

Oxford Union, May 2, 2013

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Motion: "This House would help Britain before Burundi"

Mr. President, it is a great pleasure to be back at the Oxford Union, twenty years after I last sat my foot here. I have to admit that I am a bit lost in translation. I rushed here from Heathrow – and less than a day after a May Day seminar in an exceedingly modern, arty, and posh office in central Beijing to discuss if a country that were dirt poor twenty years ago will rule the 21st century – I am now in a chamber with that old school charm, like a place taken from the Hogwart School of Wizardry, to debate the billion still at the bottom.

And in one way, you can say I am here speak about wizardry, or at least something that tries to resemble it – this enduring faith that world poverty can be eradicated by public budgets for foreign aid – this modern mythology of the West that we are in the position to decide whether countries will remain poor or grow rich.

I am here to support intelligent giving – philanthropy based on experience and proven effectiveness, helping individuals in need. I have great respect for people dedicating their life to such work – for people working in the field of humanitarian aid.

But I am also here to fowl its opposite character – the practice of government-to-government foreign aid – the almost untouchable belief that government foreign aid is by definition morally good – that the size of a

public aid budget is the yardstick for measuring the degree of empathy, compassion, or solidarity in a society.

I have three propositions for you.

The first one is this: what I call foreign aid – Western government spending to support medium and long-term economic development in poor countries – has failed **miserably**.

At best, foreign aid has helped some countries to keep their noses above the water. But it has not achieved what it promised – to spur and sustain economic development.

And this is the purpose of foreign aid. No government gives foreign aid because they have fallen for the silly notion of global redistribution. Even if some people want them to be, organisations like DfID or the World Bank are not giant Ministries for Global Income Equality – they are not faculties of a global welfare state. They were founded – and they are run – on the assumption that aid is an investment in self-sustained economic development.

After fifty years and trillions of dollars in foreign aid, we know this has not worked. What this experiment has taught is:

A) The more foreign aid a country has received – measured in absolute or relative terms – the less likely it is to have grown richer.

B) The **more** foreign aid a country has received, the **less** likely it is that this country has reformed institutions and policies that we know are detrimental to economic growth.

We can debate the nuances – we can find exceptions to these rules – but the general experience of foreign aid is that countries that needed the money, they should not have received it because their institutions and policies have not been capable of handling it – and countries with the right set of institutions and policies, they have not needed foreign aid because they have already enjoyed rapid economic growth.

My second proposition is this: we should not be surprised, the miserable result of foreign aid is only to be expected.

In the past fifty years, official donors have managed to fall under the spell of almost every failed economic doctrine known to us.

Few know this, but international aid organisations started on the presumption that Stalin's economic policies were a success. In the 1950s, many of the economic theories behind foreign aid were based on the notion that economic development required an enormous amount of investments in an economy – an investment chock. The conventional wisdom behind World Bank thinking at the time was that Soviet was going to out-perform the West because its ratio of investment-to-GDP was so much higher. So the donor programme of the 1960s was to effect such an investment chock in Africa and Asia.

That policy was a giant mistake.

Then came import substitution theories and the idea that a country would grow rich if it reduced its connection to foreign markets, if it closed itself to the world. That was another fail.

Then many donors thought they could reconstruct themselves from their socialist past – and become foot soldiers for the free-market cause. So they started programmes to effectively **buy** free-market reforms in other countries – the promise was that milk and honey would continue to flow if recipient governments just undertook economic reform programmes.

But this policy failed too – because donors, predictably, cannot buy reforms.

For decades, official donors supported regimes pursuing policies that we know have been detrimental to economic growth. And they supported regimes and leaders they should have known would be perpetual machines for economic destruction.

- **Julius Nyerere**, the father of African and Tanzanian socialism, the inventor of Ujamaa, a socialism based on self-sufficiency. His policies led to closed borders for trade, starving people who could not access food, and an economy that contracted for decades. Only two things grew under his watch – foreign aid and corruption.

- **Hastings Banda**, the Malawian President who repressed his country for almost three decades. GDP per capita declined by 30 percent under his leadership, despite enormous amounts of foreign aid. He was an Anglophile with a penchant for Saville Row suits and spent almost a year of aid money

to build a giant Hogwarts School building called the Kazumu Academy, what was supposed to be the “Eton of Africa”, where pupils would not be taught wizardry but Latin and ancient Greek.

There are many others in this hall of shame in foreign aid. Many don't need introductions: ruthless dictators like Robert Mugabe, Idi Amin and Jonas Savimbi. Or Daniel arap Moi and Mobutu Sese Seko, kleptocrats with so much blood on their hands that modern autocrats look like small school-yard thugs in comparison. British and many other Western taxpayers have supported leaders that have been engaged in massive killing of their citizens.

It is just absurd that many apostles of aid Salvationism still claims aid has created economic development. How on earth could societies run by people like this grow?

My last proposition is simple: less aid money is today being spent on dictators and kleptocrats, but the effectiveness of aid is still miserable.

There are two problems:

First, too much of the practice of foreign aid is based on supporting public budgets, public utilities, and public enterprises. This is support to entities that often are responsible for low economic productivity and efficiency – entities that need to change. But aid has the effect of preserving them rather than changing them.

Second, too much of the practice of foreign aid is based on the notion that we can pick winners. But we simply can't. The human mind is not wired to understand what technologies, investments or enterprises that will be successful and rewarded in future. Yet the practice of foreign aid – assistance to support economic development – thrives on the notion that bureaucrats have a crystal ball – that abstract, arm-chaired plans for growth actually can succeed. The apostles of foreign aid cherish this churlish, glib, insolent, Harry Potter version of development – that a magic wand can eliminate poverty.

Mr. President – I hesitated to accept the invitation to debate tonight's motion.

I am not sure I support its logic. I don't think there has to be a conflict between supporting poor fellows at home and poor fellows abroad. I don't think foreign aid should be seriously cut back because Great Britain or Western countries cannot afford it anymore. I find that to be a poor argument.

No, I urge this house to join me in supporting this motion because:

- We resent the notion that the yardstick to measure a society's degree of compassion is the share of Gross National Income given by the government to foreign aid!

- We applaud individuals who give their time and money to organisations they **know** can help people in desperate humanitarian need – but we don't

think people who don't give time and money to aid causes are morally damaged goods.

- We don't believe in the mythology that sustained economic development in poor countries can only occur if development aid is sharply increased.

- We think that poor countries and individuals can only grow if they change their behaviour.

- We **don't** think such change is a residual of government aid, it is not in the power of the West to effect such change.

The honourable members opposing this motion will argue that our ability for compassion is not confined to our country or local community. They will argue that the ethical distance between "us" and the rest of the world has been reduced, that our capacity for compassion and solidarity extends – and should extend – far beyond our national borders.

I agree.

Therefore I support this motion. Burundians, Africans and other people embraced by deep-pocketed donor agencies have suffered long enough from aid-supported regimes penalising their people and economies with profoundly destructive policies.

Mr. President – let us stop this madness!

