

ETHICS AND ECONOMICS

How Do We Help? The Free Market in Development Aid

Patrick Develtere

Leuven, Belgium: Leuven University Press, 2012 (264 pages)

In *How Do We Help?* Patrick Develtere reflects on the necessary conditions (i.e., the rule of law, private property rights, and good governance) for free markets to flourish and on how free markets are supportive of development aid. He favors the views of the “New Generation of 4th Pillar Initiatives” where engagement consists of win-win strategies, a natural outcome of all free-market exchanges. At the same time, he suggests that there is an important role for more cooperation between the deliverers and receivers of development assistance. He points out the “unacceptably large” income gap between the North and South (206), implying, but without an explicit normative recommendation, that income be redistributed from the North to the South. However, he may be simply suggesting that the South mimic the North’s socioeconomic policies and democratic institutions. Other manifested preferences held by Develtere are that development aid be consistent, long-term, and “untied” to limit the influence of special interests.

Develtere devotes a substantial amount of material to categorizing aid into four pillars: Official Development Aid (ODA) from more than fifty countries; International Institutional Aid (e.g., World Bank, International Monetary Fund, United Nations, and hundreds more); tens of thousands of Non-Governmental Development Organizations (NGDOs such as World Vision and Catholic Relief Services); and hundreds of thousands of organizations with community service-oriented missions (e.g., Doctors Without Borders, the Bill Gates Foundation, and college service-mission trips). He deliberates on suggested funding targets and details the sources of available development funding: Official Development Aid

should be a minimum of .7 of GDP (29). Migrant remittances (estimated at \$335 billion) are almost three times ODA and larger in aggregate than all other types of development aid. The US foundation aid to developing countries amounted to \$4.3 billion (2008), 40 percent of European foundations are engaged in international aid activities, and Southern foundations are being formed to help the poor.

Some very informative chapters address the magnitude of aid, its lack of impact on the extremely poor countries, and the waste and misuse of funds given: From 1960 to 2010, \$3 trillion was spent on ODA. In 2010, a record \$129 billion of ODA was achieved, but an inadequate amount of this aid touches the least developed countries (LDCs). Develtere reports that there is some accounting prestidigitation going on with the ODA numbers. Sadly, based on 2005 data, only 37 percent of all ODA went to intended countries while 63 percent went to experts' salaries, administration, and debt cancellation (45). The aid bureaucracy is absorbing too much of the limited funding. The United States has fifty government departments for ODA. In addition, aid from the UN is "paralyzed by overlaps, competition, high transportation costs and coordination problems" (137–38). The problem, Develtere emphasizes, is that aid to varying degrees has allowed developing governments to engage in unproductive spending to maintain the status quo, to keep taxes low for the rich, and to waste money on white-elephant projects instead of spending it on "infrastructure and growth promoting investments" (225).

Develtere should spend more time deliberating on the views of antiglobalist "extremists," who believe "a fair relationship with the South must be incompatible with acting out of self-interest" (181). They desire "Fair Trade Initiatives" based on "dialogue, transparency, [and] respect that seeks greater equity in international trade" (175), which are accomplished through barter. The obvious problem is that if a country engages solely in barter to have fair trade, the volume of trade and time to match up these trades will be very quickly uncontrollable as the number of products traded increases. For example, Haiti's main exports to the United States are bauxite, cocoa, coffee, essential oils, light industrial manufactured goods, mangoes, sisal, and sugar, but it might import over one hundred different products from the United States. Barter requires (depending on the number of light industrial manufactured goods exported) more than eight hundred negotiated exchanges with the United States. Once the one hundred products are imported and trade becomes internal, assuming they use fair trade domestically (not using the Haitian gourde), pricing combinations would explode to 4,950 (i.e., $[100 \times 99]/2$). Develtere provides more depth of thought on the Dependency School (219), which believes that neocolonial powers keep third world countries from developing. The Latin American dependence theorists believe that underdevelopment is a result of Western capitalism. They support a national liberation struggle detached from the global system. Those who have gone this route, Develtere reminds us, have failed miserably.

Develtere devotes necessary time to the history of development aid from colonialism to UN aid based on "increasing the knowledge and the technological knowhow of developing nations," to Truman's focus on the "democratic concept and fair relations between

peoples.” He keys in on early US aid, which was primarily military and consisted of “free or cheap American crops—safeguarding the interests of American farmers.” Nixon’s aid agenda was to advance US interests (58). In the 1970s, developing countries wanted “trade not aid,” a free-market solution to alleviate poverty. International Monetary Fund and World Bank aid evolved to become free-market oriented—conditioned on fiscal austerity, privatization, financial reforms, and sound institutions. Develtere addresses the political ties of ODA, linked to concerns for the environment, global warming, and sustainability/Malthusian fears. More depth of argument in this section would be appreciated. He should include a discussion on the antitrade impact of environmental and global warming issues, which have been utilized by developed countries as excuses to impede the exports of developing countries. A discussion also on the negative impact of petrodollar loans and the wealth transfers that occurred from developing countries to OPEC is merited.

