Reconceptualizing Foreign Aid

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Reconceptualizing Foreign Aid

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ABSTRACT

What is foreign aid? This deceptively simple question has not been adequately addressed because aid scholars have tended to emphasize practitioners’ concerns and thus have favoured the conceptualization of foreign aid in terms of security or development policy objectives. This article attempts to reconceptualize foreign aid in a larger systemic context of international relations, focusing first on the nature and conditions of the key social relation involved in foreign aid practice and then on specifying its functions and effects. It argues that what most clearly defines foreign aid is the symbolic power politics between donor and recipient. Aid practice transforms material dominance and subordination into gestures of generosity and gratitude. This symbolic transformation, in turn, euphemizes the material hierarchy underlying the donor-recipient relation. In this process, recipients become complicit in the existing order that enables donors to give in the first place.

KEYWORDS

Foreign aid; donor-recipient relation; giving; symbolic domination; grant; philanthropy.

SHORT BIOGRAPHY

Tomohisa Hattori is Assistant Professor of Political Science at Lehman College, City University of New York, where he teaches international relations. His current research focuses on the role of foreign aid in the formation of the capitalist states system.
INTRODUCTION

What is foreign aid? This simple question has yielded three basic answers in international relations theory. According to political realism, it is a policy tool that originated in the Cold War to influence the political judgements of recipient countries in a bi-polar struggle (Liska, 1960; Morgenthau, 1962; McKinlay and Mughan, 1984; McKinlay and Little, 1977 and 1978; Hook, 1995). According to liberal internationalism, it is a set of programmatic measures designed to enhance the socio-economic and political development of recipient countries (Baldwin, 1966; Chenery and Strout, 1966; Packenham, 1973; for idealist versions, see Lumsdaine, 1993; Riddell, 1996; Opeskin, 1996). Finally, according to world system theory, it is a means of constraining the development path of recipient countries, promoting the unequal accumulation of capital in the world (Wood, 1986).

Distinctive about all these theories is a focus on what foreign aid does as opposed to what it is. Questions typically asked by scholars include: (1) Does it help build allies in the Third World (security cooperation) or ensure compliance with the interests of donor countries in United Nations voting (Zunes, 1996; Wang, 1999)? (2) Does it encourage exports, economic growth, peace, or a combination thereof (Arvin, 1997; Nyoni, 1998; Boyce and Pastor, 1998; Sullivan, 1996)? and (3) Does it promote poverty and inequality, democracy, or a strong state (Jaffe, 1997; Grieve, 1992; Frisch and Hofnung, 1997)? Given the extensive use of foreign aid as a policy tool, this emphasis on effects is understandable. However, it also tends to reduce the understanding of foreign aid to the instrumental concerns of donors, discouraging a more systematic theorization of the phenomenon as a whole.

This article shifts the focus from policy effects back to conditions, asking ‘how is foreign aid possible?’ and ‘what are its properties?’ Because such an inquiry concerns unobservable conditions as much as observable events, it requires a philosophy of social science that presumes a stratified understanding of social reality as well as the possibility of discovering it. Accordingly, I adopt critical naturalism, which assumes that human society is constituted as a set of relations that are layered and is therefore ontologically deep (Bhaskar, 1989; Collier, 1994) and its related method of inquiry, retroduction, which tackles these layers of social relation through iterative processes of abstraction and geo-historical specification (Derek Sayer, 1979; Andrew Sayer, 1992).

This approach allows me to make a critical assumption that diverges from all three theories of foreign aid mentioned above: the agency of states can be approached in a similar manner as the agency of individuals, i.e. as ‘socially constituted’: it is based on neither its subjectivity nor its objectivity, but rather on its social relations with other states (Wendt and Duvall,
Another way of putting this is that the state is ontologically ‘real’; it is neither the sum total of individual actions nor the product of some deeper structural logic and, as such, cannot be reduced to the instrumental assumptions of security or profit maximization (Wendt, 1999: 193–245). This core assumption, in turn, enables my key analytical move: the application of concepts from anthropology and sociology that derive from the study of social relations among individuals and pre-modern societies.

My analysis unfolds in two parts. The first part reconceptualizes the aid relation between donor and recipient by systematically specifying its material conditions and properties and differentiating it from other practices with which it is often confused. The result is a new conception of foreign aid as symbolic domination or a practice of signalling and euphemizing a social hierarchy. The second half illustrates this new conception by applying it to major shifts in foreign aid practice since World War II, including US and Soviet military aid of the early Cold War era, the rise of multilateral development assistance in the 1970s, and the recent shift in grant foreign aid through the 1980s and 1990s. The conclusions touch on the limitations and larger theoretical implications of this reconceptualization.

### SPECIFYING THE PRACTICE

**Foreign aid as a type of resource allocation**

At the most general level, all of the theories mentioned above assume that foreign aid consists of material goods or services that are owned or controlled by donors, the allocation of which may vary according to their purposes and interests. A logical place to begin this specification of the practice of foreign aid is, therefore, the general typology of resource allocation developed by the noted American anthropologist, Marshall Sahlins.

According to Sahlins, there are essentially three types of resource allocation in human society: economic exchange, redistribution, and giving (Sahlins, 1972: 185–230, following Polanyi, 1944: 43–55). Economic exchange refers to the voluntary and simultaneous exchange of goods or services between two parties in particular social relations and is mediated through market or market-like institutions (e.g. mechanisms of price and barter), which define and enforce equivalence (Granovetter, 1985). In capitalist society, such institutions are complex social constructions of rules (e.g. contract law, property law) and enforcement powers exercised by the executive and judiciary branches of government, such as the Securities Exchange Commission (Gilham, 1981). In pre-modern societies, the institutional framework can be as simple as a third party witness (e.g. Dresch, 1989: 373–9).
Redistribution, by contrast, is the allocation of resources through a central authority, usually according to predetermined standards defined by customary obligation or politically achieved rights (O’Neill, 1989). It is most clearly identified with the modern state because it results from some earlier appropriation or consolidation of resources (e.g. forms of taxation, tithes, and zakat), the politics of which typically involve claims over the rights or ‘entitlements’ of citizens (Shapiro, 1986 on the evolution of rights; Gewirth, 1987 on positive rights and philanthropy).

