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Economic and Social Development of the Traditional Society: Studies of Ecuador, Turkey, and Vietnam

Charles M. Corbin
Butler University

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Name of candidate:

Charles M. Corbin

Oral examination:

Date May 2, 1972

Committee:

Thomas F. Wilson

Thomas F. Wilson, Chairman

Paul Gingrich

Paul Gingrich

Rajinder Johar

R. Johar

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Major Professor

Thomas F. Wilson

ECONOMIC AND SOCIAL DEVELOPMENT OF THE TRADITIONAL
SOCIETY: STUDIES OF ECUADOR, TURKEY, AND VIETNAM

by

Charles M. Corbin, Jr.

Submitted in partial fulfillment of the requirements
for the Master of Science degree in Economics
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Dutler University
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Introduction

In a passage from a book called Be Here Now, Dr. Richard Alpert states: "We're talking about a metamorphosis. We're talking about going from caterpillar to butterfly. We're talking about how to become a butterfly. I mean: the caterpillar isn't walking around saying, 'man, I'll soon be a butterfly' because: as long as he's busy being a caterpillar he can't be a butterfly. It's only when caterpillarness is done that one starts to be a butterfly."¹ The author was speaking of spiritual change in human beings, but it can be applied to change in nations as well. So it is that a nation can never really progress economically until development involves changes not only in the money income and physical environment, but also "drastic changes in the ways in which people think, behave, and associate with one another."² Economic considerations are not enough to explain economic growth. "The emancipation from custom and tradition is frequently the fundamental prerequisite of economic development,"³ and that emancipation is a problem of provisioning. Professor Kenneth Boulding states that provisioning includes not only basic social capital (utilities, shelter, travel, health, education, food, communications) but also status and dignity, equal rights, social justice, and security from violence and crime.⁴ Professor Boulding further states that each citizen in each nation has a terms of trade ratio with his government. If he gets something from it he will reciprocally give something to it. That something he gives back is the consent to be governed. If that terms of trade ratio is deemed less than favorable by the individual, he may decide to retract his consent. Revolution, political overthrow, and (on a lesser scale) economic and social chaos may be the result.⁵

¹Richard Alpert, Be Here Now (San Cristobal, New Mexico, 1971), pp. 12-13.

²Campbell R. McConnell, Economics: Principles, Problems, and Policies (New York, 1963), p. 722.

³Ibid.

⁴Kenneth Boulding, Economics as a Science (New York, 1970), p. 140.

⁵Ibid., p. 21.

I have found that it is a very difficult task to define economic development in a Less-Developed Country (LDC). The study of economic development can never be universally clustered, because each nation presents unique variables for which the solution may be as different as night and day. Generally, economics must become involved in the total social system, which is nothing more or less than "all the people in the world, all the roles which they occupy, all their inputs and outputs which are relevant to other human beings, and the organizations and groups that they belong to."⁶ Professor Boulding says that economists tend to work only in their own abstractions and too easily forget that the development process involves the whole society.⁷ Thus, even though an economy is designated by exchange and exchangeables, it cannot be separated from the social indicators.⁸ Letting that point lay for a moment, let us move briefly into motivational psychology. Man's basic needs are many and varied, but he is still a biological animal and must satisfy his basic drives. If he is starving, there is nothing else in the world that will satisfy him like food. Furthermore, man is a creature who is constantly seeking to serve his own best interests or advantage. Dr. Saul Gellerman, a motivational psychologist, notes that "the pursuit of advantage in some form is probably universal, but the specific pursuit of financial advantage most certainly is not universal at all."⁹ In fact, man's pursuit is a graduated process, involving first his biological needs (what he does need) and then his psychological needs (what he thinks he needs). Psychological advantage is therefore the perspective from which an individual views his environment and his power to affect it. Tying previously cited points into this, we must note that if an individual's life (such as in an LDC) has been nothing better than a "drab repetition" of yesterday, and if tomorrow looks like more of the same, it will be extremely difficult for that nation to advance economically.¹⁰ Individuals in a nation will not be able to grow until they are able to see beyond

⁶ Ibid., p. 1.

⁷ Ibid., p. 153.

⁸ Ibid., p. 12.

⁹ Saul Gellerman, Motivation and Productivity (New York, 1963), p. 199.

¹⁰ Ibid., p. 202.

their own repetitious life and basic needs. Certainly, in its early stages, economic growth must be provided by government participation. However, it now appears that without trained and reasonably-pleased human resources to accentuate and perpetuate that growth, the development will be shallow and inefficiencies will be eating up the profits. A social organization must be developed. All the charters, laws, constitutions, planning, and organizations must be constantly qualified by inputs and outputs of information.¹¹ Without such modification (or exogenous aid), the organization will die and be replaced by another.

Economic development therefore seems to consist of a series of hurdles that a nation must overcome. Before any of the social capital can be provided with any degree of efficiency, basic needs must be taken care of. Food, clothing, and shelter must be decent and plentiful; disease must be reasonably eradicated; and some means of entertainment and/or spiritual guidance must emerge. For the most part, people tend to take care of their own basic needs (other than proper health care). When they do not, the government should make that the first priority. Only when an individual is healthy, warm, and dry can he further turn his thoughts (and his nation's) to other social amenities.

Certainly there is much hunger and malnutrition in the world today as evidenced by certain African nations, Bangladesh, some South American countries, and even some of the poor areas of the United States. As the earth becomes more densely populated, the food problem will undoubtedly become more intense. However, I feel we must assume that man is at least capable of eradicating, presently, his basic afflictions, unnecessary hunger and disease, and provisioning of staples is quite another economic problem beyond the scope of this paper.

This essay is examining selected nations which are in the process of developing the preconditions for takeoff. In this stage of economic growth--between the traditional society and the takeoff--major changes take place not only in the economy but also in the social values. For example, education is assisted toward expansion in order to suit the needs of the modern economic activity. Politically, an effective central-

¹¹Boulding, p. 8.

ized national government must emerge with the fervent nationalism of the populace and must tend to make less important former regional ties; it is "a necessary condition for takeoff."¹² In examining the preconditions period, I will note the specific problems encountered in the emancipation of a new modern society from the traditional one, through the examples of Ecuador, Turkey, and Vietnam. Certainly, many problems exist; often, even though modern economic functions are present in many phases of a nation's development, the traditional society may persist in parallel fashion. New manufacturing enterprise may indeed be present in an LDC but will only be able to advance at a pace to which the society has been developed; that is, the pace may be limited because society may still be characterized by "traditional low-productivity methods, by the old social structure and values, and by the regionally based political institutions that developed in conjunction with them."¹³

The developing nation therefore cannot advance into the takeoff until the majority (or some other optimum percentage) of the working class can perceive some psychological advantage in the centralized government which will cause the people to divest themselves of traditional interests in favor of the new nationalism.¹⁴ Historically, the governments in the LDCs have been composed of elitest groups that have not really included the lower socio-economic classes in the profits of modernization. The building and widening of social capital for all classes is the necessary route to economic self-perpetuation and such action has not been forthcoming. In the following studies I hope to present why this has not been the case.

¹² W.W. Rostow, The Stages of Economic Growth (Boston, 1960), p. 7.

¹³ Ibid.

¹⁴ Ibid.

Chapter One

Republic of Ecuador

Ecuador has been an independent nation since its liberation from Spain in 1830, thus making it one of the oldest free nations in the Western Hemisphere. However, it is the second smallest country in South America and one of the poorest. Its current population of 6.09 million persons is still relatively small, and population density is only 57 persons per square mile (approximate to that of the United States).¹⁵ The population is roughly composed of 10% Caucasian, 10% Negro, 39% Indian, and 41% Mestizo (Indian-Caucasian mixed). Since 55% of Ecuador is forest-covered, most of the Caucasians and Negroes live either in Quito (population 420,000), the capital, or Guayaquil (population 570,000), the chief seaport. The majority of the Indians still live deep in the Andean forests, and some are even cannibals.¹⁶

Ecuador is not unlike other poor Latin American nations. Only 5% of the land is cultivated; one percent of the landowners own 40% of all privately-owned land, and the lowest 92% of the landowners only own 32% of the land; and 0.2% of the land holdings are 2500 acres or more in size but include 37% of the cultivated area in farms. Underemployment of a vast segment of the population indicates a lack of capital accumulation and little investment. If Ecuador can lay claim to any achievement, it would be that it is one of the top banana exporters in the world. In fact, bananas have traditionally accounted for over 50% of its foreign exchange revenue.¹⁷

Government Administration

Administratively, Ecuador has been exceptually weak. There seems no other explanation for the fact that this nation is so monetarily poor (per capita GNP=\$281) yet rich in natural resources (oil, timber, fruit,

¹⁵International Monetary Fund, International Financial Statistics, a monthly publication.

¹⁶"Ecuador," Focus (October, 1967), pp. 1-2.

¹⁷Ibid., pp. 3-4.

coffee, fishing). The governmental administrators have historically done very little to utilize the natural and human resources of Ecuador to their optimum. Basically, the instability of government has prevented Ecuador from moving much further past the bare beginnings of the preconditions for takeoff. In its 142-year history, Ecuador has seen 58 elected presidents but only 13 of whom have served full terms. One man, Jose Ibarra Velasco, has been elected president six times since 1934 but has four times been the victim of coups.

The idea of violent overthrow, or coup, in any nation is not contributive unless the populace is ready for it. That is, the change in the concept of government must be matched by the change in society, country, and self. Unless people are ready for it, that is, unless they have a degree of confidence in the new government, the rebels will have to form a dictatorship to control those not in agreement. It is a system of trust that must pervade in order for efficient development to occur. Professor Boulding states that an economic system cannot obtain the degree of sophistication needed for development until there is "reasonable security of property and enforcement of contracts."¹⁸ An unstable government cannot provide that atmosphere.

This has been the case with Ecuador. A series of pseudo-dictators and military presidents (most all nearly absurd administrators) has been the story of its governmental attempts over the past 40 years. In 1961, however, Dr. Velasco, who had been elected president the previous year, was deposed in a brief coup shortly after he had ordered a new tax structure. The new tax plan was primarily directed toward a series of toll road levies and excise taxes on 37 consumer items, and it increased the burden of the poor rather than the aristocracy. The coup was initiated by a banker, Carlos Arosemena, but was not immediately received with accord. In a short time, though, Mr. Arosemena proved to be an astute leader and capable monetary expert. By the end of 1962, Ecuador showed an approximate \$40 million trade surplus and a 140% increase in international monetary reserves. Arosemena pushed through a less-inequitable

¹⁸Boulding, p. 12.

tax law and underwrote an industry-luring program which included tax exemptions.¹⁹

By early 1963, Mr. Arosemena began to unite Ecuador as never before in its modern history. He was young (38) and handsome, and the common people loved him. Unfortunately, however, the aristocracy in Ecuador disliked Arosemena and seized upon the first opportunity to throttle him. President Arosemena did, alas, have a drinking problem; and when shortly before he was to meet John F. Kennedy in mid-1963 he became quite intoxicated and passed out, the aristocracy quickly deposed him. The tolerance which had been granted him because of his popularity and administrative qualities was quietly reneged; and he became, in July, 1963, just another victim of coup. Officially, his successors said that he had "spotted the national honor."²⁰

In Arosemena's place a four-man military junta assumed power and remained thus until 1966, when a Quito banker, Clemente Yerovi, was elected interim president. In 1968, Otto Arosemena (no relation to the former president) took over when Yerovi resigned.

In 1970, Velasco came out of exile and took charge--literally. In July of that year--with 20,000 leftist students running wild, a treasury that was nearly bankrupt, and the mercantile elite up in arms about tough new tax laws--Velasco, with military backing, quickly quieted the chaos by declaring himself dictator. President Velasco, once called by the Ecuadorean Congress as "the worst administrator Ecuador has ever had,"²¹ suddenly found his administrative abilities improved with age. He immediately initiated a bevy of new reforms. First, he suspended the Constitution of 1967 and reverted to a previous one (1946). Secondly, even though vowing to step down in August, 1972, he further abolished the Ecuadorean Congress and Supreme Court.²² He also tightened fiscal policy, effected a 40% devaluation of the Ecuadorean currency (the sucre), and began development of the rich petroleum reserves.²³

¹⁹ "Ecuador Moves Forward," Time (March 8, 1963), p. 29.

²⁰ "One for the Road," Time (July 19, 1963), p. 22.

²¹ "Change in the Script," Time (July 6, 1970), p. 32.

²² Department of Commerce, "Pledge," International Commerce, August 24, 1970, p. 35.

²³ Department of Commerce, "See Further Rise in U.S. Exports to Latin America," Commerce Today, January 11, 1971, p. 38.

In an effort to strengthen the Ecuadorean economic nationalism, Dr. Velasco further asserted the declaration of a 200-mile maritime limit off Ecuador's seacoasts. Thus far the United States has chosen not to recognize that declaration; and in 1971, 51 U.S. fishing boats were captured by the Ecuadorean navy and fined over \$2.5 million collectively.²⁴ Furthermore, "on June 30, 1971 the stiff foreign investments code of the five-member Andean bloc (Bolivia, Chile, Colombia, Ecuador, and Peru) went into effect, calling for a fadeout of U.S. investments into minority status within 15-20 years."²⁵ It provided that by the end of 1974 all foreign banks, advertising agencies, broadcasting stations, publications, internal transportation companies, and retailers must sell to domestic entrepreneurs all but one-fifth of their holdings. Other foreign investors in Ecuador must sell at least 51% of their holdings over the next 20 years, and 25% must be sold immediately.²⁶

Heinz Kohler has written that growth in LDCs will not "just happen." The enterprising role of government is needed. "Historically, governments have aided the process of economic growth in all the rich countries. By deliberately failing to act, some other governments have seen to it that consumers failed to share, or failed to share very much, for considerable periods of time."²⁷ This has been basically the demise of the Ecuadorean governments. Mr. Arosemena, and, of late, President Velasco have seen the need of this rising nationalism. "The conditions essential for development are not so much economic and technological as they are psychological and political. The catalyst of radical change in any society must be an indigenous nationalism giving rise to a sense of community, commitment, and shared sacrifice."²⁸

Brazilian Bishop Antonio Fragoso said of nations in Latin America, "we do not need paternalistic redemption. We need conditions so that those who are now abandoned may free themselves from their own underdevelopment with their own united force."²⁹ As I stated in the introduction, it is those social influences, such as education and health,

²⁴"The Tuna War Continues," Time (January 24, 1972), p. 29.

²⁵"Expropriation," Business Week (July 10, 1971), p. 34.

²⁶Ibid., p. 35.

²⁷Heinz Kohler, Scarcity Challenged (New York, 1968), p. 569.

²⁸Frank Church, "Why I Voted No," The New Republic, November 13, 1971,

pp. 14-15.

²⁹Ibid.

that create the atmosphere of psychological advantage which is so necessary for the development of the total society. It is thus now appropriate to examine the advances made by Ecuador in the many phases of economic and social change.

The Economy

It would be, of course, ludicrous to expect a nation to advance socially unless there is some economic catalyst to act as the springboard from the beginning. During the years 1950-1967, Ecuador, although an agricultural nation, enjoyed a moderately sublime economic existence. Education was sparse, the population was still uncrowded, most people were very poor (but also powerless), and the aristocracy spent its time strengthening its coffers and fighting over control of the nation.

The available economic indicators show that Ecuador had a long period of relatively slow growth during the years mentioned in the previous paragraph. During the early 1950s, although extensively an agricultural economy, Ecuador started to show an increase in capital formation. In fact, with the aid of U.S. public agencies (predecessors of the Agency for International Development), gross fixed capital formation as a percentage of GNP increased from 10.2% in 1952 to 15.6% in 1955. However, by 1960, it had slipped to 13.8% and by 1969, to 11.8%.³⁰ The money which had increasingly been invested began to be channeled off into personal consumption. As noted in Table One (on the following page), personal consumption as a percentage of Gross National Product had increased from 70.8% in 1955 to 79.8% in 1969.

The Balance of Trade in Ecuador has also been a factor which had enjoyed a favorable surplus for some years but recently has been negative. As denoted by Table Two (also on the following page), the sharply rising imports and slower growth in exports in 1968 virtually arrested the reasonable growth of past years and threatened the economic stability. Foreign exchange reserves, which had been built to a value of \$52 million by 1967 were reduced to \$30.6 million in 1968.³¹ Of course, a continuation of the trend could reduce international reserves to a very low level.

³⁰ International Monetary Fund, International Financial Statistics.

³¹ Ibid.

Table 1: Real GNP and Personal Consumption, Ecuador, 1955-1969
(1968 base)

	<u>Real GNP</u> <u>(\$ million)</u>	<u>Real Personal</u> <u>Consumption (\$ million)</u>	<u>Consumption as %</u> <u>of GNP</u>
1955	\$ 831.0	\$ 588.9	70.8%
1960	1,038.0	780.9	75.4%
1961	1,052.0	817.3	77.6%
1962	1,103.0	840.0	76.0%
1963	1,156.0	887.8	77.0%
1964	1,238.0	976.4	79.0%
1965	1,273.0	1,007.1	79.1%
1966	1,331.0	1,044.2	78.8%
1967	1,413.0	1,084.0	77.0%
1968	1,483.0	1,136.7	76.6%
1969	1,517.0	1,208.3	79.8%

Source: Inter-American Committee on the Alliance for Progress, Domestic Efforts and the Needs for External Financing for the Development of Ecuador (Washington, 1971).

Table 2: Balance of Trade, Ecuador, 1959-1970
(\$ million)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1959	\$ 149.0	\$ 107.8	\$ 41.2
1960	153.2	116.7	36.5
1961	135.1	111.8	23.3
1962	152.2	112.1	40.1
1963	158.8	128.0	30.8
1964	157.5	135.6	21.9
1965	169.5	144.0	25.5
1966	184.0	149.5	34.5
1967	197.7	173.3	24.4
1968	210.7	212.7	- 2.0
1969	188.1	220.0	-31.9
1970	250.8	262.5	-11.7

Source: International Monetary Fund, International Financial Statistics.
Agency for International Development, Latin America: Economic Growth Trends (Washington, 1971).

