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9 Public Foreign Philanthropy

In order to develop the emerging concept of civilian foreign aid as public philanthropy, it is necessary to start with a brief review of foreign aid during World War I, which ended a decade before the beginning of our period of study. The amount of public foreign aid between the two World War periods was less than \$100 million. Hence the data presented here will be mostly for the period 1940-59.

WHAT IS FOREIGN AID AND PUBLIC PHILANTHROPY?

Governmental (public) foreign aid of substantial amounts had its beginnings in the United States with World War I. The timing was profoundly influenced by war or the threat of war. Historically it has also been in response to natural catastrophies. Today, however, in addition to these functions (and some would say superseding them), a new concept of foreign aid has evolved. It partakes of the humanitarianism which is evident in emergency relief, but it goes beyond the limited aims of relief and even rehabilitation in its traditional sense. Economic and technical assistance (as well as military support) is apparently a permanent feature of the United States federal government budget, however great may be the disagreements over the precise amount of aid in any

given year. Many forms of technical assistance are similar to the non-preaching services rendered over many decades by our church missionaries in many countries.

Even as there are problems of definition of the term philanthropy, there are difficulties in circumscribing the concept of foreign aid and in determining what part of it is public foreign philanthropy. Instinctively one may regard foreign aid as funds and goods the United States government "gives away to foreign countries." This immediately raises the problem of loans or credits; is this "giving money away"? Assuredly, loans involve an obligation to repay, usually with interest. Theoretically, then, as Walther Lederer suggests, the aid component on loans "may be considered to be the difference between the actual interest rate charged by the government and the one which would have to be charged if the loans had to be made through commercial channels."¹ Though theoretically sound, this treatment is not practical for our purposes, since we do not know what interest rates would have prevailed on all the numerous loans if the rates had been set by market forces. Nevertheless, the omission from our data of the value to the borrower of the bargain rates of interest does understate the amount of public foreign philanthropy. This also leaves open the problem of defaulted (or permanent moratorium on) loans—the situation existing generally regarding loans of the World War I period. Such defaults are obviously not comparable to bad-debt losses of business enterprise, which are a cost of production.

Lederer also suggests a definition for foreign aid: "In theory, aid may be defined as a transfer of resources, either in goods and services or in money, without a commensurate retransfer either simultaneously or in the future."² There is no commensurate *quid pro quo*. The definition of foreign aid could be broadened not only to encompass government "unilateral transfers" to foreign countries but to include also government unilateral transfers to individuals abroad, e.g., pensions paid to Americans residing abroad, a portion of the expenditures for the support of our military forces abroad, and so on.

We have thought it undesirable or not especially worthwhile to devote the time and resources necessary to refine the data on government foreign philanthropy to fit theoretical concepts precisely; at any rate, such a

¹ Walther Lederer, "Foreign Aid and the United States Balance of Payments," *Social Science*, October 1954, p. 232.

² *Ibid.*, pp. 231-232.

procedure might not prove very meaningful because of the difficulties of valuation and, in some instances, simply lack of sufficiently detailed statistics.

The data here presented are those designated as "foreign aid" by the Office of Business Economics, United States Department of Commerce. Similarly, the division of grants into "military" and "other" (civilian) is that of the Office of Business Economics (with the exception of the World War II period, for which the OBE does not provide a breakdown and we made our own). The problem of classification into military and civilian is formidable; here again, however, it was felt that any extensive attempt to refine the OBE designations would be of relatively little worth. Moreover, there are some arguments for considering *all* foreign aid, military and civilian, as government philanthropy. We have chosen to exclude military aid from our concept of government philanthropy, although we realize there are many "gray" areas where military aid in fact may benefit mainly or indeed exclusively the civilian population. But the idea of calling, for example, guns and tanks "philanthropy" (love of mankind) is a bit difficult for us to consider. We have, however, presented the data for total foreign aid with its components clearly indicated.

As will be emphasized later in this chapter, public foreign philanthropy coincides with the concept of civilian but not military foreign aid. In order to develop annual data, nonmilitary grants and loans are treated separately. The new credits granted, principal repaid, and net credits are shown on an annual basis. From the standpoint of the United States and of the recipient nations, these credits may be regarded as aid in the year advanced; it is true that these are loans, not outright gifts, as are grants. (Soft-currency loans are, however, not expected to be paid in dollars; they have some of the characteristics of grants.) From a practical standpoint we have first accepted the OBE classification of credits as foreign aid; the data are shown both ways—including and excluding loans (credits).

WORLD WAR I

The United States government entered the field of foreign aid when it entered the war in April 1917. Prior to that time, foreign governments negotiated loans with private American citizens. As is well known, the

United States entered World War I as a debtor nation and emerged from the conflict as a net creditor nation. Private loans to the European governments are, of course, beyond the scope of the present study.