The third form of resource allocation, giving, can be distinguished from both of the above by the lack of socially sanctioned laws or rights. Though voluntary like economic exchange, it involves neither certainty of return nor political entitlement. Giving unfolds in real, not logical, time and space (in contrast to the simultaneity and reversibility or equivalent values of a market) and tends to foster strategic ambiguity of values exchanged (Bourdieu, 1977: 4–6; 1990: 98–9).

From this typology, it is clear that most foreign aid falls in the third category: it is commonly perceived as a gift extended from one country to another (or from individual donors to recipients). At the same time, it is also clear that the term foreign aid is often misapplied to other forms of resource allocation, such as military sales on credit or ‘concessional’ loans. Because these involve contractual obligations to repay, they are more accurately understood as forms of economic exchange.4 While several studies of foreign aid have distinguished loans from grants, none have elaborated on this difference.5 Though not as common, foreign aid is also frequently mistaken as a form of redistribution. Liberal scholars have contributed to this confusion by identifying the ideal of the welfare state as one of the causes of foreign aid (Lumsdaine, 1993: 119–125; 183–95; Therien and Noel, 1994; Noel and Therien, 1995). Although such ideals informed the original policy debates in the United States, a clear difference remains: foreign aid is a voluntary practice of donor states, whereas welfare is a right of citizens.6

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<tr>
<th>Table 1</th>
<th>Types of resource allocation</th>
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<td><strong>Economic exchange</strong></td>
<td>Redistribution</td>
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<tr>
<td>Reciprocation</td>
<td>Simultaneous (interest as cost of time)</td>
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<tr>
<td>Decision of allocation</td>
<td>Mutual</td>
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The conceptual confusion between giving and these other two forms of resource allocation arises from a failure to specify the underlying social relations in which the allocation of resources takes place. With economic exchange, the social relation must be voluntary, reversible, and simultaneous, with interest for the cost of delay, as in the relation between producer and consumer in a competitive market. For redistribution, by contrast, it is hierarchical and involuntary, as in the social relation between ruler and ruled. In both cases, the allocation of resources is highly institutionalized, either as rules to identify and enforce contracts of market transaction or as regulations by a central authority, with clear powers to appropriate and redistribute. What distinguishes giving from both of these other forms is the fact that the social relation in which it arises is largely unmediated and uninstitutionalized. This has led scholars to conclude that the primary purpose of giving is not the allocation of resources itself but the initiation or maintenance of a social relation (Mauss, 1967: 44–5). In simple terms, if the gift is returned, the relationship itself is rejected.

Foreign aid as a form of giving

Marcel Mauss was the first anthropologist to explore the social relations of giving in theoretical depth. The key insight from his work in primitive and pre-modern (what he referred to as ‘archaic’) societies was the power of a ‘gift’ to attenuate conflict between otherwise antagonistic societies. The extension of a gift, he observed, was always followed by elaborate forms of discourse that seemed to oblige a response. This led him to conclude that the compulsion to reciprocate was a universal norm in human society, an insight that has become widely accepted in anthropological and sociological theory (Mauss, 1967: 10–2).

Mauss attempted to extend this insight to international relations, suggesting that a strategic practice of giving could provide a way out of the Hobbesian anarchy that led to World War I, a conflict that robbed him of many colleagues and friends (Mauss, 1967: 80–1). He also expressly criticized a popular notion of the time, ‘business pacifism’, which held that trade and investment (i.e. forms of economic exchange) could harmonize national interests and foster peace in themselves. The advantage of giving over trade and investment relations, in his view, arose from the ‘primitive anarchy’ of the states system. This anarchy was similar to the social fragmentation and widespread distribution of the means of violence he found in primitive societies, and suggested a similar potential for the attenuation of conflict through strategic use of the norm of reciprocity.

According to Marshal Sahlins, the main problem with Mauss’s argument was his failure to incorporate power relations. Sahlins’s remedied
this with a new typology of giving that distinguished giving practices by the nature and degree of reciprocity (see Table 2 below). Mauss’s conception of the ‘gift’ became the basic form, ‘balanced reciprocity’: a type of giving that reflects and affirms power symmetries, or social relations between social equals. The extension of a gift in this context ‘stipulate[s] returns of commensurate worth or utility within a finite and narrow period’ (Sahlins, 1972: 194–5). Sahlins’s second type of giving, ‘generalized reciprocity’, emerges in societies that are characterized by a high degree of social cohesion, a condition that allows the norm of reciprocity to be temporarily suspended or diffused through society at large, as between generations (e.g. the cycle of parent-child relationships in which the child will eventually become a parent/giver). The material basis for this type of giving, he reasoned, is a basic imbalance in the distribution of material resources; ‘generalized reciprocity’ could be found in societies characterized by some degree of patriarchal control or primordial rank-ordering, which fostered both material inequality and informal leadership among nominal equals (1972: 207–8).

The third type of giving practice in Sahlins’s typology was ‘negative reciprocity’, a broad category for which the universal obligation to reciprocate no longer holds (he included theft at one extreme). This type of giving usually extends across a larger social divide than the relation between equals or stronger and weaker members of a group and tends to be longer lasting: recipients of this kind of gift almost never became donors in their lifetimes. The ability to suppress or indefinitely suspend the norm of reciprocity, Sahlins observed, introduces a new dynamic into the relation between donor and recipient, one that gradually affirms the social hierarchy over time (1972: 195–6, 171–83, 204–15).

Applying Sahlins’s typology of giving to the current practice of foreign aid, it is clear that most of what is commonly referred to as foreign aid falls in the third category: gifts from one country to the next that are, for the most part, unreciprocated. This includes all forms of economic grants, from disaster relief to health care and agricultural projects, to the broad category known as ‘technical assistance’ (Lumsdaine, 1993: 221, 231–2, 234–6). ‘Balanced reciprocity’ (Mauss’s ‘gift’), by contrast, is

<table>
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<tr>
<th>Type of reciprocity</th>
<th>Reciprocated (balanced)</th>
<th>Generalized</th>
<th>Un-reciprocated (negative)</th>
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<tbody>
<tr>
<td>nature of power relation</td>
<td>competitive/friendly equality</td>
<td>ranking among equals</td>
<td>hierarchy under more formal political organization</td>
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</tbody>
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Table 2 Giving practices by type of reciprocity
generally limited to cultural exchanges between industrial countries.\textsuperscript{14} The one example of ‘generalized reciprocity’ in foreign aid is the TCDC, or ‘technical cooperation among developing countries’, sponsored by the United Nations, in which technical experts from one ‘developing’ country are donated to another under the assumption that the latter will pass it along to a third country once techniques are mastered. This programme, however, remains fairly small and lacks formal institutions.

