Too much aid will hobble Arab spring

Ammous, Saifedean . FT.com ; London (Jun 7, 2011).

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FULL TEXT

Within months of toppling their dictatorships, Egyptians and Tunisians have been promised significant financial help from the international community, with the Group of Eight leading economies most recently pledging pound(s)12bn in aid, loans and debt relief. The wisdom of heaping cash upon these countries has been taken for granted. In fact, it may do more harm than good.

The record of development assistance leaves much to be desired. In the past six decades donors have often sought to bring about growth by funding infrastructure, agriculture and social services, with little success. Development organisations too often follow a discredited central planning model when history is testament to the way in which the grand plans of the few rarely work, while the freedom of the many succeeds in lifting one society after another from poverty to prosperity.

The billions already pledged to help Egypt and Tunisia will again see well-connected officials dictate spending. They will doubtless embark on large investments, such as the plan presented to the G8 by a group of Tunisian technocrats aiming to spend $20-$30bn on transport, infrastructure and industrial zones to "open up and connect the regions of the country". Yet it is not clear why Egyptians and Tunisians would want go down this road again, given the miserable record of similar initiatives, not least in Egypt and Tunisia themselves.

Worse will follow if they do, as the debt burden from loans weighs down already-strained budgets. The likely outcome will be increased taxes and tariffs, along with fiscal and currency crises, as governments devalue their peoples' wealth to pay off international creditors. Sovereignty is quickly compromised on the altar of repayment schedules, as some richer governments are also now discovering.

Perhaps most important, aid has a political impact too. Those calling for new support seem to forget that the deposed regimes already received plenty of international aid finance. Under the aegis of the International Monetary Fund and the World Bank, they presided over elaborate privatisation and reform programmes, which benefited those close to power but did little to help the wider population. In truth the regimes tended to use this support to strengthen their rule, building state security apparatuses and creating kleptocratic governments accountable only to their foreign bankrollers.

Today, with both Tunisia and Egypt led by provisional caretaker governments, the risk is that the power granted by control of this spending will subvert their precarious democratic transitions. Generous aid programmes mean leaders do not need to please their citizens, or gain their trust to secure power; they can instead use donor money to build a security state and buy off their opposition. Without aid, however, governments find it harder to build corrupt client networks, and must instead be responsive to the demands of their people.

A better approach would be for assistance to wait until elections are completed, and elected governments are formed. Even better, donors should be willing to put the question of funding to the public in a referendum, allowing the people to choose whether they really want projects today and then debt tomorrow. Indeed, given the strong relationship between donors and the deposed regimes, it is not impossible to imagine free elections producing new leaderships that reject new funding, aiming instead to reduce or eliminate foreign aid and debt.

Without this, a dysfunctional body politic and a large debt burden may be all that Tunisia and Egypt are left with following the distribution of donors' money. Yet the people of Tunisia and Egypt rose up against unaccountable dictators aided by just this largesse. Now they deserve the chance to decide for themselves whether they want the same foisted on their ruling classes again.
The writer is a visiting scholar at Columbia University's Center for Capitalism and Society, and lecturer in economics at the Lebanese American University.

Credit: By Saifedean Ammous

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