

## **MYTH #5:**

### **Aid Alone, or as Currently Practiced, Significantly Reduces Poverty**

“...as a broad rule countries determined to reduce poverty (China, Venezuela and Cuba are notable examples in today’s world) do so without aid; countries dependent on aid do not manage to end poverty.” – James K. Galbraith<sup>i</sup>



### **Does Aid Bring Equality?**

The last section discussed the failure of the major international financial institutions to deal with the problem of poverty. What about the whole concept of foreign aid? Can it help? Does it help? Are there alternatives?

Globally, resources are distributed in an extremely unequal fashion. In some countries and regions, people enjoy immense material wealth while in others, daily life is hard and death comes early. Foreign aid – through which high-consumption countries give or lend resources such as money, food, emergency assistance, technical expertise, or military supplies to low-consumption countries – could be a humane and generous way to reduce global inequities.<sup>i</sup> The government of one country may give aid directly to another or via an international institution such as the World Bank. Aid may also consist of smaller grants, from a few thousand up to a million dollars or more, given by private foundations and governments, often directly to non-governmental organizations (NGOs), universities, and other agencies to implement specific projects and programmes. The focus in this section will be on loans to governments of tens or hundreds of millions of dollars, because they are the most visible and, in the end, the most problematic. Grants also can be problematic when used for projects that increase the wealth and power of corporations and do nothing for or harm the poor or the environment.

There are occasions in which foreign aid provides great value for the recipient, especially in the case of a severe natural disaster with which the government is unprepared to cope, such as a devastating earthquake in Pakistan or Haiti, or a hurricane in Central America.<sup>ii</sup> Even in such cases, however, aid can have its

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<sup>i</sup> Technical assistance can be problematic if it includes giving advice on the creation of laws that give transnational corporations a greater foothold in the recipient country; it can of course also be beneficial where it leads to the enactment of better policies and infrastructure to help the poor and to preserve the environment.

<sup>ii</sup> Hurricane Katrina in the American city of New Orleans is an example in which a high-consumption country could have benefited from the technical assistance offered by a low-consumption one, but the United States refused Cuba’s help. Theoretically, the United States should have been able to handle the disaster with its own resources, but the evidence

downsides. Outside food aid delivered during a drought can drive down food prices, thereby causing further harm to local farmers. Foreign aid workers can be a drain on existing resources, such as drinking water, and take needed jobs away from locals. Because of the complexities of getting aid to those who need it, aid often does not reach those who really require it. All too often, corrupt politicians siphon it off. Given all those problems, no matter how important short-term aid may be, the main long-term solution to disaster management is to improve the capacity of local governments to handle their own crises whenever feasible.

At a global scale, aid can only reduce inequality between countries if the net flow of funds is from high-consumption to low-consumption countries. But that is not the case. A lot of aid is administered not as grants, but as loans. As discussed above, countries must repay those loans with interest even while suffering economically due to the numerous conditions that come attached to the loan. Corrupt leaders in recipient countries sometimes steal much of the funds for their own personal use; nevertheless, the country must still repay the loans.<sup>iii</sup> For example, Mobutu Sese Seko reportedly stole almost half of the \$12 billion that Zaire (now the Democratic Republic of Congo) received in aid from the IMF during his thirty-two-year reign; consequently, the country, which never benefitted from the aid, remains deeply in debt. Likewise, Ferdinand Marcos stole about \$10 billion from the Philippines and Mohamed Suharto embezzled about \$35 billion in Indonesia, with much of those funds being foreign aid.<sup>2</sup>

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*More money for servicing debt than for aiding the population: Mozambique has a population of about eighteen million people. Approximately nine million have no access to health care. Ten million lack access to safe drinking water. Every year, 190,000 children die before the age of five. Meanwhile, the country is \$5.6 billion in debt. Payments on that debt often total more than its total export earnings. In 1995, Mozam-*

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suggests otherwise. The American government had previously hobbled the Federal Emergency Management Agency (folding it within Homeland Security). Officials also assumed that everyone could flee the storm by car and drove empty buses out of the city; this costly error in judgement meant that many people without cars (mainly minorities) were stranded, and many of them perished. The whole episode also raises questions about the common practice of sending American technical expertise worldwide, as if the United States inherently has more knowledge than others do.

