agencies in such fields as industry, labor, agriculture, scientific research with respect to natural resources, and fiscal management. The total cost of the program submitted as a result of this survey was estimated to be about 35 million dollars for the first year. It is expected that the United Nations and the specialized international agencies will shortly adopt programs for carrying out projects of the type included in this survey.

In addition to our participation in this work of the United Nations, much of the technical assistance required can be provided directly by the United States to countries needing it. A careful examination of the existing information concerning the underdeveloped countries shows particular need for technicians and experts with United States training in plant and animal diseases, malaria and typhus control, water supply and sewer systems, metallurgy and mining, and nearly all phases of industry.

It has already been shown that experts in these fields can bring about tremendous improvements. For example, the health of the people of many foreign communities has been greatly improved by the work of United States sanitary engineers in setting up modern water supply systems. The food supply of many areas has been increased as the result of the advice of United States agricultural experts in the control of animal diseases and the improvement of crops. These are only examples of the wide range of benefits resulting from the careful application of modern techniques to local problems. The benefits which a comprehensive program of expert assistance will make possible can only be revealed by studies and surveys undertaken as a part of the program itself.

To inaugurate the program, I recommend a first-year appropriation of not to exceed 45 million dollars. This includes 10 million dollars already requested in the 1950 budget for activities of this character. The sum recommended will cover both our participation in the programs of the international agencies and the assistance to be provided directly by the United States....

In every case, whether the operation is conducted through the United Nations, the other international agencies, or directly by the United States, the country receiving the benefit of the aid will be required to bear a substantial portion of the expense.

The activities necessary to carry out our program of technical aid will be diverse in character and will have to be performed by a number of different government agencies and private instrumentalities. It will be necessary to utilize not only the resources of international agencies and the United States Government, but also the facilities and the experience of the private business and nonprofit organizations that have long been active in this work.

Since a number of Federal agencies will be involved in the program, I recommend that the administration of the program be vested in the President, with authority to delegate to the Secretary of State and to other government officers as may be appropriate. With such administrative flexibility, it will be possible to modify the management of the program as it expands and to meet practical problems that will arise in its administration in the future.

The second category of outside aid needed by the underdeveloped areas is the provision of capital for the creation of productive enterprises. The International Bank for Reconstruction and Development and the Export-Import Bank have provided some capital for underdeveloped areas, and, as the economic growth of these areas progresses, should be expected to provide a great deal more. In addition, private sources of funds must be encouraged to provide a major part of the capital required.

In view of the present troubled condition of the world -- the distortion of world trade, the shortage of dollars, and other after-effects of the war -- the problem of substantially increasing the flow of American capital abroad presents serious difficulties. In all probability, novel devices will have to be employed if the investment from this country is to reach proportions sufficient to carry out the objectives of our program.

All countries concerned with the program should work together to bring about conditions favorable to the flow of private capital. To this end we are negotiating agreements with other countries to protect the American investor from unwarranted or discriminatory treatment under the laws of the country in which he makes his investment.

In negotiating such treaties we do not, of course, ask privileges for American capital greater than those granted to other investors in underdeveloped countries or greater than we ourselves grant in this country. We believe that American enterprise should not waste local resources, should provide adequate wages and working conditions for local labor, and should bear an equitable share of the burden of local taxes. At the same time, we believe that investors will send their capital abroad on an increasing scale only if they are given assurance against risk of loss through expropriation without compensations, unfair or discriminatory treatment, destruction through war or rebellion, or the inability to convert their earnings into dollars.

Although our investment treaties will be directed at mitigating such risks, they cannot eliminate them entirely. With the best will in the world, a foreign country, particularly an underdeveloped country, may not be able to obtain the dollar exchange necessary for the prompt remittance of earnings on dollar capital. Damage or loss resulting from internal and international violence may be beyond the power of our treaty signatories to control.

Many of these conditions of instability in underdeveloped areas which deter foreign investments are themselves a consequence of the lack of economic developments which only foreign investment can cure. Therefore, to wait until stable conditions are assured before encouraging the outflow of capital to underdeveloped areas would defer the attainment of our objectives indefinitely. It is necessary to take vigorous action now to break out of this vicious circle.

Since the development of underdeveloped economic areas is of major importance in our foreign policy, it is appropriate to use the resources of the Government to accelerate private efforts toward that end. I recommend, therefore, that the Export-Import Bank be authorized to guarantee United States private capital, invested in productive enterprises which contribute to economic development in underdeveloped areas, against the risks peculiar to those investments.

