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RETHINKING U.S. FOREIGN AID

INTRODUCTION

The United States gives away some $15 billion in foreign aid every year, about eight times the sum appropriated annually for its food welfare program for Women, Infants and Children (WIC) and four times that for the Strategic Defense Initiative. Much of this foreign aid goes to support avowed adversaries of the U.S. and hostile "nonaligned" nations. One estimate, for example, is that $1 billion, or 13.6 percent of last year's bilateral assistance, went to countries that voted against the U.S. at least half the time in the United Nations, while nearly a third of the loans of the World Bank (to which the U.S. contributes about 20 percent) went to the same countries.[1]

U.S. aid policies and aid levels rarely are determined by a dispassionate review of the national interest. Businesses and so-called private voluntary organizations lobby for more funds to serve their own ends; the Agency for International Development (AID), which has primary responsibility for U.S. foreign aid policy, rewards its managers more for spending appropriated funds quickly than for pursuing sensible development policies in poor nations; and the State Department treats increased aid spending as an opportunity to buy more access for the U.S. ambassador to the local rulers and leaders. Congress, meanwhile, treats foreign aid as a form of political symbolism, approving allocations to demonstrate concern rather than to solve problems.

Systems to Encourage Development. The U.S. foreign aid experience leads to only one conclusion: the U.S. must rethink the program completely. It should do so on the premise that the primary reason for the U.S. to transfer money to other countries is to advance U.S.

1 Representative Mickey Edwards, "Foreign Assistance and Foreign Policy," *The Heritage Lectures* No. 101, April 9, 1987, p. 3.

This study, prepared with The Heritage Foundation's Center for International Economic Growth, is the fourth in a series of Heritage studies on the State Department. It was preceded by *Backgrounder* No. 605, "Understanding the State Department" (September 25, 1987); *Backgrounder* No. 615, "Breaking the Logjam in State Department Reports from Overseas" (November 9, 1987); and *Backgrounder* No. 631, "Rethinking the State Department's Role in Intelligence" (February 11, 1988).

interests. To be sure, emergencies and catastrophes abroad may merit a prompt American humanitarian response. In the main, however, the U.S. government's fundamental duty is to protect this nation. And protection is in part advanced by enabling poor countries to develop economically.

To best serve this U.S. objective, the foreign aid program should be cut sharply in funds and personnel. Development assistance, in particular, should be limited to countries that are moving toward democracy and have the kind of market-oriented economic system that encourages development. The White House and Congress should exercise strict oversight to assure that aid is used properly, that U.S. funds are not wasted, and that private enterprise is encouraged.

Just a single oversight agency is needed to coordinate and direct all U.S. foreign aid. The existing International Development Cooperation Agency (IDCA), if properly managed, could handle this. The goal should be a less costly, better administered aid program that more effectively serves U.S. interests.

ATTEMPTING TO DEFINE U.S. AID POLICY

Massive foreign assistance programs have been an integral part of U.S. foreign policy since the post-World War II Marshall Plan, which helped rebuild war-torn Western Europe. In 1961, President John F. Kennedy consolidated these programs under the new Agency for International Development (AID) to administer the developmental, economic, and humanitarian aid programs. The Agency is headed by an Administrator, currently M. Alan Woods. In fiscal 1988, AID has a budget of some $5.03 billion, a staff of 4,679, and programs in 118 countries. While AID has primary responsibility for recommending assistance levels for each country based on the pleas of U.S. ambassadors and AID country directors, the Secretary of State and his senior staff also have substantial influence in the process. The Pentagon manages security assistance separately, while the Export-Import Bank, created in 1934, provides credit to underwrite U.S. exports.

Advancing U.S. Interests. For over a quarter century, no administration has seriously questioned U.S. foreign aid or defined why U.S. national interests are advanced by giving, or lending on very generous terms, so much to foreign governments. In the early 1960s, the Agency for International Development declared that "the major objective of the U.S. foreign assistance program is to assist other countries that seek to maintain their independence and develop into self-supporting nations."[2] Then in 1973, Congress rewrote the law to emphasize "basic human needs," turning aid ~~that~~ had been seen as a temporary crutch into what has become a permanent dole.

