



Aid Affects Everyone

by Tom Bethell

Louis Menand, who teaches English at the City University of New York (formerly City College), published an interesting defense of professionalism the other day. He worries that it is coming under increasing attack. My own suspicion is that the experts of our day have escaped lightly. Judging by their contributions to professional journals, for example, perhaps half the English professors at American universities can barely write an English sentence. But these articles, far from reflecting badly upon their professionalism, are thought to establish it. That is the world we live in. Menand decries the term-limits movement as an attack on professionalism in politics, so perhaps we should not take him too seriously.

It would be worth listing the many areas in which the experts have plainly gone off the rails. Education, for starters. The pros loved the idea that there was this separate branch of knowledge called education. Now they had their own sandbox where they could play about and claim immunity from the criticism of amateurs. Education has gone downhill ever since. (Would you want your child taught by a professional educator?) When buildings fall down, engineers look bad. There are fields in which the professional's competence is put to a real-world test. Often this is not so, however. Too many variables, and too much time, come between the advice and the outcome.

Experts know a lot about their subject. The trouble is, a lot of what they know is wrong. Take economists, for example. For fifty years there has been this field called "development economics," telling underdeveloped countries how to play catch up. What did the professionals advise? Central planning! That folly persisted for 25-30 years after

World War II. Looking back, the field is an embarrassment—but not of riches. The underdeveloped world, later called the Third World, became the plaything of development economists and other experts. To a considerable extent they all agreed with one another and got off scot-free as a result; went from strength to strength, were awarded World Bank sinecures, even won the odd Nobel Prize.

Planning's appeal was that it pretended to replace ideology with mathematics. No ideologues here! Just scientists with slide rules, trying to get their equations right. India's prime minister Nehru told a journalist in 1960:

Planning and development have become a sort of mathematical problem which may be worked out scientifically. . . . It is extraordinary how both Soviet and American experts agree on this. If a Russian planner comes here, studies our projects and advises us, it is really extraordinary how his conclusions are in agreement with those of, say, an American expert. . . . The moment the scientist or technologist comes to the scene, be he Russian or American, the conclusions are the same for the simple reason that planning and development today are almost a matter of mathematics.

Gunnar Myrdal, one of the great missionaries of planning (Nobel Prize in economics, 1974), exaggerated only slightly when he said in 1956 that "grand-scale national planning" was "unanimously endorsed by governments and experts in the advanced countries." Nehru exaggerated not at all when he said planning was thought to be "almost a matter of mathematics." There were models aplenty to prove it. As the years passed and little was produced in the way of housing and consumer durables, the equations became more and more complicated.

John Prior Lewis, who argued for

massive increases in foreign aid to pay for India's various five-year plans, noted in *Quiet Crisis in India* (1962) that those who deny the legitimacy of "centrally conceived and directed development" are "cast inescapably" as "crackpots." The economists' error was to believe that the "factors of production"—land (natural resources), labor, and capital—could be suspended in an institutional and legal vacuum and yet retain their essence and efficacy. They were simply . . . inputs! Mix the Naked Inputs in the right proportions and then be sure to count the "outputs" as they come rolling off the assembly line.

The sheer arduousness of production was not understood—especially not by the better sort hired by the Ford and Rockefeller Foundations to pontificate upon economic development. *They* hadn't worked for their money. But to be productive, people have to expect reward for themselves and their families, and that means private property. In *The Political Economy of Growth* (1962), nonetheless, Prof. Paul Baran of Stanford wrote that "no planning worth the name is possible in a society in which the means of production remain under the control of private interests."

