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JAMES W. FOX

*Interviewed by: W. Haven North
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Department of State, Washington, DC Staff Assistant to Undersecretary of State for Economic Affairs	1981-1982
USAID, Washington, DC Staff Economist, Latin American Bureau	1982-1992
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INTERVIEW

[Note: This interview was not edited by Mr. Fox.]

Q: Jim, let's start off with a brief thumbnail sketch of your association with AID.

FOX: I started working for AID in 1970, went to Costa Rica and spent a couple of years there and on to Uruguay for a year and then to Colombia for three years. I came back to Washington for a year and then I left AID and went to work for Treasury for several years and the Congressional Committee and then the State Department. I came back to AID in 1982 where I worked in the Latin American Bureau for the next decade. I was Chief Economist and then I went to CDIE, the evaluation office, where I worked until the end of 1988 when I retired.

Q: Let's go back to where you were born, where you came from, where you grew up and your education and what in all that suggested that you might want to get involved in the international field?

FOX: I grew up in a small town in Nebraska. I always believed once I saw New York City for the first time when I was 18 or 19 that somehow a terrible mistake had been made. I was really meant to be a city boy and was born out in the countryside there. In any event I grew up there, life in a small town was much more remote than it is today I think. I went to college at Notre Dame where I studied engineering. Frankly the way I got into AID was my last year of college when Kennedy was shot I changed my career plan. I meant to go to work as an engineer and I opted to do something for the world, so I signed up for the Peace Corps. They send me to El Salvador where I taught engineering for two years.

Q: Where did you teach engineering?

FOX: At the University of El Salvador and that is a fascinating, useful experience. It also changed my outlook. I remember meeting Joe Sconce from AID when I was there and learned enough about AID and the problems of poor countries that it convinced me that I ought to go to graduate school in economics, get a doctorate and go work for AID. So that's what I did.

Q: Where did you go to graduate school?

FOX: The University of North Carolina at Chapel Hill. Four years later I joined AID.

Q: What did you do your thesis on?

FOX: The automobile industry in Latin America. The prospects for economic integration at the sectorial level. I think it had some fairly sophisticated

Q: What do you mean by economic integration?

FOX: The idea of my thesis advisor. Somebody else was doing a similar study for the chemical industry. The idea was LAFTA, the Latin America Free Trade Agreement, had been floundering. His hope was through some kind of sectorial agreements they might reignite the integration process -- having integration take place at the industry level, rather than trying to do it across country or comprehensively for all sectors. So the idea was you would get agreement in your countries for gradual reduction in tariffs on automobiles in exchange for some kinds of investments decisions, some kinds of cars would be made in one country and others in another. We thought there was some prospect there. Ultimately I think it was a crackpot idea. That's not the way things work in the real world. Later the Andean countries tried to do that same sort of thing and it didn't work. That's not the way in which real progress gets made in the industrial sector.

In any event I joined AID and went to Costa Rica where I worked for Larry Harrison.

Q: What was your position there, how did you get into AID?

FOX: Well, my last year of graduate school I had written to AID and then I interviewed AID at the AEA annual meetings. Jerry Pagano was organizing it. I interviewed Bill Rhodes and Larry Harrison I guess. Pagano who was the personnel person for Latin America at that time wanted me to go to Uruguay but Bill Rhodes chose another person. So I went to Costa Rica instead and then two years later when that other person didn't work out, Bill Rhodes had me come to Uruguay. I remember at the time Jerry Pagano thought that was a big mistake on Rhodes' part

Q: What year was this that you went to Costa Rica?

FOX: 1970

Q: Your position was?

FOX: I was their Mission Economist.

Q: I see.

FOX: It was a joint appointment as was my next. All of my Latin American assignments were joint appointments between the Embassy Economic Section and AID. From my point of view that's the ideal arrangement.

Q: What does that mean in fact?

FOX: It means having two bosses as opposed to having no bosses. It gives the individual more flexibility about what he does, but in practice what I did was some economic reporting. Particularly in Costa Rica, there was close coordination between AID and State. The State Department wanted a lot of macro-economic reporting in those days and so I did divide that work up with other people. My work in the AID Mission was mainly at the conceptual level, strategizing, although I did manage a couple of projects, a tax administration project and the credit portion of an ag sector program.

Q: What was the situation in Costa Rica at the time that you went there?

FOX: It was a country that had been doing extremely well during the 1960's. About the time I arrived we were talking about phasing out of Costa Rica as a development success story. They had had successive booms during the 1960s with coffee, sugar, bananas and manufactured exports to the Central America common market. The country had been growing at 6 % a year. Alcoa was about to have plans to invest huge amounts of money in aluminum processing. It looked like a country that was on its way.

Q: Political situation?

FOX: The country was stalwartly democratic although the Costa Rican government during the time I was there allowed the Russians to set up an Embassy. This was thought to be a terrible thing by the U.S. Government. There was worry about the communist menace, that the president of the country was going to sell the country down the river to the Russians and the Panama Canal would be threatened. There was a real flap over that which led to Larry Harrison, my boss on the AID side, being fired by the Ambassador, and my boss on the State Department side, Sam Hart, being fired.

Q: Why was that?

FOX: Actually the whole story is told in Sam Hart's Oral History. He was on the State Department side and it is a preposterous, fascinating story about the communist menace and crazy ideas political Ambassadors had in those days.

Q: What was your impression of a threat, you thought this was a serious problem?

FOX: It was ridiculous. Costa Rica was and is a democratic country. One of the things that I didn't appreciate so much at the time, but if you travel to many countries you see that the poorest peasant in Costa Rica sees himself as good as anybody else in the country. It's really a very refreshing kind of national identity where they each believe they are as good as anybody else in the country. This is in sharp contrast to many

developing countries where you can see people understand that they are inferior to others. You go to Guatemala and study Indians. I think some progress has been made, but Indians essentially believed in those days that they were a lower form of life than the people in the city. Costa Ricans aren't like that. They adopted over the centuries a democratic idea, democratic self-identity that has stood them in good stead.

Q: Why is Costa Rica so different?

FOX: At the end of my career I did an evaluation of AID's 50 years in Costa Rica where I looked into some of these questions. The answer most people give who have looked into this is that Costa Rica was a poor country during the days of the Spanish Conquest. It didn't have any Indians and it didn't have any mineral wealth. So consequently it wasn't settled by Spaniards who wanted to get rich quick and it didn't have an underclass of Indians to be exploited. It was settled somewhat later basically by yeomen farmers who had to farm their own land. My evaluation of Costa Rica actually starts off with a quotation of the Spanish Governor in Costa Rica from sometime in the 18th century who said "It's a country where everybody's poor and where he himself, if he didn't work, grow his own crops, he'd starve to death himself. There was no way you could survive unless you worked yourself there." I think that is the culture that predominated and perpetuated itself over the centuries, rugged individualism and a willingness to work hard and to treat others equally; that was important. Similarly, Costa Rica differed from the rest in education. Commitment to education was evident from the middle of the 19th century and by 1940 nearly all Costa Ricans had gotten some elementary school and by the '60's virtually everybody was literate. That itself made for a more democratic society.

Q: What issues were you working on at that time? Apart from reporting what were the main things that you were asked to do?

FOX: The American economic policy of some concern was tax collections. Before I arrived there was a showdown with the Costa Ricans where AID had masterminded a loan freeze by the donors because they didn't think the Costa Ricans were doing enough on the tax front. That encouraged the Costa Ricans to do some things that led to increased tax collections and reduce the fiscal deficit. So I was tracking that issue.

Q: Was this an element of AID conditionality?

FOX: No, there isn't any formal conditionality. There was really a leverage with the World Bank and the IDB (International Development Bank) trying to get the other donors to gang up on the Costa Ricans. There were some hard feelings about that that were evident when I was there. But the Costa Ricans did come around on the fiscal side, although monetary policy we didn't really understand at the time. Monetary policy was becoming a lot looser than was desirable and the country was starting to run out of foreign exchange reserves. We learned this late in the game shortly before they were forced to partially devalue, set up a parallel exchange rate system. For the rest, I worked on trying to think about monitoring an evaluation program, a program which was our

main effort at that time. It was a 20 million dollar activity that involved trying to do things with all the institutions in the agricultural sector and trying to generate a coordinated approach by the Government to the ag sector and managed by the Minister of Agriculture through a National Agricultural Council.

Q: Was this a comprehensive approach to the agriculture?

FOX: Yes, that was the idea.

Q: Did it include all kinds of assistance or just program assistance?

FOX: All kinds of assistance. I also managed the agricultural census part of the program but there was money for the university, for agricultural education, for a seed technology laboratory, for improving the ag extension service, for setting up a technical arm in the Ministry that would do studies and research and policy advice. There was money for cooperatives in the agriculture sector, for the land reform agency, mostly with colonization, probably some money for electrification: in sum, everything you can think of in the ag sector. We were all very enthusiastic at the time. In retrospect, and we did have a second ag sector loan, the approach simply demanded too much or expected too much of bureaucrats in the Ministry of Agriculture. The public sector agencies it turned out simply weren't capable of playing the developmental role. And the Minister of Agriculture to start with is inherently a politician responding to political pressures either from urban forces or from lots of interest within the agricultural sector, the milk producers, the wheat producers. He is putting out fires and is seldom able to think or work comprehensively or even be interested in working comprehensively to do things for the ag sector. I think we really had an idealistic idea of what government agencies could do in those days or were able to do.

Q: Were there institutions you could work with on this at all? Outside of the Ministry?

FOX: At that time the credit system was relatively effective. One of the useful lessons I learned about evaluation was through an evaluator who would come down periodically, a guy named Scott Brown. He subsequently worked for AID, who was monitoring this ag sector program. One of the things he did was to say he didn't want to evaluate the program; he wanted all the people in the Mission who were working on the program to do his work for him. So at one point we were all forced to go out in the countryside for four or five days into various parts of the country and to interview the beneficiaries and the agencies. We had questionnaires to fill out about what was going on out there. For me as for the other people it was a revelation. You talk to Ministry of Agriculture people, the ag extensionists, and they complain they don't have gasoline to get out to talk to the farmers. So they sit in their regional offices waiting for somebody to come in. You talk to the farmers and they don't really think the Ministry of Agriculture people have much to offer, but they generally thought they were getting some kinds of useful advice from the bank lending people. The bank loan officers would come out to the farms a couple times during the year to see how things were going and the farmers thought these people had something to offer them in terms of knowledge about their ideas, about things they ought

to do to improve their productivity. That was certainly one of the useful lessons. It caused us to give less emphasis to ag extension through the Ministry and more to the concern about how the bank credit officers could be useful disseminators of credit.

Q: What other things have you done?

FOX: I was on a tax team which was doing some technical work in the Ministry of Finance on the income tax system: the tax administration. We didn't get into the tax policy questions at all so it was really just a question of keeping abreast of what these people were doing. It was pretty micro kinds of work, developing systems, so that the tax auditors, the people in the office would have procedures that were standardized and appropriate to the way that a tax office ought to be run.

Q: Institution building type of project. Did it work?

FOX: I assume that it worked but it was hard to come to any definite conclusions about impact. We also had a team doing work in the Customs Office trying to work on the same kinds of procedural issues. I think that was probably a failure in the sense that the Income Office was basically uncorrupt, the Customs operation was basically corrupt and so nothing could be done to get at the root problems of the Office. You really would have to go back and start over if you wanted to reform the Customs system.

One other thing about the Ag Sector Program: I did go back in the late '80's, early '90's and talked to growers who were starting to export winter vegetables to the U.S., cantaloupes, watermelons, honeydews. Costa Rica turned out to be very successful at this. Exports went from nothing in the late '80's to about \$40,000,000 by the late '90's. I remember talking to one of the growers who said he needed to do soil samples. He would send them off to some company in Ft. Lauderdale. I said, well, I thought AID twenty years earlier had set up a soil laboratory at the University of Costa Rica to do just that. He said, "Yes, he had sent them a sample and he got no response, finally called them and they gave him an analysis that was clearly wrong. So he decided to rely on this company in Ft. Lauderdale was the way to do business." Obviously there was some institutional incapability in our soil sample operation; I assume because there was less commercial, less focused on trying to please customers than being an adjunct of some unit inside the university, a little fiefdom of some sort.

Q: How did you find working with the Costa Rican people?

FOX: It was delightful. Costa Ricans were very open and friendly. There is a cadre of economists with whom I've kept in touch ever since actually. I think I have been responsible for a lot of good happening in the economics field. The first generation were people maybe ten years older than me who had been trained in the U.S. or England in the '50s or early '60s. Some of the later people trained by AID, but they saw themselves as important to the country and as the teachers for the next generation of economists and I think Costa Rica has produced some really first rate economists. One Costa Rican in particular subsequently migrated to Ohio State where he established, or became part of a

graduate school in agricultural economics that trained a lot of Costa Ricans and became very involved in agricultural credit kinds of ideas. He set up a sort of underground railroad between Costa Rica and Ohio State although there were others who went to Stanford, Berkeley or the University of Chicago. The current President of Costa Rica actually is one of that original economist Mafia and his son is a Professor at the University of Chicago.

