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IN AFRICA'S ANGUISH, FOREIGN AID IS A CULPRIT

INTRODUCTION

Africa is visibly deteriorating. Though major forecasts from the U.S. Agency for International Development (AID) show consistently positive net marginal social benefits, hunger and human suffering continue to spread, deepening compassion and whetting the administrative appetite for new responsibilities.

Yet foreign aid is not the answer to Africa's troubles; in fact, aid may be a major culprit contributing to Africa's anguish. Financial, technical, and intellectual aid excuses and therefore helps to support and sustain those African domestic economic policies which are the root of Africa's problems. This situation is perpetuated by the self-interest of many of those whose present and future careers are dependent on foreign aid.

In the long run, foreign developmental aid to Africa should be ended. More immediately, it should be restructured substantially so that it no longer reinforces those phenomena causing Africa's horrible suffering.

THE STATE OF AFRICA

It is tempting to document the decline of Africa in statistical terms. But these do not tell a full or accurate story.

In Africa, accurate data are hard to discover and the collection and analysis skills are scarce. Hence data are crude at best, while there is great divergence between reports from different sources about the same measured phenomenon.

The international aid agencies classify their client nations, in regressing order, as "Newly Industrialized," "Middle Income," or "Least Industrialized" on the basis of per capita income. It would be anticipated that with the growth and decline of economies, nations would move up or down on the list. Mysteriously, however, on paper African countries only move up on the scale of progress, despite visible evidence of decline. Obviously, political rather than scientific considerations determine the numbers which form many statistics about African nations. But whatever the official statistics say, the more reliable evidence is unequivocal. The productive agricultural economies of most African nations are in shambles. Where previously there was an abundance of food, countries no longer can even feed themselves.

Though causality can never be proved, the implications are hard to avoid: countries which have had foreign aid in the most basic form for an extended period of time have regressed economically more often than they have developed. It is no longer acceptable to argue that the aid was insufficient or did not continue long enough. The very basis for the aid distribution process must be questioned.

PARALYZING RATIONALIZATIONS

What is the reality of Africa? How can perceptions differ so much from what is actually happening? It seems that an elaborate ruse has been created which posits excuses for Africa's economic stagnation and decline. These rationalizations blame non-Africans or forces beyond Africa's control for Africa's problems. As such, the rationalizations paralyze Africa, preventing it from taking the steps required for restoring its economic health.

The most common and dangerous rationalizations are:

Population

It is asserted that rapid or rising rates of population growth, or some particular level of population density, precludes the possibility of African economic progress. Population explanations are popular because they give the appearance of concerned objectivity. It is easy to assume that those unresponsive to Western advice on population must be either ill-informed or ill-intentioned. The concept of the abject and mindless poor, knowing nothing of the process of procreation and giving no thought to the morrow, is inherent in all population policies.[1]

A disproportionate amount of foreign aid to Africa goes directly or indirectly into population policies. The fact that none of these policies can be demonstrated to be the cause of subsequent changes in the rate of population increase or in population density does nothing to deter the proponents.

In reality, foreign aid directed at population policies has at least three major negative effects. First, it creates a preoccupation with something which may be totally irrelevant to the development process, and justifies doing nothing about those factors (such as the pattern of ownership and incentives) which are known to be important. Second, foreign aid used for population activities gives enormous resources and control apparatus to the local administrative elite and thus sustains the authoritarian attitudes corrosive to the development process. Third, money used for population policies, as with all foreign aid, is taken from other activities that could contribute positively to global prosperity.

Tribalism

Blame for the present African situation is often directed at tribalism. But tribalism is inevitable when law is no longer evenly enforced, detailed economic controls make corruption a way of life, and the right to own one's possessions is subject to political whim. Who can one turn to but one's fellow tribesmen and one's family?

Foreign aid sustains tribalism as long as it supports excessively centralized government, the administrative elite, and the favored groups which have access to the political system.[2] But mainly the answer to tribalism lies in the hands of today's African rulers. It is not an exogenous factor.

