

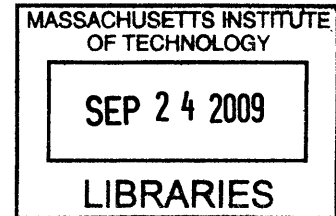
EXPEDIENT BENEVOLENCE

INTERNATIONAL DEVELOPMENT AND THE UNITED KINGDOM

By

Ninad Pandit

Bachelor of Architecture
University of Mumbai 2003



Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

Master in City Planning

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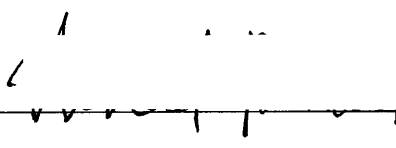
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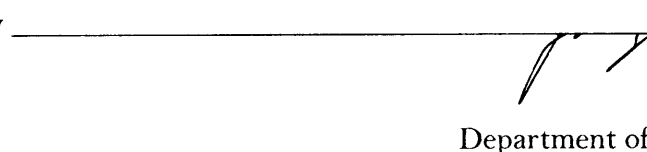

Department of Urban Studies and Planning

July 20, 2009

Certified by

Professor Diane E. Davis
Thesis Supervisor
Department of Urban Studies and Planning

Accepted by


Professor Joseph Ferreira
Chair, MCP Committee
Department of Urban Studies and Planning

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Submitted to the Department of Urban Studies and Planning
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ABSTRACT

This thesis examines the role of International Development in the United Kingdom during its transition from a colonial ruler to a neo-liberal capitalist state. Starting with the inter-war period, it looks at the changing position adopted by the British state vis-a-vis development aid to its colonies up to the formation of the Department for International Development in the late 1990s. The study argues that during this period, the nature of state-sponsored international development aid has transformed significantly to a point of self-redundancy. At the same time, the British state's insistence to continue its colonial bilateral ties has made it an insignificant and obsolete player in the game. Faced with the choice to embrace this obsolescence brought about by the market, the British State could transform its foreign aid policies and explore new ways bring change in developing nations. However, trapped between the disciplinary limitations imposed by "Planning" and its own recurring economic crises, the British state has been unable to seize this opportunity, leading to an anachronistic foreign development policy.

Thesis Supervisor: Diane E. Davis
Title: Professor of Political Sociology

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My friends and family are completely responsible for making the last two years exciting, challenging and memorable. In particular, I would like to thank Victor Eskinazi, Sarah Neilson, Christina Santini and Laura Lee Schmidt. Finally, I would like to thank my family in Mumbai for being wonderfully supportive and interested, and sending me goodies from time to time.

There are, as we have already seen, conditions of society in which a vigorous despotism is in itself the best mode of government for training people in what is specifically wanting to render them capable of higher civilization.

(Mill J. S. 1859)

We must embark on a bold new program for ...the improvement and growth of underdeveloped areas. More than half the people in the world are living in conditions approaching misery. Their poverty is a handicap and a threat both to them and to more prestigious areas. For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

(Truman H. S. 1949)

World events increasingly show us that we are dependent one upon another, that we are all members of an interdependent global community. We cannot therefore be assured of an untroubled future while two out of every three inhabitants of this planet are living in extreme poverty, hunger and disease.

(The Ministry of Overseas Development "What Is British Aid?" 1976)

Will we in the West realize our potential or will we sleep in the comfort of our affluence with apathy and indifference murmuring softly in our ears? We can't say our generation didn't know how to do it. We can't say our generation couldn't afford to do it. And we can't say our generation didn't have reason to do it. It's up to us. (Bono, in Sachs J. D. 2005)

1 | INTRODUCTION

COLONIES, COMMONWEALTHS, LDCs¹ - SUBLIMATING THE GLOBAL “OTHER”

The creation of the global “other” in development is closely tied with the globalization of the idea of poverty, as well as the growth of late or post-imperial state-regulated Keynesian capitalism that arose (with Keynes) in the early 20th century, and gained support following the financial crises of the inter-war period. This term was constantly redefined with every new poverty alleviation program, especially as each program became a case study for the next one, regardless of contexts and agencies. Unpacking this category, which seems to be an aggregate of various meanings over time (and is therefore a synthetic category) would then seem to

¹ The official acronym for “Less Developed Countries”

require its location within the larger discursive category of Globalization itself, which can be said to contain - and be symptomatic of - other approaches, including neoliberal economics, protectionist tendencies, deregulation, structural adjustments and the myriad changes that have played out on the global political-economic order. In other words, its politics must be historicized.

Globalization serves to create (or facilitate) the very conditions/circumstances that it seeks to describe. Two dominant intellectual positions can be observed with regard to a Lefebvrian conception of globalization, where spatial practices “secrete” social space - the Appadurai model which depends on the creation of a global collective of people, places and institutions (Appadurai 1990) - a model that is arguably both simplistic and reactionary, and the newer vulgar marxist model of “global strategic management” (Roberts 2003) which “rejects globalization as the inevitable inscription of capitalism”, by announcing the rise of a global managerial-technocratic class which becomes instrumental to the perpetuation of globalization. What remains clear in these arguments is that globalization is *created*, it does not merely appear from within capital. This un-dialectical position, which claims to be political but in substance is merely conspiratorial, has plagued critiques of development. If we try and overcome our own numerous orientalist anxieties, the four quotes on page 9 could be a point of departure for dismantling such critiques.

The act of defining a section of the world as “poor” as well as a “threat” implicitly contains a self-legitimizing clause of intervention. Differently put, Appadurai and Roberts - conception and perpetuation - co-exist and thrive in such an act. This is not a simple top down - bottom up argument where the scholar has to choose one position for herself, but one that underscores the fundamentally dialectical nature of the development aid. The origin of this problematic could be traced back to the disciplinary (technocratic) nature of Planning itself. Following Lefebvre, (Lefebvre 1996) if we consider the global (universal/trans-geographic) transhistorical and transcultural “other” that is constructed in the opening quotes, as the discourse that constructs the “other”, and distinguish it, from both the *partial knowledge* concerning this “other” (one that is regularly produced by technical reports by development agencies) and the act of the discursive application of this technical knowledge (or *international development*); planning then is an ideology that interprets this partial knowledge, justifies its application, all based on this poorly legitimated knowledge². Not only is the idea of “global poverty” trans-historic and trans-geographic, the obvious leap from the relative to the absolute is fundamental to the discipline. The ideology that is Planning then both facilitates the creation of so-called impartial knowledge and legitimizes its application. This application in turn creates further knowledge. In doing so, a sublimated form of the “other” emerges - one that is condensed and abstracted from its now-indistinguishable constituents. “Planning” is then deeply implicated in

² Lefebvre (1996) illustrates this with an example from Le Corbusier - for whom the design of a city was a relationship between the urban dweller and nature/air/sun/trees etc, coupled with a set of “real” problems in a city (traffic, housing etc) - resulting in the designer (or planner) as a “man of synthesis” who practices this ideology.

naturalizing this category of the “other”, as it fails to recognize its own dialectic nature.