**Foreign aid as symbolic domination**

Two insights may be drawn from this reconceptualization of foreign aid via Mauss and Sahlins. The first is that the condition from which foreign aid arises is a basic material inequality between donor and recipient: one has resources to give that the other lacks. While this is an implicit assumption of all three theories of foreign aid identified above, it is also the major source of disagreement among them. For political realists, the material inequality between donor and recipient is embedded in a larger political hierarchy determined by the bipolar distribution of strategic capabilities during the Cold War.\textsuperscript{15} For liberal internationalists, it describes the gap between an advanced and less advanced condition of economic development, which the expansion of international trade and finance will mitigate over time.\textsuperscript{16} For world system theorists, it is the basic operational factor behind the expansion of world capitalism, constraining the recipient’s development path to a dependent role in the world market (Wood, 1986).

The second insight from this specification of the practice of foreign aid as unreciprocated giving is that the wide ranging policy objectives attached to foreign aid are secondary to a more basic role of affirming the social relation in which they are extended (which, in this case, describes an underlying condition of inequality). Despite fundamental disagreements over the source and significance of inequality, all three theories conceive of foreign aid as an active influence, whether reinforcing (political realism), mitigating (liberal internationalism), or worsening (world system theory) the underlying material inequality over time. Here, by contrast, is a role of foreign aid that is distinctly outside any of these effects: to mark or signal a social hierarchy.

In combination, these insights suggest that foreign aid can be understood as what Pierre Bourdieu calls symbolic domination, or a practice that signals and euphemizes social hierarchies. Such practices constitute what he describes as ‘the gentle invisible violence, unrecognized as such, chosen as much as undergone’ (1990: 127).\textsuperscript{17} As the central theorist of the concept of ‘practice’ in social science, Bourdieu has crossed the line between pre-modern and modern societies more consistently than either Mauss or Sahlins. Practices of symbolic domination persist outside the
institutionalized hierarchies of modern society, he argues, especially in social relations of gender and race, where they take the form of gestures, such as men holding the door for women (an indication of female frailty) or the obligatory laugh when the boss tells a joke (an acknowledgement of who is the boss).

Giving is an especially effective practice of symbolic domination in Bourdieu’s view because it involves the allocation of material goods that are in many cases needed or desired by recipients. In extending a gift, a donor transforms his or her status in the relationship from the dominant to the generous. In accepting such a gift (i.e. one that cannot be reciprocated), a recipient acquiesces in the social order that produced it: in other words, he or she becomes grateful (1990: 98–111). It is this active complicity on the part of the recipient that gives the practice of unreciprocated giving its social power. Clarifying Sahlins’s observation above, what begins as a simple euphemization of a social hierarchy can become an active misrecognition over time, eventually naturalizing the material inequality between donor and recipient as the normal order of things.

Most interesting for my inquiry, however, is Bourdieu’s identification of the highly institutionalized, contractual obligations of debt as a distinctively modern context in which gifts arise:

[There are] only two ways (and they prove in the end to be just one way) of getting and keeping a lasting hold over someone: gifts or debts, overtly economic obligation or moral ‘affective’ obligations created and maintained by exchange . . . there is an intelligible relation – not a contradiction – between the two forms of violence, which coexist in the same social formation and sometimes in the same relationship: when domination can only be exercised in its elementary form, i.e. directly, between one person and another, it cannot take place overtly and must be disguised under the veil of enchanted relationships (1977: 191).

Restated in the typology of Mauss, there is a sharp difference between these two forms of resource allocation. Whereas debt falls in the category of ‘economic exchange’, which presumes a social relation of equality, giving is distinguished by strategic ambiguity and the power to transform a relation of domination into one of generosity and gratitude. If a payment schedule is not met, the provisions of a loan contract will automatically change the social relation from a presumption of equality to overt domination, authorizing the creditor to impose new terms and conditions. Extending a gift in this circumstance – that is, providing new funds that suspend a social obligation to reciprocate, as opposed to legal obligation to repay – can mitigate the potential for resistance to the new terms, not just by ‘softening’ the debt burden, but by naturalizing the hierarchy over time.
APPLYING THE CONCEPTS

To briefly summarize my analysis thus far, I have reconceptualized foreign aid, first by differentiating it from other types of resource allocation with which it is often confused (redistribution and economic exchange), and then by progressively specifying the practice as (1) a means of attenuating social conflict (Mauss’s concept of the ‘gift’), (2) conditioned by material inequality and social hierarchy between donor and recipient (Sahlins’s concept of ‘negative reciprocity’ or unreciprocated giving), and finally (3) a practice of euphemizing and affirming this condition of hierarchy between donor and recipient (Bourdieu’s concept of ‘symbolic domination’). The key insight that diverges from other theories is that the primary effect of foreign aid is symbolic, i.e. to signal and euphemize (as opposed to actively reinforce, mitigate, or worsen) the underlying condition of hierarchy between donor and recipient. It suggests, in other words, that what foreign aid does in a policy sense is secondary to a more basic role of naturalizing the social relation in which it arises.

The second half of this article applies this new conception of foreign aid to the major shifts in foreign aid practice since World War II, as recorded and categorized by official documents such as the reports of the Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC), the Arms Control and Disarmament Agency (WME) and the Defense Security Assistance Agency of the United States (FMS/FMCS/MAF). Because theoretical debates tend to track these shifts, this part of the article is organized as a loose chronological narrative that engages aspects of each of the three major foreign aid theories in turn. It begins with the political realist theory and the US and Soviet military aid in the early Cold War era, followed by the world system theory and the rise of multilateral development assistance in the 1970s, and concludes with the liberal internationalist theory and the relative increase in the grant foreign aid through the 1980s and 1990s.

US and Soviet military aid

According to political realism, foreign aid is a policy tool that originated with the Cold War to influence the political judgements of recipients. It presupposes a clear inequality between donor and recipient, conditioned by the superior military strength and economic capability of donors, and identifies the conflict between the superpowers as the direct cause of foreign aid. The threat of nuclear violence, in this view, caused the conflict between the superpowers to spill over into the Third World, where it created a choice for weak states of which superpower to align with. Foreign aid, it follows, was the key weapon in this battle.
The most prominent theorist of political realism, Hans Morgenthau, created a typology of foreign aid that distinguished five policy aims (i.e. military, economic, prestige, humanitarian, and subsistence) and two strategies of influence: ‘propaganda’ and ‘bribes’. ‘Propaganda’ involved the attempt to create a ‘psychological’ relationship between donor and recipient that drew on the donor’s own aspirations for international recognition and prestige, whereas ‘bribes’ involved a more direct exchange of goods for loyalty ‘perform[ing] the function of a price paid for political services rendered or to be rendered’ (1962: 301–4, 309).

