

The most valuable chapters address the origins and practice of foreign aid.

Peter T Bauer was born in 1915 in the Austro-Hungarian Empire. In the 1930s he moved to England to pursue his studies at Cambridge. This 1980 book is the product of a mature intellect, a confidant of Margaret Thatcher and longtime economist. Bauer died in 2002.

The world seems to be forever confronting "a bad idea whose time has come." Colonialism was one of these. It was the notion that it was "the white man's burden" to bring civilization to the lawless masses. Communism and socialism are likewise bad ideas. They are based on the faulty premise that all people are more or less equal. Foreign aid is likewise based on the notion that people and peoples are equal, and that observed inequality is something that can be blamed on malevolent intent by somebody. Moreover, the theory is that inequality can and must be eliminated. Foreign aid is the vehicle for eliminating inequality among countries.

Bauer's first chapter is entitled "the Grail of the quality." He writes "people different in economic aptitudes as they do in artistic, intellectual, musical and athletic abilities. In particular they differ in their ability to perceive and utilize economic opportunities." Although this should be self-evident, he goes on to point out that Thomas Edison, Henry Ford and many others were no better situated than others in their society, but gifted with the ability to see opportunity and the energy and intelligence to take advantage of it, they made themselves fortunes.

"In contemporary parlance social justice has come to mean substantially equal incomes. Why should this be so? It is not obvious why it should be just to penalize those who are more productive and contribute more to output and to favor those who produce less."

"Advocates of redistribution propose that results of economic processes should be separated from the processes themselves, that people should share the fruits of economic activities in which they have not participated. The idea of equality over the past two centuries has progressed, or declined, from equality before the law, through equality of opportunity, to equality of result (or even equality of one quantifiable aspect of the result)."

Bauer writes about pauperization. A poor person who remains self-reliant is not a pauper. The do-gooders make them paupers by making them dependent. More than that, they teach the poor to look at themselves as helpless victims, not as self-reliant individuals.

The second chapter dismisses the idea that social class has much to do with remaining inequality in Great Britain. The chapter is rather unrelated to the rest of the book.

The third chapter is entitled "The Population Explosion." At the time of his writing Paul Ehrlich was enjoying huge success with his book "The Population Bomb." Bauer points out that the productive resources of most of the world are not that strained, there was significant amounts of uncultivated land even in the most densely populated countries, and poverty seem to be most concentrated in fairly underpopulated countries. Moreover, it was the height of arrogance for Westerners to conclude that poorer countries were unable to control their populations and that poorer people were not smart enough to understand how to manage their families.

Arrogance is a theme that Bauer returned to repeatedly. Academics and western politicians showed unlimited arrogance in concocting and imposing solutions for imaginary problems on the rest of the world.

The Third World is a concept created out of thin air. The Third World is by definition made up of those countries that accept foreign aid. Without foreign aid the Third World has no substance. Prior to the invention of foreign aid by the Truman administration there was no Third World. Countries lumped

together under the rubric of Third World form a continuum in terms of health, wealth, longevity and every other metric that might be applied. There are no clear demarcations.

I write this as a resident of Ukraine, which is today considered a lower middle income country. By comparison, Brazil and Peru are considered upper middle income countries, and Uruguay and Chile are rich. But people here in Ukraine are educated, adequately fed, and enjoyed fairly healthy lives.

Bauer furthermore makes the point that countries are economically mobile. Japan rebuilt itself quickly after the devastation of World War II. In the following decade Korea and Taiwan became wealthy. Island states Singapore and Hong Kong, with no natural resources whatsoever, became among the wealthiest of all. The OPEC countries surged into wealth. So did the countries in the Southern Cone. Only a few went backwards – Argentina and now Venezuela backsliding due to disastrous economic policies, precisely the kind that Bauer would warn against. Even as I write in 2017 Venezuela is still called upper middle income by the development agencies, ranking ahead of Ukraine. It is unreal.

Bauer's major theme regard to foreign aid is that it is a destructive waste of money.

It is destructive because aid is given to governments, not people. This must be so. The leaders of those governments become dependent on aid. They use it to consolidate their power and to reward their friends.

Aid administrators do not have a financial interest in the outcomes of the projects they finance. A lot of aid money is given as loans, but there is no penalty if those loans are not repaid. Many of the loans are initiated as "soft loans" meaning upfront that there is little expectation they will be repaid. The loans often go to projects that make no economic sense such as building steel plants in Africa, national airlines, and splendid capital cities in the middle of nowhere. Brazilia, in my opinion, is a colossal wasteland, a monument to ego.

Bauer makes a strong distinction between development money and charity. Development money is extorted from taxpayers who have no choice. With charity they can freely give.

Donor countries have been reluctant to criticize the recipients of their aid. It is considered bad form to call them out for persecution of minorities (Chinese, Ibo, Lebanese, Greek, Indian) who are more successful than other native peoples in a country. This is true even of bilateral, country to country aid. It is overwhelmingly true of aid distributed through multilateral organizations such as the World Bank, the International Development Bank and various UN agencies. Even the most egregious bad behavior seems to be condoned, even rewarded.

