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Foreign Aid, Or Foreign Hindrance

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The federal budget deficit will run a record \$1.65 trillion in 2011. So why does Washington continue to subsidize foreign governments?

The House Republicans appear determined to reduce spending, and one of their targets is foreign “aid.” This year the State Department would lose 16% of its budget; humanitarian aid would drop by 41 percent.

Secretary of State [Hillary Clinton warns of catastrophe](#): “Cuts of this magnitude will be devastating to our national security, will render us unable to respond to unanticipated disasters and will damage our leadership around the world.”

She cited the recent political upheaval in Egypt: “We need the resources to do the job; otherwise we will pay a higher price later in crises that are allowed to simmer and boil over into conflicts.” She also pointed to work in Afghanistan and Iraq to argue that the proposed reductions would be “detrimental to America’s security.”

Even some conservatives stand with Secretary Clinton on this issue. For instance, Jennifer Rubin, the *Washington Post's* in-house blogger on the right, termed Sen. Rand Paul (R-KY) a “[neo-isolationist](#)” for proposing to cut what amounts to international welfare.

But despite Secretary Clinton’s extravagant claims, there is little evidence that foreign assistance advances U.S. interests. After all, if America writing checks — more than a trillion dollars worth since the end of World War II — made the world a better place, the globe should be at peace, the poor should be fed, and the Second Coming should be history.

Consider Egypt. Secretary Clinton argued that events in Egypt require Americans to subsidize the new military rulers. For what purpose? The U.S. provided some \$30 billion to Egypt over the last three decades but the country remains poor and undemocratic. Indeed, underwriting the corrupt Mubarak dictatorship helped turn Egypt into popular volcano.

The Obama administration has proposed spending \$8.7 billion in Afghanistan, Pakistan, and Iraq next year. Yet the results of assistance programs in these three nations are no better than in Egypt.

Pakistan has been on the U.S. dole for *decades*. Tom Wright of the *Wall Street Journal* [reported last month](#): “The ambitious civilian aid program is intended in part to bolster support for the U.S. in the volatile and strategically vital nation. But a host of problems on the ground are hampering the initiative.”

The problems run deep. Alejandro Quiro Flores and Alastair Smith of New York University [charged that](#) “The aid dynamic is similar to that of Pakistan’s war against insurgents: as long as the United States is willing to pay Pakistan ever more to eradicate extremists, Pakistan will not decisively defeat them; the graft that counterterrorism aid brings outweighs the political cost of some continuing violence.”

The waste, inefficiency, and corruption surrounding humanitarian projects in Afghanistan and Iraq are legendary. It doesn’t matter if these conflicts are perceived as getting better or worse. Aid officials will always advocate an increase in funding because the situation is getting better or worse.

At least there is a security argument for trying to buttress allied governments in war. What of the \$27 billion in so-called development assistance requested for next year? Since the end of World War II the U.S. and other wealthy nations have spent trillions of dollars trying to raise poor nations out of poverty. These outlays have had no discernible impact on Third World economic growth.

No doubt some projects in some countries have provided some benefits. But the detritus of failed development projects litter the globe. Detailed cross-national studies find neither correlation nor causation between aid and growth. Indeed, generous financial

transfers to corrupt dictators often have impeded necessary reforms. Political elites in foreign countries disagree on many things, but all want to preserve their power and position. Observed Flores and Smith: “Autocratic governments’ disregard for public welfare is exacerbated by international relief assistance.”

After decades of failure aid advocates claim they now are doing better. President George W. Bush created the Millennium Challenge Corporation to reward governments with good policies. The MCC currently is running \$7.2 billion worth of multi-year programs in 20 countries. Yet, [reported the *Washington Times*](#) last August, the agency: “is giving billions of dollars to nations upbraided by the State Department for corruption in government.”

Of Senegal, observed J.P. Pham of the National Committee on American Foreign Policy: “We have a government that did everything right, up until they got themselves into the queue to get a grant from MCC. They know the metrics [on corruption] will lag by a few years.” Senegal once was considered a democratic and economic “leader in West Africa,” said former deputy assistant secretary of state Todd Moss, but “What we’ve seen is a very steep and worrying decline in the last couple of years.”

The World Bank also has emphasized better governance. Yet, [reported Mary Anastasia O’Grady](#) of the *Wall Street Journal*: “In the midst of the financial turmoil that rocked the international capital markets ..., the World Bank proudly announced a new \$250 million ‘assistance package’ for [El Salvador]. A few months later a scandal erupted over why a similar amount of money was never accounted for on the government’s books.”