<sup>iii</sup> Some corrupt leaders may even fear that 'development' will lead to a more empowered public that will, in turn, throw out the corrupt leaders; they thus have little incentive to use the aid in a way that will help the population. See Claudia R. Williamson, "Exploring the Failure of Foreign Aid: The Role of Incentives and Information," *The Review of Austrian Economics*, published online: 11 July 2009.

*bique was only able to pay \$100 million dollars, or a quarter of its scheduled debt. This was more than the country spent on health and education combined.<sup>3</sup>*

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The result of many decades of loan giving is that every day, nearly \$23 million flows from the lowest-consumption countries in the world to the highest-consumption ones in the form of interest and loan repayment.<sup>4</sup> In total, the low consumption countries currently owe more than \$4.9 trillion to the World Bank, the IMF, the governments of high-consumption countries, and to corporations.<sup>5</sup> Between 1980 and 1992, international debt servicing amounted to \$1.6 trillion, or three times the original amount owed in 1980.<sup>6</sup> Unfortunately, the way that repayment is structured and interest calculated means that these countries can repay the original loan many times over and yet still owe money.

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*From each according to his ability...What's up with this? Monaco, about the fifth wealthiest country in the world in terms of GDP per capita, contributed all of \$12,000 to the World Bank's Financial Intermediary Funds in 2010. Bangladesh contributed \$100,000.<sup>7</sup>*

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In addition to the money that flows from low-consumption to high-consumption countries in the form of loan and interest payments, a large portion of aid returns to donor countries in the form of employment of that country's residents, flights on that country's airlines, income from that country's hotels, and purchases of that country's products and raw materials. I met a man in Dhaka who was working on a project funded by the American government's aid agency, USAID. He mentioned that the grant included money to buy a vehicle; USAID insisted that the project team buy an American car. Unfortunately, there were no local mechanics who knew how to fix the car nor were spare parts available for that particular model. Not only did the vehicle quickly become useless to the aid project, but the aid money spent on it went to an American automobile manufacturer, not to the country supposedly intended to benefit from the project.

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*Seeking a cushy job? Apply here! Many people are attracted to aid work for genuine humanitarian reasons. However, it is also true that some of the attraction of the work lies in its glamour and prestige, the potential for luxurious living, and the exciting travel opportunities (otherwise known as 'development tourism'). Just how exorbitant the living gets for some is eloquently presented by Graham Hancock in his book, Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business. Nor am I immune. I once received an e-mail urgently requesting me to serve as a facilitator at a workshop in the Thai beach resort of Phuket. The flight, hotel, and food were all paid for, and a small fee was provided for my service. The beach was lovely and the work*

*was easy. I felt guilty accepting but justified it to myself on the basis that as I work hard, I deserve a break. My Bangladeshi colleagues work hard too; rarely do they get such privileges. Those whom we are supposedly helping never do.*

*People who could never afford household help back home may have several servants while working in 'development.' If they achieved their stated goal of eliminating poverty, they would have to give up these privileges. To be direct, those in the aid business have an unfortunate incentive to fail at what they aim to do.*

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Aid often benefits the donor country in other, more indirect, ways. A donor country can offer, for example, assistance to create electricity generation plants. Corporations from the donor country can then build factories that use that electricity to create inexpensive goods that they can export back to their country. At other times, aid is barely even disguised under its humanitarian wrappings. If a government wants its businesses to have access to the natural resources in a low-consumption country, aid can provide the entry point. For example, some donor countries label mining as 'development assistance,' but though some local jobs result, the real wealth (the value of the extracted minerals) flows right back to the donor country. Companies may donate computers in the name of development but sell the software necessary to run the computers at high prices. Donor countries that manufacture cars and want to broaden their markets may provide 'development assistance' to build local infrastructure (roads, bridges, elevated expressways) that will support the import and sale of those cars. For instance, a Korean company is constructed a road along the Mekong River in Vientiane, the capital of Lao. The road runs parallel to a nearby existing road, thereby doubling its capacity. Korea happens to be the main car exporter to Lao.<sup>8</sup> It is hard to say exactly how much of what happens in the name of aid may be of more use to the donor than to the recipient, but whatever the amount is, it is too much.