Q: A powerful economist group there that really?

FOX: That's right and they improve the quality of argument about economics. They are important in the long term to helping the Costa Ricans avoid some of the problems that may develop in countries that have lots of dumb ideas being implemented.

Q: Were you aware while you were there that AID had a particular development policy or strategy you were supposed to be responsive to?

FOX: I certainly was very taken when I started. I had read all the academics when I was in graduate school like Hollis Chenery, Albert Hirschman, Walt Rostow. Those were the days when economic development theory was really in its heyday. There was a lot of macroeconomic modeling kinds of things, models that we tended to believe in at the time or at least we economists. I guess I was a bit eager largely in the automaticity of the development process. You put in money and economic development comes out the other end. Although I was also a fan of Albert Hirschman who had the more nuanced idea of the way the world worked, but basically I think I was less concerned about the cultural aspects of the development process than I subsequently became.

Q: With all these elaborate theories, did you see any manifestation in the work you were doing or what you were trying to think the character of the program? Was it of any connection?

FOX: Well, certainly we thought we were, although there are many ways of adding to the investment of the country and our technical assistance and technology transfer and institution building were doing things that was going to make the country rich. I guess I assumed at the time, and still do, that in an environment where people want to progress, want to learn more productive ways of doing things, that foreign aid can help.

Q: Was there any specific guidance you were getting from Washington that said this is what you should do?

FOX: In Costa Rica I was pretty insulated from things going on in Washington. Although I do remember the work, I think it was when I was in Costa Rica, the work done by Charles Montrie and John Eriksson. They were trying to draw from ideas about the employment problem that was becoming a concern in developing countries and the need for policies that would absorb or see to it that labor was being absorbed appropriately as modernization took place.

Q: Anything else on Costa Rica at this point?

FOX: At this point, I'll probably come back to it when we get to my reflections on the whole development process.

Q: Okay, well then let's, how long were you there?

FOX: Two years.

Q: And you moved on to Uruguay?

FOX: Moved on to Uruguay. My position was being abolished as part of the phase down in Costa Rica.

Q: We were phasing out while you were there?

FOX: The plan phase out was still happening by the time I left.

Q: Why was it phasing out?

FOX: Because it was a development success and the country no longer needed our help.

Q: This was a success in 19...?

FOX: 1972. We'll come back to Costa Rica. We had twins born in Costa Rica and they were three months old at the time we left. I had been given a choice – there were two missions in Latin America that were interested in having me. I went first to Bolivia for a week's TDY and was convinced that that was the place I wanted to go. Bolivia is certainly a fascinating place. But when I got back to Costa Rica some people who had been in Bolivia had gotten to my wife in the meantime. They had given her an earful of health problems for young babies and how in some cases the babies just don't adapt very well to the high altitude. So, faced with adamant opposition I told the Board of the mission that I wasn't able to come there and we went to Uruguay instead.

Uruguay was a very odd country in the sense that it really wasn't underdeveloped in the same way that Costa Rica or most of Latin America was. It didn't have really severe poverty back in the rural areas where infant mortality was high and the modern services didn't reach. It was a country that was in some sense developed in the '30s, but, like Argentina, became undeveloped after World War II. That was a period of economic stagnation decline and so AID was there.

Q: Why were we there? Why did we have a program there?

FOX: I think as part of the price for the 1964 Punta del Este Summit where Lyndon Johnson and their Presidents of the Americas met to discuss what next steps in the Alliance for Progress; increasing our presence in Uruguay was somehow part of the pay-

off. Our program there was always minimal and frankly most of our activities were really nickel and dime kinds of things. We had a small program loan which I became involved in. My work on the auto industry in Latin America gave me expertise which was useful in this context. There was a proposed use of this program loan to import FIAT automobiles for the FIAT assembly plant in the country. There were assembly plants for half a dozen auto makers. It was a ridiculous business that included Ford and General Motors and the terms of the program loan didn't allow us or didn't give us an easy way of not financing these imports. There was obviously no tying of the imports to U.S. procurement. So I was asked to write a paper analyzing the economics of this and basically I showed that it was a terrible idea. That these assembly plants really didn't add anything to the country's development or, more properly, they subtracted something from its development, but they made the resources that could be used for something useful, be used for something that wasn't. The country would be better off buying its automobiles entirely assembled abroad and using the resources freed up for any of a variety of other activities that would produce more for the country. So the country was poorer because it was assembling automobiles there. Ultimately we didn't import the automobiles much to the relief of the AID Mission and the local Ford assembly plant.

Q: What did they use the financing for?

FOX: I really have no recollection of what else we were financing.

Q: General imports.

FOX: General imports I think. I spent lots of my time there working again in the Economic Section of the Embassy and doing macro reporting and doing just sort of macro sector analyses supporting the rest of the AID Mission.

Q: We didn't have any particular programs at that time?

FOX: We had a lot of cats and dogs. I remember a very small tourism project bringing experts in to help Uruguayans promote tourism from Argentina and Brazil. The biggest problems was their tourism season is relatively short -- December and January -- and they were trying to extend it to make it longer but the weather wasn't all that amenable to that happening.

Q: Was there anything distinctive about the macroeconomic work or policies at the time?

FOX: The one piece I still recall that I did, and wish I had done more with it at the time, was to try and explain why Uruguay was in the mess it was in, with economic stagnation, bitter political conflict. Basically what I did was looking historically at the country over the previous 20 years to come up with a little allocation of GNP, how much was needed to satisfy the various sectors of society and how much was available. My calculation showed that what was needed to satisfy everybody was about 20 % more than was actually produced in the country. Then I told the story about how this came about. During the period following the second World War, Uruguay was flush with foreign exchange

that accumulated during the war and they hadn't been able to spend. So they lived for five or six years off the accumulated wealth acquired during World War II. Then the Korean War happened and they had another four or five years of abnormally high levels of consumption.

So the Uruguayans had about ten years where they were living with levels of national consumption that were 10 or 20 % above what I would call their long term capacity. Once that period ended they didn't have a good way to readjust their living standards. So, from the mid '50s on to 1970, there was a continual issue over who was going to get short shrift. You could in my numerical working out get about 10 % of a 20 % gap. About 10 % you could get by just eliminating maintenance and investment in keeping the capital stock where it was -- letting the country gently go downhill in terms of its infrastructure. The other 10 % got fought over and when the conservatives were in power labor, the workers, lost out. When the liberals were in power, the business sector lost profitability. When both liberals and conservatives were in, the farmers lost. Basically it looked like the farmers in Uruguay did not invest because they couldn't afford to. The prices they were being paid were 50-70 % of world prices with the rest being tax to support the urban population that were there. It's a society where it was simply too expensive. Government cost more than the people could afford and they didn't have any way that they were able to adjust politically.

About the time I left they had a military coup that ended 70 years of democracy. I think it was a failure of democracy partly structural that they didn't give enough power to the executive branch, partly societal that were able to make choices that were needed to be made to get the country going.

Q: What would it take to turn it around from an economic perspective?

FOX: The tip was that the people in the cities had to adjust themselves to a lower standard of living and over half the population of the country lived in North Montevideo. That was a politically impossible thing to do.

Q: A welfare society?

FOX: Yes. Social security went back to 1918 or so. They had built a welfare state where people could retire sometime in their fifties. Now that system had eroded so that social security wasn't so expansive anymore because the real value of social security benefits had gotten so low that it wasn't such a big drain. The typical person got about ten dollars a month and had to physically go down to the Social Security Office to get his or her ten dollars. Another aspect of that society was that because the way the laws had been interpreted nobody wrote checks. Everything was done in cash because you didn't have to honor a check if you wrote it and gave it to somebody. So it was a society with enormous amounts of cash. The Social Security System itself needed all this cash just to pay everybody each month. Companies paid people in cash and then people would gather. The Electric Company and other businesses would have somebody outside the pay office of each company where people would pay their electric bill in cash or pay

other utilities. It was an astonishing thing but again that was another example of how the society had broken down. It couldn't manage to perform activities that were obviously in everybody's interest.

Q: And a coup was supposed to help bring about change to all this?

FOX: That was the idea. The military was going to restore discipline to the society. They stayed in power for about a dozen years and did some torturing but avoided most of the extremes of the military in neighboring countries and I think only had limited success in creating the basis for a growing society. Now what happens in a case like that is it seems that all the most enterprising young people leave and go to other countries. Uruguay had large amounts of immigration to Argentina, or Brazil or Canada, or the U.S., or Australia. Once you have that happening on a large scale, even if you reform the policies, you don't have the young people to do things. You still have all those old people who like things the way they are. So once a society starts going downhill like that it can get caught in a trap where nothing works. I don't think they've totally extricated themselves yet.

Q: That's interesting. Another dimension of your experience there?

FOX: I don't have any other recollections. I only spent a year there and again my position was abolished. I think what happened was we started phasing out faster than was previously planned. There was something that happened in Washington that got my position abolished and myself transferred to Colombia which had a big program.

Q: You moved to Colombia in what year?

FOX: 1973.

Q: And your position was still as Economist or a joint position?

FOX: In the case of Colombia it was only formally a joint position. The AID Mission, unlike the other two places, was in a separate building and so I couldn't physically be located in the Economic Section. But since the Ambassador thought that the AID Mission was too independent, the Ambassador didn't want the AID Mission to have an economist. The price of the AID Mission getting an economist was that that economist report to the Economic Counselor so that that person would be a hostage to the embassy and wouldn't allow AID -- Marvin Weisman had been the Mission Director and he was thought by the embassy to be a power unto himself.

Q: Which I guess he was?

FOX: Yes, and so we had this arrangement where I reported to the Embassy Economic Counselor, but with Marvin Weisman gone and with I think the Economic Counselor gone as well, it became a purely formal arrangement. The Economic Counselor had no interest in what I was doing because I didn't pose a threat to the Embassy.

Q: What was the situation in Colombia when you arrived there?

FOX: The situation was it was a country that was growing pretty well. We had a large program. We were phasing down. I guess it was a little after I arrived when we started the big phase down, but we were providing about 100 million dollars a year to Colombia, most of it in the form of sector loans.

Q: Why was Colombia so important? Why were we providing that much?

FOX: Being a junior person in those days I didn't really understand the macro decision making process but I think it was partly we wanted Colombia to be a showcase for the Alliance for Progress. It was a country that had relatively good government and lots of ...

Q: Democratic?

FOX: Democratic government, but with a history of violence and of dictatorships and we were trying to promote or increase the stability of the country. But it was also a country like Chile. Colombia, Chile and Brazil were really our three big Latin American clients. We had lots of program loans in all three and I think it maintained a kind of dialogue with the government that we hadn't achieved in other places. So that high level was a reflection of the process of dialogue at a strategic level.

Q: The economic situation, what was that?

FOX: Well, the country was growing satisfactorily; it was trying to diversify its exports and since the mid '60s had had some success. One of the AID program loan successes had been to get the Colombians to devalue the currency. Latin American governments during those days were notorious for having over-valued the exchange rates which served as a tax on exports and made it hard to develop new exports. In the mid '60s we had convinced the Colombians, as part of the program loan dialogue, to devalue the currency and to maintain a floating exchange rate for a crawling peg so that the exchange rate would stay at the same real level as inflation in the country which was typically in the 15-20 % range. Each year the external value of the currency would be maintained by having the peg crawl down by 15-20 %. That proved to be highly successful in promoting new exports.

It was during a period when Latin America generally was doing well. Coffee prices were high, other commodity prices were doing quite well. In 1973 the commodity boom was really in its heyday. The country was a small net exporter of petroleum so when oil prices went up in '73 the country benefited unlike much of Latin America which imported oil.

Sector loans in Colombia were really an interesting...

Q: Sector loans are a fairly new phenomenon in the Bureau at that time? One of their new innovative approaches?

FOX: Again I was relatively new in AID and didn't know the history, but the Colombia type sector loans were different from the sector loan I had experienced in Costa Rica in that it didn't have much in projectized activity. It was largely an annual supplement to the government budget in each of the four sectors where we operated: Agriculture, Health, Education and Urban, where we worked out with the government a joint program, a set of goals to be accomplished with our money and their money together. There were certain initiatives they were supposed to undertake, certain levels of investment and so our money lost its identity and became simply part of the overall investment budget in the sector. In principle this approach makes a lot of sense because it not only is concerned with spending our money well, but is concerned with having an impact on the sector and spending the government's money just as well.

Q: But the dollar side was simply just for general imports?