This guaranty activity will at the outset be largely experimental. Some investments may require only a guaranty against the danger of expropriation and other dangers as well. It is possible at this time to write a standard guaranty. The Bank will, of course, be able to require the payment of premium rates that will be most appropriate in the long run. Only experience can provide answers to these questions.

The Bank has sufficient resources at the present time to begin the guaranty program and to carry on its lending activities as well without any increase in its authorized funds. If the demand for guaranties should prove large and lending activities continue on the scale expected, it will be necessary to request the Congress at a later date to increase the authorized funds of the Bank.

The enactment of these two legislative proposals, the first pertaining to technical assistance and the second to the encouragement of foreign investment, will constitute a national endorsement of a program of major importance in our efforts for world peace and economic stability. Nevertheless, these measures are only the first steps. We are at the beginning of a rising curve of activity, private, governmental and international, that will continue for many years to come. It is all the more important, therefore, that we start promptly.

In the economically underdeveloped areas of the world today there are new creative energies. We look forward to the time when these countries will be stronger and more independent than they are now, and yet more closely bound to us and to other nations by ties of friendship and commerce, and by kindred ideals. On the other hand, unless we aid the newly awakened spirit in these peoples to find the course of fruitful development, they may fall under the control of those whose philosophy is hostile to human freedom, thereby prolonging the unsettled state of the world and postponing the achievement of permanent peace.

Before the peoples of these areas we hold out the promise of a better future through the democratic way of life. It is vital that we move quickly to bring the meaning of that promise home to them in their daily lives.

C

AN ACT TO PROVIDE FOREIGN ECONOMIC ASSISTANCE¹

Title IV

SEC. 401. This title may be cited as the "Act for International Development."

SEC. 402. The Congress hereby finds as follows:

(a) The peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace.

(b) The efforts of the peoples living in economically underdeveloped areas of the world, to realize their full capabilities and to develop the resources of the lands in which they live, can be furthered through the cooperative endeavor of all nations to exchange technical knowledge and skills and to encourage the flow of investment capital.

(c) Technical assistance and capital investment can make maximum contribution to economic development only where there is understanding of the mutual advantages of such assistance and investment and where there is confidence of fair and reasonable treatment and due respect for the legitimate interests of the peoples of the countries to which the assistance is given and in which the investment is made and of the countries from which the assistance and investments are derived. In the case of investment, this involves confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will provide adequate wages and working conditions for local labor. It involves confidence on the part of investors, through intergovernmental agreements or otherwise, that they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to remit their earnings and withdraw their capital; that they will have reasonable freedom to man-

¹ "Foreign Economic Assistance Act." Public Law 535. 81st Congress, 2nd Session, 1950.

age, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs.

SEC. 403. (a) It is declared to be the policy of the United States to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity, and expanding purchasing power.

(b) It is further declared to be the policy of the United States that, in order to achieve the most effective utilization of the resources of the United States, private and public, which are or may be available for aid in the development of economically underdeveloped areas, agencies of the United States Government, in reviewing request of foreign governments for aid for such purposes, shall take into consideration (1) whether the assistance applied for is an appropriate part of a program reasonably designed to contribute to the balanced and integrated development of the country or areas concerned; (2) whether any works or facilities which may be projected are actually needed in view of similar facilities existing in the area and are otherwise economically sound; and (3) with respect to projects for which capital is requested, whether private capital is available either in the country or elsewhere upon reasonable terms and in sufficient amounts to finance such projects.

SEC. 404. (a) In order to accomplish the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States and their related organizations, and by other international organizations, wherever practicable.

(b) Within the limits of appropriations made available to carry out the purposes of this title, the President is authorized to make contributions to the United Nations for technical cooperation programs carried on by it and its related organizations which will contribute to accomplishing the purposes of this title as effectively as would participation in comparable programs on a bilateral basis. The President is further authorized to make contributions for technical cooperation programs carried on by the Organization of American States, its related organizations, and by other international organizations.

(c) Agencies of the United States Government on request

of international organizations are authorized, upon approval by the President, to furnish services and such facilities as may be necessary in connection therewith, on an advance of funds or reimbursement basis, for such organizations in connection with their technical cooperation programs. Amounts received as reimbursements from such organizations shall be credited, at the option of the appropriate agency, either to the appropriation, fund, or account utilized in incurring the obligation, or to an appropriate appropriation, fund, or account currently available for the purposes for which expenditures were made.

SEC. 405. The President is authorized to plan, undertake, administer, and execute bilateral technical cooperation programs carried on by any United States Government agency and, in so doing --

(a) To coordinate and direct existing and new technical cooperation programs.

