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INTERNATIONAL REGIONAL DEVELOPMENT

by

Charles C. Slater\*

I am very pleased to be with you. It is a welcome opportunity to pull together for this most appropriate audience some of the concepts and problems we have faced in our efforts to describe and understand the internal national market process in Latin American communities.

Adam Smith was among the first to point out the benefits of specialization as critical to the growth of wealth of nations - or regions - since then economists have pursued a concern for the effects of specialization. I feel to some extent that another of Adam Smith's observations may have been undervalued. Smith pointed out that specialization with all its attendant gains in productivity could occur because it is in man's nature to "truck and barter." In the field of development attention has very strongly been focused upon the infra-structural deficiencies and lack of large-scale, capital-intensive productive capabilities in underdeveloped areas. Relatively less attention has been

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\*Address delivered January 12, 1967, at The Travelers Research Center, Incorporated, by Professor Charles C. Slater, Director, Latin American Marketing Planning Center, Michigan State University. (Views expressed are those of the author and not necessarily those of the Center.)

given to the initiating conditions for specialization--mainly, the institutional framework which permit and fosters exchange through "truck and barter."

An understanding of the basis for exchange and the rules and modes of market processes, and other means of exchange, have been the focus of the research efforts of a group of us at Michigan State in the past few years. I should like to use this opportunity to tell you of our research concepts, some of our tentative findings to date, and some of the opportunities for continued work in the areas that our studies now indicate. There are many attacks being made upon the problems of the underdeveloped areas in the world. Indeed, the address at this forum by Dr. John D. Wilkes, Director of the Technical Cooperation in Research Offices of the Agency for International Development, on December 8, 1966 summarized many of the current approaches to problems of the less developed countries.

Let me put into perspective the interest we have in market processes. In underdeveloped areas of the world, the lower two-thirds of the income groups in most urban areas often spend two-thirds or more of their income on food. As much as half of this expenditure goes to provide assembly, processing (including the waste and loss in transit), and distribution services needed to bring food from the rural areas to the cities. Meanwhile, the cities are growing at explosive rates in many underdeveloped areas of the world, as a result of both migration from rural areas as well as population expansion within the cities. Yet, while these

cities expand, the marketing systems are often ancient and apparently inefficient. Thus, it appeared that one of the largest "chunks" of disposable income in the urban areas of underdeveloped nations as well as one of the direct market links to the rural areas is to be found in the food marketing system serving large urban areas in underdeveloped countries. Study and analysis of this sector has led us to a more general concern about the exchange process and some limited generalizations about the role of marketing in the development process.

#### Internal National Market Processes

It has been said that the development process consists of increasing the income of a region by utilizing the surplus agricultural product to create specialized capital-intensive tools, primarily for use in the urban sector. Wyn Owen in his interesting paper, "The Developmental Squeeze on Agriculture" stated the problem:

. . . how can peasants be encouraged to produce accumulative surplus of food and fibers over and above their own consumption, and how can this surplus largely be channeled to investment activity in a nonfarm sector without requiring in exchange an equivalent transfer of productive value to the farm sector?<sup>1</sup>

Our research efforts have been focused upon the practical details of exchange in the marketing process required for the transfer Owen described. In this same paper,

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<sup>1</sup>W. F. Owen, "The Developmental Squeeze on Agriculture," American Economic Review Vol. LV1 (March, 1966), pp. 43-70.

Professor Owen pointed out that, broadly speaking, there have been two models of development, the "Marx-Leninist" model and the "Mill-Marshallian" model. The former is characterized by direct intervention of the state in the production planning, in the imposition of a first claim upon the output and finally, in the rationing of the surplus in order to foster selected urban development goals. The "Mill-Marshallian" model is characterized by a family farm operating unit where the family farm production is oriented to exchange a large part of the output as opposed to subsistence for direct satisfaction of the producer's wants. These two ideal types of development model are rarely found in the pure state. Some degree of regulation hampers competition; also, market farming exists in most socialist agricultural areas. Some areas have experimented first with one and then the other of these models. Yugoslavia has shifted from the "Marx-Leninist" model back to the "Mill-Marshallian" model, and as reported by Fleming and Sertic, Yugoslavian farm production has enabled the nation to achieve a domestic saving rate of about 29% of the total social product.<sup>2</sup>

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<sup>2</sup>J. M. Fleming and V. R. Sertic, "The Yugoslavic Economic System," International Monetary Fund Staff Papers (July, 1962), pp. 202-223.