By the date of the armistice in November 1918, the United States government had loaned \$7 billion to its allies in cash; after the armistice, also in cash, \$2.5 billion, and credits extended for surplus property and relief supplies after the armistice, \$0.7 billion. The major recipients were our principal European allies, Great Britain and France. It is impossible to separate the \$7 billion loaned during World War I into military and civilian categories. The United States government naturally has no record of the disposition of these funds; undoubtedly the recipient countries did not segregate these funds in their accounts. Since these loans were made during the period of hostilities, it is reasonable to assume that the bulk of the funds was used for military purposes.

During the World War I period there were also loans devoted to relief and rehabilitation. These would include the \$2,533 million advanced after the armistice and the \$740 million credits extended for surplus property and relief supplies.³ This is not to imply that the task of relief was limited to postwar activities. Indeed, perhaps the most dramatic relief mission was organized on the outbreak of the war. This was the Commission for the Relief of Belgium (C.R.B.).⁴

The C.R.B. was financed by a mingling of voluntary contributions and government loans or subsidies, not only from the United States but from many countries. (There was also an element of market activity.) In part this dual system of financing was deliberate; in part it was inevitable. The task which confronted the Commission was so enormous and so immediate that private philanthropy could not have shouldered the burden alone. In fact, only 6 per cent of the total funds of more than three-quarters of a billion dollars received by the Commission was from private philanthropy, and of this, two-thirds was from the United States. Yet, though the main underwriting of the Commission was by public philanthropy, the voluntary contributions were regarded as especially valuable in a qualitative sense. The Commission rejected a suggestion from the Belgian government that the American government subsidy be

³ State Department Research Paper, *Hearings on Mutual Security Appropriation Act of 1957*, House Appropriations Committee, May 26, 1960, p. 953.

⁴ Herbert Hoover detailed the Commission's work in the first volume of his *An American Epic*, Chicago, 1959.

increased to eliminate all charity appeals because it believed they were a "great source of moral strength."⁵

Government subsidies to the C.R.B. were in the form of loans, though Herbert Hoover, Chairman of the Commission, insists that this was a technicality: "Under the laws of Britain, France, and the United States, all advances from one country to another during the war were treated as 'loans.' Although this practice was maintained with regard to the advances for the Relief, neither we of the C.R.B. nor the high officials of the three governments considered them to be other than 'subsidies' and always referred to them as such in our discussions and negotiations."⁶ But the United States government was insistent on the repayment, with interest, of the post-Armistice loans to Belgium, though they were mainly for relief.

Similarly, the World War I period loans were regarded by the United States as legal obligations and the interest was carefully calculated. The involved story of interallied debts, German reparations, the various plans that attempted to solve or relieve the debt situation in the twenties, and the political and economic conditions created thereby is beyond the scope of this study. Suffice it to say that the United States continued to regard the debts of its former allies as legitimate and indisputable international obligations; the principal was not reduced, though the terms of repayment were liberalized under various agreements. The Hoover Moratorium in 1931 marked the beginning of the end of payments on World War I debts. Finland has continued to make payments annually on the principal due; Great Britain made a single full payment in 1932 and a number of other countries made payments on the interest due in the thirties. The Allied debts of World War I are still carried on official United States records—at \$18.5 billion in 1958; technically they have never been entirely canceled.⁷ Of the \$11.4 billion principal, less than 7 per cent has been repaid. In retrospect, some 93 per cent of the World War I loans may be regarded as *de facto* gifts or grants.

Prior to World War I, the United States government had extended virtually no aid to foreign countries. With the devastations wrought by

⁵ *Ibid.*, p. 337.

⁶ *Ibid.*, p. 421.

⁷ "June 30, 1958 Supplement to Memorandum Covering the World War Indebtedness of Foreign Governments to the United States (1917-1921)," mimeographed from Senator Harry F. Byrd, November 19, 1959.

the war, the government entered the field of foreign relief and rehabilitation. Generally the financing was by means of loans for which the United States expected to be repaid after the immediate crisis. The government incurred no long-term foreign obligation.

Following the war and armistice the United States made a number of relatively small grants for emergency relief, for example, to Russia during the famine of 1921, to Japan after the earthquake in 1923. On a number of occasions in the 1930's the United States provided small-scale emergency aid on a rather informal basis for which no accurate value can be calculated. This aid was generally occasioned by a natural disaster—e.g., earthquake, hurricane, or flood. It usually took the form of transportation of people or supplies by United States military planes or vessels. Among the countries aided were the Dominican Republic in September 1930, Nicaragua in April 1931, and El Salvador in June 1934.

