

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

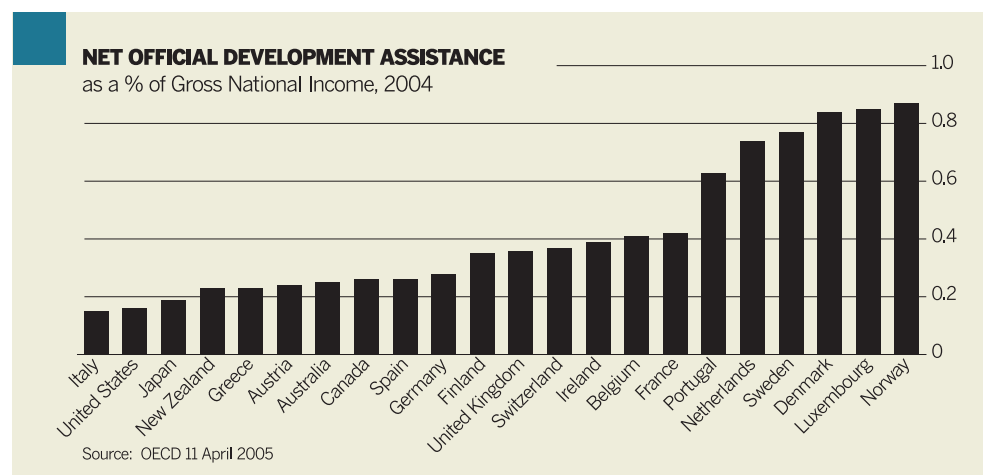
official assistance, while the remaining 0.3% was to be met by private capital flows.

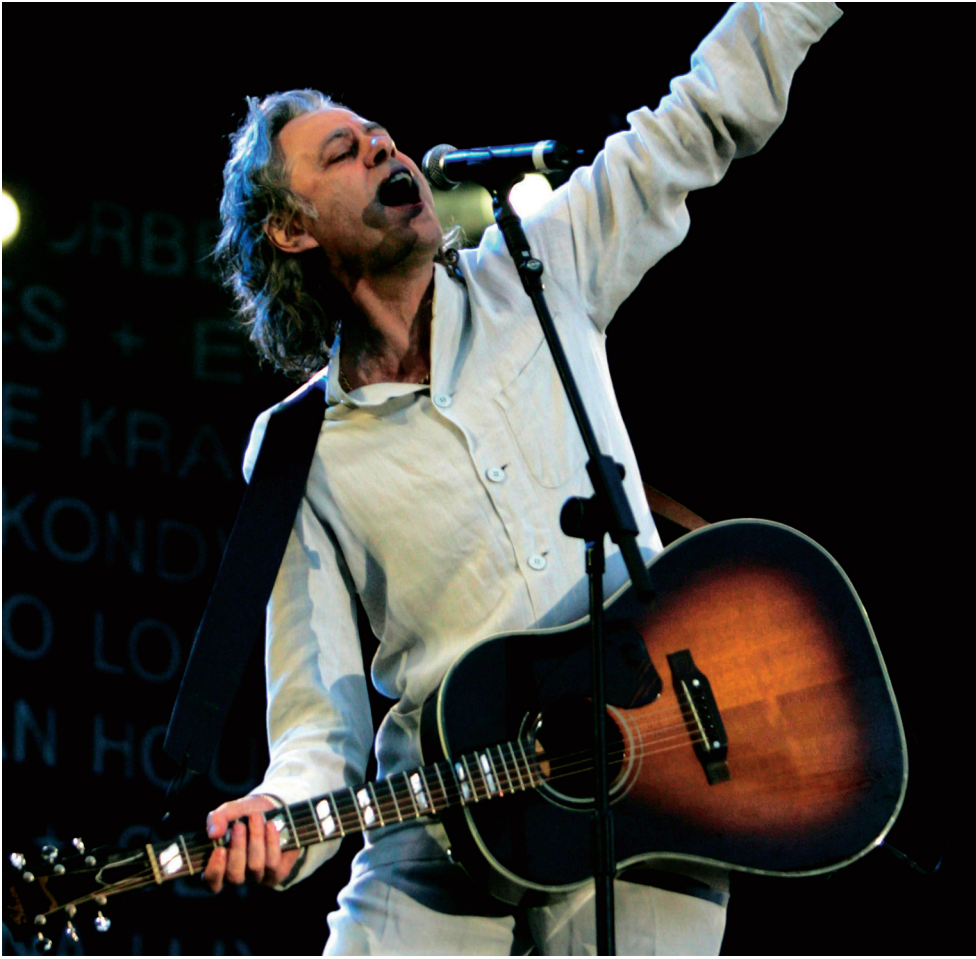
These targets meant that aid flows were to be decided by reference to the rich countries' wealth and, implicitly, degree of moral obligation (they were "supply-determined", to use terminology I coined in the 1970s). Arguably, it would make more sense if they were "demand-determined", dictated by the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