(b) To assist other interested governments in the formulation of programs for the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

(c) To receive, consider, and review reports of joint commissions set up as provided in Section 410 of this title.

(d) To make, within appropriations made available for the purpose, advances and grants in aid of technical cooperation programs to any person, corporation, or other body of persons, or to any foreign government or foreign government agency.

(e) To make and perform contracts or agreements in respect of technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency: Provided, That with respect to contracts or agreements which entail commitments for the expenditure of funds appropriated pursuant to the authority of this title, such contracts or agreements, within the limits of appropriations or contract authorizations hereafter made available may, subject to any future action of the Congress, run for not to exceed three years in any one case.

(f) To provide for printing and binding outside the continental limits of the United States, without regard to Section 11 of the Act of March 1, 1919 (44 U.S.C. 111).

(g) To provide for the publication of information made available by the joint commissions referred to in Section 410, and from other sources, regarding resources, opportunities for private investment capital, and the need for technical knowledge and skill in each participating country.

SEC. 406. Agreements made by the United States under the authority of this title with other governments and with international organizations shall be registered with the Secretariat

of the United Nations in accordance with the provisions of Article 102 of the United Nations Charter.

SEC. 407. In carrying out the programs authorized in Section 405 of this title --

(a) The participation of private agencies and persons shall be sought to the greatest extent practicable.

(b) Due regard shall be given, in reviewing requests for assistance, to the possibilities of achieving satisfactory results from such assistance as evidenced by the desire of the country requesting it (1) to take steps necessary to make effective use of the assistance made available, including the encouragement of the flow of productive local and foreign investment capital where needed for development; and (2) to endeavor to facilitate the development of the colonies, possessions, dependencies, and nonself-governing territories administered by such requesting country so that such areas may make adequate contribution to the effectiveness of the assistance requested.

(c) Assistance shall be made available only where the President determines that the country being assisted --

- (1) Pays a fair share of the cost of the program.
- (2) Provides all necessary information concerning such program and gives the program full publicity.
- (3) Seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that country.
- (4) Endeavors to make effective use of the results of the program.
- (5) Cooperates with other countries participating in the program in the mutual exchange of technical knowledge and skills.

SEC. 408. The President is authorized to prescribe such rules and regulations as may be necessary and proper to carry out the provisions of this title.

SEC. 409. The President shall create an advisory board, hereinafter referred to as the "board," which shall advise and consult with the President or such other officer as he may designate to administer the program herein authorized, with respect to general or basic policy matters arising in connection with operation of the program. The board shall consist of not more than 13 members to be appointed by the President, one of whom, by and with the advice and consent of the Senate, shall be appointed by him as chairman. The members of the board shall be broadly representative of voluntary agencies and other groups interested in the program, including business, labor, agriculture, public health, and education. All members of the board shall be citizens of the United States; none except the chairman shall be an officer or an employee of the United States (including any agency or instrumentality of the United States) who as such regularly re-

gularly received compensation for current services. Members of the board, other than the chairman, if he is an officer of the United States Government, shall receive out of funds made available for the purposes of this title a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the board or at conferences held upon the call of the chairman, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses. The President may appoint such committees in special fields of activity as he may determine to be necessary or desirable to effectuate the purposes of this title. The members of such committees shall receive the same compensation as that provided for members of the board.

SEC. 410. (a) At the request of a foreign country, there may be established a joint commission for economic development to be composed of persons named by the President and persons to be named by the requesting country, and may include representatives of international organizations mutually agreed upon.

(b) The duties of each such joint commission shall be mutually agreed upon, and may include, among other things, examination of the following:

(1) The requesting country's requirements with respect to technical assistance.

(2) The requesting country's resources and potentialities, including mutually advantageous opportunities for utilization of foreign technical knowledge and skills and investment.

(3) Policies which will remove deterrents to and otherwise encourage the introduction, local development, and application of technical skills and the creation and effective utilization of capital, both domestic and foreign; and the implementation of such policies by appropriate measures on the part of the requesting country and the United States, and of other countries when appropriate and after consultation with them.

(c) Such joint commissions shall prepare studies and reports which they shall transmit to the appropriate authorities of the United States and of the requesting countries. In such reports the joint commissions may include recommendations as to any specific projects which they conclude would contribute to the economic development of the requesting countries.

(d) The costs of each joint commission shall be borne by the United States and the requesting country in the proportion that may be agreed upon between the President and that country.