Another type of aid by the United States was occasioned by the Spanish Civil War. The American Red Cross purchased surplus flour and wheat from the government for relief of Spanish civilians. The Red Cross paid approximately \$81,000 for this surplus, which originally cost the government \$321,000. The amount of United States government aid to Spanish civilians in 1938–39 may be regarded as approximately \$240,000, the difference between the original cost and the selling price.⁸

In the 1930's, through the Reconstruction Finance Corporation and Export-Import Bank, a number of loans were made which, in effect, gave important economic and financial assistance to foreign governments. For example, the R.F.C. made loans of \$2.8 million to the Soviet Union in 1933 to finance sales of surplus cotton, of \$20 million to China to finance cotton, wheat, and flour. These loans were subsequently repaid. The Export-Import Bank also extended loans to China and to Latin America. The late 1930's saw the beginnings of technical assistance to Latin America, nine countries receiving specialists from the United States government in fields such as agriculture, immigration, and police instruction. The United States paid approximately half the cost of each mission; the total cost of those programs to the United States in 1938 and 1939 was \$64,000. The final major type of aid to Latin America in the inter-war period was in connection with the Inter-American highway, for which the United States government appropriated a total of \$1.2 million between 1929 and 1939. Latin America was also, of course, the recipi-

⁸ State Department Research Paper *Hearings on Mutual Security Appropriation Act of 1957*, House Appropriations Committee, May 26, 1960, p. 953.

ent of emergency aid from the United States following hurricanes and earthquakes (as mentioned previously), but the provision of peacetime military assistance and the beginnings of technical and economic assistance foreshadowed the present-day type of foreign aid. The analogy can be carried one step further, for, following the Munich settlement in September 1938, assistance to Latin America was increased and in April 1939 President Roosevelt pledged economic support to any Latin American country threatened with military or economic aggression.

WORLD WAR II

Foreign aid extended by the United States in World War II differed from that in World War I in at least two important respects. First, the United States government undertook no aid prior to the official declaration of war in 1917; aid was begun, however, before the official United States entry into the war in December 1941. Second, World War I aid was via loans and credits or cash payments; financing of World War II aid was primarily through the institution of "lend-lease," whereby supplies were "loaned" to allies for the duration of the conflict without any financial commitment being incurred.

"An Act to Promote the Defense of the United States," the famous Lend-Lease Act, was passed on March 11, 1941. This marked a departure from earlier aid extended Britain and other friendly countries after September 1939 in that procurements were no longer on a cash-and-carry basis; it marked a departure also from the World War I policy of financing through credits. Britain, the main recipient of United States aid immediately prior to and during World War II, had virtually exhausted her ability to pay for goods by 1940; the disastrous political and economic consequences of the World War I loans made that method unpalatable.

Lend-lease was not described in official statements as merely a means of loaning money, nor as an act of charity. It was intended, as the title of the act makes evident, for the defense of the United States. Indeed, the bill probably would not have been passed except as a defense measure. Though the popular name of the program emphasized the lending and leasing aspects, the act was very broad; it provided authority to sell, transfer title to, exchange, lease, lend, or otherwise dispose of arms and other equipment, and to communicate any defense information.

In fact, the individual agreements with the Latin American countries specifically provided for payments in cash.

In general, of course, the United States "return" was not limited to the intangible one of greater common defense; the act laid down the principle of specific (direct or indirect) "benefits" to be extended to the United States. In fact, tangible "reverse lend-lease" and returns ultimately accounted for over 15 per cent of the gross aid extended by the United States under the lend-lease program. Assistance was mutual, not unilateral; this was underscored by the Mutual Aid Agreements and Reciprocal Aid Agreements concluded with Great Britain and other allied countries.

Lend-lease aid, which accounted for the overwhelming amount of United States government foreign aid during the war period, accounted for a relatively small share of the total defense effort, approximately 15 per cent.⁹

Lend-lease aid was of a very broad character. Services provided were one element, and, in addition to essentially military hardware such as ammunition and tanks, there was a considerable amount of agricultural and industrial goods—for example, meat and dairy products, petroleum, iron and steel. The "nonmilitary" goods helped to maintain and increase industrial war production and agricultural production in allied countries as well as to supply essential civilian needs. The primary emphasis in lend-lease aid was always on military considerations (although assuredly, in a situation of total war, "military considerations" are very broad). Although the amount of aid by country and the type and ultimate use of the aid by country are outside the scope of our study, we note in passing that the British Commonwealth countries received about three-fifths and the Soviet Union about one-fifth of total lend-lease commodities and services.

MILITARY AND CIVILIAN AID

Because of the shifts occurring in the official lend-lease reports to Congress we have taken our data for lend-lease and for the war period in

⁹ *Foreign Aid by the United States Government, 1940-1951* (Supplement to *Survey of Current Business*), Office of Business Economics, U.S. Department of Commerce, Washington, 1952, p. 35.

general from *Foreign Aid by the United States Government, 1940-1951*. The total government foreign aid for the war period is shown in column 1 of Table 9-1. For our purposes, however, we need a breakdown of foreign aid into military and civilian, as it is our intention to exclude military aid during and after World War II from our totals for government foreign philanthropy.