If the program were merely humanitarian, as was most U.S. assistance prior to World War II, foreign aid could be reduced to a fraction of its present levels. Disaster relief accounts for a very small portion of U.S. aid, and food assistance is used mainly to provide

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2 Agency for International Development, *Principles of Foreign Economic Assistance* (Washington: AID, 1963), p. 1.

funds for foreign governments, not to feed hungry people. Only 10 percent to 20 percent of food aid actually goes to fight hunger.

The continued high levels of foreign aid spending suggest that policymakers believe that some broader national interest is being pursued. But the pace of development in Third World countries has proved to be unrelated to foreign aid levels. The State Department, in fact, considers aid primarily as a kind of "bribe" to curry favor with foreign governments.

This worldwide system of political payoff is evident from the flow of money with little apparent discrimination to countries that are unfriendly as well as those that are friendly, to those that are growing economically and those that stagnate, to favored trading partners and those that discriminate against U.S. exports. Example: in fiscal 1988, only $22 million of U.S. aid went to friendly Ecuador, while $35 million went to unfriendly Marxist Mozambique. The officials who manage foreign aid seem to measure success more by their ability to win approval, first from the Office of Management and Budget and then from Congress, for large appropriations, than by achieving anything positive with their spending.

THE CURRENT FOREIGN AID PROGRAM

Humanitarian Aid

Least controversial is humanitarian aid, which Ronald Reagan's Commission on Security and Economic Assistance (the Carlucci Commission) declared in 1983 to be "deeply rooted in our national values."[3] Since World War II, the U.S. has spent roughly $16 billion in attempting to alleviate basic human suffering, particularly that arising from natural disasters and famine that affected Third World countries.

Much of this expenditure has been made through the Food for Peace program, also known as P.L. 480. Under Title II of that program, food is given away to alleviate starvation and suffering in some 70 countries each year. But many Food for Peace crop shipments are sold under Titles I or III, either for local currency or as long-term loans to foreign governments, which then sell the food to their own people for cash. This helps the local government more than local citizens. About 32 countries currently are receiving this kind of aid. Leading recipients over the years have included Bangladesh, Guinea, India, Poland, the Sudan, and Zambia.

Developmental Aid

The U.S. has contributed $180 billion from 1946 through 1986 to other countries to promote internal development. This is more foreign aid than any other nation — or most combinations of nations — have given. These funds theoretically are intended to spur Third World development by underwriting infrastructure projects, such as farm-to-market roads, irrigation projects, commodity-storage facilities, and port facilities, promoting new technologies, and supporting basic health and welfare services. American bilateral aid,

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3 The Commission on Security and Economic Assistance, *A Report to the Secretary of State*, November 1983, p. 9.

which generally flows from government to government, is administered by AID, ostensibly an independent agency, which is located, however, in State Department buildings and operated under the Department's policy guidance. The U.S. also contributes heavily to the multilateral institutions that purport to promote Third World development: the World Bank, United Nations Development Program (UNDP), Inter-American Development Bank (IDB), Asian Development Bank, and African Development Bank.

PROBLEMS WITH FOREIGN AID

Humanitarian Aid Problems

Humanitarian aid programs are popular and have a long tradition, but U.S. humanitarian assistance, primarily food aid, has two major failings. First, it discourages self-reliance. Food for Peace crop shipments have become a permanent feature of life in many countries, sometimes handicapping the development of domestic agriculture, as in Guatemala, Haiti and elsewhere. Local farmers understandably see little point in trying to compete with free or low-cost food shipments from abroad. In 1976, for example, the U.S. shipped free corn to Guatemala after an earthquake, even though the country was still enjoying one of its best harvests ever. Prices dropped, and farmers could not earn the cash they desperately needed to rebuild their homes. Around the world, "Food for Peace became a stumbling block to development," complains foreign development specialist Sudhir Sen.[4]

