INDEX

index 1
explanation page 3
u: african growth high 4
u: african growth high 5
u: african inflation low 6
u: african economic reforms solving 7
u: african foreign investment high 8
u: south africa 9
u: at: oil hurting african economies 10
u: at: oil hurting african economies 11
u: investments high now 12
u: ssa deficits declining 13
u: assistance low now 14
u: global growth high 15
link: public health assistance 16
link: aid hurts growth 17
link: aid hurts growth 18
link: aid hurts growth 19
link: aid inflationary 20
link: aid inflationary 21
link: aid hurts growth 22
link: aid hurts investment 23
link: aid hurts foreign trade 24
link: foreign aids causes dependence 25
link: externally imposed growth = crash 26
internal link: africa key to global economy 27
internal link: inflation destroys growth 28
internal link: inflation destroys growth 29
impact: inflation causes poverty 30
impact: inflation = starvation 31
impact: aid fules poverty 32
impact: aids hurts democracy 33
impact: civil wars in africa 34
impact: terrorism, no democracy 35
at: case outweighs 36
at: aid can increase productive capacity 37
at: aid causes reforms 38
at: aid causes reforms 39
at: aid solves poverty 40
at: aid solves poverty 41
at: technical assistance creates growth 42
at: conditioning aid solves impact 43
at: conditioning aid solves impact 44
at: conditioning aid solves impact 45
at: conditioning aid on structural adjustments solve 46
aff: nu aid will triple in future .... **Error! Bookmark not defined.**
aff: nu aid high now .... **Error! Bookmark not defined.**
aff: nu african growth low .... **Error! Bookmark not defined.**
aff: nu foreign investment low .... **Error! Bookmark not defined.**
aff: nu: inflation high now .... **Error! Bookmark not defined.**
aff: aid not inflationary .... **Error! Bookmark not defined.**
aff: foreign aid good for economies .... **Error! Bookmark not defined.**
aff: growth does not help poor .... **Error! Bookmark not defined.**
aff: africa not key to global economy .... **Error! Bookmark not defined.**

aff: aid offsets ducth disease ....**Error! Bookmark not defined.**

EXPLANATION PAGE

What is Dutch Disease? It is when a country experiences a sudden influx of cash (like the Dutch did when they discovered off-shore oil) and a few bad things happen that ends up net worse for the economies: 1) the currency gets a boost, but it is externally imposed, temporary cash so it is not sustainable (setting them up for a crash later) and it drives up the exchange rates, hurting the ability of countries to export their goods. 2) It causes inflation—more cash, higher wages, expensive foreign goods. Inflation is especially bad for the poor.

What is this best to run against? It links bets to affs that cause a large infusion of resources because that is the link—the GHS or gag rule affs would be great candidates.

Does it matter if the aff is government to government or NGO's? No, the links have to do with sudden rise in wages and the addition of outside goods so it does not really matter how that happens.

You may need a uniqueness CP to ban future increases in aid. It seems to be just true that aid is increasing now so it is hard to win that the DA is unique. You might want to CP to ban future foreign aid to SSA so that the DA is viable.

Are there cards in the file that are good for other arguments? This file is handy because you can go for the aid solvency take-outs even if you do not go for the DA. Read through it, you might even cut and paste some of the cards into your "aid fails" solvency frontline.

U: AFRICAN GROWTH HIGH

Growth in Africa could be sustainable—improvements now are setting the stage for crucial reforms.

Business in Africa 07 (Jennifer Blanke, "Growth—Sure, But Competitiveness Lags the World," 7-3-07, http://allafrica.com/stories/printable/200707030922.html)

After prolonged economic stagnation, and at times even decline, Africa is experiencing an economic resurgence. Between 2001 and 2006, growth in gross domestic profit (GDP) averaged 4,9 percent annually, according to the International Monetary Fund (IMF). In 2006, Africa as a whole grew by an impressive 5,5 percent and sub-Saharan Africa in particular by 5,7 percent. In 2007 these rates are expected to increase even further - to 6,2 and 6,8 percent. In particular, foreign direct investment (FDI) has been picking up, with increasing activity by booming emerging markets, drawn by the continent's rich natural resources. Accordingly, the overall outlook for the region's economic prospects is broadly optimistic. Despite this newfound optimism, questions remain as to how sustainable this growth will be over the longer run. Even though the continent is experiencing its highest growth since the 1970s, and even though significant progress has been achieved in stabilising the macroeconomic environment in many African countries, most of the current growth has been fuelled by a confluence of external circumstances and interventions, including high commodity process, debt relief, and a favourable international economic environment. Genuinely sustainable growth, however, must be based on solid domestic foundations rather than cyclical or exogenous circumstances. Moreover, high rates of growth over decades, like those observed in developing Asian countries, are desperately needed in Africa in order to significantly raise the living standards of its people. In this context, African countries must become more competitive. To illustrate the importance of increasing the region's competitiveness, a comparison of the growth rates of Africa with those of developing Asia and the world average since 1980 shows that throughout the 1980s and 1990s Africa's growth rates were mostly below the world average, and consistently below the developing Asia average. Since the beginning of this decade, African growth rates have finally exceeded those of the world average. At the same time, growth rates continue to be much lower than the group of developing countries from Asia, a region that has raised the living standards of its citizens significantly over recent decades. Continues…. The relatively positive economic outlook across much of Africa, coupled with the renewed focus and increased attention from several institutions within the region and beyond, now provide a promising opportunity to make the institutional and structural changes needed to put countries in the region on a more sustainable growth path and to pave the way for a more prosperous future.

Uniqueness- Africa's economy is expected to grow by 6% throughout 2007 and 2008

Agence France Presse- 07 (5-28 "Africa heading for six percent growth in 2007: UN", http://web.lexis-nexis.com/universe/document?_m=c3330ca4f8c8def9c9b60a61224a9f94&_docnum=19&wchp=dGLbVlz-zSkVb&_md5=ab8af23e7f9e966ba57968bf998baa08)

Africa's economy is expected to grow by around six percent in 2007 but most of the continent's countries will still fail to meet poverty-reduction targets, a United Nations report said Monday. The forecast, drawn up by the UN's department of economic and social affairs (UNDESA), said that the strong performance was likely to continue into 2008 largely thanks to the traditional economic powerhouses of Africa such as South Africa and Nigeria. "Africa remains on the march to economic prosperity. The economies of the continent are expected to grow by six percent in 2007, at a slightly stronger pace than in 2006 when an average growth of 5.6 percent was posted," said the report which was released in Johannesburg.

U: AFRICAN GROWTH HIGH

The Sub-Sahara economy is flourishing—continued growth expected.
Business in Africa, 07 (Africa: Growth - Sure, But Competitiveness Lags the World, Jennifer Blanke, http://allafrica.com/stories/200707030922.html, 7/3/07)

After prolonged economic stagnation, and at times even decline, Africa is experiencing an economic resurgence. Between 2001 and 2006, growth in gross domestic profit (GDP) averaged 4.9 percent annually, according to the International Monetary Fund (IMF). In 2006, Africa as a whole grew by an impressive 5.5 percent and sub-Saharan Africa in particular by 5.7 percent. In 2007 these rates are expected to increase even further - to 6.2 and 6.8 percent. In particular, foreign direct investment (FDI) has been picking up, with increasing activity by booming emerging markets, drawn by the continent's rich natural resources. Accordingly, the overall outlook for the region's economic prospects is broadly optimistic.

Sub-Saharan Africa economy growing and becoming more sustainable.
Bio-Tchane, 07—IMF Africa Director – 2007 (Abdoulaye, 6-28 http://www.imf.org/external/pubs/ft/survey/so/2007/INT0628A.htm)

Bio-Tchané: First, African oil producers have saved a significant part of their additional revenue. This cautious stance is serving them well. It will allow them to judiciously raise priority spending—such as in the health and education sectors—but also increase investment in infrastructure as their capacity to absorb improves. And it minimizes the macroeconomic risks from the inflows. Second, the recent commodity boom and rapid growth in Asia have improved sub-Saharan Africa's export prospects. The time may be ripe for the region to reverse the long-term decline in its share in world trade. Commercial exchanges with Asia, particularly China, have expanded dramatically—although European Union countries and the United States still account for 2½ times the exports that go to Asia. Finally, improved macroeconomic performance and debt relief have altered the medium-term debt outlook for many countries. Domestic debt markets have become more active, and foreign portfolio investors are taking an active interest in several countries.

Growth in Africa is high and increasingly sustainable.
AllAfrica.com, 07 – (5-29, Africa: Growth Strong, But Not Enough to Meet Development Goals http://allafrica.com/stories/200705290668.html)

Among developing countries, growth in Africa has maintained a strong pace, reaching almost 5.6 per cent in 2006. Many countries in Africa have sustained a relatively strong recovery since 2003, driven by increasing hydrocarbon export earnings, vibrant global demand for, and favourable international prices of, some non-oil commodities, vigorous domestic demand, and markedly growing FDI flows and donor support. This contrasts with a much poorer performance in the African countries suffering from protracted civil unrest and political disturbances, adverse weather conditions and/or decreased tourism revenues. The region's GDP is expected to expand by 5.6 per cent in 2007.

Growth high and sustainable in Africa.
Reuters, 07 (Sujata Rao, 04-14-2007, IMF sees sub-Saharan Africa '07 GDP growth at 6.7 pct, http://africa.reuters.com/business/news/usnBAN432470.html)

Economic growth in sub-Saharan Africa will accelerate this year to 6.7 percent, the highest in a decade, but more reform is essential if the gains are to stabilise and broaden, the IMF said on Friday. The International Monetary Fund (IMF) said in its annual report on sub-Saharan Africa that while oil-exporting countries would likely see their economies expand by 10 percent or more, non-oil states will also grow by around 5 percent in 2007. The forecast compares with 5.4 percent growth last year, and the fund said trend growth appeared to be gradually inching towards the 7 percent established under the Millennium Development Goals aimed at reducing poverty on the continent. "The higher growth in the region is attributable both to positive external developments such as strong foreign demand and to strong domestic investment and productivity gains supported by sound economic policies in most countries," the report said. Optimism over sub-Saharan Africa has grown in recent years, thanks to debt relief, global economic expansion, high prices for commodities such as oil and a general improvement in policy-making.

U: AFRICAN INFLATION LOW

Inflation has moderated and economic growth is expected in Sub-Saharan Africa.

IMF Press Release, 07 – (4/13, IMF Sub-Saharan Africa Regional Economic Outlook Cites Region's Strong Growth Prospects, Highlights Risks and Medium-Term Challenges, Press Release No. 07/70, http://www.imf.org/external/np/sec/pr/2007/pr0770.htm)

GDP growth in Sub-Saharan Africa is projected to rise to about 6½ percent in 2007, driven mainly by rising oil production in a number of countries. Even in oil-importing countries, growth should remain steady at about 5 percent. Inflation for the region is projected to remain unchanged at about 7 percent; three-quarters of the countries are expected to record single-digit inflation. These are among the key findings of the April 2007 IMF Regional Economic Outlook for Sub-Saharan Africa. For the third consecutive year, economic growth in Sub-Saharan Africa remained strong at 5.4 percent in 2006 slightly lower than the 6 percent recorded in 2005. Because of constraints faced in expanding oil production, growth in oil exporting countries declined to 5.6 percent in 2006 from 7.9 percent in 2005. By comparison, growth in oil-importing countries at 5.3 percent was almost unchanged from 2005: nearly half of them recorded growth of 5 percent or more, supported by strong demand for nonfuel commodity exports, a good agricultural season, and rising investment.

Sub-Saharan economies are expected to grow with low inflation.

SouthAfrica Info 07 ("Sub-Saharan Africa to grow 6.5%," 4-24-07, http://www.southafrica.info/africa/imf-africa-170407.htm)

Economic growth in sub-Saharan African countries over the past three years has been the best in more than three decades, driven by higher oil revenues, high commodity prices and debt relief. The International Monetary Fund's (IMF's) Regional Economic Outlook for Sub-Saharan Africa, released in early April, predicts that growth in the region will rise to about 6.5% in 2007, driven mainly by rising oil production in a number of countries. The report adds that even oil-importing countries will experience economic growth at about 5%. Inflation for the region is projected to remain unchanged at about 7%, with three-quarters of the countries expected to record single-digit inflation. Economic growth in sub-Saharan Africa stood at 5.4% in 2006, slightly lower than the 6% experienced in 2005. Economic growth in oil-producing countries dropped, however, from 7.9% in 2005 to 5.6% in 2006, due to capacity constraints in expanding oil production. According to the IMF report, African oil-exporting countries have taken advantage of large windfall profits in recent years and, in contrast to previous commodity price booms, have saved a significant part of this additional revenue. "The challenge for public policy and policymakers is to create the necessary space for higher and effective public spending," the IMF said in a statement. Growth in oil-importing countries remained almost unchanged at 5.3%, supported by a strong demand for non-fuel commodity exports, a good agricultural season and rising investment. "The higher growth trend in sub-Saharan Africa is attributable both to positive external developments, such as foreign demand and high commodity prices, and strong domestic investment and productivity gains," the IMF said.