Because aid is commonly viewed as a form of charity rather than as economic justice, it can make the receiving country indebted in more ways than simply financial. At one level, the conditions put on aid make sense: if aid is intended to help the poor, the donor does not wish to see it being used to buy mansions with swimming pools for the president's friends and family. If the donor feels that the cause of the crisis that led to the request for aid is remediable through better policies, the donor may wish to push for those policies. A truly thoughtful donor would wish to ensure that the loan supports the public good, is spent as intended rather than to line the pockets of the powerful, that chances of repaying it are high, and that the repayment conditions are not causing undue stress or harm to the recipient. However, there is a not-so-fine line between telling people exactly how to spend their money and allowing them to steal as much as they please; over

time, aid agencies and multilateral banks should have done better at finding a balance.

*Who does aid serve?*

A bigger question posed by foreign aid is, who gets to decide what is in the public good? The role of the public in recipient countries is virtually non-existent in determining what projects to undertake, how to use grant money, and under what conditions to accept loans. In fact, the main beneficiary may be the group lending the money. In her bestselling book *Dead Aid*, Dambisa Moyo quotes Rwandan president Paul Kagame commenting on why the more than \$300 billion of aid that has gone to Africa since 1970 has done the continent so little good: "The primary reason is that in the context of post-Second World War geopolitical and strategic rivalries and economic interests, much of this aid was spent on creating and sustaining client regimes of one type or another, with minimal regard to developmental outcomes on our continent." Aid is unlikely to reduce poverty when the givers never intended it to do so.

Even when delivered with good intentions, aid is a difficult enterprise. The largest projects, while having the potential to do the most good, can also be the most harmful, since they are often for damaging infrastructure such as large dams. Big projects also mean big money. When large sums of aid money pour in to very poor and unstable countries, violence can ensue as various factions fight to see who can steal the largesse. Aid-related violence can take place directly when and where the aid is dispensed, and in fights among political factions, each of which want to gain political power in order to steal the money easily.

Victims of economic crimes include all those who could have been helped by the money, but who were not, and all those affected by the violence that results from the desire to steal aid money. As those siphoning off aid become exorbitantly wealthy, the chasms between rich and poor grow, as do incentives to seek new forms of aid, regardless of how useless or detrimental the projects might be or how much the population is burdened with debt. As to how much of the aid is stolen, one former World Bank insider remarked: "Sadly, having spent sixteen years in Bank lending operations and anticorruption investigations, I have become convinced that \$100 million or more [of \$500 million lent] may well have been lost to fraud..."<sup>9</sup>

Governments may spend time seeking foreign assistance and negotiating grants rather than seeing what they themselves might do with existing resources. Dependence on aid can distract governments from taking on the responsibility of improving conditions locally – why do so when donor aid can be used instead – and from passing laws that would give the poor the opportunity to have a better

life. The temptation is particularly strong where corruption among government officials is rampant (and goes unchecked by the donor).

On the smaller scale as well, aid gives rise to many other types of problems. Programs and priorities follow the 'flavour of the day' and often do not undergo any rigorous evaluation for effectiveness; evaluations themselves are problematic if not well designed.<sup>iv</sup> Projects are often too short-term to make the desired changes or to sustain them after the grant has finished. Aid has become an industry in many low-consumption countries, with a growing number of businesses and NGOs set up to receive the money but with little evidence that they have contributed to the betterment of the poor.<sup>10</sup> NGOs typically must tailor their programs to suit donor requirements and interests and ignore or avoid those areas that are not palatable to donors; otherwise, there is no way to pay one's bills.<sup>v</sup>

NGO workers can also be so distracted by the potential of grants – and the work that goes with applying for them, managing them, and reporting on them – that they shift their attention away from actually addressing the critical issues of the more equitable distribution of resources, workers' rights to liveable wages, and government responsibility. Again, donors often do not encourage NGOs to take on these difficult issues. Because governments fail to provide a safety net, NGOs often step in with donor-funded programs to help the poor. As long as they do so, there is less pressure on governments to fulfill their duty. However, successfully pressuring governments to take over would cause the NGOs to lose their sources of funding, and so their incentive to keep the pressure up lessens. The NGO that

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<sup>iv</sup> I have seen evaluation reports that are worse than useless because what they measure – number of people who attended an information session, number of desks set up in a new school, number of health education posters pasted on walls – fail to indicate whether people's lives are any better. Purely quantitative evaluations, which seem to be the norm, cannot capture the beauty of some truly effective programs. On the other hand, purely qualitative evaluations that relate stories of people's newfound happiness typically provide no measureable or reliable evidence. There is also the issue of the complexity of donor application and reporting forms, and how much time NGO staff must spend chasing funds and filling out reports rather than doing the work that they are supposedly paid to do.