Most of the programs are rather clear-cut, so there is no especial difficulty in making this distinction; e.g., civilian supplies distributed by the military forces, technical assistance, UNRRA, and the War Refugee Board are obviously nonmilitary programs. The \$380 million granted under the Chinese stabilization and military aid program should be allocated partly to "civilian" to encompass the "stabilization" function; the aid was intended in part to assist in stabilizing the economy and halting inflation. We have no indication, however, what proportion of this sum should be so allocated and have designated all of it as military; it is a rather small part of the total foreign aid during the period.

Serious questions arise over the military-civilian division of lend-lease totals. It may be argued logically that all of lend-lease during the war period was essentially military (given the situation of total war), though specific commodities may not have been of 100 per cent military application. It is known, however, that some lend-lease aid did, in fact, benefit the civilian population. This would be true primarily of agricultural goods, and to a lesser extent of industrial goods; there are also instances of civilian philanthropy through military goods—e.g., jeeps abandoned by the military which were utilized by civilians. The government's accounting is not in terms of the ultimate recipient (i.e., whether military or civilian) but in terms of the type of commodity or service furnished. There are ten subdivisions or classifications: ordnance and ordnance stores; aircraft and aeronautical material; tanks and other vehicles; vessels and other watercraft; miscellaneous military equipment; facilities and equipment; agricultural, industrial and other commodities; testing, reconditioning, etc., of defense articles; services and expenses; and administrative expenses.

After examining the components of these major classifications, it was decided to make a rather conservative estimate by denoting as civilian only that proportion represented by three of the ten major groups: facilities and equipment for production; agricultural, industrial, and other commodities; and miscellaneous services and expenses. The percentage

Table 9-1

World War II Government Foreign Aid, Military and Civilian Category, Five War-Period Fiscal Years, 1941-45
(millions of dollars)

	Total (1)	Military (2)	Civilian (3)
Gross foreign aid	49,224	30,520	18,704
Net foreign aid	40,971	22,689	18,282
Grants utilized	48,128	30,520	17,608
Lend-lease	46,728	30,140	16,588
Civilian supplies distributed by Army, Air Force, and Navy	813		813
Institute of Inter-American Affairs	50		50
Technical assistance	5		5
UNRRA	83		83
Chinese stabilization and military aid	380	380	
War Refugee Board	3		3
American Red Cross	62		62
Reconstruction Finance Corporation	2		2
Reverse grants and returns on grants	7,873	7,832	42
Reverse lend-lease	7,828	7,828	
Return of lend-lease ships			
Merchant	10		10
Navy	4	4	
War account cash settlements	32		32
Net grants	40,256	22,689	17,567
Credits utilized	1,096		1,096
Export-Import Bank	329		329
Lend-lease current credits and silver	349		349
R.F.C. and Institute Inter-Am Affairs	417		417
Principal collected on credits	380		380
Export-Import Bank	214		214
Lend-lease current credits	46		46
R.F.C. and Institute Inter-Am Affairs	120		120
Net credits	715		715

Note: Detail may not add to total because of rounding.

Source: *Foreign Aid Supplement, 1940-51*, pp. 81ff; division into military and civilian our own, described in text.

these three groups represented of total lend-lease through September 1, 1945—35.5 per cent of the grand total of aid—was applied to our entry for total lend-lease for the war period in Table 9-1 to derive the non-military portion.

The problem of treating reverse lend-lease also proves difficult. It would be possible to follow a procedure identical to that described above for lend-lease aid. The three categories classified as "civilian" accounted for about two-thirds of total reverse lend-lease. However, it is believed that a more reasonable procedure, in view of the fact that reverse lend-lease was overwhelmingly for the benefit of the military, is to enter all reverse lend-lease in the military category. This was the method followed.

The division into military and civilian for the war period, as thus derived, is shown in Table 9-1. The final column, "civilian," is what we have chosen to investigate and refine in order to determine the amount of government foreign philanthropy during the World War II period. Most of the aid extended was to relieve conditions imposed by the war; this group would include grants under lend-lease, civilian supplies distributed by the military, aid by UNRRA, the War Refugee Board, and the American Red Cross. The remaining grants (the Institute of Inter-American Affairs, \$50 million; technical assistance, \$5 million; and Reconstruction Finance Corporation, \$2 million) total \$57 million. These were to Latin American countries and may be regarded as a contribution of the prewar program of aid to this area. About 30 per cent of the total credits was utilized by Latin American countries; the British Commonwealth (especially the United Kingdom, India, and Canada) received the majority of the loans during this period. The Export-Import Bank and the Reconstruction Finance Corporation, the institutions which extended most of the loans during the war period, were both started in the 1930's.

We have no wholly consistent annual data during the war period. The fact that the lend-lease data presented above is through September 1, 1945, although reasonable from the point of view of lend-lease and a consideration of the war period, makes it difficult to compare to calendar- or even fiscal-year accounting. An indication of the annual magnitude of aid during the war by calendar years and by quarters for 1945 is presented in Table 9-2.