U: AFRICAN ECONOMIC REFORMS SOLVING

Economic reforms are encouraging growth.

World Bank, 07 – (4/6/07, "The Africa Action Plan," p. 14 http://siteresources.worldbank.org)

Before 2005, African countries were slow to reform, but the pace has picked up in the last two years. High-level Presidential investor's councils or similar bodies are active in seven countries, such as Mozambique, Rwanda and Tanzania. Benchmarking— via the Bank's Doing Business and Investment Climate assessments— has proven useful in focusing high level attention on the business environment. Africa has moved up from the slowest region to the third fastest in the pace of business reforms. Two thirds of African countries have made one or more business environment reforms in the past year, and Ghana and Tanzania rank among the top 10 reformers in the world. Although financial depth remains low, signs of recovery are encouraging. Real private sector credit as a share of GDP has turned the corner, reaching almost 13 percent in 2005, about a third higher than at its low point in 1996.

Good economic reforms are helping now, inflation in Africa reverses that trend and slams the poor.

MSU Agricultural Economics '02 (Michigan State University, A Strategy for Cutting Hunger in Africa,http://www.aec.msu.edu/fs2/africanhunger/wolgin_eng2.htm, 5/22/02, It is co-chaired by Michigan State University President M. Peter McPherson, Mali President Alpha Oumar Konaré, Senator Robert Dole, and Lee Hamilton).

Over the past fifteen years most African states have dramatically reformed their economic policies. This is most evident in the macroeconomic arena, where government deficits have been reduced to sustainable levels, resulting in substantial reductions in inflation (from 13.6% in 1980 to 8.4% in 1997). The median fiscal deficit in SSA (for countries in which there are data for both years) decreased from 4.8% in 1980 to 2.2% in 1997. Equally important, exchange rate regimes have been liberalized and the price of foreign exchange now, in most countries, reflects its scarcity price. (16) These two policies are critically important for poverty and hunger. Inflation is the cruelest tax on the poor, who have no way of investing their limited financial resources in assets that maintain their value in times of high inflation.

U: AFRICAN FOREIGN INVESTMENT HIGH

Africa is the new economic frontier—foreign investment is rapidly growing.

The Nation 07 (Allan Ngugi, "Africa: Second Scramble for Africa is On," 7-9-07, http://allafrica.com/stories/200707090967.html)

EVIDENCE OF INCREASING Interest in Africa, especially in the areas of trade and investment, is mounting. Besides the Chinese who have taken the continent by storm, India is following suit. So are South Koreans, Turks, Russians and Brazilians. Malaysians, Thais and others are also in the game. For a continent that has long been shunned, except where exploitation of its vast natural resources is concerned, this kind of interest is quite astounding. Ironically, the West, which has long dominated Africa, is slowly being edged out by these emerging economies. But it is not that these increasingly powerful economies are doing this in a vacuum. For the last 15 years, most African economies have improved so tremendously that other nations would be hard-put to ignore them. Take, for instance, some of the once war-torn countries. They have been at the forefront in economic growth rates and rising prosperity. Mozambique and Angola, both of which endured centuries of Portuguese colonialism and subsequent internecine strife, have been averaging over seven per cent growth rates. While Angola's economy is driven by its huge reserves of oil, Mozambique's has been driven by a fervent capitalism that belies its once-socialist system. In Ethiopia which was brutalised by the Mengistu dictatorship, current Prime Minister Meles Zenawi was a few months ago quoted in the media as extolling a 10 per cent growth rate. Some of Kenya's horticulturalists have either decamped there or threatened to do so. Equatorial Guinea, burgeoning with oil, has been raking in high double-digit growth rates. And some of its neighbours such as Gabon and Cameroon have not been doing badly either. BOTSWANA, WHICH MOSTLY COMprises the Kalahari desert, has a currency, the Pula, that is stronger than the South African Rand. Of course, it would be unfair to leave out the Eastern African states, which have shown clear evidence of rising growth rates. Rising from the ashes of the long disaster of no-growth in the 1990s, Kenya, this year, recorded a 6.1 per cent growth. Even with questions over whether this has actually filtered down to the common people, evidence of a resurgent economy is quite visible. The upshot of all this growing interest in Africa is clear; this continent can longer be ignored. Although it remains poor and backward in many fields, it also happens to be the last frontier of economic activity that other economies must seek for market and trade. For instance, in the ICT sector, Africa has been growing quite fast. In Kenya, mobile telephony has reached over 7 million in just six years and, apparently it is only the high connectivity costs that are an impediment to higher subscriber growth. Multi-billion dollar deals have been transacted across the continent establishing vast communications networks. FM stations and television networks now dot every country in Africa where only a few years ago, its denizens used to be treated to stolid, boring, State-owned outlets dishing out propaganda. Such business opportunities, which are said to offer higher returns for investors, are being gobbled up by Africans themselves, and everyone else with dollars to invest.

U: SOUTH AFRICA

South Africa's economy has stabilized.

BuaNews, 07 – (Shaun Benton, Investments Boost Economy South Africa, http://www.africainteractive.net/index.php?PageID=5104, 7/5/07)

The rise in fixed investment has stabilised the South African economy, and will protect it from any sudden downturn that might result from a fall in commodity prices or domestic consumption, Trade and Industry Minister Mandisi Mpahlwa has said. Briefing the media in Pretoria this week, Mpahlwa also quelled concerns around issues like the recent spate of interest rate hikes and their effect on economic growth. While the economy has been growing since 1999, and registering an average growth of 4.5% since 2004, many have seen this as being driven by high global commodity prices, along with strong domestic consumer demand.

South Africa's economy is flourishing – inflation is low.

The Heritage Foundation, '07 (Index of Economic Freedom, http://www.heritage.org/research/features/index/country.cfm?id=SouthAfrica)

South Africa enjoys fairly high levels of business freedom, fiscal freedom, monetary freedom, freedom from government, and financial freedom. The government has been working to increase the transparency of commercial regulations. Income tax rates are high, but corporate taxes are relatively moderate, and overall tax revenue is moderate as a percentage of GDP. Inflation is low, and the government actively subsidizes the market prices of only a few staple goods. South Africa's financial system is the most developed in Africa. South Africa's investment freedom, property rights, and freedom from corruption could be improved. The judicial system is slow, primarily because of understaffing and inefficiency. Race laws and unclear regulation hamper foreign investment, but the legal environment is free from political interference and the threat of expropriation.

U: AT: OIL HURTING AFRICAN ECONOMIES

Oil is generating positive economic growth in Africa.
Bloomberg, 06 ("Sub Saharan Africa Growth to Reach 6.3%, IMG Says," African Growth, Engineering news, http://www.engineeringnews.co.za/article.php?a_id=93862)

Sub-Saharan Africa's economy will probably expand 6,3 percent next year, the fastest pace in more than three decades, boosted by higher output from oil-exporting countries such as Angola, the International Monetary Fund said. Growth in the region is forecast to reach 5,2 percent this year, the third consecutive year it will exceed 5 percent, the Washington-based lender said in its semi-annual World Economic Outlook released on Thursday in Singapore. Next year's growth rate will be the highest since 1971. Rising oil prices have boosted investment in countries such, as Angola, Sub-Saharan Africa's second-largest oil producer. Other African nations have benefited from higher prices for commodities, such as gold and copper and increased aid and capital flows, easing the effect of high oil prices, the IMF said. "`Oil-exporting countries have contributed significantly to this strong performance," the IMF said. "Growth in oil-importing countries, although lagging that in oil exporters by a substantial margin, has also been surprisingly robust." Economic growth in oil-exporting countries will probably accelerate to 9,1 percent next year from 6,7 percent this year, the IMF forecast, while growth in oil-importing countries will slow to 4,5 percent from 4,8 percent. Angola's economy will probably expand 31 percent in 2007, more than double the growth rate expected this year, and making the southern African nation the fastest growing economy on the continent for a third consecutive year.

High oil prices are not pushing inflation.
Kuwait News 07 (Roland Jackson, "Global economy is resisting high oil prices," 7-18-07, http://www.kuwaittimes.net/read_news.php?newsid=MTA3MDI1MTgxMQ==)

The world economy is bounding ahead, largely unaffected by record high crude oil prices, which have quadrupled over the past six years, economists say. Oil prices have surged close to record peaks in recent days owing to tight global supplies and fierce demand led by the United States and China - the first and second biggest consumers of energy in the world. A barrel of crude oil on world markets cost just $20 at the start of 2001 - and has since risen to close to $80. The world economy will grow by a robust 4.9 percent this year and next, slightly down from 5.4 percent in 2006, according to forecasts from the International Monetary Fund. Deutsche Bank economist George Buckley argues that recent bumper gains in crude oil prices will be unlikely to crimp global economic growth. "It could be the other way around," Buckley said. "I think it's more likely that the strength of global growth is pushing commodity, including oil, prices up quite sharply. He explained that the economic growth rates of China and other emerging countries were "good reasons to think why oil prices have gone up so much". According to the International Energy Agency, growth in global oil demand stood at just 0.9 percent in 2006, when the market was rocked by record high prices. But the IEA's current world forecast for this year is 2.0 percent - despite oil prices soaring close to historic high points. And emerging economic powerhouse China is forecast to record growth in oil demand of 5.0 percent in 2007. Meanwhile, the OPEC oil producing cartel on Monday held its forecast for growth in global oil demand in 2007 at 1.5 percent, or 1.3 million barrels a day. The Organisation of Petroleum Exporting Countries, which pumps almost 40 percent of global crude, said demand would be particularly strong in the booming economies of China and India and in some Middle East countries. Growth would be "more moderate" in western industrialised states, it said. Capital Economics oil market analyst Simon Hayley believes the world economy is far more resilient to oil price increases than in previous decades. "Developed economies have got a lot less oil-intensive since the 1970s," Hayley noted. "Now these economies are more service-based so there's a smaller proportion of GDP (gross domestic product) that is directly affected by these prices." Also, due to the greatly reduced power of trade unions, higher oil prices were less likely to fuel significant wage inflation, he added. Other analysts note that consumers have more faith in the ability of central banks to control inflation nowadays, meaning they are less likely to make big wage demands in anticipation of future price rises.

U: AT: OIL HURTING AFRICAN ECONOMIES

Foreign aid leads to corruption, it is worse than sudden oil revenue.
Kristof, 06 (Nicholas, "Aid: Can It Work?", New York Review of Books, October 05, http://www.nybooks.com/articles/19374 / ttate)

Troubling as it is to say so, there may be a parallel between the impact of oil on a poor economy and the reception of aid in the ways by which they both promote corruption and also cause problems for other businesses and enterprises. Several studies have found that high levels of aid can lead to more corruption and worse government. Easterly even cites one study between 1960 to 1999 in which aid appeared to have a more corrosive effect on democracy than oil.

Oil-created Dutch Disease won't kick in until oil runs out.
Sieff, 07—research associate at Revenue Watch Institute – 2007 (The New York Sun, The Dutch Disease in Africa, http://www.nysun.com/article/55946, 6/6/07)

Economists have named this paradox the "Dutch disease," which refers to the impact on a country's exchange rate once it starts selling a valuable commodity, like oil, on the international market. As large amounts of foreign exchange flood in, the value of the country's own currency rises. Imported products become cheaper, and everyone rushes to buy foreign goods rather than local bananas and cassava. This isn't a problem until the oil runs out, and a developing country finds itself without a traditional agricultural or manufacturing sector to fall back on.

U: INVESTMENTS HIGH NOW

Investments in emerging markets high now.

Report Business 07 (Angela Barnes, "Optimism increases about global growth prospects," 7-19-2007, http://www.theglobeandmail.com/servlet/story/LAC.20070719.RMERRILL19/TPStory/Business)

Institutional investors around the world have become somewhat more confident about global growth prospects and have raised their appetite for risk despite the volatility in the market and recent credit market concerns, according to Merrill Lynch & Co. Inc.'s latest monthly survey of global fund managers. With the change in attitude, which has been developing over the past few months, has come a greater pro-cyclical stance on the part of institutional investors and an increased willingness to invest in global emerging markets stocks. The survey's composite index of growth expectations climbed to 46 in July, its highest level in more than a year. The latest reading has climbed from 45 in June and 33 in April as more investors see the global economy strengthening or remaining about the same over the next 12 months. Not only are the investors more upbeat about the global economy, they are also more optimistic about corporate profits, with 32 per cent of respondents anticipating that profits will improve either strongly or slightly over the next 12 months, up from 27 per cent in June. As a result, asset allocators have been putting their money to work, moving to fully invested postures and dropping their cash balances to the lowest in more than three years. Cash balances averaged just 3.4 per cent in the latest survey, down from 3.7 per cent in June and 3.9 per cent in April. Emerging markets have been the main beneficiary of the more bullish outlook on the economy and profits and the rise in risk appetite.

