# Foreign Aid: Give 'Til It Hurts, Repeat

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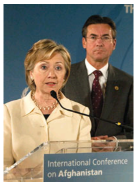


**Item:** *The* Washington Post *for March 31 reported: "The billions of dollars spent in U.S. aid to Afghanistan over the past seven years have been largely wasted, Secretary of State Hillary Rodham Clinton said Monday. 'For those of you who have been on the ground in Afghanistan, you have seen with your own eyes that a lot of these aid programs don't work,' she said. 'There are so many problems with them. There are problems of design, there are problems of staffing, there are problems of implementation, there are problems of accountability. You just go down the line.' Clinton called the amount of money spent without results 'heartbreaking.'"*

*The secretary was speaking to reporters as she flew to The Hague to attend a conference to promote the Obama administration's new policy for Afghanistan.*

*Clinton's "blunt comments on past aid programs — which appeared to also indict the broader international effort — will probably raise the bar for the administration's aid programs. 'We are scrubbing every single civilian program,' she said. 'This is part of my mission as secretary of state. We are looking at every single dollar as to how it's spent and where it's going and trying to track the outcomes. We want to see real results.'"*

**Item:** *The* Christian Science Monitor *for March 23, in an article entitled "Economy forces Obama to rein in foreign-aid goals," reported: "The Obama administration is hinting that the economic downturn means the president is unlikely to reach his goal of doubling foreign aid by the end of his four-year term."*

*Some "development experts," continued the paper, "note that the president's 2010 budget includes an almost 10 percent jump in foreign aid — an increase they consider positive given the economic circumstances.... Though the development community reacted 'pretty positively,' says Steve Radelet of the Center for Global Development in Washington, 'there's still a wait-and-see attitude.'*

*"The idea of doubling foreign aid to $50 billion a year by 2012 was a key element of President Obama's campaign pledge both to revamp the way America works with the world — particularly with developing countries — and to improve America's image abroad."*

**Correction:** Insanity has been defined as doing the same thing over and over again and expecting a different result. This also might characterize the government-to-government subsidy practice euphemistically known as foreign aid.

President Bush doubled "development assistance" and President Obama wants to do likewise — though apparently hampered a mite by other multi-billion-dollar bailouts at the moment.

The fact that even Hillary Clinton has acknowledged the widespread failures of foreign aid nevertheless should not be viewed as a case of the government learning its lesson. She is merely stating what has become obvious to all too many others. Nor, of course, is she or anyone in the Obama administration calling for an end to foreign aid, but rather is seeking one more reinvention of the *process* of delivering said "assistance" — which will undoubtedly lead to many of the same inherent problems as earlier handout efforts.

Even a task force in the (Bill) Clinton administration admitted that "despite decades of foreign assistance, most of the Africa and parts of Latin America, Asia and the Middle East are economically worse off today than they were 20 years ago."

Indeed, many countries are worse off *because* of such aid, not just in spite of it. There may well have been good intentions by the donors, but that doesn't mean the results are any less harmful. Take the case of Micronesia. The late David Osterfeld, a professor of political science at St. Joseph's College, wrote in *Prosperity vs. Planning: How Government Stifles Economic Growth:* "The pauperization of Micronesia was a direct result of foreign aid. The United States acquired Micronesia as a trust territory in 1945 following its liberation from the Japanese. Outside private investment was discouraged because it would, according to U.S. Navy officials, 'reduce the people to cheap labor.' Instead, the people of Micronesia were given free food, clothes, and other supplies. The result was bankruptcy of many local stores and undermining of the incentive to work."

Both opponents and supporters of foreign aid have been coming to such conclusions. More than a decade ago, the World Bank itself, even as it called for more funding, admitted how poorly aid programs had been working: "While the former Zaire's Mobuto

Sese Seko was reportedly amassing one of the world's largest personal fortunes (invested, naturally, outside his own country), decades of large-scale foreign assistance left not a trace of progress. Zaire (now the Democratic Republic of Congo) is just one of several examples where a steady flow of aid ignored, if not encouraged, incompetence, corruption, and misguided policies."

Study after study has demonstrated that such aid has not helped the economies of the recipient nations or, even worse, has actually hurt their people. The mounds of literature about foreign aid and economic growth, as pointed out by Carol Adelman and Nicholas Eberhardt in "Foreign Aid: What Works and What Doesn't" (American Enterprise Institute), show that "these state-to-state transfers inhibit competitiveness, create dependency, and absorb or misallocate political resources or energies in recipient countries; note that aid is motivated by nondevelopment donor and contractor interests; and prove that aid engenders a lack of feedback and accountability, encouraging host country graft and -corruption."

