June 25, 1993

BEYOND DEPENDENCE AND POVERTY: RETHINKING U.S. AID TO AFRICA

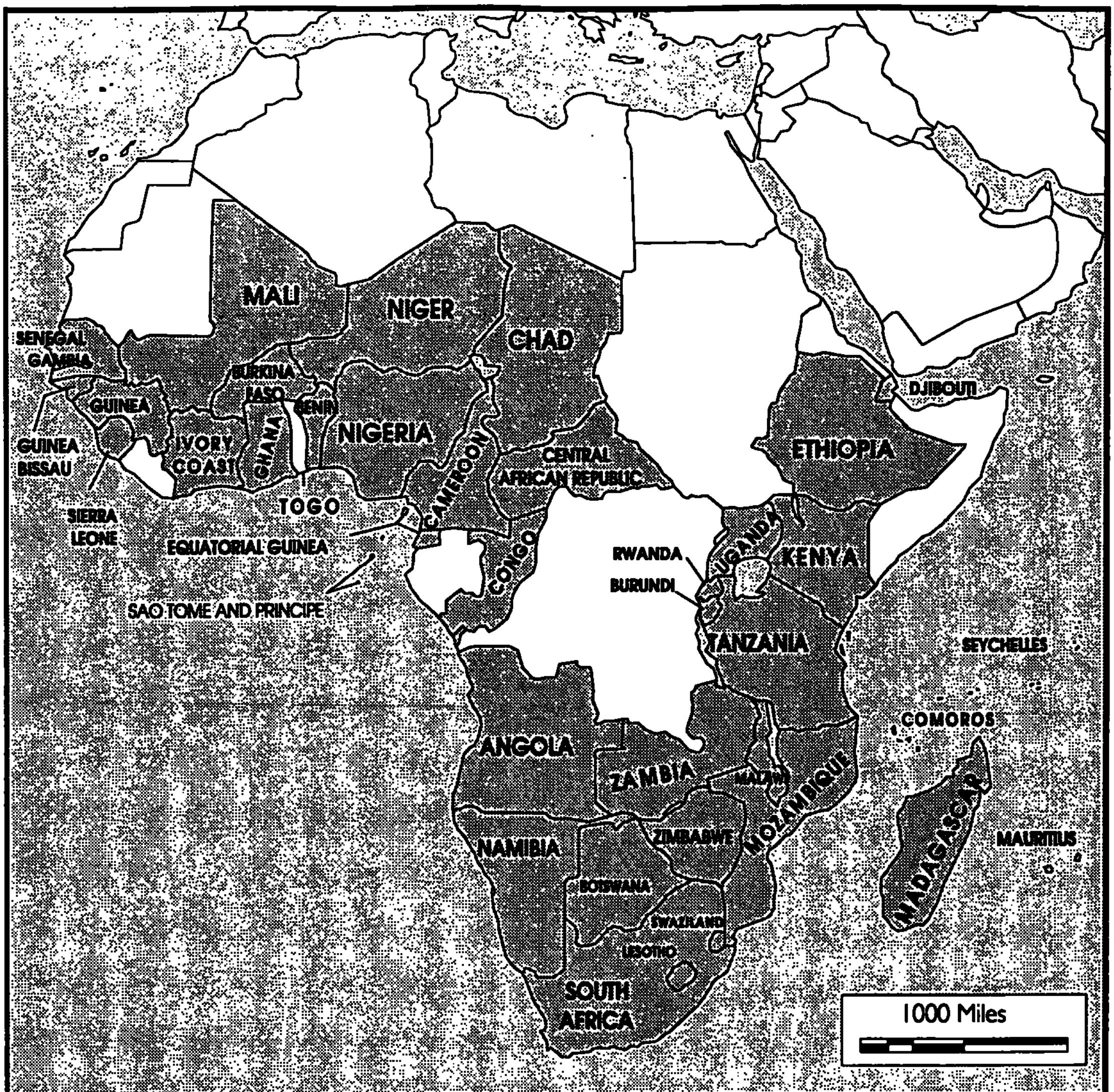
INTRODUCTION

The Clinton Administration wants to use American foreign aid to spur economic growth in Africa. Yet the over $1 billion of aid which Africa receives each year has not done much to advance the continent's long-term economic development. The average African has received four times as much foreign aid since World War II as the average Asian, yet Africa remains the world's poorest region. It is about time that the United States restructure its African aid program, making it more effective and tuned to encouraging the growth of private enterprise and free trade in Africa.