Second, humanitarian aid sometimes helps regimes that are largely responsible for their own troubles. The Ethiopian government, for example, greatly aggravated the impact of the recent severe drought by collectivizing farmers and seizing their crops for ideological purposes. As hundreds of thousands were starving, the Marxist regime in 1984 spent as much as $150 million on a lavish celebration of its tenth anniversary in power. Peasants were later forcibly transferred from rebel-held areas to barren, government-controlled regions, a process that the French humanitarian group Doctors Without Borders estimates killed as many as 100,000 people — a death rate even higher than in the famine camps. But in spite of this the U.S. donated $276 million in food aid and $27 million for its transport to Ethiopia in 1984 and 1985 alone.

The Failure of Development Aid

Historically, development aid has been the largest component of U.S. foreign assistance. It is the sole purpose of such multilateral lending and development agencies as the World Bank and United Nations Development Program. Although some aid recipients, such as South Korea and the Republic of China on Taiwan, have succeeded economically, there is little evidence that government to government development assistance promotes economic growth abroad. Despite the post-World War II largest and most sustained transfer of wealth in history, the gap between the industrialized countries and many developing nations continues to grow. Some Third World countries, particularly in Africa, are actually slipping backwards. Perennial aid recipients such as Bangladesh, India, the Sudan, and Tanzania,

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4 Sudhir Sen, "Farewell to Foreign Aid," *World View*, July 1982, p. 8.

have grown dependent on foreign largesse and are making little progress in lifting their people out of poverty.

The reasons: foreign financial flows often subsidize the kind of domestic policies that inhibit development: large-scale, money-losing state enterprises; distorted monetary, credit, interest, and trade policies; price and supply controls; and restrictions on foreign investment. With such governmental policies, a prosperous and growing economy is impossible, whatever the level of aid.[5]

Many aid projects, moreover, have been badly designed or inadequately maintained. The wreckage left after past assistance, from deteriorating roads and storehouses to abandoned oil generators and empty hospitals, litters Africa.[6]

The Waste in Export Subsidies

Different from development aid is economic assistance that is directly tied to export promotion, particularly Export-Import Bank loans, loan guarantees, and loan insurance.[7] Its purpose, declares the Export-Import Bank, is "to provide effective support for U.S. exporters."[8]

In fact, however, export subsidies fail to achieve that effect. Ex-Im support often is not really necessary to secure export contracts for most of the U.S. firms that the Bank subsidizes, since credit terms rarely are crucial to sales. Moreover, the Bank's activities divert resources away from other American businesses and individuals. University of Arizona economist Herbert Kaufman calculates that every $1 billion in loan guarantees supplants up to $1.32 billion in alternative private investment. It is not surprising, then, that a study by the Congressional Budget Office concluded that "the United States as a whole must lose from the program."[9]

The Ex-Im Bank is an independent agency outside the President's control. Though Congress recently barred Ex-Im subsidies to some communist countries, the Bank still faces few constraints on its activities, even when they conflict with the policy goals of the U.S. government.

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5 See, for instance, Doug Bandow, "The U.S. Role in Promoting Third World Development," in Doug Bandow, ed., *U.S. Aid to the Developing World: A Free Market Agenda* (Washington, D.C.: The Heritage Foundation, 1985), pp. xvi-xxvi.

6 One scathing review of U.S. foreign aid projects comes from Washington analyst James Bovard in "The Continuing Failure of Foreign Aid" (Washington, D.C.: The Cato Institute, Policy Analysis #65, January 31, 1986). The World Bank's lending program suffers from equally serious defects. See James Bovard, "The World Bank vs. the World's Poor," (Washington, D.C.: The Cato Institute, Policy Analysis #92, September 28, 1987).