If such an understanding of the discipline is espoused, or, if the conception and perpetuation of globalization are both the constituting parts of planning and if they exist dialectically, both the self-congratulatory analysis as well as dismissive critiques of development aid fall short of a real understanding of its underlying nature. This is not to simplistically state that development aid is neither completely good nor is it completely bad, and that the observed results are “mixed”. The real point here would be to see that the “mixed” results are precisely what development aid is designed for in the first place, and that it cannot achieve anything more or less. This project however seeks to examine a significantly smaller part of this larger narrative. Various reasons - not limited to time, expertise and archival resources - in addition to my own interest in the British state due to its specific colonial history required me to limit this study to the trajectory of British development aid to its colonies since the inter-war period. While other donor states - the US in particular during the Cold War - have been studied with respect to their development aid policies, the UK has been largely neglected. This is perhaps due to its dwindling importance in both the global economy as well as in global politics, but its historic role must nevertheless not be neglected.

British interests in Colonial Development started in 1889, with specific and sufficiently significant legislative provisions made since 1929. The overwhelming impression in this matter

has been that while Colonial interests dominated British Aid in the first half of the 20th Century, a more collaborative approach to international development - one designed by the Bretton Woods and other multi-lateral institutions, where development aid is seen as rich nations supporting governments of poorer countries in their efforts to combat poverty - has dominated the British approach to international development in the second half. The critical view within this version has (perhaps rightly) seen this “support” to developing nations as a two-way exchange, rather than a unidirectional donor - recipient relationship. The other impression has been to see international development as a unidirectional phenomenon, involving cash and technology transfers from the West to the global South, producing (for the optimistic) mixed results³, something that can be fixed (or optimized) by further initiatives from the West - a learn-as-you-go model of development, perhaps. Located within this discourse has also been the articulate argument made by many scholars that the history of international development has been one of a new form of imperialism, a history of the manipulation of global economies for financial gains⁴ by Western capitalist nations and corporations.

I would first like to argue that international development cannot be seen through a single lens.

While the outcomes of international development endeavors by all Western nations may have

³ For instance see Jeffrey D. Sachs, The End of Poverty: Economic Possibilities for Our Time (Penguin Press, 2005).

⁴ For instance, see William Easterly, The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good (Penguin Press, 2006). and Arturo Escobar, Encountering Development: The Making and Unmaking of the Third World (Princeton, NJ: Princeton University Press, 1995).

been comparably dismal⁵, the intentions behind each national project of international development have been radically different, and each intention must be located in its own historicity. The argument that there exist concrete connections between US international development aid and the Cold War has been made several times over⁶. Only by historicizing a particular trajectory of international aid would it be possible to deconstruct the possible implications of aid projects. A future project could then be to critically examine why, in spite of such radically different legislative and political histories, have all international development efforts resulted in comparable results? The second argument I would like to make is that the British were compelled to engage in Colonial, Commonwealth and eventually International development (in that order) by specific economic compulsions in their domestic economy. While the dominant narrative is that countries in the West were seeking to increase their economies by increasing the size of the market, international development was at times (and especially in the 1940s with the 'balances of trade' crisis) the only way in which the British economy could stay afloat. Developing foreign markets for sale of British goods was only a part of this agenda, the other part was to develop the colonies as a source for low-wage goods that could be imported for profits, and with little impact on the balance of trade and the national debt. A third reason was the Colonial origins of the Commonwealth, and the fact that amongst the

⁵ In fact, there may have been several cases of success as well, but that is besides the point here. For more on both views, see *ibid*.

⁶ For instance see Susan George, *How the Other Half Dies : The Real Reasons for World Hunger*, Pelican Books (Harmondsworth ; New York [etc.] Penguin, 1976). or the more whimsical Ronnie D. Lipschutz, *Cold War Fantasies : Film, Fiction, and Foreign Policy* (Lanham, Md. ; Oxford: Rowman & Littlefield, 2001).

bourgeoise in the UK, there was felt a feeling of responsibility to the colonies, coupled with the regret that the colonies would spiral into chaos once the British had left. Another argument that can be made, if the same data is sliced differently, is that in times of a global economic transition, the UK Government has consistently tried to soften the impact of its financial crisis by changing its policies regarding international development. Thus, the international development policies were changed in 1929 (the Great Depression), 1945 (end of World War II), 1972 (fall of Bretton Woods, dissolution of Sterling Area) and the 1990s (transition into Service economy). This argument can then imply that the UK has strategically used colonial (and later post-colonial) development for, if a generous argument is to be made, the sole purpose of personal economic stability, and if an extreme argument is to be made, for absolute economic exploitation.

What this thesis then seeks to explore is that how do these historical positions vis-a-vis development aid lead up to the current form of international development? And what do these historical positions ultimately lead us to conclude about the nature of the discipline itself? Presently, international development is administered through the Department for International Development (DfID), which was set up in 1997. The creation of this organization was supported by a completely new administrative structure, new laws and an abolition of certain previous practices such as the Aid and Trade Provisions⁷. In this thesis, I will argue that in

⁷ For more on Aid and Trade Provisions, see section titled "Aid and Trade Provisions" in Chapter 3 of this manuscript.

spite of these radical changes in the administering of international development aid, the basic theme underlying this aid has remained consistent, a theme that is closer to the specific historic condition of the UK itself. It emerges from an uncertainty existing within the British colonial condition, and is located in the dialectic of uncertainty in a nation that itself is (or seeks to be) a democracy, and yet ruled autocratically in its colonies. It is located in the belligerent spread of “civilization” that the colonizer seeks to undertake for the benefit of the “other”, and in doing so, produces national subjectivities that are invested in both self-interest and moral duty. At the same time, international development aid emerges not just from an ideology and the nation-state that sustains and perpetuates this ideology, but as a response to a specific moment in economic and political history. International development aid should not be seen merely as a redemptive act by former colonizers, but also an attempt to garner economic territories in the form of a transnational hinterland by influencing weak governments in the global south.

2 | COLONIAL BRITISH DEVELOPMENT AID

THE COLONIAL ORIGINS OF CONTEMPORARY AID

In this chapter, I argue that the contemporary condition of British aid is inherently linked to older colonial concerns as much as it manifests contemporary economic necessities. I trace the origins of British Aid to a specific historic moment of the British financial crisis in the inter-war period, and its coincidence with massive unemployment in the UK. I will argue that two British responses to this crisis ultimately shaped the nature of British Aid – both its legislative as well as executive aspects - the framing of the Colonial Development Act of 1929 that established the legal framework for British aid to its colonies, and the establishment of the Sterling Area.

ECONOMIC CONDITIONS OF THE UK IN 1929

“This measure (the Colonial Development Act of 1929) has been introduced by a Labour Government not only because we believe in Colonial Development and because it is urgent, but because I think it will assist me in carrying out my idea for reducing (domestic) unemployment.”