U: SSA DEFICITS DECLINING

The Sub-Saharan Africa deficit is declining.

IMF Regional Economic Outlook, 07—(April 7, http://www.imf.org/external/pubs/ft/reo/2007/AFR/ENG/sreo0407.htm)

SSA's external debt continued to decline in 2006 as a result of comprehensive debt relief from the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI), and the Paris Club agreement with Nigeria. Reflecting these factors and strong GDP growth, debt in SSA (excluding South Africa) declined by 18 percentage points, to 24 percent of GDP (Figure 2.7). Nigeria's debt to Paris Club creditors was reduced by $18 billion.6 Sixteen countries in SSA received MDRI debt relief from the IMF in 2006 valued at $3.0 billion, including Cameroon, which reached the HIPC completion point in April, and Malawi and Sierra Leone, which reached it in August and December, respectively. Eight more SSA countries could qualify for MDRI relief once they reach the HIPC completion point.

U: ASSISTANCE LOW NOW

Development assistance low now.

Nkusu, 04—(Mwanza, Senior Economist at the IMF, IMF Working Paper, "Aid and the Dutch Disease in Low-Income Countries: Informed diagnosis for prudent prognosis," March, http://www.internationalmonetaryfund.com/external/pubs/ft/wp/2004/wp0449.pdf)

Since the late 1990s, the international community has increased its focus on poverty reduction as the overarching objective of economic policy for low-income countries (LICs). It has also recognized the importance of increasing official assistance, including through debt relief, to support the implementation of poverty reduction strategies in poor countries. Despite the rhetoric in international forums, total official development assistance (ODA) per capita, as well as in percent of gross national income (GNI) of recipient countries, has been trending down even though many countries, because of insufficient domestic resources, still rely heavily on it to finance investment (see Table 1).2 For the few countries whose ODA inflows have increased, the large government spending that aid allows tends to create macroeconomic management problems that raise concerns of undermining prospects for long-term growth through Dutch-disease-type effects, namely real exchange rate (RER)3 appreciation and a shrinkage of the tradables sector.

U: GLOBAL GROWTH HIGH

Global growth is expected to remain high but inflation is a risk.

Chinaview 07 ("Global economy performs well, risks remain," 6-25-07, http://news.xinhuanet.com/english/2007-06/25/content_6286890.htm)

The performance of the global economy over the last few years has been extraordinary, and high level growth is expected to continue in 2007, the Bank for International Settlements (BIS) said on Sunday. In its annual report, the Basel-based BIS, known as the central bank of central bankers, said the real growth of global economy has been maintained around levels that are among the highest recorded in the postwar period, and many of the world's poorest countries have shared in this growing prosperity. It noted that underlying inflation levels have generally remained subdued, despite significant upward shocks to most commodity prices. Record global trade imbalances have been easily financed and exchange rates have been generally stable. "The combination of developments is so extraordinary that it must raise questions about the source and, closely related, the sustainability of all this good fortune," the report said. At BIS's annual general meeting on Thursday, BIS General Manager Malcolm Knight highlighted the uncertainties currently facing markets and policymakers. They include the possible resurgence of global inflation, the evolution of current account imbalances, and potential vulnerabilities in financial markets and financial institutions.

LINK: PUBLIC HEALTH ASSISTANCE

Public health assistance is inflationary—the salary boosts and sudden price pressure from outside cash causes malnutrition and homelessness.

Garrett, 07 (Laurie, Senior fellow for Global Health @ Council on Foreign Relations, FOREIGN AFFAIRS, January/February, http://www.foreignaffairs.org/20070101faessay86103-p20/laurie-garrett/the-challenge-of-global-health.html)

There are three concerns regarding such dramatic escalations in external funding: the so-called Dutch disease, inflation and other economic problems, and the deterioration of national control. The UNDP is at great pains to dismiss the potential of Dutch disease, a term used by economists to describe situations in which the spending of externally derived funds so exceeds domestic private-sector and manufacturing investment that a country's economy is destabilized. UNDP officials argue that these risks can be controlled through careful monetary management, but not all observers are as sanguine. Some analysts, meanwhile, insist that massive infusions of foreign cash into the public sector undermine local manufacturing and economic development. Thus, Arvind Subramanian, of the IMF, points out that all the best talent in Mozambique and Uganda is tied up in what he calls "the aid industry," and, he says, foreign-aid efforts suck all the air out of local innovation and entrepreneurship. {See Footnote 1} A more immediate concern is that raising salaries for health-care workers and managers directly involved in HIV/AIDS and other health programs will lead to salary boosts in other public sectors and spawn inflation in the countries in question. This would widen the gap between the rich and the poor, pushing the costs of staples beyond the reach of many citizens. If not carefully managed, the influx of cash could exacerbate such conditions as malnutrition and homelessness while undermining any possibility that local industries could eventually grow and support themselves through competitive exports. Regardless of whether these problems proliferate, it is curious that even the most ardent capitalist nations funnel few if any resources toward local industries and profit centers related to health. Ministries of health in poor countries face increasing competition from NGOs and relief agencies but almost none from their local private sectors. This should be troubling, because if no locals can profit legitimately from any aspect of health care, it is unlikely that poor countries will ever be able to escape dependency on foreign aid. Finally, major influxes of foreign funding can raise important questions about national control and the skewing of health-care policies toward foreign rather than domestic priorities.

Garrett, 06—senior fellow for public health @ Council on Foreign Relations – 2006 (Laurie, The Toronto Star, August 25, http://www.cfr.org/publication/11365/whats_missing_is_political_will.html?breadcrumb=%2Fbios%2F1781%2Flaurie_garrett)

A more immediate concern is that raising salaries for health-care workers and managers directly involved in HIV programs will lead to cries for salary boosts in other public sectors, such as education and the civil service bureaucracy, spawning inflation. There is good reason to be worried: Some external programs and foreign NGOs are paying administrators, physicians and nurses up to 100 times what they can earn staying in their old health ministry jobs, and that is driving general demand for higher wages within government. If not carefully managed, the influx of cash could spark inflation, exacerbate malnutrition and homelessness in poor countries, and undermine any possibility that local industries could one day grow to be internationally competitive. Even if Dutch Disease and the inflation threat sound like so much economic mumbo-jumbo, there remain serious problems regarding local control (the "Moral Hazard" argument) and health-care skewing. At the Toronto conference, some groups asserted that foreign donors—particularly the U.S. government—already exert too much control over the design and priorities of local AIDS programs. In some countries it now seems as if the foreign NGOs are running the show. Recently, for example, the Kenyan ministry of health gave up on attempts to compile a list of all the foreign-supported HIV organizations in that country, finding the list simply too large, and the NGOs resistant to government questions.

LINK: AID HURTS GROWTH

Uganda proves that foreign aid cripples economies because they become dependent and ignore crucial reforms.

BBC, 05 ("Africans on Africa: Debt," July 7th, http://news.bbc.co.uk/2/hi/africa/4657139.stm)

Uganda is considered one of Africa's economic success stories. Yet we rely on foreign aid for nearly half the country's budget. You would assume that Uganda cannot fund its own development. But that's not the case. The government has got money, but chooses to spend it on political patronage and its army. It doesn't even collect the taxes it is owed. Allen Kagina, the Commissioner General of Uganda's tax authority, acknowledges that Uganda collects only a fraction of the tax it could. "The URA has been lax in collecting," she told me. "If donors cut off we'd have to collect 100%. We don't have the capacity to do that just yet." She does believe the URA could fund the national budget - it would be "difficult but it is achievable." And she also said that Uganda should aim to reduce donor support. But Tony Blair is talking of doubling aid to Africa. Yet some African economies are so small that the amount of aid they're getting is already skewing the economy. Foreign aid enriches politicians, bureaucrats and aid workers, whose consumption fuels inflation. The Ugandan government is receiving so much foreign aid that the economy is unable to absorb it.

Foreign aid fuels corruption and has failed to generate growth.

Williams, 06 (Walter, Syndiated Columnist, "Want to help Africa? End Foreign Aid," Oc Register, June 28th, http://www.ocregister.com/ocregister/opinion/columns/article_1194966.php)

The idea that foreign aid is a route out of poverty and political instability is not only bankrupted but a cruel and evil hoax as well. Nearly every sub-Saharan African nation is poorer now than when they became independent during the '60s and '70s. Since that time, food production has fallen by roughly 20 percent. Since 1975, per capita gross domestic product has fallen at a rate of half of 1 percent annually. Nigerian President Olusegun Obasanjo estimated, "Corrupt African leaders have stolen at least $140 billion from their people in the (four) decades since independence." The call for more aid by George W. Bush, Tony Blair and other G-8 leaders will produce nothing but more of the same. Zimbabwe provides an excellent example of why foreign aid, as a way out of poverty, is a fool's errand. Professor Craig Richardson at Salem University in North Carolina explores this further in "Learning from Failure: Property Rights, Land Reforms, and the Hidden Architecture of Capitalism," a paper written this year for the American Enterprise Institute. Not that long ago, Zimbabwe was one of the more prosperous African countries. Richardson writes, "Few countries have failed as spectacularly, or as tragically, as Zimbabwe has over the past half decade. Zimbabwe has transformed from one of Africa's rare success stories into one of its worst economic and humanitarian disasters." It has the world's highest rate of inflation, currently over 1,000 percent.

LINK: AID HURTS GROWTH

Foreign aid undermines trade competition and destroys industry growth.

Rajan, 06-- Economic Counsellor and Director, Research Department, IMF – 2006 (Raghuram G., Aid, Dutch Disease, and Manufacturing Growth, http://www.iie.com/publications/papers/subramanian0606.pdf)

To preview our results, we find strong evidence that aid undermines the competitiveness of the tradable sectors. In particular, in countries that receive more aid, manufacturing industries that are likely to be more affected by aid-induced Dutch Disease, namely labor-intensive and exportable industries, grow slower than manufacturing industries that are less likely to be affected. Furthermore, as suggested by the figures above and which we show more formally below, to the extent that aggregate manufacturing itself is more tradable than services, we find the growth of value added in manufacturing is slower in countries that get more aid. If indeed the channel is through aid's effect on real exchange rates, we should see that: (1) aid does affect exchange rates and leads to overvaluation in our sample; (2) in countries with either a greater overvaluation of the real exchange rate or with a greater aid related component of overvaluation, more exposed industries grow relatively more slowly; (3) the independent effect of aid is somewhat attenuated when we include overvaluation. Indeed, this is what we see. In sum, our work provides one reason why aid does not seem to help growth even in countries with relatively good policies -- the loss of competitiveness as aid pours in, and the consequent shrinkage of the manufacturing sector. This suggests that as aid flows ramp up, policymakers should pay particular attention to the macroeconomic management of aid inflows, to ensuring effective expenditures, and to the capacity of economies to absorb aid, if the world is not to be disappointed once again in the fight against poverty.

Aid kills growth—it crowds out the private sector, gets wasted, and enables corruption.

Erixon, 05- Chief Economist of the Swedish think tank Timbro- June 2005 (Fredrik, "Aid and development: will it work this time?" International Policy Network, http://www.policynetwork.net/uploaded/pdf/Aid_&_Development_final.pdf)

For fifty years, proponents of 'aid' have argued that poor countries are poor because they lack the funds to invest in the infrastructure that would enable economic activity to take place, which in turn means that they are unable to attract investment. Originally used to justify mega-projects, such as roads and dams, these arguments continue today in modified form, ostensibly justifying investments in schools and hospitals. Donors have justified aid with various theories and political motivations, but its core justification, the 'gap theory', is fundamentally flawed. This theory assumes that poor countries are trapped in a vicious cycle of poverty because they are unable to save and hence have insufficient capital to invest in growth-promoting, productivity-enhancing activities. But there simply is no evidence that this savings/investment 'gap' exists in practice. As a result, aid has failed to 'fill the gap'. Instead, it has, over the past fifty years, largely been counterproductive: it has crowded out private sector investments, undermined democracy, and enabled despots to continue with oppressive policies, perpetuating poverty. The reason countries are poor is not that they lack infrastructure – be it roads, railways, dams, pylons, infrastructure – be it roads, railways, dams, pylons the institutions of the free society: property rights, the rule of law, free markets, and limited government. In a majority of poor countries, the average poor person is typically unable to own and transfer property. Courts of law are slow, expensive and corrupt. Government plays a large role in the economy and government policies undermine incentives to engage in mutually beneficent economic activities. A review of the evidence suggests that when money is given to the governments of countries that do not have these institutions, it is not spent wisely. Very often, aid is spent on projects that benefit the political leaders at the expense of the citizens. Almost always, the money crowds out investment by the private sector and – because government is not good at making investment decisions – it undermines economic development. Often it has bolstered corrupt regimes that would otherwise have been thrown out.