What is significant about this distinction in foreign aid strategy is that it provided the theoretical basis for an easy judgement of Soviet aid.21 Soviet aid was ‘propaganda’ because the Soviet system was dependent on ideological, as opposed to rational, appeals.22 Labelling US aid as a ‘bribe’, by contrast, conveyed not only a higher regard for US aid recipients (i.e. as not so easily manipulated or duped, demanding a price for their loyalty) but a rational, no-nonsense judgement on the rival theoretical claims of liberal internationalists, i.e. that foreign aid was motivated, at least in part, by progressive ideals.23

These theoretically informed judgements were reinforced by the actual practice of foreign aid. Soviet aid tended to emphasize symbolism and display, such as their huge monument at the Aswan High Dam in Egypt, as well as a penchant for military parades, complete with tanks and armored vehicles and high dignitaries presiding. US aid, by contrast, was viewed as a much quieter affair, elaborated more in the academy than on the parade grounds.24

Applying the insights of Mauss, Sahlins, and Bourdieu, it is clear that political realists missed a much more fundamental distinction between US and Soviet foreign aid. During the first twenty years of the Cold War, Soviet aid was extended primarily in the form of loans, not grants. The grant portion of their aid averaged only six per cent and never reached more than a quarter of any Soviet aid package, even for its closest allies.25 US military aid, by contrast, was extended almost entirely in grant form, including virtually all of its aid in the 1950s and 91 percent in the 1960s (USAID, 1979: 6).

What this suggests is that the Soviet emphasis on monuments and parades was not a defective strategy of foreign aid (‘propaganda’) but a much inferior means of symbolic domination. Whereas the United States could afford to naturalize its hierarchy over recipients with gifts, the Soviets were constrained to mere gestures and symbols; their domination remained a harsh material fact. To take the Soviet client state, South Yemen, as an example, initial affirmations of partnership and equality in aid agreements quickly gave way to a pervasive condition of debt bondage. From a low of three percent of gross domestic product (GDP)
in the early 1970s, its outstanding debt to the Soviet Union rose sharply to 14 percent in 1977, 30 percent in 1982 and 85 percent in 1987.\textsuperscript{26} This distinction between gifts and debts challenges the core premise of political realist theory that foreign aid is a \textit{voluntary} inter-action between donor and recipient.\textsuperscript{27} The argument that recipients were exercising a \textit{choice} between US and Soviet aid is undermined by the counterfactual question: why would any state choose to take on a mountain of debt when it could get the same resources for ‘free’?\textsuperscript{28}

In the early 1970s, US military aid shifted abruptly from close to 90–percent grants to predominantly loans (Klare, 1984; see Table 3). From the perspective here, this signalled a major \textit{intensification} of the hierarchy between the United States and its aid recipients by replacing a practice that \textit{euphemized} domination with one that, like Soviet aid, deepened and reinforced it.\textsuperscript{29} Although outside the scope of this article (because it shifts the analytical focus from \textit{conditions} back to \textit{effects}), the relative \textit{lack} of response from recipients is consistent with the growing body of research that identifies a pervasive condition of ‘dependence’ on US military supplies and technology in the Third World, particularly for domestic social control.\textsuperscript{30} These observations also challenge the core political realist assumption that foreign aid is a matter of \textit{choice}.

\textbf{The Rise of Multilateral Development Assistance in the 1970s}

The second major shift in the volume and type of foreign aid during the 1970s was a sharp rise in the portion of aid extended by multilateral...
organizations such as the World Bank, from under 10 percent in the late 1960s to 30 percent of all official development assistance (ODA) extended by member countries of the Organization for Economic Cooperation and Development (OECD) by 1975. In contrast to the shift in military aid from grants to loans, the rise of multilateral aid challenges political realism from within its own atomist and voluntarist premises: as a collective practice, multilateral aid obscures the identity of the donors, thus undermining the presumption of both Cold War origins and strategic intent. The rise of multilateral aid also fueled a strong challenge from outside the academic mainstream, where the growth of multilateral organizations in general was viewed as evidence of a deeper causal process at work: world capitalism (Hayter, 1971; Hayter and Watson, 1985; Payer, 1982, 1991; Bello, 1999).

According to world system theory, foreign aid arises from the underlying structure of world capitalism and works to expand the basic infrastructure and institutions of capital circulation that foster unequal accumulation and constrain the development path of recipients to a subordinate role in the world system (Wood, 1986). Powerful evidence of this economic hierarchy in the states system (as opposed to the politico-military hierarchy taken for granted by political realists) emerged in the late 1970s with the Debt Crisis, a severe imbalance in the world financial system caused by the snowballing collapse of commercial ‘petrodollar’ loans to Third World governments. The major response to this crisis by the industrialized states was to transform the World Bank, the primary multilateral aid organization, into a ‘lender of last resort’ alongside the International Monetary Fund (IMF), by increasing

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<tr>
<td>Bi-aid</td>
<td>95</td>
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<td>74</td>
<td>71</td>
<td>67</td>
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<tr>
<td>Multi-aid</td>
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Note: ‘DAC’ stands for the member states of the Development Assistance Committee of the Organization for Economic Cooperation and Development. Calculation uses net disbursement figures by donor countries and multilateral aid agencies. It does not include debt relief, reparations, or subscriptions to multilateral financial organizations. ‘ODA’ refers to official development assistance. ‘Bi-aid’ refers to bilateral ODA, whereas ‘multi-aid’ refers to multilateral ODA.
its lending authority and providing new powers of discipline and surveillance. Between 1975 and 1990, 378 ‘structural adjustment’ loans were extended to 71 debt-burdened developing countries, totalling some $118 billion in current US dollars.\textsuperscript{35}

As is now widely acknowledged, these ‘structural adjustment’ loans fostered a condition of debt bondage on a world scale, substantially reinforcing the basic material inequality between the North and the South.\textsuperscript{36} A sizeable portion of these loans – between 11 and 15 percent (in current US dollars) – was officially classified as foreign aid, the so-called ‘concessional’ loans.\textsuperscript{37} Consistent with world system theory but contrary to both political realist and liberal internationalist theories of foreign aid, there is little evidence of choice or voluntary exchange in this type of foreign aid. The motivation of donors was neither the strategic contest of the Cold War nor an enlightened concern for the Third World but the precarious state of the world financial system (Payer, 1991; Adams, 1997).