- James Henry Thomas, Lord Privy Seal (1929-30) on 12th July 1929 (House of Commons)⁸

The origins of Britain’s financial crisis in the 1920s and 1930s can be traced back to the material and fiscal aftermaths of the First World War. On the one hand, there were extraordinary losses to life and infrastructure - collectively resulting in a massive reduction in production capacities. On the other hand, there were the huge loans resulting from the expenditures incurred in the war. Some economists have demonstrated that the UK actually went through a twenty-year “great depression” from 1918 onwards, and having never really recovered from World War I, was in major financial instability from the early 1920s. (Cole & Ohanian 2007) In 1925, the Pound Sterling was restored to the Gold standard⁹ at its pre-war exchange rate. This decision, being more a matter of pride than prudence, made little economic sense, as the state of the British economy in 1925 was in no way comparable to the one in 1914. As a result of this reversion, British products became the most expensive goods available in the

⁸ Hansard Parl. Deb. (Commons) 5th ser. CCXXIX 1300, 12th July 1929

⁹ In 1914, the British government had changed its currency standard from Gold to the Fiat Standard, in order to prepare for the expenses of war. This meant that the currency no longer derived its value from a gold reserve, but by way of a fiat from the government.

markets, leading to a significant slowdown in the economy¹⁰. By 1926, as exporters began to cut labor wages to meet costs, workers struck work - leading to further losses, unemployment and general discontent. The rest of the 1920s were years of recession, and over one million people were unemployed in the UK for the rest of the 1920s. With the onset of the Great Depression, unemployment continued to rise, and by 1930, the number had reached 2.5 million, and exports fell by 50% (Cole 2007).

The British external debt in the late 1920s was several times that of the net value of the British economy, including that of its colonies. A continued adherence to the gold standard would mean that it would be impossible for the UK to repay its debts (more accurately, it would become difficult for the UK to acquire further credit in the market). John Maynard Keynes had already argued for a shift from the gold standard for the Pound Sterling, and this shift was completed in 1931. What was then needed to fix the economy was to improve its creditworthiness¹¹. Increasing trade (or the size of the economy) and repaying debts were two obvious ways in which the value of the sterling could be shored up - which in turn would improve "credit" - which would then further reduce debts and encourage trade. With the devaluation of the sterling, the US Dollar had become the de facto standard for international trade, and the economic condition that was termed "the balance of trade crisis" was that the

¹⁰ Keynes called Chancellor Churchill's decision to peg the Pound against gold "...the golden cage that imprisoned industry."

¹¹ Creditworthiness of countries is called their "sovereign credit rating" and is presently determined by banking research groups such as *Euromoney*.

British economy did not generate enough money to sustain itself, and was operating in deficit.

Between the ongoing Depression and the balance of trade crisis, the British economy was about ready to collapse. Keynesian logic would advise the government to engage in deficit spending in Public Work, and prop up the economy with government support. Prime Minister Ramsay MacDonald's Labour government, which was elected on precisely the plank of financial renewal in 1929, was obliged to find immediate solutions to the issue or risk instant public disapproval. Domestic unemployment was, until the late 1920s, being largely addressed by unemployment benefits and other welfare programs. As (Weir and Skocpol 1985) have demonstrated, it was only by the early 1930s that the Keynesian idea of using macroeconomic strategies such as Public Works to combat domestic unemployment were taking root.

It was at this historic moment of the intersection of a longstanding debt crisis and a global economic depression, that colonial development began to appear as the tool which could be deployed to resolve the financial crisis. The root of this financial crisis was in the balance of trades - the UK was importing more than it was exporting in net sterling value terms. To resolve this crisis, it would then have to i) source cheaper products from abroad [or decrease manufacturing costs abroad], ii) create opportunities for trade abroad by developing new markets, which would in turn bring in more foreign income changing the income to debt ratio, and iii) consider ways in which the economies of British Colonies could be included in the

definition of the British economy, or the economy around the Pound Sterling. Thus, the crisis is not one of a *lack of money* - indeed the government could print any amount of money once the Pound was “floating” in its value - the crisis was in maintaining a healthy exchange rate for the Pound Sterling, which would keep the economy functional. By co-opting the economic activities of the colonized states as its own, the British government attempted to resolve this crisis; and colonial development became the new Public Work project.

THE COLONIAL DEVELOPMENT ACT OF 1929

Prior to 1929, British colonial policy had three specific perspectives. These perspectives were explicitly expressed by Leopold Amery in 1919 in the House of Commons¹², and can be paraphrased as follows. The first aim was to raise the living standards of the people in the colony by playing the role of a “trustee” of their resources. The second aim was to extend this trusteeship beyond the inhabitants, as the League of Nations put it, to hold the colonies in a “sacred trust to civilization”. This meant that the vast resources of the colonies were seen as a locked up potential of civilization itself that needed to be unleashed for the collective good, and rapid industrialization using these resources was a key way of fulfilling this trusteeship. The third aim was that since the bulk of the administrative and military costs for the upkeep of the colonies was borne by the British citizen, the colonies needed to reciprocate by making their raw material available to Britain and simultaneously creating a market for British goods.

¹² Hansard (Commons), 5th ser. CXVIII, 2174, 30 July 1919

All cases of development aid to the Colonies prior to 1929 were approved on a per-case basis subject to individual need and urgency, such as famines, or special public works such as the Railways, and the three perspectives specified above were interpreted in each case to create a loose body of practices around colonial development. It can therefore be argued that until the Colonial Development Act of 1929 (CDA), the British government did not have a coherent or consistent policy for its colonies. The CDA created a legislative framework for the appraisal and approval of all project proposals presented to the British Government by its colonies. The CDA also set up a system that allowed for a mutually beneficial relationship to be established in the matter of colonial development. The expedient nature of the Colonial Development Act was reaffirmed in the First Interim Report of the Colonial Development Advisory Committee 1929-30, where they “...thought it desirable ...save in exceptional circumstances, all orders for imported materials etc., should be placed in the United Kingdom; and that the plant, machinery and materials, etc., be of British origin and manufacture.¹³” The CDA was the first legislation by the British Government to control or streamline government investments by way of international aid to its colonies. This Act allowed the Crown to act on behalf of “territories under its protection” to accrue Public Debt for purposes of development¹⁴, making funds up to £1 million/year available by way of the “Colonial Development Fund” for the next ten years, to be expended towards development projects in the British Colonies.

¹³ *First Interim Report of the Colonial Development Advisory Committee, 1929-30*, VIII, 19 quoted in Abbott (1971)

¹⁴ Source: The Colonial Development Act 1929 (Repealed 1998)

THE COLONIAL DEVELOPMENT ACT AND COLONIAL DEVELOPMENT

The Keynesian concept of an *economic multiplier* proposes forward and backward linking effects to state investments. In the context of this narrative, it means that the British government hoped to stimulate demand for British exports of machinery and capital equipment by providing funds for colonial development. The orders generated from these funds would generate employment in the export sector, which in turn would multiply to manufacturing, packaging and other industries, triggering a change in the domestic economy. Similarly, in the colony, it was expected to set off waves of employment in various sectors. Therefore, this model is comparable to other attempts by states to undertake public work projects in times of financial crisis¹⁵. The overwhelming drive for colonial development however was the role that it could play in fixing the problem of unemployment in the UK¹⁶.