It would be rather meaningless to go into a lengthy discussion of the steady, but small, economic growth that Ecuador experienced prior to 1968. Certainly, it was positive, yet unspectacular. Real GNP increased by 25% from 1955 to 1960 and by 36.3% from 1960 to 1967. One of the major reasons for the growth was the presence of the United States. By the end of 1967, over 60% of all the foreign investment in Ecuador was American; and the U.S. share of the Ecuadorean import market, although diminishing (in 1960 it had been 48%), was nearly 39%.³² This was certainly to be expected, however, because Ecuador was on the receiving end of a U.S. economic assistance program, as outlined by the following data.

Table 3: U.S. Economic Assistance to Ecuador, excluding Eximbank
(\$ million)

	<u>Loans</u>	<u>Grants</u>	<u>Total</u>
1952	-	\$ 1.4	\$ 1.4
1953	-	1.0	1.0
1954	-	1.3	1.3
1955	-	1.3	1.3
1956	-	1.6	1.6
1957	\$ 2.0	1.7	3.7
1958	2.3	1.9	4.2
1959	4.7	2.0	6.7
1960	5.3	3.1	8.4
1961	6.8	2.7	9.5
1962	13.0	6.9	19.9
1963	13.3	4.8	18.1
1964	16.7	3.9	20.6
1965	8.3	3.8	12.1
1966	2.0	14.3	16.3
1967	-	3.9	3.9
1968	0.6	3.0	3.6
1969	3.2	2.7	5.9
1970	19.5	3.7	23.2
Totals	<u>\$97.7</u>	<u>\$55.0</u>	<u>\$162.7</u>
Principal Repayments:		\$9.4	
Interest Collected:		8.0	

Source: Agency for International Development, U.S. Economic Assistance Programs Administered by A.I.D. and Predecessor Agencies (Washington, 1971).

³²Department of Commerce, "Ecuador Weathers Crisis," International Commerce, February 16, 1970, pp. 25-26.

Exports have taken a similar turn. In the early 1960s over 60% of Ecuadorean exports went to the U.S.. Total reserves had been built from \$31.7 million in 1956 to \$69.1 million in 1967. Absolute GNP increased at an average rate of 9.2% annually during the 1962-1967 period.³³ Coffee exports had increased in 1967 by 93% from 1963. The index of manufacturing production (1963=100) rose from 76 in 1960 to 164 by 1967.³⁴ The Ecuadorean money supply had increased by 87% from 1960-1967.³⁵

Since 1968 Ecuador has experienced the culmination of various trends which occurred throughout the previous 10-15 years. First, persistent state budget deficits (\$27.8 and \$25.3 million in 1966 and 1967, respectively) increased sharply to \$67.8 million in 1968 and \$71.1 million in 1969. Those deficits caused a significant reduction in public investment expenditures. Even though gross fixed capital investment was increasing absolutely throughout the 1960s, the public share of that investment was decreasing from 40.4% in 1962 to 37.4% in 1968.³⁶ In the five year period 1965-1969, normal revenues for the Central Government increased at an adequate rate but total expenditures (mainly the development budget) increased tremendously. In fact, the development budget, particularly for road construction, electrification, and communication, increased by 64.3% in 1968 from the previous year.³⁷

In 1970, the Ecuadorean government adopted several measures to combat the acute fiscal situation. Primarily, tax reform measures were initiated, and included: (a) tax measures on commercial transactions and services; (b) elimination of the income tax exemptions on industrial development, tourism development, handicraft development, agricultural development, and fisheries development; (c) additional levies on the f.o.b. value of some exports; and (d) an increased tax on imports of foreign cigarettes. The preceding measures immediately produced additional revenues of \$31.7 million in 1970 and were expected to produce about \$63.2 million in 1971.

³³United Nations, Monthly Bulletin of Statistics. A monthly publication.

³⁴Latin America: Economic Growth Trends, Agency for International Development (Washington, 1971), p. 18.

³⁵United Nations, Monthly Bulletin of Statistics.

³⁶Domestic Efforts and the Needs for External Financing for the Development of Ecuador, Inter-American Committee on the Alliance for Progress (Washington, 1971), p. 88.

³⁷Ibid., pp. 26-27.

Another measure, of questionable value, was the 16% restriction in 1971 of government expenditures for development and investment. The government also saw the need for improving the administration of tax collection and established the Office of Tax Supervision to control the application of the procedures and provisions in the laws and regulations. A direct consequence of these measures is outlined in Table Four.³⁸

Table 4: Estimated Yield of the 1970 Fiscal Tax Measures, Ecuador
(\$ million)

	<u>1970</u>	<u>1971</u>
Increased tax on exports	\$ 10.0	\$ 23.0
Income tax reforms	6.7	7.2
Tax on appreciated value	0.5	1.1
Tax on commercial transactions and services	10.6	21.2
Import tax	<u>3.9</u>	<u>10.7</u>
Total	\$ 31.7	\$ 63.2

Source: Inter-American Committee on the Alliance for Progress, Domestic Efforts and the Needs for External Financing for the Development of Ecuador (Washington, 1971).

The second major problem Ecuador had to face in the late 1960s was a deteriorating balance of trade. In the export picture, Ecuador faced gloomy prospects because 82% of their exports in 1968 were comprised of bananas, coffee, and cacao. In 1968 Ecuador found the export prices of its products increased by 31% over 1963 and the demand for such agricultural products (at increased prices) simply was not increasing at the rate it had during the early part of the decade.³⁹ Accordingly, other Latin American nations offered considerably more competition in the agricultural commodity market. For example, in 1961, Ecuadorean exports of bananas comprised 43% of all banana exports from Latin America; in 1968, that percentage had slipped to 32.6% and in 1969, to 29.5%. In cacao exports from Latin America, Ecuador experienced a decrease from 16.7%

³⁸Ibid., pp. 38-40.

³⁹United Nations, Monthly Bulletin of Statistics.

in 1961 to 12.7% in 1969.⁴⁰

In the face of these statistics even an increase in production would not appear to raise hopes. Consequently, the government has encouraged diversification, out of the three commodities mentioned above, into more lucrative products such as cattle, palm oil, and petroleum. Even though the coastal oilfields have yielded diminishing returns in recent years, enough new reserves have been developed in eastern jungles to more than replace the coastal production and make Ecuador a major Latin American oil exporter.⁴¹ Indeed, production should start in late 1972, and the 1973 Ecuadorean exports should increase significantly. If the expected production of 220,000 barrels per day is realized, petroleum exports should attain a value of \$140 million annually (at the 1971 rate of \$1.76 per barrel).⁴²

The increase in personal consumption during the 1960s (see Table 1) appears to be at least partially responsible for the increase in imports. However, in 1970, tax measures were taken to restrict imports of non-essential goods, resulting in a significant decrease in such imports. However, essential consumer goods remained at nearly the same level as in 1969. The great increase in imports in 1970 was mainly due to the abundant import of goods by the petroleum companies. In 1970, foreign private investment in Ecuador was \$85 million (\$35 million above 1969) and slightly over 70% of the increase was connected to petroleum. Imports of goods increased concomitantly. It seems that the level of imports is relatively fixed at this time because of the extraordinary expansion in petroleum. If the government wishes to decrease imports, it will be necessary for it to intensify efforts on the restriction of luxury items.⁴³ In fact, though, it does not seem that Ecuador is genuinely distressed over the level of its imports. The prospects of an oil boom are genuine, however, and by 1973 Ecuador's profit from the venture should be at least \$100 million. Not in 142 years has Ecuador come into such an economic windfall. The joint Texaco and Gulf Oil Corporations investment, already at \$300 million,

⁴⁰ Latin America: Economic Growth Trends, p. 29.

⁴¹ Foreign Economic Trends: Ecuador, Department of Commerce (Washington, 1969), p. 6.-

⁴² Domestic Efforts and the Needs for External Financing for the Development of Ecuador, p. 105.

⁴³ Ibid.

is located deep in the jungles of the eastern part of the nation and is expected to start producing this year when the pipeline to the port city of Esmeraldas is completed.⁴⁴ If the 1400 autonomous agencies in Ecuador that consume half the nation's budget now don't siphon off most of the profit, perhaps oil will be the base needed for the leap into the takeoff.

The third very pressing problem that caught up with Ecuador during the 1960s was its extremely rapid population growth. Ecuador's population in 1970 was about 6.09 million and growing at a rate of about 3.5% annually (see the following table). However, its population in 1915 was about

Table 5: Absolute Population and Annual Growth Rate, Ecuador, 1955-1971

	<u>Population (millions)</u>	<u>Annual Growth Rate</u>
1955	3.75	5.0%
1956	3.84	2.4%
1957	3.93	2.3%
1958	4.05	3.1%
1959	4.18	3.2%
1960	4.35	4.1%
1961	4.50	3.4%
1962	4.65	3.3%
1963	4.81	3.4%
1964	4.98	3.5%
1965	5.15	3.4%
1966	5.33	3.5%
1967	5.51	3.4%
1968	5.70	3.4%
1969	5.89	3.3%
1970	6.09	3.4%
1971	6.30	3.5%

Source: International Monetary Fund, International Financial Statistics.

1.5 million and the growth rate, resulting from a birth rate of 47/1000 and a death rate of 30/1000, was 1.7% annually. By 1950, the population had doubled to three million and the death rate had dropped to 20. The birth rate in 1950 had remained high at 46. By the late 1960s the death rate had decreased to about eleven; and the population, which had taken 35 years to double between 1915 and 1950, took only 20 years to double

⁴⁴"Ecuador Expects Bonanza in Oil," Indianapolis Star (November 28, 1971), p. 16.

again to over six million in 1970.⁴⁵

The results of a rapidly increasing population are geometric. Aside from a substantial increase in the population, the significant factor of sustaining a high birth rate and declining death rate is the effect upon the composition of the population. Nations with high birth rates have a considerably high ratio of children to total population. As a consequence, that higher proportion increases the dependency level of the population; that is, an increasing number of persons will be requiring food, housing, health care, and education in relation to the working population. In an LDC, a substantial ratio of dependency in the population increases the burden of diverting a higher percentage of the national income away from consumption to investment (i.e., modernizing production and developing natural and human resources).

In Ecuador, the percentage of children (aged 0-14) in the total population is 37%. Furthermore, children are increasing even more rapidly (4%) than the whole population (3.5%).⁴⁶ The proportion of the population (1970) under age 24 is an astounding 66.3%.⁴⁷ Dr. Thomas Herrick, an I.L.O. population consultant, has written that "if the development and utilization of human resources cannot keep pace with the growth of the population, then population growth or some portion of it will not contribute to or benefit from growth of the economy."⁴⁸ The table on the following page indicates that the increasing population has not shared very much of the greater growth of Ecuador's real income. While real income for the nation was increasing by 24.7% from 1960 to 1969, the per capita share during the same period only rose by 8.4%. As further evidence that national product was being diverted from investment, real personal consumption per capita, during the period 1960-1969, increased by 16.1%, nearly twice as much as real income per capita. An examination of the five-year period 1965-1969 reveals that while real income for the nation was increasing at an annual rate of 4.16%, the per capita share only increased by 0.72% per year. During the same five years, real per-

⁴⁵ Thomas Herrick, "Population Growth and Economic Development in Ecuador," an unpublished capital assistance essay for the Agency for International Development, 1971, p. 3.

⁴⁶ *Ibid.*, p. 4.

⁴⁷ Domestic Efforts and the Needs for External Financing for the Development of Ecuador, p. 62.

⁴⁸ Herrick, p. 5.

sonal consumption per capita increased by 1.29% annually (while consumer prices were rising by 4.80% per year).⁴⁹

Table 6: Real GNP and Real Consumption, Per Capita, Ecuador, 1960-1969
(1968 base)

	<u>Real GNP</u> <u>Per Capita</u>	<u>% Change</u>	<u>Real Consumption</u> <u>Per Capita</u>	<u>% Change</u>
1960	\$238	-	\$180	-
1961	234	-1.68%	181	0.55%
1962	237	1.28%	181	-
1963	240	1.27%	185	2.21%
1964	249	3.75%	196	5.95%
1965	247	-0.81%	196	-
1966	250	1.21%	197	0.51%
1967	257	2.80%	199	1.01%
1968	260	1.17%	205	3.01%
1969	258	-0.77%	209	1.95%

Source: Inter-American Committee on the Alliance for Progress, Domestic Efforts and the Needs for External Financing for the Development of Ecuador (Washington, 1971).

Education

Just "keeping up" with population growth has placed a definite burden on the educational system in Ecuador, especially in the provision of the availability and quality of primary education (5-14 age group). The incipient enrollment of children in primary schools in 1969 was 76.5% (an increase of 3.95% from 1962). However, by the time the Ecuadorean student reaches the sixth grade, he can only expect to find that 16.8% of his original classmates have progressed as far as he.⁵⁰ Thus, the percentage of students in the 5-14 age group of total children is not very hopeful. Table Seven on the following page will indicate the Ecuadorean student-nonstudent ratio.

⁴⁹ International Monetary Fund, International Financial Statistics.

⁵⁰ Domestic Efforts and the Needs for External Financing for the Development of Ecuador, p. 64.

Table 7: Elementary School Statistics, Ecuador, 1960-1970

	School-Age Population (Age 5-14)	Enrolled Students	%	Teachers	Students per Teacher
1960	1,156,000	595,000	56.3%	14,870	40.0
1965	1,396,000	800,000	57.2%	20,000	40.0
1970	1,695,000	970,000	57.3%	24,250	40.0

Source: Dr. Thomas Merrick, "Population Growth and Economic Development in Ecuador," an unpublished capital assistance essay for the Agency for International Development.

In the rural areas, the educational characteristics are even less sanguine; the original enrollment is only 59.9% and the retention rate (completion of the sixth grade) is 13.1%.⁵¹

The above table indicates what a difficult time Ecuador has had in providing genuine improvement in education. The budget for education increased (at current prices) by 122% from 1965 to 1970,⁵² but the extra 170,000 students enrolled were accommodated strictly to keep pace with population growth. Additionally, the extra 4250 teachers hired and 1410 new schools built merely maintained the standards of 1965 and provided no real growth. The qualitative problems did not improve either; one-third of the nation's primary teachers have no degree, and a great deal of "the instruction programs involve theoretical (including religious) knowledge."⁵³

If the present birth rate continues in Ecuador, the 5-14 school-age group will swell to 3.6 million by 1990; and, if present standards are to be sustained, an additional 700,000 new students will have to be provided accommodations--17,000 additional teachers and 6,000 more schools. Of course, the number of children not in school will increase by 500,000.⁵⁴

Secondary education does not appear to be in such a dismal condition. The original enrollment level of school-age adolescents (aged 15-19) rose from 17.5% in 1965 to 24.5% in 1970. The percentage of those individuals continuing their education upon completion of the sixth grade was 73% in 1970. The retention rate for all secondary students (that is, grad-

⁵¹ Ibid., p. 63.

⁵² Ibid., p. 64.

⁵³ Ibid.

⁵⁴ Merrick, p. 11.

uation from high school) was 23.3% in 1970.⁵⁵ Thus, assuming 1970 educational conditions, from the group of Ecuadorean children aged five years we might expect only 2.86% to become high school graduates.

Unfortunately for Ecuador, higher education has not only come to a standstill in preparatory-level universities (equivalent to U.S. junior colleges) but has actually been unfavorable for the nation's main collegiate institutions. In 1970, Ecuador's major universities were closed down because of the increasing costs of elementary and secondary education. Only 15% of those originally enrolled in higher education in 1965 advanced beyond the second year. Also, orientation in the universities had been toward the agricultural sector of the economy and was "not consistent with the aims of general industrialization and technification."⁵⁶ Today, methods are being studied in regard to qualitative restructuring (funds from oil production are expected to provide higher education financing). These include: (1) programs in the field of research; (2) specialization in higher education; (3) more emphasis on analytical education; (4) elimination of preparatory courses; and (5) increases in the salaries of university faculties.⁵⁷ One negative result of the meager emphasis on higher education and research has been the emigration of professional manpower. In the 1962-1966 period, 1495 university-trained professional and technical workers emigrated to the U.S. alone.⁵⁸

The following table represents public expenditures for education and indicates that the educational problem is not one of decreasing funds.

Table 8: Distribution of Ecuadorean Public Expenditures for Education

	Total Budget for Education	Elementary Level (%)	Secondary Level (%)	University Level (%)
1965	\$25,400,000	50.3%	28.1%	15.1%
1966	28,800,000	53.7%	27.2%	15.1%
1967	36,700,000	48.3%	30.1%	16.7%
1968	50,500,000	49.1%	29.2%	20.2%
1969	56,500,000	49.0%	35.3%	14.2%
1970	72,600,000	44.3%	40.1%	13.5%

Source: Inter-American Committee on the Alliance for Progress, Domestic Efforts and the Needs for External Financing for the Development of Ecuador (Washington, 1971).

⁵⁵ Domestic Efforts and the Needs for External Financing for the Development of Ecuador, p. 65.

⁵⁶ Ibid., p. 67.

⁵⁷ Ibid., p. 68.

⁵⁸ Deena Khatkhate, "The Brain Drain," Finance and Development, January, 1970, p. 36.

In fact, Ecuador has received an additional \$29,000,000 in grants from foreign and international organizations (CARE, AID, UNICEF, Rockefeller Foundation, WHO, World Bank) for educational projects. In comparing the apportionments for each level from year to year, the excessive degree of inefficiency seems to negate the increases in financial expenditures. Of course, the rapid population growth is primarily the most significant factor. But, another factor is the high dropout and grade-repeat rate in elementary school. The heavily theoretical and/or agricultural orientation is just not conducive to interest in learning. Of students who enter the first grade in any given year, only 56.7% advance to the second grade (17.9% repeat the first grade and 25.4% drop out). In secondary education, only 65.6% of first-year students advance to the second year without repeating. Another basic characteristic of Ecuador's educational system is that secondary education is only available in population centers of 5,000 or more.⁵⁹ Since Ecuador's population is only 38.5% urban, a great many potential students lose the opportunity for higher education merely because of their residence or their parents' lack of mobility.

