

Foreign Aid - The Soft Option

1. — To question the merits of foreign aid as an instrument for the development of backward countries may seem perverse, especially when the West's aid programmes (financial help from government to government) are already running at £2,000 million a year, or more. To many people, politicians, academics and business men, the overriding question is how the West can increase this help still further. All the signs, especially President Kennedy's special message to Congress in March 1961, and the addresses at the World Bank Conference in Vienna in September 1961, suggest that it will be increased. But it is precisely at a time like this when the West's foreign aid programme is beginning to acquire a momentum of its own, that the assumptions behind this massive gesture of generosity most need questioning. It is often taken for granted that the exigencies of power politics lie behind the introduction and continuation of foreign aid. This may explain, perhaps, why neither the economic results nor their far-reaching political implications have been sufficiently analysed or questioned. But the experience of more than a decade of foreign aid suggests that the present forms of providing aid lead to the worst of both worlds for both donors and recipients.

This article therefore examines a number of issues which need closer examination than they have so far received. First, pre-occupation with foreign aid has obscured the deep seated factors beneath the differences in the prosperity and progress of rich and poor countries and it has also diverted attention from the need for much more radical policies in both advanced and backward countries. These radical policies are as yet barely formulated, partly because under the shelter of foreign aid, the comfortable illusion has spread that economic development is possible without cultural change in the backward countries, and without structural change in the advanced countries. It is in this sense that foreign

aid is a soft option, both for donor and recipient governments. This is a fundamental criticism, and this article is in part a plea for policies less resistant to change, less wedded to the status quo.

Second, foreign aid also leads to an ineffective use of the world's supplies of capital. Third, foreign aid promotes concentration of power both in the rich and the poor countries, which is objectionable in many ways, not least because it obstructs economic advance. Apart from these topics we also refer briefly to some other ways to encourage economic development in the backward countries; the value of this objective is not in dispute.

2. — As the chosen instrument of Western development policy, foreign aid has become a soft option for both recipient and donor governments. To continue to rely on it extensively is likely to be ineffective and costly compared with other methods, and is even likely to hold back material progress in the backward countries.

For obvious political reasons discussions about foreign aid usually suggest, explicitly or by clear implication, that development is largely a matter of investment; that differences in income between rich and poor countries largely reflect differences in capital per head; and that these differences can and should be reduced or eliminated by large scale transfers of money. These transfers, it is said, need only be temporary because within a few years they will set the underdeveloped world firmly along the road of material progress. These beliefs now need questioning. On examination they will be found to encourage waste, reinforce dangerous illusions, obscure essential factors behind the differences in economic attainment and divert attention from the problems and tasks of development which really matter.

Differences in economic achievement and rates of progress between countries, especially rich and poor countries, reflect differences in history, in natural resources including climate, in political institutions, in social attitudes and in economic qualities of the population such as resourcefulness, ability to perceive and exploit economic opportunity and the attitude to work, leisure and thrift. There is nothing abnormal or reprehensible in these differences. Nor is there any inherent right which ensures that all countries should enjoy approximately equal incomes per head, or should be caught up simultaneously in the stream of material advance.

The physical, institutional and human factors behind these differences are powerful and deep seated. Some are unavoidable. For instance, the climate and physical features of the tropics partly explain why all tropical countries are economically underdeveloped and almost all backward economies are within the tropics. In many underdeveloped countries, especially India and the Moslem world, there are also tenacious and pervasive mental attitudes obstructing material progress. Familiar examples include the Hindu belief in the inviolability of animal life and the prevalence of caste, both of which have persisted across millenia and are still powerful over most of the country.

Differences in economic qualities of different ethnic groups, a topic rarely admitted to public discussion, are also extremely important. It would be unwise to be dogmatic about the historical and biological factors behind ethnic differences in economic performance. These differences (some of which are almost certainly derived from climate and environment) are probably not fixed for all time. But at any moment and over decades or even centuries, the differences in economic qualities and attitudes of individuals and groups are pronounced and important. This can be seen in many underdeveloped countries. The Chinese in Malaya, the Indians in East Africa, the Lebanese in West Africa, usually immigrants without capital or much formal education, have soon outdistanced the indigenous population, and the special conditions of migration do not account entirely for these striking differences in performance.