Between 1929 and 1939, the total estimated aid in grant and loan form through the Colonial Development Act was £16 million, of which approximately £5.65 million, or roughly 35% was spent directly in the UK¹⁷. Of this, the amount recommended from the Colonial Development

¹⁵ For instance, the Chinese Government's plan to resurrect its domestic economy in the financial crisis by spending an estimated \$586 Billion in between 2009-2010. http://www.businessweek.com/investor/content/nov2008/pi20081114_943127.htm (Accessed 15th May 2009)

¹⁶ In response to a question by John Remer, Conservative MP from Macclesfield about the number of people that will be employed in the UK as a direct result of certain sums released for the Zambesi Bridge under the CDA, the Lord Privy Seal William Lunn estimated¹⁶ expenses of about £3,000,000, of which contracts placed in the UK being over £1,000,000, affording employment estimated at the equivalent of some 60,000 man-months. Hansard Parl. Deb. (Commons) Vol 231 c1749W 1749W, 12 November 1929

¹⁷ By 1976, the total percentage of British Aid to the developing world that was spent in the UK itself had grown to about 66% Source: The Ministry of Overseas Development, What Is British Aid? (London: The Ministry of Overseas Development, 1976).

Fund was £8.8 million (just falling short of the assured sum of £1 million/year), with a grant component of £7.2 million and the rest by way of loans.

	Heading under the Act	Amount (£)	Percentage
A	Agricultural development etc	534,118	6
B	Internal transport and communication	2,658,290	30
C	Harbours	474,245	5
D	Fisheries	156,630	2
E	Forestry	106,640	1
F	Surveys	253,375	3
G	Land reclamation and drainage	444,100	5
H	Water supplies and water power	923,417	10
I	Electricity	163,608	2
J	Mineral resources	770,050	9
K	Scientific research etc.	597,654	7
L	Public health	1,460,338	16
M	Miscellaneous	332,618	4
	Total	8,875,083	100

Fig. 2.1 showing breakup of aid monies to all aid-receiving countries via the CDA between 1929 and 1939.

Abstracted: *Eleventh and Final Report of the Colonial Development Advisory Committee*, P.P. 1940-1, IV, II, Table C.

If we were to examine the exact breakdown of the heads under which the monies were released, we observe that a large part (30%) of the funds was allotted to transport and communication. A substantial share (16%) also went to public healthcare. In comparison, a relatively minor percentage was allotted to sectors such as agricultural development (6%), harbor development (5%), fisheries and forestry (2% and 1%).

At this point, we must unearth the potential intentionality of the act. There is an obvious and deep rooted dissonance between the parliamentary debates around Colonial Development in

1929 on the one hand, and the actual approved text of the Colonial Development Act of 1929 on the other. If Parliamentary debates on the matter are perused, we find that the dominant rhetoric was that of the moral responsibility of the British to improve the lot of its colonies. On the other hand, if the body of the act is closely read, it proclaimed that it was "*... for the purpose of aiding and developing agriculture and industry in the colony or territory and thereby promoting commerce with or industry in the United Kingdom*¹⁸". This inherent contradiction in the legislation - a confusion, or perhaps an obfuscation of intentions - plays out in its implementation, where most of the money in the colonies was spent on large infrastructure projects such as roads and railways, which ultimately facilitated movement of troops and goods for trade across the colonies, reduced the prices of consumer imports (into Britain) and made industrial exports into colonies more efficient. Healthcare ensured a healthy and expanding market in the colonies, as well as a steady workforce for manufacturing goods for imports. What was even more critical was that British troops and administrators posted in the colonies had very poor qualities of life due to poor hygiene and access to healthcare, which began tarnishing the image of the British Civil Services serving overseas, resulting in a massive reduction of job applicants. This could explain the large allocation of funds towards Public Health in the Commonwealth Development Fund.

On the other hand, the focus remained the extraction of resources from the colonies, and rapid

¹⁸ Colonial Development Act 1929, Section 1(i).

industrialization was understood as far more conducive for this than investments in sectors like agriculture or fishery/forestry, which, it could be argued, could contribute to real economic development in certain colonies. These sectors were ignored completely. Since the rhetoric of the act ran counter to its practice, the central claim driving the Act - that of colonial development, was compromised. Let us now examine how this investment actually played out in the colonies. The project implementation was marked by three aspects that were ultimately symptomatic of the British attitude to international development: urgency, selectivity in finance and homogeneity.

URGENCY: All accounts related to colonial development - and therefore all provisions for aid - were calculated on a yearly basis. All unspent balances would return to the treasury at the end of each financial year, thereby requiring the colonies to expedite their orders for capital equipment. This fiscal-year based accounting may have been convenient for the British treasury, but for the colonies, it meant that all financial claims on a project had to be made within a financial year to avoid a re-approval process for the same project. Furthermore, since all unspent monies went back to the treasury, several expenses were extravagant or even unnecessary. This procedural urgency imposed by the accounting system meant that development decisions were often hasty and half-planned. In several cases, background studies were left unfinished to complete projects within the accounting year.

SELECTIVITY: The Colonial Development Act 1929 did not include any measures to invest into social development. While technical education and related research was covered, primary education was left out of the purview of the Act, and social welfare, the most pressing issue facing colonial development, was left unaddressed. Further, by investing largely in infrastructure and other material aspects of development, the British government was only creating a framework for private capital to enter and sustain itself in the economy. By focussing on specific sectors such as transportation infrastructure and health, the CDA was also seeking to undermine local production in colonies, thereby ensuring a market for their own products.

ASSUMED HOMOGENEITY: The British colonies were culturally, geographically and politically diverse; yet the Act saw all of them through one lens. Only one act was written, and no attempts at localization existed. Thus, a very diverse set of problems, from famine and floods in India to irrigation in Africa, were collapsed into one and understood through a single framework of development. The centralized and rigidly administered Act allowed for little variation in its implementation in different colonies. As each project, approved or rejected, became a precedent for future considerations by the committee, there was no scope for any strategic change in an approved project once the funds were sanctioned, and many projects were implemented in spite of being obviously futile.

The CDA failed in directing its resources to the right problems in the colonies, as well as in

maximizing the outcomes of the implemented projects. By maintaining the domestic unemployment crisis as the central focus of all policy decisions, it chose to develop sectors and projects that would maintain the balance of trade in favor of the British. It shows that the government had no idea what colonial development entailed. Thus, it can be argued that the 1929 Colonial Development Act was conceived and administered as an overseas extension to the Ramsay MacDonald government's all-out attack on the domestic problems arising out of unemployment and a failing exports market¹⁹. Further, the specific kinds of infrastructure projects that were promoted by the CDA, coupled with the forced urgency in implementation, and the universality of the development strategy demonstrated that under the pretense of colonial development, a foundation for the transition of colonial proto-capitalism to a post-colonial capitalism was being laid.