<sup>v</sup> This is an important point that merits more discussion and will no doubt make some readers uncomfortable. The whole setup of NGOs is premised on the idea that the donors and voluntary contributors are intent on reducing poverty or otherwise aiding low-consumption countries. Yet many of the governments and foundations making the grants are, to a greater or lesser extent, controlled or funded by corporations with profit-making opportunities in those countries. The criticism extends beyond the particular (for instance, a foundation supporting contraception due to its support for eugenics) to the general (the ways in which donors set and control the agenda of NGOs).

wishes to be the exceptional group that actively pushes governments to take on the services provided by many other NGOs may find it impossible to find enough funding to stay on mission. It is difficult to argue that one should ignore the urgent needs of the poor in order to push governments to assume their responsibility, but if one fails to push governments, they may never act to redistribute wealth, and there will be an ongoing need for NGO action.<sup>vi</sup>

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*If it were easy, it would not be a problem. It can be difficult to make accountability a reality. When I lived in Hanoi and asked shopkeepers for a receipt, they typically asked me how much money they should make it out for; this taught me the value of receipts in many countries. Years later, colleagues in the business of disbursing relatively small grants (generally between \$80,000 and \$500,000) told me that they had instituted extremely strict accounting procedures after they visited a health clinic they had funded, only to discover that the building was being used as a brothel. A friend told me that when the foundation she was working for decided to stop working in Bangladesh, they gave their remaining funds – one million dollars – to a large, well-known NGO. Later, when they asked what the money had been used for, the answer was, “We don’t know. We can’t find it.”*

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A more useful approach would be to see whether aid could be dispensed in a way that would optimize the potential for good and reduce the potential for harm, while seeking other ways to reduce global inequality.

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## Towards a Better Way: Improving Aid and Finding Alternatives

“Poverty is also a violation of elementary absolute standards of social justice. ...Social justice requires that everyone should have a minimal standard of living, and that people living in poverty should receive assistance when they lack the means to live lives that affirm their human worth and dignity.” UNDP, *Rethinking Poverty*<sup>11</sup>

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<sup>vi</sup> NGOs may deliver better services than governments, but the cost is typically much higher. My personal feeling is that NGOs should push and support governments, not replace or replicate them.



*"Fixing" aid*

Pouring in aid money is only one, and not always the best, solution to poverty; it is no solution at all when large portions of the money simply return, in various forms, to the donor or are stolen before they can be used to help the poor. A long-term goal may be to reserve aid for conditions of real emergency or dire need, with an accompanying effort made to push/support governments to take care of their own people and to increase the role of the public in ensuring that governments carry out these responsibilities properly.

Different approaches to dispensing aid can make a big difference in how it is used. One might start with this rather simple rule: do not provide large unmarked loans to leaders who have little or no popular support and who have a propensity to siphon off funds into their Swiss bank accounts. Following this rule might have prevented many loans from being made in the past and could presumably prevent many more in the future. After all, the populace must repay these loans long after the leader has left power (often taking a hefty amount of the loan with him). Other checks and balances would also help, such as stronger rules at the lending institutions to prevent the approval of projects that displace large portions of the population and that cause serious damage to the environment, to public health, and to local businesses/economies.<sup>vii</sup>

As long as loans are necessary, there is a need for more accountability and transparency in choosing which ones to take and whether to accept the conditions attached to them. There are probably people in every country who take an active, humanitarian interest in local affairs and who would like to have a say in foreign aid decision-making. Loan negotiations may need to occur in private, but surely-mechanisms could exist to introduce more transparency and public input into decisions about which projects merit loans. Local experimentation is needed to arrive at the best methods, but possibilities include the government putting notices in the newspaper, advertising by radio, posting information on the Internet, or using banners in the streets to announce planned loans, then providing a number of ways to give input, including public meetings, email, and the old-fashioned letter. Not only which projects are worthy, but the basic conditions of the loans and the likely burden of repayment should also be open to public discussion. In the same way that participatory budgeting (discussed elsewhere in

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<sup>vii</sup> The World Bank is doing just the opposite, at least in terms of dams. In searching for ways to finance 'development' without increasing climate change, the Bank is getting back into hydropower, despite all the displacements involved. "World Bank rethinks stance on large-scale hydropower projects." *The Guardian*, 14 May 2013.



this book) allows communities to give input into local spending priorities, so communities could have a say on whether they want loans/grants to build, for example, a new airport or to create a network of local health clinics in remote areas. It may require a major educational effort to enable informed input into loans, but such an effort would have a huge payoff. Local leaders, NGO officials, and journalists are among those in a position to educate others about loans. With most people in many countries now having a mobile phone, organizers could use text messages as a way to inform people of the opportunity to come to a session to learn more and to offer their opinion. Even those with very little understanding of the projects and of loan conditions are likely to have an opinion about bankrupting the country's future to pay for questionable projects today.