FOX: The dollar side was for general imports. I guess we had an attribution approach where Colombia imported enough from the United States so that you could without any difficulty simply find import documents for things from the U.S. In an earlier time we had a very complicated system to try to get additionality from our program assistance to Colombia where we had to prove they wouldn't have imported that stuff had we not had the money. The President of Colombia at that time, Lleras Restrepo, had convinced President Nixon that this vitiated the impact of the AID and had gotten the Treasury Department to back off.

Q: So you didn't have to go through the whole procurement system?

FOX: No. It worked seamlessly in that way.

Q: Interesting that you would be able to do this. It was a major change in Agency policy?

FOX: No. As time passed we started to have Washington show increased concern about accountability for the local currency. We had to start proving that all our pesos were actually flowing to the agencies and being spent in the ways that we had agreed on. That proved to be an enormous burden.

Q: What's called responsibility argument that in theory was for education but in fact maybe not so, was that part of the issue?

FOX: It was less the fungibility than the traceability. It turned out that the government budget process didn't work in the simple way we had assumed it worked. The money being spent during one year for the education activities we were promoting might have been money that was really from an accounting perspective in the previous year's budget and the money in this year's budget was going into some account that wouldn't be spent until next year. This caused our auditors untold pain. And therefore for the rest of us untold pain. We had months of negotiation with the Colombians about finding a way in which our money could flow when we wrote a check that money was supposed to flow right out to the agencies. It just never could work that way.

Q: What were the characteristics of these programs in education, agriculture or did you have a very detailed plan of what should be financed and funded and how it could be?

FOX: It varied from sector to sector. I didn't work much on education but I know we had ...

Q: One of the other sectors?

FOX: Health is the sector where I did some economic analysis and tried to help them think through their program. But basically they had a set of goals: setting up health posts or setting up nutrition centers throughout the country; family planning goals as well that the government agencies were supposed to be carrying out, and programs and technical assistance.

Q: These were specific numbers to be established?

FOX: Specific numbers to be done each year and we monitored that. But also worked at the substantive level with the agencies on new approaches to things. In the education system we had a new approach to the secondary education that we had started in a few schools and trying to get that that cloned around the country.

Q: Was there any institution building dimensions to this program at all? Capacity to manage these programs?

FOX: Yeah, the Colombian Government was, as developing countries go, relatively well endowed with institutions. You had serious people in the agencies, serious people in the planning office, that had development orientation. They had goals that they wanted to achieve that were consistent with the sorts of things we wanted to do.

Q: They had very well trained people by and large? Professionally trained?

FOX: Trained and committed people. Some came from the scholarships we had given in an earlier era for education in the States for Colombians.

Q: But there wasn't much in the way of institutional strengthening as part of the program?

FOX: Not per se, but there was ongoing technical assistance that helped incrementally to strengthen institutions. We also had a block grant to the planning office for economists where they could essentially, it wasn't just economists it was for technical advisors, where they could basically choose anybody they wanted?

Q: What is a block grant?

FOX: It was simply a grant to the Planning Office of the Colombian Government for

technical assistance as they desired, and in the form they desired it, subject to our signing off on the individual people but it gave them much more flexibility than is typical.

Q: Do they have to be Americans that they hired, or could it be...?

FOX: A waiver was needed if it wasn't American or if it was from another developed country. But waivers were gotten at least in some cases. They brought down some smart people who did good economic work. I'm not sure how much it contributed ultimately to the effectiveness of the Government but it did help set up something that's continued which has been academic interest in the U.S. in the problems of Colombia. And a continued dialogue between Colombian economists and American economists.

Q: Well, how do you feel about how these programs loans work, you know we have an interest these days in sector programs, anything to gain, what's the experience from Colombia?

FOX: It seems to me that they working reasonably well. The two things that happened were the phase down of our assistance, our target level was coming down from about 100 million dollars a year to 20 million dollars a year and. So we had to get out of the sector loan business and we did that while they were participatory and the other thing was this accountability question. Tracing the close and the local currency through the Government budget which was creating untold difficulties in implementing the program loans. This accountability question had nothing to do with anything substantive but became a serious bone of contention between us and the Colombian Government.

Q: But the issue is here that we wanted to be able to preserve our identity with resources and of course in the counterpart, of course, it becomes their money doesn't it?

FOX: We wanted to prove that our money went for the intended purpose.

Q: I see.

FOX: Those specific pieces of currency even though the government said that they went in the time frame for which we wanted them to flow. It wasn't good enough that some other resources flowed for the purposes we wanted in the time frame we wanted.

Q: Am I right that the counterpart was Government money not ours? Government owned?

FOX: Yes, it was presumably Colombian Government owned money at that point, but the Colombian Government still had to, with our accountability required, demonstrate that the money got to the end user, in order for us to be satisfied.

Q: Were there any monetary problems with this kind of an adding money to the budget? It could have had an inflationary effect, couldn't it?

FOX: Yes, in principle, but as long as we're providing the dollars, our money per se isn't having a monetary effect unless we spend it in a different time period. When we provide the dollars, importers deliver local currency to the central bank equal in the amount that we are going to disburse to the Government later on. So there is no monetary impact.

Q: You're impression was that this worked very well?

FOX: Yes

Q: We got results, facilities got built, staffed and all that?

FOX: Yes, the country was making progress and if you look at Colombia over the years it has done better than most Latin American Governments in doing the kinds of things we were talking about: getting education out to the people in rural areas, getting public health extended and in general terms producing a higher quality of life for poor people in the country.

Q: Did they have a need for that level of extra resources?

FOX: Once we cut the level to 20 million and furthermore not hassling so much about how the money floats through the budget. The new government came to office and it decided it would be a nice thing to declare the country a graduate of AID assistance. They didn't need our money anymore and so they did that.

Q: What year was that?

FOX: Early 1976 and so we accepted their unilateral declaration of graduation and began phasing out our programs.

Q: Did we actually completely close the Mission?

FOX: It took another 18 months before the last person left. We closed down.

Q: This time there wasn't the drug traffic problem?

FOX: No the drug problem was only getting started at that point. There was a lot of marijuana grown in Colombia in those days, but the cocaine I don't think had really gotten started. That came up later in another era.

Q: That issue came up later, in another era? Other things you worked on in Colombia? You were doing an economic appraisal you said of the health program. What kind of an analysis were you doing?

FOX: Trying to do rate of return, economic impact of health sector programming. It was really my first effort trying to quantify or look at how you measure cost and benefits of the soft sector program and look for cost effective things. How much did it cost to deliver

services and to help people. Generally I felt I was doing something useful for them and helped them to think through.

Q: Were you able to come up with an analytical approach for this?

FOX: My memory's rather fuzzy about this. My only recollection of this, it seemed to make sense at the time and people in the health sector were happy with it.

Q: I guess in that era at that time some of the economists didn't have much use for health saying it didn't contribute much to development. Health programs shouldn't be pursued, maybe it wasn't true in Latin America?

FOX: Part of the reason that the health people were so happy with my involvement in it I since learned is that there is a distinction in the health sector of things you can do of real impact of what we were doing in Colombia and were being done in Costa Rica.

Q: Like what?

FOX: Well, getting clean water out to small towns in rural areas; getting the knowledge of the germ theory of disease; the need for dealing carefully with human waste and things of that sort; as well as specific disease concerns like the elimination of small pox. That you can do at relatively low cost as long as you have a good public health system of getting knowledge and better practices out to the countryside. You can dramatically handle things like oral rehydration technology. You can dramatically reduce infant mortality from levels in poor countries of 15 % -- 150 per thousand, to 30 per thousand or so without big health expenditures. It's really getting it below thirty or down from 30 to 10 and doing curative things that cost the big bucks in the health sector. But the public health measures are really not all that expensive. It's hospitals curing people that cost the big bucks, and that is something neither we nor anybody else in the world has really come to terms with.

Q: Was that an issue for you when you were working on this health study?

FOX: We were focused on the public health aspects of it and trying to get the Colombians to spend relatively less on the curative side and more on the public health things.

Q: The politicians had different views?

FOX: Right.

Q: That was the case there too?

FOX: Yeah, I think generally people want to have hospitals, and it's not just politicians, I mean politicians are responding to what people want. What people want is somebody to cure them when they are sick and they're less excited about other kinds of things that

make the community healthier.

Q: Well, are there dimensions to your work in Colombia? How did you find working with the Colombian nationals?

FOX: I enjoyed very much working there. The Colombian professionals were very knowledgeable, articulate and well educated. There were a larger cadre of economists in Colombia than in Costa Rica but it was the same thing. You had a large group of committed people who knew a lot and did a lot of work studying the economy of the country and asking themselves questions about why things were the way they were and how you could make them better. This was in contrast to Uruguay where there was really a backlog of economics, the University of Denmark in for a long time, and a lot of fuzzy thinking but no really serious analysis of the country's problems.

Q: How long had AID been operating in Colombia at the time you were there?

FOX: I assume we got started right after World War II through the Institute for Inter-American Affairs. We had been there 25 years anyway.

Q: Do you think this professional community economist strong was a product of our assistance in the previous years?

FOX: Certainly some of it was. A lot of the most articulate people had been sent to the States for PhDs under a scholarship program.

Q: Was that true in some of the other sectors as well?

FOX: Certainly in agriculture we had trained a lot of people. I'm not sure that was quite as useful being that the lessons they learned at the University of Nebraska, where we had sent 200 people, weren't as applicable to Colombian agriculture as we might have wanted.

Q: Well, other thoughts about your Colombian experience? Other events or individuals that stand out in your mind? Did you meet with the top people in the Government?

FOX: Certainly I enjoyed working with the Planning Office, the Director of Planning. He was really a smart guy who subsequently left Columbia and has been working for the IDB ever since. Nothing else comes to mind.

Q: We can add it later. But overall you thought we had substantial impact with the program at the time you were there?

FOX: Yes. I got to meet Lauchlin Currie. Lauchlin Currie had been part of FDR's brain trust in the '30s and headed the first international mission to Colombia in 1950. He got caught up in the McCarthyism things; some people thought he was a Communist. So he stayed in Colombia and became the grand old man of planning in Colombia. Never really

learned to speak Spanish but still had devoted his life trying to understand Colombia. Meeting him, talking to him was always a delightful experience.

Q: Okay, then you finished up there in what year?

FOX: 1976, again my job got abolished.

Q: You did too well.

FOX: The phase out of our AID Mission and I came back to Washington. I came back to the Development Studies Program.

Q: This was 1976?

FOX: Yeah

Q: How did you find the Development Studies Program?

FOX: It was quite interesting. There was a lot of basic human needs kinds of things that were being looked at.

Q: How long was the course?

FOX: Three months, 12 weeks.

Q: What did you do in the course?

FOX: I learned a lot of AID lore that I hadn't really -- my entire career up until that point had been entirely overseas in Latin America, so I was really not as knowledgeable about the way Washington worked and the DSP was helpful in that regards. Even though some of the economics in the DSP were a little questionable it gave me a chance to do a lot of reflection on development theory.

Q: What was the development policy or line that they were feeding you at that time in that course?

FOX: It was basic human needs, but some of it was basic human needs without concern about policy environment. That in some sense doing things for poor people was good enough in itself even if it didn't seem to have a strategic element. My belief, I'm really a Hirschmanite in the sense that believing that anything AID does, if it's going to have an impact, has to go far beyond the specific things they were doing themselves to be replicated or copied in ways that they split throughout the society. Because in terms of total resource levels, we are never going to be more than marginal. We have to come up with strategic ideas, approaches that multiply. Some of the basic human needs people thought it was enough to just do things for poor people.

Q: Just direct assistance to a particular poor community?

FOX: My belief has always been unless you do it in ways that can be replicated, that spread themselves, you are not going to get very far; and the policy environment in which you do things is critical to the way in which things get spread.

Q: But that was not the concept of the course at the time?

FOX: Different people had different ideas and so it was a mixed bag. But it was enough of an intellectual stimulation to make me feel like I learned a lot.

Q: Did you get in the debate that they had at that time about the poor and the poorest of the poor terminology and what it meant and so on?

FOX: Yes, certainly. Charlie Pavilo talked to us and things of that sort. So there was active discussion.

Q: You finished up and then you decided to take a look for a job at Treasury, what year was this?

FOX: 1976, late 1976 I left to go to Treasury where I spent three years. I worked on Foreign Aid and north-south issues.

Q: What part of Treasury were you in?

FOX: This was the Developing Nations Office in the Office of the Assistant Secretary for International Affairs. Fred Bergsten was the Assistant Secretary and took a very active role in developing country stuff particularly on what was called the North-South Dialogue during that period. This was the Carter Administration. There was a lot of interest in dealing with the so-called "new international economic order" which politicians from the South of the world were pressing for -- finding ways to transfer resources from the industrial countries to the developing countries. That got me to Geneva several times to attend North-South Dialogue Meetings, or UNCTAD (United Nations Conference on Trade and Development) related activities, but most of my time I spent working on issues related to foreign aid either multilateral or bilateral.