LINK: AID HURTS GROWTH

Foreign aid crowds out foreign investment, undermines democracy and discourages reforms that could promote real growth.

Mills 06 – Ph. D, head of the Brenthurst Foundation, based in South Africa, which is dedicated to strengthening African economic performance – 2006 (Greg, "Ten Things that Africa Can Do for Itself," February 27, Heritage Foundation, http://www.heritage.org/Research/Africa/hl923.cfm)

Those that oppose this increase do so on the grounds of the feasibility of using aid for develop-ment. Aid, proponents of this view would argue, is less part of the solution than the problem, given that it distorts the market by crowding out investment, undermining democracy, and removing incentives to reform the underlying reasons for continued poverty—the absence of property rights, the rule of law and free markets, and burdensome government. Also, there is the notion that filling the savings gap from outside (the difference between real and required rates of savings neces-sary for high growth rates) tends to inflate the importance of aid as much as it reduces the role of governance. But the first home truth is that the answer to the aid-development conundrum is thus not one of morality first, nor is it one of feasibility first; it likely lies between these two poles. But this does mean that constituencies both inside and outside Africa remain to be convinced about the effectiveness of aid. The second challenge is to shift focus solely from the external barriers to trade and development to examine Africa's domestic capacity. Money is of itself not the sole problem facing Africa; otherwise the continent would now be wealthy given both the volume of aid squandered and the volume of money moved offshore. The reality is instead that the solution goes beyond simple accounting to a more complex and difficult-to-apply formula of governance, political patience, and statehood.

Aid creates dependence, not economic growth.

Reuters 05 (Reuters – "Some US experts dispute Africa aid's effectiveness," June 15, http://www.iiss.org/index.asp?pgid=4014)

Even as President George W. Bush pledged to speed aid to Africa, U.S. foreign policy experts and at least one prominent private donor wondered if traditional aid has done more harm than good. "Aid is the one commodity Africa has never been short of, and it has failed dismally time and time again," De Beers Chairman Nicky Oppenheimer said in a speech in London, which was replayed in Washington on Wednesday at a forum of the Council on Foreign Relations. Oppenheimer, a member of one of Africa's richest families and an executive at its best-known diamond mining concern, said in the decades since colonial powers have left Africa, the continent has received more than $1 trillion in aid -- a figure much higher than the $400 billion others estimate. But whatever the amount, Oppenheimer said the heavy flow of aid has sometimes hurt those it was meant to help. "For all the talk of partnership between Africa and donor nations, aid develops dependence on the donor to the extent that in some of the poorest countries, where it constitutes more than 50 percent of the national budget, it has surely become a form of neo-colonialism," he said.

LINK: AID INFLATIONARY

Foreign aid is ineffective and inflationary.

Ranis, 06—professor emeritus of international economics at Yale – 2006 (Gustav, "Toward the Enhanced Effectiveness of Foreign Aid", www.econ.yale.edu/growth_pdf/cdp938.pdf)

Turning first to the quantitative side of the ledger, there seems to be a substantial long-standing consensus in the literature that aid has usually caused a major displacement – though not necessarily one for one - of domestic savings, i.e. causing a reduction in domestic taxes and private savings. Everywhere, but especially in Sub-Saharan Africa where foreign aid has been relatively large, i.e. 13% of GDP on average, aid seems to have crowded out instead of crowding in private investment. This effect, though again causal analysis is hard to come by, has presumably been due in part to a preference for consumption and in part to the so-called "Dutch Disease," the narrow version causing a strengthening of the exchange rate via an increase in the spending on non-tradables and a decline in exportables, especially of the labor-intensive variety. The larger problem, and the larger and more recent disappointment, undoubtedly rests with the failure of aid to have made a positive qualitative impact on recipient country behavior. Today, the general assessment, even by the major donors, including the World Bank, is that the provision of dollars cum advice, coupled with conditionality, has been generally ineffective. There are questions about the extent to which the policies suggested as part of those packages were really flexible enough to fit particular country cases, the extent to which the behavior of recipients was, in fact, affected in a positive way, and last, but not least, whether, in fact, aid ended up infecting recipients with a broader and more virulent strain of the Dutch Disease, one creating a scramble for the additional rents, causing increased corruption, a reduction in checks and balances, and generally impacting decision-making negatively.

Foreign aid is used to purchase nontradeable goods—pushing up prices, overvaluing currency, and causing inflation.

Bulir and Lane, 02 – (Ales and Timothy, IMF, Finance and Development Quarterly Magazine, "Managing the Fiscal Impact of Aid," Volume 29, Number , December, http://www.imf.org/external/pubs/ft/fandd/2002/12/bulir.htm#author)

But even if aid is used judiciously, other serious but less obvious problems may arise. First, aid recipients may contract what is known as "Dutch disease"—a syndrome often seen in countries that have a windfall after discovering oil. The windfall is typically spent on nontraded goods, pushing up demand and relative prices for these goods and causing the currency to appreciate, thereby making the country's exports uncompetitive and reducing revenues from non-oil sectors. Second, donor countries' actual disbursements of aid tend to fall short of their commitments. Third, aid shortfalls are not wholly predictable: aid flows are volatile and less reliable than other sources of revenue. These problems add up to major fiscal headaches for aid-dependent countries.

LINK: AID INFLATIONARY

Foreign aid is inflationary.

Putterman, 03— professor of Economics at Brown University – 2003 (Louis, Chapter 16 – Primary Exports, p. 10-11. http://www.econ.brown.edu/fac/Louis_Putterman/courses/ec151/Chapter_16.doc)

The Netherlands, Indonesia, and Nigeria are examples where a boom in the prices of an export or the quantity of an export made the economy worse off than before; the boom in revenue brought in by the good impaired the country's ability to continue exporting other goods, such as manufactured products in Holland and agricultural products in Nigeria the influx of foreign currency from the export boom causes the demand for nontradeables within the country to increase; this increased demand creates inflation and the prices of nontradeable goods rise within the country; because the price of nontradeables rises and the exchange rate remains fixed, the RER appreciates (decreases)
because the price of labor and other resources rise within the country due to inflation, the costs of primary products and manufactured exports increase; although costs increase, producers must export at world prices – as a result, they will earn less from exports than before; thus, a boom in an export industry can hurt other export industries
similarly, an influx of foreign aid could also create inflation and cause the RER to appreciate; this can have the same effect as a boom in an export industry; foreign aid also encourages imports which can affect a country's trade balance.

Foreign aid causes African exchange rates and inflation to skyrocket, discouraging trade and tanking development.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 61-62)

"Dutch disease" is the inflation and real appreciation in exchange rates that can arise from large increases in foreign exchange, whether from sudden increases in export prices and earnings, from sizable inflows of commercial capital or foreign direct investment, or from surges in foreign aid. Such windfalls in foreign exchange, if they are spent on domestically produced goods in sectors where employment and capacity utilization is high, can increase the price of those goods and contribute to general inflation. Inflation, in turn, leads to a real appreciation in the exchange rate, discouraging exports and encouraging imports. A major case of the Dutch disease can undercut a country's development. This is a widely observed effect of windfall foreign-exchange earnings in oil-producing countries. Some economists and government officials in donor countries as well as in Africa have speculated that large flows of foreign aid may be causing a real appreciation of exchange rates, when what is required are real depreciations in exchange rates to restrict imports and stimulate exports.

LINK: AID HURTS GROWTH

Foreign aid feeds corrupt officials and leaves the continent in debt—it cannot promote growth.

Tupy 05 – assistant director of the Project on Global Economic Liberty at the Cato Institute – 2005 (Marian, "Poverty that Defies Aid," CATO Institute, June 19, http://www.cato.org/pub_display.php?pub_id=3920)

And so, between 1960 and 2005, foreign aid worth more than $450 billion, inflation adjusted, poured into Africa. Result? Between 1975 and 2000, African gross domestic product (GDP) per capita declined at an average annual 0.59 percent rate. Over the same period, African GDP per capita fell from $1,770 in constant 1995 dollars adjusted for purchasing power parity (PPP) to $1,479. In contrast, South Asia performed much better. Between 1975 and 2000, South Asian GDP per capita grew at an average annual 2.94 percent. South Asian GDP per capita grew from $1,010 in constant 1995 dollars adjusted for PPP to $2,056. Yet, between 1975 and 2000, the per capita foreign aid South Asians received was 21 percent that received by Africa. The link between foreign aid and economic development seems quite tenuous. Foreign aid to Africa has also enabled government officials to embezzle large amounts of money and misspend much on loss-making projects. In total, Nigerian President Olusegun Obasanjo estimated, "Corrupt African leaders have stolen at least $140 billion from their people in the [four] decades since independence." Large debt is all most Africans have been left. As a result of the widespread corruption among politicians in Africa and other parts of the developing world, development economists began emphasizing good governance as a solution to underdevelopment. The focus on internal conditions in poor countries was not welcome news for the foreign aid lobby in Western capitals, which relies on foreign aid to keep it afloat.Thousands of nongovernmental organizations (NGOs) derive their funding from aid. Many NGOs, therefore, focus on "externalization" of African problems, blaming Africa's poverty on an unfair trade system and colonial legacy. Ian Vasquez of the Cato Institute observes that calls to massively increase foreign aid look like "giant conflicts of interest." Mr. Sachs, however, seems to dismiss thorough internal reform as a prerequisite for African economic growth. As he recently said in a New York Times interview, "The poor are blamed for their problems. We say the poor are poor because they are corrupt or because they don't manage themselves. But in the past two years I've seen exactly the opposite. ... The idea that African failure is due to African poor governance is one of the great myths of our time."But evidence is not on Professor Sachs' side. African corruption has been getting worse, not better, over the last few years. Each year, Transparency International publishes its Corruption Perception Index (CPI). The CPI defines corruption as "abuse of public office for private gain." It is measured on a scale from 0 to 10. The higher the number, the lower the corruption. In 2000, the average African CPI was 3.24. By 2004, the African CPI fell to 2.87. With the African CPI score on the decline, how can Mr. Sachs claim to have "seen exactly the opposite"? Perhaps he confuses the growth of African democracy with the reduction of corruption. Indeed, Africa today has more democracy than ever before. Between 1960 and 2004, Africa had 198 leaders. Only one, the prime minister of Mauritius, was voted out of office between 1960 and 1989. Things changed thereafter. Between 1990 and 2004, 23 African heads of state were voted out of office. The spread of democracy enables more Africans to vote corrupt governments out of office, and that surely is a step in the right direction. Unfortunately, elected officials' behavior in power has not appreciably changed. Many Africans continue to see participation in the government as a means of becoming wealthy, and weak institutions allow them to succeed."Very few people believe that it is possible to reform the system," says Robert Guest, Africa editor of The Economist. "They do not believe that they can ever have a clean government. And because they do not believe it, they think the rational thing to do is to try to get their own people into office and then try to get them to steal as much money as possible and distribute it among their kinfolk." The truth is there are no quick fixes to African poverty. Like so many times in the past, the grand utopian visions of well-meaning Westerners are likely to crash on the hard rocks of African reality. In the end, Africans will get it right and prosper, but they will not succeed by seeing foreign aid as a panacea or hoping someone else will solve their problems for them.

LINK: AID HURTS INVESTMENT

Foreign aid hurts actual economic investment and destroys democracy-building.

Harford & Klein, 05—economist at Word Bank, chief economist at IFC – 2005 (Tim, Michael, "Aid and the Resource Curse", PUBLIC POLICY FOR THE PRIVATE SECTOR, April, http://rru.worldbank.org/Documents/PublicPolicyJournal/291Harford_Klein.pdf)

Might aid also damage institutions? Given the evidence on natural resource revenues, this possibility must be taken seriously. Several studies have shown that some aid money goes missing before reaching the intended recipients, and this money may well have properties similar to those of natural resource revenues, and for very similar reasons. Knack (2000) reports evidence supporting this gloomy hypothesis. His econometric analysis shows that aid flows (relative to GDP and to government spending) are significantly correlated with a worsening of political risks for external investors, implying a deterioration in economic institutions (box 1). Marshaling fresh evidence on the effect of both foreign aid and oil revenues, Djankov, Montalvo, and Reynal-Querol (2005) study changes in the quality of political rather than economic institutions. The results of their econometric analysis parallel those of Knack (2000): both aid and oil rents have a statistically significant and negative effect on democratic institutions. On average, countries with above average aid receipts relative to GDP promptly show a political deterioration. The effect of aid over the long run is substantial. A country receiving more foreign aid than three-quarters of the countries in the sample, over a period of five years, would expect to see a decline in the index of democracy by 0.6–1 point on a scale of 1–10.