The bulk of U.S. aid to Africa is funneled through the Development Fund for Africa (DFA). Established in 1988 by an amendment to the U.S. Foreign Assistance Act of 1961 (FAA), the DFA was intended to supply a steady source of development aid to Africa. Essentially a permanent foreign aid earmark, the DFA received an $800 million congressional appropriation for 1993 to promote economic development in Africa.[1] Some in Congress would like to appropriate $1 billion for the DFA in 1994. Unfortunately, the approach to distributing DFA aid taken by the Agency for International Development (AID) fails adequately to promote free markets. Without further market development in Africa, that long-suffering continent will never develop the wealth necessary to end poverty and raise the standard of living of all Africans.

The timing is now right for the U.S. to use its foreign aid as a means to press for a free market agenda in Africa. With the end of the Cold War, most aid to Africa can now be used to promote economic development, and not merely to support friendly regimes against surrogates of the former Soviet Union. Moreover, many African nations have begun to take steps toward free markets, and they need encouragement from the U.S. To help these countries capitalize on what are still very tentative steps away from statist economies and authoritarian political systems, and to make U.S. aid to in Africa more effective, the U.S. should:

1 The U.S. also provides Africa with non-DFA aid. This includes humanitarian aid, debt relief, food aid, a small amount of security assistance, and the Economic Support Fund (ESF). The U.S. also aids Africa by funding the World Bank, the IMF, the African Development Bank and other multilateral institutions. While calculating the exact amount of total U.S. aid given to Africa is problematic, it has been estimated at slightly less than $1.1 billion dollars for 1992.



Sub-Saharan African Countries Receiving U.S. Foreign Aid: 1992

Note: U.S. aid to South Africa is directed toward disadvantaged South Africans.

✓ **Establish an Index of Economic Freedom as the primary determinant of development aid to African countries.** The Index would be a quantitative gauge of a country's economic freedom. It would take into account its economic policies, including taxation rates, regulation on business activity, and the size of the state sector of the economy. Implementing an Index will ensure that U.S. development aid is given only to those African countries that pursue market-oriented economic policies, which are the only proven means of achieving long-term economic growth and development. The Index also would greatly focus U.S. African aid programs.

The U.S. is not obligated to provide foreign aid to any other country, whether it be Angola or Russia. Development aid, when given, should be conditioned on progress toward the establishment of free market economies, leading to the eventual cessation of dependence on foreign aid. An Index of Economic Freedom would be an ideal instrument for signaling that there is an endpoint for U.S. development aid: the establishment of a free market.

✓ **Concentrate U.S. development aid in fewer African countries.** There is no need for an AID presence in every African country. Washington should concentrate its development aid on those African countries that are committed to developing free markets as indicated by an Index of Economic Freedom. This would be more economical than the current policy of dispersing U.S. aid resources in some 37 African countries. The result should be fewer African countries receiving AID funds.

✓ **Increase U.S. support for African privatization and private sector development.** African states pursuing free market reforms could benefit greatly from technical aid for privatization and private sector development. For example, AID could be providing more money for the establishment of banks to lend money to potential African entrepreneurs. Yet the Clinton Administration is deemphasizing AID's private sector programs, developed in the 1980s, in favor of other, less effective programs, such as population control projects.

✓ **Use development aid as leverage to encourage African aid recipients to move toward democracy.** The U.S. should use aid as a means for pressuring repressive African governments, such as those in Uganda and Cameroon, to adopt democratic reforms. The U.S. also should continue its democracy-building programs in Africa. By providing technical aid to political parties, legislative assemblies, and other democratic institutions, Washington draws on a prime source of American strength in Africa: its democratic tradition.

AFRICA'S ECONOMIC DECLINE

Fifteen of the world's thirty poorest countries are African. This gloomy predicament contrasts starkly with the optimism that prevailed throughout the continent during its independence era of the late 1950s and early 1960s. Standards of living have actually declined since then. Today the approximate per capita gross national product (GNP) of Mozambique is $77, Kenya's is $368; and Nigeria's is $266.[2] Throughout the 1980s, most African countries routinely registered GNP growth rates well below their rate of population growth.

Africa's economic misery is caused by many factors, including civil wars, coups, droughts, and a decline in international prices for its primary commodities. The greatest enemy of Africa's economic development, however, has been the statist economic policies of African governments. Young and ideologically inspired African leaders, including Julius Nyerere in Tanzania, Kenneth Kaunda of Zambia, and Ghana's Kwame Nkrumah, proclaimed that Africa could best be developed under state-planned economic systems, even though comprehensive planning played no part in successful development elsewhere. As a result, most African states established government monopolies, price controls, and high taxes; nationalized foreign investment; and excessively regulated foreign investors and even their own business class. The result was a loss of productive economic activity and foreign investment, a deteriorating infrastructure, declining economic competitiveness with other developing regions, and pervasive corruption.[3]

2 The United Nations Development Programme and the World Bank, *African Development Indicators* (New York and Washington, 1992), p. 32.

