

# DEPARTMENT OF STATE

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ADDRESS BY THE HONORABLE THOMAS C. MANN,  
UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS,  
READ BY ROBERT M. SAYRE, DEPUTY ASSISTANT SECRETARY FOR AMERICAN REPUBLICS  
BEFORE THE PAN AMERICAN SOCIETY OF THE UNITED STATES,

NEW YORK, NEW YORK  
THURSDAY, APRIL 14, 1966, AT 8:00 P.M., E.S.T.

Mr. Chairman, friends,

To participate in this meeting of the Pan American Society with so many who have contributed so much to hemisphere progress is a particular pleasure for me.

It was only 20 - 25 years ago that the intellectual and political leaders of Latin America first turned their talents and energies to the task of modernizing their economic and social systems. Less than 25 years ago one heard in Latin America a great deal of discussion and debate about the politics of democracy and peace, about cultural values, about literature and history. The need of achieving a high and sustained rate of economic growth as well as the need to redress the social imbalance created by the existence of extremes of poverty and wealth were topics seldom mentioned. Words and phrases such as "gross national product", "per capita income", and "social justice", as we in this country use them today, were outside the vocabulary of every day use. On the contrary, many asserted then that we were giving too much attention to the material things of life, to the "dollar", to "plumbing", "gadgets" and "comfort" and too little attention to superior Greco-Roman spiritual values.

The economic and social dimensions of inter-American cooperative programs were, then, in comparative terms, only gradually and recently conceived of. Many of the innovations which have since been adopted were suggested by Latin Americans, as, for example, the social program suggested by the Government of Brazil in "Operation Pan America".

Allow me to suggest some of the principal hallmarks of recent inter-American economic and social achievement which began in a program of cultural and technical cooperation in 1939.

- 1942 The Institute of Inter-American Affairs was established and began the first technical cooperation program, principally in agriculture and health.
- 1944 The Bretton Woods agreement was signed, bringing into being both the International Monetary Fund and the International Bank.
- 1949 The Point IV Program was formally launched. It extended the technical assistance program to other developing areas of the world and greatly enlarged our technical assistance efforts in Latin America.

1957

- 1957 The Development Loan Fund was created. A few grants and concessional loans for economic development had been extended earlier. But this was the first large-scale, organized approach to the problem.
- 1958 The Coffee Study Group was formed. This later became the International Coffee Agreement which our Senate ratified in 1963.
- 1959 The Inter-American Development Bank was created with both hard and soft loan windows. And, in 1960, the Bank undertook to administer the Social Progress Trust Fund.
- 1960 The general treaty of economic integration of the five Central American republics was signed, setting up the first common market in Latin America. And, in the same year, the Central American Bank for Economic Integration was created.
- 1960 The Latin American Free Trade Area was brought into being by the Montevideo Treaty.
- 1960 The Act of Bogota enlarged and formalized the program for economic development in the hemisphere and added a new social dimension. This Act for the first time recognized the need for land tenure legislation "with a view to insuring a wider and more equitable distribution of the ownership of land in a manner consistent with the objectives of employment, productivity and economic growth". It called for reforms of "tax systems and procedures and fiscal policies"; assistance to the farmer by new or improved marketing organizations, extension services, demonstration, education, and credit facilities; the creation of building and loan and other institutions to finance low-cost housing and community development programs; expanded education and public health programs; mobilization of domestic savings and reforms of national fiscal and financial policies; the preparation of national development plans; and an annual consultative meeting to review measures taken to intensify social and economic progress.
- 1961 The program outlined at Bogota was launched and given new spirit and purpose as "The Alliance for Progress".
- 1964 The CIAP was created and began functioning.

1964-  
1965

- 1964-1965 The levels of United States contribution to the cooperation effort were increased and the average annual per capita income increases reached the Punta del Este goal.
- 1965 Our Congress passed the legislation permitting this country effectively to participate in the International Coffee Agreement.
- 1965 Our Congress passed the Sugar Act with provisions which restored to Latin America their full share of the value of sugar sold in this market.

Thus, since the 1940's considerable progress has been made in getting on with an inter-American development program. And any objective stock-taking must recognize the vital role by the private sectors throughout the hemisphere and especially by private United States financial institutions which have made available, on a large scale, short and medium term credits and, in some cases, long term credits, usually at interest rates considerably below the world level.

If noteworthy progress has been made since the mid 40's -- and it has -- then it is fair to say that every American Republic is entitled to claim its share of the credit. Neither economic and social progress nor bold, fresh ideas can be claimed as the monopoly of any country or any single group within a country. In the United States, for example, innovations designed to enlarge the scope, improve the quality and increase the dimensions of the contributions of our public and private sectors to hemisphere progress have always received broad bi-partisan support.

A great deal remains to be done. We are only on the threshold, only in the beginning stages, of our great hemisphere cooperative program to speed up the process of economic and social development. The unprecedented growth in population poses formidable difficulties in terms of raising per-capita income at the rate which the Charter of Punta del Este fixes as the goal.

To the extent that our balance of payments and budgetary situations permit, I would hope that our own rapid economic growth will make it possible for us, in the reasonable near future, to raise the level of our contribution from both our public and private sectors. There is too much at stake for those of us here at home to grow faint-hearted, weary or discouraged.