Q: What kind of issues were you concerned with?

FOX: The biggest single issue actually was IDCA.

Q: What is IDCA?

FOX: The International Development Cooperation Administration. This was new legislation proposed by the Carter Administration to reorganize foreign aid to give AID more stature or cabinet level position. This was the idea of making AID more independent of short term foreign concerns. For about a year there was a series of

discussions and papers within the Executive Branch about how IDCA ought to be established and what its powers should be. OMB ran the operation. Treasury was very concerned because of its management of the multilateral development banks. Some people thought IDCA should take charge of instructing the U.S. Executive Directors for the multilateral banks. Treasury was strongly opposed to that.

Q: Why, what was there primary reason?

FOX: Their primary concern was they were in charge of the banks and they wanted to keep it that way.

Q: I see.

FOX: One of the arguments they made was that the banks were financial institutions and they were banks and not give away agencies. Therefore, hardnosed people of the Treasury ought to be responsible for U.S. policy and not bleeding hearts from AID.

Q: Treasury would be part of it or not?

FOX: No, the original idea was it would include AID and would take responsibility for PL-480 more directly than AID had in the past. OPIC would be part of this institution.

Q: Where did the State Department come into it? Was it part of it?

FOX: The State Department would be responsible for giving foreign policy advice.

Q: IO, was that part of it too?

FOX: Yes. The international organization is part of the State Department development entities within the UN system would be part of IDCA as well. As I say there was a long debate within the Executive Branch over how to shape IDCA and the legislation that was passed is quite general. It still gave the administration largely carte blanche about how to do the reorganization.

Q: Were they getting much support from Carter?

FOX: It was strongly supported by Carter. Hubert Humphrey was the biggest proponent and supporter, but he died about the time the legislation was passed. So he wasn't there to follow through. The first head of IDCA, Tom Ehrlich, apparently didn't see his role as playing a larger interagency leadership role and concentrated mainly on trying to control AID. I recall that Treasury was prepared not to give up their multilateral banks, but to make substantial concessions and at least have technical assistance in the Executive Director's Office appointed by AID or perhaps the alternate Executive Director appointed by AID, but IDCA never really ...

Q: Why do you think IDCA never really grabbed a broader role?

FOX: I have no idea. It seemed to me it was a lost opportunity for AID to broaden its horizon and to get development issues much more directly involved into multilateral bank affairs. I think historically AID has been insufficiently concerned about multilateral bank affairs and unable to coordinate effectively with the banks. It didn't understand enough about how the banks worked and how coordination ought to take place. I think it was really a serious lost opportunity there.

Q: What was AID's reaction to the way it evolved?

FOX: Well, Doug Bennet was Administrator at that time and I think that this superstructure of IDCA, IDCA being a small entity with maybe 30 people working for it, that saw its role as overseeing AID. I think the IDCA superstructure appeared to everybody as an unnecessary layering. An organization that really didn't add much volume but simply kibitzed over AID. So two years later in 1981, when the Reagan Administration came in, IDCA was de facto abolished, even though de jure it continued in existence until 1998.

Q: Was there anything positive during that time? Did it do anything significant?

FOX: Not that I recall. I think it was one of those cases where a good idea was derailed because they didn't have the right people in place at the time.

Q: I think I recall that Gilligan who was Administrator at one point felt like a plucked chicken. In other words he lost all of its components to function.

FOX: Gilligan was just before Bennet.

Q: That's right.

FOX: When I worked at Treasury, Gilligan chaired the Development Coordination. There was a lot of argumentation about how to organize subcommittees on development on the Coordination Committee. It was clear Gilligan was chairman of the committee as a whole, but the Treasury managed the multilateral bank subcommittee. That became a rather autonomous part of the operation and really wasn't responsible to the full committee.

Q: Was there any development coordination in the U.S. branches of government?

FOX: At the former level there was plenty of coordination. But having attended various meetings of the DCC, the Development Coordination Committee, subcommittee on multilateral aid which reviewed all multilateral bank projects, it appeared to me that the coordination wasn't worth very much. Various agencies ranging from EXIM Bank to the Federal Reserve to the Treasury Department, USDA, OMB, all had representatives who came to weekly meetings, but these people weren't particularly knowledgeable about the issues. There was a lot of kibitzing and loose talk and not much that happened that was of

real significance in relation to the loans that were going before the Board.

Q: What were the main subjects that these coordinating groups addressed? Were they big topics or were they just project reviews?

FOX: They were nearly all project reviews. People focused on piddly topics that really weren't particularly relevant to any Board discussion. There was one exception which was the Human Rights aspects of IDRD and regional bank voting. During the Carter Administration, Human Rights became a major foreign policy concern. So the question of loans to particular countries, whether or not the U.S. should support loans, regardless of their merits, to countries where serious human rights violations were taking place, became the serious practical issue in terms of U.S. voting on the multilateral banks.

Q: Well what was the position on human rights, what were we saying?

FOX: We were saying we didn't want to support lending to governments that systematically abused human rights. Of course, the question of how you define systematically abusing human rights became the key issue. The Treasury Department generally had taken a more permissive attitude toward these issues than the State Department. Warren Christopher was Deputy Secretary of State and he chaired a committee that was concerned with these issues taking generally a very hard line. Patt Derian was Assistant Secretary of State for Human Rights. Generally, countries that had governments that were oppressive, we tended to either abstain or vote against loans to those countries.

Q: Where was AID in that issue?

FOX: AID activities also had to be approved by the Christopher Commission, even very limited activities. I remember one case where AID wanted to send a Census Bureau person to Argentina for a week, and the Argentines would pay for it, to help on some census related computational issue. The Christopher Committee not only reviewed such a minor activity but disapproved it because the Argentine Government was authoritarian and tortured people and therefore we couldn't help them even with their census on a very typical issue and on a reimbursable basis.

Q: What was your conclusion about coordination in the U.S. Government on international development?

FOX: My conclusion, which I maintained ever since, is that coordination per se is something that is oversold. That it's not that coordination among agencies is not important, it's agencies doing sensible things along with the activities they are most responsible for. If agencies are doing dumb things, coordination can play a fairly limited role in keeping them from doing so much, but it can seldom stop the agency that is in charge from doing whatever it wants to; it can only slow them down. If you look at the people who participate in coordination activities, frankly they are often people who aren't needed for other activities inside their agency, i.e., they are not typically the people who

are found to be really important to the work of the agency. So the interagency coordination often is window dressing.

Q: Were there other topics you worked on while you were in Treasury?

FOX: I certainly learned a lot of economics. We did a country analysis for a lot of countries where AID was working.

Q: What was the purpose of these analyses?

FOX: Part of it was to look over AID's shoulder and make sure that the AID wasn't supporting governments where our money would be wasted simply because the policy regime in that country was unsatisfactory. There was an evolving process of thinking about country policy frameworks. I remember a specific case when I and a couple of other Treasury people went to talk to the Comptroller of the Currencies' people. The Comptroller of the Currency was expressing concern about exposure of U.S. banks in Latin America, particularly Brazil. This is one of the few cases where I think I was totally wrong and I feel some guilt about, because we assured the Comptroller of the Currency that the various government agencies and decentralized entities and State governments in Brazil ought to be treated as independent entities and not as a single entity as Brazil for the purposes of exposure, that banks aren't permitted to have more than 10 % of their capital exposed to a single borrower. We tried to convince them, I think unsuccessfully, that there wasn't a single borrower in all these government entities in Brazil. A couple of years later, of course, those loans to Brazil and various Latin American countries all went bad. It turned out that the green eyeshade people at the control of the currency were absolutely right, that the banks were exposed in these countries and the U.S. Government should have been more worried than it was. We were pushing in the wrong direction.

Q: Interesting. Were you involved in the debt issue in those countries?

FOX: To a limited extent in the debt issue. In fact I was in Geneva at the meeting where the North-South dialogue broke down over the debt issue.

Q: What was the core of the issue?

FOX: The core of the issue was I believe in debt reduction. Developing countries wanted across-the-board debt reduction. This was led by the Indians who were in the lead in the negotiations. In my opinion the Indians had a self-interest in this issue. They wouldn't get debt relief if you were selective about it. They weren't a heavily indebted country and they weren't as poor as the countries that would have been more targeted for selective debt reduction. So at some point we came to the impasse where the Indians said, "You have to agree to this," and our lead negotiator, Chuck Meissner, who was later killed with Ron Brown in Yugoslavia in that plane crash, said, "The U.S. cannot do this."

Q: What was the Treasury argument, what were they trying to do?

FOX: Treasury's concern was limiting the cost to the U.S. Treasury of any debt reduction scheme and protecting the multilateral banks. They maintained then, and have always since, that multilateral bank debt cannot be, should not be, and must never be, rescheduled because to do so would bring into question the financial liability of those institutions.

Q: Did they have any suggestions as to how to deal with the problem or help the countries?

FOX: Treasury was always the most reluctant player. If you look at the eventual resolution of the debt problem, we are talking now about 1979 when the problem was talked about, but it wasn't really severe, it was only after Paul Volcker became Chairman of the Federal Reserve that U.S. interest rates shot up dramatically. Volcker decided to stop inflation and international interest rates went from 5 or 6 % to 16 or 17 %. All that developing country debt that was tied to floating interest rates all of a sudden went from being very manageable to being unsustainable. It took until 1985, I believe, before they really faced up to debt reduction through the Brady Plan. The next six years were trying one thing and trying something a little more daring, then going a little further and so they gradually bumped down one stair at a time until in 1985 it was clear that debt reduction was an essential part of the picture. But they only got there after delaying, trying everything else, and finally having to face up that the problem couldn't be managed otherwise.

Q: Were there any debt reschedulings during your time there?

FOX: There were debt reschedulings certainly; there have always been debt reschedulings, but there weren't debt reschedulings that substantially reduced the real value of the debt. But if in a situation like the 1980s rescheduling didn't reduce the value of the debt, this meant that countries that couldn't pay found that the debt was postponed but they still couldn't pay further down the road because the world economy was in recession. Their economies were not picking up and the burden of the debt was still hanging over them. So without debt reduction from a number of countries there was simply no way to get out of the box that they were in.

Q: Any other assignments while you were there? How did you rate your experience working with Treasury?

FOX: It was a fascinating place but a place to be for about three years which is about what I spent there. For the first three years you learn a great deal about economics, how the U.S. Government operates, how inner agency processes work and why they don't work so well. After about three years you tend to be doing the same issues over again.

At this time I heard about a job on the Hill working for Senate Foreign Relations Committee.

Q: What year was this?

FOX: This was early 1980 that I actually moved up to the Hill. This was working for Senator Jacob Javits, who was the ranking Republican on the Senate Foreign Relations Committee. I worked on the same kinds of issues I'd worked on at Treasury, foreign aid, the North-South Dialogue and AID appropriation.

Q: What was Senator Javits views about all these things?

FOX: Senator Javits was a very liberal Republican, a strong believer in foreign aid and in working however one could to promote economic and social development in poor countries. He had been responsible for a whole variety of initiatives that various administrations had taken.

Q: Which one did you work on?

FOX: I worked on a foreign aid bill, on some initiatives for refugees and I remember taking a trip to Somalia and Sudan looking at refugees and trying to find out whether the UN system had fallen down on its job in terms of feeding refugees.

Q: What did you find out?

FOX: That it was not the UN's fault, it was the Somalis. The question was whether or not there was a problem with Somali refugees from Ethiopia after the Ogaden War in 1977-78. But basically it was not the UN's fault. They had responded in a very timely fashion. It was the Somalis fault for several months for understating the problem and refusing to level with the UN about how serious their refugee problem was and how serious starvation was occurring in their refugee camps.

Q: Are there other issues?

FOX: Actually, it was more firefighting, doing a lot of day to day issues.

Q: Some examples?

FOX: Nothing comes to mind. I do recall we had extensive negotiations. We were doing a foreign aid reauthorization which ultimately was never passed, but any time the foreign aid bill is reauthorized there may be a hundred amendments to the bill. The House on most or all of these will have a different take than the Senate. It's not a question of first of all how to deal with those provisions on the floor of the Senate; whether to oppose or support or amend was the first question and we did lots of papers on various of these issues. The staff has a substantial role in preparation for the conference committee where House and Senate bills are to be reconciled. I remember a lot of negotiations with our colleagues from the House. I should mention that I was working for the Republican staff of the committee. The Democrats were in the majority and so our role was more kibitzers than anything else. Javits' orientation toward foreign aid was to be very bipartisan and largely to be on the same side as the Democrats' issues.