3 For an in-depth look at how donor-supported statist economic policies destroyed the Tanzanian economy, see the

FREE MARKET REFORM MOVEMENTS

By the early 1980s, it was obvious to most aid donors and to some African leaders that statist economic policies were destroying African economies. Donors, including the U.S., consequently began using their enormous economic leverage to pressure African states into adopting structural adjustment programs (SAPs). SAPs are country-specific reform programs designed by the World Bank and the International Monetary Fund (IMF) to liberalize the economies of aid recipients. These programs typically attempt to impose more fiscal responsibility and better debt management, privatize inefficient state enterprises, devalue currencies to encourage exports, eliminate disincentives for the private sector and streamline bloated government bureaucracies. A SAP often is backed by a World Bank or IMF loan, often on concessional terms, as well as aid from donor countries to specific economic sectors. African states that reject or fail to implement SAPs risk losing foreign aid, as Kenya did in 1991.

The evidence suggests that SAPs have helped Africa. The 28 African countries currently undergoing structural adjustment appear to be performing better than the non-reforming African countries.[4] For example, the west African country of Ghana often is cited as a structural adjustment success by the World Bank, the IMF, and other donors eager to justify their activities. After years of economic decline, including a 6.5 drop in gross domestic product in 1982, Ghana undertook a SAP in 1983 and has registered an approximately 6 percent GDP growth rate annually over the last several years.[5] The return of an estimated $200 million in flight capital each year is testament to Ghana's improved economic climate.[6]

AID began supporting the IMF and World Bank structural adjustment approach toward Africa in the early 1980s.[7] This represented a dramatic change from AID's earlier policies, which were either indifferent to a recipient country's economic policies or outright hostile to free market economics. Despite earlier endorsements of AID's approach in the DFA legislation, though, Congress over the past couple of years has expressed a concern that AID's emphasis on supporting structural adjustment will not alleviate poverty. Congressional critics have attacked AID for deemphasizing social programs in Africa in favor of what is called non-project assistance.[8] This generally takes the form of cash transfers to African governments to support economic reform, as opposed to support for projects designed to aid the poor majority of Africans directly, such as providing training for basic health services.

Economic reforms imposed by SAPs, however, generally have not hurt the poor in Africa. Rather, it is the elite and the relatively prosperous urban residents in Africa who typically bear the burden of structural adjustment. It is they, for example, who suffer most from the removal of price controls on agricultural products, which is required by SAPs. In fact, African farmers, the majority of whom are poor, have seen their incomes rise as government monopo-

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author's "Tanzania's Travail: Lessons in Improving American Aid to the Third World," Heritage Foundation *Backgrounder* No. 866, November 14, 1991.

4 See Witney W. Schneidman, "Africa's Transition to Pluralism: Economic and Investment Implications," *CSIS Africa Notes* No. 142 (November 1992), p. 3.

5 *African Development Indicators*, p. 31.

6 *Swiss Review of World Affairs*, February 1993, p. 11.

7 Certain countries with poor economic reform records that were considered important to U.S. strategic interests, including Liberia, Somalia, and Zaire, continued to receive substantial amounts of economic assistance throughout the 1980s.

8 H. Rept. 102-108, Foreign Operations, Export Financing, and Related Programs Appropriations Bill, 1992, p. 74-81.

lies, price controls, and high rates of taxation have been eliminated by SAPs.[9] On the whole, Africa's poor certainly are better off under most SAPs than they would be without structural adjustment. In fact, social service spending in many reforming countries is increasing. In Ghana, for example, education and health spending by the government is up considerably.[10]

DEVELOPMENT FUND FOR AFRICA

Congress in 1988 established the Development Fund for Africa, essentially a permanent earmark of economic development funds for sub-Saharan Africa. The Agency for International Development will spend $800 million in DFA funds in 1993. This money will be used to fund a variety of AID activities, including development projects aimed at increasing agricultural production and direct cash assistance to African governments, to support imports, for example.

The legislation that created the DFA, a 1988 amendment to the Foreign Assistance Act (FAA) of 1961, prevents Congress from earmarking DFA funds for specific sectors, such as health, or for specific countries.[11] This amendment, now Chapter 10 of the FAA, specifies three sectoral spending "targets," each of which should be allocated 10 percent of total DFA funding: 1) renewable natural resources, which are primarily agriculture-related, 2) health, and 3) voluntary family planning. Moreover, DFA legislation includes several instructions for AID. Aid, for example, should help the poor majority of African men and women, encourage private sector development by reducing the role of central governments, and protect the poor from the side-effects of economic reform. AID also is instructed to concentrate DFA funds on those countries in greatest need of outside aid and with potential for growth and commitment to economic reform.