Dr. Wilkes, speaking at this forum, pointed out:

the scientific problem with development is often in the last analysis of a problem of social management, solution to which lies in the field of administration, management, sociology and borrowed technology. In this respect our understanding of the social fabric of the less developed countries and ways of achieving progress in primitive environments have not advanced at all as rapidly as our knowledge of physical environment.<sup>3</sup>

Owen reaches a similar conclusion when he summarizes his paper by stating:

. . . in the developing countries the emphasis clearly should be placed, not on an immediate equity between farm and non-farm incomes, but on the maximization of the growth rate in agriculture and the maximum immediate diversion of the resulting increments to the protection and support of the emerging nonfarm sector and of the generally differentiated and interdependent features of a more highly developed economy. That is, the identified Mill-Marshallian model has been described not primarily to show how agriculture tends to be an unduly exploited sector in economically advanced countries, but rather to identify a tested and relatively painless method whereby the inevitable "painful" or sacrificial process of domestic capital accumulation can be set in self-sustaining motion and progressively accelerated in a traditional, agrarian economy. But, first must come the will and the wit to effect those structural reforms which are necessary in most underdeveloped countries to condition the application of this method of accumulation.<sup>4</sup>

The scholar that has probably had the most influence in crystallizing our understanding of the problems of reforming the institutional structure of developing economies is Walt W. Rostow. Dr. Rostow was instrumental in initiating the Latin American Marketing Center at Michigan State University and his ideas in

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<sup>3</sup>Dr. John D. Wilkes, Director of the Technical Co-operation in Research Offices of the Agency for International Development, presented an address at The Travelers Research Center, on December 8, 1966.

<sup>4</sup>Owen, op. cit., p. 67.

the national market process are basic to our thinking. In his book The View from the Seventh Floor, Rostow summarized his notions on the national market development process:

Now, how do you do it? How do you make a national market, starting from the kind of distorted situation that can be observed in the world around us?

I suggest that there are four major jobs that must be done, and they should be done simultaneously as part of a conscious national strategy, shared by the public and private authorities. The four elements are these: a build-up of agricultural productivity; a revolution in the marketing of agricultural products in the cities; a shift of industry to the production of simple agricultural equipment and consumers' goods for the mass market; and a revolution in marketing methods for such cheap manufactured goods, especially in rural areas.<sup>5</sup>

Rostow's thesis underlines that unless the dynamic process is brought into operation, the transference of resources can affect income distribution, but have little growth result. Without careful attention to the exchange process, for example, little has been gained by some land reform projects, resettlement programs, and colonization programs. The colonization programs of eastern Bolivia are reported to have had costs of upwards of \$8,000 to move one family into this region. To date the farms are largely subsistence operations, producing little that reaches the nearby Santa Cruz market. Indeed, at this point the program has been halted and a good many of the families have now left the area of colonization.

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<sup>5</sup>W. W. Rostow, View from the Seventh Floor (New York: Harper & Row, 1964), p. 136.

Thus, we feel strengthened in our expectations that the exchange process can be critical to inducing the underdeveloped society to allocate its own resources toward development tasks.

### The Critical Sequence to the Internal Development Process

Based now upon the year-long study of the role of food marketing in the economic development of Puerto Rico as well as a series of other more limited surveys of market institutions in the Dominican Republic and other Latin American areas, I should like to suggest the sequence wherein a dynamic feedback process seemingly reinforces the cycle of production increase and consumption of internally produced goods.

The first step of this process requires a careful mapping of the essential flow of products through channels for important domestically produced food products. This map is useful to describe the quantities, grades, prices, and processing and handling contributions made at each step in the assembly and distribution cycle. Then as the products are observed moving through the market channel, the channel operators are induced to reveal the critical risks they see as the limiting factors which inhibit their accepting responsibility for more products being brought through the market channel. In some cases our studies have shown that the limiting factors are the future price expectations; others seemingly are uncertain as to the level of demand relative to supply in final buyer markets. In short, lack of information about some marketing conditions and lack of insurance



against such market uncertainties as can be spread both act to minimize the market exposure or risk the market channel operators are willing to tolerate, given the limits of their capital resources.