Applying the insights of Mauss, Sahlins and Bourdieu, world system theory makes the same mistake as political realism when it generalizes from this type of foreign aid to the phenomenon as a whole: it fails to problematize the difference between gifts and debts. ‘Concessional loans’ are similar to Soviet aid in this respect. They are loans masquerading as gifts – only without the monuments and parades. The official definition of ‘concessionality’ provided by the Development Assistance Committee (DAC) calculates a formal ‘grant element’ of each loan, equivalent to ‘the present value of an interest below the market rate over the life of a loan’:

Conventionally the market rate is taken as 10 per cent. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent; it is 100 percent for a grant; and it lies between these two limits for a loan at less than 10 percent interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan (DAC, 1992: A99–A100).\textsuperscript{38}

To take 1990–91 as an example, the calculation of ‘concessionality’ increased the ‘grant component’ of official development assistance (ODA) by over 13 percent, systematically reclassifying seven billion dollars of hard currency loans (in current US dollars) as a gift.\textsuperscript{39}

What is notable here is the fact that the notion of a gift has completely lost its social meaning. Devoid of even the euphemizing efforts of Soviet monuments and parades, the difference between gifts and debts has become a matter of ‘scientific’ objectivity. In the context of the Debt Crisis, it appears that the industrialized counties, like the Soviet Union, were no longer willing or able to euphemize their domination of recipients with real gifts.
The relative increase in development grants

The social power of giving is evident not only in the tendency to redefine debts as gifts noted above but also in the preoccupation of foreign aid theory and practice with policy or programme effects. Although it is fairly easy (especially for recipients) to see through gestures like Soviet monuments and parades or discourses like the ‘concessionality’ of a burdensome loan, it is much more difficult to see through the actual substance of a gift. As Mauss, Sahlins, and Bourdieu all emphasize, the symbolic power of the gift derives from the fact that it involves real goods and services that fulfill real needs and desires, or precisely what donors have that recipients want.

Consistent with political realist predictions, the overall volume of foreign aid has measurably declined since the height of the Cold War in the early 1960s, from 0.51 to 0.25 percent of the gross national product (GNP) of donor countries (the most common gauge of foreign aid ‘effort’). (See Table 5). At the same time, the relative share of foreign aid extended as grants – the type that does not require repayment or reciprocation – has steadily increased, reaching 80 percent of all official development assistance (ODA) by the late 1990s, a figure that increases to 82 percent if the donations of individuals through non-governmental organizations (NGOs) are included (See Table 6). Not surprisingly, this is where the liberal internationalist theory of foreign aid stakes its most persuasive counter-claims. The grant portion of foreign aid includes not only a sizeable portion of multilateral aid, which, as noted above, dilutes the political realist assumption of strategic intent, but also the gifts (largely anonymous) of individual donors, the portion that gives liberal internationalist theory both its domestic connection and its idealist core (Lumsdaine, 1993; Therien & Noel, 1994; Noel & Therien, 1995).

Taking these two measures together – the absolute decline in overall ‘effort’ against the relative increase in the more ‘enlightened’ grant form – reveals, on the contrary, a striking consistency of effort: foreign aid grants have hardly budged in the post-war period, fluctuating between 0.20 percent and 0.26 percent of donor GNP (the drop to 0.18 in the most recent three-year tally does not include the substantial increase in aid to the former Soviet bloc countries). (See Table 5). This consistency of effort in the portion of foreign aid that does not require repayment or reciprocation is a good indication that foreign aid has played a largely symbolic role in the post-war era, consistent with the insights of Sahlins and Bourdieu, i.e. that it has signalled and euphemized a social relation of domination. Whether described in political or economic terms, a profound material hierarchy continues to characterize the social relations between the North and the South. Put another way, the industrialized countries have been donors from the start, while their former colonies have remained recipients.
An even stronger indication of this symbolic role can be found in the relative increase in grants as a percentage of bi-lateral aid. Grants began to surpass loans as a percentage of bilateral aid during the mid-1970s and continued to increase through the 1980s and into the 1990s, such that, by the late 1990s, they accounted for over 90 percent of the total—a figure that approaches the share of outright grants in US military aid during the 1960s (see Table 6). Whereas grants in general are the type of foreign aid that most closely approximates an unreciprocated gift, bilateral grants are the form that most closely approximates the direct ‘face-to-face’ of a giving relation. They are the kind of gift that ensures, in effect, that recipients know whom to thank.

Table 5  ODA as percentage of donor GNP and grants as percentage of donor GNP

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</thead>
<tbody>
<tr>
<td>ODA</td>
<td>0.51</td>
<td>0.42</td>
<td>0.33</td>
<td>0.34</td>
<td>0.36</td>
<td>0.34</td>
<td>0.32</td>
<td>0.25</td>
</tr>
<tr>
<td>Grant</td>
<td>0.26</td>
<td>0.22</td>
<td>0.20</td>
<td>0.21</td>
<td>0.25</td>
<td>0.25</td>
<td>0.23</td>
<td>0.18</td>
</tr>
</tbody>
</table>


Note: ‘ODA’ refers to official development assistance. GNP refers to gross national product. ‘Grant’ refers to multilateral and bilateral grants. Grants from non-governmental organizations are not included here since their figures are available since the 1970s. They have consistently given about 0.03 percent of donor GNP since the mid-1970s. Also note that concessional loans and grants to former Eastern bloc countries in the 1990s are not included in the figures as they are not regarded as part of ODA.

Table 6  Share of grants in bilateral ODA (%), share of grants in multilateral ODA (%), and share of grants in total ODA (%)

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</thead>
<tbody>
<tr>
<td>Bi-grant</td>
<td>49</td>
<td>51</td>
<td>63</td>
<td>69</td>
<td>75</td>
<td>79</td>
<td>83</td>
<td>92</td>
</tr>
<tr>
<td>Multi-grant</td>
<td>91*</td>
<td>59</td>
<td>50</td>
<td>53</td>
<td>52</td>
<td>54</td>
<td>56</td>
<td>49</td>
</tr>
<tr>
<td>Total grant</td>
<td>52</td>
<td>52</td>
<td>60</td>
<td>64</td>
<td>68</td>
<td>72</td>
<td>75</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: See Table 4.