AID determines its allocation of DFA funds according to several criteria on a weighted scale. These include a country's need or poverty level (as determined by its infant and child mortality rate), its commitment to economic reform and democracy, and its quality of governance. AID considers a country's need the most important factor: it weighs in at approximately 50 percent on the allocation formula. Economic policies are weighted at only some 25 percent.

BASIC HUMAN NEEDS PROGRAM: STRUCTURAL ADJUSTMENT OR NOT?

Underlying much of AID's policies is a fundamental premise: that AID's primary business should be providing for such basic human needs as education, health, and nutrition. This should be done, it is often suggested, regardless of whether or not a recipient country is reforming. For example, Under Secretary of State-designate for Economic and Agricultural Affairs Joan E. Spero stated that basic human needs aid such as public health and primary education should be given even in "a dysfunctional policy environment."[12]

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9 Edward V.K. Jaycox, "Structural Adjustment Spurs African Development," *Africa News*, March 8-21, 1993, p. 14.

10 *African Development Indicators*, pp. 191, 193.

11 Eastern and Central Europe are the only other regions free of congressional earmarks.

12 Response to a question from Senator Jesse Helms, Senate Foreign Relations Committee, March 24, 1993.

This notion of providing for basic human needs abroad predates the advent of structural adjustment programs. In fact, it originated in the early 1970s, when the economic policies of most African countries guaranteed that they would be incapable of providing these fundamental social services. Today, some in Congress suggest that the commitment made by African governments to alleviating poverty or promoting basic human needs should be one of the most important criteria used in allocating DFA resources.[13]

This viewpoint is misguided. U.S. aid to non-reforming countries will be counterproductive, delaying the implementation of needed reforms. It only relieves popular pressures on government to improve the economic environment. While Africa's economic condition is dire, its development prospects are not entirely bleak, largely because of the recent free market economic reform movement. The U.S. aid program in Africa needs to be reformed as well, to support Africa's free market development.

PROMOTING THE FREE MARKET, THE CENTERPIECE OF U.S. AID TO AFRICA

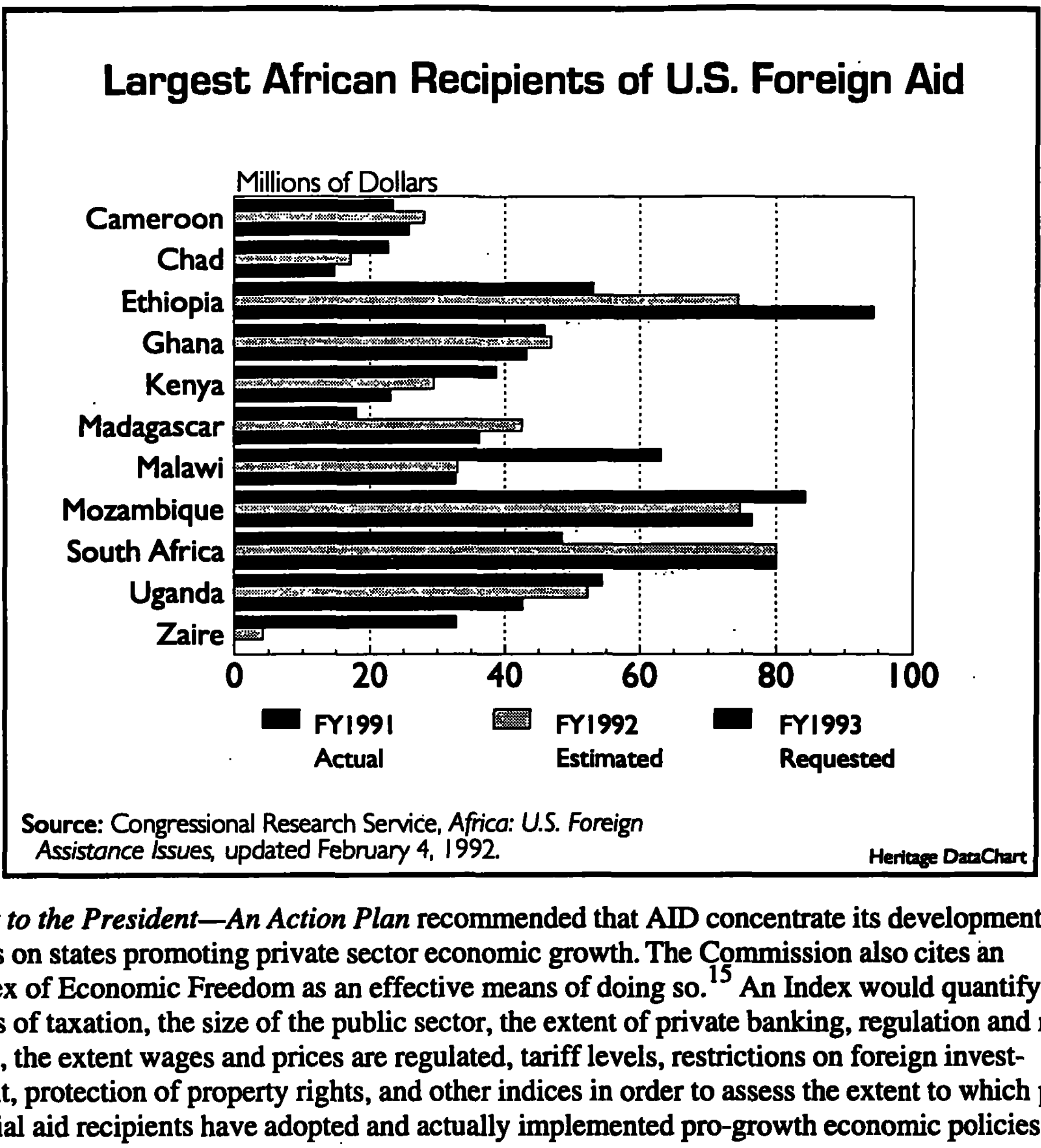
It is widely acknowledged that the U.S. foreign aid program lacks focus or sense of purpose. Nowhere is this more obvious than in Africa. U.S. aid policy needs a new purpose: helping to build strong free market economies. Africa would be an ideal place to highlight this purpose because, with its diminished strategic significance to the U.S., Africa receives primarily development aid. To develop a vigorous free market-oriented development aid policy toward Africa, the Clinton Administration should:

✓ **Establish an Index of Economic Freedom as the primary determinant of development aid allocations to African countries.**

Congress has instructed AID to concentrate Development Fund for Africa resources on those African countries that are making market reforms. However, AID must follow the DFA's other guidelines as well, particularly the one requiring that the most needy African countries receive aid. Following these other guidelines means that a recipient country's economic policies are underemphasized in the DFA allocation calculation. In fact, the heavy weight given to a country's need or its poverty level renders it almost inevitable that African countries with little commitment to economic reform will receive considerable DFA funds. This unfortunate outcome, which both wastes aid resources and delays the implementation of sorely needed economic reforms, is all the more likely given that AID is mandated by Congress to spend $800 million in DFA money.

To ensure that U.S. development aid is given only to those African countries pursuing free market economic policies, an Index of Economic Freedom should be established to make an African country's economic policies the primary determinant of whether it receives development aid.[14] Last year's *President's Commission on the Management of AID Programs: Re-*

13 Evidence of congressional support for a basic needs emphasis for U.S. development aid and a general lack of enthusiasm for structural adjustment is reflected in a congressional study "The Investigation of the Agency for International Development Administrators' Compliance with Ethical Standards," prepared by Michigan Democrat Representative John Conyers during the last Congress. This study sympathetically cited concerns expressed by AID career developmentalists that AID was losing sight of its basic human needs approach in favor of an emphasis on private sector development and structural adjustment.



port to the President—An Action Plan recommended that AID concentrate its development efforts on states promoting private sector economic growth. The Commission also cites an Index of Economic Freedom as an effective means of doing so.[15] An Index would quantify rates of taxation, the size of the public sector, the extent of private banking, regulation and red tape, the extent wages and prices are regulated, tariff levels, restrictions on foreign investment, protection of property rights, and other indices in order to assess the extent to which potential aid recipients have adopted and actually implemented pro-growth economic policies.

An Index score would be established for each country each year. African countries proceeding with free market economic reforms would be eligible to receive U.S. development aid, while those rejecting reforms would not be eligible, regardless of their perceived need.

The extent to which a country's media are state-owned or state-controlled should be weighed heavily in an Index of Economic Freedom. Free media are essential to economic liberty. Business and commercial activities need sound information on domestic and global economic conditions in order to devise business plans, market products, and attract investment.[16]

14 The Heritage Foundation has long advocated an Index of Economic Freedom. See the author's "Tanzania's Travail."

15 Chairman George M. Ferris, Jr. and Commissioner Thomas Kemp urged AID to establish an Index of Economic Freedom, p. 20.

16 This is a consistent theme throughout the writings of Heritage Foundation Adjunct Scholar George B.N. Ayittey. For example, see "The End of African Socialism," *Heritage Lecture* No. 250, January 24, 1990.

Moreover, free media are essential for mobilizing public support for the type of economic reforms that are needed in many countries throughout the region. Without them, Africans in all likelihood will fail to overcome the dependency mindset instilled in them by African leaders who falsely claimed that the state could provide for all their needs.

AID has the technical capabilities to develop an Index of Economic Freedom. In fact, it already does much of this economic policy analysis.[17]

An Index of Economic Freedom merely would require the establishment of a formal country score to indicate the willingness of each aid recipient to release the development potential of the free market.