As serious as Ecuador's educational deficiencies appear to be, they are even worse than surface statistics indicate. About 20% of the school enrollment in Ecuador and 25% of the total cost of education is borne by private institutions (most notably the Roman Catholic Church). Since the public schools are not capable of handling even half of the school-age children (the public primary schools only enroll a dismal 46% of all potential students) and the income distribution of the nation (see Table 9 on the following page) precludes most parents sending their child to a private school, a great many children simply do not have any educational opportunity.

⁵⁹ Domestic Efforts and the Needs for External Financing for the Development of Ecuador, pp. 64-65.

Table 9: Income Distribution in Ecuador, by Docile (1969)

Docile	Cumulative	% of Total Income	Cumulative
10% (Lowest)	10%	2.0%	2.0%
10%	20%	2.4%	4.4%
10%	30%	2.6%	7.0%
10%	40%	3.0%	10.0%
10%	50%	3.4%	13.4%
10%	60%	4.6%	18.0%
10%	70%	5.0%	23.0%
10%	80%	6.6%	29.6%
10%	90%	12.4%	42.0%
10% (Highest)	100%	58.0%	100.0%

Source: Agency for International Development, Land Reform in Ecuador (Washington, 1970).

The result of such a degree of inefficiency has been the underutilization of human resources. Primarily, Ecuador has failed to make a dent in the illiteracy rate of its population. In 1962, 67.5% of Ecuadorians were literate; by 1969, that percentage had risen to only 68%.⁶⁰

Over 53% of Ecuador's two million workers are engaged in agriculture.⁶¹ Since 16% of Ecuador's total land area is arable or used for pasture (or one worker per five acres) and the current rate of growth of the agricultural labor force is 2.5% annually (less than the total labor force), the migration from rural to urban areas also implies an increasing number of unskilled (and possibly illiterate) workers in the cities. Further, agricultural production only grew at a rate of 3.5% per year between 1958 and 1968--a yearly increase in production per worker of one percent.⁶² Therefore, it appears that Ecuador's agricultural sector may not be able to utilize this tremendously large labor force segment. United States A.I.D. studies show that "sub-family farms" (capable of employing only one or two individuals) comprise 90% of the total farms in Ecuador.⁶³

Since the costs of exploiting the frontiers would be too great, many farm workers are simply migrating to urban centers. Consequently, the urban labor force will increase. However, it will still be unskilled.

⁶⁰ Latin America: Economic Growth Trends, p. 10.

⁶¹ Population Program Assistance, Agency for International Development (Washington, 1971), p. 151.

⁶² Merrick, p. 14.

⁶³ Ibid.

Most urban workers seek positions in manufacturing, but the number of new jobs being created there each year (about 6,900) dictates that these individuals will be absorbed into low-productivity positions under "services and commerce" (which create 19,400 new jobs annually). Since only a very small percentage of the labor force has even completed primary school, the contribution of these workers in changing "the basic pattern of underutilized resources" should be very minor.⁶⁴ Thus, simply having more bodies to contribute to the development process is not so important as having individuals with skills (or the basic educational background in order to be able to learn) and employment to match.

Health

Compared to the developed nations in the world, Ecuador maintains very poor health standards. Certainly, the millstone of population growth prohibits very much progress. However, compared to twenty years ago, Ecuadorians enjoy a much healthier existence. Life expectancy was only 52 years in 1970, but in 1950 it was only 44. Infant mortality in 1970 was still 80 per 1000 live births, but in 1945 it had been 146.9. The death rate, 25.1 per 1000 population in 1940, had dropped to 10.8 by 1968. In 1965 there were 476 Ecuadorians per hospital bed in the nation and 2941 individuals for every physician. By 1970, those statistics had decreased to 410 and 2770, respectively. The daily caloric intake for each Ecuadorian in 1967 was 2020; by 1969, it was 2230.⁶⁵

In relation to other LDCs, Ecuador has made substantial progress in health conditions during the past decade. Basically, the progress has been the result of a coordinated program developed by the Ecuadorean Association of Medical Faculties and the Institute of Planning for Social Development. Most LDCs have programs (usually sponsored by developed foreign nations) which promote inoculations, sanitary conditions, and nutrition. Ecuador has also developed these preventive measures (to a limited extent) but has attempted to accomplish it through a series of rural clinics. Since greater than 60% of Ecuador's population lives in rural areas, emphasis on large, multi-million dollar hospitals would not really be effective. The stress

⁶⁴Ibid., p. 16

⁶⁵United Nations, Demographic Yearbook, an annual publication, and Latin America: Economic Growth Trends.

in the rural clinic program in Ecuador has been concentrated mainly on pediatrics, obstetrics (and midwifery), nursing, and out-patient services.⁶⁶ In fact, not many physicians work at these clinics; their functions are performed at provincial hospitals and lesser duties are delegated to nurses and para-medics.

In the early 1960s one of the goals of public health was to provide potable water and sewage disposal for 70% of the Ecuadorean urban population and half of the rural population. By 1969, 67% of the urban population was receiving these services; however, only 18% of the rural population was so served. Another goal was the eradication of most communicable diseases, especially malaria. All newborns and immigrants, as well as 20% of the rest of the population, have received smallpox vaccinations in recent years. Deaths among children under five years of age accounted for about 44% of all deaths in the early 1960s.⁶⁷ By the end of the decade, infant mortality had been reduced by 23.2%. The death rate of the population as a whole decreased from 17.8 per 1000 population in 1960 to 10.8/1000 in 1968.⁶⁸

Transportation and Communication

In 1964, the U.S. Agency for International Development allotted a sum of \$13.3 million for a highway construction and maintenance program in Ecuador.⁶⁹ As a result mostly of U.S. funds and technical assistance, Ecuadoreans in 1970 had 17,540 kilometers of all-weather paved highways (in addition to the approximately 500 kilometers of Pan-American Highway that runs north-south through the middle of the nation) on which to drive their 58,000 private motor vehicles.⁷⁰ While the new highways have not as yet significantly provided private citizens with increased transportation services (simply because few have motor vehicles), they have the direct cause of increased highway freight transportation. As a result of additional trucking, railway freight net ton-kilometers decreased from 125.2 million in 1964 to 67.2 million in 1970. However, because the railroad system has decreased in importance as a freight carrier, Ecuadoreans are now enjoying

⁶⁶ Population Program Assistance, p. 151.

⁶⁷ 1970 Year-end Review of the Alliance for Progress, Department of State (Washington, 1971), pp. 32-34.

⁶⁸ Latin America: Economic Growth Trends, p. 10.

⁶⁹ Annual Report to Congress FY 1964, Department of State (Washington, 1964).

⁷⁰ Latin America: Economic Growth Trends, p. 10.

increased passenger service on railroads. Since most citizens would find private vehicles too expensive to own, the opening up of the railroad system to their travel has furthered their mobility and leisure. In 1966, railroad passenger-kilometers totalled 52.56 million (9.8 kilometers per capita); by 1970, that figure had risen to nearly 85 million (13.9 kilometers per capita).⁷¹

Ecuador's highway system has been reasonably efficient because the emphasis in transportation construction in recent years has been placed on development of highways into rural areas which had been virtually isolated from major networks of transportation. Other emphasis (and especially the major portion of the \$13.3 million loan from the United States in 1964) has been on developing maintenance shops and equipment.⁷²

International transportation is limited but available. Deep seaports exist at Guayaquil (on the southwestern tip of Ecuador) and Esmeraldas on the North. Esmeraldas is the point of destination for the oil pipeline and should be a very busy port beginning this year. International airports exist at Guayaquil and Quito. Since few Ecuadorians seem to possess the capability, desire, or interest to travel beyond the confines of their own regions, the international facilities are more than sufficient for present freight and travel. It is primarily necessary to build the income and educational bases of the population before providing roads to nowhere.

Communications continue to be improved but it is difficult to gauge detailed progress because only incomplete data exists. Assisted by A.I.D., Ecuador has formed a nationwide textbook program, through state bookstores, where books are offered at minimal cost or rental.⁷³ In 1950 there were only 0.49 copies of newspapers per 1000 population; but, by 1970, there were 44/1000.⁷⁴ However, since one-third of the population is illiterate, the effect of increased copies of newspapers and textbooks could very well be negligible.

Far more important to mass communications is the presence of radio broadcasting stations. In 1970 there were 240 such stations in Ecuador-- in distributive terms, one for every 25,370 individuals and 280 square

⁷¹United Nations, Monthly Bulletin of Statistics.

⁷²1970 Year-end Review of the Alliance for Progress, p. 51.

⁷³Ibid., p. 44.

⁷⁴Latin America: Economic Growth Trends, p. 11.

miles. Such a ratio is exceptionally good. By comparison, in the United States there is one station per 32,500 persons and 570 square miles.⁷⁵ Since radios are relatively inexpensive and quite mobile, radio broadcasting transmission has become the major source of news information for Ecuadoreans.

Land Reform

In W.W. Rostow's historic book, The Stages of Economic Growth, he states that the general functions of agriculture, supplying resources, demand, and tax revenues, must be augmented by a yield of surplus income to be applied to the modern sector. That is, as he concluded from Adam Smith in Wealth of Nations, "surplus income derived from ownership of land must, somehow, be transferred out of the hands of those who would sterilize it in prodigal living into the hands of the productive men who will invest it in the modern sector and then regularly plough back their profits as output and productivity rise."⁷⁶

In Ecuador, agriculture has never been exceptionally productive employment (unless one owns rather large farms or plantations). Unfortunately, for the better than one million Ecuadorean farm workers in 1965, only 29.6% of the agricultural income of the nation went to the subsistence strata of the active agricultural population. That strata composes 80% of the total and received an income per capita of \$188 annually. The 2.3% of the active agricultural population who could be classed as high-income received 34.7% of the agricultural income (or \$7,640 per capita).⁷⁷

In 1963, President Carlos Arosemena established the first procedures for a law of agrarian reform to be effected in August of that year. Upon Arosemena's untimely political demise, the bill was shelved indefinitely. However, the military junta which had assumed power soon found that popular demand for the bill still remained fervent. It was finally passed in July, 1964.⁷⁸

⁷⁵Ibid.

⁷⁶Rostow, pp. 23-24.

⁷⁷Land Reform in Ecuador, p. 29.

⁷⁸Ibid., pp. 1-2.

Without engaging in a lengthy discussion of the bill, let us look briefly at its accomplishments. Approximately 17,000 tenant farmers, who had worked 4-6 days a week for a landowner in return for usage of a subsistence sector, were given their plots (about 60,000 hectares* in all). The previous owners were compensated fairly but had no choice in selling. Another 73,197 hectares were bought by the government from larger landowners and given (or sold at a minimal price) to small and medium owners or tenants. A further 364,934 hectares were legalized as government properties and adjudications for colonizing lands and distributed free. In total, 38,399 families were affected; and 517,049 hectares of land were redistributed.⁷⁹

Table 10: Ecuador--Changes in Land Tenure Structure (1954-1968)

Size of Farms	Percent Relationships			
	Number of Farms		Total Area	
	1954	1968	1954	1968
0-5 Hectares	73.0%	74.2%	7.2%	10.2%
6-9	10.5%	10.8%	4.5%	6.7%
10-19	6.5%	5.7%	4.9%	7.0%
20-49	5.6%	5.2%	9.9%	14.7%
50-99	2.4%	2.5%	9.1%	14.1%
100-499	1.7%	1.3%	19.2%	23.8%
500-999	0.2%	0.2%	7.8%	9.1%
1000 or more	0.1%	0.1%	37.4%	14.4%
	100.0%	100.0%	100.0%	100.0%

Source: Agency for International Development, Land Reform in Ecuador (Washington, 1970).

Unfortunately, while land reform in Ecuador has had a succinct effect upon the size and distribution of farms (see Table 10), it seems to have had little effect upon agricultural production (see Table 11). Even though a great deal of the decreased productivity must be shouldered by the lack of improved seeds, fertilizers, irrigation, water control, technical assistance, and agricultural credit, at least some of the fault must be carried by the land reform. The change in the land tenure structure had

*One hectare=2.471 acres

⁷⁹Ibid., p. 47.

the effect of reducing in average size every type of farm except those in the 20-49 hectare size (which increased from an average holding of 30.47 hectares to 31.10).⁸⁰

Table 10a: Ecuador--Changes in Number of Farms and Land Area for the Period 1954-1968

<u>Size of Farms</u>	<u>% Increase in Number of Farms</u>	<u>% Increase in Land Area</u>
0-5 Hectares	86.9%	64.1%
6-9	89.3%	71.5%
10-19	69.3%	65.0%
20-49	68.6%	72.1%
50-99	86.8%	78.5%
100-499	46.3%	42.5%
500-999	38.8%	36.5%
1000 or more	-39.4%	-55.4%

Source: Same as Table 10.

Table 11: Productivity of Ecuador's Main Agricultural Products
(in quintals* per hectare)

<u>Crop</u>	<u>1954</u>	<u>1968</u>
Corn	13.2	10.0
Barley	10.4	11.0
Wheat	12.8	17.5
Potatoes	83.1	111.3
Rice	29.5	11.4
Bananas	539.4	422.8
Cacao	5.4	3.9
Coffee	9.2	6.5

Source: Same as Table 10.

When land is privately-owned but each holding is a tiny plot (such as has become the increasing case in Ecuador), "the application of modern equipment and techniques becomes technically impossible. Because of the ownership pattern alone, people may be condemned to stick to 2000-year-old

⁸⁰Ibid., pp. 68-69.

*One quintal=100 kilograms=220.46 pounds

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methods of cultivation....and be prevented from raising output."⁸¹

As of 1970, the Ecuadorean institute in charge of agrarian reform did not even have a chance to regroup its forces and provide an evaluative critique. When the military junta which had succeeded President Arosemena withdrew from power, the agrarian reform division of the government was the first to have funds cut and has been unable to function sufficiently since to carry out completely the plans and projects optimistically contrived in 1964. At the end of 1970 agrarian reform had merely become a cosmetic entity of the central government.⁸²

Role of the Church

Certainly the most immediate social problem confronting Ecuador is its rapid population growth. The role of the Roman Catholic Church has been very influential in that growth. The relationships between the various ethnic groups and social classes of the country have changed very little in recent years, and since over 60% of Ecuador's population lives in rural areas (where social services are scarce), the Church has been the central function in the lives of the poor. Men who cannot secure justice (i.e., a decent, healthy existence) on Earth will turn to a more fulfilling substitute. The Church has been that fulfillment for the poor. In turn, the staunch position of the Catholic Church against artificial birth control has undoubtedly been received by the poor without question, and has prohibited a significant reduction in the overall birth rate of the nation. The religious role has not inhibited birth control in all nations (i.e., Italy's birth rate=17), but until the poor receive more fulfillment in their earthly lives, from the government, the unofficial law of the Church will stand.

Summary

At the present time, nearly all political and business eyes are focused upon the promise of petroleum as redemption for Ecuador from its status of poverty. Certainly, it seems that without oil the nation would find it extremely difficult to move to the takeoff stage of economic growth. Early

⁸¹ Kohler, p. 566.

⁸² Ecuador: Land Sale Guaranty, Agency for International Development (Washington, 1970), p. VII-15.

this year President Velasco was deposed again (the fourth time) in favor of another military junta. The effect of his demise will be unknown for awhile, but his successors have publicly recognized the need to work toward the goal of petroleum exploitation and "material improvement of the low-income masses."⁸³ It is estimated that oil revenues in 1972 could reach \$30-40 million for the government of Ecuador.

Whatever government is in power this year will probably not change the present free-enterprise economy or become unorthodox. Unless the money is used to solve the problems of development and social conditions, the government would be subject to any radical-nationalistic attempt to reject traditional economic policies.⁸⁴ The Ecuadorean Student Federation summed the feelings of youth in the nation in 1961: "we do not want foreign gold to come here to perpetuate the archaic structures of inequality. The rupture of the old agrarian molds must be demanded. Inadequate and unjust systems must be reformed. All we want to do is help develop our country for the benefit of all the people."⁸⁵

Perhaps too much emphasis is being placed on oil as the medium of deliverance. Reform must come from people, and agrarian societies characteristically demand little. Professor Rostow states that a reactive nationalism and "men holding effective authority or influence who have been willing to uproot traditional societies have been a most important and powerful motive force in the transition to modern societies from traditional ones."⁸⁶ Thus far, Ecuador has seen no leader who has possessed the effective authority; and, with Dr. Velasco's upheaval, may be further from the takeoff than imagined.

It will be extremely necessary at this stage in Ecuador's economic and social development for an exceptionally strong leader to emerge and unite all factors of the total society. The oil will undoubtedly finance a great deal of welfare improvements for Ecuadoreans but a substantial amount may be siphoned off by the inefficiencies of administration.

⁸³ Foreign Economic Trends: Ecuador, Department of Commerce (Washington, 1972), p. 5.

⁸⁴ Ibid.

⁸⁵ "Upheaval in Ecuador," The New Republic (November 30, 1961), p. 6.

⁸⁶ Rostow, p. 26.

Republic of Turkey

The present Republic of Turkey was founded in 1923 by a man named Mustafa Kemal (more widely known as Ataturk) after the dissolution of the 600-year-old Ottoman Empire. At the height of its power, the Empire controlled some parts of North Africa, southeastern Europe, and western Asia; but after failing to keep pace sociologically and technologically with the European nations in the 19th century, its influence soon became fragmented and shunned by the several nations of the Empire seeking their independence. Following the Ottoman participation as one of Germany's allies in World War One, Turkey was stripped of most of its former territories and occupied partially by the military forces of the victorious European countries. Under the leadership of Ataturk, Turkish nationalists denounced the Ottoman structure and formed the Republic.⁸⁷

In the Republic of Ecuador there exists a class system which is primarily based upon economics; that is, the amount of one's income is the determining factor of one's ability to enter an elitest career in politics, banking, and the military officer corps. On the other hand, while historically maintaining an equally strict class system (at least until the past decade), Turkey has based its separation on family position and castes. Politically, prior to 1960, the men responsible for governing Turkey were distinct enough from the rest of the population in education, outlook, and family to be appropriately thought of as the "ruling elite."⁸⁸ "The distinction between rulers and subjects in Turkey has traditionally rested on education"⁸⁹ but higher education has been, even as late as the 1950s, only open to those individuals whose upbringing has taught them the disdainment of physical work, the subtleties of refined speech, and moderation in action (passions) and word.⁹⁰ Such a society had been quietly closed to the

⁸⁷ Republic of Turkey: Background Notes, Department of State (Washington, 1971), p. 1.