But our national efforts and those of other capital-exporting countries will not be enough. Foreign capital and international trade can, after all is said and done, only supply missing components in otherwise favorable situations. Only the developing country can create, within its own territory, those conditions which are propitious for rapid economic and social progress.

These conditions will not be created by rhetoric alone. It is idle to speculate on which group or country feels more compassion toward our fellow human beings. Compassion there is, I am convinced, in abundance, in the hearts of most men.

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The kind of "heart" we need in national and inter-American development programs is the heart to sweat through programs which can bring economic stability while increasing the production of goods for the consumer as well as the productivity of the worker. We need the "heart" to reform tax policies and improve tax collections so that governments may have the resources to provide the infrastructure necessary for rural and industrial development as well as adequate educational and health facilities without which there can be no equality of opportunity. We need the "heart" to tackle all the difficult, and at times, unpopular tasks, required to build and to modernize social and economic systems in order to bring about, in the phrase of Lincoln, "the greatest good for the greatest number". We need the "heart" to work not for that kind of land distribution which leaves the farmer poorer than before, but for the kind of rural modernization that will permit the farmer to raise the living standards of his family and provide his children with an opportunity to live more useful and creative lives.

There are, of course, differences of opinion between individuals and between states about the policies which are best designed to produce the ends which we seek. I do not believe either we in this land or those in other lands have a monopoly on wisdom or good judgment. A policy that produces good results in our society may not work in another environment or culture. I personally welcome a world of diversity as opposed to one of monotonous uniformity which dulls the spirit. We must remind ourselves, too, that each nation not only has a right to choose its own policies and its own path to progress but that they know their societies much better than we do.

With these caveats, I would like to refer to a few basic guidelines that the experience of many countries in the last 100 years seems to me to suggest are some of the components of successful development policies:

First, is the value of an adequate degree of competition. An economy which fosters and protects monopolies on a wide scale, whether they are state-owned or family-owned, is one which cannot produce high-quality goods at a low price for its people because monopolies have no incentive to become efficient. The result is that the real earnings of the people, their standard of living, is reduced. The result is that the worker loses his opportunity for non-inflationary, and hence real, wage increase based on improved productivity. Another result is that inefficient industries cannot compete on the world market and, hence, cannot earn foreign exchange in quantities necessary to finance their growing development needs.

Second, is the need for developing countries to compete with each other. This can be done within the framework of regional markets, such as the Central American Common Market and the Latin American Free Trade Area. And there should be preparation for eventual competition with the outside world. Regional trading arrangements provide regional markets of a sufficient size to justify new, large and efficient industries. But the effective creation of adequate regional markets depends on the degree of competition permitted within the region.

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Third, is the need to avoid excessive and unnecessary centralized controls which introduce excessive administrative delays and impede the decision-making process in farms and factories and in service industries. Those economies in the world today which operate in relative freedom, which make it possible for the private sector to exercise its ingenuity and initiative are, by and large, those which are experiencing dynamic growth, and earning the most foreign exchange. They are also doing the most to improve the living standards of their people. Conversely those economies which are burdened down with excessive controls are those, by and large, which are progressing at the slowest rate and, in some cases, beginning to look seriously at the advantages of "decentralization".

And, as a corollary to this, I would suggest that we examine carefully the advantages of each country creating, in its own economy, an atmosphere which encourages savings by the people and the investment of those savings in tax-paying, job-creating and foreign exchange-earning enterprises.

All this does not by any means suggest a laissez-faire economy of the kind which existed in the 1800's is desirable. Indeed, incentives to the private sector should be accompanied by measures to prevent abuse and exploitation of man by man. The reason why we have restraints built into our laws is that we learned long ago, as an early American observed, that "men are not angels". But it is far easier for government to prevent abuses of power by capital or labor than it is to manage efficiently a complex, modern economy.

Nor do I suggest that governments should not use their fiscal and monetary authority to create conditions propitious for a high rate of employment and utilization of plant capacity; or that government ownership of management of a limited number of enterprises truly affected with a public interest is necessarily bad. All modern government policies today must take into account their effect on the process of development. It is the degree of government intervention, rather than any doctrine, which is important.

Fourth, the production of food for growing populations deserves a higher priority in comparison to industries which are promoted for nationalistic or "prestige" reasons. Not only should industrial and agricultural development be balanced; they are in fact indivisible. One cannot proceed without the other.

Fifth, we need continually to re-examine the whole complex range of self-help measures so essential to national and regional economic and social progress. Fiscal and monetary discipline, for example, is not always easy to achieve or to maintain. Like all countries, we have our own problems. But we have learned by trial and error that it is an essential part of any viable program of sustained progress, either social or economic.

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I am sure that many of you here have your own ideas about what we of the "inter-American family" could usefully do to speed up the rate of progress. I am sure that there is considerable room for improvement on those ideas which I have discussed tonight. I would hope that all Americans from the Strait of Magellan to the Arctic Circle will continue to think and talk about these and other issues which really matter. If we can learn to do so in a friendly, tolerant fashion, perhaps all of us can benefit.

It is in this spirit that I extend to you Nancy's and my sincerest thanks for the honor you have done us this evening and for the understanding you have given all of the many public servants in Washington and abroad who care about and work for progress in freedom in this hemisphere.

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