

Peter Bauer: A Third World Hero

JAMES SHIKWATI

THE recent nomination of Lord Peter Bauer, the 86-year-old, Hungarian-born British economist, for the Milton Friedman Prize for advancing liberty is good news to all those who have seen international aid as a danger to Kenya's development. He died a fortnight before receiving his award from the Cato Institute.

Described as a lone voice in the wilderness, Lord Bauer wrote books which challenged the myth that poverty is self-perpetuating, and which argued that Third World countries are not immune to wealth accumulation. Writing on the popular myth of the cycle of poverty, he noted, 'Throughout history innumerable individuals, families, groups, societies, and countries—both in West and the Third World—have moved from poverty to prosperity without external donations. All developed countries began as underdeveloped. If the notion of the vicious circle were valid, mankind would still be in the Stone Age at best'.

He was known for urging countries to avoid foreign aid and for showing that donor agencies, such as The World Bank and International Monetary Fund, do more harm than good to poor countries. Swaminathan Aiyar of India observes that Bauer's ideas were ignored as politically incorrect and still are. His warnings were drowned by a host of other voices ranging from naïve do-gooders (who saw aid as a White Man's Burden) to cynical Cold Warriors (who saw it as a way of buying corrupt Third World dictators).

For decades, Bauer stood almost alone against the consensus that government aid was the primary driver of Third World growth. In the 1950s, he

argued that state planning for developing economies would be a disaster and that foreign aid perpetuated poverty by supporting corrupt and oppressive governments. Today, there is plenty of empirical evidence for this thesis: take the Asian Tigers, which followed the market path to unprecedented growth; and Russia, which started getting its act together after being abandoned by the IMF do-gooders. Compare these with Africa, which has shown little or no economic growth despite the billions it has received. Kenyan government officials have been throwing stones at the

'If the notion of the vicious circle were valid, mankind would still be in the Stone Age at best'

World Bank for delaying aid; but the public has discovered at the same time that the donor agencies are the source of those same officials' personal wealth.

Writing in *The Wall Street Journal* in April 1991, Lord Bauer noted that since the Second World War, subsidies in the form of grants or soft loans from richer countries to poorer ones had ballooned from a few hundred million dollars a year to about \$50 billion by the 1980s. The subsidies, he noted, did not go to the poor in the aid propaganda, but to their rulers. The rulers were often directly responsible for the harsh conditions of their subjects. Upon re-

flexion, one will note that resumption of aid to Kenya is not tied to the change in behaviour of the citizens; rather it is tied to the rulers. The citizenry have been rendered powerless in their electoral roles, hence the back-and-forth dance typical of our leaders with donor agencies. Democratic systems have been watered down, too, where aid money is used to finance party politics.

Kenyans give birth to already-indebted children. Stalled projects, from buildings at the universities, roads, and government vehicles now dot our landscape. Over-reliance on aid has led the government to devise policies which do not address national needs, but the needs of donor agencies. Retrenchment of workers has been largely due to poor public policy that serves political interests rather than economic interests. The World Bank and the IMF have been famous for offering prescriptions to Kenya, which explain the outburst from finance ministers about being forced to sign 'on the dotted line'. But Kenyans have tasted the fruits of economic liberalization—especially in the information sector—and would not wish to go back to the Dark Ages. It can rightly be argued that the Cato Institute's recognition of Lord Bauer not only makes him a Third World hero, but also calls for a rethink in international aid strategies.

Let Kenyans learn how to fish. We are fed up with the ready-to-eat fish that has come our way since independence.

*James Shikwati is Director,
Inter Region Economic Network—Kenya.
This article is published courtesy of the IREN.*

I P A

REVIEW

JUNE 2002

13