One thing from my Hill experience that was most amazing to me was how my perception of the Executive Branch and AID changed during that period. Working in AID or the Treasury I had always come to see the Hill, the Congress, as the enemy. As people who were always passing arbitrary provisions, throwing their weight around, pushing these poor almost defenseless agencies around. The view from the Hill is entirely different. On the Hill one perceives these agencies as organizations who can ignore the Congress with impunity, who can lie to the Congress and do it regularly. But, for the most part to simply ignore the real concerns of Congressmen and Senators and who give short shrift to their serious questions, their desire for answers. So I came to understand that life is more complicated than I had thought. I think some of what we who were working in the Executive Branch perceive as Congressional meddling when they pass a provision requiring AID to report on something. On the Hill that is seen as more of an act of frustration. They are unable to get the Executive Branch to respond in any other way and so requiring a report or demanding something is just a way of getting something back. In some cases it is not the problem of AID or the Treasury; in some cases it's the White House that tells the agency things that it cannot do when dealing with Hill that impedes real communication. But in general, I came to have a much higher respect for the Congress.

Q: Was there a lot of earmarking?

FOX: Some. The Executive Branch always would say they were opposed to earmarks, but there was a lot of horse trading and negotiation about who should get what and eventually usually an understanding between Congress and the Executive Branch on how the money should be spent.

Q: How did you view the legislative process with the House and the Senate?

FOX: Well, I saw it was certainly a difficult process, but one that I think the American people ought to be pleased with. I do see the Congress as representative. It may not be logical and it may not be consistent, it may not have always a long term view of things, but it is representative of the people. The people in the Congress are always concerned about what their constituents believe, trying to if not absolutely representing or parroting the views of their constituents. They are trying to act in ways that take very strong account of the beliefs of their constituents.

Q: Were you subjected to a lot of lobbying from outside interest groups?

FOX: Because we were in the minority we were subject to far less than the people in the majority. I would say during our period non-governmental organizations were the lobbyists of greatest importance: religious groups, human rights groups, and others concerned with foreign aid. Now, individually Congressmen or Senators would be lobbied by institutions in their own State or District ranging from universities to private companies, ones that expected some business from AID, but those activities were seldom seen by the committee staff. They were handled individually by members.

Q: What was your sense of what the public thought about foreign aid at that time?

FOX: If you read the opinion polls the public was generally skeptical or negative about foreign aid. They thought we spent too much on foreign aid and they thought we wasted too much of what we spent, but foreign aid was seldom an important issue in the sense that it determined whether or not Congressmen or Senators got reelected. It was not a core issue for constituents and therefore members of Congress could vote their conscience or, frankly, it seemed to me the way the system worked was that they deferred to the Executive Branch in most cases on foreign policy, including foreign aid. If the Executive Branch was convinced that more foreign aid was needed Congress would respond. If the Executive couldn't be convinced they wouldn't get more money. The year after I left the Hill substantially more foreign aid was voted because the Reagan Administration made a strong case particularly for Latin America and for other areas of the world where the U.S. had strategic concern. So Congress was willing to vote a considerable increase in foreign aid. So it really depends on the foreign policy case that the Executive Branch makes.

Q: Any more on your experience with the Congress?

FOX: No, as I say I found it a fascinating learning experience. My Senator had the misfortune not to get reelected in 1981 and so I found myself out of a job. Staff positions on the Hill are patronage positions in the sense that there is no Civil Service protection. The Chairman or ranking member of the committee decides on the staff members and when the committee membership changes typically much of the staff changes. So that left me unemployed for several months which was an interesting experience. I eventually, after talking to both AID and State Department, both offered me a job. The State Department position seemed more interesting, so I took that. I worked as a Staff Assistant to the Undersecretary of State for Economic Affairs.

Q: What year was this?

FOX: 1981 This was a job I had for a year until that boss also departed, having been fired by Secretary of State, Mr. Haig. My work there was similar to what I had been doing, North-South issues, foreign aid. The big thing I worked on was the Cancun Summit. This was something that took place in October, 1981. The Presidents of Mexico and Austria had been concerned about the demise of the North-South Dialogue and the breakdown that I had referred to earlier.

Let me go back to one other thing that happened when I was working at Treasury. In 1979, Willy Brandt, former Prime Minister of West Germany, established an international commission made entirely of non-governmental people to think about the North-South or the development problem. There were a couple of commissioners from the U.S., Peter Peterson of Lehman Brothers, and Kathryn Graham of the Washington Post. When this report was out in draft, Peter Peterson offered the Treasury Department the opportunity to look at it. Not to get a copy, but to send someone up to New York to

read the draft report and give him the benefit of their thinking. This Committee had been instructed to stay away from governments so that it would be a truly independent commission. But Peterson believed that his own thinking might be helped by getting some Treasury Department input. It happened that I was the North-South person who was dubbed to have the broadest strategic conceptual framework so I was sent to New York to read this report.

Q: Interesting.

FOX: I spent the day reading it and then I spent 45 minutes or an hour briefing Peter Peterson.

Q: Nothing written?

FOX: Nothing written, although I did write a memo when I got back to Treasury. Because Peter Peterson was a busy man, we spent the briefing time riding in his limo uptown. From my personal point of view this was one of the high points of my life because it was something that my father very much understood. Peter Peterson was from my home town. He went to high school about the same time as my older brother and his father had a restaurant; his father was a Greek immigrant. My father had a small business. My father had never gone to high school. I assume Peterson's father hadn't either. But they were both small businessmen in a small town in Nebraska who believed in education and sent their kids to college and so in some sense this meeting with Peterson convinced my father that I had made contact with the other person from Kearney, Nebraska, who is a clear success in life.

I thought the report was simplistic; it didn't really provide a new strategy for dealing with developing country problems. It was more a Christmas tree of things. What people would like to do that sounded good. It didn't offer any strategic ideas, any coherence in terms of making development work better. So I think it was a disappointment and it came out several months later.

Q: Did you tell him that?

FOX: Yes. I had more specific concerns. I doubt that I had much impact although the final report did move a little bit in the right direction, but I mean, in the direction of being more sensible and getting rid of some of the ornaments on the Christmas tree that were more or less defensible. Basically, the commission asked for substantial increases in foreign aid and for a variety of concessions by the developed countries in terms of trade and commodity pricing. Basically, none of which became implemented.

Q: What about the Brandt report?

FOX: The Brandt report said terrible things were going to happen in the world if more wasn't done to help developing countries. Between the completion of the draft report and the completion of the final report or the release of the report the second oil shock

happened. So you had this really severe further shock to oil importing developing countries where prices of oil had gone from \$14 or so to as high as \$30 a barrel and so it was a tremendous further negative impact on their capacity to pay for their imports. So for the Brandt Commission for the short introduction on top of the report saying that things are worse than we report and the need for action is more desperate than ever. It was in this context that the Cancun Summit was proposed as an effort to get the Reagan Administration to buy into the North-South Dialogue and to the Brandt report and such things.

I worked for the Undersecretary who is the lead staff person, the lead Assistant to the Secretary on these issues, Myer Rashish. We spent a long time meeting with governments, particularly the 20 or so governments that were going to be represented as participants in the Cancun Summit. I remember meeting with the Chinese Ambassador; that was another high point in my life. Here was this representative of 22 % of humanity, this piece of humanity that for several decades the United States had ignored.

Q: What were you meeting with him about?

FOX: About the Cancun Summit.

Q: What was his position?

FOX: China was one of the 20 countries that was going to be at the Summit and so we went through several rounds of meetings with these people in an effort to make the Summit a success, trying to feel out what other people's positions were. Where they wanted the Summit to go and to lay out the U.S. position, where we intended to come out. This was a process of successive iteration. At the first meetings we had no idea where the U.S. was going to go, so we felt out the other delegations and probed on our own. At the same time the U.S. Government was trying to get its own act together, interagency processes taking place. One outcome I would say was that the U.S. told developing countries that the U.S. would help, but that the idea of a North-South Dialogue wasn't all that interesting to us or useful. We felt that basically the first responsibility for the governments was to get their own house in order and each country ought to be mainly responsible for making that happen. It wasn't the responsibility of the international economic order to make poor countries rich. The President said this in such a nice way that the North-South Dialogue disappeared not to be heard from again for the next decade or so. The Cancun Summit, far from being the beginning of a new high profile negotiation between rich and poor countries, was really the burying ground.

Q: What was the initiative for having the Cancun Summit in the first place? Was it the North-South Dialogue?

FOX: Yes, absolutely. The intention was to sensitize the incoming U.S. Government to North-South problems and to force or encourage the U.S. to become more positive about this dialogue than the Reagan Administration was expected to be and so it certainly failed in that regard.

Q: Were there other donors involved or was it just the U.S. and developing countries?

FOX: Well, there were 20 governments at the meeting; the two conveners were the Presidents of Austria and Mexico. There were 20 governments, including a half a dozen developed countries, and the major developing countries with a smattering of smaller countries, China, India, Brazil and a number of others.

Q: Who were the prime leaders of the developing countries, India?

FOX: India certainly saw itself as the spokesman for the South but the presence of China maybe caused the Indians to be less sure of themselves as spokesmen for all developing countries.

Q: What were they seeking specifically?

FOX: More. Certainly the issues of commodity price stabilization, what was called the common fund, was still alive although barely alive, debt relief, converting international monetary fund money into long term assistance. Just generally more resources from the North and more access to markets although frankly that's an issue I'll talk about later on. I never believed that that was particularly a real issue.

Countries that made it easy for enterprises in their country to export were able to find markets in the U.S. and the other industrial countries, particularly in the U.S. The U.S. has always been the biggest market for nontraditional exports from developing countries. They account for about half of all manufactured exports from developing countries even with all the obstacles like the restraints on textiles. In fact, if you look at the growth of textile and clothing exports from developing countries, it has been growing like gangbusters for the last 30 years, at rates of 15-20 % a year through much of the period despite this system of protection. The countries that complain most about barriers in the U.S. to apparel exports were the countries who didn't have their own policy environment in a way that allowed firms to export successfully. Countries that simply took advantage of what was available found that they could export to the U.S. and textiles, apparel, were one of the fastest growing export sectors in developing countries as a whole and basically there was an area where countries should stop complaining and start exporting.

Q: So you were in on the demise of the new international economic order?

FOX: That's right, I was a spectator then, a participant.

Q: Did you go to the Cancun meeting:

FOX: No, I didn't.

Q: How did we pull this off?

FOX: The only interpretation I can give it is Ronald Reagan charmed the other participants.

Q: He was at the meeting?

FOX: Yes. Enough so that he couldn't be seen as the enemy, yet he made perfectly clear that the U.S. was not going to be a participant in some kind of international negotiation. I would say it wasn't evident at the end of the Summit that it was the end of the Dialogue. It was simply something that gradually appeared as time passed, but in a way that didn't give anyone a lightning rod for denouncing the U.S. as obstructionist or that gave other industrial countries a way of participating themselves and forcing the U.S. to go along.

Q: Was there anything offered from the U.S. side at all?

FOX: Certainly. A variety of small initiatives, one being agricultural policy teams that would go to countries that were interested in making studies of agriculture to be done to increase food production. There were a number of teams that went to countries. I don't think a lot ever came out of that exercise, but it had some political visibility at the time and served to deflect some criticism.

Q: Your boss was fired and you had to move on I guess?

FOX: Right, my boss was fired. It was interesting politically. My boss had gotten crossways with the Secretary of State and so there was for some time a bit of a cold war between my boss and the Secretary of State. So my boss got fired. The Secretary wanted to put his candidate, Robert Hormats, into the job as Undersecretary, but the White House wouldn't have that. They wanted someone with more White House support. The position was vacant for several months so I was one of several staff members to an empty chair. When it became clear that the position was not going to be filled soon, I renewed my contact with AID over the position they had talked about before and they offered me a job.

Q: What position was that?

FOX: This was a position in some sense in the same group of economists that I had left when I went to Treasury several years earlier. The economists under Costas Michalopoulos. Only the new administration's belief was that those economists ought to be redeployed to the regional bureaus rather than be in a single group in PBC. Each regional bureau ought to have an economic staff. So I was offered a position of being a Staff Economist in the Latin American Bureau.

Q: Okay, so you returned to AID?

FOX: I returned to my home in the Latin American Bureau.

Q: This was what year?

FOX: This was May of 1982. I had spent just a year in the State Department. Since the position I occupied was a new one it wasn't immediately clear exactly what I ought to be doing.

Q: Where was the position?

FOX: It was in the Program Office in the Latin American Bureau.

Q: Who was head of the Bureau then?

FOX: Otto Reich was the Assistant Secretary. He was a political appointee who was very well connected with the White House and with Jeane Kirkpatrick who was U.S. Ambassador to the UN.

Q: This was during the Reagan Administration?

FOX: This is early in the Reagan Administration. Reich and Kirkpatrick were both important in convincing the White House of the need to do something about Central America.