⁸⁸ Frederic Shorter, Four Studies on the Economic Development of Turkey (London, 1967), p. 5.

⁸⁹ Ibid., p. 6.

⁹⁰ Ibid., p. 7.

great majority of the population for centuries. Historically, Turkish leaders were trained specifically for careers in civil service at universities in Ankara or Istanbul. In 1959 over half of the students at the Faculty of Political Science (the government-operated civil service academy) were children of Turkish public servants. Other men could choose an equally impressive career in the military and be trained at various officers' schools and the elite General Staff College.⁹¹

Government Administration

Until 1946, the old "First Republic" was maintained by a one-party system (the Republican People's Party); and much of the Turkish Grand National Assembly (similar to the U.S. Congress) was comprised of the government elite. In 1946 the Democratic Party appeared and steadily increased its influence in subsequent years.⁹² Finally, in 1950, the Democrats forced a general election and their candidate, Adnan Menderes, was elected Prime Minister. Meanwhile, the percentage of government bureaucrats in the National Assembly decreased from 44% in 1946 to 22% in 1950, and 21% in 1954.⁹³ Mr. Menderes ruled for ten years until "economic difficulties and internal political tensions culminated in a military coup d'etat on May 27, 1960."⁹⁴ Mr. Menderes was ultimately executed.

The Committee of National Union governed while a new constitution was formulated and approved (by a popular referendum) and elections held. In the elections of 1961, no party emerged as the dominant one; and for four years a series of coalition administrations governed.

In 1965 the Justice Party came to power with the election of Suleyman Demirel as Prime Minister. Demirel, an engineer prominent in development policies during the 1950s, represented a reconciliation of the military and ex-Democrats. In 1969 Demirel was reelected and, although he received a reduced percentage of the popular vote, his Justice Party finally won a majority of the National Assembly seats. However, public disruptions, which had begun in 1968, increased steadily over the following three years.

⁹¹ Ibid., p. 6.

⁹² Ibid.

⁹³ Ibid.

⁹⁴ Republic of Turkey: Background Notes, p. 3.

Basically, leftist radicals who opposed the populist government staged a series of violent demonstrations. Gradually a counter-revolutionary right-wing movement emerged, and the clashes became more and more pronounced. Over 20 student-aged youths had been killed by early 1971.⁹⁵

In March, 1971 Mr. Demirel resigned. In the face of the problems in Turkey it is great wonder that his sanity had survived at all. Unemployment affected two million workers (nearly 10%), and laborites were rioting over a federal law designed to trim union power. Inflation was seven percent in 1970, and the currency had been devalued by 40%.⁹⁶ In any case, a university professor, Dr. Nihat Erim, was designated by the Turkish president (equivalent to a U.S. vice-president), then head of state, to be the new Prime Minister. Dr. Erim established a non-party government and formed a Council of Ministers from the three largest political parties in Turkey. The basic form of government was not changed but Dr. Erim hoped to give greater representation to all political thought. This is the present political structure in Turkey and is currently enforced by martial law. It is expected, however, that the normal role of the political parties will be restored in the next general elections in 1973.⁹⁷

Economic Conditions

In 1960 Turkey was basically at a crossroads in its economic and political history. With the Democratic government recently dissolved, it was necessary for Turkish leaders to examine closely the state of the union. Per capita GNP was only a little over \$200, only 39.5% of the people could read and write, the population was increasing at a rate of nearly 3% per year (versus an annual average increase of real GNP of 0.6%), and a huge trade deficit (valued at 46% of 1960 exports) had been encountered for the fifth year in a row.⁹⁸ Furthermore, businessmen, farmers, and organized laborites were demanding more financial benefits; and only a growing economy could provide them. Therefore, one of the biting issues confronting the military coup was a summons for government action in the

⁹⁵Ibid.

⁹⁶"Turkey--are generals good for business?" The Economist (October 23, 1971), p. 94.

⁹⁷Republic of Turkey: Background Notes, p. 4.

⁹⁸United Nations, Monthly Bulletin of Statistics.

promotion of economic development.

Fortunately, U.S. economic assistance to turkey had totalled over \$930 million by the end of 1960 (see Table 12) and somewhat lessened previous economic irregularities. But more pressure was expected to come for

Table 12: U.S. Economic Assistance to Turkey, excluding Eximbank
(\$ million)

	<u>Loans</u>	<u>Grants</u>	<u>Total</u>
1949	\$ 33.8	-	\$ 33.8
1950	40.0	\$ 31.9	71.9
1951	-	49.8	49.8
1952	11.2	58.4	69.6
1953	-	58.6	58.6
1954	-	78.7	78.7
1955	20.0	70.4	90.4
1956	25.0	83.6	108.6
1957	25.0	32.7	57.7
1958	10.0	71.7	81.7
1959	37.5	104.3	141.8
1960	6.0	85.5	91.5
1961	117.3	82.8	200.1
1962	10.0	60.8	70.8
1963	72.3	56.4	128.7
1964	122.5	8.4	130.9
1965	152.6	3.8	156.3
1966	135.3	4.1	139.3
1967	130.3	3.6	133.9
1968	52.5	4.0	56.4
1969	29.5	3.2	32.7
1970	37.3	3.1	40.4
	<u>\$1,068.1</u>	<u>\$955.5</u>	<u>\$2,023.6</u>

Principal Repayments: \$ 37.3
Interest Collected: 115.5

Source: Agency for International Development, U.S. Economic Assistance Programs Administered by A.I.D. and Predecessor Agencies (Washington, 1971).

additional internal financing of development. Such pressure was naturally expected to sharpen conflicts because the additional internal financing had to come from heavier taxes--which would be apportioned among industrialists, salary and wage earners, landowners, and farmers--or inflation--which would shift the burden to the consumer, especially government employees and others on fixed income.⁹⁹ In 1961, the crisis year, the United States reduced the

⁹⁹Shorter, p. 27.

burden by advancing to Turkey over \$200 million in economic aid. Although U.S. aid dropped to \$70.8 million in 1962, it increased to \$128.7 million in 1963 and continued at about the same level for the following four years. Also, in 1961, the USSR granted Turkey \$10 million and, in 1964, another \$200 million.¹⁰⁰

In 1961, Turkey announced an economic development period of fifteen years, to be divided into three five-year cycles. The first five years (1962-1966) were to be characterized by concentration on a 7% annual increase in real GNP and a further increase in the ratio of gross fixed capital formation to GNP of three percentage points.¹⁰¹ As the following table indicates, real GNP increased at an average annual rate of 6.4% during the first development period. Even more significant was the average

Table 13: Growth in Real GNP, Turkey, 1961-1970 (1961 base)

	(\$ million)		Real GNP Per Capita	% Change
	Real GNP	% Change		
1961	\$5,500	-	\$193	-
1962	5,833	6.1%	200	3.6%
1963	6,267	7.4%	209	4.5%
1964	6,597	4.8%	216	3.3%
1965	6,800	3.5%	218	0.9%
1966	7,489	10.1%	234	7.3%
1967	7,956	6.2%	243	3.4%
1968	8,489	6.7%	253	4.5%
1969	8,989	5.9%	261	3.2%
1970	9,492	5.6%	267	2.3%

Source: United Nations, Monthly Bulletin of Statistics.

increase in per capita real GNP--4.9% per year. Gross fixed capital formation as a percentage of GNP increased from 14.4% in 1961 to 16.2% in 1966.

In response to a 72% devaluation of the currency in 1961, imports only increased by 29%.¹⁰² Turkish steel production by 1966 totalled

¹⁰⁰ Janos Horvath, "Economic Aid Flow from the USSR: A Recount of the First Fifteen Years," Slavic Review, December, 1970, p. 26.

¹⁰¹ Harry Howard, "Turkey: A Contemporary Survey," Current History, March, 1969, p. 143.

¹⁰² International Monetary Fund, International Financial Statistics.

842,400 metric tons, an increase of over 200% from 1960; and crude petroleum production was 2,040,000 metric tons--over 500% increase from 1960. Electrical production was up 56% from 1962-1966; and industrial production, 58%. The money supply, meanwhile, increased by 63.8% in the first development stage. While the economy had not quite performed in the projected fashion, realistically it did quite well. In actuality, it was the first hint of a sustained period of economic growth in Turkish history.¹⁰³

Other factors indicated a trend, though slight, toward modernization. In 1962 agricultural products accounted for 87.9% of exports, and manufactures accounted for 5.4%. By 1966, those percentages were 85.2% and 5.9%, respectively.¹⁰⁴ Of further importance, agricultural production accounted for 35.6% of GNP in 1962 but only 31.9% in 1966. Manufactures increased from 13.0% of GNP in 1962 to 14.1% in 1966.¹⁰⁵ The production of Turkey's three major exports--cotton, tobacco, and nuts--increased in the 1962-1966 period by 56%, 82%, and 31%, respectively.¹⁰⁶

In the second five-year period (1967-1971), Turkey plotted the same goals as in the previous plan but with stress on industrial development, improved education, and modernization of agriculture. Although statistics for 1971 are either unavailable or incomplete, it is visible that Turkey did as well in the 1967-1970 period as it had done in the first plan in most phases. However, as will be shown, it did not diminish the bulk of social problems confronting the Turkish people and government.

From 1967-1970 real GNP increased by an average 6.1% annually, and per capita real GNP increased by 3.4% per year. Such increases, while not spectacular, would certainly be respectable in any developed nation.¹⁰⁷ Gross fixed capital formation continued to increase--from 16.2% of GNP in 1966 to 19.1% in 1969.¹⁰⁸

¹⁰³United Nations, Monthly Bulletin of Statistics.

¹⁰⁴Economic and Social Indicators: Turkey, Agency for International Development (Washington, 1971), p. 34.

¹⁰⁵Ibid., p. 15.

¹⁰⁶Ibid., p. 22.

¹⁰⁷United Nations, Monthly Bulletin of Statistics.

¹⁰⁸International Monetary Fund, International Financial Statistics.

In many other respects Turkey was also moving ahead at a respectable pace. The index of manufacturing production showed a 96% increase from 1963 to 1970, and electrical production was 206% greater in 1970 than in 1960. Additionally, two great dams were under construction (one, the Keban Dam on the Euphrates River, is expected to have a generating capacity of 1.24 million kilowatt hours in late 1972).¹⁰⁹ Crude steel production in 1970 was nearly five times that in 1960, and cement production was doubled from 1964 to 1970. Iron ore production tripled from 1964 to 1969. Crude oil output had increased from 2.04 million metric tons in 1966 to 3,456,000 in 1970.¹¹⁰

These figures in themselves do not indicate the success of the second five-year plan; however, they do show an identifiable trend or emphasis on the part of the Turkish government to decrease dependence on the agricultural sector. In fact, in 1970, agricultural products comprised 80.3% of all Turkish exports (down from 87.9% in 1962); and manufactures were 10.5% (up from 5.4% in 1962).

Turkey is essentially attempting to narrow the gap between its economy and the more advanced economies of Western Europe. Thus, domestically, its major policy is economic development coupled with financial stability. The main burden in the path of this goal is the "need for increased foreign exchange earnings to match the growing cost of the imports required for development."¹¹¹ By 1969, foreign exchange was at the low level of \$45.7 million; and Turkey continued to be heavily dependent upon external assistance for development and debts.

By 1970 U.S. aid to Turkey was only \$40.4 million, and American officials indicated that aid would go much lower unless Turkey showed a greater willingness to force its farmers to cease growth of the poppies used in the production of opium and heroin.¹¹² Nevertheless, a consortium of 14 donor nations and the World Bank--organized in 1962 under the Organization for Economic Cooperation and Development (OECD)--has extended about \$2.3 billion

¹⁰⁹Howard, p. 143.

¹¹⁰United Nations, Monthly Bulletin of Statistics.

¹¹¹Republic of Turkey: Background Notes, p. 5.

¹¹²"Never Mind the Noise," Time (July 27, 1970), p. 20.

in financial and technical assistance from 1963 through 1970. The International Monetary Fund (IMF) and the European Monetary Agreement have lended further assistance by organizing standby arrangements and short-term credits with Turkey. It is thus quite apparent that the period of sustained growth experienced by Turkey during the 1960s would have been extremely difficult to achieve without the exogenous aid from the developed nations.¹¹³

Turkey's emphasis upon industrial development has produced scattered results (as indicated above); but, since a great deal of the industrial sector is devoted to assembly rather than basic manufacture, it is heavily dependent upon high-cost imports. Since state economic enterprises own about half of the industrially productive apparatus in Turkey and have been operating only by heavy internal borrowing, the heavily directed flow of money toward planned investment plus the arrant cost of income maintenance and welfare was putting a severe strain on the Turkish budget. Furthermore, Turkish wage increases up to 1970 far outstripped the productivity increases; and industrialists passed them along as price increases. As a result, industrial exports (textiles and clothing, chrome, food products, metal manufactures) became internationally less-competitive, and inflation (7% in 1970 and 5% in 1969) began causing alarm.¹¹⁴

Turkey's imports basically fall into the broad categories of machinery and raw materials, and its main exports are cotton and tobacco (29.4% and 13.4%, respectively). Imports in 1970 totalled \$948 million and exports, \$588 million. The main Turkish trading partner is the United States. In 1970 U.S. exports to Turkey amounted to \$194 million; and imports from Turkey were valued at \$56 million.¹¹⁵

By early 1971 the economic picture in Turkey did not appear particularly bright. Unemployment (as previously mentioned) was high, and investment and capital goods industries were down. Most consumer durables were selling briskly; and, with the 67% currency devaluation in 1970, commercial bank deposits were high. Loan demand was, however, reported to be low--reflecting reluctance on the part of domestic business to expand and private foreign business to invest. Central Bank advances to the private sector were down \$133 million (about 50%) over 1969, but "advances to the Treasury and

¹¹³ Republic of Turkey: Background Notes, p. 5.

¹¹⁴ Foreign Economic Trends: Turkey, Department of Commerce (Washington, 1970), p. 4.

¹¹⁵ Republic of Turkey: Background Notes, p. 6.

the official Cereals Purchasing Agency" were very high. State-owned utilities sharply increased their prices in order to diminish deficits and provide investment funds. Further, by the fall of 1971 the wholesale price level had increased by about 14% since the beginning of the year.¹¹⁶

Because over 70% of Turkey's labor force is engaged in agriculture with only 25.4% of the GNP (but roughly two-thirds of foreign exchange reserves) being derived from that sector, the second major task in the second 5-year period was the modernization of and increased production from agriculture.¹¹⁷ In 1969 Turkey's heavily weather-dependent agricultural sector was limited to a zero growth rate by a lengthy and nearly devastating drought. It had been hoped that in 1969 wheat, its principal food crop, would cover domestic consumption; but the poor weather negated that confidence. In 1968 Turkey had been forced to import nearly 400,000 tons of wheat; and in 1969 that figure rose to 850,000 tons. However, by the early part of 1970, Turkey had increased its tractor production to 19,000 annually and had approximately 110,000 in force (compared to 65,000 in 1966).¹¹⁸

By early 1971, aided by good weather in 1970, agriculture appeared to be one of the most productive sectors of the Turkish economy. The record wheat harvest in 1970 amounted to 13 million tons, an increase of 30% over 1969.¹¹⁹ Agricultural production of major exports appeared good despite a 22.5% decrease in tobacco from 1966 to 1970. Cotton production during the same period was up about 5%; and unshelled nut output increased from 71,000 metric tons in 1967 to 170,000 in 1970.¹²⁰ However, since agricultural production is maintained by the Turkish government through support prices, the accumulation of large stocks of tobacco during the years of overproduction caused the decrease in tobacco output to be little felt. In May, 1971, the government increased support and purchase prices by 18%; and the main question pondering Turkish leaders now is whether this flow of funds to the agricultural sector will stimulate investment and manufacturing or whether it will be saved. If the local supply cannot

¹¹⁶ Foreign Economic Trends: Turkey, Department of Commerce (Washington, 1971), p. 6.

¹¹⁷ "Turkey--are generals good for business?" p. 94.

¹¹⁸ Columbia University, The International Institute for the Study of Human Reproduction, Country Profiles: Turkey (New York, 1970), p. 3.

¹¹⁹ Foreign Economic Trends: Turkey (1971), p. 7.

¹²⁰ Economic and Social Indicators: Turkey, p. 22.

grow to meet probable increases in demand, those funds may increase inflation.

Population Problems

Mr. Sicco Mansholt, current president of the Common Market Commission, said recently that "gross national product....has been thought of as something sacred. But GNP is diabolical. We must think, instead, of our people's happiness."¹²¹ So important have economic trends become in Turkey that little notice has been given to aiding the plight of the great majority of Turkish people.

One of the major problems facing Turkey today is overpopulation. While the population growth rate (2.3% in 1971 and about 2.59% annually over the past five years) is not as serious as in Ecuador, it has been recognized as a definite burden to economic and social well-being. In 1970 the birth rate in Turkey was 40 per 1000 population while the death rate had dropped to a respectable 13/1000. Probably the only thing that has kept Turkey from growing even faster has been its horrendous infant mortality rate, 119 per 1000 live births, one of the highest in the world.¹²² Population density is only 120 per square mile (which is not particularly serious) but the present growth rate dictates a total population doubling time of about 30 years.¹²³

Turkey's population problems have further compounded the already serious circumstances surrounding the planned shift from an agricultural society to an industrialized one. Specifically, the agricultural sector has for the past two decades become increasingly unable to handle its growing unproductive population (i.e., the subsistence farm family) and the underdeveloped industrial sector is not prepared to yet accept the full load. The afore-mentioned tractor production has had another effect besides increasing potential efficiency--each tractor displaces approximately 70 farm workers (or one million annually).¹²⁴ About 735,000 of

¹²¹"The Mansholt Jolt," Time (April 10, 1972), p. 29.

