

THE AID DEBATE

by John White*

Aid to developing countries is a transfer of resources which is normally judged successful or unsuccessful by the extent to which it contributes to the recipient's economic development. In the long and rather wearisome history of attempts to make out an abstract case for such a transfer, there is one continuing paradox. The more closely its justification is tied to the promotion of development, the weaker the case appears to become. To that has recently been added another paradox. The most forceful critics of aid are no longer the ruthless pursuers of the national self-interest or the absolute advocates of laissez-faire. They are to be found among precisely those people who are most firmly committed to the planned promotion of economic development.

Both paradoxes are easily explained. They are merely a reflection of the discrepancy between what the aid-givers do and what they say they are doing. If the critics of aid were content with demonstrating the not very surprising facts that the aid-givers' motives are mixed and their actions inconsis-

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tent, the argument would end there. But more is claimed. In the aid debate, arguments take on an air of theology, with one side arguing that grants and loans and technical assistance are some sort of moral imperative, while the other side argues that the whole notion of deliberate action to promote another country's development is fundamentally and necessarily misconceived. This sterile and muddled debate is characterised by a general failure to distinguish between stated objectives, unstated objectives, attainable effects, and observed effects.

The trouble arises in part because of a problem of definition. In the early 1950s, after the enactment of the US Mutual Security Act, few people bothered to attack aid on developmental grounds, for development was not its presumed objective. Systematic analysis of aid in developmental terms sprang from a series of events in the years 1957-1961 - the establishment of the India Consortium, the coming of independence in Africa, the renovation of the OEEC as the OECD, the inauguration of the UN Development Decade and the creation of the Alliance for Progress. The point is that an existing activity came to be appraised in the light of an objective for which it was not designed.

With roughly ten years' experience of aid in the context of developmental aspirations, a more fundamental re-appraisal ought now to be possible. There is altogether too common a tendency among the advocates of aid to assert the obligation to help as a categorical imperative, and then to assume that aid does help without further argument. It comes back again to the problem of definition.

The ideal is clear enough - a transfer of resources which promotes economic development. But that will hardly serve as a definition. First, it begs the question of the effect of aid. Secondly, it lacks the necessary connotation of deliberate action, the intention to help. Thirdly, it merely shifts the problem of definition a stage further, to "economic development".

A nominalist definition of aid - anything we call "aid" is aid - is objectionable for even more obvious reasons. It forces the inclusion of items which should be discarded before any argument about aid has even begun.

The statistical definitions used by international organisations, while good enough for international comparisons, do not provide an adequate basis for conceptual debate.

The problem of definition, however, can easily be dodged. The criterion of success which was stated at the beginning of this article identifies a class of transfers, without defining it. It makes it clear what we are talking about, while leaving open the awkward questions of motives and of actual results.

Assuming a common understanding of what is meant by "economic development" (a dangerous assumption, to which I shall return later), the aid debate comes down to three questions. First, to what extent can we identify successes and failures? Secondly, were these successes and failures attributable to the inherent characteristics of inter-governmental transfers, to specific and remediable flaws in the forms of transfer, or to external circumstances? Thirdly, if the answer is external circumstances, are those circumstances likely to be exacerbated or ameliorated in the context of the aid relationship?

In the polemics of aid, the first question is usually skipped. Yet it is crucial. To identify successes and failures requires, first, a value judgment concerning the kind of success that one seeks, and then the isolation of the aid component from a highly complex set of causal factors. In practice - e.g. in Professor Hollis Chenery's attempts to quantify the return on aid - the interaction between aid and other factors is often largely ignored. Yet the critics of aid argue loosely that it is through these interactions that aid does harm. What sort of harm, however, is usually only vaguely specified. A more scrupulous scrutiny of the arguments advanced will often reveal that the two sides mean different things by "success". Indeed, it can be argued that the whole search for "success stories" in aid, and the aid debate itself, are misconceived, and that discussion in these terms distorts and disguises more fundamental questions concerning the nature of the development process.

Suppressing such doubts for the moment, one may turn to the second question. Again, the question is usually wrongly posed. The critics of aid seldom examine alternative forms of aid. Yet detailed assessments exist, not only in academic

studies, but also in official publications, showing how the value of aid is impaired by the donors' efforts to reduce the cost, or to increase the gain, to themselves. Here one can only re-iterate the sadly familiar catalogue; procurement tying, the reluctance to provide non-project aid, biased or incompetent project selection, the hard terms of lending, the uncertainty of future commitments, and above all the inadequacy of the level of aid. Officials, who have to defend their existing aid programmes, do their case no good by assuming that aid which is weighed down in these ways is better than no aid. Often it demonstrably is not. But it is surely an astonishing logical jump to go, as the critics of aid often do, from demonstrating that the developed countries have not helped enough to the conclusion that they should not help at all.