After World War II, American experts believed that countries were underdeveloped because they lacked capital. Land and labor they had aplenty. If savings could not be "forced," then capital could be shipped in the form of foreign aid. Governments would "invest" it, which meant it would be used productively. Factories would be built and out would come the outputs. P.T. Bauer of the London School of Economics, one of the few holdouts against the planning mania (he was made a life peer by Mrs. Thatcher in 1982), called this the Investment Fetish. Governments don't invest, they spend. We are only now

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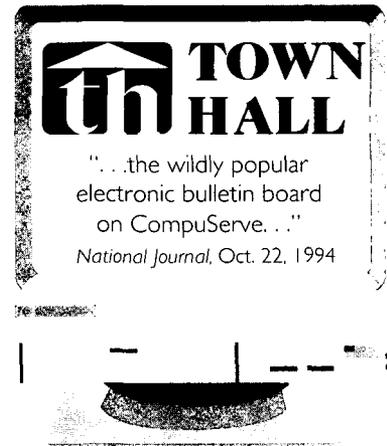
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beginning to understand that governments everywhere are guided by incentives that are very different from those of the private sector.

Anyway, the foreign aid was sent by the shipload. Adjusting for inflation, Western countries since the late 1940s may have sent as much as \$2.5 trillion to the underdeveloped world. Apply the analysis of domestic welfare's effect on the inner cities, and you get an idea of what went wrong as a result. Lord Bauer's generalization that the Third World could be defined as the collection of countries that receive foreign aid was a good one.

The defenders of foreign aid have been reduced to claiming that, really, as a percentage of GNP, it's not much. It's 1.3 percent of federal outlays—\$13.7 billion this year. But it affects recipients more than donors. Aid goes from government to government, and often insulates foreign heads of state from the need for change; it enables them to buy a palace guard and ignore the people. Like oil poured into a defective engine, it disguises the true state of affairs. Both before and after the massacres last year, Rwanda was flooded with aid. Apart from Israel, the largest aid recipient is Egypt, which receives \$2.1 billion annually. "The sum covers 56 percent of the military budget," according to the *Washington Post*.

The real purpose of aid, undisguised in the case of Egypt, is political. It is intended to give the State Department leverage in foreign capitals. Aid's role in propping up regimes has been shown in cases where the aid was abruptly withdrawn and the head of state left in a hurry or was overthrown (Liberia, Haiti, the Philippines). The current Middle East "peace process" has been driven by U.S. aid to a larger extent than has been acknowledged: both the hope of gaining it and the fear of losing dollars. Those who doubt the wisdom of the "process" might ponder the role of aid in driving it. I see from the Agency for International Development (AID) summary tables this year that "West Bank/Gaza" has joined the recipient list; they're due to receive \$76 million this year—no doubt that's just a down payment. U.S. surplus food aid is also en route to Gaza and West Bank. That should help undermine such local agriculture as they have and make enemies of their farmers. Mexico has also popped up among the countries with an active AID mission, which is not a good sign.

Since 1950, the rule has been that whenever AID arrives in force, trouble follows. Cockamamie agrarian reforms based on homeopathic analogies—a little dose of socialism to ward off a big dose of Communism—were imposed in country after country: Chile, South Vietnam, Iran, the Philippines, El Salvador, to name five. Middle-class farmers were expropriated and that was supposed to make everyone feel better. All the countries that allowed themselves to be used as laboratories by American development experts in this fashion were destabilized; Communism was strengthened. After the near-debacle in El Salvador a decade ago (under Reagan's nose), AID finally gave up on expropriation as an economic-growth technique.

Rare economic success stories in the postwar period were often preceded by cuts in U.S. aid. "U.S. will cut aid to South Koreans," Abe Rosenthal reported in the *New York Times* in 1963. "Americans" were said to believe there had been "totally inadequate planning." In addition, Rosenthal reported, "there is no particular admiration for the decision of Korean businessmen to squirrel away their funds while the country is on the brink of a new economic disaster." Too much hoarding and not enough planning, in other words. Disapproval of the military government was a more important reason. Thereafter South Korea moved to a market economy and surely wouldn't have done so if economic aid had kept pouring in.