SEC. 411. All or part of United States support for and participation in any technical cooperation program carried on under this title shall be terminated by the President --

(a) If he determines that such support and participation

no longer contribute effectively to the purposes of this title, are contrary to a resolution adopted by the General Assembly of the United Nations that the continuance of such technical cooperation programs in unnecessary or undesirable, or are not consistent with the foreign policy of the United States.

(b) If a concurrent resolution of both Houses of the Congress finds such termination is desirable.

SEC. 412. The President may exercise any power or authority conferred on him by this title through the Secretary of State or through any other officer or employee of the United States Government.

SEC. 413. In order to carry out the purposes of this title --

(a) The President shall appoint, by and with the advice and consent of the Senate, a person who, under the direction of the President or such other officer as he may designate pursuant to Section 412 hereof to exercise the powers conferred upon him by this title, shall be responsible for planning, implementing, and managing the programs authorized in this title. He shall be compensated at a rate fixed by the President without regard to the Classification Act of 1949 but not in excess of \$15,000 per annum.

(b) Officers, employees, agents, and attorneys may be employed for duty within the continental limits of the United States in accordance with the provisions of the civil-service laws and the Classification Act of 1949.

(c) Persons employed for duty outside the continental limits of the United States Government assigned for such duty may receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), as amended, may receive allowances and benefits not in excess of those established thereunder, and may be appointed to any class in the Foreign Service Reserve or Staff in accordance with the provisions of such Act.

(d) Alien clerks and employees employed for the purpose of performing functions under this title shall be employed in accordance with the provisions of the Foreign Service Act of 1946, as amended.

(e) Officers and employees of the United States Government may be detailed to offices or positions to which no compensation is attached with any foreign government agency or with any international organization: Provided, That, while so detailed, any such person shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits, an officer or employee of the United States Government agency from which detailed and shall receive therefrom his regular compensation, which shall be reimbursed to such agency from funds available under this title: Provided further, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

(f) Experts and consultants or organizations thereof may be employed as authorized by Section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), and individuals so employed may be compensated at a rate not in excess of \$75 per diem.

(g) Such additional civilian personnel may be employed without regard to Subsection (a) of Section 14 of the Federal Employees Pay Act of 1946 (60 Stat. 219), as amended, as may be necessary to carry out the policies and purposes of this title.

SEC. 414. No citizen or resident of the United States, whether or not now in the employ of the Government, may be employed or assigned to duties by the Government under this Act until such individual has been investigated by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State: Provided, however, That any present employee of the Government, pending the report as to such employee by the Federal Bureau of Investigation, may be employed or assigned to duties under this Act for the period of three months from the date of its enactment. This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.

SEC. 415. The President shall transmit to the Congress an annual report of operations under this title.

SEC. 416. (a) In order to carry out the provisions of this title, there shall be made available such funds as are hereafter authorized and appropriated from time to time for the purposes of this title: Provided, however, That for the purpose of carrying out the provisions of this title through June 30, 1951, there is hereby authorized to be appropriated a sum not to exceed \$35,000,000, including any sums appropriated to carry on the activities of the Institute of Inter-American Affairs, and technical cooperation programs as defined in Section 418 there in under the United States Information and Educational Exchange Act of 1948 (62 Stat. 6). Activities provided for under this title may be prosecuted under such appropriations or under authority granted in Appropriation Acts to enter into contracts pending enactment of such appropriations. Unobligated balances of such appropriations for any fiscal year may, when so specified in the appropriation act concerned, be carried over to any succeeding fiscal year or years. The President may allocate to any United States Government agency any part of any appropriation available for carrying out the purposes of this title. Such funds shall be available for obligation and expenditure for the purposes of this title in accordance with authority granted hereunder or under authority governing the activities of the Government agencies to which such funds are allocated.

(b) Nothing in this title is intended nor shall it be construed as an expressed or implied commitment to provide any specific assistance, whether of funds, commodities, or serv-

ices, to any country or countries, or to any international organization.

SEC. 417. If any provision of this title or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of the title and the applicability of such provision to other circumstances or persons shall not be affected thereby.

SEC. 418. As used in this title --

(a) The term "technical cooperation programs" means programs for the international interchange of technical knowledge and skills designed to contribute to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities may include, but need not be limited to, economic, engineering, medical, educational, agricultural, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources and productive capacities of underdeveloped areas. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor pursuant to the Philippine Rehabilitation Act of 1946 (60 Stat. 128), as amended, nor pursuant to the Foreign Assistance Act of 1948 (62 Stat. 137), as amended, nor activities undertaken now or hereafter in the administration of areas occupied by the United States armed forces or in Korea by the Economic Cooperation Administration.