A Canadian Senate committee determined that the expenditure of $12.4 billion between 1968 and 2007 for the Canadian International Development Agency failed to make any difference in sub-Saharan Africa. The international Oxfam group, in like fashion, has just released a report that says most American aid in Afghanistan is being wasted on consulting and subcontracting and duplication of effort.

When such shortcomings are apparent to promoters of foreign aid in other countries, even the U.S. Secretary of State can concede that which is evident. Yet, we are supposed to believe that somehow her "scrubbing" of the next truckload of dollars will make them so much more -efficient.

Foreign aid has also been described as the transfer of wealth from the poor in rich countries to the rich in poor countries, which rings true for government aid. But religious groups, private charities, businesses, foundations, universities, and others do make a real difference, for the better, with their international aid work — usually done at the local level and by those not dependent on tax dollars.

Giving away someone else's money, which is what is done in Washington and other tax-collecting capitals, is decidedly not charity. Americans, nevertheless, do remain a charitable and generous people and would likely be even more generous if not forced to support such a large and meddlesome central government. As noted in a study by the Hudson Institute ("The Index of Global Philanthropy, 2008"): "In the U.S., private philanthropy, along with remittances, to developing nations constitutes *four and one-half times* our official aid abroad." (Emphasis in original.)

One expert who sees what is happening with international government subsidies, and hasn't donned rose-colored glasses about how a bureaucratic fix will make things better, is Dambisa Moyo, the author of the new book called *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*. Moyo was born in Zambia, has her master's from Harvard, and a Ph.D. in economics at Oxford. She has been a consultant to the World Bank, and for eight years was the sub-Saharan economic expert for Goldman Sachs.

In a recent interview with *Guernica* magazine, she explained that persisting with such foreign-aid giveaways "will definitely make things worse. Remember that in the 1970s, Africa had 10 percent of its population living in poverty; today that number is over 70 percent. To continue down a path of depending on aid — which doesn't create jobs, or innovation, or alternative and more transparent ways of development finance — the number of impoverished Africans could get to 80 or 90 percent in our lifetime."

Her work has attracted favorable attention. (Accordingly, Dr. Moyo has garnered some harsh criticism as well, such as by Michael Gerson, a former speechwriter for President George W. Bush who is a senior fellow at the Council on Foreign Relations and an advocate of more aid, albeit in a reformed manner.) Economist Moyo also made her case in the *Wall Street Journal*, saying: "Over the past 60 years at least $1 trillion of development-related aid has been transferred from rich countries to Africa. Yet real per-capita income today is lower than it was in the 1970s, and more than 50% of the population — over 350 million people — live on less than a dollar a day, a figure that has nearly doubled in two decades. Even after the very aggressive debt-relief campaigns in the 1990s, African countries still pay close to $20 billion in debt repayments per annum, a stark reminder that aid is not free."

As she writes in her book:

> With aid's help, corruption fosters corruption, nations quickly descend into a vicious cycle of aid. Foreign aid props up corrupt governments — providing them with freely usable cash. These corrupt governments interfere with the rule of law, the establishment of transparent civil institutions and the protection of civil liberties, making both domestic and foreign investment in poor countries unattractive. Greater opacity and fewer investments reduce economic growth, which leads to fewer job opportunities and increasing poverty levels. In response to growing poverty, donors give more aid, which continues the downward spiral of poverty.
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> This is the vicious cycle of aid. The cycle that chokes off desperately needed investment, instills a culture of dependency, and facilitates rampant and systematic corruption, all with deleterious consequences for growth. The cycle that, in fact, perpetuates underdevelopment, and guarantees economic failure in the poorest aid-dependent countries.

The countries that are the worst off, and the most aid-dependent, have been averaging minus 0.2 percent growth annually for three decades.

In the face of all of this evidence, many liberals (and "compassionate" alleged conservatives) have decided the answer is to have the United States and other Western governments step up their subsidies to those countries that have instituted reforms deemed appropriate to qualify for assistance. This was the rationale behind the creation of the Bush administration's Millennium Challenge Corporation (which, despite its name, is a government agency). Gerson, above, is such a promoter.

The Cato Institute, among others, isn't buying that sales pitch. For good reason. As Ian Vasquez of Cato observes, "The most obvious problem with that program is that it is based on a conceptual flaw: countries that are implementing the right policies for growth, and therefore do not need foreign aid, will be receiving aid. In practice, the effectiveness of such selective aid has been questioned by a recent IMF [International Monetary Fund] review that found 'no evidence that aid works better in better policy or geographical environments, or that certain forms of aid work better than others.'"

When governments are hurting the poorest and most vulnerable people in the world, the most humane policy is to stop doing that — not to find another way that simply leaves scars in different places and enriches a new crew of pen-pushing bureaucrats and power-hungry despots.

*— Photo: Cynthia Boll*