1945: FINANCIAL CRISIS - COLONIAL DEVELOPMENT REDUX

The deep financial crisis, the global financial depression and the related problems of unemployment and inflation continued right through the 1930s. (Cole 2007) Britain's problems were further compounded by World War II in the 1940s. The crisis in the UK economy by the 1940s was deep rooted and needed all the external buffering it could get. The scale of the British response to the war had left the British economy in debt not only with the US, but also

¹⁹ It is relevant to note here that this Colonial Development Act of 1929 became a template for all colonial development projects in the UK, from the establishment of the Department of Technical Co-operation in 1961, the subsequent Overseas Development Administrations and Ministry of Overseas Developments, right up to the establishment of the DFID in 1997. It was only in 1998 that the Colonial Development Act of 1929 was repealed.

its own imperial colonies and members of the Commonwealth, many of whom held significant “sterling balances” or reserve currency in the UK. The “Sterling Balance crisis” was the inability of the British government to honor these holdings. The war also meant that the industrial plants, machinery and equipment were at their lowest state of maintenance, if not completely beyond repair. Raw materials stocks were diminished, in part due to reduced production capacities²⁰, but also because of overburdened shipping systems and a general reduction in transport infrastructure in the aftermath of the war. All this meant that the UK’s repayment capacity in the near and mid-term was also significantly affected, and only substantial loans could tide the economy over.

The US ended its non-partisanship in the war by providing Lend-Lease aid to the UK (and subsequently other Allied nations) in March 1941 with the Lend-Lease Act²¹, which aimed to “...promote the defense of the U.S.” by providing those countries with aid “...whose defense the President deems vital to the defense of the U.S.”. By the end of the war in September 1945, the UK government owed a sum of about \$650 million to the U.S., and this after having discounted various concessions made by the U.S. in the matter. (Allen 1946 p.244)²² In addition to this sum

²⁰ Manufacturing had either made way for specialized military products or had shut down completely.

²¹ The Lend-Lease Act, an act of Congress passed during World War II authorizing the President to “sell, transfer title to, exchange, lease, lend, or otherwise dispose of . . . any defense article” to any country whose defense was deemed vital to the defense of the United States. The President was to set the terms for aid; repayment was to be “in kind or property, or any other direct or indirect benefit which the President deems satisfactory.”

²² This paper, R. G. D. Allen, "Mutual Aid between the U.S. And the British Empire, 1941-45," Journal of the Royal Statistical Society 109.3 (1946). is a good source of detailed economic exchanges between the U.S. And UK between 1941-46, including all figures and their statistical significance.

was the Anglo-American Loan Agreement of 1945, an agreement²³ reached between the United States and the United Kingdom in December 1945, in which the U.S. made available \$3.75 billion to the UK at 2% interest, in order to remove the threat of imminent bankruptcy²⁴. A parallel Canadian loan of C\$1.25 billion was also provided at 2% interest. The UK was to repay its debts right until 2001 - an extended period of debt that predicted difficult times for the British economy. The period immediately following World War II was a particularly difficult one for the UK, marked by extreme shortage of resources. Rationing was a way of life, with restrictions on essentials like sugar, butter and potatoes. Even horse meat was hard to come by. Items like bread, which were not controlled even during the war, were now suddenly in shortage and needed rationing. Electricity was cut off for many hours each day. This bleak period of British economic and social history has been described rather evocatively in the book *Austerity Britain*, in which “austerity” and “resilience” are the two adjectives used (Kynaston 2007) to describe the attitude developed by most Britons to negotiate the situation. The UK government’s decision to actually increase its expenses in international development at such a time of domestic economic could then be seen as surprising, to say the least. Clement Atlee’s Labour government (1945) was aware that two economic strategies urgently needed pursuing

²³ The oft-quoted remark by John Maynard Keynes that illustrates this point is, [via telegram] “*We are negotiating in Washington, repeat Washington. Fig-leaves which pass muster with old ladies in Threadneedle Street wither in a harsher climate*”. Quoted from Fred Hirsch, *Money International* (London: Penguin P., 1967).

²⁴ The loan agreement was negotiated by John Maynard Keynes for the British. Keynes laid out three scenarios for the bilateral agreement for loans. “Justice” would involve a US\$3 billion grant from the U.S. to the UK, and the ability to call for ten years on a further US\$5 billion at 2 per cent interest. “Temptation Corner”, would involve up to US\$8 billion in loans to the UK at 2% to 2.5% interest. “Starvation Corner”, would mean the UK would cease multilateral trade and payments, establishing a “fortress economy” governed by both austerity and bilateral agreements.

for some relief to the economy - the first was to invest in the economy by way of Public Work, and the second was to improve credit availability by strengthening the British Pound.

These two strategies were operationalized by amendments to the Colonial Development Act, one of the earliest legislations to be modified by the Atlee Government. The amendments of 1945 enabled the formulation of a new organization - the Colonial Development Corporation to enable the planning, finance and implement of development projects in the colonies; and the Sterling Area as an elaborate financial organization to provide a long-term correction to the British Pound Sterling.

ESTABLISHING THE COLONIAL DEVELOPMENT CORPORATION

The British Government sent a dispatch to all its colonial Governors in September 1945 outlining Britain's bleak economic position. Colonial development, and especially economic development in the colonies, became an important part of the overall strategy to fix the problem of balance of payments, especially since some colonies were considered to be valuable dollar earners. (Havinden and Meredith 1996) The domestic economic crisis shaped the way in which policies of colonial development were implemented, and began with the establishment of a new organization - the Colonial Development Corporation (CDC). The functions of this Corporation were to conduct investigations of promising schemes for the production of primary commodities²⁵, and to operate such schemes including the establishment of *ad hoc*

²⁵ Goods that are sold (for consumption or production) just as they were found in nature. These include oil, coal, iron, and agricultural products like wheat or cotton.

subsidiaries in partnership with colonial or other Commonwealth governments. The bureaucracy of the Corporation itself would be financed by a direct grant from the Treasury, with the ultimate aim of raising capital from the public in Britain and in the colonies. The Colonial Development Corporation would not aim to make large profits, but break even over a number of years, taking into “full account, ...the needs of [Britain] for physical supplies [from the colonies] and of the possibilities of improving the balance of payments position of the Sterling Area as a whole.” (Havinden and Meredith p. 229)

The Colonial Development Corporation was therefore as much a business venture as it was a tool for colonial development. This is precisely why it worked almost like an early venture-capitalist for colonial development, investing in promising schemes in the colonies with the hope of yielding profits in the future. As Arthur Creech Jones of the Colonial Office put it, “Prompt action now will mean that we shall soon be enjoying the first fruits of the new forms of Colonial investment.” (Quoted from Havinden and Meredith p. 233) The big challenge at this point for Britain was that if they intended to use economic and social development programs as a way to counter demands for political independence and decolonization, the public presentation of the argument was at least as important as the ultimate outcome of the policy itself. This was because it was rapidly becoming difficult to avoid the fact that the economic crisis in Britain was the driving force behind its increased commitment to colonial development. While this conflict in British policy-making was not exactly a new theme, it was brought into

sharp focus by growing colonial nationalism, the failing British economy and the scale of the new colonial development proposals. At such a moment, there was felt a need to go beyond the mere management of the Pound sterling, and establish a system that could, both presentationally and objectively, create an interest group around the British Pound - a group in which each member had independent stakes in the appreciation of the value of the pound. This interest group, comprised of both the UK and several colonies, could have the potential to counter allegations of unfair economic control by the UK, and continue operations well beyond decolonization, and it was realized in the form of the Sterling Area.