Q: What was the concern?

FOX: In 1979 the Sandinistas, a group of rebels, took over the government with the support of virtually all sectors of Nicaraguan people. They overthrew the Somoza dictatorship which had been in power in Nicaragua for half a century. The Sandinistas, instead of establishing a very broad base approach to governance, made the country adopt a lot of policies that increased the role of government, expropriated private property both directly and indirectly, and in a lot of political ways seemed to be moving the country into the Soviet portal. This was something the Reagan Administration thought was awful and wanted to do something about it. There was also a very substantial rebel movement, civil war in El Salvador. At the time that Reagan was inaugurated there was some fear or expectation that the rebels might be able, through an offensive they undertook about that time, to topple the government. So the Reagan Administration believed that there was a possibility that all Central America would become communist. This fear was probably exaggerated and certainly some of the people on the White House staff were exaggerators in that regard. Nevertheless it was a matter of some concern to all significant part of the U.S. population.

Q: How did this affect what you were supposed to do in your new assignment?

FOX: Well, initially we kept hearing requests to explain what we would do with larger amounts of money for the countries in the region we supported or to justify larger flows of aid to those countries. Basically this is Costa Rica, El Salvador and Honduras while we have only a very limited program in Guatemala. Their government was repressive. It was fighting the Marxists. It was using oppressive tactics that we didn't accept, and it was a

government that was not politically supported so we gave to Guatemala only through non-governmental organizations not through the government.

The concerns in the region. I also did some work on the other parts of South America in the Caribbean Islands. Jamaica was the major concern. The Prime Minister of Jamaica had taken office about the same time as Ronald Reagan. He was the first foreign head of government to be invited to the White House after Reagan took office, and he at the rhetorical level was a Reaganite. He was going to follow the Reagan prescription of private sector led growth in Jamaica. Officially there was a large disconnect between his rhetoric and his behavior and the size of the government in Jamaica which was too large, too active in too many ways that was an obstacle to the country's growth. A bureaucracy as large as it was when Edward Seaga, arrived through his first five years or so of government he talked about shrinking government, but didn't do it.

Q: You were part of the process of reviewing this situation?

FOX: Yes and justifying high levels of aid in support of this effort by the Jamaican government to privatize the economy. It was only gradually that we came to realize that the Seaga program was more rhetoric than actual implementation. Initially we were very enthusiastic and some of the things he did on the regulatory front seemed to be of significance. They were going to allow more foreign investment and encourage foreign investors to come in or at least propose to come in. In the first few months that this happened they got hundreds of requests from foreign investors for government approval which the government initially stacked up and didn't do anything about. Only gradually did they start to face up to how to actually deal with getting more foreign investment into the country.

Q: What about Central America? What was your work on that?

FOX: Okay, so gradually over the next couple of years, we kept increasing our attention, our aid levels, to the Central American countries and began to try and develop a conceptual framework for what we were going to do in Central America and why we were going to do it. This ultimately dovetailed with the work of what was called the Kissinger Commission, more formally the National Bipartisan Commission on Central America. This was chaired initially by Senator Jackson of Washington who died during the time the committee was operating. Jackson perhaps was co-chair. Henry Kissinger was the other chair of the commission. The idea was to come up with a bipartisan approach to Central America that would deal with the problem with the Sandinistas. Bring them in if possible, and if not to find a way to deal with the rest of the region which would isolate the Nicaraguan government. The commission ultimately came to the conclusion that the Nicaraguans were not cooperative. They were a threat to the rest of the region. So the US ought to carry out the major program to develop the rest of Central America and for Nicaragua to participate at such a time as it stopped its belligerent behavior. This culminated in a proposal for a six billion dollar seven year program of aid to Central American countries.

We had been doing our own work before the Kissinger Commission started, but tried to feed it into the Secretary to the Commission and work with them at least conceptually so that we were all on the same wavelength in terms of general strategy of the approach and the levels of resources that might be feasible. Basically there were three of us that developed the program: Peter Askin, head of the Central America Office; Buster Brown, Deputy for the Latin American Bureau, and myself. I did most of the writing and they did most of the critiquing. We were all very heavily involved. We came up with a four prong strategy. The first step was stabilization during the first 18 months. We hoped to stop the sharp downward slide of the economies in the region. All the countries in the region had GNPs that were shrinking. It was an alarming pace. As capital flowed out of the countries, as businesses saw conditions getting worse, as people were fearful, and simply everybody held back from economic activity seeing that the conditions were terrible. Governments had to shrink their budgets because the economies were shrinking. So it was a bad situation. We hoped with initial large inputs of foreign exchange we would be able to arrest the downturn. Get ____ into the economies and stabilize the situation.

The second prong was to get sustainable growth going through private sector activity, particularly export activity. The belief was that Central America could prosper without a much higher level of imports from the Western world than they had and the only way they could afford to have the needed level of imports was to export a lot more than they had been. The traditional exports of the region were coffee, sugar, bananas and beef and had fairly negative prospects in world markets. Prices were low and nobody expected the prices to return to previous levels for a long time. In fact, we are still waiting 20 years later for that to happen. So they needed to find new products to export. So our focus was on trying to generate the policies that would allow new export sectors to emerge and promote entrepreneurial activity that would cause it to happen.

The third prong of the strategy was to spread the benefits of economic growth and to try and get education, health services and similar social needs out to all the people of the country. In some of the countries large numbers of kids were not in school. Health was not available in rural areas. The idea was to create a more broad base society by seeing to it that all members of society derived real benefits from it.

Finally, the last prong was democracy.

Q: How were you proposing to do that?

FOX: By a variety of activities in terms of supporting non-governmental organizations, supporting what we now call civil society but we didn't have names in those days. By effective electoral processes or electoral processes that people have confidence in.

Q: Also judiciary reform?

FOX: Some judicial reform as well. Basically to create the condition under which people have confidence in elections and in government's enforcement of the rule of law.

Q: Was there a time frame for this proposal that you were developing?

FOX: Yes, the program was to achieve all its results by the end of 1990. There was some vagueness between 1990 and 1992?

Q: Ten year?

FOX: No seven years. The Kissinger Commission provides a seven years program with funding for five years. In fact, what happened was we spent the money over a period of seven years and the idea was that by 1992 we would have all the countries as vibrant democracies with raw based provisions of social services and with vibrant economies growing at 6 % a year. We had explicit goals. We had about a dozen goals for education, health, economic growth, exports and democracy that we hoped to achieve by this end point of 1990 or 1992.

Q: Was there any Central American input to this?

FOX: The Kissinger Commission had visited all of the countries and had gotten input from all government and non-governmental organizations. I went down with a group of maybe three other people at the time we were trying to put the plan in final shape and again talked to governments and to the private sectors of the countries. But the Central American input was limited in that sense, although the Central American governments were certainly speaking on their own to the U.S. and enthusiastically supporting the idea of a large aid program. Also, President Reagan went to the region once or twice during this period. I think he met the Central American Presidents in Costa Rica one time and he may have done so another time.

Q: Did that include Nicaragua or not?

FOX: No. There was an off again on again dialogue with the Nicaraguans, with internecine warfare within the US Government, with the State Department essentially trying to work out an accommodation with the Nicaraguans and the White House National Security Council Staff torpedoed that at every turn. This had been one of the problems that Secretary of State Haig had initially and then later on George Shultz had with the White House. There was always more than one foreign policy for Central America.

In any event, the Central American program I would say largely worked as we had hoped. Economic growth rates may have in one year gotten to the 6 % range. That has not proved sustainable although growth is probably averaging 4-5 % now in most of the region. Most of the social goals of the Central American initiative were achieved: substantial improvements in primary education levels, substantial reduction in infant mortality, extension of water and sewerage and electricity to rural areas. So that I mark this down as something where AID was able to carry out a program.

Q: What about the export initiative?

FOX: The export initiative was something where we were criticized by the JAL initially for having projections of exports that were highly optimistic, they claimed. We had projected that nontraditional exports could grow at about 18 % a year over the next ten years and, in fact, nontraditional exports grew a little faster than that, about 21 %. A large part of this initially was due to export processing zones and what were called maquila, assembly industries, particularly in the apparel area.

Central America and this goes back to a point I mentioned earlier, the question of banks as to the US market. Part of the Reagan Administration initiative for the region was called the CBI, Caribbean Basin Initiative, which offered trade preferences, free trade for most commodities to eligible countries in the Caribbean Basin. The two sectors that were excluded, shoes and apparel, were the only two sectors for which most of these countries didn't already have free trade under the generalized system of preferences. So the CBI really offered almost nothing in terms of additional access to the US market. What it did do was offer a political promise to these governments that the US would try and promote their exports to the US, would try and resolve administrative problems or customs difficulties, making it easier for these countries to export to the US. But in terms of the formal access it did almost nothing. So the CBI did generate enthusiasm for firms looking at the region with this understanding that the US Government was actively going to try and encourage exports from the countries. The parallel was the easy sector in that you could import material from the US and carry out the most labor intensive operations in Central America and reexport the material back to the US.

The domestic apparel industries in Central America had had very little success in exporting to the US. The reason Central America couldn't export domestic apparel to the US was not because of US import barriers even though those existed. The problem was basically they couldn't produce the quality that the US market wanted and meet delivery requirements for US retailers. The reason they couldn't meet the quality standards was because import substitution policies in these countries meant that they had to buy their fabrics and yarns locally, and they tended to be not of acceptable quality. They didn't have the right kinds of fabrics or the right kinds of colors or the right kinds of permanent press treatment of the fabrics and so the firms that manufactured the clothing, like firms manufacturing various other things in these countries, were prevented from being able to export to the US by the fact that they couldn't get world quality imports. It's only in the long term when you liberalize your economy so that firms that are making things can actually get world quality imports at world prices and then transform them into something else.

The export processing zones were an intermediate way for these countries to get their exports. They didn't have to dismantle their import barriers. They could set up a zone where a firm could import at world prices without having these raw materials or intermediate goods.

Q: Were they duty free zones?

FOX: They were duty free zones where these firms could import things from the rest of the world without paying duties, have them transformed, i.e., use local labor to do something to those goods and reexport them again without hassles in terms of export taxes or export licensing or any kind of procedural problems.

Q: Did that work?

FOX: That worked like gangbusters in exports of clothing from Central America. Again most of it is what you would call value added export where the value added is maybe 25 % of the gross value of the exports. The other 75 % representing imported materials. Apparel exports from Central America went from maybe 15 million dollars in 1980 to 3 billion dollars by 1997.

So the three billion dollars or maybe only a quarter of it was local value growth, but even that is 750 million dollars or 20 times what they were exporting before all this started.

Once companies in the apparel industry found that they could do this, that tended to attract firms in other industries, electronics and other consumer goods into these export processing zones and so countries began to diversify somewhat. In the process of learning how to export from the free zone they also began to uncover and deal with all the country's impediments and regulatory obstacles: simple lack of institutions made for exporters, the lack of firms to provide the right kind of packaging for exporters, or freight forwarders who could take responsibility for shipments, or mechanisms for insuring these goods while they were being shipped sharing the responsibility between airlines or shipping companies and the exporter. All these things had to be worked out. Our support for private sector umbrella groups helped provide that organizations looked at all these institutional and policy problems and gradually year by year overcame more and more of these problems. This made it easier for new exporters to get into the business because they didn't run into so many problems. Their increase in exports also increased their regularity of shipping.

In the early 1980s it was hard to get goods into the US market because you didn't have the frequency of shipping either by sea or by air that firms needed. Largely for air travel they relied on passenger airplanes, and passenger airplanes would sometimes take things and sometimes they wouldn't depending on how much cargo space they had. For some of the more nontraditional exports, particularly things like cut flowers, this created an impossible problem. You had to be able to ship the flowers when you said you would. If you took your flowers to the airport and they couldn't get on the airplane those flowers wilted.

Q: That's right.

FOX: So as the volume of these kinds of exports increased, again largely because of export processing zones causing a lot of activity to happen, frequency of shipping increased the number of cargo flights dramatically. In the case of Costa Rica it went from something like five a week in the early '80s to 28 a week by the early '90s.

Q: These are cargo flights?

FOX: Yes, and as these improvements in the infrastructure for exporting occurred it opened the gates to more firms exporting and to new foreign investments coming in. In the case of Costa Rica a couple of years ago, INTEL put a 500 million dollar chip factory into the country, something that would have been inconceivable ten years ago. Specifically one of INTEL's requirements was that they have some number maybe 12 flights a day to the U.S. because with expensive chips you want to be able to ship them several times a day to various parts of the U.S. It was only the fact that Costa Rica now has really good air service that made it a feasible place for INTEL to locate its factory.

Q: It also must have meant they had low cost but competent labor? Was that an issue you addressed?