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1. Economic development is a long-run process. There is little, if any, evidence that high rates, or even increasing rates, of population growth have in the long run led to poverty more often than to prosperity. "...the available empirical data--the cross-sections and time series of nations presented by Kuznets and Easterlin, together with the historical allusions of Sauvy and Clark--did not confirm that theory." Julian L. Simon, The Economics of Population Growth (Princeton, New Jersey: Princeton University Press, 1981), p. xxi.

2. Alan R. Waters, "Interregional Development and Urban Tribalism in Africa," Growth and Change, Vol. 4, No. 2, April 1975, pp. 30-37.

The Past

Historical determinism, or blaming the past, is a means of escaping responsibility for the present. Yet this "prisoners of the past" approach can work only so long as its basic premise is faithfully respected: that those in control of Africa for the last two decades somehow have been prevented from initiating change. This is without foundation.

In any society, practices and institutions from the past must be changed if they inhibit successful economic development. If foreign aid enables African leaders to postpone the inevitable pain of change, it does the people of Africa a deep disservice. Because foreign aid goes directly to governments, it is given first to the officials who control the state. These officials are not those most likely to begin the desperately needed process of dismantling the state apparatus. Since foreign aid is fungible, it merely replaces a country's own funds, which can then be used to support other activities.

Education Systems

African education systems are frequently accused of producing inappropriate skills and interests. Example: African secondary schools and colleges produce too many clerks, it is said, and not enough technicians. If this is true, it is much less the fault of the education system than of the reward structure that offers a more attractive combination of workload, security, and salary to clerks than it does to other workers.

Admittedly in many cases, African education systems are highly inappropriate. Yet African rulers do little if anything to change the education system.[3] A reason for this may be the way foreign aid is made available. The educational systems of Africa are almost totally state-controlled and almost all patterned after the state systems of Europe. Nowhere has Africa emulated the Land Grant University of the United States. Private education is centrally controlled through curriculum requirements and state examinations. The whole apparatus has the support of the foreign aid agencies. Innovative and private alternatives are simply not funded by foreign aid. There is little or no consumer choice in education for the children of any but the urban elite.

3. For the argument that the higher education systems which the Africans have chosen are indeed reactionary and ultimately dangerous see: Alan Rufus Waters, "A Behavioral Model of Pan African Disintegration," The African Studies Review, Vol. 14, No. 3, December 1971, pp. 299-303.

National Boundaries

It is argued that the political boundaries inherited from the past, drawn by West European colonists, contribute to African governmental excesses and economic stagnation. History, however, does not support this hypothesis. To be sure, the current map of Africa was largely set at the Berlin Congress of 1884-1885, and African politicians have chosen not to alter it since independence. Yet arbitrary national boundaries that ignore ethnic or geographical distinctions need not be a barrier to economic success. Nations are prospering despite arbitrary boundary changes which divide ethnic communities. Examples: the Koreas, the Germanies, the Republic of China on Taiwan. If African rulers and foreign aid donors, moreover, accept the argument that present African national boundaries are an impediment to prosperity and development, why then do foreign aid agencies continue giving money to political units formed by those boundaries? By their own definition, foreign aid is merely perpetuating the past.

Commodity Fluctuations

Third World ideologues frequently argue that the global terms of trade have shifted against the primary products which are the major exports of African and other developing nations. Yet there is no evidence of a secular or long-term decline in basic commodity prices. It is true, of course, that commodities have fluctuated in prices and quantities traded. This could create short run problems for economies dependent to a large degree on a few commodities. But commodity prices have fluctuated throughout world history. The art of good management and sound leadership is to develop a system to compensate for and take advantage of fluctuations. Buffer stocks, insurance, cash reserves, and forward trading are all standard techniques readily available to African officials. And Africans are as capable of good management as any other officials.