Note: ‘Bi-grant’ means bilateral grants (= 100% – bilateral concessional loans). ‘Multi-grant’ means multilateral grants (= 100% – multilateral concessional loans). ‘ODA’ refers to official development assistance. ‘Total grant’ means bilateral and multilateral grants (= 100% – bilateral and multilateral concessional loans). Note also that because the concessional loan window of the World Bank, the International Development Association, was established in 1960 and became operation during the early 1960s, the share of U.N. grants in multilateral aid was exceptionally high in the early 1960s.
Viewed in the context of the overall flows of ODA, this relative increase in bilateral grants corresponds almost exactly to the unfolding of the Debt Crisis, the aggregate burden of which continued to grow through the 1990s with each new debt rescheduling. It is a powerful example, in short, of Bourdieu’s observation that gifts and debts are often two sides of the same relationship, the one emerging to euphemize the other. There is an almost exact correspondence between the debtor-creditor relation of ‘structural adjustment’ loans and the donor-recipient relation of grant foreign aid.41

At a practical level, the increase in bilateral grants indicates an emerging ‘division of labor’ between multilateral and bilateral donors: the former imposing discipline, the latter bearing gifts. Given the waves of protest targeted at the IMF and the World Bank, the practical utility of separating the creditor-debtor from the donor-recipient relation could not have been lost on policy makers. What the insights of Mauss, Sahlins, and Bourdieu suggest is that this institutional separation also preserved the powerful utility of the gift: in this case, to secure the recipient’s complicity in an otherwise burdensome order of things.

**CONCLUSION: THE GIFTS OF FOREIGN AID**

To summarize this brief application of my reconceptualization of foreign aid via the insights of Mauss, Sahlins, and Bourdieu, I have demonstrated, first, that two of the three IR theories of foreign aid founder on the same confusion between gifts and debts. The failure to distinguish the contractual obligation of a loan from the symbolic function of an unreciprocated gift caused political realists to miss the most fundamental distinction between US and Soviet military aid during the 1950s and 1960s: the fact that the United States could afford to give away what the Soviet Union could barely afford to lend. It also confused world system theorists into mistaking the discursive mystification of ‘concessional loans’ for the phenomenon of foreign aid as a whole. I have argued, secondly, that liberal internationalists provide no explanation for a major shift in the category of aid where they otherwise claim their strongest suit: the relative increase in bilateral grants.

Two observations emerge from this brief review that are consistent with the key insight, derived from Sahlins and Bourdieu above, that foreign aid has played a primarily symbolic role in the post-war era. First, the consistency of grants as a percentage of donor GNP – or the type of foreign aid that most closely approximates an unreciprocated gift – not only mirrors the persistent social hierarchy of the post-war world between the North and the South, but also contradicts the predictions of the two ‘materialist’ theories of IR: foreign aid would either decline
with the end of the Cold War (political realism) or increase with the expansion of world capitalism (world system theory). Second, the relative increase in bilateral grants – the type of foreign aid that most closely approximates a direct face-to-face relation – corresponds to a major intensification of this social hierarchy in the late 1970s with the onset of the Debt Crisis. In the context of the aggregate flow of loans and grants, it provides a powerful example of Bourdieu’s observation that gifts and debts are often two sides of the same relationship. It also suggests an emerging division of labor between multilateral and bilateral ‘donors’: the one imposing discipline, the other bearing gifts.

In combination, these observations allow me to venture a more general critique of current IR theories of foreign aid: the preoccupation with policy and programme effects, or what foreign aid does as opposed to what it is, has substantially missed the point.42

In conclusion, I should note that this new conceptualization of foreign aid does not yet encompass grants that are extended outside the bilateral relation between states, including multilateral grants (about 15 percent of ODA since the mid-1970s) and the donations of individuals, the small but significant portion of foreign aid that is extended outside of the relations between states altogether (the equivalent of 10 percent of ODA). The key to incorporating these forms, I believe, is the fact that, in both cases, the donor-recipient relation is mediated by third party organizations, e.g. the United Nations Development Programme for multilateral grants or ‘Save the Children’ for individuals. Extending the insights of Mauss, Sahlins, and Bourdieu to this institutional level of analysis could also provide a basis for comparing foreign aid with other institutionalized giving practices, historical and contemporary, for which Mauss’ universal norm of reciprocity has been suspended. Of particular interest in this regard are modern philanthropy, which liberal idealists regard as the domestic origin of foreign aid, and two earlier traditions of giving in the West, Christian charity and Greek liberality, whose terms and ideals still resonate in the practice of foreign aid.

Regarding the larger significance of these concepts and observations for IR theory, they suggest that symbolic gestures and practices – a largely untheorized aspect of the relations between states (e.g. O’Neill, 1999) – have not only helped to maintain order in the post-war states system but have done so in a way that has avoided the more standard recourse to violence or coercive means: the pervasive hierarchy between the industrialized states and their former colonies, I have argued, was naturalized by a practice of extending and accepting gifts. The emergence of foreign aid in the post-war era is, therefore, consistent with recent theoretical arguments that identify a basic shift in the nature of anarchy in international relations after World War II (Rosenberg, 1994; Wendt, 1999). It suggests, in short, that Mauss was really on to something when he
ventured the suggestion in the 1920s that strategic use of the gift could provide a way out of the Hobbesian world of international relations.