The assertion that the flaws of aid are inherent in inter-governmental transfers appears more damaging. But it is an impossible assertion to substantiate. Aid is bound to fail, says the pure laissez-faire economist, because it concentrates economic power in the public sector and frustrates the workings of the market mechanism. Aid is bound to fail, says his opposite number on the other side of the ideological fence, because it strengthens the entrenched position of foreign private investors and the wealthy elite in the developing countries themselves. Aid is a waster of money, says the one, because it goes to governments which are opposed to us politically. Aid is vicious, says the other, because it bolsters subservient puppet regimes. Aid distorts the economy, says the one, because it encourages over-investment in large-scale projects with long gestation periods. It is wasted, says the other, because it all trickles away in high consumption.

Quite apart from the obvious fact that both arguments cannot be right, neither can, for they are both self-contradictory. They start by assuming a criterion of success and failure, usually not stated. On the basis of empirical evidence they then cite a number of alleged failures. Finally they assert that the possibility of success, implicit in their original assumption of a criterion of success, does not exist.

If the critic's case is weak in logic, empirically it is weaker still, for the advocate of aid has only to secure agreement on an objective and then produce one case in which it is at least reasonable to suppose that the provision of aid contri-

buted towards the objective. The critics of aid do not normally quarrel with the stated objectives of aid, if only because of a natural reluctance to admit that they are opposed in principle to the promotion of other people's welfare.

At this level, however, the case for aid is weak also. If the case is argued empirically, then it must be admitted that there are grounds for doubting the real value of much of the aid that has been given during the past decade. If the case is argued analytically, then the advocate of aid must dismiss every case of "failure" on the ground that the aid was by definition given in an inappropriate form or that there were other circumstances beyond the aid-giver's control. An argument that can never be disproved is not an argument about the real world at all.

All of this can be summed up very briefly. The opponent of aid, unwilling to admit that he wants to discriminate between one developing country and another, or that he prefers to ignore the needs of developing countries altogether, falls back on an argument which suffers from the basic weakness of being refutable by the production of a single contrary case. The advocate of aid, unwilling to give a hostage to his critics by admitting the manifest confusion of current aid practices, takes refuge in a generalised moral imperative which suffers from the basic weakness of not being empirically verifiable. If the argument ever descends from this level of generalisation, it is only in the context of dubious "success stories", which open the way for unsubstantiated assertions about the nature of "success", and its causes.

When the argument turns to the last of our three questions, concerning the effect of aid on the general climate for development, the debate rises to a still cloudier level of theology. At this level, almost every assertion rests on a value judgment. One kind of critic, for instance, asserts that the basic flaw in aid is its political motivation, which leads aid-givers such as the USA to support authoritarian right-wing governments. Aid ought to be used, he says, to support progressive and revolutionary governments. And what would that be, if not a political motivation?

If there is any content in the aid debate, however, it is at this level that it is to be found, because it is here that the

value premises of the arguments emerge. That is the significance of our original paradox. If it were really true that aid is neither governed nor justified by developmental criteria, the argument would be totally non-prescriptive, a matter of correlating empirical evidence. But it is not. Although non-developmental criteria largely govern the donor's choice of aid recipients, developmental criteria certainly enter into decisions about the forms of aid, and even to some extent about changes in the volume of aid.

So the aid-giver has to assess the recipients' development potential. In so doing, he necessarily makes value judgments about the relative desirability of different patterns of development. There is no way in which he can extricate himself from interference in the recipient's domestic affairs. The mere act of giving aid - or withholding it - is itself a form of interference, unless it is distributed automatically in accordance with some absolutely neutral formula. There is not, and cannot be, any such thing as objectivity in aid-giving. So the moral question arises: is it right to introduce possibly alien value judgments into the formulation of development policy?

Since the question is a moral one, it can only be answered in moral, largely intuitive terms. Certainly the formalised "performance lending" approach adopted by the USA and the World Bank, involving the imposition of conditions, is rather unattractive, quite apart from any doubts one may have about the possibility of applying the concept of performance lending systematically, about the wisdom of some of the conditions imposed, or about the practical consequences of such restrictive methods. But it is not so certain that an aid-giver is wrong to proclaim and to live by his own values, or to challenge and question the assumptions on which the policies and practices of developing countries rest.

There is no doubt that the aid relationship carries some profound risks. But acceptance of these risks seems preferable to acceptance of the dogmatic assertion that there is nothing the developed countries can do to help the developing countries. Perhaps the critic of aid is not saying that. Perhaps he is merely saying that the record of the past ten years does not show the results he would like to see. But in that case, he is not making a general assertion about aid. He is

making either a general value judgment about development, or a specific assertion about the effect of tied credits, defence support, the imposition of conditions, or whatever other aspect of current aid practices one chooses to attack. The question is not whether to help, but how.