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Clinton's Foreign Assistance Budget: Over the Top and Down the Drain

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The Clinton Administration is asking Congress to increase bilateral economic and development assistance in fiscal year (FY) 1999 by $531 million —almost 6.4 percent more for a program that historically has been ineffective. The Administration's request is unjustified. Numerous studies of the economies of countries that received U.S. economic aid for the past 35 years consistently demonstrate that economic assistance impedes economic growth. It neither advances U.S. foreign policy objectives nor encourages countries to reduce their trade barriers or increase their imports of U.S. goods and services. Appropriating more money for such an unproductive effort would be a serious mistake. Until last year, Congress had established a three-year trend of reducing economic and development assistance. Instead of expanding the international welfare program by pouring even more tax dollars down the foreign aid drain, Congress should reduce funding for bilateral economic assistance and adopt measures that eventually would eliminate the development assistance programs.

THE AID DILEMMA

Although supporters of development assistance will argue that such aid helps less-developed countries improve their economies, facilitates U.S. foreign policy objectives, and increases U.S. exports, none of their claims are accurate. Instead of helping to achieve these goals, bilateral economic and development aid has failed to help recipient countries improve their economies; promote U.S. interests; or create open markets for U.S. products.

For example, the Agency for International Development (AID), which oversees most U.S. bilateral economic and development aid programs, has not achieved its lofty self-declared mission of "reducing global poverty" and encouraging economic development. For example, of the 67 countries that received U.S. foreign economic aid for over 35 years, 37 experienced growth in their economies of less than 1 percent per year when they received aid. Their economies were essentially stagnant. Even worse, more than half of these 37 countries—19—are *poorer* today than before they received U.S. economic aid.

Recently, both houses of Congress passed legislation to authorize the U.S. foreign aid program. If President Clinton signs it, the legislation will become the first successful authorization bill since 1985. These bills face considerable obstacles, however, such as a House prohibition on funding international organizations that promote or fund abortions. The Clinton Administration vehemently opposes this prohibition, but the House leadership appears committed to it, which will force a showdown between

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Congress and the President. And despite such notable achievements in the authorization bills as the elimination of the Arms Control and Disarmament Agency (ACDA), the Senate and House versions fail to curtail economic assistance programs.

WHAT CONGRESS SHOULD DO

Rather than send good money after bad, Congress should supplement such authorization bills with legislation that would reduce and eventually eliminate economic development assistance and AID. Specifically, to reform, Congress should:

1. **Reduce funding for the ineffective AID.** Countless White House and congressional reports have criticized AID for its ineffectiveness in achieving its goals. Two bipartisan studies in particular have called for abolishing AID: the 1989 Hamilton–Gilman Task Force Report and the 1992 Report of the President's Commission on the Management of AID Programs. Although these reports do not call for ending development assistance, they do recommend that an alternative institution be responsible for overseeing U.S. development aid programs. The latter report, for example, recommends moving this function into the Department of State.

   Last year's increase reversed Congress's three-year policy trend of reducing foreign economic and development aid by increasing it from $7.87 billion in FY 1997 to $8.3 billion in FY 1998. Thus, the Clinton Administration's FY 1999 request would increase the bilateral economic assistance budget to $8.83 billion. Although the best long-term solution would be to adopt an authorization bill that eliminates AID altogether (as was done with ACDA), Congress should begin by reducing funding for AID, its operating expenses, and many of its programs—most particularly, development assistance. At the very least, Congress should not fulfill the Administration's request for more money for economic aid.

2. **Adopt a long-term policy for eliminating development assistance.** Congress should consider and pass legislation to reduce and eventually eliminate development assistance. One such bill, the International Responsibility and Self-Sufficiency Act of 1998 (H.R. 3256) sponsored by Representative Gerald Solomon (R–NY), would require the Department of State to use an "index" to measure the level of economic freedom in foreign aid recipients. To assign each country a score, the Department of State would be required to analyze over 50 independent economic criteria that influence economic growth, such as the rule of law, barriers to trade and investment, and the existence of competitive and efficient financial systems. Once their scores were assigned, the countries would be grouped into four categories: "free," "mostly free," "mostly unfree," and "repressed." Each country would qualify for economic assistance for a specified period, not to exceed five years. Except for new countries or countries progressing toward economic reform (which could receive aid for slightly longer periods), all recipients would lose economic aid after five years. The bill exempts disaster assistance and humanitarian, military, security, and most democracy-building aid.

Before considering the Clinton Administration's request, Congress should determine the direction it should take on foreign economic aid over the next few years. When Republicans took over Congress in 1994, they promised to cut government spending on wasteful programs. Clearly, international welfare does not work; it creates dependency; and it has nothing to do with the commitment of the United States to the world or its leadership role. Congress either can restore the trend it established in 1995 by reducing spending on such unproductive economic aid or further can entrench the policy reversal it made last year by increasing funding for AID. Given the convincing evidence that AID's programs do not work, Congress should reduce funding for AID and adopt legislation that would eliminate all economic and development assistance over the next five years. Otherwise, Congress only will pour more of Americans' hard-earned tax dollars down the international welfare drain.

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