

Wise aid

We should appeal to altruism rather than self-interest to reach our aid targets, says **Jagdish Bhagwati**, and be much more imaginative about how we deliver it

Why should we give aid? How much should we give? How should we give it? These questions have concerned the development world since the start of rich-country foreign aid programmes almost half a century ago. Yet current debates suggest that old lessons – such as altruism works better than self-interest – have been forgotten. Moreover, new concepts about how we raise and spend money need to be embraced.

The original rationale for granting official aid was developed by the great pioneers of development economics in the decade after World War II. Arthur Lewis, Paul Rosenstein-Rodan and Gunnar Myrdal thought that developed countries were morally obliged to give aid to developing countries much as progressive states redistribute income and wealth, via taxation, within their own borders.

Tithes and targets

Recall that the Christian churches often require a tithe of 10% of one's income, and one of five pillars required to be a good Muslim is the *zakat* – giving 2.5% of one's wages to the poor.

Beside this, the original target that Lewis suggested for foreign aid – a neat 1% of national income – appears positively modest. Even this was later cut to 0.7% for

official assistance, while the remaining 0.3% was to be met by private capital flows.

These targets meant that aid flows were to be decided by reference to the rich countries' wealth and, implicitly, degree of moral obligation (they were "supply-determined", to use terminology I coined in the 1970s). Arguably, it would make more sense if they were "demand-determined", dictated by the needs of the poor countries and adjusted for their "absorptive capacity", or ability to put aid funds to good use.

The progressive politicians who listened to these great men did not believe that altruism could generate official flows at the target of 0.7%, so they shifted almost immediately to arguments based on rich countries' "enlightened self-interest". The Cold War served this purpose beautifully: nations were supposed to turn communist if we did not give development aid. But the Cold War ended in 1989.

Today, 9/11 and the war on terror are used to make the same case. Yet, everyone knows that the 9/11 terrorists were not exactly poor, and more systematic analysis by the economist Alan Krueger has only underlined this lack of relationship between poverty and terrorism.

In fact, the poor usually put up with their condition – what I call the "non-revolution of falling expectations". Rather, their ambitions become aroused once their condition begins to improve, leading to the revolution of perceived possibilities, or what used to be called the "revolution of rising expectations".