These differences between rich and poor countries have not emerged in recent decades or even centuries. The present developed world was already far ahead of the underdeveloped world by the time conventionally assigned to the industrial revolution. By the 18th century, Western Europe was largely permeated by the exchange economy, and had developed attitudes and institutions appropriate to it. By then there had been for centuries great trading and industrial centres in Western Europe; for centuries voyages of discovery had been going on, with considerable long distance travel, almost wholly from Western Europe and North America to the East, with practically no movement the other way. Sophisticated mathematical concepts and technically advanced scientific instruments had been in use for generations. These developments and achievements sprang from the experimental attitude,

intellectual curiosity and interest in the material world, which was at large throughout Europe for centuries before the industrial revolution.

None of the now developed countries made their way with the help of foreign aid, and it is naive to believe that the transfer of money can somehow bridge the profound differences between the advanced and the backward countries in economic qualities, social attitudes and physical conditions. The largest imaginable transfers could not achieve this; and the aid programmes of today, vast as they are, represent only comparatively small amounts per head of the population in the receiving countries.

Much of the enthusiasm for foreign aid seems to rest on the convenient assumption that it is possible to have economic development in poor countries without cultural change. Development is thought to depend largely on how much a country can invest, rather than on the economic qualities of its people, its social institutions and attitudes and its physical environment.

This approach has led to striking paradoxes, most of which are ignored in public discussion. India, the most populous country outside China and the largest recipient of Western foreign aid, offers perhaps the best illustration. It has been recognized for generations that the Hindu belief in the sanctity of animal life, especially in that of cattle, is a major obstacle to economic progress in India. Yet within the last decade, legislation prohibiting the killing of cattle has been introduced in six major Indian states which cover about half the population of India. The legislation in Uttar Pradesh, the largest Indian state with a population of about 80 million, absolutely prohibits the slaughter of any cow, and "cow includes a bull, bullock, heifer, or calf". This legislation coincided with the official inception of the Second Five Year Plan with its overwhelming emphasis on steel and heavy engineering.

Caste has not received statutory reinforcement in India, but government efforts to break it down have been half-hearted and the results meagre. Moreover, important parts of government policy (such as extensive licensing of trading and transport and restrictions on the movement of agricultural produce), obstruct occupational and geographical mobility, and in this way retard the disintegration of caste. There are still over 60 million untouchables in India, most of the population is illiterate, and a large proportion of the children do not attend even the most rudimentary schools. Yet

spending on elementary education under the Second Five Year Plan was about one half of the cost of any one of the three steel plants in the public sector under the Plan. Though India is the most striking example of an attempt to produce economic progress without cultural change, similar attempts may be found throughout the underdeveloped world.

The backward countries' reluctance to make cultural changes is matched by the reluctance of advanced countries to make the structural changes which would assist economic progress in the underdeveloped world. The severe restrictions in the West on exports from underdeveloped countries substantially damage their prospects. The quotas imposed by America, Britain and other developed countries on textile exports from Hong Kong, India and Pakistan are familiar.

At first sight it seems paradoxical that the rich countries should give large sums in aid to poor countries while placing major obstacles in the way of their exports and thus their development. But foreign aid is provided from general taxation, while free imports hurt vocal and well-organized sectional interests. To take in a large volume of imports of textiles or cheap clothing or footwear from underdeveloped countries would require changes in the structure of industry in the developed countries which they are not prepared to face. Foreign aid becomes a form of conscience money, and is unlikely to help the recipients more than is usually the case with such payments. Foreign aid also serves the interests of influential groups in donor countries seeking a market for their products, including producers of capital goods for the large scale projects financed from foreign aid, and U.S. Government and agricultural interests wishing to get rid of the huge agricultural surpluses. This is an example of the familiar rule that benefits to sectional interests are obvious, while the cost to the community is obscured.

The inauspicious nature of the human and social setting in underdeveloped countries for material progress is generally ignored by the advocates of foreign aid, and to emphasize it is unpopular. Nevertheless, discussions on foreign aid which overlook the need for more radical changes in both rich and poor countries are unhelpful. Poor countries will not progress without far reaching changes in their social and physical environment and their attitudes

and values, and this must be accompanied by structural changes in developed countries. Political charity is no substitute for these changes and contributes insignificantly to the progress of the underdeveloped world. Once the premise is accepted that substantial foreign aid is a necessary and perhaps a sufficient condition for the development of poor countries then either progress or stagnation of these countries can be used as an argument for further aid; their progress can be instanced to show the value of aid and their stagnation the need for it. Moreover, once the West has made substantial sacrifices for foreign aid it becomes practically impossible to cast doubt on the worthwhileness of these programmes. The greater the sacrifices, the more difficult it becomes to question the principles in the name of which they were exacted. There need be practically no limit to this process; the West is effectively making out a blank cheque to the backward countries.