Turns the case: G7 will refuse to fund countries with high inflation rates

AfricaFocus '04 (Africa: Blocking Progress, http://www.africa.upenn.edu/afrfocus/afrifocus092704.html, 9/27/04)

The seven wealthiest governments (G7), who dominate IMF decisions and influence most other foreign aid donors have an unjustifiable preference for low inflation in developing countries. Poor countries with severe HIV/AIDS crises will not be able to significantly increase public health spending without the possibility of inflation also increasing slightly, but the G7 governments forbid higher rates of inflation. Effective treatment and prevention of HIV/AIDS in low-income countries will require that G7 governments change their policy position, allowing for desperately-needed increases in public health spending, that may however low the risk, result in slightly higher levels of inflation.

LINK: AID HURTS FOREIGN TRADE

Aid causes local currencies to be over-valued, destroying the ability of nations to export goods.

Kristof, 06 – (Nicholas, "Aid: Can It Work?" NEW YORK REVIEW OF BOOKS, October 05, http://www.nybooks.com/articles/19374)

Unfortunately, Easterly repeated the study by Burnside and Dollar but drew on a larger pool of data. This time he found no evidence that "aid works in a good policy environment." Raghuram Rajan and Arvind Subramanian of the International Monetary Fund came to the same conclusion, and they also suggest a reason. After closely examining the evidence they concluded that "aid inflows have systematic adverse effects on a country's competitiveness."[1] They conclude that one reason aid can be counterproductive is that it tends to boost the recipient country's exchange rate. That in turn makes its exports less competitive, undermining local manufacturing.

LINK: FOREIGN AIDS CAUSES DEPENDENCE

Foreign aid creates dependence—risking collapse if it is withdrawn and propping up ineffective governments.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 67-69)

There are two major problems with dependence, one potential and one real. The potential problem arises from the inevitable uncertainties associated with state-to-state transfers of resources. These are voluntary, and there is no guarantee that they will continue indefinitely. Indeed, there are signs that such transfers are beginning to decline. The greater a government's and country's reliance on such transfers, the greater the potential disruption should that aid decline rapidly or disappear entirely. It could be argued, for example, that foreign aid (especially balance-of-payments and budget support) has financed many of the activities of African governments and, through a multiplier effect, the incomes and consumption of a significant proportion of those employed not just in the modem, formal sector but in the informal, urban sector that often relies on the formal sector. The disappearance of that aid could leave government services unfunded and significant numbers of public employees without incomes, bring about a serious recession in highly aid-dependent countries, and possibly lead to hardship and even political turmoil. Table 3 gives an indication of the dependence of African governments on foreign aid. Unfortunately this data is only available on a limited number of countries, but clearly, on the basis of these figures, the potential disruption for many countries in Africa could be significant if aid were eliminated or substantially reduced. Another aspect of aid dependence that must be of greater concern is its impact on the initiative and accountability of recipient government officials—the creation of an "entitlement mentality." Where foreign governments and international institutions finance a significant proportion of government expenditures, particularly investment expenditures, and where many of the decisions on investments are left to those foreign governments and institutions, a diminution of the sense of initiative, responsibility, and accountability on the part of recipient government officials to their own populations is almost inevitable. We cannot measure this essentially psychological consequence of aid dependence in Africa. But it is easy to observe. Several examples from my own experience illustrate it. In December 1994, I traveled with the U.S. national security advisor to several African countries. In most countries, there were meetings with cabinet ministers. In one country, a set of meetings took place one morning on the veranda of the U.S. ambassador's residence. A series of ministers appeared one after another, each with a list of projects he wanted the United States to finance. One wanted a road. Another wanted something else. There was little talk of the broad development strategies of the government, its accomplishments, or any issues that did not involve foreign aid. It was not, "Here is how we are addressing our development challenges and how you might help." It was just a set of pleas for money. A year later, I was visiting another African country and had occasion to sit in on a meeting often or so of the country's main aid donors. They were exchanging their views and trying to create a common position on relatively minor issues involving the government's policy toward the media. It was clear from the meeting not only that the donors (one of whose members had dubbed them the "board of directors," presumably of the country itself) were deeply engaged in influencing the political as well as the economic policies of the government, but that both public officials and private individuals and groups had begun to appeal to this grouping for support on their issues. It seemed evident that the accountability of the government to its people was gradually being replaced by accountability to its major aid donors. A final anecdote involves a seminar in Washington in 1996 in which two of the African participants, in a discussion of foreign aid, made strikingly different statements. One, an ambassador from an East African country, upon hearing that U.S. aid to Africa was likely to fall, complained that it was unfair, Africa needed more aid, how could the United States abandon the region. The other individual—a government official from South Africa—argued that his government did not need to be told how to spend its money from foreign aid donors; and if the latter's preferences did not coincide with his government's, it was better not to have the aid. The differences in the two attitudes was striking: one was the attitude of a government used to seeking and receiving significant amounts of aid, almost regardless of its use; the other—much more rare—was of an African government unaccustomed to aid and willing to reject it where it was deemed inappropriate. These stories and many others like them suggest that aid dependence has had an impact on the attitudes of many African elites, diminishing their sense of responsibility for their own future, their initiative in gaining that future, and their accountability to their populations for shaping the policies leading toward it.

LINK: EXTERNALLY IMPOSED GROWTH = CRASH

Externally imposed growth causes currencies to be over-valued, resulting in a crash.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 192)

A supply of money greater than the demand to hold that money could also drive up prices. Again, it is uncertain how the actual supply of money compares with what people willingly hold. This may be why the IMF has had difficulty predicting inflation under its programs of financial discipline and restructuring. Post-program inflation under the IMF was higher than the program targets on average in the 1990s for a worldwide sample of countries. Conversely, what if people holding domestic currency suddenly panicked and wanted to turn it in for the central bank's dollars? It's not always clear why they panic, but it happens. International reserves would drop precipitously for reasons unrelated to government budget deficits. Many economists think that this is a good description of the East Asian financial crisis of 1997-1998. East Asian countries were not running large government deficits. Yet they suffered currency panics and disappearing foreign exchange reserves all the same. Another loophole in the relationship between budget deficits and foreign exchange reserves is that the government finances its deficit not only with central bank credit but also with foreign debt. The willingness of foreign investon and banks to buy government bonds is another unknown. This is not so relevant for the poorest countries, or with countries that just have a bad rep as politically unstable or as profligate spender—they don't qualify as "emerging markets," to use Wall Street jargon. But other poor countries do qualify as emerging markets; private investors and banks help finance these countries' government deficits by buying government bonds. One Web site suggests that there were about forty-five emerging markets (rnunuies), together accounting for 2.6 billion people.1 A sudden surge in demand for government bonds by foreign investors could allow the governments of these countries to cut back their use of central bank credit, building up dollar reserves without any need for fiscal austerity. Conversely, a flight out of government bonds m emerging market—as happened after the Mexico crisis in 1994~ the East Asian crisis in 1997-98, the Russia crisis in 1998, and the Argentina crisis in 2001 suddenly force governments to use central bank credit again, running down foreign exchange reserves.

INTERNAL LINK: AFRICA KEY TO GLOBAL ECONOMY

Economic growth in Africa is key to the US economy and preventing civil unrest.

Rice '98 (Susan E, Assistant Secretary for African Affairs, Address before the Meridian International Center/Smithsonian Institution Forum, "Today's Africa: Transformation of a Continent", 10/13/98

For, despite areas of instability, Africa's economic trends remain positive. Two-thirds of African nations--roughly three dozen countries-- have implemented economic reforms to open markets, stabilize currencies, and reduce inflation. African governments have privatized over 2,000 state enterprises in the past few years, raising over $2.3 billion in government revenue to invest in infrastructure, education, and health care. The U.S. relies heavily on the African Continent for petroleum and strategic minerals. In volume terms, nearly 14% of U.S. crude oil imports come from the continent, as compared to almost 18% from the Middle East. Within a decade, Africa is projected to be the source of well over 20% of our imported oil. America's commercial interests in Africa will deepen as U.S. companies continue to tap this nascent market. American businesses exported over $6 billion worth of goods last year to Africa and imported more than $16 billion. The U.S. is now Africa's second-largest industrial supplier. U.S. companies have edged out European and Asian competition to complete major deals in the region. Examples abound: Coca-Cola recently made a significant investment in a production and distribution facility in Angola; a consortium comprised of Enron and the Industrial Development Corporation signed a $2 billion agreement to construct a steel plant in Mozambique; in West Africa, Ghana's stock exchange--although tiny--is one of the top performers in the world. A visionary economic policy toward Africa is in our own long-term interest. Thus, we must continue and intensify our efforts to pass the African Growth and Opportunity Act. This landmark legislation remains key to establishing a mature trade and investment relationship with Africa as we have with trading partners in other emerging markets. At the same time, we are implementing the President's Partnership for Economic Growth and Opportunity in Africa. We are providing technical assistance to help liberalize trade and investment regimes, launching an anti-corruption initiative, extinguishing bilateral concessional debt, and organizing the first-ever U.S.-Africa Economic Cooperation Forum. This ministerial level consultative group is scheduled to meet for the first time late this year. These various steps are important, because sustained economic growth is key to eradicating Africa's endemic poverty--and the civil unrest which often accompanies it--and thus to moving Africa toward lasting peace and prosperity. Democratic governance and respect for human rights are also crucial to the goal of integrating Africa into the global economy. Recent history has taught us that governments which safeguard human rights as well as political and economic freedoms can more effectively establish the conditions for sustainable economic growth.

INTERNAL LINK: INFLATION DESTROYS GROWTH

Aid kills the economy—inflation, corruption, and destroyed fiscal discipline

Woods, 04—Director of the Global Economic Governance Programme at Oxford (6-22-4, http://www.globaleconomicgovernance.org/docs/Global%20Health%20Governance%20Report.pdf)

Why are macroeconomists worried about new flows of aid to low-income countries? Countries are best served by implementing sound macroeconomic management. This means a medium-term expenditure framework, which matches a government's available resources from revenue, borrowing and aid, with its plans for spending. The obvious problem with large new flows targeted at specific purposes is that practically it is very difficult to integrate them into such a framework. More specifically, macroeconomists warn of five issues which need to be taken into account if large additional aid flows are to be poured into low-income countries (these were succinctly introduced by David Bevan, Oxford):
1. the need to create and maintain fiscal discipline to curb inflation and sustain growth (in discussion: the IMF is concerned that large inflows will create wage pressures which will ripple out to the rest of the economy);
2. the need to reinforce `fiscal prudence' or living within your means (discussants suggested that the IMF is too restrictive in its interpretation of what comprises the means);
3. the damage caused by uneven, temporary flows which facilitate corruption, distort spending patterns, force up prices, and create inefficiencies in the economy. On this issue in the discussion it was noted that the IMF sees some level of variability as manageable, such as the employment consequences, which can be managed relying on short-term contracts, high attrition rates, and the possibility of importing workers. Concerning its decision to support a country's policy programme, the Fund `has to make a judgment when countries go off-track' which can lead to reduced flows from other donors;
4. the damage caused by off-budget aid, which erodes governance and accountability within recipient countries;
5. `Dutch disease' where a large inflow of aid causes the exchange rate to appreciate in real terms, damaging exports and distorting the local economy (the debate highlighted that this is over-emphasized in part because too often the supply-side consequences of the aid flows – helping countries to produce - are not taken into account).

INTERNAL LINK: INFLATION DESTROYS GROWTH

High inflation destroys economies.

Greenspan '02 (Alan, former Federal Reserve Chairman, "Macroeconomic Stability, Financial Markets, and Economic Development,", http://www.federalreserve.gov/BoardDocs/Speeches/2002/20021112/default.htm, 11/12/02)

Controlling inflation is essential to creating an environment of sustained growth. Once inflation gets above a certain point, it has a large negative effect on growth, according to most research. Stanley Fischer, for example, concluded that if a country with inflation of 10 percent becomes a country with inflation of 110 percent, its annual growth rate would fall 4 percentage points; the consequences of this for standards of living can hardly be overemphasized.[17] This effect may help to explain why East Asia, where inflation has been relatively low on average, has been more successful than Latin America, where many countries have suffered bouts of hyperinflation.

Inflation kills growth and foreign investment.

IMF 2000 (Promoting Growth in Sub-Saharan Africa, http://www.internationalmonetaryfund.com/external/pubs/ft/issues/issues23/index.htm, August 2000)

A country's macroeconomic policies will affect its growth performance through their impact on certain economic variables. For example, a high rate of inflation is generally harmful to growth because it raises the cost of borrowing and thus lowers the rate of capital investment; but at low, single-digit levels of inflation, the likelihood of such a trade-off between inflation and growth is minimal. At the same time, highly variable inflation makes it difficult and costly to forecast accurately costs and profits, and hence investors and entrepreneurs may be reluctant to undertake new projects.

IMPACT: INFLATION CAUSES POVERTY

Inflation causes poverty.

Siger '07 (Surrey Institute of Global Economic Research, The Anatomy of Modern "African Capitalist States", http://jim.com/African_capitalism.htm, 3/18/07)

As a result, expansion in Africa's primary sectors of agriculture, mining, fisheries and forestry came to a halt while industry and service sectors also experienced retarded growth. The 1980s saw inflation rising while per capita GDP plummeted, driving much of the African population into unemployment and below the threshold of poverty. Currencies also showed signs of fatigue as a result of declining reserves. Overall confidence diminished as major economic parameters registered negative growth rates.