FOX: Certainly. One of the things that the export industries did particularly in the apparel sector was bring women into the labor force, particularly in the poorer countries. Women's participation in the labor force was much lower than men's. Many of the women that did participate did so as domestic servants and job opportunities for women were simply much lower than for men. The apparel industry dramatically changed that. So you had huge numbers of women coming into the labor force having jobs for the first time and being able to earn money.

This happened also to some extent in the nontraditional agricultural sector where we were most successful in Guatemala and Costa Rica growing high value vegetables for the US market. This created a demand for women's labor which didn't exist before, and I think significantly improved the status in Guatemala in particular. There is a study by a sociologist which documents some of this. But basically the fact that women could earn money made them strengthen their negotiating ability within their household. The fact that they had money in their pocket also gave them a freedom they didn't have before.

So overall there was a substantial impact on labor of the export industries.

Q: Sometimes you know these enclaves only tend to be sort of isolated little economies of their own and the county don't really benefit. You mentioned the labor obviously?

FOX: Processing zones as a permanent institution can only be of limited value. Obviously if it creates a lot of jobs for relatively unskilled people that's a good thing. Those people are having an alternative they didn't have before, a place they can work and therefore their wages are going to be higher, their working conditions are going to be better than they had before because otherwise they wouldn't work in that enclave. The only way to turn export processing zones into an instrument for development of the country is to gradually turn the whole country into an export processing zone or to reduce the obstacles to the rest of the economy being able to export. This we and the World Bank were able to do in Central America. Tariff rates which had been typically in the 50-80 % range were all brought down to the 10-20 % range. So the old import substitution

industries which depended upon the fact that world class goods couldn't get into the country except at very high prices were forced to compete with world production. They changed their orientation as import substitution became less profitable and producing for export became more profitable. So the entire economy tended to move in the direction although slower than I would have hoped, but still a great deal has happened so that the Central American countries are able largely to meet their foreign exchange requirements by export and are becoming a more confident and capable participant in the global economy.

Q: What about the fourth area, the democracy one, how did that work out?

FOX: Well, by 1992, at the end of the Kissinger Plan, there were democratically elected governments in all the countries and the prospect of continuation of democratic institutions in the countries of the region, although they are still fragile. I would say pretty unambiguously there is no question that great progress was made.

Q: What would you think was the main factor that brought this around to democratic ...?

FOX: I think certainly the worldwide move toward democratic government. A belief that as Winston Churchill said that, "Democracy is the worst form of government except for all the rest." That democracy may not be perfect but there is no other principle that is as satisfactory. I think the military in those regions and the political elites all came around to the conclusion that life would be easier if they had institutional procedures for changing government and could make these political and political-military conflicts go away.

Q: Were they part of this initiative related to the military?

FOX: We didn't get involved in that side of it. The Defense Department did provide substantial military aid to El Salvador and after Guatemala elected a democratic President to Guatemala and of course to Honduras. I think of the case of Honduras our military aid may have been destabilizing and reducing the prospects for democracy in that country simply because we were using Honduras as an instrument in our anti-Sandinista policy in promoting cultures and were willing to sacrifice Honduran development to our own broader foreign policy concerns.

Q: The contra operation was going on at the same time wasn't it?

FOX: Right. I think Honduras did survive. I think if you ask the people in the Congress who voted the money back in 1984-85, if you gave them a picture of what actually the situation was in 1995 and asked them if you give us this 6 billion dollars, this is what it is going to produce they would have said, "Yes, we'd be happy to put up the money if that's what is going to come out of it." So I think it was a foreign policy success and made Central America go away in terms of being a big problem in U.S. foreign policy which is what the Congress wanted. It increased the prospects for development for people being able to do things that give them a decent standard of living and get their kids educated and healthier and made substantial progress. So all and all it was a great success.

Q: But it really started with three of you putting this concept together. How did you get this concept to be bought into and generally sold because obviously you were at the heart of the program?

FOX: I would say the concept for the most part was something that people saw as making sense and there was a lot of collaboration between Washington and the Central American Missions. We had periodic Central American Ambassadorial meetings and it's also true that Mission Directors are happy or less concerned about the strategy than about the resources for the most part. I've become over the years a little less believer in the essential character in the critical nature of the strategy per se. I think particularly in Costa Rica, you could see even though they didn't articulate the strategy the way we did, even before we developed the strategy they were doing largely what the strategy suggested they do.

Q: There were certain directions you had in mind that the people were picking up on or moving on?

FOX: Yes, certainly the emphasis on the private sector was something relatively new. It was also obvious to most people in AID by that time that the governments had overplayed their hand in most countries. They had become an obstacle to the involvement rather than a promoter as they might have been 10 or 15 years earlier. The only way to get more happening was to energize the private sector. That was the big part of the Reagan Administration's idea about foreign aid but it was something that unless carried to an extreme everybody believed it or most people believed it.

Q: One of the situations in Central America being talked about for years and experimented with is the whole subject of economic integration of the region. Was there anything in this initiative that went back to this?

FOX: Yes, we gave lip service to economic integration. This was something we had promoted back in the 1960s and, in fact, in the case of Costa Rica really put the heavy hand on them to join the Central American common market which they had been reluctant to join in the early '60s. I think our economics back in those days was not as good as it should have been. We really didn't understand the importance of external tariffs and we should have pressed in the formation of the common markets, should have pressed for lower external tariffs than what they...

Q; Rather than protecting the market

FOX: There shouldn't have been so much protection. In our defense, we did in the late '60s start a big project with Brookings setting tariff rates. We and ACFLA were trying to carry out a program of getting the Central Americans to gradually and steadily reduce tariff barriers but that process broke down when the war broke out between two of the members of the common market and that ultimately stopped any progress.

Q: Did you reintroduce this concept?

FOX: Certainly the concept of some things happening at the regional level was reenergized. They did have free trade within the region and that continued, but an emphasis on the Central American regional market was relatively absent. The belief was once it was demonstrated probably through these export processing zones, that these countries actually could export to the US and the other industrial countries. It was obvious that that's a preferable market; it's a market that is enormously larger than the regional market. So while you are already selling something to Central America, the place where the real prospects are is that enormous market up North.

Q: Do you have any special views about the concept of economic integration?

FOX: Talked about all over the world. I think countries ought to trade with their neighbors. You can do that without any multinational or multilateral or regional agreements among these countries simply by the fact that they are neighbors. As long as you have low trade barriers even if you don't have preferential arrangements for your neighbors you are going to trade with them all. Then you all open yourselves to trading with the rest of the world because the rest of the world is the place where you can sell all you want without having to worry about saturating the market. At least if you are Central America. If you are the United States or China you have to worry about market saturation.

Q: Some of the integrations being talked about, you know allocating of certain industries to certain countries, certain institutions, like educational institutions, would serve an efficiency approach?

FOX: Those ideas certainly were tried in Central America. They had integration industries, firms that would be allocated to one country in the region, educational institutions were supposed to specialize somewhat. But those kinds of arrangements were very hard to enforce them on independent political jurisdictions. Even though Guatemala had, for example, the Central American monopoly for tires, Firestone went to Costa Rica and offered to put in a tire plant. The Costa Ricans agreed, essentially renege on their commitment to the Central Americans.

If educational institutions as independent autonomous entities want to do something, the fact that the government has allocated that specialization to somebody else seldom stands in the way. So as long as you have decentralized decision making and a refusal of governments to really enforce regional commitments, this is not going to happen. I think frankly in the most part that's a good thing because development is usually furthered when decision making is made at the institutional level where people make their own decisions without some super technocratic government allocating things.

Q: Things like centers of excellence was always thought as a desirable initiative in AID and others. Was there anything like that occur in this area?

FOX: I'm not familiar enough with higher education. The largest single investment we make in Costa Rica was an agricultural school for the humid tropics, called Earth, which was built as a regional institution; but, in fact, it was built because the Costa Ricans wanted it and because AID was willing to put up a lot of the money to pay for it, but not because there was any support from the other Central American countries.

Q: Well, let's return back to your other aspect of your work in the Latin American Bureau or did this consume everything?

FOX: Certainly the Central America initiative consumed most of my energy. I spent two thirds of my time there anyway. There is also a gradual buildup of economists and economic capability in the region. When I got there, there was one other economist in the Bureau and maybe two economists in AID Missions. So I participated in the process of trying to strengthen our economics capability, building up a staff to four or five in Washington and giving Bureau of Economics staff and making the economics staff a bureaucratic power to be reckoned with. Also giving economists at least one economist in all the missions in the region, so we had about 15 in the field by the time I left. Shortly after which the hemorrhage started and I think in the interests of leaner missions we've eliminated most of the staff positions like economists in the last eight years. So that there are probably few missions in Latin America that still have economists.

Q: It seems like a wave of growth and decline, growth and decline in a couple of years? Any particular factor that suggests why it comes and goes?

FOX: Certainly what economists had to offer seemed different at different times. During the basic human needs period, when I left AID, economists weren't thought to be very important. It was a mistake. I think economists do have quite a bit to offer mostly in preventing bad things from happening. What economists specialize in more than anything else is thinking about incentives, how people are likely to behave, and how money has an opportunity cost: if you do A you can't do B, and thinking about alternatives. There is no bad idea born every day for rich, and economists are a skeptical mind that needs to think about how are people really going to react to this or that idea.

I remember a couple years ago one of our AID Missions was proposing to give money to parents whose kids dropped out of primary school, give money to them to come back to school. That sounds like a great idea at first. You want kids in school, but you need to think about that twice. What's likely to happen, well, in some sense parents who kept their kid in school despite real financial difficulties are going to feel like fools that they should have had the kid drop out and get paid to bring him back. So once people start thinking like that you are likely to get the kind of behavior that you tried to prevent in the first place by having people calculate how this is going to affect them and how they can get on the gravy train. So kids are going to drop out of school and be bribed to come back. That's just one of thousands of ideas that sound good but don't work in facts.

Economists I think also have a desire to see data dealt with in a way that is consistent over time and is meaningful. I think looking at the R-4 process, the recent way in which

AID is trying to measure and monitor performance. The lack of economists in the mission has meant that numbers that aren't consistent with other numbers, that aren't meaningful, are being used increasingly to justify aid levels. And people don't care very much anymore about the quality of statistics they are using.

Q: Well, we'll come back to some of those thoughts, but anything in your time in the Latin America bureau?

FOX: Let me mention a paper I wrote going back to this question of the role of conceptualization and theory or strategy. A paper I wrote called "Feedback Looped in Kind, the Scale, the Strategy for Development in Central America." It basically outlined some of the thoughts I've mentioned earlier. How you improve that environment for exporting, getting something to happen. Using devices like export processing zones, and step by step identifying the problems that exporters have, and step by step eliminating those obstacles. You step by step are making it easier for new exporters to get into the business. Well, I thought that was a pretty nifty theory and the paper I wrote was well received. People thought it was something that opened their eyes to how things ought to work. But in fact that theory came from the practice I observed in Central America. In some ways practitioners out in the field operating without the benefit of my theorizing were able to come to the right approach and it was up to me to explain it to them. Explain the reason why they were doing what they were doing. So it increased my respect for the AID professionals in the field who are dealing with real problems and trying to find ways to do something that matters. There again I think they all need economists around to sort out and throw away some of the bad ideas that are likely to emerge.

Q: Called a multiplication effect? Replication effect is that what you are talking about?

FOX: Yes, certainly my theorizing does help with the transfer of technologies or cultures that are discovered in one place to other places. It's a way of institutionalizing the best thinking by people in the field, making it easier to replicate it in other places.

Q: Sometimes these things get stuck when you try to move beyond the pilots or the small scale operations. Trying to generalize them becomes a problem. Even the export processing, they could get stuck, I suppose, at some point and become an entity of themselves and never go beyond the door.

FOX: Yes and certainly that has happened in some countries. I think the Dominican Republic became stuck. They were highly successful in export processing as zone work. They now have 25 zones in the country, but there's some reason the political economy of the country hasn't allowed the government and the private sector to say let's reform the environment in the whole country so that all firms are on the same footing in the Dominican Republic. I don't really know what the way is in which some governments are able to move quickly on to other things and others aren't. But export processing zones weren't really part of both South Korea and Taiwan's export strategy but within about two years they had moved beyond it. In the Dominican Republic after nearly 20 they still haven't.

Q: Part of the demonstration effect I suppose?

FOX: I think it's partly the imponderables and the way governments work.

Q: What about the rest of South America, do you have association with other countries?