Meanwhile, the flow of foreign aid itself helps local politicians to postpone those changes which obstruct the development of their countries, and enables politicians in the richer countries to escape the structural changes which would follow the freer entry of exports from poorer countries.

3. — Pre-occupation with foreign aid as an instrument for developing poor countries has led to the ineffective use of the world's scarce supplies of capital. This has arisen for economic, political and ideological reasons.

The return on capital is now generally higher in rich than in poor countries, so that to transfer it from the former to the latter reduces its total return, and in this sense leads to its less effective use. The productivity of capital in rich countries is higher because industrial techniques are more advanced, technical progress more rapid, and because there are relatively more skilled workers, technicians and administrators in rich countries. Moreover, under foreign aid there is practically no contact between those who supply capital and those who use it. The concern of the supplier of capital for its prospective return and his control over its use are usually major factors ensuring its efficient use. This concern and control are difficult to exercise, or even to define, with foreign aid. Inter-government transfers of large lumps of money cannot be adjusted to supply and demand conditions as closely as individual acts of investment, which makes the use of capital less effective.

The fact that aid is usually given free, and always below the market price of capital, reinforces these results.

The prevailing investment fetish, that is, the belief that development depends largely on investment expenditure, is another reason resulting in an inefficient use of capital. This unwarranted belief has been built up from a variety of sources, some of which are ideological and political. The definition of investment is largely arbitrary, and expenditure certainly does not become productive simply by being labelled investment. By spuriously justifying all expenditure termed investment it encourages spending regardless of cost. It also provides superficial justification for a wide range of controls on the ground that they are required to promote investment. The idea that development depends essentially on investment leads to a neglect of other factors affecting development, including the establishment of suitable institutions and the encouragement of appropriate economic qualities and attitudes. Politically, foreign aid encourages governments in backward countries to ignore or even repress alternative sources of capital. For instance, it is foolish and unpatriotic to pay market terms for foreign capital, if that can be obtained elsewhere more cheaply or for nothing. The inadequate flow of private foreign investment can then be represented as a major reason for the need for further foreign aid, that is, if foreign private capital investment is still allowed. It is one of the many paradoxes in this field that most poor countries which request and receive capital in the form of foreign aid severely restrict the inflow and operation of foreign private capital, partly for ideological reasons, and partly under pressure from local sectional interests wishing to restrict competition. But for the flow of foreign aid the local politicians would have to be more reluctant to impose such restrictions.

These considerations suggest that on a strictly economic view poor countries would be better off if the capital now going to foreign aid were used in rich countries, and the return simply handed over to the poor countries as a free gift.

4. — Foreign aid leads to a concentration of power in both donor and recipient countries, especially the latter. It is financed by taxing the *individuals and companies* in the giving country in order to transfer money capital to the *governments* of the receiving country. This increases the resources of governments, compared

to those of the private sector. And as already noted it encourages governments to restrict private foreign capital, thus further strengthening the public sector and weakening the private sector.

Both the inflow of private foreign capital and the supply of domestic capital are affected. For instance, West African countries have received aid from abroad while their governments subjected local producers of cash crops to phenomenal taxation for compulsory saving. This has not only obstructed private capital formation, but has also held back the spread of the exchange economy and the emergence and growth of a local entrepreneurial class and of a prosperous peasantry; it was even claimed for these policies that they had prevented the emergence of a kulak class. Much of this taxation was used first to accumulate sterling balances and, more recently, to finance officially sponsored uneconomic ventures. Such policies are encouraged by foreign aid.

These results should not come as a surprise since they are in line with the policies now urged on underdeveloped countries by the West. In allocating aid those governments receive preference which undertake comprehensive development planning, i.e. a large measure of government determination of the composition and direction of economic activity. This criterion in the allocation of aid already operates widely, and has been spelt out quite clearly in President Kennedy's special message to Congress of March 1961, which specifies comprehensive development planning and compulsory saving as two conditions of a country's eligibility for aid. Closely controlled and highly centralized economic systems must follow from such conditions.

Once a tendency towards concentration of political power sets in it often feeds on itself and becomes difficult to reverse. Controls often set up important political, administrative and economic vested interests. Moreover, in an economy largely administered or controlled by the government, the energies of ambitious and enterprising men will be diverted from the economic into the political life. The lack of the best talent in industry then becomes a further argument for the extension of government control over the economy. At the same time investment is diverted into acts of political showmanship and away from investment of a more productive character.