Our studies in Puerto Rico have shown the most favorable effects upon the output rates of commodities where the risks are reduced or spread back up the channel, starting at the retail level and working back up the market or supply channel. When market risks are reduced, producers and distributors are willing to expand their output. It is relatively important to be assured that the risks along the channel are not removed "down" the market channel first, for the production responses might occur which still run into the remaining market blocks. Once frustrate the producers and assembly market operators would be then all the harder to induce to expand their output a second time after marke failuer the first time. Morton Paglin observed that the:

. . . farmer with a relatively large holding can eke out a moderate income without the trouble of hiring a high percent of nonfamily labor, or the risk of borrowing additional working capital for other inputs associated with intensive cultivation; he frequently seems to prefer the low-effort, low-risk, low-output package to the higher-risk, higher-profit, hither-output combination.<sup>6</sup>

Mellor has described this preference for a minimum risk production option as a "low aspiration" pattern of behavior.<sup>7</sup>

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<sup>6</sup>Morton Paglin, "'Surplus' Agricultural Labor and Development: Facts and Theories," American Economic Review, Vol. LV (September, 1965), pp. 815-834.

<sup>7</sup>John W. Mellor, "The Use and Productivity of Farm Family Labor in Early Stages of Agricultural Development," Journal of Farm Economics, Vol. 45 (August, 1963), pp. 517-534.

The second step in the process of inducing internal national market development is to inaugurate selected market reforms that will begin to provide assurances of market demand for products successively back up the market supply channel. When market reforms have spread or reduced risks, then added capital and options to utilize technology that will yield greater output may then be more welcomed by the innovators among the market and production operators. Again, it seems important at this stage to recognize innovators and be able to focus energies upon these more likely candidates for production and market channel expansion. In our efforts to understand the differences in willingness to accept market risks, we have applied concepts of the diffusion innovation developed by Everett Rogers and others.<sup>8</sup> The critical finding from these efforts to understand the diffusion of innovation is that there seem to be explainable and important differences in the rate of adoption of marketing innovations by retailers as well as others back up the commodity channel. The results of this analysis are now in final preparation and will be reported in the doctoral dissertations of John Wish from the College of Business of Michigan State University and Kelly Harrison of the College of Agriculture. Both these men worked in the Puerto Rican phase of the research and are continuing as post-doctoral research associates of the project in Recife, Brazil and La Paz, Bolivia.

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<sup>8</sup>Everett M. Rogers, Diffusion of Innovations (New York: Free Press of Glencoe, 1962).

The third event or step in the process is to accommodate to the increased output that will likely enter the market channels if efforts to minimize perceived market risks have had successful effect. This situation brings with it the further need for market channel reforms. Thus, a second generation of market channel reforms involving credit expansion and price supports to accommodate the necessary distortions in the marketing system are required. Often storage and handling facilities need to be expanded to match the higher output -- or at least indemnification provided until storage and handling facilities may be expanded appropriately. Often, legal reforms are evidently needed as production expands. The impact upon producers of the higher output at lower prices is usually that they have higher gross and often higher net incomes. However, the lower prices need to be understood as necessary to the expansion of effective demand. The milk producers of Puerto Rico, who experienced this pattern of changed output, grew at lower but more stable prices than they had seasonally achieved prior to the installation of effective milk marketing programs.<sup>9</sup>

Finally, if the process has been organized appropriately the increased consumption of food in the urban area yields higher

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<sup>9</sup>For a discussion of this problem of producer response to changes in price levels see Kelly M. Harrison's, "Vertical Coordinations and Selected Product Markets 1950-1965," The Role of Food Marketing in Economic Development of Puerto Rico: a Seminar Summary ed. Robert Nason (East Lansing, Latin American Studies Center, 1966), pp. 55-66.

levels of nutrition and productive energies. Of equal importance are the income elasticity effects. Robert D. Stevens found in India that the income elasticity for food was approximately 0.7.<sup>10</sup> Thus, while a larger stock of food at lower prices would induce increased consumption of food, it will also increase to some extent the discretionary income with the concomitant increases in demand for non-foods. Therefore, a parallel analysis and planning task is needed to foster expansion of non-food production and consumption based upon a reduction in the perceived market risks faced by marketers of the locally processed non-food consumer goods and farm inputs.

The cycle of events can be schematically suggested. (See Chart 1.) The task is one of identifying the appropriate sequence of risk reductions that will induce expansion of output. Price elasticity of demand will result in income gains for the producing sector, while income elasticity will result in discretionary income to foster growth in the non-food sectors of the economy. This description is, of course, an idealization of the process. Our research, however, has uncovered that there are several discontinuities and some dysfunctional features apparent in the kind of change outlined above. Three broad problem areas are encountered and they have resulted in some share of our efforts being directed toward understanding the implications of these problems.

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<sup>10</sup>Robert D. Stevens, The Elasticity of Food Consumption Associated With Changes In Income In Developing Countries, Foreign Agricultural Economic Report No. 23, Economics Research Service (Washington: U. S. Department of Agriculture, 1965).