Foreign aid has been a source of "adjustment" financing to offset commodity fluctuations. It also has directly financed schemes to pass the cost of management back to the producers or forward to the consumers in the more developed nations. The effect of such financing is detrimental to economic development. It distorts market signals and reduces the value of the learning process which African managers must experience to compete in world trade.[4]

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4. See: Alan R. Waters, "The Economic Reason for International Commodity Agreements," Kykklos, Vol. XXVII, Fasc. 4, 1974, pp. 777-791.

Natural Disasters

Bad weather and other natural disasters certainly affect national economies. Yet they are similar to commodity fluctuations. The droughts or locust infestations that plague parts of Africa may not recur at fixed intervals, but it is certain that they recur. The issue then, again, is appropriate management. Where events cannot be anticipated (and are not ignored by local officials) there is a case for disaster relief. Such relief is a separate issue from the question of foreign aid for economic development. The broader problem is that foreign aid helps remove the incentive for efficient management. Indeed, in some African nations, foreign aid takes over the social welfare systems.[5]

Foreign Exchange

The problems of Africa also are blamed on a shortage of foreign hard currency with which to purchase the imported equipment necessary for economic development. Even were imported equipment absolutely necessary for economic development, this argument would not stand close scrutiny. The reason: Africa has chosen not to use its foreign exchange for industrial and agricultural equipment. Major African imports are food, petroleum products for transportation, automobiles, and consumer goods which are surely classified as luxuries.

Foreign exchange rate manipulation also provides a useful example of how the aid process transfers wealth from the poor to the rich in Africa. Foreign exchange markets exist for the purpose of coordinating the supply and demand for desirable foreign currencies. Artificially high exchange rates reduce the amount of foreign currency available by making exports more costly to the foreign buyer; but they also subsidize the standard of living of the import-consuming and foreign-travelling elite, making imports cheaper than they otherwise would be.

The cost of exchange manipulation falls on those who produce and sell exports, and on those who consume domestic products rather than imported ones. Africa exports commodities such as coffee and cocoa, produced by small farmers. The poor and the productive pay for the cheap imports which the new administrative class consumes in the cities. As long as foreign assistance helps to sustain manipulated exchange rates, there exists no pressing incentive to cease subsidizing the upper classes in Africa.

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5. The extended period (over a decade for a number of African nations) during which foreign food and disaster aid has been maintained has resulted in the complete cooption of their welfare systems.

THE DESTRUCTIVE SOLUTION: FOREIGN AID

Strange though it may seem, foreign aid per se has been blamed for Africa's failures. Some contend that there has been insufficient foreign aid. As such, there are attempts to "require" the industrialized nations to make foreign aid payments as a moral obligation. A smaller group argues that the problem is that too much aid has been given in the wrong way and for the wrong purposes. Neither of these arguments has merit, but their target has. A real culprit in forcing Africa deeper into poverty is foreign aid.[6] Foreign aid is inevitably destructive in its effect. Its existence retards the organic process of economic growth and development which comes from motivated people acting in their own best interests.

It is essential in the criticism of foreign aid to go beyond the inevitable scandals that emerge occasionally. Foreign aid is not bad because it is sometimes corrupt and often appears to go into unjustifiable activities. Foreign aid is inherently bad. It retards the process of economic growth and the accumulation of wealth (the only means of escape from poverty and degradation); it weakens the coordinating effect of the market process; it pulls entrepreneurship and intellectual capital into non-productive and administrative activities; it creates a moral ethical tone which denies the hard task of wealth creation. Foreign aid makes it possible for African societies to transfer wealth from the poor to the rich.

In general foreign aid permits and finances the maintenance of failed economic policies. Food aid permits price controls which destroy domestic agriculture. Large capital projects (particularly those only partially financed by foreign aid) suck domestic funds away from more profitable commercial needs. Furthermore, the purveyors of foreign aid have tended to be people of generally collectivist faith. They have encouraged the establishment in Africa of such institutions as state monopolies and economic development planning boards which would not have been permitted at home.