FOX: I did a limited amount of work on South American countries. Two things come to mind. First I went to Bolivia as part of a scoping team to do studies of what was called coca substitution. The idea was we would fund studies for farmers in outlying areas in Bolivia in the Chapare, it is called, who were growing coca, the raw material for cocaine. We'd fund some other crops for them to grow so that they wouldn't have to grow cocaine, or grow the raw material for cocaine. So I participated in laying out the studies to be done. Then those studies came out about the way that one would expect: yes, there were other crops, but that this was a relatively remote area. So the cost of getting other crops to market was such that it wasn't really very profitable. That the only really promising agricultural commodity in an outlying area was a crop that was very high value in terms of its weight or volume and coca was the ideal crop from that perspective. Pineapples or melons and other things just did not compete. So in terms of what the studies came up with, and what AID for years afterwards tried to implement with very little success, was convincing farmers that new ways to make a dime when they could make a dollar from what they were already doing. Going back to what I was saying earlier about incentives, that this wasn't going to work. No matter how much money AID spent on it.

Now the theorist for coca substitution would say, "Well, of course, it wouldn't work unless you had enforcement of the laws against producing cocaine." Given the environment in which those countries operated, a limited stretch of law, the vast remote areas of the countries, the idea that law was going to prevent a cocaine industry from happening was weak.

Q: What about programs to destroy?

FOX: Destruction of cocaine within limits can happen, but it can cause the industry to move somewhere else. But as long as there are remote areas, and another point in the case of Bolivia was growing coca was not illegal. It was a domestic market for coca leaves, for coca tea, what minors chewed, that was a legitimate market. It was only the production of cocaine that was illegal and so even in destroying the crop you had limits to what you could do.

Q: Were there any alternatives that anybody came up with?

FOX: There were alternatives, but they were far less profitable for farmers than cocaine or the coca.

Q: Your reports came out, your studies?

FOX: Yes. But that did not prevent AID from throwing money at crop substitution in both Peru and Bolivia. It's one of those cases where governments do things that they know won't work simply because there is a need to do something.

The only solution to the cocaine problem that seems to me is economic development. As finding other things, not specific crop substitution, not getting the individual farmer who is growing cocaine to grow something else, but getting the whole economy developed so that people who don't want to be involved in that kind of industry have other choices before them. You can think about the bootleg industry in the US.

Q: Good example.

FOX: There are still people back in the hills in North Carolina or Tennessee brewing moonshine whiskey. But it's not a very potent industry whereas 30-40 years ago, even after the end of prohibition, there was a big industry because people didn't have very many easy ways to make money. So people got involved in shady things because there were fewer choices. Today there are lots of things they can do. They can make automobiles in Tennessee and computers in North Carolina. And overall economic development giving people more choices I think tends to make those kinds of things fade away.

Obviously, the other critical thing is on the demand side. As long as huge profits can be made from an industry like that people will be drawn into it. A key is finding ways to eliminate the demand in the United States for the product. I think it is one of those things that will gradually wear itself out with development and with a new generation of people in the US who don't want to get hooked on cocaine and so like earlier drug problems it gradually burns itself out.

Q: What was the other one you worked on?

FOX: In Peru I became quite involved with Hernando de Soto, a Peruvian lawyer who got interested in economics and particularly in what was called the informal sector. We gave him a small grant to do a study of the informal sector in Lima. The informal sector as he defined it involved illegal activity by small businessmen or by home owners because dealing with this activity legally would be too expensive or too difficult. Incorporating a business in Peru involved an enormous number of steps and something like 280 days of trying to do it. Consequently, businesses do not become incorporated unless they have to, and registering property in much of urban Lima is not possible. There are squatter settlements out in the desert. People have become part of the property by squatting on it, but turning that property into something recognized by the law has been enormously difficult.

De Soto identified these problems and worked on ways to respond to them. I worked with him on this trying to encourage him and to get the Institute to do more studies. It was to think of ways in which the government regulatory environment could work better for

poor people. Basically the big requirement is for government to stop passing so many laws that sound good in practice, sound good in principle, but are impractical to implement in the conditions in those countries. And as long as the laws are so demanding in a way in which business has to operate, businesses are going to operate outside the law.

Q: Did those ideas have an impact?

FOX: They've had some impact. It proved easier to identify the problems with the system than to change systems. This is something that Larry Harrison made a big point of in his book, Underdevelopment is a State of Mind: that much of the kinds of excessive regulation that you find in Latin American countries goes back to the way things were in Spain under the monarchy and that cultural change is much slower than people recognize. Even though you can convince people individually that regulations are excessive and they ought to be simplified there is a cultural resistance to doing that because somehow in that culture they think government ought to regulate all these things.

Q: It's also profitable for some people.

FOX: That's right and that leads to a term that we economists use all the time that non-economists find opaque which is called rent-seeking.

Q: What do you mean by rent-seeking?

FOX: Rent-seeking is when an entrepreneur decides that rather than producing something, the way to get rich is to use the power of government, of some government license or special privilege, as a means of getting rich. A typical example in Latin America involved the use of multiple exchange rates. Governments didn't have enough money for an exchange to defend the existing exchange rate between their currency and the dollar. So what they would do was we don't want to devalue for reasons of state but we'll establish two foreign exchange markets: one, where the free market works, you can buy and sell; and a second one for privileged imports, things like petroleum, that we don't want to raise the price of. Those things will come in at the official exchange rate which we won't change, and traditional exports, say, if you are a coffee exporting country, coffee exporters have to sell their earnings in dollars at the official exchange rate in order to provide us with the dollars to be used to import essential items.

Well, that sounds like a desirable in principle. You don't want prices to go up so you want essential things to be cheap. The problem is once you have a gap that's very large between the official exchange rate and the free market one, and it was typical of Latin America to have a gap of say three to one, and in all African countries a gap of ten to one was not uncommon. What it means is there is a substantial financial benefit to anyone who can get an official dollar because that dollar, if you can get it at the official rate, and sell it at black market or parallel rate, you can turn it into three dollars. Then if you can take those three dollars and get three official dollars with them and then sell those for nine dollars you have perpetual money machine. A way to get rich very quickly. So

corruption inevitably starts to arise around any kind of multiple exchange rate system. Rent-seekers are people who try and find ways through influence, through special pleading, through political power, to get their hands on more of these cheap dollars.

Q: Is rent-seeking equivalent with corruption, in other words the same thing?

FOX: Rent-seeking is a broader term than corruption. Rent-seeking simply includes any form in which you try to play the rules that the government has established in a way that creates private profit, but social losses. The country is no better off from your transaction, but you are privately better off.

Q: Would you include bribery where in order to get a license you had to pay something on the side?

FOX: There is bribery, but there are all sorts of other things that are less than bribery that are often involved. Or other systems, misstating your need for foreign exchange for imports when you are invoicing.

Q: These are really opportunities that are provided by bad economic policy?

FOX: That's right. These are opportunities where the government says, if you are a coffee exporter, you are told you have to turn in your dollars at this unfavorable exchange rate. What you are telling people is if you obey the law you are a fool, because an exporter who tries to be patriotic is going to do this, but his neighbor who is not patriotic is going to say, "Well, what I'll do is, I'll find a friend in the U.S. that I'll sell the coffee to. Then I'll pretend to sell it to him for \$1.20 a pound when I actually get \$1.35 a pound. So when I get the \$1.35 a pound I get an invoice from him saying he paid me \$1.20 so I only have to turn in \$1.20 for each pound I exported. I have \$.15 in free dollars that I can then sell on the black market or the parallel market and turn it into \$.45." When the government is operating in a way that rewards the scoundrels and punishes the patriots, I think that's a bad government.

Q: Back to Hernando de Soto's ideas, were these ideas spreading and promoted in terms of having some impact?

FOX: Yes and the book he wrote, The Other Path, was of considerable influence. I would say even though that work continues I think that it has been much more helpful in a diagnostic sense in identifying problems than it has been in providing something tangible in the way of the road to better development. I don't think, although I'm really not very close to that work, but I haven't seen great results come out of trying to implement the ideas that would seem indicated from the de Soto work.

Q: Any other things that you worked in your period there in the Latin American Bureau?

FOX: Nothing comes to mind.

Q: So you finished up then, you were there how many years?

FOX: I was there ten years. I got there in 1982 and left in 1992. By 1992 in a lot of cases I was the person who knew the history of everything in an environment where foreign service people come and go. If you are in a particular job for ten years you are the historical memory. I felt like five minutes would not go by without someone either calling or coming by my office to ask a question for which I was the person who really knew the answer. I knew everything, so I felt like I couldn't work anymore. There were too many things I was involved in, too many distractions, and so it was time to go do something else.

Q: It's interesting you had people who were interested in what happened before? Because sometimes new people don't give any credit to it.

FOX: Certain memories are important, but you can't let it consume your life. So I decided working in the Evaluation Office was the way to have time to think, have time to really work out ideas I had about what I'd been learning.

Q: What kind of ideas did you come up with?

FOX: Basic human needs. It was certainly, in terms of the ultimate goal of what we were trying to accomplish, that is a desirable thing and probably is and ought to be our game. But what we were trying to do didn't really make sense. Poor people's means were a different thing. You had to have the end in mind. Jim Weaver was the economist on the DSP team. I think he learned a lot, gradually, over time. I remember, he went to Tanzania in the early 1980s and discovered that the world wasn't the way he thought it was in terms of directly helping poor people and that policy environment didn't matter. I think he saw in Tanzania that things that were well intentioned and aimed at helping poor people, in practice sometimes turned out to be a disaster. There were incentives in the policy environment that caused people to behave in ways that were inconsistent with what the stated goal of the program was and prevented them from being able to find ways to become more productive. Ultimately, productivity is what matters.

Q: Is there anything else on the course?

FOX: I remember, we went down to North Wilkesboro, North Carolina, for a week. We learned about the community and the problems. One of the things we learned was that America has an amazingly large number of, and effectiveness in terms of social services and outreach to make things happen at the community level and a level of sophistication that we could never hope to get in other countries. I think people were impressed at how things were happening in the US. I remember some people in the course doing a profile of the county in North Carolina going back a couple of censuses to see how that county had changed over the previous 30 years. In fact, it changed dramatically. The rural South between 1940 and the mid-1970s had dramatically changed. Much of the rural South had changed. It had gotten richer. North Wilkesboro, North Carolina, in particular had done well. Holly Farms had its headquarters there. It had grown from a small time chicken

operation to a big enterprise, employing all these people in the town. There was an insurance company there that had also grown up over the same period. So, you had economic development happening because of successful enterprises that found ways to make people productive.

Only vague idea of my job situation... I remember having some discussions with various personnel offices and being somewhat coy when I was in the DSP about what job I was going to go to. As part of the restructuring of AID, economists jobs in Washington seemed to be all drying up -- you didn't need economists in a basic human needs approach. So, the Latin America Bureau wanted me to be a program officer to manage some sub-region of Latin America. That didn't seem like a lot of paper pushing to me. I was formally assigned to the Asia Bureau, but had been talking to Costas Michalopoulos about working in his operation. He had been in PPC, but it was part of the new bureau that was being established, the Bureau for Intergovernmental and International Affairs. He had an economist and I talked my way into that. I spent only a week in the Asia bureau and got transferred into his operation. This was late 1976 when I was just getting started.

Q: Were you assigned to this office then for some period of time?

FOX: Yes. I remember working on disasters. Someone from the State Department Planning Office had gotten the ear of the Secretary of State and convinced him that natural disasters were the thing we had forgotten all about and we needed to put far more resources into dealing with natural disasters. He had been working in cahoots with OFDA. My boss, Costas, saw it as a resource grab by those people without a clear rationale. So, I was assigned to work on this to try and bring some clarity of thinking to this process. I think I did a good job of saying, "Yes, you need some level of disaster preparedness, but you can't let that be an all-consuming thing. You couldn't afford the resources." There were too many other things that were important to spend too much on disaster preparedness.

Q: What was this office?

FOX: That bureau only lasted a couple of years.

Q: I've never heard of it! This bureau was in AID?

FOX: Yes. It took the part of the PPC that did coordination with other agencies and with the DAC and other donors and made it a separate bureau to give more importance to this aspect. Somehow, Michalopoulos and the economist got into that bureau.

The other thing I worked on at that time was a piece that we had contracted out with Hamilton-Rabinowitz, a company out in Los Angeles, to do a think piece on the long-term future, the prospects for developing countries to the year 2000. I had a big argument with the designers of that study. They were doing the study and the price of oil was going to be \$50 a barrel and things were either going to be bad or they were going to be worse.

I argued that their population projections were too high and their ideas about resource scarcity were too pessimistic. I think, in practice, I was right and they were wrong. I'll have to go back and dig out that study. I remember having an argument about the size of the population in the year 2000, which will be about six billion people, which is somewhat lower than the UN was projecting. It is considerably lower than Hamilton-Rabinowitz were saying.

Q: This was the time of the Club of Rome and their resources running out and that kind of thing.

FOX: Right.

At about the same time, I also talked to the Treasury Department. I think maybe it happened right as I was getting out of DSP. There was this feeling that there wasn't a place for economists in AID at the time. So, after I had been at AID for three months, I went to work at Treasury.

End of interview