The operation of these forces is manifest in poor countries. But in the richer countries also the operation of foreign aid leads

to the concentration of political power. The financing of aid increases the pressures on the economy, requires the imposition of additional taxation and thus makes the imposition or re-imposition of direct controls including exchange controls more likely. These tendencies are reinforced by the constant emphasis on the need for greater sacrifices and on the alleged inadequacy of current efforts in the granting of foreign aid. Thus in both the donor and the recipient countries foreign aid tends to enhance the extent and intensity of government controls and the concentration of political power. This danger is all the more serious because, as we have already noted, whether the recipient countries progress or stagnate, either condition can be used with superficial plausibility as an argument for further aid.

5. — These criticisms of foreign aid, that it resists change, misuses capital, and encourages the concentration of power — must naturally make one wonder why the policy of foreign aid has been accepted so universally. Besides the influence of sectional interests, some of which have been mentioned earlier, support for foreign aid has come from a number of political, social and economic arguments. We refer briefly to a political argument in the last section. Here we wish to consider only one of the social and economic arguments which is, however, much the most influential.

The inability of poor countries to break the vicious circle of poverty and stagnation without foreign aid, is perhaps the most widely canvassed argument in its favour. According to this thesis, it is poverty itself which makes material progress impossible in these countries, because the low level of incomes prevents capital formation without which productivity and thus incomes cannot be raised. There are many variants on this thesis, but all lead to the conclusion that a country is poor because it is poor; that is, that poverty itself sets up practically impossible obstacles to its own conquest. The case for foreign aid is that it breaks this vicious circle.

Even a superficial look at the history of either developed or underdeveloped countries is sufficient to see that this thesis is inadequate. The very existence of the developed countries refutes it, for the simple reason that all of these began as underdeveloped, in the sense of having low income and capital per head, which,

according to this thesis should have prevented their development. More generally, it is refuted by the rise from poverty to prosperity of innumerable groups and individuals throughout the underdeveloped world, which would be impossible if an insuperable vicious circle of poverty really existed.

The thesis is also refuted by the rapid progress which many countries have actually achieved in recent decades. This progress seems everywhere to have been ignored. A few examples to illustrate how much rapid advance has taken place in underdeveloped countries in recent decades may therefore be useful.

Between the mid-nineteen thirties and the mid-nineteen fifties the average gross national product of Latin America has increased at an annual rate of about 4%, and output per head at over 2%. In recent years these rates of growth have exceeded the comparable rate of growth in the United States. South-East Asia and West Africa are other regions which have developed very rapidly in the last half century or so. This is clear from sporadic national income figures, which however do not go back very far. It is overwhelmingly proved by statistics of foreign trade, agricultural production, railway transport, government revenue, literacy, infant mortality, and similar information. After all, in the 1890s there were no exports of cocoa or groundnuts or cotton from Nigeria or Ghana, and exports of oil palm produce were about a tenth of their present volume. The rubber industry of South-East Asia did not exist before 1900. Today these commodities are leading staples of world commerce with annual exports worth many hundred million pounds. Moreover West African agricultural exports are produced wholly by Africans as there are no European owned farm plantations there and about two-thirds of South-East Asian rubber is grown on non-European owned properties. At the beginning of the century there were no imports, or negligible imports, into these territories of flour, sugar, cigarettes, cement, petroleum products, machinery, or iron or steel, whereas today these commodities are imported on an impressive scale.

In many ways the progress of Hong Kong is of special interest. Hong Kong has made rapid progress in recent years to become a major manufacturing centre. But it lacks all natural resources, is subject to heavy population pressure, and has only a very restricted domestic market — all features which are often said

to reinforce the vicious circle of poverty. Yet in spite of all disadvantages, and without any foreign aid, Hong Kong has in recent years become a large scale exporter of manufactured products to the highly developed countries. Indeed, it has made such headway that official measures have had to be taken in many countries in the West, including Great Britain, to protect home industries from Hong Kong competition.

Although the underdeveloped countries are by definition poor, poverty may exist side by side with even rapid advance, if this has started only comparatively recently and from a very low level. Much of the discussion of the so-called vicious circle of poverty rests on a confusion between a low level of economic achievement and a zero rate of change. It is clearly improper to confuse these two.