IMPACT: INFLATION = STARVATION

Inflation leads to food shortages--over 4 million people will starve in Zimbabwe.

Africa News, **07** (6-5 “Zimbabwe; Four Million Will Need Food Aid, Says UN”, http://web.lexis-nexis.com/universe/document?_m=c3330ca4f8c8def9c9b60a61224a9f94&_docnum=17&wchp=dGLbVlz-zSkVb&_md5=97e99ea8cbacf4eb2c7ae3cc70c34085)

Crop failures in the southern provinces and the rapid erosion of incomes caused by Zimbabwe's annual inflation rate of 3,714 percent - the world's highest - has escalated poverty in both rural and urban areas. The report said about "2.1 million people will face serious food shortages as early as the third quarter of 2007. The number of people at risk will peak at 4.1 million in the first three months of 2008 - more than a third of Zimbabwe's estimated population of 11.8 million." The actual percentage of Zimbabweans requiring food assistance could in reality be much higher, as millions of migrants are believed to have crossed into neighbouring countries such as South Africa and Botswana, or further a field to the United States and Europe, in search of work. Some estimates have put the exodus of Zimbabweans at about four million, or more than a third of the population. Zimbabwe has an unemployment rate of about 80 percent.

IMPACT: AID FULES POVERTY

Foreign aid props up dysfunctional governments and economic systems—increasing poverty.

Vasquez 02 - director of the Cato Institute's Center for Global Liberty and Prosperity – 2002 (Ian, "CATO Handbook for the 108th Congress," CATO Institute, http://www.cato.org/pubs/handbook/hb108/hb108-66.pdf)

By the 1990s the failure of conventional government-to-government aid schemes had been widely recognized and brought the entire foreign assistance process under scrutiny. For example, a Clinton administration task force conceded that, ''despite decades of foreign assistance, most of Africa and parts of Latin America, Asia and the Middle East are economically worse off today than they were 20 years ago.'' As early as 1989 a bipartisan task force of the House Foreign Affairs Committee concluded that U.S. aid programs ''no longer either advance U.S. interests abroad or promote economic development.'' Multilateral aid has also played a prominent role in the post–World War II period. The World Bank, to which the United States is the major contributor, was created in 1944 to provide aid mostly for infrastructure projects in countries that could not attract private capital on their own. The World Bank has since expanded its lending functions, as have the five regional development banks that have subsequently been created on the World Bank's model: the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, and the Middle East Development Bank. Despite record levels of lending, however, the multilateral development banks have not achieved more success at promoting economic growth than has U.S. AID. Numerous self-evaluations of World Bank performance over the years, for example, have uncovered high failure rates of bank financed projects. In 2000, the bipartisan Meltzer Commission of the U.S. Congress found a 55 to 60 percent failure rate of World Bank projects based on the bank's own evaluations.A1998 World Bank report concluded that aid agencies ''saw themselves as being primarily in the business of dishing out money, so it is not surprising that much [aid] went into poorly managed economies—with little result.'' The report also said that foreign aid had often been ''an unmitigated failure.'' ''No one who has seen the evidence on aid effectiveness,'' commented Oxford University economist Paul Collier in 1997, ''can honestly say that aid is currently achieving its objective.'' Although a small group of countries in the developing world (some of which received aid at some point) has achieved self-sustaining economic growth, most recipients of aid have not. Rather, as a 1989 U.S. AID report suggested, aid has tended to create dependence on the part of borrower countries. There are several reasons why massive transfers from the developed to the developing world have not led to a corresponding transfer of prosperity. Aid has traditionally been lent to governments, has supported central planning, and has been based on a fundamentally flawed vision of development. By lending to governments, U.S. AID and the multilateral development agencies supported by Washington have helped expand the state sector at the expense of the private sector in poor countries. U.S. aid to India from 1961 to 1989, for example, amounted to well over $2 billion, almost all of which went to the Indian state. Ghanaian-born economist George Ayittey complained that, as late as 1989, 90 percent of U.S. aid to sub-Saharan Africa went directly to governments. Foreign aid has thus financed governments, both authoritarian and democratic,whose policies have been the principal cause of their countries' impoverishment. Trade protectionism, byzantine licensing schemes, inflationary monetary policy, price and wage controls, nationalization of industries, exchange-rate controls, state-run agricultural marketing boards, and restrictions on foreign and domestic investment, for example, have all been supported explicitly or implicitly by U.S. foreign aid programs. Not only has lack of economic freedom kept literally billions of people in poverty; development planning has thoroughly politicized the economies of developing countries. Centralization of economic decisionmaking in the hands of political authorities has meant that a substantial amount of poor countries' otherwise useful resources has been diverted to unproductive activities such as rent seeking by private interests or politically motivated spending by the state.

IMPACT: AIDS HURTS DEMOCRACY

Giving aid undermines democracy—governments are distracted and re-work priorities to suit donors, not the electorate.

Waal 04 (Alex de, Director of Justice Africa, "Rethinking aid," *New Economy,* JSTOR).

The second structural paradox of the aid encounter is that receiving aid undermines democracy. Processing aid absorbs government capacity. A few years ago the amount of recipient government time spent in receiving visiting delegations, preparing reports and accounts for aid-funded projects and negotiating loans, had become so scandalous that there were serious donor efforts to harmonise and simplify their procedures. Tanzania, for example, was preparing about two thousand reports for donors each month; now it has instituted a visit-free period each year so that its ministerial staff can do their jobs uninterrupted for at least several months. The 'like-minded' donors such as DFID, Netherlands and the Scandinavians are moving towards direct budgetary support and other simplifying mechanisms, but the US remains wedded to an aid system that makes Byzantium look simple – and it is getting worse, with a proliferation of AIDS-related initiatives. Aid distorts African priorities. Although it is typically well under half of a recipient government's budget, it is a crucial part, and it is conditional on wider government policies and reforms. This means that a recipient must adjust its overall priorities to suit the donor agenda. Moreover, aid fashions change fast, so that what has been required one year may be reversed the next. Aid flows have been unpredictable (and generally shrinking over the last 20 years), so that the IMF until recently advised recipient governments not to include development aid in their fiscal projections. Aid is becoming more consistent – a fact that ironically shows up the fundamental volatility of African economic performance. Most seriously, aid undermines the leverage of the African taxpayer and voter. If aid donors pay the bills, a government needn't listen to its electorate. It is striking that the two most democratic governments in sub- Saharan Africa are South Africa and Somaliland. South Africa's democratic culture is well-known and much admired. It is based on a non-rentier state, financed by a strong domestic economy.

IMPACT: CIVIL WARS IN AFRICA

Economic downturns fuels civil conflicts in Africa.

Amoako, 99 "(The Economic Causes and Consequences of Civil Wars and Unrest in Africa" Address to the 70th Ordinary Session of the Council of Ministers of the Organization of African Unity, Algeria, 8 July 1999 http://www.africaeconomicanalysis.org/articles/gen/Africawarhtm.html) K. Y. Amoako, was the UN Under-Secretary-General and Executive Secretary of Economic Commission for Africa

There continue to be common misperceptions as to what are the fundamental causes of the conflicts, which have set back national development in so many African countries. We owe ourselves a closer look at their causes -- as well as, if you will, the determinants of peace. Various analysts in political science, anthropology and other sciences have looked at the causes of all our conflict, so perhaps it is only fair that we economists are having our turn, aided by regression analysis and other tools of our trade. At least four hypotheses have been advanced to explain why civil wars happen: The first is innate ethnic and religious hatred, where these hatreds are then exploited by ambitious leaders; The second is national grievance, where the performance of a government is held to be against the national interest; The third is distributional grievance, where government performance is held as having been particularly discriminatory against a given group or groups in society; The fourth is employment, where rebellion is an employment choice motivated by the opportunity cost of employment and the prospective gains from capturing the state and its resource base. Each one of these hypotheses has been subjected to rigorous econometric testing where appropriate proxy variables are used Fourth, polarized societies risk fracture. Contrary to what so many analysts have said about how Africa can never be stable with so many ethnicities, the evidence is that ethnic and religious diversity is a stabilizing force. There is a higher risk of civil wars in polarized societies (even if they are ethnically more homogeneous) than in more diverse societies. Diversity makes societies safer by reducing the probability of ethnic conflicts, as it is simply more expensive and complicated to foment trouble in diverse societies. Even if conflicts do break out in pluralistic societies, they tend to last for shorter periods, as it is harder for rebels to be cohesive. We know the results when poverty is high, natural resource endowments are not managed equitably, governments are undemocratic and societies are polarized. The results are conflicts and the costs are terrible. for the occurrence of war and for the implied explanatory variables. Since the most significant and crosscutting explanatory variables are socio-economic, let me briefly run you through some of those that deserve your attention: First, conflict is inextricably related to poverty, particularly the lack of human capital, which influences the probability of a civil war. Poverty means that young men have no stake in staying where they are. Joining a rebel army becomes a viable employment opportunity where job markets do not incorporate youth. Second, conflict is related to the inequitable sharing of valuable natural resources. This failure has led to a number of conflicts and exacerbated many others. And, whenever territories rich in natural resources are captured by marauding militias, these resources are most often looted, providing the private funding to continue conflict. Third, conflicts are more likely to break out where there are dysfunctional governments - characterized by weak, undemocratic economic and political institutions. There are many cases where the failure by governments to address national grievances has led to conflict and war. Clearly, civil conflict is less probable in a full democracy. The more democratic the society, the more it has outlets for frustration and ways to seek solutions. The more governments respond to the issues people have, the lower the risk of civil war.

IMPACT: TERRORISM, NO DEMOCRACY

African collapse leads to regional instability, destruction of democracy, and terrorism.

Nye, 95 (Joseph Nye, Deputy Assistant Secretary of Defense, 95 (African Security Review Vol 4 No 6, http://www.iss.co.za/pubs/asr/4No6/Nye.html)

Worrisome (and often mutually-reinforcing) trends are also pervasive in Africa and could harm US interests as well as African development. These trends include economic failure, rising conflicts, and authoritarian or failed states. Economic growth in the region as a whole is limited: in some cases per capita GDP has fallen drastically since independence. Economic decline exacerbates ethnic and social tensions and contributes to the spread of anti-democratic movements, including extremist versions of political Islam. In some African states, military organisations are in disarray as they search for post-Cold War roles, providing potential obstacles to democratisation. Population pressures, environmental degradation, flows of refugees and illegal immigrants, arms and narcotics trafficking, and diseases such as AIDS, pose additional problems for African development. While arms flows to Africa have slowed somewhat, arms often remain in circulation even after conflicts have ended thus creating the opportunity for future violence. All of these factors inhibit progress and make the pursuit of US goals more difficult.

AT: CASE OUTWEIGHS

Public health assistance fails—the projects cannot adapt to local needs and are enormously wasteful.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 51-52)

A significant proportion of foreign aid in Africa has been allocated to the expansion of infrastructure and social services, including the construction of physical facilities and the provision of equipment, supporting an increase in roads, ports, public utilities, communications networks, schools and universities, and health clinics and hospitals. Expanding these facilities, very limited in most countries at independence, was critical to development in the region and contributed to the improvements in literacy, longevity and health of the average African described in the previous chapter. However, these positive contributions of foreign aid have also had their drawbacks. There have been numerous criticisms of aid-funded infrastructure as overdesigned and overpriced, reflecting in part the intrusion of the commercial interests of donor countries in financing large, expensive projects, to be undertaken by business enterprises in their own country. Educational and health systems supported by aid donors have also been criticized as inappropriate to local needs. Health services have tended to be primarily curative and concentrated in urban areas, while the more serious and widespread health problems were found in rural areas and could often be prevented by proper hygiene and nutrition.

AT: AID CAN INCREASE PRODUCTIVE CAPACITY

Aid is simply consumed—historically, it did nothing to promote growth.

Vasquez 02 - director of the Cato Institute's Center for Global Liberty and Prosperity – 2002 (Ian, "CATO Handbook for the 108th Congress," CATO Institute, http://www.cato.org/pubs/handbook/hb108/hb108-66.pdf)

Research by economist Peter Boone of the London School of Economics confirms the dismal record of foreign aid to the developing world. After reviewing aid flows to more than 95 countries, Boone found that ''virtually all aid goes to consumption'' and that ''aid does not increase investment and growth, nor benefit the poor as measured by improvements in human development indicators, but it does increase the size of government.'' It has become abundantly clear that as long as the conditions for economic growth do not exist in developing countries, no amount of foreign aid will be able to produce economic growth. Moreover, economic growth in poor countries does not depend on official transfers from outside sources. Indeed, were that not so, no country on earth could ever have escaped from initial poverty. The long-held premise of foreign assistance—that poor countries were poor because they lacked capital—not only ignored thousands of years of economic development history; it also was contradicted by contemporary events in the developing world, which saw the accumulation of massive debt, not development.