These annual data totaled \$40,209 million net unilateral transfers for

Table 9-2
 Government "Unilateral Transfers," Calendar Years, 1940-45
 (millions of dollars)

Item	1940	1941	1942	1943	1944	Total	1945					
							Qtr.1	Qtr.2	Qtr.3	Qtr.4		
To foreign countries												
Lend-lease		932	6,954	14,690	15,911	7,348	2,819	2,921	1,016	592		
UNRRA					1	560	12	90	167	291		
Aid to China			200	40	20	225		120	104	1		
Civilian supplies dis- tributed by military												
Other government transfers ^a	32	25	21	20	30	109	4	5	30	70		
Total (gross)	32	957	7,175	14,750	16,147	9,108	3,014	3,479	1,627	988		
From foreign countries												
Reverse lend-lease			640	1,997	2,287	2,444	1,010	960	456	18		
Other government receipts ^a			322	95	75	100	19	24	25	32		
Total			962	2,092	2,362	2,544	1,029	984	481	50		
Net unilateral transfers	32	957	6,213	12,658	13,785	6,564	1,985	2,495	1,146	938		

^aOther government transfers and other government receipts are not coextensive with foreign aid; e.g., the entries for 1940 and 1941 in the transfer row represents largely refund of certain taxes on Philippine imports to the government of the Commonwealth.

Source: *International Transactions of the United States During the War, 1940-1945*, Economic Series No. 65, Office of Business Economics, Washington, 1948, pp. 218, 87.

the six calendar years, 1940–45. Net grants as shown in Table 9-1 for the World War II period of five fiscal years, 1941–45, totaled \$40,256 million.

THE MASTER TABLE ON FOREIGN AID

Table 9-3 provides the summary of foreign aid during the period from the middle of 1940 through the end of 1959. The table is divided into four sections: military grants, nonmilitary grants and credits, net foreign aid, and net foreign aid as percentage of GNP. Both gross and net amounts are given. The latter are preferred because we are considering the American economy as an entity, a “person” in the corporate sense. Excluded from this table are certain amounts for other assistance in the nature of net short-term credits, which have been called temporary assistance. These amounts in millions of dollars are as follows: 1953, 8; 1954, 203; 1955, 330; 1956, 558; 1957, 619; 1958, 270; and 1959, 256. The total other assistance for the period was \$2,245 million. These amounts are excluded because it seems much easier to dispose of them by merely assuming that they will be repaid soon and in full by the borrowers. Longer-term credits pose more difficult problems of classification.

The table is also divided into three time periods: the World War II period, 1941–45, without annual totals; the period from the middle of 1945 to the end of 1950, when civilian aid was much larger than military aid; and the “cold war” period, from 1951 through 1959. A subtotal is presented for the second and third periods. Separate data for the large post-World War II foreign aid programs, e.g., the Marshall Plan, Mutual Security, seem quite unnecessary.

The military grants are presented for the purpose of showing the complete record, although, as stated several times, we do not consider military grants during time of war or peace as public foreign philanthropy. They can be regarded as expenditures made by us to our allies in lieu of expenditures on our own military establishment. The fact that more than three-quarters of the funds spent on foreign aid during this period was spent in the United States is also irrelevant for the purposes at hand. When the money was spent here, the supplies acquired were shipped abroad. The gross military grants totaled \$56,234 million during

Table 9-3
Public Foreign Aid Mid-1940 to 1959
 (millions of dollars)

	Military Grants			Nonmilitary Grants			Nonmilitary Credits		
	Net (1)	Gross (2)	Reverse Grants & Returns (3)	Net (4)	Gross (5)	Reverse Grants & Returns (6)	Net (7)	Gross (new) (8)	Principal Collections (9)
Fiscal 1941-45 ^a	22,688	30,520	7,832	17,567	17,608	41	716	1,096	380
7/1/45-1946	679	679		4,170	4,406	237	2,636	2,765	129
1947	47	47		1,887	2,125	239	3,781	4,086	305
1948	392	459	67	3,863	3,927	65	1,081	1,539	458
1949	213	213		4,983	5,226	243	454	694	240
1950	524	528	4	3,505	3,657	153	125	454	329
7/1/45-12/31/50 ^a	1,854	1,925	71	18,410	19,346	936	8,076	9,537	1,461
1951	1,478	1,494	16	3,040	3,164	123	118	428	310
1952	2,664	2,730	66	1,980	2,065	85	400	825	425
1953	4,270	4,333	63	1,845	1,947	103	232	712	480
1954	3,192	3,201	8	1,662	1,726	65	-114	387	501
1955	2,408	2,417	9	1,904	1,964	60	-82	421	503
1956	2,646	2,662	16	1,733	1,792	59	-17	493	504
1957	2,499	2,512	12	1,616	1,683	67	351	986	635
1958	2,362	2,373	11	1,616	1,677	61	586	1,118	532
1959	2,046	2,067	21	1,633	1,667	34	6	998	993
1951-1959	23,565	23,789	222	17,029	17,685	657	1,480	6,368	4,888
7/1/45-1959 ^a	25,419	25,714	293	35,439	37,031	1,593	9,556	15,905	6,349
7/10/40-1959	48,107	56,234	8,125	53,006	54,639	1,634	10,272	17,001	6,729