ACKNOWLEDGEMENT

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NOTES

1 These are what Alexander Wendt calls ‘constitutive questions’ (Wendt, 1998: 103–6).
2 For a contrary view that systemic properties do not pre-exist or outlast their agents, thus leading to a non-stratified view of social reality, see Berger and Luckmann (1967).
4 Concessional loans are loans extended at interest rates that are lower than commercial rates. They often include a longer repayment schedule with grace periods. See DAC (1998: 131). I discuss this form of foreign aid more below.
5 Two cases in point are David Baldwin’s study of US foreign aid, (Baldwin, 1966: 67–98), which applies Blau’s exchange theory (1964) to foreign aid in particular (1985: 290–335), identifying aid with trade, a form of economic exchange (Ibid.: 294); and Robert Wood’s more general study of bilateral and multilateral aid, which failed to follow up on his hunch on the difference between grants and loans (Wood, 1986: 12–15).
6 For a discussion of failed attempts to establish forms of international taxation for economic development, see UNDP (1982). A recent example is the United Nations Development Programme proposal for the taxation of international e-mail for economic development (UNDP/HDR, 1999). Efforts to establish basic needs such as food, clean water, shelter, and clothing as ‘negative’ rights requiring the same international intervention as political and civil rights (Shue, 1996) compound the confusion between redistribution and giving with the confusion between negative and positive rights. On the emergence of development as human rights, see UNDP/HDR (2000).
7 For a good study of the maintenance of power relations through control of ability of powerful members of society to maintain their power by holding on to socially significant objects (e.g. the crown), see Weiner (1992).
8 Although Simmel (1900/1978: 79–90) identified the importance of reciprocity and circulation in exchange prior to Mauss (1925/1967), his discussion focused largely on equivalence and exchange value. For a view that identifies Simmel as the founder of the modern theory of social exchange, see Beidelman (1989).

See Richard Cobden (1867/1886) and Norman Angell (1913) on business pacifism during the age of imperialism, and Waltz (1959: 95–120) and Carr (1964: 22–62) for political realist critiques.

Although Mauss wrote about power, it was generally in reference to the magical power of the thing given rather than the specific power relations behind the practice of ‘gift’ (1967: 8–10, 41–3). See also Mauss (1972) on mana, a magical notion of power. For an excellent analysis of giving strategies as a means of access to structural resources in primitive society, see Weiner (1992: 41, 59).

Reciprocity between parent and child, for example, is commonly displaced to the next generation, i.e. not to the original giver but to potential givers in the future (Sahlins, 1972: 193–4). Robert Keohane’s concept, ‘diffuse reciprocity’ (1986), draws from Sahlins’s notion of ‘diffuse obligation’ as developed in the context of ‘generalized reciprocity’ (Sahlins, 1972: 194).

In Sahlins’s words, ‘generalized reciprocity’ involves ‘transactions on the line of assistance given and, if possible and necessary, assistance returned’, where ‘reckoning of debts outstanding cannot be overt and is typically left out of account’ (1972: 193–4, 194).

This focus on the actual flow of resources also technically excludes most programmes that explicitly focus on ‘empowerment’ or emphasize ‘partnership’ with recipients from the category of ‘balanced reciprocity’. For studies that emphasize of these types of programmes, see Diaz-Albertini (1990) and Fisher (1993). Dillon’s (1968) study of American technical assistance to France in the 1950s identified examples of ‘balanced’ obligation and reciprocity in aid relationship, though he missed critical Maussian insights into the strategic and diplomatic role of giving in conflict attenuation as well as Sahlins’s insights into the significance of unbalanced forms of giving.

See McKinlay and Little (1978). The key text of the structural version of political realism is Waltz (1979).

See Chenery and Strout (1966); for an updated version of this argument, see White (1998). Note that some liberals emphasize the greater opportunism afforded by the expansion of market relations in developing countries and thus emphasize the importance of individual and collective responsibility (World Bank, 1975, 1993). For a study identifying the hierarchical relations embedded in liberal internationalism, see Ruggie (1982).

See also Thompson (1991: 23–24); Bourdieu (1977: 190–7, 183–4; 1990: 122–3). Although the most common translation of Bourdieu’s term is ‘symbolic violence’, because the definition of ‘violence’ in French is closer to the English word ‘coercion’, i.e. ‘power-over’ notion rather than physical harm conveyed in English, I believe the term ‘domination’ is technically more accurate translation. Compare the definition of violence in the Oxford Dictionary: ‘the exercise of physical force so as to inflict injury or cause damage to persons or property’, with the first reference under ‘violence’ in Le Robert: ‘to act upon someone, or make them act against their will through force or intimidation [agir sur que ou le faire agir contra sa volonté, en employant la force ou l’intimidation].’ See Bourdieu (1979) on his use of the term, ‘symbolic power’.

Unrepayable loans, in effect, become a direct means of domination.

The social ontology here is ‘atomist’: all states are similarly constituted as
security maximizers by the ‘anarchy’ of the states system. For a political realist theory that recognizes not just inequality but hierarchy as a key feature of the modern states system, see Wight (1977: 129).

20 In the 1950s and 1960s, even the smallest policy decisions of Third World leaders were taken as evidence of the ideological or geo-political strength of one superpower or the other (Kissinger, 1956). For a study that uses the political argument that Third World governments were able to choose between superpowers for aid, see Al-Madhagi (1996).

21 Soviet aid to the non-aligned ‘Third World’ began in the mid-1950s, first to Egypt (1955) and then to Indonesia, Iraq, India, Syria, Afghanistan, and Algeria (NIE, 1968: 2). For Soviet aid to Egypt in the late 1950s and 1960s, see Tansky (1967: 152–4). Detailed statistical information on Soviet economic aid from the Ministry of Foreign Economic Relations can also be found in Bach (1987); however, this information does not include economic aid administered by the Foreign Ministry or other sectoral ministries, such as Agriculture and Fisheries.

22 See, for example, Kissinger’s concern over the stable influence of the communist ideology on Soviet bloc’s foreign policy (1956). To the extent that the term ‘propaganda’ was used to describe US foreign policy, it was generally reserved for the activities of agencies like the United States Information Agency, not foreign aid programs. See also Morgenthau (1962: 308) on the propaganda element in Soviet prestige aid to Afghanistan.

23 Political realists were clearly gaining in this internal policy debate with liberals during the Eisenhower Administration in the 1950s and the Nixon-Ford Administrations in the late 1960s and 1970s. Although foreign aid began as economic relief in the immediate aftermath of the war (96 percent was economic), military aid jumped sharply during the Marshall Plan period (1949–52) to 35 percent reaching 45 percent during the Mutual Security Act period (1953–61) (USAID, 1979: 6). See Table 3. The first military aid bill, the Mutual Defense Assistance Act of 1949, authorized military aid to NATO countries, Greece and Turkey (soon-to-be NATO members), the Philippines (ex-American colony), Iran, and South Korea (Grimmett, 1985: 7). Some military aid was also included in post-war relief (1946–1948), the Marshall Plan (1949–1952) and the foreign aid bill of 1947 (aid to Greece and Turkey).