An Index also would provide Congress with a gauge of what is an appropriate development aid funding level for Africa. As the appropriations process currently stands, it is possible that all appropriated DFA money could be spent in countries moving away from free markets back toward their statist pasts. DFA appropriation decisions should be based on a quantifiable understanding of which African countries genuinely are undertaking free market economic reform.

An Index of Economic Freedom could be used to determine a recipient country's development assistance allocation independent of its relations with the IMF and the World Bank. African countries have a notoriously poor compliance record with IMF and World Bank structural adjustment programs, and program violations often are concealed by these financial institutions. Rather than allowing deals struck by bureaucrats from the World Bank, the IMF, and African governments to be its guide in Africa, AID's allocation decisions should be determined by its own assessment of the extent of economic freedom enjoyed by citizens in various African nations.

Free markets are starting to produce positive results in Africa. An Index of Economic Freedom would encourage this trend and provide U.S. development aid to Africa with a single focus.

✓ **Concentrate U.S. development aid in fewer African countries.**

A cutback in the number of African countries aided by the U.S., now some 37, would be economically sensible. The President's Commission on the Management of AID report recognized that AID funding is too low in several countries to justify the numbers of staff based in Africa.[18] For example, in the West African country of Burkino Faso, AID's operating expenses represent some 20 percent of the total costs of its programs.[19] Yet while it has been pressing AID to sharpen its policy focus in Africa, Congress resists AID's desire to close country missions. The reluctance to withdraw AID missions almost guarantees that DFA money will be squandered in countries with little commitment to free market economic development.

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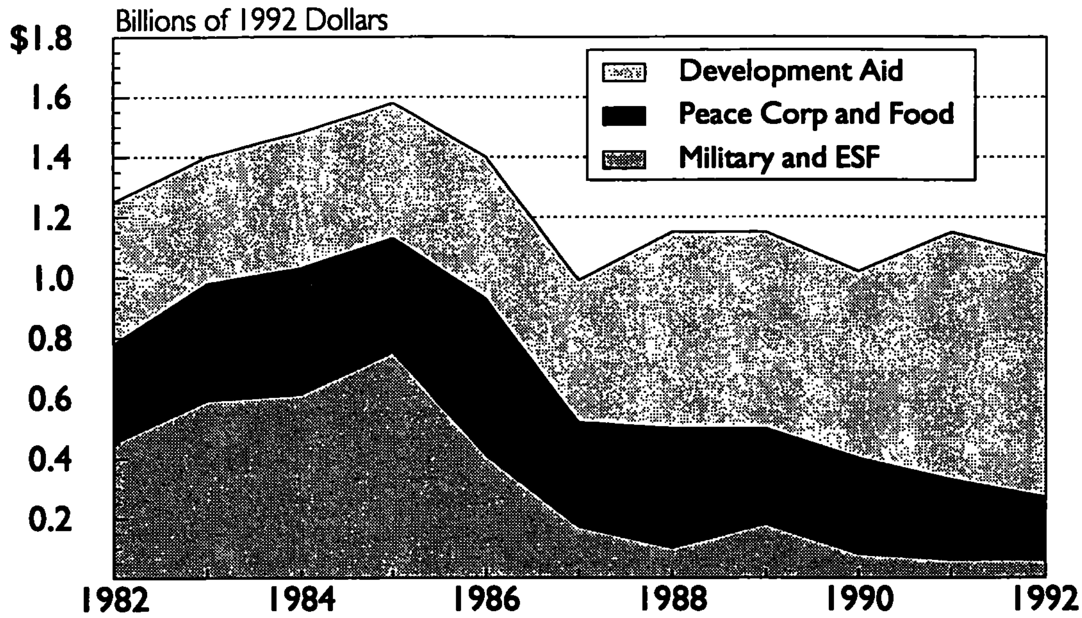
17 In its *Development and the National Interest: U.S. Economic Assistance into the 21st Century*, AID reported that its economists had devised a policy matrix, called an Economic Opportunity Index, that compared the economic policies of 42 developing countries. This matrix shows that a similar Index of Economic Freedom is feasible. It also shows what is widely known: that free markets produce higher rates of economic growth.

18 See page 5 of the report.

19 U.S. General Accounting Office, "Foreign Assistance: A Profile of the Agency for International Development," GAO/NSIAD-92-148 (April 1992), p. 32.

U.S Bilateral Aid to Africa: Development Aid Increases as Security Assistance Falls



Note: ESF = Economic Support Funds.
Source: Congressional Research Service, *Africa: U.S. Foreign Assistance Issues*, updated February 4, 1992.
Heritage DataChart

AID should concentrate its development programs in no more than twenty African countries. These should be determined by the Index of Economic Freedom. Concentrating U.S. development dollars in this way would increase AID's efficiency. Moreover, the risk of losing development aid to other countries with better economic reform records also would give African countries a greater incentive to proceed vigorously with free market economic reforms.