The government of Taiwan likewise learned that economic aid would soon be terminated, as it was in 1965. Thereupon, a Taiwanese minister recalled, "serious efforts" were made "to improve our investment climate." As Nicholas Eberstadt of the American Enterprise Institute has pointed out, both South Korea and Taiwan faced military threats from Communist rivals, and the U.S. security commitment "figured incalculably but importantly in their development." But we may question whether the economic aid was ever needed—either there or anywhere else.

In Chile, we find a similar story. In the late 1960s the U.S. poured in aid and in return imposed collectivist policies on the government of Eduardo Frei. He rapidly lost middle-class support and the Marxist Salvador Allende won the 1970 election. After he was deposed and the hated Gen. Pinochet came to power, the

aid was cut off and the country promptly moved in a market direction. By 1986, the American left was complaining bitterly about the country receiving so much as a World Bank loan. Within a year, we read about the surprising new "stockholders' culture" in Chile.

The good news is that Chile is one of twenty-one countries where the AID mission will be shut down completely by the end of next year. Other South American countries where AID is leaving: Costa Rica, Argentina, Belize, and Uruguay. (If you're looking for places to invest . . .) The agency is also saying good-bye to: Ivory Coast and Botswana, Tunisia and Thailand, Afghanistan and Pakistan (the Pakis were suspected of using the money to build nukes). A lot of other African countries will continue to be mired in aid, though, and South Africa has predictably appeared among the recipients. For no good reason that I can see, we are also sending billions to Russia and the former Soviet empire.

In general, however, foreign aid is withering away. Adjusted for inflation and population, aid to Latin America is now a fraction of what it was in the bad old days of the Alliance for Progress. The Heritage Foundation recently published a useful Index of Economic Freedom, ranking the policies of 101 countries. The real problem abroad has not been the lack of aid, but the lack of economic freedom. Heritage's Kim Holmes noted that "the countries that appear to most need U.S. aid are the ones that least deserve it because their government-controlled economies will misuse the money." Wealth and economic liberty, it turns out, are highly correlated.

Development experts for a long time did not believe this. Many probably still do not. The problem was that they never did have the first idea how wealth was created. I mean that literally. They did have the hundredth idea, and the ninety-ninth, but the fundamentals they either never grasped or actively repudiated. They also had the figures to back up their bogus world view. When the Berlin Wall fell, the *Statistical Abstract of the United States* included a table showing that GNP per capita was higher in East Germany than in West Germany. The data had been compiled by well-paid professionals. If the wall had not fallen, many would still believe the figures. Perhaps the experts still do. □



Why the GOP Does Not, Like, Totally Suck

*Mr. and Mrs. American Spectator Reader,
let P.J. O'Rourke talk sense to your kids.*

by P.J. O'Rourke



Do you have a mopey young person in your family? Does he or she possess an all-ebony wardrobe, have a lop-sided haircut, and know what "latte" is? Is this "slacker" lying on your couch all day listening to Hootie and the Blowfish CDs? Or making a lifetime career out of going to college? Or still working in a Kinko's copy center at the age of 28? Or trying to get an NEA grant to write a film script about all of the above? And the nose ring—is negotiating a temporary removal for grandma's visit going to require the intervention of Jimmy Carter?

You may have a larva or pupa stage Democrat in your home. Try this test. Get the child's attention (extra latte helps). Now say, "Newt Gingrich." Did you receive the following reaction?

"Mom! Dad! [theatrical sigh] It's like . . . [eyes roll toward ceiling] Oh, man . . ."

Yes, a conservative tide is rising all across the political landscape of America, but some members of "Generation X" have climbed onto the outhouse roof of intellectualism and managed to keep their Doc Martens dry.

As a special service to our readers, TAS has

P.J. O'Rourke, a member of The American Spectator's editorial board, is the author most recently of All the Trouble In the World: The Lighter Side of Overpopulation, Famine, Ecological Disaster, Ethnic Hatred, Plague and Poverty (Atlantic Monthly Press).