THE STERLING AREA AND BRITISH AID POLICY

The political process of acquiring an empire and the financial process of acquiring an international currency are highly concatenated. An empire as large as the British Empire could not have been so quickly and cheaply acquired without a strong, internationally used *top currency*²⁶. A nation that determines the values of global fiscal markets enjoys two distinct advantages - on the one hand, this ensures a stable currency that faces no threat from others, as it is in the collective interest for the top currency to be at a stable price point. On the other hand, this also means that by virtue of being the country with the largest reserves of this currency, it enjoys most freedom to pursue trade with other nations, at the largest scale. The

²⁶ *Top currencies* are international currencies whose use partly coincides with a strong political association but which, because they are considered valuable and useful outside the association, are more widely used. The term is intended to "...imply a lesser dependence on force and a much greater free appreciation by the users, of the intrinsic value of the currency." {Strange, 1971 P.33}

international use of the sterling as top currency was extended and invisibly supported by the political and military power exercised by Britain on this large empire. (Strange P. 47) If Britain had to maintain its position both as a colonizer as well as a global economic power, it would have to ensure that the sterling remained an important player in the global currency market, and enough other economies indexed (or “pegged”) their currencies on the sterling.

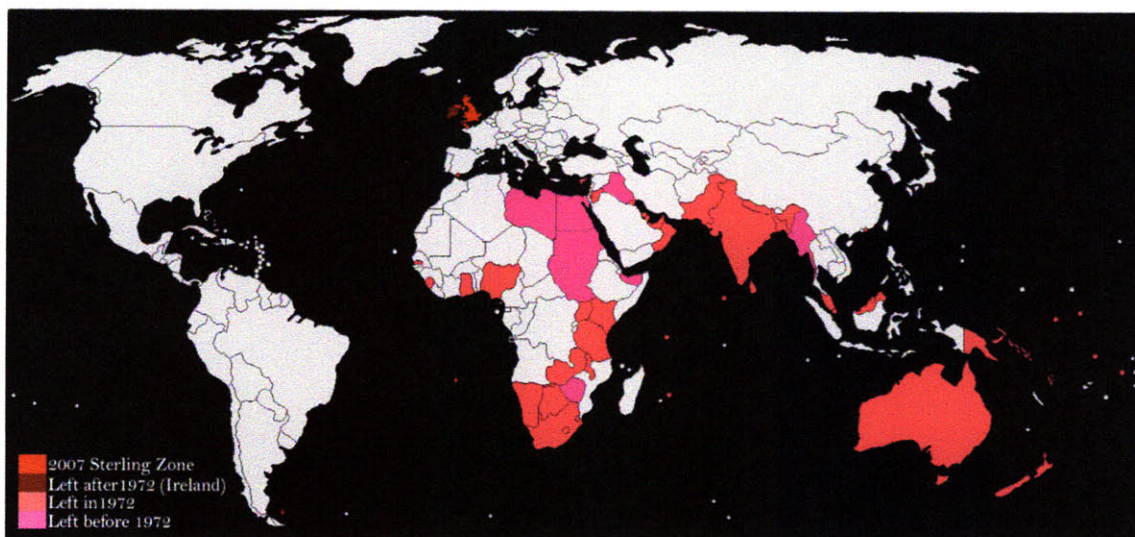


Fig. 2.2 showing the extent of the Sterling Area.

It was towards this end that Montagu Norman, Governor of the Bank of England²⁷ established the “Sterling Area” at the end of the Second World War - a geographic region that would, through economic partnerships and co-operation, pave the way for the next round of economic dominance by the pound sterling. (Gaitskell 1952) The Sterling Area was a group of

²⁷ The “austerity” period of Britain saw great deal of nationalization of corporations, and the Bank of England was one of the first financial institutions to be nationalized, to prevent bankruptcy as well as exploitative practices.

countries including all members of the British Commonwealth (except Canada), and some non-members such as Burma, Iraq and Jordan. These countries maintained most of their currency reserves in sterling securities, and London was not just the place where these reserves were stored, but was also their banking centre. The Sterling Area was marked by certain features such as the absence of exchange restrictions between members and a pooling of Dollar earnings (particularly useful to the UK during the post World War II dollar shortage) (Gaitskell 1952).

The problem at hand for Britain at the end of the World War II was, how would Britain liberalize its economy (i.e. allow its firms, industries and citizens to hold and exchange foreign currency coming in from international trade) and yet maintain a strict control over the value of the sterling? The other large problem at hand was the balance of payments crisis, and Britain could not afford to further devalue its currency. The British resolution of the problem relied on the co-operation between the members of the alliance, directed by the newly nationalized Bank of England. The Sterling Area rested upon the recognition of common interests and responsibilities by an association of sovereign governments. All the associates agreed to impose within their jurisdiction *“an exchange control of the United Kingdom brand”* (Strange 1971). No one was obliged to peg their currency to a certain fixed relation to the British pound. A common code of practice united them, under which they could transact internally unhampered, but yet maintain a united front in all their external dealings. On the other hand, the members

accepted a fixed exchange rate between them, facilitating an easy transfer of funds within the bloc. The members' financial reserves were pooled in a common fund that was held by the British Exchange Equalization Fund, which was responsible for this job over the entire sterling area. Members were issued sums as required to fulfill their financial needs, and the funds available were mutually agreed upon, based on the performance of the sterling in the financial market. Economists like Milton Friedman had already declared that Britain's vested interests in acting as a Bank for members of the Sterling area was a key stumbling block in their own argument for a world of flexible exchange rates and fully convertible currencies. ("The Case for Flexible Exchange Rates" in Friedman 1953) It was argued that a floating currency rate will absorb shocks on the economy and keep check on the balance of payments. It was in the collective interest to keep the value of the pound floating, and all endeavors like the Sterling Area would only artificially keep the pound values high, while exposing the economies of all the member states to fiscal risk. In the shorter term, the Sterling Area was advantageous to the British because it made the sterling globally acceptable, maintaining it as top currency. (Hinds 2001)

In the short term, the currencies of many countries were indexed to the sterling and this kept the value of the sterling stable, as no one wished to see the large collapse in the global fiscal market that would result from the devaluation of the sterling. While it maintained the currencies of the members at a stable rate, the members themselves could not make any sudden

demands of the British Exchange Equalization fund, as such demands would cause the sterling to fall, in turn devaluing their own currency. The sterling area therefore operated like a glorified protection racket that promised "security" to the members at a high price.²⁸