7 Over the last 40 years, the U.S. has allocated $55 billion to subsidize commercial sales to other nations, through loans, loan guarantees, and loan insurance provided by the Export-Import Bank, a U.S. government entity. The Export-Import Bank is now losing money and is seeking $3 billion in additional funds from Congress. Although the Export-Import Bank helps American business at taxpayer expense, it operates without the oversight needed to assure that its activities are consistent with other aid programs.

8 Export-Import Bank of the United States, *Annual Report 1986*, p. 2.

9 Congressional Budget Office, "The Benefits and Costs of the Export-Import Bank Loan Subsidy Program," March 1981, p. vi.

THE REASON FOR A NEW FOREIGN AID IMPERATIVE

Whether or not current aid programs advance their nominal objectives — humanitarian, development, trade, or security — one overriding principle should guide them all: U.S. funds should not undermine American security by underwriting regimes hostile to American policies and interests. Yet the Reagan Administration this year is giving foreign aid to 87 countries that voted against the U.S. in the United Nations at least two-thirds of the time in 1986. Another thirteen beneficiaries of U.S. largesse opposed American interests more than half the time. U.N. votes may not be a perfect scale for rating a country's friendship, but they provide a general indication of how the other nation's values and interests compare with those of the U.S.

Aid to America's Ideological Adversaries

American foreign assistance currently is being received by two different categories of foes. The first are ideological adversaries, communist governments that oppose most of the principles of Western democracy and economic freedom. Among these recipients of U.S. aid are:

Angola. Bilateral aid to this Marxist nation has been low, but it has continued even as the U.S. has been providing $15 million annually to UNITA, the anti-communist resistance group that opposes the Marxist government of Angola. Since 1980, the Export-Import Bank has subsidized U.S. exports to Angola with $217 million in credits, while the African Development Bank, of which the U.S. is a major contributor, has pumped $80 million into the Angolan economy over the past four years.

Ethiopia. This country's communist government was largely responsible for the mass suffering caused by the drought in 1984 and 1985, yet Western nations have subsidized the regime under its dictator, Mengistu Haile Mariam. Between 1981 and 1987, U.S. bilateral assistance to Ethiopia exceeded $105 million, in addition to over $300 million in food aid and transport for the 1984-1985 famine alone. Ethiopia has borrowed $73 million from the U.S. Export-Import Bank since 1978 and has received $32 million from the World Bank over the last three years. The African Development Bank has provided another $28 million since 1979, and the United Nations Development Program kicked in another $56 million over the same period.

Hungary. This Warsaw Pact nation regularly borrows large amounts from the World Bank — $833 million over the last three years. The Export-Import Bank and Commodity Credit Corporation have extended $43 million in loans to Hungary.

Laos. The communist Laos People's Democratic Republic borrowed $30 million from the World Bank in 1986 and 1987. Laos has also received $60 million in loans from the Asian Development Bank, to which the U.S. is a contributor, and $42 million in assistance from the United Nations Development Program.

Nicaragua. Between 1980 and 1984, the U.S. provided Nicaragua with $105 million in bilateral assistance, and Nicaragua borrowed $107 million from the World Bank and $140 million from the Inter-American Development Bank, which receives more than one-third of its funds from the U.S. These lines of credit were closed when Nicaragua defaulted on its World Bank loans in 1984 and its IDB debt in 1986. But the IDB recently released $11 million in disbursements from a prior loan to Nicaragua.

Poland. Even as this communist government was cracking down on the Solidarity labor union, the U.S. was subsidizing it. Poland has received $144 million since 1981, largely through the Food for Peace program, $2.2 billion in Export-Import Bank assistance, and $22 million from the United Nations Development Program. Poland recently joined the World Bank, from which it is reportedly in line for a $50 million loan.

Romania. This desperately poor Stalinist dictatorship has been a State Department favorite because its government occasionally shows signs of independence from Moscow. Since 1962, Romania has received $342 million in loans from U.S. agencies, $1.8 billion from the World Bank, $23 million in assistance from the United Nations Development Program, and $28 million in loan guarantees from the Export-Import Bank.

