

8. Practice: The Question of Aid Empirically

As Ryrie²³ points out, the moral and political arguments for supporting aid aimed at development are sound and valid...whether or not we honestly believe that aid can and will produce successful results in practice. But in the end, issues of practicability are the key. In order to clarify the goals of this Paper, the basic test of development success must be economic growth. To that end, poorer countries must eventually follow the path to rapid market-led development or be left behind.

In a review of empirical studies, Cassen et al., put forward the following conclusions about the effects of assistance.²⁴

- for samples of countries, regression analysis shows both positive and negative effects of aid on growth;
- there are sizeable regional differences as well as temporal ones;
- more study is needed on the effect of aid on the productivity of capital (here new growth theory would argue for the effects on productivity of labour as well);
- most studies show a negative relationship between aid and savings, which is less clear when consumption aid is accounted for (similar to Boone's results below);
- cross-section studies show weak relationships between aid and investment, while individual country studies show slightly more positive results;
- there is little evidence to show that aid reduces tax efforts in recipient countries, or increases deficits on a systematic basis; and
- no conclusions can be drawn about whether aid promotes self-reliance, i.e., a capacity for growth without aid.

As can be seen from the above conclusions, the role of aid in contributing to

²³ Ryrie, op cit.

²⁴ Robert Cassen and Associates, Does Aid Work?, Clarendon Press, Oxford, 1986.