¹²²Population Program Assistance, p. 194.

¹²³Population theorists use the general formula, $70 \div \text{the annual growth rate}$, to predict how many years it will take for a nation to double its present population.

¹²⁴Country Profiles: Turkey, p. 3.

these workers are entering the non-agricultural labor force each year. The State Planning Office predicts that only 500,000 new non-agricultural jobs will be created annually through 1985. In 1970 there were already 1.3 million unemployed or underemployed workers outside of agriculture.¹²⁵

In a State-sponsored study conducted in 1970, it was found that in the Eastern half of Turkey, where only one-third of the total population lives and where there is virtually no industry and only slightly-acceptable, subsistence level agricultural land, fully 45% of Turkey's babies were born. Compared to the Western half of the nation, the Eastern half was characterized by lower median ages for marriage and childbirth, more persons per household (8.5 compared to 4.7), lower life expectancy, much higher birth rates, more illiteracy, and less urbanization. In 1969, when a substantial percentage of the national wheat harvest was destroyed by drought, it was the Eastern residents who suffered most and many fled to the cities.¹²⁶ In 1960, Turkey's population had been 26.3% urban; by 1970, 38.7% of the population lived in cities (2,000 or more population).¹²⁷

The absolute monetary expense confronting the Turkish government to pay for this rapid population growth appears to be exacting and obdurate. Public health expenditures have increased 10% annually during the past several years and at a 2.5% growth rate in population should increase to \$4.32 billion by the year 2000. Should the growth rate fall to 2.0% by 1975, those expenditures could be reduced to \$3.52 billion. The 5.6 million students enrolled in Turkish public schools in 1967 cost the State \$261 million. It is estimated those expenditures will be increased to \$3 billion by 2000.¹²⁸ In 1970 the entire Turkish budget was only \$2.3 billion.¹²⁹

In the summer of 1963, a State-financed survey of married persons in Turkey was conducted in 240 villages, 46 towns, 21 cities, and three metropolitan areas to attempt a determination on the effects of and the attitudes toward population. At least 66% of those interviewed felt that the overall

¹²⁵ Ibid., p. 2.

¹²⁶ Ibid., p. 1.

¹²⁷ "Urbanization in Asia," Land Economics (November, 1971), p. 390.

¹²⁸ Country Profiles: Turkey, p. 3.

¹²⁹ "Turkey--are generals good for business?" p. 94.

Turkish population was growing too rapidly and 40% felt that Turkey should grow more slowly or not at all. Sixty-five percent of the men and 72% of the women interviewed were interested in birth control information and a composite 55% approved of family planning for themselves (and 59% thought the government should have a family planning program). Still, a rather large 43% of those questioned did not know of any way of "keeping the wife from getting pregnant."¹³⁰ The conclusion was that approval of family planning was "general throughout Turkey--in small and large communities, in virtually all regions, and in all provinces except a very few. The larger the community, and especially in the metropolitan areas, the stronger the sentiments; and similarly in the Western regions and provinces."¹³¹ Many Turkish citizens had little or no knowledge of physiology of reproduction and little information of contraceptive methods.¹³²

Like Ecuador, Turkey has found it extremely difficult to provide much real growth for its citizens even though GNP has been increasing at a sustained rate for over a decade. As Mr. Mansholt implied, riches do very little if they do not accomplish a better standing of living for all the people. This is not to say that the Turkish leaders are not trying to provide a better life for their countrymen; certainly, they appear to be. However, at the present time Turkey is experiencing a period of transition from a rural nation to an urban one, and rapid population growth has furthered the problem. As the following table indicates, not only is the

Table 14: Average Annual Rates of Population Growth, Turkey

<u>Year Group</u>	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
1927-1935	2.2%	2.1%	2.2%
1936-1940	1.9%	2.9%	1.6%
1941-1945	1.1%	0.9%	1.2%
1946-1950	2.2%	2.0%	2.2%
1951-1955	2.9%	5.8%	1.9%
1956-1960	2.9%	5.2%	1.9%
1961-1965	2.5%	4.0%	1.7%
1966-1970	2.6%	6.3%	1.5%

Source: Agency for International Development, Economic and Social Indicators: Turkey (Washington, 1971).

¹³⁰ Turkey: National Survey on Population, The Population Council (New York, 1964), pp. 1-3.

¹³¹ Ibid., p. 5.

¹³² Ibid.

whole nation experiencing population growth but the cities are growing at such a rapid rate that it becomes extremely difficult to provide solutions to educational, health, and other social problems. On the other hand, a concentrated population in the future will be easier to provide for than a scattered one.

Education

Educationally, about 50% of the Turkish people cannot read and write. Additionally, a sharp division exists between males and females--about two-thirds of all school-age or older males are literate but only one-third of the females (see Table 15, below). In actuality, the literacy

Table 15: Literacy of Turkey's Population, aged 6 years or older

<u>Year</u>	<u>Total Literacy Rate</u>	<u>Male</u>	<u>Female</u>
1927	10.6%	17.4%	4.6%
1935	19.2%	29.3%	9.8%
1940	22.4%	33.9%	11.2%
1945	29.0%	41.9%	16.1%
1950	32.8%	45.7%	19.8%
1955	40.9%	55.8%	25.5%
1960	39.5%	53.6%	24.8%
1965	48.7%	64.0%	32.3%

Source: Agency for International Development, Economic and Social Indicators: Turkey (Washington, 1971).

rates presented in the table are not as satisfactory as reflected. Strictly speaking, the figures are accurate, but at age 19 only 42% of all Turkish males are literate. However, at 19 most males are required to enter military service for a period of two years and those who are illiterate receive mandatory literacy training. Thus, a substantial number of Turkish males are only as literate as two or less years of military training can provide. The sharp division between male and female literacy also reflects the absence of competition for eligible positions in elementary schools which are more often than not awarded to boys.¹³³

In the 1963 survey of married persons some 70% of the women and 45% of

¹³³Country Profiles: Turkey, p. 2.

the men reported that they had had no formal schooling whatever. Today approximately 70% of all primary school-age children are enrolled in elementary schools (plus 15% of middle school-age and 5% of high-school-age adolescents).¹³⁴ Additionally, there has been a great number of schools built and teachers hired. In 1950 there were 12,500 public schools and 27,000 teachers in Turkey; by 1968, there were 32,000 schools and 93,300 teachers.¹³⁵ In 1963 there were 46.7 Turkish students per elementary teacher; by 1970, there were 38. Another promising note in the educational structure is the increase in university students--in 1950, college-enrolled students comprised 1.39% of all formally enrolled students in the nation, and by 1960 they comprised 1.92% of the total. By 1970, college students totalled 2.28% of all students. Additionally, by 1970 there were 917 technical and vocational schools in Turkey and over 244,000 students in those schools (compared to 1950 when there were only 326 such institutions and 53,000 students).

From this discussion one might assume that Turkey has been progressing steadily. In a specialized sense, that is true. As a percentage, university and technical students have increased their numbers by 492% and 358%, respectively, from 1950 to 1970 while the entire student population of the nation increased by 262%. Concomitantly, the entire Turkish school-age population (6-20) increased by about 72% between 1950 and 1970. The analysis then indicates that not only are greater percentages of potential students enrolled in school but more are receiving specialized training. However, Turkey has been plagued by a problem similar to that experienced in Ecuador--keeping students in school once they are enrolled. The table on the following page suggests the difficulty Turkey has had in retaining a child for complete public education. As denoted by the table, only 0.34% of children, aged 6, initially enrolled in primary school could be expected to become a high school graduate. By 1968, that percentage had only increased to 0.68%. Even though that represents a real 100% increase, the distressing factor about the Turkish educational system is its inability to retain elementary students for secondary schooling. In 1950, only 10.2%

¹³⁴Ibid.

¹³⁵Howard, p. 144.

of primary school enrollees completed the fifth grade; by 1968, that percentage had only improved to 12.7%.¹³⁶

Table 16: Expected Graduation Rates of Children, aged 6, Initially Enrolled in Primary School, Turkey, Selected Years

	<u>Elementary School</u> (grades 1-5)	<u>Secondary School</u> (grades 6-8)	<u>High School</u> (grades 9-11)
1950	10.2%	0.72%	0.34%
1960	10.8%	1.49%	0.42%
1963	11.0%	1.87%	0.55%
1966	12.8%	2.02%	0.62%
1968	12.7%	3.75%	0.68%

Source: Agency for International Development, Economic and Social Indicators: Turkey (Washington, 1971).

It is obvious from the above table that once students graduated from elementary school, they have been increasingly encouraged to graduate from secondary and high schools. However, it now appears that the increased emphasis on secondary education has taken away from the achievement of primary educational responsibilities. This is denoted by viewing relative public expenditures on education. In 1965, the Turkish consolidated national budget allotted a 17.4% share for public education. In 1970, that share had decreased to 14.8%.¹³⁷

The apparent trend is one of diminished emphasis on universal education. That is, the government has elected to place greater stress on specialized training for a few than in general education for all. Since many agricultural families only send their children to school long enough for them to learn to read and write, the Turkish Ministry of Education has only a modicum of interest in them. It is more concerned with increasing the complete education of those individuals who present the most interest, intelligence, and/or availability to seek higher education.

¹³⁶ Economic and Social Indicators: Turkey, p. 6.

¹³⁷ Ibid., p. 48.

Health Care

With the advent of United Nations' health agencies and assistance from the developed nations, many LDCs have managed to provide adequate preventive and clinical medical care for their people. In Turkey, the trend has been to use external funds and technical assistance for the rural health program and domestic expenditures in the urban areas. In 1945 the Turkish death rate was 30 per 1000 population; however, by 1970 it had been reduced to 13/1000. The life expectancy, only 50 years in 1960, had been advanced to 54 years by 1966.¹³⁸ Health expenditures by the Turkish government in 1971 had increased by 120% since 1965.¹³⁹ As in Ecuador, the emphasis has been, due to a shortage of physicians, on rural health clinics for diagnostic and preventive medicine and provincial hospitals for in-patient services.

Dr. Frederic Shorter of the Ford Foundation estimated in 1963 that Turkish infant mortality, the major medical problem in Turkey, may have been as high as 238 per 1000 live births (during the first 12 months of life).¹⁴⁰ By 1970 the U.S. Agency for International Development held the estimate to be 119.¹⁴¹ Either statistic remains abysmally high. One reason for the high infant mortality is the lack of accessibility to medical care by rural families. In 1960, only 74.2% of all rural persons had "access to the outside world through a road passable by motor vehicle (that is, presumably, at least a jeep with four-wheel drive)....and 23.9% at least one telephone in their village."¹⁴²

Another reason may be the Muslim religion to which over 99% of all Turks adhere. Muslims in general are highly protective of the female sex and women are restricted by very confining mores from exposing their bodies to other than their husbands. It would certainly be more than speculative to assume that many uneducated Turkish husbands would restrain their wives from seeking pre-natal medical care because of the physical examinations required. It's therefore conceivable that a possibly large

¹³⁸ Country Profiles: Turkey, p. 2.

¹³⁹ Economic and Social Indicators: Turkey, p. 48.

¹⁴⁰ Paul Demeny and Frederic Shorter, Estimating Turkish Mortality, Fertility, and Age Structure (Istanbul, 1968), p. 18.

¹⁴¹ Population Program Assistance, p. 194.

¹⁴² Shorter, p. 20.

number of babies are born with congenital defects that may have been prevented through proper pre-natal care.

At any rate, the major health program being conducted in Turkey today concerns the provision of mobile health teams to visit isolated villages. An offshoot of that concept is the Turkish Adult Literacy program. The budget for the initial phase (1972) is \$200,000 of which A.I.D. has provided \$77,500.¹⁴³ Of course, the concept is one of educating the people to use available health resources. The mobile teams are not only providing medical care but also family planning assistance and abortion advice and availability. Prior to 1965 it was estimated that about 200,000 illegal abortions were obtained in Turkey each year. Since liberalization of the abortion law and the initiation of the Family Planning Division within the Ministry of Health in 1964, only about 100,000 such illegal operations are obtained annually. In a double effort to cut the infant mortality rate and the population growth rate, the Ministry of Health has held that it will hold itself responsible for "bringing family planning services to every couple" in Turkey in order that each couple will have the right to have as many or few children as desired.¹⁴⁴

Economic and Social Trends

In some other respects the Turkish people are beginning to reap the real dividends of an expanding economy. Railroad employees and cement and metal workers received a 35% pay increase in 1971. Studies began early last fall on agricultural or "land" reforms. These studies were initiated because, even though 72.6% of all Turkish farm families own their own land outright, only 50% of the total agricultural land is owned by 90.7% of the farm families. The wealthiest 0.8% of all rural families own 19.6% of the cultivated land.¹⁴⁵ Tax evaluation of property will determine expropriation values when action is required for redistribution. The Turkish land reform program appears to be better organized than Ecuador's because it will only be used to "bring tax receipts from the agricultural sector more nearly in line with its 30% share of national income."¹⁴⁶

¹⁴³ Population Program Assistance, p. 196.

¹⁴⁴ Country Profiles: Turkey, p. 4.

¹⁴⁵ Shorter, p. 20.

¹⁴⁶ Foreign Economic Trends: Turkey (1971), p. 5.

In 1960, as mentioned previously, only about 74% of all poor rural persons had access to a vehicular highway. Today that figure approaches 90%. In 1956, there were only 31,879 kilometers of all-weather highway in Turkey; by 1968, there were 48,187 kilometers.¹⁴⁷ Additionally, in 1963 Turkish railroads accounted for 3.636 billion passenger-kilometers (121 per capita) but by 1970 that statistic had increased to over 5.5 billion (156 per capita).¹⁴⁸ As further evidence of the intent of the central government to provide better services for the public, the national budget allotted 9.0% of its expenditures in 1965 for transportation and communication. In 1970 that share had risen to 11.8%.¹⁴⁹

The one area which has been neglected somewhat is housing but it, too, has been increasing in substance, however slightly. From 35,889 residential housing starts in 1960, Turkish builders had increased construction to 56,113 in 1970. In per capita terms, that construction represents 0.183 square meters per resident in 1960 and 0.437 square meters in 1970. Public housing in 1965 represented 0.54% of the national budget; in 1971, it was still a meager 0.68%.

Certainly the average Turkish citizen is today far better off than a generation ago. However, until Turkish leaders have undergone the complete transition of attitude needed to relate to public policy, the old Ottoman legacy of the high values of military and political affairs and importance of foreign over domestic policy will prevail.

Summary

"The Ottoman ethos stems from a view of man, of society, and of a man's place in it; the modern creed culminates in a program of public policy."¹⁵⁰ Slowly, nationalistic pride is replacing the former religious and class self-confidence because "Turkey has never experienced sudden discontinuities....such as class revolution."¹⁵¹ Dr. Shorter has noted that "in the first half of this century, military staff officers were almost the only Turks imbued with an austere sense of dedication and a sustained desire for achievement. Today some similar attitudes pervade all of the politi-

¹⁴⁷ Economic and Social Indicators: Turkey, p. 30.

¹⁴⁸ United Nations, Monthly Bulletin of Statistics.

¹⁴⁹ Economic and Social Indicators: Turkey, p. 48.

¹⁵⁰ Shorter, p. 9.

¹⁵¹ Ibid., p. 7.

cal-economic-social elite: everywhere there is a new emphasis on punctuality and precision, on competence and reliability, on ingenuity and accomplishment. The new scheme of values encourages expression of opinion and pursuit of material advantage both by individuals and by organized groups."¹⁵² Although Turkey has not undergone the radical revolution described by Senator Frank Church, it has been introduced gradually to the hope of stability, synthesis, and productivity.¹⁵³

¹⁵²Ibid., p. 10.

¹⁵³Ibid., p. 11.

Chapter Three

Republic of Vietnam

I feel that one of the most unique and interesting cases of economic development in an LDC has occurred in South Vietnam (hereinafter referred to as Vietnam).¹⁵⁴ It is, of course, generally of interest because of the tremendous U.S. involvement there and personally so because I lived in the city of Saigon during the years 1969-1970 while serving with the U.S. Army. Economically, Vietnam has undergone the radical revolution of which I have spoken. What specifically makes such a revolution worthy of economic study is that it was induced artificially by an external force (the United States) and it occurred in a very short time (less than a decade).

At this time, I feel that the only thing that is keeping Vietnam from surging into the "takeoff" stage of development is the persistent war that encases its land. Granted, war is a stupifying "if" to be reckoned with; but it is my opinion that the social attitudes (consumer-orientation, etc) of the people of Vietnam have changed so drastically from the North Vietnamese since 1954 that the Communist forces cannot reunite the two nations as one. It would be extremely difficult for the North Vietnamese to turn Vietnam back into a traditional society.

Vietnam's civilization dates back to hundreds of years before the birth of Christ and is among the world's oldest. Originally the Viets occupied what is now the southern and southeastern parts of China and the eastern coast of the Indo-Chinese peninsula as far south as northern South Vietnam. In 111 B.C. they were conquered by the Chinese and controlled for about a thousand years. By the 15th century they had evolved into a free nation-state and progressed in agriculture and the arts.¹⁵⁵

¹⁵⁴For the purposes of the remainder of this essay, the Democratic Republic of Vietnam shall be referred to as North Vietnam.

¹⁵⁵Guide to Vietnam, Department of Defense (Washington, 1966), pp. 8-49.