✓ **Increase U.S. Support for African privatization and private sector development.**

African countries would benefit greatly from the more rapid privatization of such state enterprises as oil refineries, mining operations, and transportation. Enterprising African workers could make more productive use of their country's economic resources, such as trucks, buildings, and machinery, if they were owned by private entrepreneurs. Turning over economic enterprises owned and mismanaged by the state to private citizens has proven to increase economic productivity throughout the world. Privatization even has been credited with increasing food production in formerly famine-plagued Ethiopia.[20]

Privatization should be encouraged not only for economic reasons but also for the potential political benefits for African countries. A strong private sector would contribute to political stability in Africa. Politics have degenerated into civil war so often in African countries partly

20 "Peasants on Top," *The Economist*, March 13, 1993, p. 53.

because the stakes over who controls state-owned enterprises have been exceptionally high. Once in power, African political leaders have controlled the national wealth for their own purposes and not for the benefit of the African people. Corrupt African leaders such as Mobuto Sese Seko of Zaire have used their control over the national economy to enrich themselves and their supporters. Fundamental economic decisions have been made on the basis of political, and often tribal, calculations. African political struggles would prove far less contentious if political power did not automatically bring economic wealth.

Unfortunately, privatization is proceeding slowly in Africa. In Ghana, a large recipient of U.S. aid, the number of public enterprises is actually increasing.[21] This sluggish pace of reform is due in part to Africa's lack of technical expertise and knowledge on how the free market works.

AID advisors can help Africans build a free market economy. They can train them on how to create stock exchanges, banks, and other basic elements of a free market economy. Unless these institutions are strengthened, structural adjustment programs, which heavily emphasize privatization, are bound to fail. In South Africa, AID's Bureau for Private Enterprise (PRE), which is charged with promoting the private sector in assisted countries, has helped establish a credit program to enable black entrepreneurs to receive credit from South African banks. This kind of program should be recreated all over Africa.

There are numerous opportunities for AID to advance privatization, but they are being missed. For example, PRE could assist countries to set up their own stock exchanges, which play an important role in privatization. Unfortunately, there are only a few in all of sub-Saharan Africa, and even they are not very successful. The Ghana Stock Exchange, for example, lacks financial information on traded companies. Moreover, there are only three accredited stockbrokers in the entire country.

To be productive, AID should concentrate its privatization programs on those African countries that score high on the Index of Economic Freedom. For example, if the Index were applied to Kenya, that country would not qualify for development aid. Kenya long has resisted meaningful economic reforms. Most international aid to Kenya was cut off in 1991 because of its statist economic policies and its lack of political pluralism. President Daniel arap Moi several months ago severed relations with the World Bank and the IMF, bitterly attacking their demands that his government dismiss thousands of civil servants, move quickly on promised privatization, and further liberalize agricultural prices. Moi has since patched up relations with these international financial institutions. Yet AID's Bureau of Private Enterprise boasts of its private sector development efforts in Kenya, where it has worked with venture capital companies to increase the availability of capital to would-be Kenyan entrepreneurs. This kind of program would not continue if the criteria of the Index were applied. The reason: Moi's resistance to meaningful economic reform and the consequent deterioration of the Kenyan economy, as well as Moi's on-again, off-again relationship with international donors. An Index of Economic Freedom would show that current U.S. aid to Kenya is a waste of money.

21 *African Development Indicators*, p. 258.

✓ Use development aid as leverage to encourage African aid recipients to move toward democracy.

Africa has experienced profound political change in recent years. Over half of its 54 countries are moving, however tentatively, from autocratic political systems to a democratic form of government. This movement toward democracy merits U.S. support. This is particularly true today when Washington has little strategic reason to ally with dictatorial African leaders, as was the case during the Cold War. U.S. foreign aid is a potent tool with which to press for democracy in Africa.

Free market economic reforms require a certain measure of sacrifice in the short term. Some workers lose jobs as government bureaucracies are pruned, for example. Consumers initially suffer as prices rise when subsidies on some goods are removed. It probably would be easier for such changes to be accepted by Africans if they have had some say in selecting the government instituting them.

Indeed, politically empowered Africans may even welcome economic reforms. Zambians in 1991 elected a new president, Frederick Chiluba, who promised tough reform measures. By electing Chiluba, Zambians were rejecting long-time president Kenneth Kaunda's statist economic policies and his history of confrontation with Zambia's reform-minded donors. Chiluba has suffered several setbacks since his election, but he has been successful in instituting some of the most radical free market economic reforms in Africa.

Moreover, dictatorial African regimes have more reason than democratically elected governments to avoid free market reforms. Most African regimes wield their control over the economy for patronage and other political purposes. Democratic leaders, however, who would face re-election, would be more likely to experiment with free market reforms to invigorate the economy.

