

WHEN CRITICISM FALLS ON DEAF EARS: THE CASE OF U.S. FOREIGN AID

Back in March 1974, British economist P.T. Bauer wrote a long essay in *Encounter* magazine questioning

the ethics, effectiveness, unintended consequences and, more important, the theory behind foreign aid to underdeveloped countries. The essay's title was "Foreign Aid, Forever? Critical Reflections on a Myth of Our Time." Bauer mustered evidence from history and economics, as well as foreign aid's own record, to confront the growing aid establishment with its "sometimes brutal consequences, enormous costs, little success and virtually no adverse criticism." He expressed amazement at "the only category of government spending which goes unquestioned," and concluded that foreign aid was an act of faith, a myth.

Although economists and practitioners have questioned the theory behind foreign assistance to underdeveloped countries for more than four decades, the aid industry is bigger and stronger than ever today.

BY THOMAS DICHTER

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Today, foreign aid is even more robust than it was in 1974. Official development assistance (ODA, in Organization for Economic Cooperation and Development parlance) provided by the advanced industrial countries to the developing countries has grown steadily since 2000, with a record high of \$142 billion reached in 2016, and it involves scores of bilateral and multilateral agencies, hundreds of large international nongovernmental organizations, foundations old and new, and private contractors—all employing hundreds of thousands of professionals. Now, too, at the dawn of its eighth decade, with aid funding at historic highs, the likes of Tony Blair, Bono, Bill Clinton, Bill Gates, Jeff Sachs and others call for yet more aid money, convinced that the problem of world poverty can be solved if only we'll direct more money toward it.

Yet the call for more aid is still based on an act of faith, a belief in defiance of the evidence, that it makes a significant difference in fostering development and sustainably reducing poverty. Those countries that have made real progress in reducing poverty (the Asian Tigers, China and others) have done so for myriad and complex reasons having to do with culture and changes in the political economy, but not with foreign aid. In fact, foreign aid, particularly the big ideas of prestige players like the World Bank, has often proved harmful. A long history of the rise and fall of the next new big idea, fad or buzzword (e.g., structural adjustment, community-based development, microfinance, participatory development, capacity building)—each of which amounted to saying “we were wrong before, but now we've figured it out”—has failed to produce even a sign of embarrassed self-consciousness.

Instead triumphal declarations of success, as we've recently seen with the United Nations' millennium development goals (never mind that at least half of them failed to be achieved), mark the aid industry. And always, there is a call for more money. As Bauer pointed out in 1974, “either progress or lack of progress can be used to argue for more aid. Progress is evidence of success, and lack of progress is evidence that more must be done.”

Indeed, all of Bauer's criticisms remain valid today except one: his claim that foreign aid has had “virtually no adverse criticism.” Since 1974, the criticism and questioning of foreign aid has steadily increased.

The Steady Growth of Questioning

A mix of semi-scholarly critiques of the aid system has appeared in the decades since Bauer. These included Judith Tendler's *Inside Foreign Aid* (1976); Eugene Linden's *The Alms Race*, (1976); Francis Moore Lappé, Joseph Collins and David Kinley's *Aid As Obstacle* (1981); R.J. Parkinson's edited volume, *Poverty and Aid* (1983) and Pascal Bruckner's *Tears of the White Man* (1986). Then came a few bittersweet insider critiques, like Leonard Frank's essay “The Development Game” in *Granta* (1988), Graham Hancock's *Lords of Poverty* (1989) and Timothy Morris' *The Despairing Developer* (1991).

During the 1990s, there were major feature articles like “The Twilight of Foreign Aid” in the *Financial Times* (1992) and “Why Aid Is an Empty Promise” in *The Economist* (1994), as well as book-length studies such as *Compassion and Calculation: The Business of Private Foreign Aid* by David Sogge, Kies Biekart and John Saxby (1996) and journalist-cum-insider Michael Maren's *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity* (1997).

The new century saw the momentum pick up, with Ha-Joon Chang's *Kicking Away the Ladder* (2002), my own *Despite Good Intentions: Why Development Assistance to the Third World Has Failed* (2003), William Easterly's *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (2006), Roger Riddell's *Does Foreign Aid Really Work?* (2007), Dambisa Moyo's *Dead Aid* (2009), Derek Fee's *How to Manage an AID Exit Strategy: The Future of Development Aid* (2012) and Ben Ramalingam's *Aid on the Edge of Chaos: Rethinking International Cooperation in a Complex World* (2015).