At the level of small or medium grants to NGOs and other organizations such as universities, trust and respect can play an important role. Donors could conduct a background check of the recipient organization. Asking that basic accounting procedures be met, and following the progress of the grant in a respectful way, can help to build the sort of trust that makes cheating less likely. Bigger grants, to the tune of millions of dollars, require closer monitoring – such as visiting the project to see if the work is actually being carried out.

For individual countries, the option of refusing aid always exists. The government of Myanmar reportedly refused international assistance to deal with the devastating effects of a typhoon because it was afraid that once they let in aid workers and their backers, they would have trouble getting them to leave. It is easy to see how governments may fear the influx of an army of aid workers, even when aid is needed.<sup>viii</sup>

The conditionality of aid should be at least reduced, and conditions meant to support the mainstream economic system, such as draconian cuts in government budgets and privatization of public services and industries, should be eliminated. Interest rates need to be slashed on overly burdensome loans, and many loans

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<sup>viii</sup> I could be wrong in my interpretation of events in Myanmar, but I request that readers consider the possibility that the media is misleading us. I can find no other explanation for the West's obsessive interest in Myanmar than that the type of 'democracy' that the United States is pushing would mean not more freedom for the population, but rather greater access for multinational corporations. My suspicion is partly based on observing very few billboards when I visited the country and seeing a small article in *The Economist* complaining about the high tariffs on cars. Yes, the current regime is in some ways atrocious and certainly Aung San Suu Kyi has excellent motivations, but the situation there is probably vastly more complex than the mainstream media reports. For more discussion on the role that the media plays in perpetuating economic untruths, see the Myth on mass media.

need to be forgiven. The flow of aid money should be from high-consumption to low-consumption countries, not vice versa.

*Other options*

There are, of course, taxes. As I discuss elsewhere in this book, taxes on corporations and wealthy individuals are (too often) an enormously underutilized resource. Rwanda recently announced a budget of which, for the first time ever, about fifty-four percent would be financed domestically (mostly through tax) rather than by aid.<sup>12</sup>

Populations would require less help from government if they were better off. Efforts to prevent the rich from exploiting the poor and to reduce inequality could include land reform and laws designed to protect labour, to ensure a living wage, and to protect the rights of indigenous groups to 'sustainable' use of natural resources (such as the right to collect nuts and herbs in the forest versus having it destroyed for logging, mining, and large-scale farms). More protection for the poor from exploitation by the rich and powerful would lessen the need for outside assistance.

Another common way to bring money into a country is to encourage remittances from overseas workers. Remittances provide an important source of local funds; they also bring many problems. The official, and probably low, estimate is that thirty million Africans (about three percent of the population) have migrated regionally or internationally.<sup>ix</sup> Remittances of nearly \$40 billion in 2010 represent the largest source of foreign funding to Africa after direct foreign investment. According to the World Bank, the amount sent home by overseas workers is about the same as official aid. Nigeria alone received \$10 billion in officially recorded remittances in 2010.<sup>13</sup> Remittances may reduce poverty among individual families and communities and lead to greater spending on health and education. They can also help families cope with emergencies.<sup>14</sup>

However, remittances are not cheap: workers often fail to send home as much as they otherwise would due to the exorbitant price and insecurity of transferring the

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<sup>ix</sup> I happened to befriend a few of these expatriate Africans in Dhaka; they were all professional athletes. They did relatively well, though the clubs for which they worked often failed to pay their salaries or honour their contracts, and the players had nowhere to turn for regress. They desperately missed their homes. Some of the locals looked upon them with scorn and contempt. One player had the president of his club put a gun to his head to force him to sign a resignation letter; my friend who played at the same club had to leap over a wall to escape being put into a similar situation. I can only imagine how much worse the situation must be for many economic refugees, especially illegal ones.

money. According to a World Bank report, the cost of a \$200 remittance sent to sub-Saharan Africa averaged close to twelve percent. Sending money within Africa is even costlier and more difficult than sending it from outside Africa.<sup>15</sup> Although mobile phones are playing a growing role in banking, it is still difficult to get money to rural areas.