Yugoslavia. Though this communist nation has maintained a course independent of the Soviet Union, it has done little to warrant treatment as a close friend of the United States. Yugoslavia's credits from the Export-Import Bank have totaled $928 million over the years, plus $187 million in U.S. government loans. Over time, Yugoslavia also has obtained $4.7 billion in loans from the World Bank — $504 million over the last three years alone.

Aid to Hostile "Nonaligned" Nations

Equally questionable is American aid to ostensibly nonaligned countries. These have governments which may not be formally arrayed against the U.S., but which show animosity toward this country and its policies. They include:

Burma. This isolated socialist state shares few U.S. economic or political values. Yet the U.S. has provided $109 million since 1981, the World Bank has provided $727 million, the Asian Development Bank $551 million, and the United Nations Development Program $71 million since 1962.

India. Nominally a nonaligned state, India has long tilted toward the Soviet Union, frequently pursuing anti-U.S. policies. India and the Soviet Union signed a treaty of friendship in 1971, and more than 80 percent of India's weapons are either Soviet made or produced under Soviet license. India supports the Soviet line in the U.N. and embraces such left-wing regimes as Nicaragua's. Since 1981 the U.S. has given India $1.4 billion in aid. The Export-Import Bank provided India $49 million in loans and other credit assistance last year, for a total of $733 million since 1953. India is by far the largest borrower from the World Bank, with much of the funds coming as *de facto* grants. Last year India borrowed $2.8 billion from the Bank. Since its inception, the Bank has loaned India an incredible $27.3 billion, more than half in 50-year loans at essentially no interest. The Asian Development Bank lent India $100 million in 1986, while the United Nations Development Program has furnished $265 million over the years.

Mozambique. Mozambique has a close relationship with the USSR, has received a billion dollars in Soviet aid since 1975, including extensive shipments of weapons and oil, and has welcomed thousands of East bloc and Cuban advisors. The regime is carrying out a brutal campaign, with the help of troops from Marxist Zimbabwe, to contain an anti-communist insurgency that controls more than three-fourths of the country. Mozambique ruthlessly suppresses human rights. Nevertheless, the U.S. has pumped more than $176 million into Mozambique since 1981 – including $85 million in 1987. U.S. food aid also has poured into Mozambique, totaling $115 million in 1987 and 1988 alone. Mozambique borrows regularly from the World Bank, having received $65 million over the past three years. The militant Marxist state has received $110 million from the African Development Bank and $40 million from the United Nations Development Program since 1979. Last June, Mozambique obtained a $23 million loan from the International Monetary Fund.

Tanzania. This socialist dictatorship has received the most foreign aid per capita of any nation, yet it has impoverished its people through statist economic policies and forced agricultural collectivization. The U.S. provided Tanzania with $81 million in aid between 1981 and 1987. This East African nation has been a major customer of the World Bank, even receiving loans to underwrite its forced collectivization program. Since 1985 Tanzania has received $208 million from the World Bank and $98 million from the African Development Bank.

Zimbabwe. Newly inaugurated President and former Prime Minister Robert Mugabe is busy replacing democracy with a one-party state in Zimbabwe. Since 1981, this country has received $255 million from the U.S. As it is rich in gold, chrome, copper, and coal, the usual economic rationale for foreign aid is lacking in the case of Zimbabwe. The State Department sharply cut assistance to Zimbabwe last year out of displeasure over Mugabe's anti-American stance, but as recently as 1986 the Export-Import Bank guaranteed Mugabe's government a $56 million loan. Since 1981, Zimbabwe has borrowed $454 million from the World Bank and another $61 million from the International Finance Corporation, a World Bank affiliate. Even when his regime was collecting tens of millions of dollars annually from the U.S., Mugabe freely denounced the U.S. and its policies.