In 1863, France conquered them and remained as colonial rulers until the Japanese occupation in 1940. When the French attempted to regain a foothold in 1946, the Communist-backed Viet Minh, a revolutionary force led by Ho Chi Minh, rebelled. The eight-year war of independence ended in 1954, with the French defeated and the division of Vietnam at the 17th parallel into North Vietnam and South Vietnam.¹⁵⁶

Government

Prior to 1963, but following the division, Vietnam went about its business rather indistinctively. During the late 1950s it resumed its role as the major rubber exporter in the world (in 1960, rubber production peaked at 75,560 metric tons and exports totalled \$48 million).¹⁵⁷ Behind the leadership of Ngo Dinh Diem, Vietnam's president, the nation quietly attempted to rebuild itself after 14 years of war. During the 1955-1962 period Vietnam was aided substantially by \$1.579 billion in economic assistance from the United States. Of that sum, only \$90 million was in the form of loans (see the following table). American economic aid began with a huge \$323.6 million grant but as the Vietnamese economy grew, the

Table 17: U.S. Economic Assistance to Vietnam, excluding Eximbank
(\$ million)

	<u>Loans</u>	<u>Grants</u>	<u>Total</u>
1955	-	\$323.6	\$323.6
1956	\$25.0	177.0	202.0
1957	25.0	233.3	258.3
1958	-	179.1	179.1
1959	19.5	181.1	200.6
1960	9.7	159.3	169.0
1961	10.7	124.9	135.6
1962	-	110.7	110.7
1963	-	133.2	133.2
1964	-	161.2	161.2
1965	-	216.1	216.1
1966	-	584.4	584.4
1967	-	467.7	467.7
1968	-	302.2	302.2
1969	-	249.5	249.5
1970	-	308.4	308.4
	<u>\$89.9</u>	<u>\$3,911.7</u>	<u>\$4,001.6</u>

Source: Same as Table 3.

¹⁵⁶Ibid.

¹⁵⁷United Nations, Monthly Bulletin of Statistics.

sums grew smaller each year. Vietnamese imports during the late 1950s and early 1960s averaged about \$240 million annually, but exports were far less. However, from a total of \$45 million in 1956, Vietnamese exports had been increased to 76.7 million dollars by 1963.¹⁵⁸

Unfortunately, by 1963 revolutionary guerilla activity had increased in many rural sections of Vietnam and people began fleeing to the cities. Additionally, President Diem, a Roman Catholic, had shown a stubborn intolerance to political freedom for the Buddhist majority. In November, 1963, Diem's government was overturned by a military plot; and he was executed. General Duong Van Minh was the immediate acting president. However, several more coups took place in the following two years until, in 1965, Air Marshal Nguyen Cao Ky scored a final coup and enacted martial law.

Eventually, with the aid of the United States, Ky formed a paper democracy with elections set for the fall of 1967. In those elections General Nguyen Van Thieu was chosen as president, a position to which he was reelected without formal opposition in 1971. The period 1963-1972, however, has seen an increase from guerilla insurgency to full-scale war and significant U.S. military involvement. It is from late 1963, following Mr. Diem's death, that we are specifically concerned with the economic and social growth of Vietnam.

Effects of the War

The war has had two very distinct effects upon Vietnam. First, the nation emerged from a nearly completely rural land with narrow social patterns to an urban nation "increasingly afflicted with social ills."¹⁵⁹ From 85% rural in 1955, Vietnam had become 60% urban by 1970.¹⁶⁰ Secondly, unlike countries in World War Two and Korea, Vietnam has not suffered severely. The cities are intact, especially Saigon; and, highways, bridges, airports, harbors, and towns have been built or rebuilt by the United States.¹⁶¹

¹⁵⁸ Ibid.

¹⁵⁹ "Explosive Potential," Newsweek (December 28, 1970), p. 31.

¹⁶⁰ "Silent Vietnam," Look (April 6, 1971), p. 58.

¹⁶¹ "After the War: A Bonanza for South Vietnam," US News and World Report (January 19, 1970), p. 34.

It might be appropriate to mention at this point a word about the American political involvement. Purely from an economic standpoint I will venture to say that, right or wrong, the U.S. involvement has produced an American economic responsibility that is quite intractable. It is currently being debated whether or not the Vietnamese armed forces will be able to stand up militarily without U.S. help. Most certainly though, without U.S. economic assistance the Vietnamese government would surely collapse. Hence, Vietnam must count on U.S. aid dollars for quite a few years to come.

The expansion of free world military forces in Vietnam during the years 1964-1968 had the effect of distorting the nation's economy. In 1963, rubber exports amounted to \$33.5 million and rice, \$35.8 million (about 250,000 metric tons). In 1964, when farmers began abandoning their land for the relative safety in the cities and manpower became diverted to the military, rice exports dropped to 48,653 metric tons (\$5.3 million). By 1965, the emigrating rice farmers necessitated Vietnam's importation of 240,000 tons of rice; and by 1968 that figure rose to 677,000 tons (mostly from the U.S.). Rubber exports continued but in 1969 had dropped to \$9.4 million.¹⁶²

During the 1965-1970 period, the war had generated nearly three million known refugees. About 2.2 million have officially returned to their former homes or have reestablished elsewhere.¹⁶³ The devastation of a refugee problem is more substantial than just the financial support and temporary assistance involved. In the 1950s Vietnam had been about 80% rural and peasant. In their way of life these peasants' first allegiance was to family--they often lived three or four generations of persons in the same farmhouse. Their dead were usually buried nearby. Furthermore, most were rice farmers; and, while rice is central to their diet, the individual farmer pursued his profession for more than subsistence. There was a somewhat spiritual relationship involved and destruction of that crop meant that the primary connection between peasant and earth was severed--the villages and family groups were then without function.¹⁶⁴

¹⁶²"Silent Vietnam," p. 57.

¹⁶³U.S. Assistance Program in Vietnam, Department of State (Washington, 1970), p. 3.

¹⁶⁴"Silent Vietnam," p. 57.

The primary task for the government of Vietnam has been to return the farmer to his land as soon as possible. As security returned, the government attempted that type of assistance through the "triple ten" program. Families trying to resettle received allowances which included a six months' supply of rice, ten bags of cement, ten sheets of roofing, and \$VN 10,000 (about \$25 on the present world market). However, because the Vietnamese are very independent and self-confident, many refused to become official government refugees and fled to the cities (mainly Saigon) into slums. By the end of 1970, about 300,000 refugees still needed assistance.¹⁶⁵

Economic Conditions

Since Vietnam was primarily an agricultural nation in the early 1960s, the diversion of manpower resulted in a reduction of the supply of goods and services to keep pace with the growth in purchasing power. Thus, strong inflationary pressures developed. As exports continued to drop and imports rose (as denoted by the following table), U.S. assistance increased to about

Table 18: Balance of Trade, Vietnam (1960-1970)
(\$ million)

	<u>Exports (fob)</u>	<u>Imports (cif)</u>	<u>Balance</u>
1960	\$85.54	\$240.33	-\$154.79
1961	70.79	255.08	- 184.29
1962	56.61	264.54	- 207.93
1963	76.67	286.16	- 209.49
1964	48.46	297.74	- 249.28
1965	35.49	357.30	- 321.81
1966	24.81	495.60	- 470.79
1967	16.41	538.05	- 521.64
1968	11.71	466.16	- 454.45
1969	11.94	667.84	- 655.90
1970	11.44	550.36	- 538.92

Source: International Monetary Fund, International Financial Statistics.

a half-billion dollars annually. Because of the heavy military involvement, jobs were plentiful (there has been virtually no unemployment in Vietnam for years); and people for the first time in their lives found extra money to spend on luxuries.

¹⁶⁵U.S. Assistance Program in Vietnam, p. 3.

Until about 1967, luxuries (appliances, cosmetics, motor vehicles, Western clothes, etc) had been a domain solely for the rich. But as American GI's increased in number, so, too, did American PX's. In an effort to increase their earnings, many U.S. soldiers would buy American or Japanese goods in the PX and sell them in the flourishing black market. Eventually, in an effort to cut into the illegal market, the government of Vietnam authorized increasing shipments of foreign consumer durables. A great deal of the rise in imports can be traced to consumer items. In 1958 there had been 34,138 motorcycles in Vietnam. In 1967 alone, 85,293 motorcycles were imported and in 1969, another 140,000.¹⁶⁶ The Japanese took grand advantage of the situation. Between 1962 and 1970 Vietnam imported over \$800 million in consumer durables from Japan while Vietnamese exports to Japan totalled only \$12 million, a trade imbalance of 68 to one.¹⁶⁷

In the following table, it is easy to note the prolific rise in the money supply and its effect on other economic indicators. Little explanation

Table 19: Vietnamese Money Supply and Inflationary Effects (1958-1971)

	Money Supply (\$VN billion)	Official Hong Kong Exchange Rate (\$VN:\$1)	Official Reserves (\$US million)	Consumer Price Index (1963 base)
1958	\$VN 11.7	\$VN 81	\$ 170	84
1959	14.1	82	184	86
1960	16.8	91	216	85
1961	17.2	99	175	90
1962	19.5	97	153	93
1963	22.3	97	175	100
1964	27.4	131	141	103
1965	47.6	146	178	120
1966	65.4	180	306	194
1967	82.6	164	334	279
1968	124.0	185	279	358
1969	141.0	226	227	431
1970	164.3	348	225	590
1971	188.7	360	292	698

Sources: International Monetary Fund, International Financial Statistics.
 United Nations, Monthly Bulletin of Statistics.
 Agency for International Development, Annual Statistical Bulletin, Vietnam, 1965-1971.

¹⁶⁶ Annual Statistical Bulletin, Vietnam, Agency for International Development (Washington, 1970), p. 187.

¹⁶⁷ "The Japanese Boom," Newsweek (February 15, 1971), p. 64.

tion of the table appears to be needed. As the Vietnamese currency (piastre) has become more and more plentiful, it has cheapened considerably. Official reserves have become virtually nothing more than U.S. currency spent by American personnel in Vietnam. In 1970 the total reserves of \$225 million included only \$7 million in SDR's and \$16 million in gold. The effect has been as devastating on the gross national product, as evidenced by the following table.

Table 20: Gross National Product, Vietnam (1960-1969)

	GNP (\$VN billion)	Real GNP, 1960 Base (\$VN billion)	Real GNP Per Cap- ita, 1960 Base	Per Capita GNP Growth Rate
1960	\$VN 82.6	\$VN 82.6	\$VN 5858	-
1961	84.2	81.7	5634	-3.83%
1962	94.1	89.3	6000	6.50%
1963	117.4	90.0	5882	-1.97%
1964	114.5	99.0	6306	4.70%
1965	146.1	107.6	6683	5.97%
1966	236.2	109.1	6612	-1.06%
1967	344.3	113.3	6665	0.87%
1968	414.0	111.8	6425	-3.61%
1969	532.0	122.4	6838	0.43%

Source: Agency for International Development, Annual Statistical Bulletin, Vietnam, 1965-1970.

Unofficially speaking, another reason for the striking devaluation of the Vietnamese piastre (besides the copious spending and decreasing exports) has been the modicum of domestic investment that has taken place. From 1955 to 1968, only \$250 million had been invested in capital projects by Vietnamese entrepreneurs.¹⁶⁸ It is no secret that a great many of the wealthy Vietnamese have been converting whatever possible of their fortunes into U.S. currency (which is illegal to hold in Vietnam) and smuggling it to banks in Hong Kong or Switzerland. Without domestic investment, the currency can only become weaker and weaker. A little later in this paper, we will examine what steps the Vietnamese government has been taking to increase domestic investment.

Finally, in 1970, definite steps were taken to curb the horrendous inflationary rate and import surge. The currency was officially devalued from 118 piastres per U.S. dollar to 275 (although this remains presently far below the official 403 rate in Hong Kong); and an import surcharge

¹⁶⁸"After the War: A Bonanza for South Vietnam," p. 36.

was placed on most consumer durables. One result of the surcharge has been to increase the price of a Honda motorcycle by about 400%.

However gloomy the economic picture appears on the previous pages, few Vietnamese are complaining. The nation is at near full employment; and "most city dwellers are living better than ever before, with motor bikes, tv sets, and plenty to eat."¹⁶⁹ A generation gap has sprung loose between Vietnamese youth and their parents. Adolescents are more and more independent in their dress, manners, and morals and are wielding greater influence in all aspects of the country (over half the population is 18 years of age and younger).¹⁷⁰ Certainly, most of the money is to be found in the cities. In 1969, fully 98% of the nation's domestic taxes were derived from urban areas.¹⁷¹ There is even a sense of security everywhere; Saigon residents can be viewed on any weekend flocking to the sea resort of Vung Tau, 80 kilometers from the capital. A completed railroad finally links Saigon with Hue, a city near the demarcation line nearly 500 kilometers away.¹⁷² In very unscientific terms, a great many Vietnamese (especially many second-generation farm family members) are having a lot of fun "American-style." Basically, if American funds continue until investment can be provided for a stable Vietnamese industrial sector, the feeling of self-confidence should be sustained. Regardless of the moribund economic status, paradoxically the air of confidence is not unfounded or superficial. The following discussion should help explain why.

Labor and Education

Many U.S. observers and developmental experts conclude that Vietnam will rebound more quickly after the war than did South Korea.¹⁷³ Easily, the most redoubtable factor present is the labor force. Although in short supply at times (the armed forces total 1.1 million men and women, and male conscription is until age 32), it is their greatest asset. Mr. David Lilienthal, co-chairman of the U.S.-sponsored Joint Development Group, feels the people will be the key to development. He has found them to be ener-

¹⁶⁹ "Can South Vietnam Survive After the GI's Leave?" US News and World Report (September 28, 1970), p. 75.

¹⁷⁰ "Revolution Without Plan," Newsweek (February 9, 1970), p. 36.

¹⁷¹ "Fighting Slows Down," US News and World Report (August 17, 1970), p. 25.

¹⁷² "Vietnam Revisited," The Economist (August 29, 1970), p. 31.

¹⁷³ "In Vietnam, Businessmen Breathe Easier," Business Week (December 27, 1969), p. 32.

getic and to have a great desire for improvement and education; and, even though the armed forces contain so many youth, eventually there will be a reservoir of skilled and semi-skilled workers.¹⁷⁴ The United States has trained a vast number of local nationals; and, many of the skilled workers who will be available include stenographers, diesel mechanics, pilots, hospital administrators, painters, welders, bricklayers, chauffeurs, and heavy equipment operators. More and more American-trained engineers and communications officers are employing their skills in the military.¹⁷⁵

More importantly, education has become greatly sophisticated and the reaction to it has been astounding. Yet, it is not to be unexpected. Under the Confucian social system, which is incorporated into nearly all Vietnamese religions, the scholar is at the head of the occupational hierarchy. Through countless centuries, the Vietnamese have attained an inherent reverence for learning.¹⁷⁶ Only recently have the public educational opportunities opened. In 1954, less than 200,000 Vietnamese children (5%) attended elementary school. By the fifth grade, most had dropped out. Education was a tool used solely by the wealthy and most children of poor farmers never attended school. By 1970, over 2.3 million elementary school-age children (85%) were enrolled in classes. Secondary schools, attended by 54,000 students in 1955, now have enrolled 623,000 (24%). With the help of A.I.D., the Vietnamese government trained 20,000 hamlet elementary teachers, constructed 18,000 classrooms and 15 secondary high schools, and distributed 18 million elementary textbooks during the period 1963-1969.¹⁷⁷

There are over 40,000 college students at the Universities of Saigon, Can Tho, Dalat, and Hue and the private Buddhist Van Hanh University. By contrast, in 1955 there were only 2900 enrolled students at the University of Saigon, Vietnam's only college at that time. The Asia Foundation has furthered the cause by financing the education of promising young teachers for Van Hanh University. In exchange for a teaching commitment of ten years, the student is sent to a U.S. college without expense. The Founda-

¹⁷⁴ "South Vietnam After the War: How It Could Be Rebuilt," US News and World Report (April 21, 1969), p. 35.

¹⁷⁵ "After the War: A Bonanza for South Vietnam," p. 36.

¹⁷⁶ Guide to Vietnam, p. 57.

¹⁷⁷ U.S. Assistance Program in Vietnam, p. 3.

tion has also supported the new Graduate School of Business Administration at Dalat University.¹⁷⁸ The American Medical Association and the American Dental Association have started additional graduate schools of medicine and dentistry in Saigon. Total graduation from all Vietnamese medical schools totalled 185 physicians in 1969, compared to 85 in 1965. In 1965 Vietnamese nursing schools graduated only 275; by 1969, with the addition of seven new schools, nursing graduates totalled 580.¹⁷⁹

Since Vietnam is still primarily agricultural, the government has developed ten vocational-agricultural education schools with total enrollment of more than 4,000. In 1966, there were only 922 graduates of technical schools in Vietnam; in 1969, there were over 2,000.¹⁸⁰ In the last few years four polytechnic schools, five trade schools, and 12 junior technical schools have been established with an enrollment of over 12,000 students.¹⁸¹

The improvement of Vietnam's educational product has been rapid. In fact, elementary education is progressing so well that the Vietnamese government fully expects to enroll all elementary school-age children in the nation by 1975.¹⁸² By 1967, it was estimated that literacy of the whole nation (aged 10+) stood at 75.6%. In a breakdown of age groups it was revealed that literacy for persons over 70 years of age was only 23%, but those individuals in the 15-19 age group were 88.2% literate. In the table presented on the following page, the literacy rates for each age group and cumulative totals present what progress Vietnam has made and what hope they have for the future. When nearly two-thirds of a nation's population is under 25 and about 85% is literate, it seems one can generally expect a dissolution of many of the old traditional handicaps to modernization.

¹⁷⁸ "Encouraging Local Initiative," The Asia Foundation (March, 1969), pp. 9-13.

¹⁷⁹ U.S. Assistance Program in Vietnam, pp. 2-3.

¹⁸⁰ Vietnam in Brief, Agency for International Development (Washington, 1971), p. 60.

¹⁸¹ U.S. Assistance Program in Vietnam, p. 3.

¹⁸² Ibid.

Table 21: Vietnamese Population by Age Structure, 1967

<u>Age Group</u>	<u>Percentage of Total Population</u>	<u>Cumulative Totals</u>	<u>Literacy</u>
0-4	14.8%	14.8%	-
5-9	15.8%	30.6%	-
10-14	14.7%	45.3%	84.0%
15-19	12.6%	57.9%	88.2%
20-24	6.1%	64.0%	86.8%
25-29	5.4%	69.4%	82.5%
30-34	5.5%	74.9%	72.0%
35-39	5.7%	80.6%	70.8%
40-44	4.8%	85.4%	71.8%
45-49	4.2%	89.6%	65.9%
50-54	3.4%	93.0%	61.7%
55-59	2.7%	95.7%	52.5%
60-64	1.7%	97.4%	46.0%
65-69	1.3%	98.7%	39.7%
70+	1.3%	100.0%	23.0%

Source: Agency for International Development, Annual Statistical Bulletin, Vietnam, 1968.