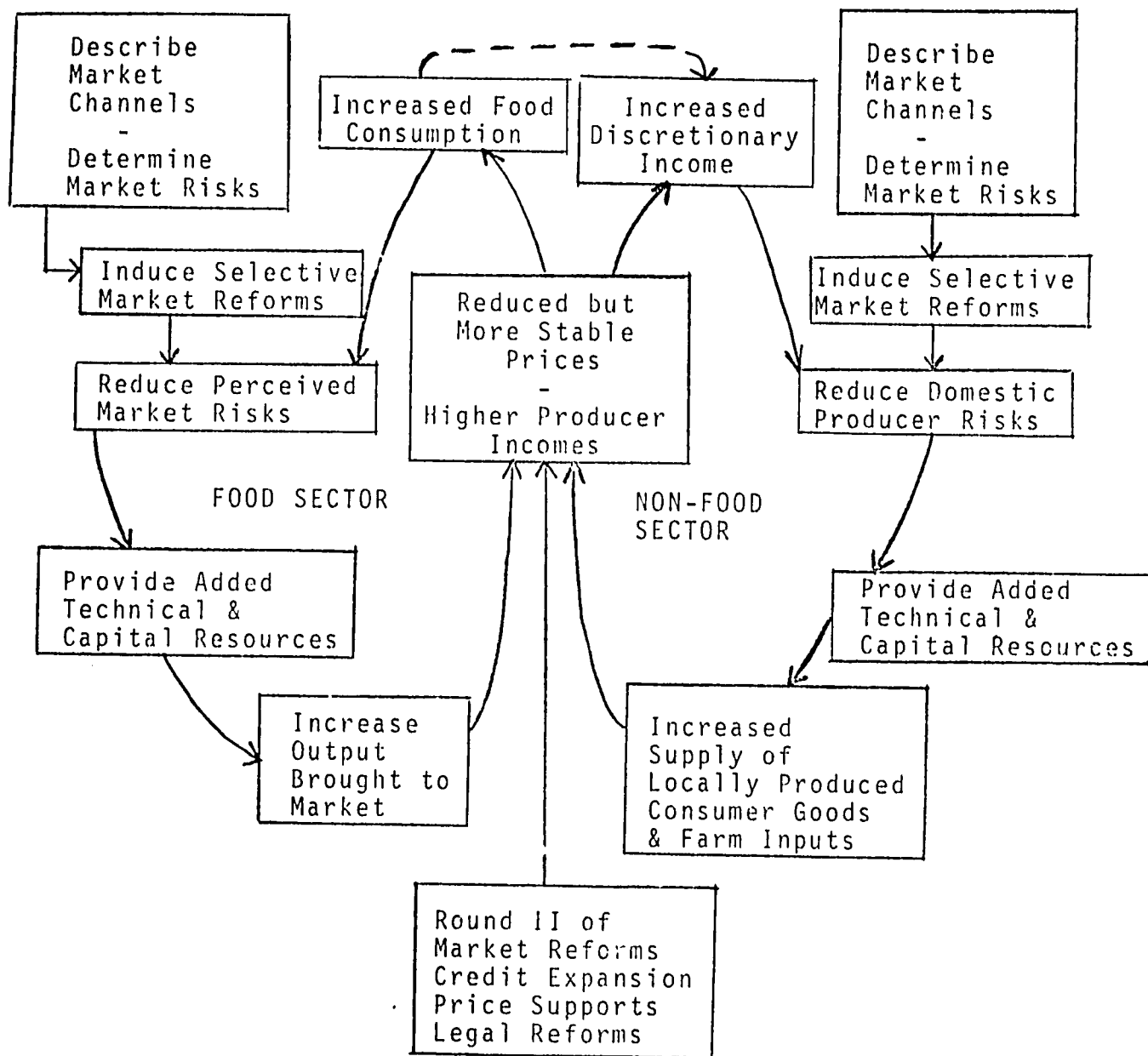


Chart I --Inducing Internal National Market Development

First, the lags in the diffusion of innovation can seriously reduce the effective response to the risk reductions fostered by the changes in the marketing system. Consumers and distributors as well as producers need to adapt to changes in the marketing reforms. Harrison and Wish, as previously mentioned, have developed innovation indices which can help identify the individuals more prone to respond to change. R. V. Farace and others associated with the research program have studied the communication channels and gained insights into the ways in which information is utilized by market participants.<sup>11</sup>

