THE WITHERING OF AID

by Gunnar Myrdal and Dudley Seers

During the 1950s and 1960s, like many people in Western Europe, both of us considered aid to the South good per se - the more the better. We worked to promote public support for it, and to set up aid institutions. We had seen the poverty in the South - the hunger, the chronic diseases, the overcrowded shacks in both town and country - and we hoped that the financial and technical resources of the industrial countries could be mobilised to ease this. Aid would in due course help create the economic basis for social welfare and political democracy.

At that time it was not unrealistic to assume that the governments receiving aid were representative, and willing to tackle social problems. They just lacked the resources to do so.

It is now clear that we were over-optimistic. Economic progress has been painfully slow in most of Africa and South Asia. Food production has, in many countries, including most of tropical Africa, fallen behind the rate of population growth, which remains fast. Governments failed to take advantage of cheap oil or booms in export commodities. Much aid was frittered away, and expensive loans were incurred with private banks, leaving a legacy of heavy debt which has to be serviced and refinanced at high rates of interest, at a time when oil imports have become much dearer, and prices of most other commodities have declined.

Even where economic growth has been rapid, it has rarely proved of much benefit to the poor. Their lot has indeed grown even worse in many countries, so far as we can judge from the very inadequate statistics available.

Today there is no longer any excuse for believing that governments in the South are truly representative. Few can face genuine elections. The typical regime is a dictatorship,

often a military junta, the members of which exploit opportunities to make personal fortunes for themselves and others in the upper classes.

The aim of many ruling elites is not to relieve poverty, rather the contrary, to make sure that the incomes of the masses are kept low and social services restricted. Even in India the government, although elected, follows policies which aggravate inequality. Land reform is hardly discussed any more.

Regressive / policies are often enforced by torture and executions. In Argentina, Chile, El Salvador and Guatemala, political opponents have "disappeared" by the hundred as the reports of Amnesty International show all too clearly. These are merely the most conspicuous examples: the disease is infectious and has been spreading from the Southern Cone of Latin America through the Third World.

A distinction must be made between aid to the economy and aid to the poor. We have come to be critical of the former, not the latter. In fact, we would even be in favour of increasing aid if there were some way of ensuring that it would reach those who need it.

The Brandt Report managed to by-pass these issues by confusing countries with governments throughout. The Commission also exploited, as do many others, the double meaning of aid - as a financial transfer and as help. Taken together, these confusions enable them to argue that the fact that a country's people are poor and need help automatically justifies financial transfers to its government. They avoided discussing the internal politics of aid receivers.

But in many countries the problem precisely is the government. So it would be strange if providing it with money was any help to the poorest classes - any more than payments to the Mafia

would necessarily help the peasants of Sicily. Someone living through one of the many reigns of terror in the South might well hope that the local dictator (say Pinochet or Mobutu or Marcos) received no financial help whatever from abroad. He or she could well point out that discussion about aid was a convenient way of diverting attention from the real need, political reform.

In any case, many governments in the South are no longer short of resources. In nearly all of them, revenues have grown even more rapidly than their population in the past three decades - and would have grown faster still if taxes had been collected properly The majority of recipient governments now have enough finance at least to begin meeting the basic needs of their people if they had a mind to do so. Most also receive enough foreign exchange, especially if we allow for bank loans, which have been very heavy.

But a lot of this has been used to import Mercedes cars, tanks, fighter 'planes and missiles rather than for development purposes. Military spending is on the increase, stimulated by competitive salesmanship from arms suppliers.

Much aid has trickled away in bribes and administrative salaries. Corruption has become the rule rather than the exception - though it is very rarely mentioned in the documents of aid agencies or even the research of development economists. A good deal of the remaining aid has benefitted big farmers and merchants.

There have been political developments in the North, which in part account for those in the South. Aid has been supported for various reasons. It would be wrong to deny that humanitarian motives have played a part. Many of the voters in the donor countries have wanted to give aid to the poor, as a human response to the pictures of starving

children. But this has carried little weight in the policies of their governments, apart from certain periods in Scandinavia, the Netherlands and Britain. In the past few years even in these countries this motive has been of decreasing consequence.