The Sterling Area was closely tied to the development of the British Commonwealth as a global economic unit, and became the dominant geo-political region into which most of the British Aid was channeled. As we saw, it was designed specifically to be a buffer for the value of the British pound, and economic development in the sterling area was expected to maintain the fiscal as well as the "prestige" value of the pound. At the same time, it was a clear strategy to conceal the real extent of the financial crisis by way of obfuscation²⁹. The peculiar accounting system used by the government implied, if only the totals were considered, that the sterling balances were maintaining a healthy buoyancy (and actually increasing). This meant that

²⁸ Here, I would like to underscore the fact that the benefits available to member states from the Sterling Area were mutual, and it was unlikely that countries that would not benefit from this arrangement would be happy members. The case of Canada is revealing in this instance - Canada achieved considerable geographical diversification for its exports between the First World War and 1930. The British market being virtually stagnant, the US became a big market for Canadian products. More importantly, Canadian exports to other foreign countries rose rapidly, by 1928 exports to this group stood at \$451 million, comparable to the US, and representing a sevenfold increase over 1913 values. Although the UK had agreed at the beginning of the war to meet Canada's need for finance, the demands of total war stretched its own financial capacity. As early as July 1915 Canada had been forced to turn to Wall Street for funds and by the 1920s they found it cheaper to borrow there. By the late 1930s, the US played at least as important a role in the Canadian economy as the UK. By the end of the Second World War, the UK was actually a debtor to Canada, and Canada refused to join the Sterling Area in order to prevent antagonizing the US, and pegged its currency to the US dollar instead. At the same time, it maintained "Sterling friendly" policies which allowed for preferential trading with the Sterling Area. See Tim Rooth and Peter Walsh, "Canada in the Twentieth Century: Continental Drift?," London Journal of Canadian Studies 19 (2003/4).

²⁹ For instance, the Bank of England, until 1968 routinely released confusing, and even misleading statistics about the British debt by lumping its balances together with those of other sterling area countries, under the heading "*official sterling balances*". This was primarily to maintain secrecy about this mounting problem. Susan Strange, Sterling and British Policy: A Political Study of an International Currency in Decline (London, New York, Oxford University Press, 1971).

domestic political pressure on the government was also lightened, and as a result, comment in Britain "...tended to stop short at expressing regret for the necessity to borrow so heavily, and hope that the loans may soon be repaid, so that the crushing burden of debt may be lifted from British shoulders". (Strange 1971)

As early as 1952, the economic sustenance of the Sterling area was closely connected to the size of development projects undertaken abroad, as well as the speed of their implementation. This interdependence is reflected in the 1952 recommendation of the Working Party on Development³⁰ that "...the Commonwealth governments should accelerate the execution of such projects as could be completed by the end of 1953, and which would provide assistance in overcoming the threat to the solvency of the Sterling Area". The logic behind this recommendation was expressed rather explicitly: "...unless the Sterling Area can become viable, there will be diminishing resources for investment in development of any sort and, indeed, the maintenance of present standards of living (in the UK) - let alone their improvement - will be threatened"³¹. The Sterling Area was thus a strategy resulting from Britain's shift from a pre-war creditor nation to a post-war debtor nation. In the face of an economic crisis and mass unemployment in the UK, and as the global fiscal market shifted from

³⁰ Set up by the Commonwealth Finance Ministers.

³¹ Preparatory Meeting of Officials, Development in Pakistan, 2 Oct. 1952; Report of Committee on Development policy, 8 Oct. 1952, PRO T236/3083. Quoted in Jim Tomlinson, "The Commonwealth, the Balance of Payments and the Politics of International Poverty: British Aid Policy, 1958-1971," Contemporary European History 12.4 (2003).

the gold standard to the dollar, the British Government and the Bank of England looked to the colonies to provide respite.

COLONIAL AID: SOCIALIZING DEBTS / PRIVATIZING PROFITS

The legislative actions of 1929 and 1945 were two serial attempts by the British government to dilute its own economic crisis and its aftermath. I would argue here that, given the remarkable similarity in both the attitude (to conceptualizing international development) and the approach (to materializing international development), the intentions behind the creation of the Sterling Area in 1945 resonated with those behind the Colonial Development Act of 1929. In fact, if it hadn't been for the considerable disruptions of the World War II, there may have been no reasons for any modifications in the British international development policy at all. In both cases, it was the British interest in self-preservation that drove it to consider its colonies as potential areas of economic gain. However, in both cases, the British government was also aware that returns on an investment into the colonies was slow at best and most likely high risk, and it would be difficult to ascribe this decision of initiating Colonial development only to this financial motivation.

The relationship between creditor and debtor is a highly political one, and often it is difficult to distinguish between the two significantly, as not only are both parties aware of the implications of entering the transaction, they also stand to benefit from it simultaneously. The first key

thematic in the debates that existed around British bilateral aid was the legacy of Empire.

Given the fact that the Commonwealth and the Sterling Areas had significant overlaps until 1968, the United Kingdom's aid policy was closely linked with sustaining the sterling area. The second thematic was the continuing balance of payments crisis plaguing the British economy, which controlled not just the volume of aid, but also related issues like tying of aid.

(Tomlinson 2003) The third thematic was the political debates regarding the ultimate purpose of development aid itself, and its connections to the need exhibited by the developing nations, as well as the role of private investments and political motives, both domestic as well as international. The British decision to undertake colonial development thus emerges from a complex set of conditions, involving both their moral qualms about conditions in their former colonies³² and the urgent need to resolve their own financial crisis. The methodology used for the process was clearly an exploitative one, but it is not a simple case of the colonizer exploiting the colonized. Further, the idea of economic exploitation itself was not completely resolved - before the establishment of the Bretton Woods institutions in 1945, it was not considered to be inappropriate to seek private profits from international aid. It was only at Bretton Woods, with the establishment of global institutions for monetary stability were set up, and economic stability was linked to global stability. After this, it was no longer appropriate to explicitly use international development to seek profits, and the UK had to devise new models of international development aid.

³² This moral qualm is spoken about as their "special relationship that they have inherited from their colonies" in parliamentary debates.

3 | POST-COLONIAL BRITISH AID

POST-COLONIAL POLITICS & INTERNATIONAL DEVELOPMENT AID

The period between 1945 and the 1970s was marked by a distinct change in the rhetoric for international development. By 1945, with the establishment of a global income standard for the poverty line in Bretton Woods, poverty had been deployed as the central statistical indicator for development. International coalitions were created amongst developed nations with the explicit agenda of fighting this poverty, and it was no longer appropriate for nations to mention personal development ambitions when speaking of international development. By the 1950s, the UK had lost colonial control - material, fiscal and ideological - over most of its major colonies. With deepening financial crisis (the repayment for all its US World War II linked

loans began in 1951), domestic politics was forced to confront the crisis in its practice. British bilateral development aid was as closely tied to its domestic politics as it was to economic compulsions resulting from the balance of trade crisis. From the 1950s onwards, there was considerable political upheaval in the UK for the next thirty years, with three Conservative and three Labour governments, most with no second tenures. Both parties followed their own specific ideologies, and on the face of it, the Conservatives leaned towards private investments for international development, while the Labour party pushed for a greater British role in international aid.