Remittances involve other costs. When people leave their homes to work far away, the emotional cost and the effect on family structures and relationships can be devastating, with children being particularly affected. HealthBridge-supported research in Vietnam found that while many parents left the country to work in order to help their children gain a better future, some of those children felt abandoned and suffered from a range of emotional problems; some dropped out of school.<sup>x</sup> Reíðar Jönsson beautifully captures this issue in his moving novel *My Life as a Dog*: “My father left. As usual, the Swedish nation needed their bananas more than I needed my father.”<sup>16</sup> Many countries, Vietnam and the Philippines included, simply encourage migrant labour on the assumption that it is a net good, but the cost of this practice must be taken into account when determining national policy.

Emigration represents a direct financial cost to the nation of origin as well. When skilled workers leave a low-consumption country, they take their valuable skills with them. Countries pay for the education of their citizens, only to find that many of the most educated emigrate.<sup>17</sup> At the same time, high-consumption recipient countries receive already educated and possibly trained workers, representing yet another reverse subsidy. Worse, educated workers often fail to find jobs that utilize their skills and background, while the country they left may be in desperate need of them.

Tourism, another source of local funds, is also a mixed bag. Tourism can drain resources, such as water and electricity, from the local population; it can also contribute to the privatization of land, as (for example) luxury hotels with private beaches occupy space formerly used by locals, including fishermen. Tourism that

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<sup>x</sup> Many children left behind suffer from a sense of inferiority and have no one to take care of them and supervise their studies. School dropouts were especially common when the mother left. *‘I have dropped out of school since I think my mother does not love us anymore’* (daughter of a guest worker, Thai Binh city, speaking to a member of a HealthBridge project team studying the effects of migrant labour on local communities and families). Pham Thi Ngoc Anh and Nguyen Van Tung, “Impacts of Labour Exportation on Family Life in Thai Binh Province,” Report prepared by the Central School for Female Cadres and HealthBridge. Hanoi, May 2008.

caters to high-end vacationers will mostly benefit wealthy corporations, including foreign ones, rather than locals: French tourists flying on French airplanes, staying at French-owned hotels, eating in French restaurants, and traveling on French buses will do little for the local economy. Tourism to low-consumption countries also has a seedy side, with its connection to prostitution and drug use.

A more promising option is for governments to encourage and protect small domestic industry, particularly for products that are not harmful to health or the environment. Instead, the current basis of some economies simply keeps the nation impoverished. When I visited Malawi several years ago, I saw the true meaning of the country's 'dependence' on tobacco, which resembled dependence on a drug. Planners focused on a single crop, tobacco; that crop mainly benefits the tobacco industry, not the farmers.<sup>18</sup> The industry uses some of its profits to buy the support of government officials. As a result, there was little or no effort to diversify the economy. People continue to go hungry despite decades of tobacco cultivation. While I was there, some people were refusing to check out of the hospital after recovering from illnesses brought on by malnutrition because they had no food at home. Singapore, Hong Kong, Taiwan, and South Korea – former low-consumption nations that have become economic success stories – grew rich by protecting their nascent industries from cheap imports until they were strong enough to compete. Today, however, trade rules imposed by donor countries and the Bretton Woods institutions benefit large corporations and thus prevent low-consumption countries from taking these steps.

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*Jane Jacobs describes how in the small country of Taiwan, the combination of land reform, workers with many years of experience in factories but with no capital, and a powerful but benign government helped transform a poor country into a wealthy one. The government forced wealthy rural landowners to sell some of their land to the government so that it could redistribute that land to poor farmers. The government in return insisted that the landowners invest part of their payment in urban industry. Importantly, the government did not specify which industry. Most landowners were not natural entrepreneurs.*

*Meanwhile, many people had gained ideas about potential new industries during their many years working for the foreign companies that had invested in Taiwan when salaries were low, but had no funds to implement them. The combination of those with ideas and those with funds, helped along by government protection, led to a burgeoning of local industry. When many foreign companies departed to seek lower-paid workers elsewhere, such as China, the Philippines, and Bangladesh, their departure was an indication of success, not failure, in Taiwan's development.<sup>19</sup> Whether Taiwan's particular case is replicable is another matter.*