There is also the work of economists and historians who support the thesis that development is too complex to be engineered by outsiders. A prime example is David S. Landes' *The Wealth and Poverty of Nations* (1999).

Virtually all critics point to the creation of dependency and suggest that in this way foreign aid works against its own long-term goal—the day when developing countries themselves take the lead and foreign aid won't be necessary.

Sogge et al., for example, put the issue of self-interest at the heart of this contradiction: “The hope of ending charity, of making the helpers answerable to the helped, and of establishing something like mutuality, remains an

idea ... an open question.”

Many critics also look in some detail at the bureaucratic imperatives of planning—the perverse relationship between the need for accountability and the consequent reliance on short-term projects, the games played in the business of aid contracting, the waste of money, the fact that much of the money stays home instead of going to the intended recipients—and show how these imperatives get in the way of effectiveness.

Sogge et al. put it this way: “Agencies must feed their official aid system funding authorities with an increasingly narrow diet of information according to indicators easily digested in bureaucracies and in public discourse. Water wells dug and babies jabbed continue to stand for improved child health; proportions of women in training workshops continue to stand for gender balance. Gradually, the production of indicators treating only the very short run pervades the activities themselves: a longer-run perspective, learning based on real impact, the innovative spark and other ‘comparative advantages’ of agencies gets crowded out.”

How Development Works

Some critiques point to the hubris of foreign aid, the sure sense that we know what’s good for others. Given that every society is a complex and tightly woven mosaic of political, cultural, social, structural and historically constructed pieces, the appropriate stance is humility. What MIT economist Everett Hagen said in 1962 in *On the Theory of Social Change: How Economic Growth Begins*, holds true: “In the countries in which the transition to economic growth has occurred, it has been concomitant with far-reaching change in political organization, social structure and attitudes toward life. The relationship is so striking and so universal that to assume that one of these aspects of basic social change is unrelated to the others is to strain the doctrine of coincidence beyond all warrant.”

Yet despite the evident truth of contextual complexity, aid agencies continue to be wedded to preconceived recipes for how to *implement* development. Speaking in 2003 about the belief in the magic of market economies, World Bank economist William Easterly pointed out that “no recipe exists, only a confusing welter of bottom-up social institutions and norms essential for markets. These evolve slowly on their own from the actions of many agents; the Western outsiders and planners don’t have a clue how to create these norms and institutions.” Easterly concluded: “It is a fantasy to think that the West can change complex societies with very different histories and cultures into some image of itself. The main hope for the poor is for them to be their own searchers, borrowing ideas and technology from the West when it suits them to do so.”

A few critics note the aid industry’s lack of emphasis on time—how much of it “developed” countries needed. The United States did not have a widespread middle class until after the Second World War; whole sections of the country lacked indoor plumbing and electricity well into the 1930s; we did not have a modern national highway system until the late 1950s. And in his *Kicking Away the Ladder*, Ha-Joon Chang reminds us, for example, that the road to democracy in the developed countries was a rocky one; in the United States, universal suffrage did not occur until 1965. He points out that what we today lament as developing-world corruption and bad governance existed relatively recently in our own developed world: public offices were sold, there was widespread nepotism, and professionalism was conspicuously lacking until at least the late 19th century. Chang’s broad conclusion is that we need to face up to the fact that what got us to where we are is not what we tell the developing countries.

Still, few of the aid critiques approach the fullness of Bauer’s in 1974. He, too, castigates the foreign aid establishment for ignoring history, for its arrogance and paternalism. But he goes on to address the deeper question of how aid relates to development in the first place. In a word, it doesn’t. “Promotion of development and relief of poverty are ... altogether different,” Bauer reminds us. Significantly, USAID, the U.S. government’s aid agency, has blurred that distinction in the last few years by emphasizing saving lives and extreme poverty. Its latest mission statement (see USAID.gov) leaves out the word “development” altogether: “We partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity.”

Bauer’s blunt conclusion is this: “Foreign aid is patently not necessary to emerge from poverty.” And he reminds us that the key variables for development lie in the cultural, social and political realms: “If the personal and social conditions of progress (capacities, motivations, mores and institutions) are not present, aid will be ineffective. What holds back many poor countries is the people who live there, including their governments. A society which cannot develop without external gifts is altogether unlikely to do so with them.”