	Net Nonmilitary Grants & Credits (col. 4 + col. 7)			Net Foreign Aid			Net Foreign Aid as Per Cent of GNP		
	(10)	Total		Total		Total (14)	Total		
		(11)	Military (12)	Civilian (13)	Military (15)		Civilian (16)		
Fiscal 1941-45 ^a	18,283	40,971	22,688	18,283	4,843	2,682	2,161		
7/1/45-1946	6,806	7,485	679	6,806	2,358	0,214	2,144		
1947	5,668	5,715	47	5,668	2,439	0,020	2,419		
1948	4,944	5,336	392	4,944	2,057	0,151	1,906		
1949	5,437	5,650	213	5,437	2,189	0,083	2,107		
1950	3,630	4,154	524	3,630	1,460	0,184	1,275		
7/1/45-12/31/50 ^a	26,487	28,341	1,854	26,487	2,093	0,137	1,956		
1951	3,159	4,637	1,478	3,159	1,410	0,449	0,960		
1952	2,379	5,043	2,664	2,379	1,453	0,768	0,686		
1953	2,076	6,346	4,270	2,076	1,737	1,169	0,568		
1954	1,548	4,740	3,192	1,548	1,305	0,879	0,426		
1955	1,822	4,230	2,408	1,822	1,064	0,606	0,458		
1956	1,716	4,363	2,646	1,716	1,041	0,631	0,409		
1957	1,967	4,466	2,499	1,967	1,009	0,564	0,444		
1958	2,202	4,564	2,362	2,202	1,027	0,531	0,495		
1959	1,639	3,686	2,046	1,639	0,764	0,424	0,340		
1951-1959	18,509	42,074	23,565	18,509	1,172	0,656	0,515		
7/1/45-1959 ^a	44,996	70,415	25,419	44,996	1,424	0,514	0,910		
7/10/40-1959	63,279	111,386	48,107	63,279	1,923	0,831	1,093		

Notes to Table 9-3

Notes: The data here presented are those designated as "foreign aid" by the Office of Business Economics, United States Department of Commerce, a grand total of \$111 billion for the 18½ years through 1959. We have assigned 43 per cent, or \$48 billion, to military items. The division of grants into "military" and "other" ("civilian") is also that of the OBE. Details may not add to totals because of rounding.

^aSee note a, Table 2-1

Sources: 1941-45, (fiscal years) *Foreign Aid by the United States Government, 1940-1951* (Supplement to Survey of Current Business), Department of Commerce, 1952, p. 81 (see text on division of military and civilian); 1945/46-1950, *Balance of Payments*, Statistical Supplement, 1958, p. 120-123; 1951-57, *Semiannual Report of the National Advisory Council on International Monetary and Financial Problems*, 86th Congress, 1st Session, House Document No. 207, 1959, p. 46-47 (compilation does not include credits of \$2,257 million representing settlements for postwar relief); 1958, 1959, *Foreign Grants and Credits by the United States Government*, December 1959 Quarter, OBE, Department of Commerce, p. S-7.

the period, of which \$48,107 million was the net military grants; they are excluded entirely from Quadrant IV.

Grants and credits of a nonmilitary nature are summarized in columns 4 through 10 of Table 9-3. The total grants for the entire period was \$54,639 million and the net grants were \$53,006 million. The credits are shown in these columns on the accounting basis followed by the Export-Import Bank and other federal agencies. The loan or credit is regarded as a disbursement in the year made and as income in the year principal payments are received. This accounting procedure indicates a total of net credits outstanding at the end of the period of \$10,272 million. New credits extended during the period totaled \$17,001 million; collections totaled \$6,729 million. Thus the net grants plus the net credits totaled \$63,279 million for net civilian foreign aid. An alternative method of accounting is presented in Table 9-4 for the purpose of eliminating the loans entirely from the compilation.

"Net foreign aid," in Table 9-3 totaled \$111,386 million, of which \$48,107 million net was for military aid and is therefore excluded from our tabulation of public foreign philanthropy. The total net for civilian foreign aid, that is, public foreign philanthropy according to this accounting procedure, was \$63,279 million.

