



Written by [William P. Hoar](#) on February 2, 2010

Foreign Handouts: More Harm Than Good

Item: Writing in his blog for the New York Times on January 6, Nicolas Kristof discussed Clinton's remarks: "She talked about partnerships with local countries, and consulting them rather than dictating to them."

Item: *Hillary Clinton, reported New York's Daily News on January 6, "made the pitch today to boost foreign aid as vital to national security, but warned that it's a tough sell with the American people in hard times. It's even tough getting the message across to some of her ambassadors, Clinton said in a major speech on 'Development in the 21st Century' at the Peterson Institute for International Economics." But she added, "We cannot stop terrorism or defeat the ideologies of violent extremism when hundreds of millions of young people see a future with no jobs, no hope and no way ever to catch up to the developed world."*



Correction: Literally trillions of tax dollars have been spent on foreign aid, and there is now greater poverty and corruption in Third World countries than when aid was begun.

Would it be an admirable idea to keep doing even more of the same? Would it be smart to allow the corrupt government recipients of such funds to have additional control over how this so-called aid should be spent? When hard-working Americans are forced to pay for ill-run, fraudulent schemes overseas that cause more harm than good, would this be a grand example of "partnership not patronage," in the words of Hillary Clinton? Advocates of more foreign aid answer "yes" to these questions.

As put by the late Peter Lord Bauer, perhaps the world's preeminent development economist, foreign aid is "a process by which the poor in rich countries subsidize the rich in poor countries."

Zambian author and former World Bank official Dambisa Moyo is an astute observer of what actually happens because of the presumptive development strategy advanced by Washington and much of the West. With a master's in public policy from Harvard, a doctorate in development from Oxford, and private-sector experience at Goldman Sachs and on the board of Lundin Petroleum, Moyo exposes the world of foreign aid in her book called *Dead Aid*.

Systemic foreign assistance, she explains in detail, undermines public accountability, fosters corruption, leads to less savings, increases poverty, throttles the private sector of the economy, and promotes what amounts to a culture of dependency among those who are supposed to be its beneficiaries.

Keep in mind that Clinton's above-quoted remarks were made before the horrific earthquake in Haiti —



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and it should be clear that there is a vast difference between emergency help, which Americans and others are quick to provide (often through religious and private organizations), and the systemic government-run “development” programs that have been operating widely for decades. Yet, even before the aftershocks had ended in Haiti, a number of prominent left-wingers used the tragedy to call for more long-term international aid than before, demonstrating that they too had bought into the maxim of Obama’s Chief of Staff, Rahm Emanuel, to never allow a crisis to go to waste when it can be exploited for political gain.

In much the same fashion as Secretary Clinton’s use of the terrorist threat to promote more foreign aid, British Prime Minister Gordon Brown cited the events in Haiti as a reason “to fight poverty and climate change” worldwide. In London’s *Independent* for January 15, Brown claimed that “ecological catastrophe is already killing 1,000 people every day”; he held out the prospect that, without government action against what used to be called global warming, “400,000 more children will die each and every year.”

Meanwhile, over about five decades, African nations have received an estimated trillion dollars in aid from developed nations, and the poverty levels have actually increased. Yet Clinton and the Obama administration nevertheless want to double U.S. foreign aid.

Secretary Clinton’s remarks did come in for some deserved criticism by William Easterly, a one-time advocate of government foreign-assistance programs who has seen the light. To be sure, he was not all negative. She did have, he averred, “some good ideas about soap.” Now an economics professor at New York University, Easterly is the author of *The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. He noted in *Foreign Policy* that Hillary Clinton’s speech showed a disconnect with reality, typical of politicians. For instance, he pointed out, she said she wanted to do one thing, and then spent the rest of the speech advocating doing another, opposite thing. Thus, from Clinton: “The challenges we face are numerous. So we must be selective about where and how we get involved” — she wants a narrow focus.

Yet, in the next sentence, pointed out Professor Easterly, Clinton rallied long-term aid for just about every human ailment under the sun:

This selective approach includes conflict, Afghanistan, Tanzania, poverty, human rights, community development, democracy, governance, global stability, U.S. security, U.S. values, and U.S. leadership.

A few more selective areas come up later: Yemen, Haiti, Pakistan, Peru, sound economic policies, natural resources, rule of law, inflation, girls’ education, marginalized populations, AIDS, women, refugees, female genital mutilation, energy, improved seeds, food riots, health systems, mobile banking, solar-powered laptops, advance market commitments, Mexico, narco-violence, microcredit, conditional cash transfers, infant mortality, hunger, everywhere from the Democratic Republic of the Congo to Bangladesh to Costa Rica to South Africa to Vietnam and dozens of countries in between, hurricanes, earthquakes, famines, floods, tsunamis, Darfur. Did I mention the soap?

Consider the record of overseas development assistance, or ODA in bureaucratese. As summarized last year in a Heritage Foundation paper, ODA “promotes a statist and entitlement mentality among recipients and has a poor track record with regard to actually sparking economic renewal. For example, the Organization for Economic Co-operation and Development (OECD) member countries have donated nearly \$3 trillion in foreign aid since 1960, yet these donations have largely failed to produce economic



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growth.”

Yet despite the failure of long-term aid to reduce poverty or promote economic equity worldwide, it is part of the left-wing catechism that terrorism, which in their view is produced by poverty and oppression, can be alleviated by long-term economic aid. We are supposed to believe that cultural and social movements are caused simply by changes in economic and other material conditions. This view represents a slightly tweaked version of the Marxist theory of economic determinism: that the oppression of the greedy capitalists will lead to the demise of capitalism and the triumph of communism.