AT: AID CAUSES REFORMS

Foreign aid is ineffective—it fuels corruption, gets wasted, and cannot motivate reforms.

Paul, 06 (Ron, U.S. Representative, "True Foreign Aid," AntiWar.com, http://antiwar.com/paul/?articleid=8926)

There are also practical reasons to oppose governmental foreign aid. Though it may be given with the best intentions, government agencies simply cannot do the kind of job that private charities do in actually helping people in need. Government-to-government assistance seldom helps those really in need. First, because it comes from governments, it usually has political strings attached to it, and as such is really a cover for political interventionism. Take our own National Endowment for Democracy, for example. The "aid" money it spends is usually spent trying to manipulate elections overseas so that a favored foreign political party wins "democratic" elections. This does no favor to citizens of foreign countries, who vote in the hope that they may choose their own leaders without outside interference. Likewise with the so-called Millennium Challenge Account, which sends U.S. aid to countries that meet U.S.-determined economic reform criteria. The fact is, countries that enact solid economic policies will attract many times the amount of private foreign investment on international capital markets than they receive through the Millennium Challenge program. Another problem is that when a government gives aid to another government, there are so many layers of middlemen involved that by the time the actual aid trickles down to those in need it is a small fraction of the original amount given. Not to mention that much of this aid finds its way into the pockets of corrupt foreign leaders.

Aid creates disincentives to reform because it eases financial pressures.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 61-62)

A number of analysts have suggested that the large quantity of aid has provided many governments with a soft budget constraint—in effect, permitting them to continue with fiscal and other policies inimical to development because foreign aid has eased the financial pressures on them to reform. There is some direct evidence of this effect in Tanzania, where one study found that aid eased financial pressures on that government at a time when such pressures might have led it to discontinue unwise policies. The major instance of a soft budget constraint facilitating such a delay was the effort on the part of the fourteen Francophone countries of the franc zone (sharing a common currency tied to the French franc at a fixed rate and backed by the French treasury), whose currency was clearly overvalued during the 1980s, to avoid devaluing the CFA franc. Continued balance-of-payments support from the French government and the World Bank delayed the necessary adjustment by easing an otherwise unmanageable gap in the balance of payments. The Bank recognized this problem but, under pressure from the Africans and the French government, continued to provide assistance while an effort was made (primarily by the Ivory Coast) to reduce the gap in the balance of payments by depressing domestic prices. For predictable political reasons (specifically, civil servants resisted large decreases in their real wages or elimination of their jobs), this effort failed. The Bank finally ceased program lending to CFA countries, and eventually the economic costs of maintaining the overvalued CFA franc forced a devaluation. (See chapter 6 for more details.) More broadly, it seems likely that the surge in foreign aid to African countries during the late 1970s did enable them to put off the painful reforms necessary to improve trade balances and to spur their economies. The continuation of large aid programs in support of economic reforms that were only partially implemented during the 1980s may have had the same impact—of dampening the financial pressures for reform.

AT: AID CAUSES REFORMS

Aid cannot motivate economic reforms—donors have limited leverage and governments do not comply.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 46-47)

With the economic crisis in Africa in the 1980s, there was a major shift in aid donors' attitudes toward development; discourse now focused on the role of economic policies as impediments to growth and on the importance of stabilization and structural adjustment reforms. After at first denying the need for policy reforms (and the appropriateness of donors' insisting on them), many African officials came to accept their importance by the end of the decade. Foreign aid was now used in large part as balance-of-payments support for economies suffering from import strangulation and governments committed to economic-reform programs. The aid was used, in effect, to dismantle the unsustainable development model adopted by most African governments and to urge its replacement with a neoclassical economic vision of free markets, private investment-led growth, and minimal government intervention in the economy. However, aid agencies at first underestimated the extent of needed reforms and then overestimated the abilities and willingness of African governments to implement them. Moreover, donors' leverage in persuading (or forcing) Africans to implement economic reforms turned out to be less than expected when donors themselves proved unwilling to withdraw aid for African's noncompliance with their commitments to reform. Reforms were typically implemented only partly, and their success in restoring growth to the region remained limited.

Aid is ineffective and undermines crucial economic reforms.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 47-48)

This brief overview suggests several broad conclusions about the impact of aid in Africa that we shall elaborate in the remainder of this chapter. These include the impact on development ideas and discourse, the effectiveness of projects and economic-reform programs, the impact of technical cal assistance on African governmental capacity, the overall impact on growth and poverty, and the political and economic side effects of foreign aid on development, including aid dependence and its consequences. 1. The understanding on the part of aid agencies of African development problems has evolved considerably since the 1960s, based on the growth of their technical expertise in a number of areas and of their expanding local experience and knowledge. But even with the expanding understanding of development in Africa, a considerable portion of aid agency programs remain experimental, including those encouraging policy reform and democracy, and those intended to help strengthen the capacity of African institutions and to support beneficial behavioral change in African societies. 2. Related to learning on the part of aid agencies is their contribution to learning on the part of their African counterparts as well as on the part of other aid agencies. Several aid agencies have had some success in their dialogues with their African counterparts over the decades of this study in raising key development issues, helping to inform themselves and their African counterparts about the extent and causes of such problems and identifying solutions. This impact of elaborating and transferring knowledge and ideas on development is one that is difficult to quantify, especially as it is often not tied to specific aid-funded activities. The consequences of dialogue are likely to appear only in the long term. Yet, dialogue remains a key element in aid effectiveness (in that it would likely not take place in the absence of aid), and evidence suggests that it has contributed to an improved appreciation of the development process on the part both of aid agencies and African officials. 3. However, even as the understanding among aid donors of African development problems has grown more sophisticated, their capacity to design and implement aid programs and projects to address the complex challenges of development in Africa has lagged, along with the effectiveness of their aid interventions. This is not surprising, given the difficulties of bringing about change in foreign countries and the bureaucratic and political constraints on the policies, projects, and programs of aid agencies themselves. 4. As a result, aid-financed projects and programs in Africa have for the most part been among the least effective in achieving their goals and sustaining their achievements of any in the world, and there is some evidence that aid projects became less effective in the 1980s and 1990s even as the level of aid rose. Fixed-capital formation (for example, road construction) and the expansion in social services were among the more effective activities. Agricultural- and rural-development projects and efforts to strengthen African institutions were among the least effective aid interventions in Africa. Agricultural research had a generally disappointing payoff. Economic-reform programs were mixed in their outcomes and among the least effective of any region in the world. And aid in the form of technical assistance and training to strengthen the capacity of the African public sector, while enjoying early success, decreased in effectiveness even while it increased in size during the 1980s and 1990s. Indeed, the large amounts of technical assistance during these decades may have actually contributed to the weakening of African public agencies and become an obstacle to economic progress in the region. 5. Turning to the overall impact of aid in Africa, most of the econometric studies of the relationship of aid to growth have found that aid has had no significant impact, either positive or negative, on economic growth in the region. In terms of reducing poverty, we can say little based on direct evidence of the incidence of poverty or the distribution of income in individual African countries over time. The data is too weak in quantity and quality (including time series data) to permit significant conclusions. We can say that aid has indirectly helped reduce poverty in Africa by contributing to the financing of infrastructure, education, and health throughout much of the region. 6. However, there is also evidence that the large amount of aid over an extended period of time may have had significantly negative economic and political effects in a number of countries.

AT: AID SOLVES POVERTY

Aid fails to deliver—the situation on the ground is simply far too complex to be centrally managed—utopian planning does nothing for the poor.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 169)

The aid problem is inherently difficult. Rich-country politicians control the foreign aid agencies. To make the relationship between rich-country politicians and aid bureaucracies more precise, think of principals and agents (an agent is anyone who acts on behalf of another person, the principal—there is a lot of research in economics about this setup). Think of the rich-country politician as the principal and the aid bureaucrat as the agent. The big problem already noted is that the principal is the rich-country politician and not the real customers, the poor in poor countries. Voters in the rich country and their resentatives are the ones who choose the actions of the foreign aid agency. They love the Big Plans, the promises of easy solutions, the utopian dreams, the side benefits for rich-country political or economic interests, all of which hands the aid agency impossible tasks. But even if voters and their representatives were more focused on feasible actions to help the poor, problems would remain. In the usual principle-agent setup, the principal cannot execute all of a cask himself, so he delegates pan of it to an agent, who will perform it on his behalf. For example, a store owner cannot man the cash register all the time, so she hires an employee. But the principal and the agent do not have the same interests. The store owner wants the employee to serve as many customers as energetically as possible to maximize store profits. The employee wants to conserve his energies for after-hours barhopping. The owner and the employee can resolve the incompatible goals by writing a contract that gives the agent the incentive to do what the j principal wants. The employee gets rewarded if he serves the customer and gets fired if he blows them off. However, principal-agent contracts do not work if the principal cannot t observe performance by the agent. With no ability by the principal to monitor the agent, die agent has no incentive to work hard for the principals interests. These problems become a nightmare under the Planner's mind, where there is some utopian objective such as ending world poverty. The rich-country politician could judge the aid agency based on the over poverty outcome—but that assumes a known relationship between foreign aid efforts and poverty reduction. On the contrary, because the poverty comes in the Rest depend on many factors besides the bureaucracy, the aid agency's contribution in the field is invisible.3 Pity the aid agency for having an almost impossible problem. The age must indulge the dreams of the rich-country principals of transforming the Rest. The agency must work with local government institutions and local elites who themselves may not care about poverty reduction. There is uncontrollable variability about poverty outcomes, due to such unanticipa . factors as political upheavals, droughts, or export price declines. Although rational principals could control for the difficulty of the environment, conditional evaluation requires inside knowledge that only the aid agencies themselves have. Again, the invisibility of individual aid agency efforts and outcomes is at the core of the problem. To see how visibility matters, suppose you are the agent and your principal is the dinner guest you have invited over to your home. Compare the cleanliness of your dining room and your attic. The dining room is observable to your dinner guest. The attic is not. Your dining room is a lot cleaner than your attic. You devote much more effort to cleaning the dining room than to cleaning the attic. In fact, you may even make the attic messier in the process of cleaning the dining room, shoving dining room junk up into the attic. If someone comes up with a utopian plan to transform your attic, nobody will ever know if it succeeded or not. When nobody can tell whether aid agency efforts make a difference, the aid agency managers have only weak incentives to exert effort.

AT: AID SOLVES POVERTY

Development assistance cannot draw African nations out of poverty, 4 reasons.

NYT 07 (Stephen Kotkin, "In Africa, One Step Forward and Two Back," 7-8-07, Lexis)

But here is a head scratcher: although globalization has transformed Asia, decades of assisted development have not produced sustained prosperity in Africa. Any more goodwill from the African aid industry, it sometimes seems, and the continent may be condemned forever. Enter the judicious Paul Collier, a former research director at the World Bank and an economist at Oxford University who has long studied Africa. He previously wrote about a "conflict trap" -- self-perpetuating civil wars that sidetrack development. But now, in "The Bottom Billion" (Oxford University Press, $28), he concedes that Malawi has been "conflict-free for its entire post-independence history, yet it still has not developed." The book takes due account of other economic traps and fills out an ambitious Africa agenda. Development, Dr. Collier argues persuasively, is both too narrow and too broad; too narrowly focused on aid, which often causes rather than cures problems, and too broadly focused on the entire developing world. Poverty has been plummeting for most of that world -- a first in history -- but circumstances for about a billion people continue to deteriorate. He wants to redirect development promotion to this bottom billion, 70 percent of them in Africa, despite the uphill rock-push that would be involved in relocating development types from Rio to, say, Bangui. Four conditions can become economic traps: abundant natural resources, which emancipate elites from investing in and being accountable to the citizenry; landlocked geography amid underdeveloped neighbors (Switzerland can depend on Germany to build ports, but Uganda depends on Kenya); unchecked violence; and poor institutions, which convert what otherwise should be a boon -- foreigners eager to invest -- into a nightmare. Free trade, for all its benefits, cannot lift the bottom billion out of these traps, Dr. Collier points out, not least because soaring, cheap-labor Asia now stands in Africa's way.