6. — There are other ways in which the West could help underdeveloped economies apart from foreign aid. The most obvious and immediate one is to reduce the barriers against their exports. The West spends huge sums on foreign aid to develop Asian, African and Latin American economies and then excludes their exports by tariffs or quotas. This clearly shows that foreign aid is a soft option for the West, enabling it to side-step economic policies which although likely to be much more effective in assisting these countries, would be politically more unpopular than the additional taxation required to finance foreign aid. To politicians, businessmen and organized labour, aid is preferable to trade.

A further possible method to assist poor countries has some affinity with foreign aid. This would be a much more systematic attempt than hitherto to make available to underdeveloped countries some of the vast fund of technological and administrative knowledge accumulated in the West. The existence in the contemporary world of these fruits of material progress achieved in the developed countries but available to underdeveloped countries is an important latent asset. In this respect the poor countries are certainly better off than were the advanced countries in earlier stages of their history. Naturally, the transplanting of this accumulated knowledge is enormously difficult, and would require far reaching changes in attitudes and values in underdeveloped countries. But it might do much more good than simple transfers of money.

Policies designed to reduce economic instability in the industrial countries also help the backward countries by reducing the fluctuations in the prices of the primary products which they export.

This article, however, is primarily a discussion of foreign aid, and it would be inappropriate to discuss at length these alternatives. We wish only to establish that there are other ways than foreign aid by which the underdeveloped world can be assisted.

7. — Whatever one may think of the merits of foreign aid as a general policy, or of the arguments canvassed in its favour, it is certain that in the absence of war foreign aid will continue on a substantial scale. The useful question to put, therefore, is how it could be transformed to serve more effectively the interests of donors and recipients. Some essential characteristics of foreign aid, often ignored in public discussion, need to be briefly listed, before we can see how this may be done.

First, foreign aid is financed from taxation, which removes from it the moral appeal of voluntary aid or private charity. The recipients of foreign aid cannot usually reason out this difference between foreign aid and voluntary aid, but they generally and rightly sense it. They therefore suspect statements that foreign aid is primarily motivated by humanitarian sentiment, and this mistrust often leads them to attribute improper and even sinister designs to the donors.

Second, the popular analogy between foreign aid and progressive taxation within a country is false. To mention only one fundamental difference, the latter is intended to bring about redistribution between rich and poor families and individuals, but this is impossible under foreign aid because many people in the recipient countries are richer than many tax payers in the donor countries.

Third, foreign aid is always necessarily rationed. It represents scarce resources collected from tax payers in the West and transferred to recipient governments either free, or at less than market value, which means that the demand always exceeds the available supplies. These resources are urgently required throughout the world, and they can be used productively in both rich and poor countries. The latter necessarily compete between themselves for these resources as all their demands cannot be met; aid given to one country is aid denied to another.

Fourth, foreign aid necessarily affects the political situation in the recipient countries. It strengthens the position of the recipient government and thereby underpins whatever policies it pursues. Moreover, by increasing the resources of the government it enlarges the relative size of the public sector. Further it may induce governments of prospective recipients to pursue domestic policies acceptable to the donors. But in any event, by strengthening the position of the recipient government, the donor country is necessarily drawn into the political life of the recipient country.

Recognition of these simple points is the starting point for any discussion of a rational policy for foreign aid, notably of the criteria of its allocation.

8. — Because aid is money supplied by the taxpayers of the donor countries, it is reasonable that it should serve the interests of the donor country. Nor need this conflict with the interests of the people in the recipient country, rather the reverse. The interest of the West in the development of the backward countries surely lies in the evolution and establishment of societies most likely to conduce to the welfare, that is the peace and prosperity, of the populations of the donor countries. Moreover, this interest is most likely to be secured by the development of societies which achieve economic advance in the sense of a general rise in living standards; and, further, which are likely to be resistant to the appeal of totalitarian regimes.

Such societies would generally exhibit the following characteristics: the economy is developing; people have wide access to alternatives both as consumers and as producers; decision-making is decentralized and widely dispersed; the power of individuals over others is limited; people do not experience violent and discontinuous disintegration of their communities; large numbers of people own some property. And economic advance, if it is to be meaningful, must mean an increase in the net flow of goods and services *desired* by the population, and not simply an increase in the volume of some categories of physical output, regardless of the desires of the individuals comprising the society.

The establishment and maintenance of a society resistant to the appeal of totalitarianism, and the promotion of economic advance in the sense just indicated call for economic systems in which decisions about the composition of the national output, includ-

ing those affecting the distribution of resources between consumption and investment, are taken largely by the individuals participating in economic life.