Terrorist leaders have learned the anti-capitalist lesson well. And even as they peddle their anti-capitalist message, they gain credence through the words of Clinton and other aid promoters — and we insist on throwing money at the world’s problems, just as we used to do.

Washington is eyeing a major increase in foreign aid in Yemen, for example, supposedly as a way to fight terrorism in that country. Those with experience in the field are skeptical. As reported by Fox News, Lt. Col. Tony Shaffer, director of external communications for the Center for Advanced Defense Studies, said, “Increased U.S. funding could ‘do some good,’ but that it needs to have conditions and benchmarks attached. ‘We have to look at what we did with Pakistan. We gave Pakistan tons of money with no accountability. It didn’t work,’ he said. ‘If we give (Yemen) the money, we have to expect something in return.... If we don’t do that, we’ll throw good money after bad.’” The State Department under Clinton, on the other hand, now prefers that fewer strings be attached to aid, or so they say.

Poverty is not the basis of terrorism, regardless of what Clinton might say, nor is aid the basis of peace. Still, she insists that we can never defeat terrorism unless we boost foreign giveaways. There are some ideas so absurd, as George Orwell observed, that only an intellectual could believe them.

Osama bin Laden didn’t turn to terror because he was down and out; he was the son of a construction magnate who was one of the wealthiest non-royals in Saudi Arabia. It would be foolish to believe that al-Qaeda’s top operatives had to resort to evil because they were underprivileged. Many are well educated and indoctrinated in their malevolent trade.

That failed terrorist attempt to bring down an airliner over Detroit on Christmas Day was made, not by an African peasant, but by a radicalized Islamist from what even CBS acknowledged was an “uppercrust Nigerian family” who has received “the best schooling, from the elite British International School in West Africa to the vaunted University College London”; his father was the CEO of one of Nigeria’s largest banks.

Indeed, terrorists frequently make direct use of assistance flowing from overseas. In another Heritage publication, James Phillips has observed how U.S. foreign aid has been misused by terrorists in the Middle East:

The largest U.N. body involved with facilitating aid to the Palestinians is the U.N. Relief and Works Agency for Palestinian Refugees (UNRWA), a notoriously opaque and dysfunctional institution that has been infiltrated by Hamas supporters and other Palestinian radicals. Even though it receives over a third of a billion dollars in international funding every year, and despite recurrent reports of inefficiency and corruption, UNRWA is not externally or publicly audited. Such lack of accountability is particularly troubling for an organization that has been chronically dogged by controversy.

There are numerous reports documenting that UNRWA has been infiltrated by Hamas terrorists.



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In the meantime, recipients are eager to keep the money spigot open. Foreign governments have their hands out in Washington at the same time that U.S. experts are interfering with political and social issues overseas. According to information compiled by the Sunlight Foundation and ProPublica, foreign interests — including governments and separatist groups — spent a whopping \$87 million between July 2007 and December 2008 on lobbying efforts in the United States. Why? Well, as bank robber Willie Sutton famously observed, that's where the money is.

Take the West African country of Liberia. Its government has decided it is necessary to curry favors in Washington, D.C., to keep that cash pipeline gushing. It got \$163 million in foreign assistance in fiscal 2008, and another \$200 million the next fiscal year. A lot of American taxpayers might not appreciate that the same Liberian government that is on the U.S. dole spent, in 2008 alone, a whopping \$560,000 to lobby American legislators. American workers get shaken down to pay foreign governments who lobby American legislators to hand out even more to the foreign governments — a vicious daisy chain that bleeds the taxpayers in this country.

As the *Milwaukee Journal-Sentinel* reported, Representative Gwen Moore (D-Wis.) decided that Liberia needed funding and “delivered a speech on the House floor calling for the repeal of a federal rule enacted in the '90s meant to provide Congress with additional oversight on Liberia at a time when the warlord Charles Taylor led the country. Moore argued the rule was no longer needed, given the democratic election in 2005 of Ellen Johnson Sirleaf, Africa's first female head of state.”

Oversight of American tax dollars must be part of the dread “patronage” we are supposed to avoid. Meanwhile, the foreign handout establishment continues to be a detriment to real progress in a number of different regards. It is actual paternalism to believe that foreign countries can't develop on their own. As Lord Bauer found, foreign aid is more than a waste of money; it actually works against progress. As he wrote: “All developed countries began as underdeveloped. If the notion of the vicious circle were valid, mankind would still be in the Stone Age at best.”

Thus, in much of Latin America, for another example, not only is government-to-government aid not working, it is often retarding those efforts that could be of help. The Inter-American Development Bank (IDB) is a case in point. Mary Anastasia O'Grady, writing in the *Wall Street Journal* last year, made a strong case against the IDB, concluding:

It is obvious that economic liberty and property rights are the key drivers of development, and that there is no correlation between the volume of foreign aid a country receives and its respect for these values. Yet what is more troubling is the IDB's reputation for working against liberalization in the region, most notoriously, against the flat tax. With its institutional checkbook it easily overpowers civic groups that try to limit the power of government. In doing so it promotes neither development nor just societies.

Perhaps you want to grant the benefit of the doubt that many of those who are distributing other people's money have benign intentions. In some cases, it is no doubt true. Good intentions are not enough when one is causing more harm than good. The instigators and propagandists know just what they are accomplishing. And they are doing it not with their own money, but with ours.

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