Aid incentives are all wrong. Observed Tate Watkins of the Mercatus Center: “Systematic foreign aid creates opportunities for corruption, cultures of dependency, and disincentives to development. The aid faucet misaligns incentives between donors and recipients, making it extremely difficult to turn off the flow.”

Even money targeted at humanitarian needs has a disappointing record. Disasters like the earthquake in Haiti typically open the aid spigots. To what result? Six months later in Haiti, [reported the *Wall Street Journal*](#), “the process of reconstruction appears to have come to a halt.”

Aid groups acknowledge that progress has been limited at best. [Reported the *Washington Post*](#): “The effectiveness of the NGOs is now being questioned, by the groups themselves, and especially by Haitian leaders who complain that NGOs have become a parallel government hobbled by poor coordination, high turnover and a lack of transparency.”

At times assistance programs have been perversely harmful. U.S. “Food for Peace” shipments, used to dump farmers’ domestic surpluses, is notorious for ruining local farmers and thus undermining local production. This problem continues in Haiti. On returning from a private aid mission, Don Slesnick, the mayor of Coral Gables, Florida, complained: “We were saddened to see rice bags travel no more than 20 yards from the gates of the distribution site before ending up in the back of a pickup truck presumably

headed for the black market. To our further dismay, we returned home to read news stories that those very same donations were undercutting Haitian rice farmers who needed income to support their own families.”

Ethiopia is the largest aid recipient in Africa. Unfortunately, reported Tom Porteous, the London Director of Human Rights Watch: “multi-billion dollar programs funded by the World Bank and others have been politicized and manipulated by the Ethiopian government and are used as a powerful tool of political control and repression.”

Worse is Somalia. Even the United Nations gives aid in this tragic nation a failing grade. [Reported the New York Times last year](#): “As much as half the food aid sent to Somalia is diverted from needy people to a web of corrupt contractors, radical Islamist militants and local United Nations staff members, according to a new Security Council report.”

It’s déjà vu all over again, as Yogi Berra observed. Two decades ago President George H. W. Bush intervened in Somalia to help deliver food. Michael Maren worked with private organizations and later concluded: “Separately we’d arrived at the conclusion that the relief program was probably killing as many people as it was saving, and the net result was that Somali soldiers were supplementing their income by selling food, while the [insurgent force] — often indistinguishable from the army — was using the food as rations to fuel their attacks into Ethiopia.”

Government should get out of the aid business. There are limited instances when financial transfers might supplement or even substitute for defense expenditures, but the Cold War is over. The U.S. is the sole superpower and faces no global rival.

Most of America’s allies, including regional powers Israel and Turkey, should have graduated from U.S. assistance years ago. Most Third World nations are tangential at best to American security. The more than \$5 billion annually to support foreign arms sales is largely a subsidy for U.S. weapons producers.

While it’s hard to criticize humanitarian aid properly delivered, private money spent by private organizations is the best way to help those in need around the world. Any assistance from Washington should be focused on temporary disasters where the U.S. government has unique logistical advantages—such as using an otherwise unemployed aircraft carrier to assist tsunami victims.

As for development assistance, American officials should focus on accelerating economic growth in America and easing access of other nations to the international marketplace. That means reducing trade barriers.

For instance, the U.S. limits sugar imports from Caribbean. Pakistanis would benefit far more from lower textile tariffs than from additional subsidies to their ineffective government. One of the most important roadblocks to international trade liberalization is American and European agricultural subsidies.

Despite this abysmal record, the Obama administration is resisting cuts in domestic “foreign aid” programs, has contributed to increased World Bank outlays, and joined other industrialized nations in calling for more International Monetary Fund lending.

Secretary Clinton should listen to her own rhetoric: “It’s time for a new mindset for a new century. Time to retire old debates and replace dogmatic attitudes with clear reasoning and common sense.”

One of those dogmatic attitudes is assuming that foreign “aid” really acts as assistance rather than hindrance. For too long aid advocates have camouflaged program failures with platitudes: aid is used to “maintain American leadership around the globe,” “invest in global development,” and demonstrate that America is “paying attention” to other countries. However, leadership means husbanding resources, setting priorities, and acknowledging limitations. Development requires good policies, not international welfare. Attention is worth paying for only if it yields positive results.

Washington should stop throwing good money after bad even if we were living in bountiful economic times. With the country drowning in red ink, Washington must cut every unnecessary program. Misnamed foreign aid is a good place to start.