A NEW U.S. AID POLICY

Cut Assistance Levels

Despite the animus displayed toward the U.S. by so many aid recipients, the State Department almost never supports cuts in funding. The Reagan Administration did slash assistance for Zimbabwe, but only after a high-level official of that country attacked the U.S. in the presence of former president Jimmy Carter. This was a rare exception.

Charles Gladson, the current AID Associate Administrator for Africa, has proposed dropping certain African countries from the aid program but has run into the opposition of State Department officials, who are appalled at any attempt to cut aid funds for "their" country or "their" region. It is said that the State Department will oppose any cut in aid for one of two reasons: relations with the recipient nation are getting better, or they are getting worse. U.S. dollars are considered necessary in either case.

"Why Give Any Aid?" Rarely, in fact, is the question "why give any aid?" to a particular country ever asked. Providing assistance to Third World countries has become automatic for the U.S. government. Pushing for such aid, of course, are the legions of government bureaucrats and employees of private voluntary organizations who depend on the program's continuance. These vested interests make common cause with the State Department and lobby Congress each year to keep U.S. aid levels high. Even Secretary of State George Shultz has pressed relentlessly for increased funds, arguing that without large amounts of aid "our ability to act as a world leader engaged abroad as a force for progress, peace and human dignity will erode."[10]

However, U.S. aid has largely failed to fulfill its official goal of promoting a prosperous, secure international order. In fact, all too often, American funds have achieved the opposite result: retarding economic development and increasing instability in strategically important states. Foreign assistance outlays should be cut — sharply — as the essential starting point for reform.

For too long the only real issue addressed by the State Department and AID has been how much aid money can be extracted from Congress. When Congress resists State's foreign aid requests, the bureaucracy responds reflexively with predictions of global starvation and a dire deterioration in U.S. diplomatic relations if the money is not provided. The Administration should stop using, and Capitol Hill succumbing to, this form of political blackmail.

Emphasize Aid to the Private Sector

The U.S. foreign aid program has always been oriented toward government to government assistance. For one thing, providing aid of any kind, including development assistance, is easier when the money is transmitted to an existing government bureaucracy. Sometimes it is even considered simpler to create a new government agency than to identify viable enterprises in the private sector or to encourage the creation of private organizations to promote development. Moreover, U.S. bureaucrats, with little or no experience in the private sector, are more comfortable dealing with their counterparts in other countries. Finally, some AID officials are philosophically committed to creating global welfare programs. They would appear to see themselves as international social workers rather than advocates of programs that strengthen private enterprise abroad and serve U.S. national interests.

In an effort to change this thinking, the Reagan Administration established the Bureau of Private Enterprise in AID. This was a well-intentioned effort to emphasize U.S. support for private enterprise through official grants and loans. The results of the program have been dismal, however. Concentrating the effort to promote private enterprise in one bureau allowed the rest of AID to continue to focus on the government to government assistance

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10 Form letter from George Shultz to the author, October 9, 1987.

with which most bureaucrats are more familiar. One AID review found that less than 5 percent of aid funds went to the foreign private sector.

Consideration now should be given to abolishing the Bureau of Private Enterprise. Encouragement of private enterprise must become a high priority for the whole agency. AID Administrator Woods should review routinely the degree to which all AID programs contribute to the expansion of private enterprise in the countries receiving U.S. aid. At the same time, Woods should discourage efforts by AID staff, however well-meaning, to promote new and expanded bureaucracies in recipient countries as a means of solving development needs.

Reduce AID Bureaucracy

There are many officials in AID whose jobs and even careers depend on a large and continuing aid program. Ending aid to countries that do not really warrant U.S. assistance is not in their career interests. The same can be said of State Department country officers, who often support aid as a means of winning friendship and access to officials of "their" countries. As a result, the U.S. aid program is seriously overstaffed. With some 2,000 employees in Washington and more than 2,500 in the field, the AID bureaucracy has grown beyond reasonable proportions. U.S. missions are enormous in some countries; in Egypt, there are 110 American AID employees and hundreds of additional U.S. employees under AID contracts. Hundreds of jobs could be eliminated even if the total program were not reduced; and if the overall aid program were reduced, even greater cuts would be possible both in Washington and abroad.