Cameroonian author Axelle Kabou wrote a damning indictment about the same time Bauer's book came out entitled [\[\[ASIN:2738408931 Et si l'Afrique refusait le developpement?\]\]](#). She describes the contempt that the recipients have for the foolish donor countries. This is echoed by Gedaliah Braun in [\[\[ASIN:B00F2MPO2U Racism, Guilt, Self-Hatred and Self-Deceit\]\]](#), Linda Polman in [\[\[ASIN:B00403MNZI The Crisis Caravan: What's Wrong with Humanitarian Aid?\]\]](#) and Ilana Mercer in [\[\[ASIN:B00564TFM4 Into the Cannibal's Pot: Lessons for America from Post-Apartheid South Africa\]\]](#).

The most useful part of the book is a chapter entitled Background to Aid. It describes the improbable origins of modern foreign aid.

The United Nations charter, drawn up in 1945, enjoined all its members to promote social progress of all the people in the world but it did not spell out the implications of this proposal.

In 1949 President Truman's message to Congress included a program to use the fruits of Western economic progress to help underdeveloped countries, where he said half of mankind was living in sickness and wretchedness. This "Point Four" program came about largely by accident. In November 1948 Mr. Ben Hardy, then a virtually unknown reporter who had, however, contact in the White House, embodied the central idea Point Four, in a memorandum which is circulated among friends in

Washington. The president liked the idea and pressed it forward, despite vigorous resistance from the State Department.

In 1953 President Eisenhower spoke of large-scale aid to the underdeveloped world as necessary for worldwide social justice. By the late 1960s the rich countries were almost forcing aid on the rest the world by the 1970s large-scale and practically unconditional wealth transfers came to be widely regarded as a matter of right of the recipients, and as no more than the satisfaction of legitimate expectations. Google "North-South, a Program for Survival (Brandt report)" of 1980 to see this concept in full flower.

The man who pushed for an aide the hardest was Robert Strange McNamara, who was shuttled over to the presidency of the World Bank when he resigned as Secretary of Defense. Having screwed up Vietnam rather royally, he was given a shot at the rest of the world.

Here's a very telling quote from Bauer:

"When the Point Four program was launched there were no discernible pressure groups behind it. But here was an idea whose time had come. The climate of sentiment and opinion was highly favorable. In the West, the rapid erosion of traditional values, loyalties and ties, the failure of prosperity to yield the happiness widely expected of it, and the disenchantment which came in the wake of the Second World War, all provided a restless, promiscuous search for new causes. The underdeveloped countries, vaguely known to many people by either brief wartime experience or from their occasional and highly selective treatment by the media, provided one such brave new cause. Again, the evangelical zeal of churches for foreign aid has increased simultaneously with the decline of traditional religious faith. Politics and philosophy, no less than nature, abhors a vacuum. With the decline of their spiritual role, churches came increasingly to look upon themselves as social welfare agencies, and especially so in the Third World because in the West the scope for such activities had come to be much circumscribed."

He also writes at the upsurge of egalitarianism, of the idea that economic equality is or ought to be a universal norm, has also much help the aid lobby. Enemies of private property and capitalism rallied around it.

"A social program is a discrepancy between a norm and social reality. Because they are preoccupied with discerning and announcing such discrepancies, social scientists are apt to generate what are called social problems."

Once aid got underway, it collected a great many vested interests. Staff members of the aid organizations, the United Nations, a number of politicians became in effect union organizers for the Third World.

Thomas Sowell wrote "To be blunt, the poor are Goldmine. By the time they are studied, advised, experiment with and administered to, the poor have helped many a middle-class liberal to attain affluence with government money."

Many academic disciplines arose to study the problems of development. There were huge numbers of economists with a vested interest in the problem. The media and the entertainment industries also became agents and beneficiaries of the aid campaign. There were a lot of documentary films to be made, lots of photographs to be sold.

There are a whole range of consultancies dependent on the foreign aid business to advise less-developed countries on the construction of dams, factories, organization of social programs and so forth. I had the good fortune to visit the Yacireta dam project on the Parana River dividing Argentina and Paraguay in 2006. The anthropologist who was leading our trip, and the locals to whom we spoke, were all in accord that the dam had made no financial sense. However, it greatly enriched the Argentine governments that had agreed to its construction. They were able to give sweetheart

contracts to well-connected people. There were still many NGOs involved in resettling the people who had been displaced from the floodplain, setting up hospitals and clinics, organizing schools, building roads and doing everything else in the new communities they had built. While the project made no sense on a global or national scale, it made vastly good sense for the local and foreign contractors who participated in it.

There is a course a lot of corruption in the donor nations. "Tied aid" is aid that is earmarked to be spent in the donor country. There are often other constraints. The donor country may discriminate against exports from the beneficiary countries. This hurts growers, the powerless people in the recipient country all the while the politically connected rake in salaries and contracts from the aid money.

Bauer wrote that by then (1980) the power of the vested interest was such that it could not be overcome. Despite World Bank support of inhuman and coercive policies in the Third World it didn't lose any prestige. Programs such as forced sterilization in India were condoned. Bauer quotes a senior British academic as saying that "Official aid is simply a racket which benefits Third World politicians, the staffs of aid agencies and Western exporters at the expense of Western taxpayers and of ordinary people in the Third World."