Second, the transfer of resources as a result of changes in marketing institutions is neither automatic nor necessarily trouble-free. Of great importance is the fact that the food marketing system of underdeveloped areas is usually very labor-intensive and most reforms reduce the proportion of labor needed to carry forward the marketing tasks. Usually, the market people have few alternative occupational opportunities, and they are a vocal, urban group. Thus, marketing reforms may not automatically receive a welcome from those now responsible for the traditional marketing system. It is, therefore, quite important to know the extent to which the income effects due to increased consumption as well as discretionary income diversions

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<sup>11</sup>Vincent Farace, "A Tentative Conceptual and Research Framework for the Analysis of the Economic Exchange in Developing Countries," paper presented to the International Communication Division, Association for Education in Journalism (Iowa: August 30, 1966).

as a result of the lower priced but more plentiful foods will offset the displacement and unemployment caused by the marketing institution reforms. To come to grips with these problems we have devoted a considerable share of our efforts to the creation of a general systems simulation model designed in part to trace the effects of changes in prices and output upon the employment and income of the community.

A third problem is that the cycle of effects we have outlined above requires that the action agency of the host government have some way to compare the cost and benefits that such a development approach would entail. Without such a basis for evaluation, competing priorities for development could break the cycle outlined above. For example, the short-term balance of payments problem could very well induce high short-term priorities to be placed upon export crops such as sugar. Against this shift in resources must be weighed the import substitution effects of greater domestic production of farm and nonfarm products that the efforts to enhance internal national markets would induce. Similarly, import tax structures may be such that needed equipment for fostering more stable domestic production is denied entry on economically sound terms.

#### Research Approaches to the National Market Process

An interdisciplinary research team at Michigan State University has studied the national market process for the past couple of years. A group composed of marketing and agricultural economic researchers together with social scientist concerned with

communication and the diffusion of innovation began a two phase project, sponsored by the Office of Technical Cooperation and Research of U.S.A.I.D. The study is titled: "A Study of the Role of Food Marketing in the Economic Development of Selected Latin American Communities". The first phase was a year-long study of the developments in Puerto Rico for the past fifteen years. Rapid development has occurred in Puerto Rico and the marketing institution reforms have been substantial. We want to examine the many changes that have occurred and to relate these changes to the institution reforms that seem to have had the most effect. The field work on this first phase was completed and reported in a preliminary way at a conference held in San Juan, June 8, 9, and 10, 1966.<sup>12</sup>

Subsequent to initiating the study outline just above, a second project got underway.

During the summer of 1965 the possibility of a more general appraisal and application of marketing and economic development was considered. Together with Mr. Martin Stoller, Marketing Advisor to the Latin American Bureau of the Department of State, I was a member of the marketing development mission to the Dominican Republic. Partly as a result of the observations made there, a more general thesis of market development was formed. Continued refinements of this thesis resulted in Michigan State undertaking in

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<sup>12</sup>The report of this conference, The Role of Food Marketing in the Economic Development of Puerto Rico: Seminar Summary ed. Robert Nason (East Lansing, Latin American Studies Center, 1966). The second phase of that study is now continuing in the year and one-half long program in Recife, Brazil



February of this year a two-year initial contract with U.S.A.I.D.<sup>13</sup> Officials in analysis of marketing development problems.

The two projects are now combined in our work in Recife, Brazil and in La Paz, Bolivia. In both communities, studies of the internal national market process are underway; these studies include both the food marketing system as well as the counter flow of non-food farm inputs and consumption goods to the rural food sheds of these two communities. As the program developed, it became increasingly clear that the technical problems of measuring the impact of market institution reforms as well as the task of implementing the programs through participation of government, financial and industrial officials would require increased efforts to apply the general systems analysis to the process. As a result of the recognition of the merit of general systems simulation approaches to problems of this character, Professor Herman Koenig, Chairman of the Systems Engineering group at Michigan State University, became associated with the project. A limited general systems model has been developed to describe the market processes and to permit us to trace in the broadest sort of way some of the effects of the changes of marketing institutions, prices and margins.

The key features of this study approach match the process described in the chart presented earlier. Detailed surveys are

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<sup>13</sup>Charles C. Slater, "Some Current Studies in the Role of Market Processes in the Development of Latin America," presented at the Tri-State Marketing Conference, Purdue University (Lafayette: May 13, 1966), p. 3.

being conducted at several points along the channel for foods and consumption, saving and productive behavior of consumers, distributors and producer groups. Further, the studies are designed both to identify responses to innovations as well as responses to perceived market risks which may be inhibiting investment and the level of output as well as inducing higher prices for products moving through the particular market channel. Based then upon the study of market risks which tend to inhibit output in Puerto Rico as well as further study in Recife and La Paz, selected market reforms are now being identified. Some of these market reforms can be expected to displace labor, even though gross product changes may more than offset the unemployment. Therefore, coordinated labor-absorbing activities may be needed as reforms are developed.