In the last three columns, net foreign aid is expressed as a percentage of gross national product. For the entire period the total net foreign aid was 1.92 per cent of GNP, from which the military aid of 0.83 per cent of GNP is excluded by our concept of public philanthropy; civilian foreign aid amounted to 1.09 per cent of GNP. The total for the period

of World War II, that is, civilian aid for fiscal 1941-45, was 2.16 per cent of GNP. Civilian foreign aid was highest in relation to GNP immediately after the war, reaching 2.42 per cent for 1947. For the middle period from 1945 through 1950, civilian foreign aid totaled 1.96 per cent of GNP. For the third division of our period of foreign aid, 1951-59, the total of civilian foreign aid was 0.52 per cent of GNP.

ACCOUNTING FOR LOANS

Particular attention is called to column 7 of Table 9-3, in which the net credits are recorded. In those years in which the principal collections exceeded new loans (1954-56), the entry is negative. The total of \$10,272 million is, therefore, the amount of unpaid loans outstanding at the end of our period. This is not to say that this is the amount of loans due at the end of 1959 or in default. The accumulated loan total, however, includes "soft-currency loans," which are repayable in the currency of the borrower and available only to a very limited extent for expenditures of the government of the United States in the borrowing country. Walther Lederer estimated that soft-currency loans outstanding at the end of 1959 amounted to about \$1,500 million (letter of August 9, 1961).

The form of accounting followed here in columns 7-9 of Table 9-3 assumes that the loans when made are to be considered as disbursements and the principal as income in the year received. Although this form of chronological accounting presents a simple flow-of-funds historical record, and is followed in many respects by the federal government, other forms of accounting might be employed. When loans are added to net grants, there is an implication that the accumulated amount of the loans outstanding at the end of any period of study one selects represents an amount that will not be repaid in the future; that is, the loans are somewhat similar to grants in this accounting.

We experimented with a number of assumptions regarding the outstanding loans of \$10,272 million. One assumption was that all the loans made to the governments of Western Europe would be repaid in full, and one-half of the loans made to other parts of the world would also be repaid. But computation of reserves for bad debts is always hazardous, and especially so when the debtors are nations. No one knows what proportion of these loans will in fact be recovered. The collection experience with World War I loans cannot be applied. The exclusion of any value of the bargain rates of interest charged on these

loans, as noted earlier in this chapter, would tend to offset, at least in part, the inclusion of all these loans as foreign aid. We finally decided to let the \$10,272 million stand as credits outstanding at the end of our period, knowing that some unknown portion of these outstanding loans, including the soft-currency loans, will not be repaid. We cannot now estimate the amount that will be repaid, nor when, nor the additional value of the foreign aid given through these credits by charging rather modest rates of interest on the loans. When the losses on these loans are finally determined, ten, twenty, or more years hence, such losses should be prorated over our period and added to our estimates of public foreign philanthropy as additional "grants" for civilian aid.

In Table 9-4 the alternate system of accounting has been pursued. The net amounts of nonmilitary grants from column 4 of Table 9-3 are repeated as the first column of Table 9-4. These are what we estimate as public philanthropy. Table 9-4 presents a type of accounting for public foreign philanthropy in which all loans or credits are eliminated entirely from the accounts. As noted earlier, it is our intention to avoid an overstatement of the amount of philanthropy where there is some basic question as to the application of our broad definition or the applicable data—in this instance, the reduction of the total is due to our inability to forecast loan repayments. Thus the grand total of public foreign philanthropy for the entire period becomes only \$53,006 million as compared with the \$63,279 million shown as a grand total for net civilian foreign aid in Table 9-3. It seems wiser to clearly understate the amount of public foreign philanthropy rather than to risk overstating it because of the vagaries of federal government accounts, the problem of predicting the repayments on loans, and wide differences in attitude toward foreign aid in general. In effect, we assume that every dollar of all loans outstanding will be repaid. But it should be noted again that even if they are repaid in full, the absence of any estimate in this compilation of the real value of bargain rates of interest is also a factor in understating the amount of public foreign philanthropy during the nineteen-year period.

This alternate system of accounting also reduces the proportion of GNP being considered here as civilian foreign aid from 1.09 per cent for the entire period to 0.92 per cent; and to 2.07 per cent, 1.36 per cent, 0.47 per cent for the three subperiods. These are our *final* estimates for public foreign philanthropy.

Table 9-4

Public Foreign Philanthropy, 1940-59

Year	Net Public Philanthropy	
	Million Dollars (1)	Per Cent of GNP (2)
Fiscal 1941-45 ^a	17,567	2.065
7/1/45-1946	4,170	1.324
1947	1,887	0.805
1948	3,863	1.489
1949	4,983	1.931
1950	3,505	1.232
7/1/45-12/31/50 ^a	18,410	1.362
1951	3,040	0.924
1952	1,980	0.571
1953	1,845	0.505
1954	1,662	0.458
1955	1,904	0.479
1956	1,733	0.413
1957	1,616	0.365
1958	1,616	0.364
1959	1,633	0.338
1951-1959	17,029	0.474
7/1/45-1959 ^a	35,439	0.717
7/10/40-1959 ^a	53,006	0.915

Note: Detail may not add to total because of rounding.