Agriculture

In the late 1960s agriculture, still the backbone of the economy, had fallen into such disarray that imports of rice totalled 750,000 tons annually. However, in the past few years, agriculture has made a rapid rebound under various international and Vietnamese policies and programs.

At least three distinct programs have had a profound effect upon agricultural production. First, on March 26, 1970, the Vietnamese Land Reform Bill was signed into law. The bill was basically enacted to eliminate tenant farming on riceland. Under the provisions a tenant farmer, merely by filing an application with the local village government, may receive from 1-3 hectares of land, depending upon his residence. An estimated 500,000 former tenant farmers have acquired ownership of about a million hectares--about half of Vietnam's riceland. The former landowners have been paid 20% of the value of the land in cash and the rest in eight-year bonds bearing 10% interest.¹⁸³ However, just owning the land will not significantly increase production.

¹⁸³Ibid., p. 4.

In order to increase production, the second major program was the introduction of the "miracle" rice seeds, International Rice Strains #5 and #8, developed by the United Nations. Using the IR-5 and IR-8, which mature in about 120 days rather than 180, Vietnamese farmers are doubling their output. The new rice strain is also more resistant to disease and very responsive to fertilizers. In response, rice production has soared. The rice harvest in 1969 was 5.1 million metric tons; by the end of 1971 it was expected to yield 5.6 million, which is self-sufficiency. In 1972, a harvest of over six million tons is predicted.¹⁸⁴

The third important program was the establishment of the Agricultural Development Bank (ADB) in 1967. The Bank has been designed to give low-interest loans to small farmers and fishermen for the purpose of creating a substantial block of agricultural capital equipment. This is one way in which the government has promoted investment. The ADB negotiated 90,000 loans in 1969 and was expected to make 150,000 in 1970.¹⁸⁵ The impact was most promising. Farmers who once believed in the moon as an influence over crops are now using fertilizers, irrigation pumps, and improved seeds. They have purchased gasoline engines to power sampans (some 500,000 are now motorized). Delta farmers are investing in pumps to lift low-lying water from streams and canals to the fields during dry seasons.¹⁸⁶ Sixty poultry hatcheries were opened during 1969, and chicken production rose 15% during 1970. Farmers invested in better food grains for livestock, and swine production increased by 10% in 1970.¹⁸⁷

Fishing, in recent years, has become exceedingly important in Vietnam. As an international industry, fishing has grown rather incredibly--about 15% annually on the world market. For example, the forecast for fish consumption in the U.S. is very good. Weight-conscious Americans find fish, which is high-protein food, low-caloric and easily prepared. In 1968, Americans consumed a billion dollars worth of fish. The 1956-1966 U.S. fish consumption was 10.5 pounds per capita; in 1967-68 it rose to eleven pounds, or a rise in consumption of 100 million pounds. "Sales of crab, lobster, and shrimp are advancing at about 20-25% annually."¹⁸⁸ In Vietnam,

¹⁸⁴"The Green Revolution," International Conciliation (January, 1971), p. 10.

¹⁸⁵U.S. Assistance Program in Vietnam, p. 4.

¹⁸⁶"The Green Revolution," p. 10.

¹⁸⁷"A Success Story in War-torn Vietnam," US News and World Report (October 26, 1970), p. 23.

¹⁸⁸"Hooked on Fish," Forbes (September 1, 1969), p. 44.

when a family meal goes beyond vegetable and rice dishes, fish is generally served. Furthermore, fish provides about 70% of the protein in the Vietnamese diet. Hence, fishing in Vietnam has been a major industry, though never really exploited.

Approximately 120,000 Vietnamese heads of households were employed in the fishing industry in 1968. Further, there were some 81,000 fishing boats owned by Vietnamese, of which only 35,000 were motorized. In 1969 the ADB made loans for 2,000 new boats and 15,000 engines.¹⁸⁹ Traditionally, Vietnamese fishermen would only venture about five kilometers from the coast during the day so they could be back by dark. With engines, they can go out over eleven kilometers. Consequently, the 1960 catch of 240,000 metric tons rose to 463,844 by 1969. The total value of the 1969 catch was \$305 million. The predicted catch for 1974 has been estimated at 800,000 metric tons.

In 1970, "a pier, market, offices, and cold storage plants were constructed in the Saigon area at a cost of \$2.36 million and are presently in operation."¹⁹⁰ The cold storage will allow fish to be sold a day later than usual and cut spoilage losses which were as high as 35%. Cam Ranh City has begun work on a \$67,900 fish landing pier, and further mechanization of fishing vessels has continued to aid the industry. Even though the few fishing canneries which exist are not particularly sanitary and no freezing plants have ever been built, some U.S. investors estimate that if only 10% of an annual catch of 400,000 metric tons could be processed or frozen, the return could be \$100 million.¹⁹¹

The remaining natural resource that possesses great promise is timber. Although forests cover about five million hectares of land, they are not exploited to any adequate degree. Still, the Vietnamese government considers forests an important element in the economic development and has initiated a reforestation and management program. However, at this time there are only a few sawmills in the country and one plywood plant, and there are really no significant studies or operations under way that would indicate immediate timber exploitation.¹⁹² The Economist

¹⁸⁹ "A Success Story in War-torn Vietnam," p. 23.

¹⁹⁰ Vietnam in Brief, pp. 77-78.

¹⁹¹ "Inflation remains a tenacious enemy," Business Week (October 24, 1970), p. 41.

¹⁹² Vietnam in Brief, p. 82.

states that Vietnam's best export potential lies in fishing and forestry. If properly developed, those two industries could yield \$1 billion a year in exports by 1980.¹⁹³

Electrical Power

Power production in Vietnam has always been more of an irritant than a major problem. Actually, even at the height of the U.S. military involvement in 1969, there always seemed enough power production for both Vietnamese and U.S. needs. When the U.S. withdrawal is complete, the system should cease to be overtaxed.¹⁹⁴ At any rate, the power in Saigon is expensive; but it does function and presents a base for future construction. Peak power generation in Saigon is about 150,000 kwh. Construction has begun already on a new 132,000 kwh thermal power plant for additional needs.¹⁹⁵ For the nation as a whole, electrical production increased from 224.4 million kwh in 1957 to 1,134 million in 1969.¹⁹⁶

Of particular interest is a recent joint study project by the Mekong countries (Laos, Cambodia, Thailand, and Vietnam). It was found that present power consumption (1967) in the Mekong nations was 18 kwh per capita (by contrast, in the United States it was 4,800 kwh per capita), and cost about 15¢ per kwh (versus 2¢ in the U.S.). It was further noted that the hydroelectric potential of the Delta regions has been completely untapped. The Mekong River, eleventh longest in the world, runs for 2,625 miles and has no dams or bridges.¹⁹⁷ One strategic dam, the Pa Mong, between Thailand and Laos on the Mekong has been in the primary stages of construction recently and is being financed by all four countries (with considerable U.S. aid). The Pa Mong will cost over \$1 billion¹⁹⁸ but will produce 15.8 billion kwh of electricity and irrigate about five million hectares of farmland. Moreover, Communist forces have unofficially promised not to bother the workmen.¹⁹⁹ "The low cost power could be used as a basis for expanding forest products and food products industries, and for developing electro-

¹⁹³"Return of Economics," The Economist (October 23, 1971), p. 91

¹⁹⁴"After the War: A Bonanza for South Vietnam," p. 35.

¹⁹⁵Vietnam in Brief, p. 82.

¹⁹⁶United Nations, Monthly Bulletin of Statistics.

¹⁹⁷"Global Earthshapers in Complex Competition," Fortune (April, 1970), pp. 78-81.

¹⁹⁸"The Muddied Mekong," Time (December 26, 1969), p. 50.

¹⁹⁹"The Mekong Scheme: Guideline for a Solution to Strife in Southeast Asia," Asian Survey (June, 1968), p. 448.

metal and electrochemical industries in the Mekong countries. It could also foster agricultural development through fertilizer production and the mechanization of certain farm implements."²⁰⁰

Transportation and Communications

For whatever tolls the war has taken otherwise, it has left Vietnam with tremendously improved physical transportation facilities. Since 1965, about \$2 billion has been invested by the United States to construct bases, airfields, ports, roads, supply depots, and communications networks.²⁰¹

In 1959 Vietnam had about 16,000 kilometers of roads (9,600 of which were paved). By the end of 1972 the United States will have constructed an additional 3,800 kilometers of hard-surfaced, all-weather highways, featuring "a system of feeder roads linking villages to each other and to main highways."²⁰² A reconstruction program by the Vietnamese Ministry of Public Works is expected to have another 5,000 kilometers paved by 1978.²⁰³

The nation's railway system has traditionally been small (only 1,400 kilometers of track in 1960). By 1966, only 640 kilometers of operational track remained, and rail service was virtually at a standstill. By 1971, the United States had renovated 960 kilometers of track and given the Vietnamese a limited number of diesel engines.²⁰⁴ By 1970, rail service was steadily increasing, as denoted by Table 22 on the following page.

When the French were in Indo-China they built approximately 3,300 kilometers of canals deep in the Mekong Delta. Most are still functional. Furthermore, where road-building is not practical, it is feasible to use the interconnecting waterways. The Vietnamese section of the Mekong River (202 kilometers) and the Bassac River (194 kilometers) join with an inland water system that forms 1,450 kilometers of primary and 1,150 kilometers of secondary canals.²⁰⁵

²⁰⁰ Ibid.

²⁰¹ "After the War: A Donanza for South Vietnam," p. 34.

²⁰² "What the U.S. is Leaving Behind in Vietnam," Fortune (October, 1971), p. 82.

²⁰³ Vietnam in Brief, p. 65.

²⁰⁴ Ibid., p. 66.

²⁰⁵ Ibid.

Table 22: Vietnamese Railway Service, 1961-1970

	<u>Railway Net Ton Kilometers</u>	<u>Railway Passenger Kilometers</u>	<u>Per Capita Passenger Kilometers</u>
1961	164,400,000	583,200,000	40.00
1962	150,000,000	338,400,000	22.80
1963	182,400,000	230,400,000	15.00
1964	133,200,000	124,800,000	7.90
1965	31,200,000	14,400,000	0.90
1966	14,400,000	3,600,000	0.22
1967	28,800,000	13,200,000	0.78
1968	18,000,000	13,200,000	0.76
1969	40,800,000	72,000,000	4.00
1970	52,800,000	82,800,000	4.50

Source: United Nations, Monthly Bulletin of Statistics.

A huge increase in private motor vehicles has accompanied the additional roads. Although there are fewer automobiles in Vietnam today than during the 1950s, privately owned trucks increased from 15,097 in 1958 to 34,185 in 1967.²⁰⁶ As mentioned previously, the large increase in motor vehicles has been due to the importation of motorcycles from Japan. It is not known just how many vehicles are presently owned by Vietnamese citizens but in 1970 there were over 894,000 registered private vehicles in Saigon alone.²⁰⁷

Probably Vietnam's finest physical assets that have derived from the war are the new ocean ports and related facilities. Presently, there are six deep water ports in the country. At Danang, a city of 400,000 in the northern part of the country, the biggest single U.S. construction project in the war transformed a small lagoon into a major military base. At the present time, it is no longer being used, but with such facilities as berth space for six ocean-going vessels simultaneously, an elaborate communications network, airfields, and fuel-storage depots, it could be easily converted into an industrial park.²⁰⁸ At Cam Ranh Bay, in the physical middle of the country, the United States spent \$120 million on what is said to be one of the finest, natural deep-water ports in the world. This fabulous ocean port, complete with military depot and two 10,000-foot air-

²⁰⁶ Annual Statistical Bulletin, Vietnam (1968), p. 187.

²⁰⁷ "The Urban Trend," Time (August 31, 1970), p. 35.

²⁰⁸ "What the U.S. is Leaving Behind in Vietnam," p. 85.

strips, can berth ten ocean vessels simultaneously,²⁰⁹ Saigon's port was greatly expanded and the turnaround time there is now $1\frac{1}{2}$ days (it once was five weeks).²¹⁰

For a nation slightly less than half the size of California, Vietnam is amply endowed with air transport facilities. There are over 200 separate paved airports and five meet international standards (Saigon, Danang, Cam Ranh, Bien Hoa, and Nha Trang). All five large airports were either built or enlarged by U.S. military forces.²¹¹ At Nha Trang Air Base is the Vietnamese school for air transport specialists. In 1971, 8,000 men graduated as tower controllers, aircraft mechanics, communications specialists, navigators, and pilots. The Vietnamese Air Force has steadily increased its strength during the war (from 23,600 in 1969 to 42,000 in 1971), and, concurrently, the number of trained aerospace technologists which will be needed following the war to maintain international air travel in Vietnam.²¹²

The government telecommunications system will soon inherit an expanded U.S. communications network of modern microwave, telephone, and telegraph systems.²¹³ The regular Vietnamese telephone system has seen a minor expansion. In 1958 there were only 14,212 telephones in the whole nation, accounting for 16.6 million telephone conversations. By 1967 there were 27,082 Vietnamese telephones and 45.8 million conversations. In 1967 there were 58 established telegraph stations in the nation, an increase of 27 from 1958.²¹⁴

THVN, the national television broadcasting station, is expanding rapidly. From a humble beginning in the late 1960s, they now have five stations and broadcast six hours a day, mostly in the evening. Because of community-owned televisions in the more remote villages throughout the country, THVN can now reach about 80% of the population. There are about 350,000 privately-owned televisions in Vietnam and more than three million radios. Basically, the network is pro-government and even soap operas usually contain a plot concerning, perhaps, a Viet Cong who comes to Saigon

²⁰⁹Ibid., p. 83.

²¹⁰Vietnam in Brief, p. 67.

²¹¹"After the War: A Bonanza for South Vietnam," p. 36.

²¹²"South Vietnam's Chances of Making It Alone," US News and World Report (September 13, 1971), p. 31.

²¹³"What the U.S. is Leaving Behind in Vietnam," p. 82.

²¹⁴Annual Statistical Bulletin, Vietnam (1968), p. 188.

and then is won over to the government cause for the love of a girl. More popular than THVN for many Vietnamese, including former Vice-President Nguyen Cao Ky, is AFVN, the U.S. Armed Forces network. Many Vietnamese are especially captivated by "Gunsmoke."²¹⁵

Newspapers are among the major sources of media for news happenings in Vietnam. With the increasing literacy rate, their popularity should increase. In Saigon alone there are 40 dailies, including those printed in French, English, and Chinese.²¹⁶

Health and Hygiene

One of the social costs of rapid urban growth, in virtually any nation, is the health and hygiene blight that may follow. Most Vietnamese cities have experienced a severe shortage of adequate health care and it has only recently begun to improve. Diseases such as cholera, plague, and malaria have traditionally taken their toll of Vietnamese lives. However, during the course of the war the United States has constructed many medical facilities, including 18 hospitals, most of which have already been turned over to the Vietnamese Ministry of Health. As an example, only recently the Americans began plans to turn over the superbly equipped 3rd Field Hospital in Saigon to the Vietnamese. This hospital, once a school for dependent children of U.S. personnel, has its own water and electrical power systems and maintains four surgical suites.²¹⁷

Construction of Vietnamese facilities has also progressed at a rapid rate in recent years. The Public Health Program operates 61 hospitals which reach all but one of Vietnam's 44 provinces.²¹⁸ The Japanese have extended a \$10 million grant for the new Cho Ray hospital in Saigon.²¹⁹ The West German government has recently built a \$2.5 million, 170-bed hospital at Danang. The Public Health Program, from 1964-1969, has built or renovated "30 modern surgical suites, 18 provincial hospitals, a national center for plastic and reconstructive surgery, 500 district and village dispensaries, the national hospital at Hue, and a new center

²¹⁵"The Tube Takes Hold," Time (November 30, 1970), p. 26.

²¹⁶"Revolution Without Plan," p. 36.

²¹⁷"What the U.S. is Leaving Behind in Vietnam," p. 87.

²¹⁸Vietnam in Brief, p. 84.

²¹⁹"The Japanese Boom," p. 64.

to be used for medical and dental training."²²⁰

The National Rehabilitation Institute, with four centers, "teaches patients how to use the approximately 800 artificial limbs and braces it manufactures each month."²²¹ As a reinforcement to the Public Health Program, 61 medical teams from various free world nations now treat approximately 44,000 hospital patients each month. Additionally, since June, 1966, nearly 800 U.S. physicians have worked without pay in Vietnam for at least sixty days to treat Vietnamese civilians.²²²

During the French colonial stay clinical medicine was traditionally stressed over preventive medicine. However, the Vietnamese government is now vastly improving its program of disease prevention. Such planning is understandable because preventable diseases account for over 50% of the treatments in Vietnamese dispensaries and hospitals. During 1969, Vietnamese citizens received over ten million inoculations against preventive diseases.²²³

Most Vietnamese doctors are currently in the military and, since nearly all health care is nationally-sponsored (only 15% is private), many civilians have traditionally received less than adequate health care. Consequently, in 1969, the Ministries of Health and Defense combined in a joint health program to treat both Vietnamese civilians and soldiers in 25 provincial hospitals. "The increase will bring the program's combined civilian/military medical personnel to 7,700."²²⁴

At this time, it appears that Vietnamese citizens are receiving better health care than ever before in the history of the nation. The only uncertainty in the health program stems from the fact that even though the United States and other developed nations have built elaborate and well-equipped medical facilities, the Vietnamese are experiencing a difficult time finding enough trained doctors, nurses, and technicians to staff those facilities. Indeed, in 1969, there were over 12,700 persons per physician in the nation.²²⁵ However, the major problems seems to be time.

²²⁰Vietnam in Brief, p. 86.

²²¹U.S. Assistance Program in Vietnam, p. 3.

²²²Ibid., p. 2.

²²³Ibid.

²²⁴Ibid.

²²⁵"What the U.S. is Leaving Behind in Vietnam," p. 87.