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One area on which some liberals and conservatives agree is the need for more genuinely 'free' trade in which the high consumption countries stop imposing tariffs on imports from low-consumption ones. Any solution to poverty that depends on trade has a number of limitations, but this sort of trade could at least prove a temporary solution while the low-consumption countries recover from debt and find a more sustainable way to support their populations. According to Oxfam, by imposing high tariffs on imported goods, the G8 countries collectively deprive the low-consumption countries of \$160 billion a year in trade.<sup>xi</sup> "For every dollar we give in aid two are stolen through unfair trade," points out Robert Fox, Executive Director of Oxfam Canada; "The G8 countries have rigged trade rules, blocking trade's potential to wipe out poverty and instead increasing the global wealth divide."<sup>xii</sup>

Finally, even the low-consumption countries may not need as much aid as they think. Their governments often spend money on unnecessary and harmful items, such as on weapons systems and on extravagant 'development' projects like fancy airports. It is surprising the amount of money the government of Bangladesh (which ranks 170 out of 207 countries based on income<sup>21</sup>) finds available for projects like transport facilities for the less than one percent of the population that owns a car.<sup>xii</sup> When the government commissioned a transport plan, the transport experts listed and ranked various options following an extensive study of considerations such as speed, safety, and the environment. The highest-ranking option was also the cheapest, at 'only' \$1.9 billion. Rather than choose that option, however, the government chose the option ranked sixth, which at an estimated \$4.8 billion would cost more than double the first option.<sup>22</sup> The government planned to seek grants or loans to fund it – aid it would not have needed if it had chosen the more affordable and more highly ranked option. The savings potentially gained by choosing the better and cheaper plan was more than twice the planned budget for health in 2013.<sup>23</sup> As a local colleague of mine says, "The government is very rich when it comes to road projects, and very poor when it comes to education and health."

According to World Bank data, some countries such as Ghana spent as little one percent of their central government budget on the military in 2013,<sup>xiii</sup> while others

<sup>xi</sup> The G8 countries are the highly industrialized countries of France, Germany, Italy, the United Kingdom, Japan, the United States, Canada, and Russia.

<sup>xii</sup> According to the World Bank, there were only three motor vehicles (cars, buses, and trucks but not motorbikes) per one thousand people in Bangladesh in 2010. Transport statistics indicate that less than four percent of trips in Dhaka are made by private car. (<http://data.worldbank.org/indicator/IS.VEH.NVEH.P3>);

<sup>xiii</sup> Sierra Leone is listed at zero percent in 2011 and 2012, down from six percent in 2009.

spent as much as eighteen to nineteen percent (India and Pakistan) and twenty-three percent (Uganda).<sup>xiv</sup> The same governments that spent a lot on weapons spent significantly less of their central government budget on health: eleven percent in India, ten percent in Pakistan, and fourteen percent in Uganda in 2012 versus Ghana's thirty-three percent in 2011.<sup>24</sup>

Those concerned about the poor need to learn more about total government budgets and engage in public discussions about them. As it is, those working on tobacco control or on HIV/AIDS compete for scarce resources from donors and governments. Instead, all those working for health, the environment, and a better life for the poor should work together to demand more government allocations for those issues. They should work together to demand more spending to help the poor and middle class and less for weapons and for projects meant to enrich the wealthy.<sup>xv</sup>

Could cuts in wasteful military and other non-social spending, combined with increased revenue from local taxes and support for local industry, replace aid or at least reduce the need for it? There is no one answer for all countries, but alternatives to aid clearly merit more consideration. It is time to spend more energy exploring the alternatives and, where aid continues, to make the process more transparent, with more public oversight.

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<sup>xiv</sup> Oman tops the chart, at almost thirty-three percent in 2013; that figure is forty-four percent for 2014. I use 2013 for comparison, as the data for 2014 are incomplete. World Bank, "Military Expenditure (% of Central Government Expenditure)," <http://data.worldbank.org/indicator/MS.MIL.XPND.ZS> accessed 2 September 2014.

<sup>xv</sup> I hope it is clear that the middle class is a victim of mainstream economics, not the beneficiary or villain. The true villains are few in number and phenomenally wealthy. Government provision of essential services at no cost to the recipients would benefit not only the poor but also the middle class.

## Notes

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