Reorganize Evaluation Staff

The Evaluation Division, which conducts several hundred inspections each year of AID programs and projects, should be reorganized and placed under the direction of a political appointee, not a career official. The evaluation staff should ask critical policy questions, such as whether an AID project is succeeding in its ultimate purpose and whether it is a worthwhile expenditure of the taxpayers' money. Another important question is whether the foreign aid operation is overstaffed or spending too much on overhead and administration in any other ways.

Reassess IDCA

In the Carter Administration, Congress created the International Development Cooperation Agency (IDCA) as an umbrella organization to oversee U.S. foreign assistance agencies and direct the foreign aid policy of the U.S. government. This was done to separate overall aid policy from the AID bureaucracy and to keep the State Department, with its institutional clientitis that favors the foreign aid recipient, from running aid policy. The trouble is that IDCA has separated AID from the State Department only on paper. In reality, State Department influence over foreign assistance has remained powerful. IDCA has never functioned as the super oversight agency that was intended.

In 1980 it seemed logical to abolish IDCA, but that was never done. In hindsight, the IDCA now looks like a good idea if used properly.

The policy-making authority of U.S. foreign assistance programs could be transferred from the State Department to the White House through IDCA. The appointment of an IDCA Director and an IDCA advisory committee (currently authorized by law but not used) with the objective of reducing and redirecting the program would be a good start. To effectively operate separately from the State Department, IDCA would have to be treated as part of the White House staff and located in the Executive Office Building rather than the State Department.

The IDCA Director could oversee the entire community of foreign assistance and lending agencies in the same way the Director of Central Intelligence oversees the intelligence community. Like the Director of Central Intelligence, who is also Director of the CIA, the IDCA Director could wear two hats and be the AID Administrator as well. This would separate AID from the State Department and give the President more direct control over foreign assistance.

White House Appointments

The aid program should be run by White House appointees, who are dedicated to reducing the program, promoting private enterprise, and getting countries off U.S. assistance without any interference by State Department "country" officials.

The appointment by the White House of properly dedicated noncareer managers at the levels of deputy administrator, assistant administrator, deputy assistant administrator, and special assistant is crucial to the successful management of the program. The Office of Presidential Personnel at the White House should fill as many policy-level positions as possible at AID with men and women experienced in private enterprise, who want to apply their skill and knowledge to private development programs in Third World countries. A small planning staff composed of noncareer appointees, reporting directly to the AID Administrator, might also be useful in developing needed policy guidance for the career staff.

CONCLUSION

At the end of World War II, the U.S. embarked on a crusade to rehape the world economy, distributing large amounts of bilateral and multilateral funds to other countries. Four decades of experience have shown foreign aid to be largely a failure: hundreds of billions of dollars in grants and loans have done more to centralize Third World economies and strengthen anti-American governments than to promote economic growth and political freedom.

With the Gramm-Rudman-Hollings Act putting pressure on all areas of the budget, it is time for Congress to reduce significantly and redirect U.S. foreign assistance programs. Progress is being made; the State Department announced last January that it was cutting off funds to a number of dubious aid recipients, including Fiji and Tanzania, not for policy reasons, but because Congress refused to approve the Department's full budget request for this year.

Advancing the National Interest. Still, much more should be done. While continuing humanitarian aid in crises, and helping countries willing to pursue policies that spur development, Congress should ask, "Why any aid at all?" to hostile or unfriendly governments. The next President should do what Ronald Reagan has failed to do: work with Congress to make major cuts in foreign aid, while restructuring the AID bureaucracy so that it more effectively represents the national interest.

Prepared for The Heritage Foundation by
Doug Bandow

Doug Bandow is a Senior Fellow at the Cato Institute and a former Visiting Fellow at The Heritage Foundation. He edited The Heritage Foundation's *U.S. Aid to the Developing World: A Free Market Agenda.*