There are several medical, dental, and nursing schools in Vietnam and their facilities and effectiveness have been greatly expanded in the past few years. In fact, the number of graduates from these institutions is triple the number in 1965, and is expected to double again by 1975.²²⁶

Economic Outlook

In a broad sense, the Vietnamese government is currently attempting to maintain some form of economic stability, and increase capital investment. A great deal of that success will depend upon reducing the social consequences of the war (and prior poverty), and creating "a more secure and prosperous environment."²²⁷ Summarily, the war produced a massive shift into urban areas of rural people looking for jobs and/or protection. Until that time, the Vietnamese economy and social structure had been historically agricultural. The jobs created by the demands of war greatly increased purchasing power and an initial shortage of goods and services. Inflation has been the result. Consequently, the major programs now underway call for increased agricultural production, land reform, development of new industry, and expansion of educational and health services.²²⁸

The United States, understandably, is still involved to a great extent. A U.S. State Department representative in Saigon says that U.S. economic assistance will have to continue for at least ten years--at an annual cost of about \$400 million. Currently, the United States would prefer to see the foreign exchange in Vietnam's accounts used to purchase capital goods and improve its industrial base. In the fiscal year ended June 30, 1971 Vietnam received about \$600 million in U.S. economic and food aid but only \$220 million of it was used to buy fertilizer, fishing nets, equipment, and other vital capital goods.²²⁹

The primary strategy of the government of Vietnam since 1970 has been to reduce the amount of money in circulation. Importers are now required to put up substantial deposits, as well as pay interest rates up to 24% on the bank loans with which they finance their trade. New interest rates

²²⁶U.S. Assistance Program in Vietnam, p. 2.

²²⁷A Program for Peace in Vietnam, Department of State (Washington, 1971), p. 4.

²²⁸Ibid.

²²⁹"South Vietnam's Chances of Making It Alone," p. 32.

(of up to 22%) on time deposits have helped greatly increase savings in banks.²³⁰ In 1970 imports dropped by about 20% from the previous year. Private sector savings increased from 4.9 billion piastres in 1967 to over 59.5 billion in 1971.²³¹

Since tax and customs revenues covered less than 50% of government spending in 1969, the National Institute of Administration established a program to develop better tax administration. Collections in 1970 proved to be 50% higher than in 1969, and preliminary 1971 revenues showed a 40% increase over the previous year.²³² In a further effort to reduce the expense and red tape that has evolved over the years, 45 training centers have instructed over 53,000 village and hamlet administrators in public and tax administration since 1969.²³³

Population Growth

Actually, the absolute size and/or growth of Vietnam's population (about 2% annually) has not had the distinct effects upon its social and economic growth as the two previous nations have experienced. It has been the composition (determined in earlier years) and mobility of the population which has succinctly changed Vietnam. The accidental mass urban migration, caused by the war, has aided the social development. Because the Vietnamese government controls all cities, the population shift has made the countryside less important. Ecuador and Turkey are still largely rural and traditional societies which cling to traditional beliefs, but Vietnam's urban population, increasingly aware of the independent way of life, has reduced its fertility.

Summary

The Agency for International Development has written that "the bulk of the country's material and human resources will be diverted (because of the war) to meet military needs, and serious long-range economic development will have to be postponed or at best remain sporadic."²³⁴ It is difficult to fight a guerilla war and simultaneously provide improved

²³⁰ "Return of Economics," p. 91.

²³¹ Summary of Monthly Economic Data for Vietnam, December, 1971, Agency for International Development (Washington, 1971), p. 5.

²³² Ibid., p. 8.

²³³ U.S. Assistance Program in Vietnam, p. 5.

²³⁴ "South Vietnam's Chances of Making It Alone," p. 32.

public services for the civilian population. However, it is not so hard if someone else induces and pays for the services.

From the evidence I have examined, I would consider the Vietnamese people either tremendous winners or massive losers in this war-game of international politics. If one considers the dissolution of the simplistic, traditional society of the 1950s a loss, then the Vietnamese are losers. But it hasn't happened that way and now the United States, aware of the ubiquitous chance of losing face, will continue to pour money into Vietnam until it is self-sufficient, or lost forever. The Vietnamese are urbanized sophisticates now, in the mold of Singapore and Hong Kong, and the Saigon youth of today would find it difficult to live another way. US News and World Report states: "a stroll through Saigon's shops and marketplace reveals an abundance of consumer goods, something almost never found in a country at war. Store shelves are piled high with imported textiles, cosmetics, home appliances, tape recorders, jewelry, and high fidelity amplifiers."²³⁵

Basically, the Saigon government is beginning to look like a government. President Thieu has an air of authority unlike any Vietnamese leader since Diem in his early days. The Economist made a very sound point in 1970:²³⁶

"The drainage system in the center of Saigon has been turned upside down in the pursuit of ennobling sanitation. Any government which can afford to be so preoccupied with pollution is acquiring a new status-symbol of sophistication."

Professor Rostow has stated that in modernization, there are ways to increase the dignity and value of human life.²³⁷ The value of Vietnamese lives have certainly been pleasantly heightened. It may be many years before the term "dignity" can be redefined in Vietnamese terms.

²³⁵Ibid.

²³⁶"Vietnam Revisited," p. 29.

²³⁷Rostow, p. 28.

Chapter Four

Composite Social and Economic Indicators Indices

In recent years there has been a surge of sociological and psychological thought into the various scientific fields, including economics. Economists do not seem to have the same regard for the term "GNP" as they once had. Since people provide the goods and services that comprise the GNP, many academicians and professionals have more recently questioned people's underlying motivations. That is, there have been scattered assessments of the factors that influence persons to act, react, or even produce in particular ways. As a result, experimental indices have been developed by various agencies and individuals in an attempt to quantify "a decent physical and social environment."²³⁸ Wilbur J. Cohen, former U.S. Secretary of Health, Education, and Welfare, has stated that these indices will remain experimental until the proper indicators are found to accurately reflect a nation's social conditions.

The Economist has attempted to compare social conditions in countries of close developmental stages by awarding points for specific performances of each nation after which the individual scores are totalled. The difficulty lies in the types of conclusions drawn. I presume the ultimate analysis should be a determination of which nation provides the least abrasive environment for human beings.

As a chapter to this essay I propose two such indices for LDCs. The first awards points for specific national provisioning or performances, and the second assigns a rank index for the same indicators. Since such indicators have not been formally introduced in many prior publications, I ask the reader to bear in mind that my indices are experimental and that information from the developing economies may be less than either totally accurate or recent. In fact, while formulating the indicators, I was compelled to exclude various potential data simply because I was unsure of accuracy or did not possess recent enough statistics to make complete comparisons.

I shall begin with a point-correlation index of the three countries

²³⁸ Department of Health, Education, and Welfare, Toward a Social Report (Ann Arbor, Michigan, 1970), p. vii.

already examined in this thesis, Ecuador, Turkey, and Vietnam, followed on the subsequent page by an explanation of the scoring. The individual nation with the highest total score is to be ostensibly considered the country with the most promising (or least hostile) social organization.

Index A: Social and Economic Indicators of Selected LDCs

<u>Indicator</u>	<u>Ecuador</u>	<u>Turkey</u>	<u>Vietnam</u>
1. Real Growth in GNP (annual average, 1966-1970)	42	69	-58
2. Percentage Change in the Gross Fixed Capital Formation:GNP ratio (1960-1967)	-25	24	52
3. Public Expenditures on Education as a percentage of GNP (annual average, 1968-1970)	8	2	20
4. Index of Manufacturing Production, 1969 (1960=100)	1	15	8
5. Index of Electrical Production, 1970 (1960=100)	1	11	17
6. Consumer Price Index Increase (annual average, 1968-1970)	-3	-4	-27
7. Income Percentage of the Lowest 20% of the Population, 1970	-9	-17	-2
8. Percentage of the Labor Force Employed in Agriculture, 1970	17	-2	23
9. Urban Population, 1970	-31	-31	-10
10. Proportion of Primary-age Students Enrolled in School, 1970	-22	-15	-8
11. Literacy Rate, 1970	-16	-26	-18
12. Population per Private Motor Vehicle, 1970	-10	-10	-3
13. Population per Kilometer of Highway, 1970	-2	-6	-10
14. Railway Passenger Kilometers Per Capita, 1970	1	14	4
15. Life Expectancy, 1970	-23	-21	-18
16. Population per Physician, 1969	-21	-25	-30
17. Infant Mortality Rate, 1970	-38	-54	-25
18. Annual Population Growth Rate (1969-1971, average)	-34	-27	-22
19. Population Density per Square Mile, 1971	0	-4	-11

<u>Indicator (continued)</u>	<u>Ecuador</u>	<u>Turkey</u>	<u>Vietnam</u>
20. Birth Rate per 1000 Population, 1970	-34	-30	-26
21. Residential Construction, Total Square Meters Per Capita, 1968-1970	8	11	0
22. Percentage of Population aged 19 or less, 1970	-13	-10	-13
Total	-203	-136	-157

Points have been awarded to each nation on each indicator using zero as the operational base. The reader should not necessarily interpret zero points to be the optimum indicator level. In fact, in some cases the optimum level can probably not be determined. In such cases I used the United States as a reference point or selected my own. Hence, points were given as follows:

1. +1 for every 0.1 over a zero real GNP growth rate.
2. +1 for every 0.5 over a zero growth rate for capital formation.
3. +1 for every 0.2 over a 2% education expenditures/GNP ratio.
4. +1 for every 3 index points over a manufacturing index of 150.
5. +1 for every 10 index points over an electrical production index of 200.
6. -1 for every 1% over an inflation rate of 2%.
7. -1 for every 0.1 under 5.3% of the national income accruing to the lowest 20% income group of the total population.
8. +1 for every 1% under an agricultural labor force/total labor force ratio of 70% (maximum points=50)
9. -1 for every 1% over or under an urban population of 70%.
10. -1 for every 2% under a 100% primary school-age enrollment.
11. -1 for every 2% under a 100% literacy rate.
12. -1 for every 5 persons over a population/motor vehicle ratio of 5.
(minimum points= -10)
13. -1 for every 100 persons over 100 persons per highway kilometer.
(minimum points= -10)
14. +1 for every 10 railway passenger kilometers.
15. -1 for every year under a natural life expectancy of 75.
16. -1 for every hundred persons over a population/physician ratio of 650.
17. -1 for every two points over an infant mortality rate of 12.
18. -1 for every 0.1 over an annual population growth rate of zero.
19. -1 for every 20 persons per square mile over a population density of 50.
20. -1 for every one point over a birth rate of 10.
21. +1 for every 0.10 square meters per capita of new residential housing constructed.
22. -1 for every 1% of a population, aged 19 or less, over or under 31% of the total population.

Index B: Rank Correlation of Social and Economic Indicators
(3=highest score)

<u>Indicator</u>	<u>Ecuador</u>	<u>Turkey</u>	<u>Vietnam</u>
1. Growth in Real GNP	2	3	1
2. Fixed Capital Formation	1	2	3
3. Education Expenditures	2	1	3
4. Manufacturing Index	1	3	2
5. Electrical Index	1	2	3
6. CPI	3	2	1
7. Income Distribution	2	1	3
8. Agricultural Labor Force	2	1	3
9. Urban Population	1.5	1.5	3
10. Primary School Enrollment	1	2	3
11. Literacy Rate	3	1	2
12. Population/Motor Vehicles	1.5	1.5	3
13. Population/Highway Kilometer	3	2	1
14. Railway Passenger Kilometers	1	3	2
15. Life Expectancy	1	2	3
16. Population/Physician	3	2	1
17. Infant Mortality Rate	2	1	3
18. Population Growth Rate	1	2	3
19. Population Density	3	2	1
20. Birth Rate	1	2	3
21. Residential Construction	2	3	1
22. Population aged 19 or less	1.5	3	1.5
Total	39.5	43	49.5

As it can be readily ascertained, in both indices the Republic of Ecuador has scored lowest. This would seem to indicate that it is presenting the least hospitable environment for its population, which would present further difficulty in preparing for the preconditions for takeoff. However, in the first index Turkey comes out on top, using scores; and in the second, Vietnam ranks first. In actuality, I would tend to place greater value on the second index. After initially doing Index A, I decided that it was too bogged down with value judgments and would not have presented it except to demonstrate what problems occur in this type of analysis.

In reference to Index A, if a greater number of nations were involved it would be more accurate to calculate an average score from the actual performances of each indicator and award points for the deviations. Unfortunately, only three nations are included in my essay; and it would be meaningless to compute an average of three items. Hence, I was thereby required to arbitrarily select standards for which zero points would repre-

sent the base. This would indicate that the rows would have to be weighted. However, as The Economist found, weighting by importance necessitates making value judgments that invite controversy.²³⁹ I favor the second index because it tends to reduce the importance of any one column. For example, I did not feel that population density is more important than population growth rate. Yet Vietnam's population density would give a more negative aspect than the positive aspect of its growth rate. Thus, I was forced to weight the two rows in assigning points for Index A and make a personal value judgment.

Overall, the results of the second set of scores correspond with what I would hope has been indicated in the prior chapters of this essay. Vietnam is progressing (or forcibly being progressed) at a faster rate than either Turkey or Ecuador. However, two important aspects are overlooked in the index. Ecuador's oil may greatly change its social structure; yet, it is still speculative. The second item omitted from the index is the war in Vietnam. If such a war would be placed in Ecuador or Turkey, it would be a heavy negative score. However, in Vietnam, a nation which has been at war for 32 years, bombs are as common as sleeping. At any rate, the rank index has been included experimentally and not as an end result. The final scores are nearly equal to the value judgment I personally would place on progress in the three nations, however; but the reader is urged to create his own judgments.

²³⁹"More Green Grass," The Economist (January 22, 1972), pp. 17-18.

CONCLUSION

Professor Heinz Kohler of Amherst College has written that the process of identifying underdevelopment can be as difficult or simple as one desires to make it. The terms "underdevelopment", or "developing", or whatever else is in current fashion usually refer to a state of poverty when used by economists. Certainly if one desires to reach beyond that simple meaning, he may encounter a moral judgment.

While, for the purposes of this essay, Vietnam may be classified as a developing nation, its culture dates back thousands of years before that of the United States. Yet it is the culture of the "extended family", so prevalent in traditional societies, that may indeed destroy the incentive to innovate or engineer a departure from traditional customs. In the institution of the extended family, each member has supportive obligations and may be expected to extend hospitality and material goods to any or all relatives and clansmen. The surplus output of one member may be required for the well-being of a less-fortunate relative. Thus, the only incentive to produce or become more efficient would likely be an individual's desire (or love) for the other family members. Most families, such as the small rice farmers in Vietnam, or subsistence wheat farmers in Turkey, take care of themselves but provide little or no surplus initiative for the nation as a whole. In the United States, the extended family concept has been present (such as in early Italian or Irish immigrants) but has rapidly been replaced by fervent nationalism. As a consequence, the "giving up of the surplus" has just been redirected from the family to the nation. Evidence of this can be seen in the social security system.²⁴⁰

Without progressive organizers, or entrepreneurs, economic development seemingly will not occur. The traditional social environment in most poor nations is not conducive to innovation and experimentation. Those individuals who might "interrupt the established order of things" are

²⁴⁰ Kohler, pp. 563-565.

even often scorned.²⁴¹ However, some nations have used intensive governmental participation as the developmental innovator rather than private enterprisers. Because there are relatively few qualified entrepreneurs in the poor nations today, the role of government takes on an expanded dimension.

During the 1950s it was considered a matter of public concern for the developed nations, particularly the United States, to offer economic aid to the poorer nations. However, through a process of economic examination in recent years, developmental experts doubt in retrospect the real progress that economic aid has extended to these nations. In fact, economic assistance, often accompanied by aid-tying and exploitation, has proven "to be politically embarrassing and resented by the recipient."²⁴² Aside from disease eradication, the bulk of foreign economic aid had provided little real growth for the masses of people in Ecuador and Turkey. Neither nation appears to be substantially better off today because of the massive amount of money extended to them by foreign nations. Even with funds, economic development won't just happen; there must be a great change in the attitudes within the social organization.

It is of substantial interest, then, to examine the change in Vietnam because its growth from 1964-1971 has been the result of an unprecedented process--a radical revolution induced indirectly by a large foreign nation through the means of war. The amount of social overhead capital which has been established in Vietnam over the past eight years has far exceeded, proportionally, that in Ecuador and Turkey. Of even greater significance is the change from a rural, traditional society into an urban-dwelling, consumer-oriented people. If the hostilities of war were to vanish from Vietnam immediately, I feel sure that nation would embark on a progressive path to the takeoff. In any case, a very convincing argument has been presented for an induced, exogenous revolution kneaded by capital and technical assistance. That is, another 40 years of the same U.S. economic assistance program, excluding Vietnam, might produce what the first twenty exuded--no poor nations being aided significantly. Might it not be better to concentrate eight years apiece on five particular countries and help evolve five developed economies? Certainly most econo-

²⁴¹ Ibid., p. 564.

²⁴² Ibid., p. 578.

mists today feel the U.S. economic aid program is spread too thinly and that some concentrated effort would produce better results.

It remains to say that today most Americans abhor the U.S. involvement in Vietnam. But from an economic standpoint it is valuable to ponder exactly what progress could be accomplished with a concentrated effort in one nation, especially if a great amount of the money was not being diverted to tanks, guns, and bombs.

The remaining question is the moral one: is the change of the past eight years which was induced in a thousands-year-old culture justified in order that persons can take advantage of televisions, motorcycles, and sewers? A young Vietnamese college student, who later became my good friend, asked me in 1969: "Why do you Americans dislike Ho Chi Minh so much? He is of the same Vietnamese birth as I, and yet you would send me to school and kill him." The point is that perhaps it is best to leave traditional societies alone, regardless of the governmental structure. That question cannot and should not be answered in this paper; but it should indeed enter the thoughts of every developmentalist and be answered individually, and someday collectively. This paper has dealt in part with what can be done and with presently what has or has not been done. Still, the radical revolution can no longer be thought of in yes-or-no terms. The day is past when economists can analyze a table of statistics and forget that they represent the accomplishments of people only and that to induce a change in those statistics may induce a drastic change in human life-styles.

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