To deal with this problem a general systems model has been developed. The basic form of the model is one which treats the flow of product at specific prices and mark-ups through the production cycle and returns labor to the individual production and distribution sectors from a consumption and labor sector. The model as it is now structured has the following components:

1. An agricultural production sector
2. An agricultural processing sector
3. An agricultural wholesaling sector
4. A food retailing sector
5. The non-food sector
6. The government sector
7. A consumption-labor sector

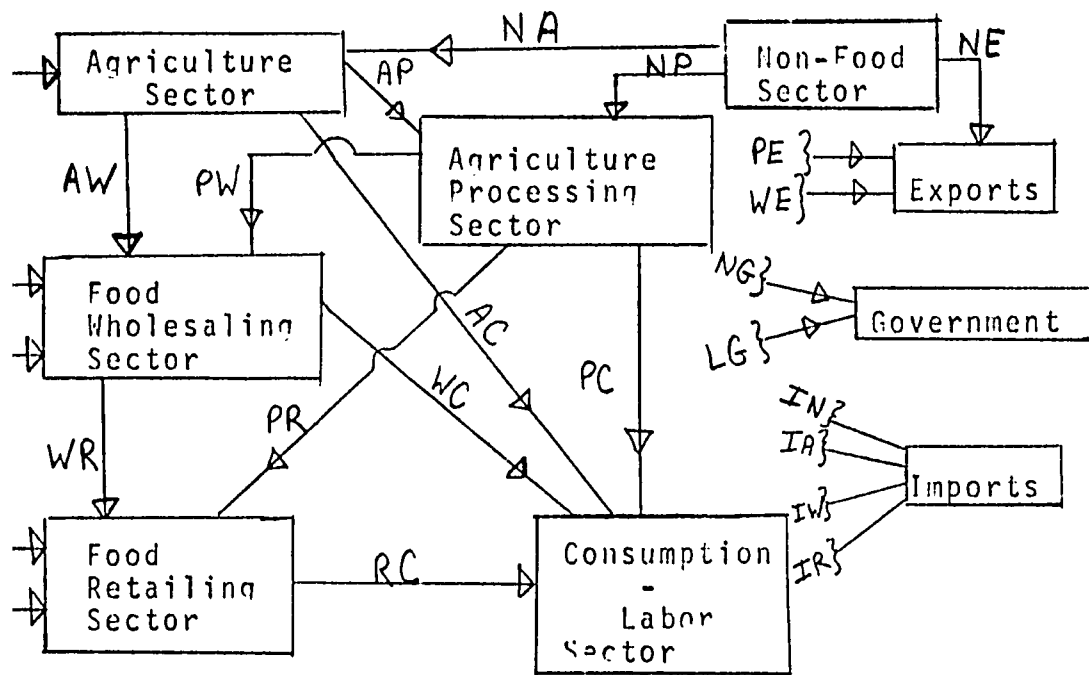


Chart II --Systems Model of Market Processes

The seven segments of the model are connected by flows of product with quantities and prices specified. The consumption-labor sector supplies labor to each of the other sectors and consumes, in varying portions, from each of the other sectors. In addition, imports and exports are measured. (See Chart II.) At present a very much simplified computerized first generation model has been developed by John Griggs, doctoral candidate of the Systems Engineering and Business Schools, whose dissertation concerns this first generation simulation. The model is based in part upon the input-output model developed initially by the Planning Board of the Commonwealth of Puerto Rico. Sensitivity studies are being carried out now to enable us to begin substituting estimates based upon the Recife and La Paz market economies instead of those based upon the Puerto Rican economy.

We will continue our efforts to develop the model by expanding the details within the components, particularly the marketing components for the food sector of the economy of Recife. There are, however, important problems connected with inputs. Historically, econometric models have derived much of their necessary input from price and output data and other statistical measures of financial and commodity markets. Many of these data are used to develop estimates of propensities and elasticity responses to price and income changes. It is our hope that social science techniques for describing and measuring attitudes and expectations of individuals in various roles will lead us to deeper

insights into the needed parameters and values of variables for the general systems model.<sup>14</sup>