Coverage is given to several broadly agreed upon principles concerning human development, including the International Labor Organization Five Core Standards, the 2000 Millennium Development Goals for 2015, and the 2005 Paris Declaration. This section could be updated to include UNCTAD’s Investment Policy Framework for Sustainable Development, the UN Guiding Principles on Business and Human Rights, and the 2012 revision of International Chamber of Commerce’s Guidelines for International Investment (*World Investment Report 2012*, 161).

Develtere deliberates on the farmers’ movement (166). Developing countries are not given the opportunity to export to Western markets and have to compete in their own markets with subsidized Western crops. When WTO was launched in 1994, the members set a ten-year horizon to eliminate agricultural subsidies, but these subsidies in 2004 were even larger. The present and nearly deceased Doha Round of WTO was dedicated to eliminating agricultural subsidies and solving the problem of intellectual property rights.

The book lists the important achievements of development aid from 1960 to 2010, highlighted by: the 1977 small pox eradication, access to clean drinking water for 87 percent of the world’s population, 89 percent worldwide enrollment in primary education, widespread child immunizations, a drop in infant mortality rates from 100 to 72 per 1,000, and a decrease of 30 percent in the malnutrition rate. He also offers a list of issues that need to be addressed: the number of people who earn below \$1.25 per day is about 25 percent of the world’s population, or 1.4 billion (down from 1.9 billion in 1981); and there is a lack of progress in Africa (50 percent live below the poverty threshold).

Some countries, Develtere says, have had “excellent socio-economic progress ... China, Costa Rica, ... and South Korea.” Strangely, he claims that “Cuba ..., may not rate so highly with regard to economic growth, yet do better than other countries in their region in terms of human development” (225). I truly doubt that the statistics coming out of Cuba are accurate, especially regarding human rights. Develtere goes on to inform his readers that Cuba’s success is due to, among other things, aid matched to its policy choices and visions, the stress on social justice (please give us Castro’s definition) and redistribution, and the promotion of institutional structures, which ensure local ownership (in Cuba?).

Develtere spends almost no time discussing the role of foreign direct investment (FDI) in alleviating poverty. He cites the case of Repsol as the role model for appropriate transnational corporate (TNC) behavior. Tell that to President Cristina Fernandez de Kirchner of Argentina, who nationalized Repsol's YPF SA in April 2012 and the late President Hugo Chavez of Venezuela, who on July 24, 2012, threatened Repsol against taking any action against Argentina. I would emphasize that foreign direct investment provides tax revenues and job creation! A quick look at the *World Investment Report 2012* reveals the positive impact of the \$1.5 trillion in FDI that took place in 2011: \$904 billion were greenfield projects of which developing and transition countries received 55 percent, sub-Saharan Africa received \$37 billion, Latin American received \$211 billion, and LDCs received \$33.3 billion. Foreign affiliates of TNCs support 69 million jobs. Transnational corporations have signed Corporate Social Responsibility Codes and set supplier codes for Social and Environmental performance standards. I could go on.

Overall, the book is worth a read. I would also suggest that his next edition include a subject index.

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As If God Existed: Religion and Liberty in the History of Italy

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Princeton University Press, 2012 (352 pages)

Why is the first commandment God gives to Moses on Mount Sinai, “I am the LORD your God: you shall have no other gods before me”? One reason could be that God is fully aware of our tendency to worship natural and man-made creations rather than the Creator behind them all. There seems to be a deep-seated human tendency to pantheism and idolatry that, if left unchecked, is bound to disappoint by leading us away from our natural end and eternal happiness. This same jealous God has also left us free to create rivals for his love, thus setting up an apparently inevitable battle between his will and ours.

One of these creations is the political regime, and the worship of it is called political or civil religion, which has taken on innumerable forms throughout human history, including in the context of our secular liberal democracies. Where the ancient Greeks and Romans had their various gods that, at often whimsical turns, protected and punished the city, we have our own gods and the first in the pantheon is surely the god of liberty. Who among us Americans has not praised freedom as a God-given blessing and harshly criticized the deprivation of it by tyrants? It is a part of our DNA, starting with the Declaration of Independence and the long litany of abuses perpetrated by King George III. Depriving someone of his or her liberty is the very definition of injustice in the modern age, no matter whether one is a conservative or liberal, religious or secular.