If an African nation is eligible for development aid under an Index of Economic Freedom, the U.S. should use that aid as leverage to push for continued progress toward democracy. Democracies are far less likely to sanction human rights abuses or to restrict individual liberties, including freedom of speech, freedom of assembly, freedom of religion, and the establishment of due process. While the Index should determine whether or not an African country is eligible for aid, Washington should feel free to withhold development aid from an economically reforming country that is footdragging on democratic reforms.

The U.S. also should continue to help consolidate young democratic movements in Africa. The National Endowment for Democracy, the International Republican Institute, and the National Democratic Institute have been active in Africa, training political and civic leaders and building the independent media. Though relatively modest, these efforts are extremely worthwhile, playing on the strength of America's democratic tradition.

✓ Remember that U.S. foreign aid is not an entitlement program.

Some suggest that the U.S. has a moral obligation to aid African and other developing countries. The Washington-based Overseas Development Council, in a recent report calling for more U.S. development aid spending, declared that "wide disparities in income and human well-being between rich and poor people and countries are immoral...."[22] The World Bank

22 *Challenges and Priorities in the 1990s: An Alternative U.S. International Affairs Budget, FY 1993,* Overseas

shares this view, calling an attack on poverty a moral imperative. Most African leaders naturally also advance this position, claiming a right to receive Western and U.S. aid.

Arguments that the U.S. and the developed world are morally obligated to assist the developing world wrongly assume that the developed countries became wealthy by causing the developing world to become poor. Yet Africa is not poor because it was exploited, or because the West is rich. Africa's poverty is the results of African factors, including some three decades of statist economic policies. The notion that developed countries are morally obligated to invest in African countries is all the more dubious given that Africans themselves routinely take their money abroad. It is estimated that wealthy Nigerians, for example, have enough money in foreign banks to eliminate the country's more than $36 billion foreign debt.

Americans who feel a moral obligation to aid people in Africa have every opportunity to do so as individuals. Indeed, Americans give over $6 billion in voluntary contributions to promote development overseas every year.[23] This individual generosity is uniquely American and is more than just a forced transfer of wealth engineered by the U.S. government.

The developing world's effort to stake a moral claim on American tax dollars also overlooks the fact that there have been virtually no development successes that can be attributed to foreign aid. On the contrary, nations like Chile and Taiwan have experienced impressive economic growth with very little foreign aid. Foreign aid has been unsuccessful partly because it retards the development of social qualities essential for economic growth and development, such as thrift, industry, and self-reliance.

The philosophy behind the Index of Economic Freedom challenges the counterproductive presumption that it is a U.S. obligation to give foreign aid to developing countries. By adopting an Index, the U.S. would signal developing African countries that it is they who have the obligation to use U.S. aid constructively. For example, an Index of Economic Freedom would repudiate Zimbabwe President Robert Mugabe's suggestion that aid for children be "delinked from the general demand for good governance and democracy," a standard that some donors and activists, including many in the U.S., are pushing. An Index would invalidate Mugabe's demand by placing much of the responsibility for the suffering of Zimbabwe's children where it belongs—on Mugabe's statist economic policies.

An Index of Economic Freedom would create a greater sense of responsibility on the part of recipient countries in Africa. By making an Index the centerpiece of development aid to Africa, the U.S. would be sending the message that it will help African countries overcome their statist past and develop free markets. It will do this because free markets are the best known means of achieving prosperity. Beyond that goal, however, African nations must be prepared to rely upon their own resources for their long-term development. Any other foreign aid framework is bound to raise expectations by Africans that will be unmet, or worse, lead the U.S. to take on an open-ended obligation that leads to an endless transfer of tax dollars from Americans to African nations.

Development Council, 1992, p. 23.

23 *Development and the National Interest*, p. 61.

CONCLUSION

The road to development in Africa will be long and difficult. Fortunately, many African states have enhanced their prospects for development by accepting the need for free market economic policies. The U.S. should encourage Africa's free market trend by establishing an Index of Economic Freedom for allocating development aid to Africa, and by directly aiding the emergent African private sector. An Index also would provide the diffuse and unfocused U.S. foreign aid program with a coherent strategy for disbursing U.S. foreign aid.

Free markets are valued by nations because they produce wealth and raise the standard of living of all people. In this sense, free markets are not an end in themselves. They should, however, be the goal of foreign aid donors. Otherwise, the aid recipient will suffer a debilitating dependence and the donor will assume an unending obligation. The U.S. should strive only to help African countries—and indeed countries all over the world—overcome their statist past so that they can provide for their own needs. Anything else is bound to be wasteful and counterproductive to creating what all Americans want for Africa—a rising standard of living for all Africans.

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