24 While monuments and parades fueled an easy stereotype of the Soviets as caught in the thrill of communist ideology, many scholars argue that capitalist ideology was also considerably stretched during this period. The premise of modernization theory is that the complex and often violent process of capitalist development can be transformed into rational, evolutionary stages amenable to policy prescription. See Rostow (1960) for an ideological treatment of capitalist development. Packenham (1973) and Escobar (1995) are more critical treatments, and Ferguson (1990) for a clarification of the ideological mechanism embedded in the actual aid project design.


26 DAC (1994: J1-J2); IMF/IFSY (1993); USAID/PDRY (1990:10); WB/PDRY
Political realists have elaborated the assumption of ‘choice’ into rational choice games in which foreign aid becomes a quid-pro-quo exchange of loyalty for aid. See Catrina (1988) for an application of this approach to networks of patron-client relations in arms transactions.


The causes of this shift are complex and were heavily influenced by US domestic concerns stemming from the Vietnam War and the rise of oil-exporting countries as major importers of US arms (Klaré, 1984: 40–41).

See, for example, Wendt and Barnett (1993), who argue that US military grants in the 1960s allowed many states to forgo developing institutions of popular support by providing an alternative means of domestic social control. For the relative stability of the total US military deliveries (in constant US dollars) in the 1970s and 1980s, see Krause (1992: 100, Figure 3).

The key to the increasing role of multilateral aid organizations was the establishment of the concessional loan window at the World Bank, i.e. the International Development Association (IDA) established in 1960. Other multilateral aid organizations include the Inter-American Development Bank created in 1959, the African Development Bank (1964) and the Asian Development Bank (1966). In contrast to these multilateral banks that provide loans, the United Nations Development Programme (1965) consolidated existing U.N. grant programmes. See DAC (1985: 65–88).

Some of this multilateral aid even found its way into the hands of Soviet-leaning states. For example, the United Nations was among the first to provide foreign aid to socialist-oriented South Yemen; the World Bank began to provide them with ‘concessional loans’ in the early 1970s (Bidwell, 1983: 236–40; WB/PDRY, 1978: 24–5).

The social ontology here is ‘holist’: states are constituted by the larger system of world capitalism as opposed to the ‘anarchy’ of politico-military relations.

There is a large literature on the causes of the Debt Crisis. Key factors include: 1) the general slowdown in the world economy beginning in the late 1960s (Gordon, 1994; Lipietz, 1987); 2) the failure of the Bretton Woods institutions in the early 1970s (Bloch, 1977; Cohen, 1977); and 3) the two Oil Shocks of 1973 and 1979, which resulted in the recycling of oil dollars not in industrialized but in newly industrializing and, subsequently, unindustrialized countries (Altovater, 1993).

These borrowers were: Angola, Argentina, Bangladesh, Benin, Bolivia, Brazil, Burundi, Cameroon, Central African Republic, Chad, Chile, Colombia, (Democratic) Congo, Congo (former Zaire), Costa Rica, Cuba, Dominican Republic, Ecuador, Egypt, EL Salvador, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Ivory Coast, Jamaica, Jordan, Kenya, Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mexico, Morocco, Mozambique, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Peru,
Philippines, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Africa, Sri Lanka, Sudan, Tanzania, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Uruguay, Venezuela, and Zambia. See DAC (1975–1993) and IBRD/AR (1975–1991) and IMF/AR (1975–1991). Also World Bank (1999); IMF/ Survey (10 January 1983; 4 February 1985; 9 February 1987; 6 February 1989; 4 February 1991). In this tally, the term ‘structural adjustment’ refers to loans provided by the World Bank, including Structural Adjustment Lending (SAL) and Sectoral Adjustment Lending (SECAL), and the International Monetary Fund (IMF), including the Extended Fund Facility (EFF), Structural Adjustment Facility, and the Enhanced Structural Adjustment Facility. The IMF established the EFF in 1974 with the first loan provided in 1975, while the Bank established the SAL in 1980. See IMF/AR (1975: 54–5) and IBRD/AR (1980: 67–68).

According to ILO (1995: 28), during the decade of the 1980s, the gross domestic product (GDP) of Latin American and African countries declined (0.9 and 0.6 percent, respectively). On the role of the World Bank in structural adjustment, see Mosley, Harrigan, and Toye (1991). For a good study of the power plays in these debt restructurings, see Biersteker (1993). For a historical comparison of the Debt Crisis of the 1980s with the past debt cycles, see Suter (1992). For a historical comparison of the past and present indebted development, see Schwartz (1989).

Concessional loans are included in the summary of Official Development Assistance (ODA) provided by the Development Assistance Committee of the OECD. See WB/AR (1975–1990); IMF/AR (1975–1990); DAC (1985: 334;1987: 201; 1992: A 35). This total includes all of the World Bank’s Structural Adjustment Loans (SAL) and Sectoral Adjustment Loans (SECAL) as well as International Monetary Fund’s Extended Fund Facility (EFF), Structural Adjustment Facility (SAF), and Enhanced Structural Adjustment Facility (ESAF). See the sources in Table 4 for multilateral aid totals. My data is incomplete on the concessionality of some of Sectoral Adjustment Loans provided by the World Bank in the late 1970s, obliging me to indicate only a range rather than a definite percentage of concessional loans in all structural adjustment loans.

The term ‘grant element’ first appeared in 1967 as a formal measure of the divergence of a loan from market rates, also known as its ‘concessionality.’ DAC’s annual reports have increasingly combined totals for grants and loans into this unifying concept. See DAC (1967: 77, 177) and annual reports since then. Note that no similar attempt has been made to factor in the effects of declining terms of trade or unstable and inconvertible currencies. ‘Concessional’ loans thus regularly increase to ‘market rate’ over their repayment cycles, wiping out any effective ‘grant element’. Note also that I have used the clearer language of the 1992 version. The only difference in a recent revision is that the standard 10 percent interest rate is now called ‘reference rate’ instead of ‘market rate’ (DAC, 2000: 261).

While 72 percent of ODA was actual grants, the ‘grant element’ was reported at 85 percent, reflecting the concessional terms of DAC loans. See DAC (1992: A14).

Two exceptions from the beginning have been China and India. The ranks of donors were tentatively joined in the 1990s by newly industrializing countries like South Korea and Turkey (DAC, 1999: 247).

The seventy-one countries that received structural adjustment loans between 1975 and 1990 also received three quarters of all grant ODA (see note 35

REFERENCES