(b) The term "United States Government Agency" means any department, agency, board, wholly or partly owned corporation or instrumentality, commission, or independent establishment of the United States Government.

(c) The term "international organization" means any inter-governmental organization of which the United States is a member.

THE PASSAGE AND IMPLEMENTATION OF POINT FOUR
IN UNITED STATES DIPLOMACY

by

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Since V-E Day, the implementation of the United States foreign policy had been largely in the field of reconstruction rather than development. Under the reconstruction policy, lend-lease ceased in 1945, the Truman Doctrine was proclaimed, and Secretary of State Marshall presented his plan for a long-range economic recovery program. Although aware of the importance of restoring the export capacity of Western Europe, spokesmen for the underdeveloped areas were growing impatient to translate into action the promise of international cooperation to promote social and economic development.

On January 20, 1949, President Truman in his inaugural address laid the foundation for what was to be known as Point Four. He believed the United States should make available the benefits of its store of technical knowledge in the areas needing development. In his program, he proposed to help the governments of underdeveloped areas do those things which would make the areas attractive for large-scale capital investment from private sources. The Point Four program represented an attempt to meet the aspirations of the underdeveloped peoples, and at the same time an effort to meet the challenge of the Communists.

The purpose of this study is to present to the reader the conflicting attitudes and the various interpretations in regard to the Point Four program. Idealists saw in the concept an opportunity without parallel to extend to all who want them the standard of living and the way of life that had made the United States envied among nations. Skeptics suspected we were being

tricked into dissipating our resources in a task we could never expect to complete, leaving the United States prey to a cynical enemy who hopefully awaited our economic ruin. Between these two extremes, students of the idea saw an opportunity to foster stable governments and contented nations while building up markets for our own exports and sources of the raw materials we need.

Those who favored Point Four saw it as a program for improving the living standards throughout the world in countries which had not been industrialized and had neither the education nor hygienic standards of the Marshall countries. They saw it as a part of the plan of the Western European countries for development of their dependent areas and as a measure for combating Communism. The program would be mainly one of self-help by the people themselves, and it would be international in scope. The cost to the Federal Government would be very little as most of the funds would come from private investments. Proponents of Point Four brought out the fact that there was little that was new in this program, because for years technical aid and capital investment in economically backward countries had been a part of American commercial activities. Much dissention came over the guarantee proposals for private investment. Opponents emphasized that there was much danger in overestimating the force that American guarantees would have in raising the living standards, and that such operations could lead to "imperialism" or at least charges to that effect. Also, guarantees might actually discourage expansion of private capital overseas. Proponents argued that American business had the right to expect protection from their

governments. Representative Christian A. Herter offered the solution of having bi-lateral treaties to create a suitable climate for and to safeguard the American investment without recourse to guarantees.

In opposition to Point Four, many Congressmen failed to perceive the difference between Point Four and previous economic measures. They visualized a "world-wide WPA" that would be a "give-away program," and that a proposal on such a financial scale would bring about deficit spending and would threaten, if not destroy, our national economy. According to the opposition, the United States should consider its own underdeveloped areas first before extending its markets and resources across the world. The opposition also said that this program was eagerly sought by the Soviet Union as it fitted into their blueprint for the destruction of the Western World. That there was danger in overpromising against Communist advances was brought out as one of the opposition's arguments.

The Congressmen most responsible for the passage of the Act for International Development were Samuel Rayburn (D-Tex.), Christian A. Herter (R-Mass.), Jacob J. Javits (R-N. Y.), and John Kee (D-W. Va.).

The main agencies through which Point Four has been implemented are the Technical Cooperation Administration, with its subdivisions of the Near East and African Development Service and the Asian Development Service; the Mutual Security Agency, known as STEM; the Institute of Inter-American Affairs; and the Foreign Service Institute. The countries included in the program are the

American Republics; independent countries of Africa (Liberia, Libya, Ethiopia, Eritrea, and Egypt); the Near East (Arab States, Iran and Israel); and South Asia countries of Afganistan, Ceylon, India, Nepal, and Pakistan. The approximate sum of money spent for Point Four through the fiscal year of 1952 was \$245,500,000.

The principal sources of information were the Congressional Record, the State Department Bulletins and Publications, the Foreign Policy Association Reports and Bulletins, the New York Times, the Brookings Studies Group publications, and various periodicals including Newsweek, Time, and the Annals of American Academy of Political and Social Science.