Chapter 9 addresses the British colonial period in Africa. Although the Africans blame the British for their backwardness, quite the opposite is the case. Africa progressed rapidly under the British. Life expectancy, income, exports and just about every other measure grew significantly. The British are now regarded as the most benevolent, the best of the colonialists. They are being blamed mainly because the Africans do not want to blame themselves, nor do Western bien-pensants. See the above linked books by Cameroonian Axelle Kabou and by Gedaliah Braun.

Chapter 10 addresses Hong Kong. It ought to be a failure by every measure. It is overpopulated and has no natural resources whatsoever. However, it is prosperous by any measure and has expanded economically at an astronomical rate. The secret is the Chinese. The characteristic of different peoples is a topic that Bauer only alludes to. Richard Lynn and Tatu Vanhanen make the case explicitly in [\[\[ASIN:1593680244 IQ and Global Inequality \]\]](#). Intelligence is a major determining factor.

Chapter 11 entitled "Broadcasting the Liberal Death Wish" quotes Malcolm Bradbury as writing that liberals are people who embrace their destroyers. This is a chapter about Africans blaming the state of Africa on everybody but themselves. Addressing the topic of ability, raised above, Bauer writes "The relative lack of able and effective people is crucial. This has long been so, although the unpropitious past is no sure basis for predicting the future. He quotes Shiva (S.V.) Naipaul, an Indian who traveled widely and wrote on these topics a few decades ago, writing in *North of South: an African Journey*:

"Expatriates staff the mines, the medical services, the factories, the technical colleges, the universities. Without them the country would fall apart. Zambia makes nothing; Zambia creates nothing. The expatriate lecturer in English waved apologetically at the handful of books, perhaps half a dozen on the library shelf. There, he said, that's it. That's all the Zambian literature there is. For him, the paucity is a source of genuine embarrassment I would dearly love to teach something Zambian to my students. But what can I do if there is nothing?"

Linda Gottfredson, an intelligence researcher, has written that below an IQ of 70 literacy is not even a question. Even if a person can make out printed characters and form the words, he probably cannot understand the concepts. Richard Lynn, above, puts the average intelligence of most African countries somewhat below 70. This is a parsimonious explanation of the problem. Nobody wants to hear it because it implies that there is not a solution.

The rest of the chapter goes on about Western self-abasement in the face of posturing African dictators. The question is one both of Africa's inability to rise on its own and of the West's profound sense of guilt for slavery and colonialism. Bauer has a few paragraphs on the horrors of Arab slave

trading, which were far more terrible than the practices of the Europeans. Google "Black Slavery in the Middle East" by Steven Farron for more on the subject.

Chapter 12 talks about the embarrassing reversal that critics of the United States had to make in the 1950s. They were forced to shift from complaining about a dollar shortage, leading to worldwide disaster in the form of deflation, to a dollar surplus, leading to a worldwide disaster in the form of inflation. You can't have it both ways.

Chapter 13, "Economic History as Theory" is a short riff on the relative impossibility of the construction of a unified view of economics.

Chapter 14, The Investment Fetish. The principal thesis is that when we part with our money, we are much more comfortable if we can call it an investment than expenditure. The actual difference may be harder to discern. He writes "it is clear from much and varied evidence that investment spending is not the primary, much less the decisive, determinant of economic performance." Bauer was writing before the Japanese economic bubble, the vastly inefficient overinvestment in infrastructure, to be followed by the similarly vast overinvestment by China in this year 2017. At any rate, investment is overrated. It is especially overrated when referring to government directed investment in Third World countries. Much of this is simply waste.

Chapter 15. Reflections on the State of Economics. The chapter opens with "The argument of much of this book is critical of the methods and findings of contemporary economics, especially development economics." There is not much here that comes as a surprise 37 years later. Economists are still guessing. A large measure of humility remains in order. He quotes Keynes in "The General Theory:"

"Too large a proportion of the recent 'mathematical' economics are mere concoctions, as imprecise as the initial assumptions they rest on, which allow the author to lose sight of the complexities and interdependencies of the real world in the maze of pretentious and unhelpful symbols." Not much has changed. As I write this in 2017 all of the major economies in the world appear to be seriously overextended. Debt is unsustainable, and money printing cannot be curtailed. The central banks, to whom the feckless politicians ceded control of the economy through their unwillingness to balance the budget, are trapped in a pincer that will not allow them to raise interest rates left the additional interest expense absolutely destroy national budgets, but deficits that force them into the inflationary creation of money in order to meet current needs. It cannot persist.

Uniting the themes of the book, it appears that reckless foreign aid is diminishing. Reckless domestic lending in the form of government-subsidized student loans, home loans and so on is however increasingly unsustainable. The developed economies of the world have been nurturing unproductive underclasses to the extent that they have swollen beyond our ability to sustain them. Something is going to give. One wonders if Bauer would have expected the extravagances about which he wrote to endure for the 37 years that they have. A five-star effort.