The utilization of such a simulation will require decision-makers and researchers to mutually recognize some of their limitations and interdependencies. At first, the model is of value only as an heuristic device and as a research tool to evaluate alternative strategies, not rigorous as a predictive device. Second, the model will be improved by successive approximation through use and application. Third, participation of the decision-makers is involved. Their own estimation of some of the key constraints and parameters will be needed. Once the simulation model has been run to provide estimates of the effects of various alternative strategies, the decision-makers should be called upon again to evaluate the cultural and political factors which may rule out some otherwise apparently valid alternatives. Finally, the application of the model allows the decisional framework to be applied to the tasks of market institution reforms. The decision-maker can examine three broad categories of options; options of inaction, options to take specific reforms to stimulate market development, and options to gather more information to improve future decisions. It is helpful that the decision-maker recognize that he has no really "cost-less" alternatives. While the mathematical model will help in estimating the pay-offs as-

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<sup>14</sup>Dr. Vincent Farace and Thomas Webb, "A Tentative Conceptual and Research Framework for the Analysis of the Economic Exchange Process in Developing Countries (Towards Integration of Economic, Marketing, and Communication Variables in a Systems Framework)," Michigan State University (East Lansing, August, 1966), and "Systems Analysis of Marketing and Communication in Northeast Brazil, A Research Proposal," Michigan State University (East Lansing, October, 1966).

sociated with various strategies, the estimation of the likelihood of occurrence of specific consequences to various strategies to confirmation through intelligence, efforts and continuing research.

### Conclusions and Problems of Application

It is perhaps useful to summarize the thrust of the argument developed here. First, the development efforts of the past may have over-stressed the production problems of development at the expense of study of the exchange problem. This appears to be correcting itself, and our study is a small part of this new effort. Second, there appear to be the beginnings of a theory of national market development, generally consistent with the observations of economists such as Owen, Paglin and Wilkes, who point out the need for new social and quantitative research skills to deal with exchange institution reforms. The interdisciplinary team approach is making some limited headway in making the theory operational and practical to apply. Third, there is a growing recognition that a systems approach, utilizing computers to assist in simulating complex processes, may be needed to appraise costs and benefits of alternative developmental strategies.

The question of how to proceed becomes important, for there is as yet no sustaining tradition to implement national market development. There appear to be several tactical problems for development of national markets.

First, there is a strong urge to systematically evaluate

programs in foreign affairs.

Two recent Presidential directives provide the framework for testing the application of the newest tools of information technology to the conduct of foreign affairs . . . . On October 12, 1965, the President 'directed the introduction of integrated programming-planning-budgeting system (P.P.B.S.) in the executive branch,' . . . . The second directive was issued on March 4, 1966, when the President 'directed the Secretary of State . . . to assume authority and responsibility for the overall direction, coordination and supervision of interdepartmental activities of the United States Government overseas.' . . . The success with which the Secretary manages the State Department will depend to a major extent on his ability to meet its requirements for information and communications . . . depends critically on three factors: (1) sound analysis at the highest level of the information needs of the Department; (2) the effective application of information technology to these needs, rather than simply the mechanization of the current inadequate information systems; and (3) the communication of the information thus collected to those who need and must act upon it.<sup>15</sup>

Second, internal national market processes seemingly need to be institutionalized. The critical problem is how to utilize government resources to most efficiently foster private sector growth. Here a page from the experience of Puerto Rico might be helpful. A series of development agencies "fomented" change. Our observations "ex post" suggest that a pattern which emerged could be installed as a continuing task-oriented program to carry out a four-step program, as shown in Chart III.

The four steps can be described as follows:

1. Identify market development needs or opportunities by sustained research into marketing channels and the risks and bottlenecks seen by operators.

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<sup>15</sup>John Disbold, "Computers, Program Management and Foreign Affairs," Foreign Affairs, Vol. 45 (October, 1966), p. 125.