AT: TECHNICAL ASSISTANCE CREATES GROWTH

Technical assistance has been the least effective of all aid programs in Africa.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 57-58)

Technical assistance has been managed by aid donors in a way that has not only lessened its effectiveness but also, in some cases, weakened African institutions. Donors offer (or frequently, require) technical assistance as part of their projects whether or not African officials need or want it. Project designs are often highly complex and technically beyond what African governments can manage on their own, requiring foreign technical assistance. African officials accept the complex designs and the accompanying technical assistance as the price of aid. In other cases, donors in a hurry to spend their monies have preferred not to rely on the performance of African officials; rather than cutting back on aid, they place their own nationals in government, in effect, to oversee its expenditure. This practice undercuts African officials and often leads to a collapse of the aid-financed activity after expatriate officials depart. Another problem involves the equipment and training that comes with technical assistance. Sometimes African officials seek technical assistance—not because they want it but because they want the opportunities for patronage that it brings. Expatriate experts often come with funding to hire local staff. Training often means travel abroad for Africans on attractive per diems. These resources can be used to reward clients by African officials supervising the technical experts, creating perverse incentives for Africans to seek to expand rather than to reduce technical assistance. Third, donors (unintentionally) encourage the use of technical assistance as a result of adjustment programs that restrict expenditures on important services, forcing governments to seek foreign-funded experts to do jobs that their own citizens could handle but the governments can no longer pay for. Many of the teachers in Mozambique, for example, are expatriates—not because Mozambicans could not teach but because the government cannot afford to pay them.30 To sum up, technical assistance aimed at strengthening African institutions has over the past several decades been among the least effective of aid-funded interventions. But more troubling, it appears in some cases to have become counterproductive—too much aid has been combined with too little understanding of the institutional problems it was intended to address.

Technical assistance only creates profits for the wealthy—US aid has too many conditions to actually be helpful.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 192)

The agencies are less effective at helping the poor not just because of little voice or feedback from the intended beneficiaries but also because there are noisy rich clients—the rich countries that actually pay the bills. Since aid agencies need to please the electorate in rich countries, the agencies often strive to produce side effects for rich countries at the same time they are transforming the Rest. Thus, rich-country donors restrict some part of aid to purchases from their own country's exporters ("tied aid"). The United States requires recipients to spend the aid receipts on products from American companies for about three quarters of its aid. Other donor nations have similar restrictions (although the share of tied aid is not as high as that of the United States). Tying of aid lowers its value to the recipient because it restricts choice on what products can be purchased and from whom. Technical assistance to poor countries is even worse, since rich countries typically insist that their own nationals be the technical advisers. Hence, a good part of technical assistance aid is simply flowing back to some rich-country consultant handing out the kind of deep insights that come from two weeks' acquaintance with a poor country. (Tying of aid shows rich-country hypocrisy, but this hypocrisy is not the reason why aid fails to raise growth—see chapter 2.) Aid agencies are also attentive to the need to reward political allies of the rich countries with aid.

AT: CONDITIONING AID SOLVES IMPACT

Conditioning aid fails—reforms are rarely implemented and have failed, even when they are supported by governments.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 54-55)

Aid agencies have been significantly involved in nearly all of the economic-reform programs in sub-Saharan Africa over the past fifteen years. We saw in the previous chapter that the era of aid for economic-policy reform began in the early 1980s. Since that time, most African countries have agreed to one or more stabilization or structural-adjustment programs supported by the IMF and World Bank, encompassing exchange rate devaluations; trade liberalization; reductions in budgetary deficits; reductions or removal of price controls, and regulations on trade, investment and labor practices; privatization of state-owned enterprises; educational, health, and financial-sector reforms; and reforms of the civil service. While most countries have agreed to wide-ranging reforms, they have often failed fully to implement and maintain many of those reforms. A 1994 study by the World Bank, assessing adjustment programs in twenty-nine African countries during the 1980s, found that most countries had implemented some reforms, that a handful of countries had implemented a significant number of reforms, and that overall performance in implementing reforms remained disappointing—more so than in other parts of the developing world. The most frequently implemented types of reforms include currency adjustments, elimination of controls on prices and interest rates, and the reduction of tariffs on imports (though not of nontariff barriers to trade). A number of countries have made efforts to simplify investment regulations. But certain types of reforms have lagged: in the civil service, in privatization of state-owned enterprises, and in the financial sector.

Aid conditions are too complex to improve economic progress and they are met with enormous resistance.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 55-56)

It is relatively easy to design and implement a currency realignment. It is far more complicated to privatize public enterprises or to reform financial institutions. The assets, liabilities, and market value of public enterprises must be evaluated, potential buyers must be informed and bids sought, a decision to sell must be made and ownership transferred. Obtaining accurate information, evaluating alternatives to privatization, and fairly and effectively implementing the sale of state-owned enterprises are all challenging for governments with weak institutions. Reform of banking systems also presents complex problems of assessing and recovering nonperforming assets, of recapitalizing, of changing or retraining staff (or of selling off the bank to private investors), and of establishing regulations and effective regulatory bodies that can monitor bank performance. A second factor is politics. The impact of a currency devaluation is diffuse, affecting many people but few so much that their livelihoods are threatened. However, privatization and civil-service reforms eliminate jobs; government employees, understandably, usually resist. Government employees are among the best organized and most influential economic interest groups in African countries, and their opposition has played a key role in the reluctance of governments to implement reforms. Resistance to financial-sector reforms is also political: banks in many countries have provided political elites access to loans that were often poorly secured and never expected to be repaid. Effective reforms of banks would cut off that access and could result in demands for the re payment of loans. The opposition of political elites to bank reforms has been a key factor in the slowness with which they have been implemented. A final explanation for the pattern of reforms involves the aid donors themselves. The World Bank, the IMF, and bilateral aid agencies signaled that they would reward governments adopting reforms and penalize governments refusing to adopt reforms. It is hardly surprising that African governments, desperate for aid and the access to debt rescheduling that came with a World Bank- or IMF-supported reform program, agreed to adopt economic reforms even if support for them inside and outside government was weak. But it soon became clear that donors were reluctant to terminate their aid when reforms were not fully implemented. (We shall explore the reasons for this reluctance in the section on World Bank aid to Africa.) Thus, donors themselves created incentives for Africans to agree to, but not fully implement, reforms.

AT: CONDITIONING AID SOLVES IMPACT

Foreign aid utterly fails to produce good government—30 years of history prove.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, "Aid to Africa," p. 56-57)

However, evidence suggests that many African government agencies are weaker today than in the past. An assessment of national capacities by experts on behalf of the African governors of the World Bank in 1996 came to a striking conclusion: "Almost every African country has witnessed a systematic regression of capacity in the last thirty years; the majority had better capacity at independence than they now possess." Yet there were more aid-funded technical assistants in Africa than ever before, as many as eighty thousand by the year 1987.26 During the 1980s alone, between $40 billion and $50 billion in aid was spent on technical assistance in Africa, a quarter of total aid to the region." Aid donors have found efforts to strengthen African institutions among the least effective of their activities. Indeed, evidence suggests that technical assistance has become part of the problem of institutional weaknesses, not the solution. For example, a study of technical assistance by Elliot Berg concluded, "Almost everybody acknowledges the ineffectiveness of technical cooperation in what is or should be its major objective: achievement of greater self-reliance in the recipient countries by building institutions and strengthening local capacities in national economic management. Despite 30 years of a heavy technical assistance presence and much training, local institutions remain weak and this type of assistance persists. Deficiencies in technical cooperation are not the sole or even the main explanation for this situation, but they contributed significantly to it."

AT: CONDITIONING AID SOLVES IMPACT

Conditioning aid on market reforms fails—free markets may be best but free market reforms fail.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 44-45)

The failure of the Big Push led to some soul-searching among foreign aid agencies, beginning in the 1980s. Maybe the failure was due to poor countries' interference with free markets. After all, if one of the secrets of Western prosperity was the feedback and accountability of free markets, the most obvious thing the West could do to transform the Rest was to introduce free markets. The next step in escalation of the White Man's Burden was to condition aid on the Rest's adopting a rapid transition to markets. There is usually a sharp division between those who favor free markets and those who don't, with each camp fearful of ceding any ground to the other. This book arrives at a paradoxical finding: free markets work, but free-market reforms often don't. To explain this paradox, this chapter will discuss how introducing free markets from the top down is not so simple. It overlooks the long sequence of choices, institutions, and innovations that have allowed free markets to develop in the rich Western economies. It also overlooks the bottom-up perspective on how markets often don't function well in the low-income societies of Africa, Latin America, Asia, and the former Communist bloc. Markets everywhere emerge in an unplanned, spontaneous way, adapting to local traditions and circumstances, and not through reforms designed by outsiders. The free market depends on the bottom-up emergence of complex institutions and social norms that are difficult for outsiders to understand, much less change. Paradoxically, the West tried to plan how to achieve a market. Even after evidence accumulated that these outsider-imposed free markets were not working, unfortunately, the interests of the poor did not have enough weight to force a change in Western policy. Planners underestimated how difficult it is to get markets working in a socially beneficial way. People everywhere have to explore with piecemeal, experimental steps how to move toward free markets.

Free market shock therapy reforms are counterproductive—Russia proves.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 65-66)

Shock therapy was the application to Russia of what the World Bank and the IMF called "structural adjustment," which in turn was heir to the Big Push. Structural adjustment loans were the brainchild of World Bank president Robert McNamara and his deputy, Ernest Stern, who sketched out the idea on a flight the two took together to the World Bank/IMF Annual Meeting in Belgrade in late September 1979. Structural adjustment loans are given to finance imports, and were conditional upon countries adopting free markets. The IMF, which had already been doing conditional loans for a long time, signed on to the new idea. What was the inspiration for what turned out to be a historic World Bank mistake of financing comprehensive reforms instead of financing piecemeal improvements? The idea was that developing countries needed the big reforms in order for individual projects to be productive, hence the escalation of World Bank intervention. This reasoning was appealing. I used to believe in shock therapy and structural adjustment. We proponents of such comprehensive reforms convinced ourselves at the time that partial reform would not work unless all of the complementary reforms happened quickly and simultaneously. Sometimes we clinched the argument with a metaphor like "You can't cross a chasm in two leaps." It seemed plausible that the returns on small interventions would be low if the whole economic and political system was messed up—hence the attempt to remake the system in one fell swoop. What we shock therapists didn't realize was that all reforms are partial; it is impossible to do everything at once, and no policymaker has enough information even to know what "everything" is. The choice is between large-scale partial reforms (which shock therapy mislabels as comprehensive reforms) and small-scale partial reforms. Either large-scale or small-scale partial reforms could backfire, but it is much easier to correct the small mistakes than the large mistakes. The "unintended consequences" problem is greater with a large-scale reform than with a smaller one. The attempted changes at the top are out of touch with the complexity at the bottom, as we will see in this chapter. To make a long story short, the shock therapy often ran afoul of poor institutions that failed to prevent public corruption and private looting. The overambitious reforms of shock therapy and structural adjustment were the flight of Icarus for the World Bank and the IMF. Aiming for the sun, they instead descended into a sea of failure.

AT: CONDITIONING AID ON STRUCTURAL ADJUSTMENTS SOLVE

Structural adjustments translate into zero to negative economic growth, inflation, and debt.

Easterly '06 – professor of economics @ New York University – 2006 (William, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good," p. 68-69)

The World Bank and the IMF gave Cote d'Ivoire twenty-six structural adjustment loans in the 1980s and 1990s. Per capita income in the country plunged throughout the period in one of the worst and longest depressions in economic history. Today, Cote d'lvoire is mired in civil war. Indeed, it's a little unnerving that almost all recent cases of collapses into anarchy were preceded by heavy World Bank and IMF involvement. Although I don't think the IMF and the World Bank caused the Ivorian collapse into anarchy, it would be hard to argue that their involvement in the country had a positive long-run effect. I have picked out the African countries that were in the top twenty worldwide in the number of structural adjustment loans received from the World Bank and the IMF. Most African countries that received intensive treatment from structural adjustment have had negative or zero growth. I have also listed the top ten recipients of structural adjustment loans in the ex-Communist countries. Most ex-Communist countries that received shock therapy and many structural adjustment loans have had sharply negative growth and high inflation (see table 2). On balance, the outcomes associated with frequent structural adjustment lending are poor. Using the methods of evaluation mentioned earlier, one finds that, first; things were so bad in so many countries that were recipients of structural adjustment loans that it stretches belief that the loans had a strong positive effect. Second, since structural adjustment loans were repeated year after year, one wonders why the patient did not improve after repeated doses of the medicine. Finally, formal statistical methods to control for possible reverse causality from crisis to treatment still found that structural adjustment lending has had a zero or negative effect on economic growth." Another influential recent study by Adam Przeworski of New York University aid James Vreeland of Yale found that the effect of IMF programs on growth was negative, wen when the study controlled for the adverse-selection effect. Another piece of evidence: as we see in a later chapter, African countries (wen the "success stories") couldn't pay back zero-interest structural adjustment loans, and the World Bank and IMF had to forgive the debts. The White Man's Burden was deployed in other ex-Communist countries of Eastern Europe and the former Soviet Union besides Russia. These countries themselves technically had white people, but the Western whites were convinced they had missionary gifts for their Eastern counterparts. Unfortunately, the attempted leap across the chasm fell a little short of the other side, as shown in figure 4, aside from the Polish success story. It's hard to know how to attribute blame for this disaster, but clearly the high expectations of the Western reformers were not realized.