Neither economic advance nor the emergence of societies with these desirable characteristics depends solely on government action. But they do assume that the government can efficiently perform a wide range of complex and delicate tasks, and yet will refrain from detailed and specific control over economic activity. Thus, it requires both action and also restraint on the part of the government, that is, a willingness and ability to undertake certain functions, and the strength to refrain from certain other activities.

The more important of these positive functions are familiar, though their adequate performance cannot, unfortunately, be taken for granted. They include: promotion of a suitable institutional framework for the activities of individuals; maintenance of law and order; effective management of the monetary and fiscal system designed to prevent both serious fluctuations in the value of money and crises in external payments; provision of basic health and education services; establishment of basic communications; and often also provision of agricultural extension work. These are essential functions which cannot be performed by individuals or companies, partly because they represent the establishment and adjustment of the institutional structure within which the private sector functions, and partly because some of these activities yield services which, although there may be a demand for them, cannot be bought and sold in the market. The adequate performance of these tasks would fully stretch the fiscal and administrative resources of the governments of all underdeveloped countries.

Conversely, the activities and policies most likely to undermine a society's ability to resist the appeal of totalitarian regimes (and equally to obstruct the advance of mass living standards), include government determination of the direction and composition of economic activity, including large scale compulsory saving; substantial government participation in industry and trade; the promotion of statutory monopolies; expropriation or quasi-expropriation of private property; restrictive control of the establishment and operation of privately owned enterprise; and allocation of capital, foreign exchange and materials.

In the allocation of foreign aid, the West necessarily chooses between governments pursuing policies which differ widely in their

effects in the promotion of a rise in general living standards and the development of a free and open society.

9. — That the West must choose between countries in allocating aid is inevitable. The amount of aid is limited, the claims on it are many. Aid is always rationed.

The question is how to design an aid programme which would be most likely both to improve living standards and encourage free and open societies in the backward countries. It will readily be seen that this is no easy task, especially if it is agreed that foreign aid of itself leads to an increase in the public sector and in various ways strengthens the power of governments.

Nevertheless it should be possible to devise a programme which might minimize these particular results, and in doing so the various criteria listed in the previous section should be borne in mind. For instance, the amount of aid could be made to depend on the determination of the government to pursue policies compatible with the objective laid down in the previous section, i.e. the raising of general living standards and the strengthening of the country's resistance to totalitarianism. We do not wish to pursue the question here whether this criterion should be stated explicitly or allowed to emerge from the operation of the programme.

We must consider two obvious objections. It will still be said that a policy along these lines would be a deliberate and improper attempt to influence the internal economic policy of the recipients. But we have seen that all types of aid necessarily impinge on the internal policy of the recipient countries, which refutes this objection. Moreover as aid is rationed, the donor countries are already inevitably making choices between countries, and therefore necessarily concerned with the use of the funds supplied under foreign aid, and thus with the policies of the recipients. The only question at issue is the orientation of the influence. President Kennedy in his recent message on foreign aid to Congress explicitly proposed that foreign aid should be linked to the domestic policies of the recipients, though the domestic policies of poor countries favoured by President Kennedy differ considerably from those proposed here. A policy based on the suggestions already outlined would not interfere in domestic affairs more than do current aid programmes, and would probably interfere less. It would certainly impinge less

directly on the lives of the people than those policies which specifically link western aid to current economic policies in poor countries, or those policies and proposals which link foreign aid to comprehensive development planning by the recipient governments, or to other policies designed to establish or extend close government control over the economy. No aid programme can fail to influence internal policy; the question at issue is solely the direction in which the influence is exercised.

Second, it may be objected that if the West were not prepared to give economic aid without regard to the domestic policies of the recipient countries, the Soviet Union would be prepared to do so and thus influence the recipients against the West. The implication is that the West cannot afford in any circumstances to withhold aid, but must give aid even when it is clear that the resources will be used wastefully or in ways inimical to Western interests. There might be something in this odd line of reasoning if resources for aid were unlimited. But they are not. Aid granted to one country is aid denied to another which might be more sympathetic to guidance from the West; alternatively, of course, the resources might have been used to strengthen the Western economies. Moreover the Soviet Union is not likely to give aid unless it either approved of the political results of the policies pursued by the receiving countries, or believed that its aid would influence policies the way it wanted. There are, therefore, implicit but clear criteria underlying Soviet aid to underdeveloped countries. There is no reason why the West should not pay some attention to the political consequence of its aid programmes.

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