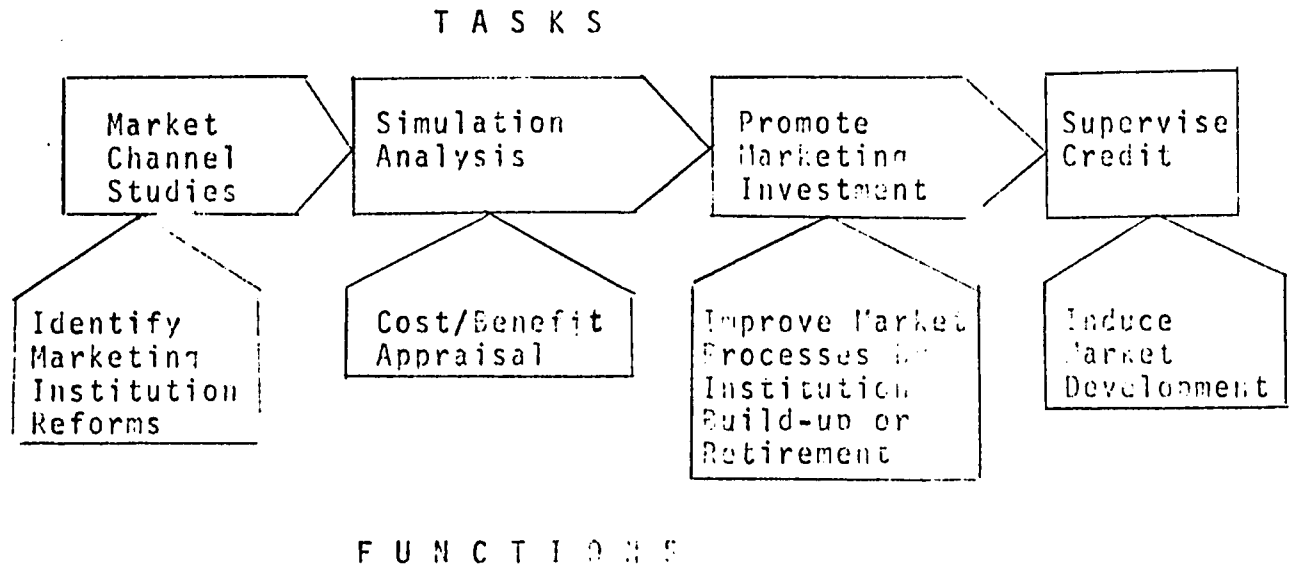


Chart III --Organization for Market Development.



2. The costs and benefits attributable to the new (or continued) marketing institution reforms can be evaluated, using the simulation model as part of the decision processes of government and financial development officers.

3. For those projects that appear to have immediate merit, a task may present itself of recruiting and training potentially interested investors and entrepreneurs. Here a different set of skills are needed because personnel evaluation and promotional efforts are not the researchers' job.

4. Finally, if the program is launched, supervised credit can be an important tool to foster the development goals and insure that operators (at least those who are in debt to the development agency) follow the desired rules of business operation. It is useful to bear in mind that many marketing institutions will need to be "retired" -- and the use of development funds to "retire" inefficient institutions may be cheaper and faster than political or military techniques.

This type commercialization development agency is being considered in a number of Latin American areas today.

The research and planning program for internal national markets described in this paper are apparently almost "ready to go". It would not be realistic if I were to end my description on this happy note, however, for there are two important institutional barriers to putting the program into action.

First, the development of internal national markets for food products may not be easily accommodated to the plans sug-

gested by the Executive Order on the President's desk this week for the new "War on Hunger Policy Committee". While press reports indicate that the Secretary of State would have broad policy responsibility, the mandatory operating committee "would be headed by the representative of the Department of Agriculture. It would develop and review proposed programs under the new law and coordinate functions delegated or assigned by the new order . . ." <sup>16</sup>

In addition,

the law authorizes the Secretary of Agriculture 'to enter into agreements with foreign and United States private trade for financing the sale of agricultural commodities for export' on such terms and conditions as he may deem appropriate. <sup>17</sup>

Reflecting upon this reform, one is brought to consider the difficulties in serving well the needs of U. S. growers, who are the constituency of the Department of Agriculture, and the foreign aid interests of fostering a growth in internal independence of markets of aid-recipient areas. Perhaps the USDA officials charged with these two goals under the proposed new order see more clearly than I can how to avoid internal conflict. It may be awkward to be agent of seller and buyer alike.

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<sup>16</sup>Felix Belair, Jr., "Responsibility for Food Aid Role Fixed in a Plan Given to Johnson," The New York Times, Vol. CXVI (January 8, 1967), p. 4.

<sup>17</sup>Ibid., p. 4.

A second hurdle to implementation of national market development programs stems also from the fact that there are today "few constituents" of the market development programs. Agriculture and industry have interested people and traditions of research and planning working in the development field. There is only the beginnings of a marketing development concept, and staff programs exist only in a few USAID missions to my knowledge. Moreover, the creation of appropriate modes of action, such as the commercial development agency concept, will require both research as well as promotion programs -- both science and art, if you will. The university can conduct the research, but another kind of agency will be needed to do the promotion and to get involved in actually building a commercial development agency and securing the interest of foreign private capital to promote national market processes by joint ventures and other development alliances. Perhaps this is a task which The Travelers Research Center may wish to explore.