Source: Column 1 from column 4, Table 9-3. The percentages in column 2 are below those of column 16 in Table 9-3 because of the elimination of credits.

^aSee note a, Table 2-1.

THE VALUE OF CIVILIAN FOREIGN AID

Even these scaled-down totals for civilian foreign aid may be considered too large by those who claim that we, as a nation, have received an overriding *quid pro quo* for this money which we have given away. In the sense that Herbert Hoover spoke of the humanitarian gains from foreign aid in saving millions of people from starvation, our national

culture and our national conscience have received some kind of *quid pro quo*. Against this type of consideration, however, there are other matters that would bear investigating if one were to attempt such a broad evaluation of foreign aid. How reliable is the gain in friendship for Uncle Sam? And when historical perspective on the last two decades of our period is clearer, there may also be doubt in the minds of many humanitarians that the pursuit of some of our objectives, although each was a worthy goal in itself, has, on balance, aided the peoples of the world. The population explosion which is considered such a great problem today, particularly in Asia and South America, has undoubtedly been augmented by our foreign aid both of the type considered in this chapter as public foreign philanthropy and in some forms of private philanthropy. These efforts have promoted public health measures throughout the world, which reduced the death rates; less has gone into trying to produce a new demographic balance in the direction of lowering the birth rates.

But these and similar questions about public policy in relation to foreign aid are largely outside the scope of this study. Suffice it to say, the final evaluation of the billions of dollars spent on civilian foreign aid in terms of *quid pro quo* can scarcely be made at the present time.

A reference to an alternate treatment, considered but rejected, may be helpful to those who are not in agreement with our concept of philanthropy or of public foreign philanthropy. This suggestion was to exclude both military and civilian aid during World War II, but include both military and civilian aid since 1945. The basic argument advanced by a colleague was that during World War II, a "total war," the distinctions between military and civilian aid were rather arbitrary and that peacetime military aid relieves the civilian budget of the recipient country. (Another variant of this chronological separation was to exclude also military aid since 1945.) However, providing for food, clothing, shelter, and sanitation, to mention a few worthy objectives, has been considered a philanthropic activity for many decades before our period of study, and we felt we could not depart from this view.

DIRECTOR'S COMMENT—Willard L. Thorp

With respect to this quadrant, Dickinson suggests a number of uncertainties in his discussion. For the war years, 1940-45, he decided to

include as philanthropy the categories clearly civilian within the transfers under lend-lease. One can question their inclusion on the grounds that lend-lease shipments were the result of intergovernment negotiations allocating functions and resources. In fact, the European allies shifted capacity to the producing of military goods on the understanding that the United States would take over increased provision of civilian goods. In a real sense, it was a pooling of resources to win the war. One can question a little less strongly the inclusion of civilian supplies distributed by the military forces. As occupation forces, they were obligated by the Geneva Convention to do their best to prevent disease and unrest in former enemy territory, and these expenditures were so justified before Congress. Neither of these cases can be said to have stemmed from generosity. If one deducts them, it would reduce the \$53 billion total attributed to this quadrant by \$22.75 billion, of which \$17.5 billion was in the 1940-45 period and \$5.25 billion in the years immediately following.

On the other hand, it can be argued that certain other items should be added. The balance-of-payments entry, "Government pensions and other transfers," is not included and became significant after 1945. By the fifties, Veterans Administration payments were about \$80 million per year while OASI payments were increasing rapidly. For the period 1945-59, this item was probably about \$1.5 billion.

Another item which could well have been included is that of loans payable in local currency less any amounts planned for U.S. uses. These have usually been related to food aid and are called "grant-like contributions" and lumped with grants by the Development Assistance Committee in its tabulations. Such loans, totaling \$2.46 billion, all fall in the period 1953-59.

The largest item not included received Dickinson's approval but was ruled out as not possible to calculate, namely, the grant element in loans made on concessionary terms. Since 1959, a number of estimates have been made by the method of calculating the discounted present value of the future payments. This can be done by comparison with the costs of money to the government, in which case the grant element has been estimated at about 20 per cent for the United States. The more usual procedure is to compare the concessionary rates with the cost to the economy, i.e., the estimated net return on capital. In the latter case, the grant element is about 60 per cent of the loans for the years for which

it has been calculated. Since the total in the economic loan category since 1940 is given by Dickinson as \$17 billion, the grant element would thus be about \$10 billion.

Finally, Dickinson uses a net figure, considering the American economy as a single entity. However, it does not operate that way. Congressional and executive action are in terms of gross flows and they are the better measure of American intentions. If gross were used instead of net, the total would be increased by about \$1.6 billion.

These various suggested modifications would reduce the over-all total for the period in this quadrant by about \$7 billion. Since the reductions are all related to World War II and the additions cover the entire period, the annual figures since 1947 would all be higher.