It is true that most of the aid agencies have committed themselves to concentrate aid on the poorest countries. But even in these countries, the governments have used much of their foreign exchange for large-scale industrial development schemes, for example the Vietnamese government's expenditures financed by Sweden's considerable aid programme. In any case the agencies have by no means fulfilled this commitment.

On the contrary, political and commercial motives continue to play a leading part in official aid. Governments in the North have tried to maintain influence overseas, especially in the former colonies, partly to secure markets and sources of raw materials, partly for strategic reasons. These aims have become increasingly dominant.

Moreover, aid continues typically to be tied (i e can only be spent in the donor country). Yet soft loans advocated by a department of trade to promote exports to a middle-income country (e g exports of steel plant) cannot really be considered aid at all. Any justification must lie in the donor's own interest, to snatch business from a competitor. Indeed, loans for such purposes could well be reduced, to the advantage of donors as a whole as well as recipients.

In any case such 'aid' should be administered on different criteria, as should aid to prop up 'friendly' governments. Otherwise there is great danger of confusion of motives: decisionmakers may believe that an ill-thought-out economic or political benefit to the donor will somehow justify providing money for a project of doubtful social value.

We once believed that multilateral assistance was less subject to political and commercial bias, but the World Bank and the IMF increasingly follow the lead of the big donors, especially the USA. Multilateral support like bilateral, has been witheld from elected governments like those of Allende and the younger Manley, which were set on social change. (It is unlikely that the government of Nicaragua will get much.) And even the UN agencies have to assume that dictatorships represent their people.

Much aid from all sources goes in fact to governments that co-operate in the economic and political strategies of the State Department - e g Egypt, Indonesia, Morocco, South Korea, Pakistan, the Philippines, Thailand, Tunisia, Turkey and Zaire to name but a few. Except for those of Pakistan and Zaire, their resources should be sufficient to relieve poverty if they wanted to. Yet they do little about social problems and are amongst the most repressive.

Under present circumstances a very big increase in aid, such as has been recommended by the Brandt Commission, would be specially dangerous. Much of it would go to help precisely those governments. Moreover, much would go also to others with heavy foreign debts, such as Argentina, Brazil, Chile and Mexico (the first three having particularly repressive regimes). If additional funds did become available, the reason would be that donor governments had decided it was necessary to use public money to achieve two aims simultaneously, to save the private banks in the North from the consequences of their rash lending policies and to strengthen a number of strategically important dictatorships.

It does not follow, however, that all aid commitments should be abandoned. We cannot ignore the real damage that could be brought about in some oil-importing countries in Africa and South Asia by the sudden and complete elimination of aid to their governments. This would not necessarily be wholly

at the expense of corrupt officials or big landowners; the blow might fall in part at least on the poor, because their political defences are so weak, and the social costs could be exceptionally severe.

The key to this quandary is to stop talking about aid in general, and to distinguish between different types and different recipients. The only type that may, in some cases, deserve a word meaning help, is aid which the donor is absolutely sure will be used for elementary needs, such as pure water or primary health care, in a really poor country.

One particular need is for aid to relieve victims of catastrophes such as floods, famines and earthquakes. This should be administered by new international institutions committed to supplying these without any political discrimination; these would build up the necessary expertise, make advance arrangements for the immediate availability of aircraft, food, etc., and also undertake research on the basic causes of such calamities.

It is true that the Brandt Report argued that we could relieve our own unemployment problem by a 'massive' outpouring of aid to the South. In the first place, to treat this as a policy that rich country governments might seriously consider was naive, if not dishonest. But in any case this is a very roundabout and uncertain way of solving our own problems - much of the benefit might go to Japan. Besides an argument on these grounds provides a justification for continuing to use aid as a commercial and political weapon, without thought for the social consequences overseas.

The moral motive is now most evident in the voluntary agencies such as OXFAM and the missionary societies, and is perhaps best implemented by them. We would once have looked on these as non-professional "do-gooders". They now appear to have certain advantages. Their officials, not being civil servants, are less vulnerable to diplomatic pressures. They can more easily turn down projects like modern factories which are obviously much more to do with the interests of the capital

goods exporters than the relief of poverty. They can deal directly with local authorities, farmers' associations, etc. by-passing recipient governments.

Those who clamour for greater quantities of official aid might well stop and ask themselves: aid of what type? for whom? and why? Otherwise they risk satisfying their own consciences at the expense of greater poverty at home and overseas.

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