Perhaps the greatest condemnation of foreign aid is that it has engendered and now justifies the bloated bureaucracies of Africa. Enticing Africa's most potentially productive citizens to pass up the commercial and market sectors for government work is a terrible disservice. Worse, these talented Africans now in government service justify their positions and their perquisites by continual

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6. P. T. Bauer's writings on the subject of foreign aid are well known. His latest book on the subject has an excellent summary of the argument: "Foreign Aid: Issues and Implications," Chapter 3, in Reality and Rhetoric: Studies in the Economics of Development (Cambridge, Massachusetts: Harvard University Press, 1984.)

manipulation and regulation of their economies. All of this has been justified (and partly funded) by foreign aid.

RECOGNIZING RESPONSIBILITY

Almost any transitory event can be the fashionable excuse for economic failure in Africa. The welter of arguments merely postpones the search for serious answers to current problems. And it always has been easier to blame the foreigner and the outsider than to accept responsibility and undertake change. Assignment of guilt to foreigners, moreover, has been a reliable source of foreign support for activities which would otherwise be harshly questioned.

To progress, there must be an acceptance of the fact that domestic policies are Africa's fundamental problem. To be sure, in recent years, there has been inserted somewhere in every document about Africa's economic situation, like a SEC-mandated disclosure statement, a small admission that domestic policies are at least a part of the problem.[7] Then, having made the required small print admission, the policy paper writers revert immediately to classic form, blaming external factors and calling for external solutions.

Recognizing responsibility is the vital first step to any rationalization of domestic policies by those who control Africa's nations. The Africans currently in power have set up the systems they now operate. They are perfectly capable of altering these systems if they see it as being in their own interests to do so. The West does no service to the Africans by pretending otherwise.

Real reform of Africa's economic systems is impossible without strong incentives. The ability and capacity to change are only necessary conditions; the sufficient condition is the incentive to change. In Africa, rewards and penalties are obscured by collective responsibility. Foreign aid merely dilutes those incentives and corrupts individual initiatives.

As long as the U.S. provides food, without questioning the policies that have brought about agricultural stagnation and

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7. To show that the exculpatory approach is alive and well, one only need look at a relatively recent article by Carol Lancaster in Foreign Policy. Only once, near the end of the article, is there a gentle mention of unwise domestic policies as one of many secondary factors contributing to Africa's economic failures; the reader is still left with the impression that the root cause of African poverty lies in the indecent prosperity of the more successful nations. Foreign Policy, No. 52, Fall 1983, pp. 149-166.

widespread hunger, those in power will offer no more than cosmetic change.[8] And, if the U.S. continues to condone and fund the operation of state entities (thus supporting powerful and overrewarded African bureaucracies) the results will be equally superficial.

CONCLUSION

If Americans truly want to help Third World countries grow economically, then the U.S. foreign aid program should be ended. Short of this, the U.S. much change the nature of its foreign aid programs.

Two decisive policy changes must occur quickly. The U.S. must privatize its foreign aid program by contracting with the competitive private sector. Contract awards could then be tied to specific and quantitative results. Foreign government bureaucrats should have to negotiate the details of aid programs with private contractors who have no vested career interest in large foreign staffs or the maintenance of missions abroad.

Foreign aid to any country must be contracted for a set period of time and made strictly conditional upon selected actions by the government requiring the aid. Existing aid programs, meanwhile, must be given a clear termination date. This would allow evaluation and renegotiation where necessary without the pressure of ongoing commitments.

If the U.S. gives money to the rulers of Africa, it is by definition interfering in their domestic policies. Decency and morality demand that aid and assistance be offered only to those who request it and voluntarily accept our terms for its use. To behave as though it does not is outright deception. AID administrators have an obligation to demand major policy changes. No timid "policy dialogue" or polite observance of the niceties of diplomatic rigmarole will suffice.

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8. For a clear exposition of this and other aspects of food dumping programs see: Clifton B. Lutterell, "Good Intentions, Cheap Food and Counterpart Funds," Review, The Federal Reserve Bank of St. Louis, Vol. 64, No. 9, November 1982.

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