Appeal to altruism

On the other hand, while these and other implausible appeals to self-interest generally fail to increase development aid, the appeal to altruism, frankly asserted instead of disguised as self-interest, can work. This is what happens in the Scandinavian countries, which have the highest proportional aid spending in the world. Countries such as Japan and America, which have used the self-interest rationale, have not done so well.

Besides, nowadays the altruism rationale is easier to exploit than ever. As I argue in my book *In Defense of Globalization*, television has eroded the distance that shielded us from seeing the famines, the pestilence, the floods, the tsunamis and the genocides that occur elsewhere.

When we see these images, it is impossible not to act on the humanity that binds us together. A rock star such as Bob Geldof does not create this empathy and morality. He exploits it to organize concerts to stimulate more aid flows.

Link aid to a people's target

Does it make sense to tie this altruism-driven impulse to the old 0.7% target for official flows that was one of the few areas of agreement at last summer's Millennium Development summit at the United Nations? Remember that this target has been endorsed by most nations for some decades now but few have matched their words with deeds.

Does signing on to it yet again – and

Rock stars exploit our empathy to stimulate aid

important donors such as Paul Martin, Canada's Liberal prime minister, and George Bush, the American president, stoutly fought against it and only reluctantly signed – signify that there will now be a shift from mere assent to actual achievement?

I am afraid not. As all past experience suggests, national budgets are always subject to tight constraints and competing national demands, including helping deprived groups within the country's own borders.

Take just one example. Faced with the Iraq war, the problems of the inner cities and the cleanups following hurricanes Katrina and Rita, how will the American government deliver on its commitment to increase aid from the current level of about 0.16% of national income to 0.7%? It simply will not. The same goes for Canada and countless other governments.

The problem is that Geldof and others are translating the new altruistic energies of rich-country citizens into the tired old 0.7% target that relates to governmental aid spending, with all the hard-budget constraints it faces.

We need, therefore, to link this moral enthusiasm of the people to a people's, not a government, target. Thus, for instance, if we had half a billion people – a number that the rock concerts reach – sign on to pledge just \$50 or more annually in aid, that would raise at least \$25 billion.

Moreover, these would be grants and hence

worth much more than government aid, which is still a mix of grants and loans.

Surely, such a pledge would hardly run up against our individual budget constraints? Forgoing a dinner in New York or Paris, or two in the cheaper hinterlands, would be all that was called for. The money raised could be spent by the developmental aid agencies of the people making the pledges.

Out of Africa

Raising money is not the only challenge. A crucial problem is that in much of Africa (where the biggest aid increases are contemplated) there is a limited ability to absorb these funds thanks to governance breakdowns, associated corruption and shortages of skilled manpower, without which even well-intentioned programmes can founder.

I have little doubt that Africa's capacity to absorb aid money can be improved but it requires hard work. Aid should only be sent to Africa at the pace at which it can be absorbed and at which programmes can be implemented.

If we can spend aid money outside Africa, perhaps the continent's absorptive capacity for direct, conventional spending becomes irrelevant? Thus, substantial sums can be spent outside Africa on researching cures and vaccines for diseases that afflict it, such as sleeping sickness, AIDS and malaria.

Moreover, we need a programme to bring African students by their thousands to universities in industrialized countries. We also need to start a Grey Peace Corps that would take our retired professionals to Africa at salaries high enough to attract them, so they can immediately start filling several critical shortages of skilled manpower.

There are endless possibilities if only we approach the question of giving aid in this way, rather than thinking conventionally about aid as funds to be spent directly in Africa. We can accelerate aid spending much more rapidly if only we do that, instead of pretending that there is no absorptive capacity problem in Africa and that those who worry about it are morally defective.

It is time to have aid walk on both legs. **GA**



CV JAGDISH BHAGWATI

Jagdish Bhagwati is university professor, economics and law, at Columbia University and senior fellow at the Council on Foreign Relations. His latest book is *In Defense of Globalization*.