In this period following decolonization, the Sterling Area had somewhat succeeded in temporarily shoring up the value of the sterling, but it was already beginning to crumble by the mid 1960s. The Colonial Development Act of 1929 was, however, still in force, and it continued to allow for the grant of a specific amount of aid money to be spent on development projects abroad. The opportunity to continue using Colonial Development Aid funds in the post-colonial / Commonwealth context was also available, or in other words, to use colonial development as Public Work for the domestic economy.

In 1958, the Overseas Development Administration of the Conservative Party demonstrated a considerable shift in its position when it announced that "Aid was as much a weapon of foreign

policy as were defense, diplomacy and overseas information³³..." This was very different from an official statement in Parliament in 1957 that "...the special responsibility which Her Majesty's Government has for colonial dependencies ceases when they achieve independence. The Government does not envisage Government - to - Government loans as a normal means of assisting such countries. Their interests can better be served if they build up their own credit and thus make use of the facilities for raising money on the London market or elsewhere."³⁴ This shift was symptomatic of the realization by the Conservative government that participation in multi-lateral aid programs was essential, as it gave British industries and firms the opportunity to bid for these development projects.

In 1964, the Labour party came into power with Harold Wilson at the helm. Creating a Ministry of Overseas Development (ODM), (Tomlinson 2003) Wilson saw the Commonwealth as a source of cheap foodstuff, and a destination for privileged trading through arrangements such as the Commonwealth preference and the Sterling Area. The proposed increase in aid spending, coupled with the potential for economic benefit ensured support from both the left and right factions within the Labour party. By 1966, the Wilson government was forced to take extreme measures to control an accelerating balance of trade crisis by way of loss of foreign

³³ It was also suggested that Britain was at a disadvantage with respect to the Commonwealth because colonies and ex -colonies regarded aid as a right, whereas countries with no colonies were regarded as generous if they gave aid. - Foreign Secretary, Foreign Aid, 31 Oct. 1962, and Chief Secretary to the Treasury, Overseas Aid, 1 Nov. 1962, PRO CAB 134/1696; Economic Policy Committee Meeting, 29 May 1963, PRO CAB134/1697.

³⁴ The UK's Role in Commonwealth Development, *Pari. Papers 1956/7*, Vol. 26; quoted from Tomlinson, "The Commonwealth, the Balance of Payments and the Politics of International Poverty: British Aid Policy, 1958-1971," p. 417-18.

exchange, and visiting tourists were banned from taking any amount over £50 out of the country³⁵. In spite of the continuing financial crisis, however, £ 205 million were allocated for international development aid in July 1966, a figure kept constant until 1969. (Price 1978) Once again, international development was seen as the only tool that could rescue the failing British economy.

COMPETING SIMILARITIES OF THE LABOUR AND CONSERVATIVE PARTIES

There has been a tendency to paint the Labour and Conservative parties as two different, opposing and mutually exclusive entities. If this were true, one would notice significant voltes-faces in the UK Government's position vis-a-vis development aid in the period between the late 1950s and the late 1970s - as both Parties led alternate governments (See Fig. 3.1) The facts, however, point to a more nuanced articulation of the question. First, for the sake of this analysis, I would suggest a separation of the ideological position to development aid from its administrative aspects. As far as the administration of overseas development goes, both parties differed significantly in the amount of authority that they vested in the bureaucracy itself. The Conservative party seems to have favored a closely controlled *department* under a Foreign and Commonwealth Office, while the Labour party favored the creation of a separate *ministry* that enjoyed relative autonomy. (See Fig. 3.1 below) In practice however, the Foreign office could overrule decisions made in either case.

³⁵ This restriction was lifted only in 1979

Year	Agency	Ruling Party in Parliament
1964	Ministry of Overseas Development	Harold Wilson, Labour
1970	Overseas Development Administration (part of Foreign and Commonwealth Office)	Edward Heath, Conservative
1974	Ministry of Overseas Development	Harold Wilson, Labour
1979	Overseas Development Administration	Margaret Thatcher, Conservative

Fig. 3.1 Timeline of Ministries and Departments of International development - 1964-1979.

On the other hand, if the ideological position of both governments regarding international development is to be considered, we see several overlaps. Both governments displayed a certain cautious enthusiasm for international development, while maintaining that each had Britain's best interests at heart. Here, I would like to locate this ambivalent similarity within particular concerns of each political party, and the fact that both parties looked at international development as another opportunity to consolidate their constituency, while garnering further popular support. This can be established by examining the political support base of each party. The Labour Party's support base was located in both the bourgeois intellectual middle-class as well as in the trade union movement. The intellectual bourgeoisie voters were concerned with structural policies for the long-term economic welfare of the people in developing countries, while maintaining that aid should go to countries that can "use it well"³⁶, and not merely to the

³⁶ Or, *efficiently* - with maximum returns and results. Therefore, if poverty alleviation was a goal, countries reducing poverty by the greatest fraction were the most efficient, regardless of externalities, the initial level of poverty as well as the specific structural conditions that cause poverty in that country in the first place. This has been a continuing theme in international development, with the IMF and World Bank offering incentives (i.e. interest cuts and further credit) to countries that perform well.

poorest. Their interests were ultimately reflected in concerns such as global “security compromises” (a key area of bourgeoisie anxiety) that may arise out of poverty. Their other interest was in the perpetuation of bourgeois ideology (or morals), which can only proceed with the integration of the appropriate section of the developing world into the global capitalist economy. Third, the bourgeois intellectual support for international development arose from a particular moral anxiety over the historic “wrong” of colonialism itself³⁷. The trade and labour unions on the other hand, were concerned with safeguarding the interests of their members - largely industrial workers who cared about domestic employment conditions. Their interest in international development was to use it as a way to increase industrial production at home, especially in manufacturing sectors that had started failing as capital was moving to cheaper locations. This was to be done by developing the aid-recipient areas as markets for British products. These two positions of the Labour support base were mutually exclusive, and thus, the Labour Party’s attitude to international development was marked by an inherent ambivalence.

The Conservative Party’s constituency consisted of the rich bourgeoisie and the industrialists. They were less interested in using aid to raise standards of living in poorer countries, but were already benefiting from its potentials for domestic protectionism with various forms of tied aid, and eagerly wanted it to continue on the same terms. On the other hand, emerging neoliberal

³⁷ This could be observed not just in Britain, but also other nations like France and Holland.

beliefs were inherently against any form of economic nationalism, and disapproved of any interference in the market, as it was understood that this ultimately harmed the market in the long run. Yet another position was an approval of the role played by international aid in increasing the size of the market. Synchronous to each of these concerns was also a concern they shared with a section of the Labour Party voters: the anxiety of security. The overlapping interests of the two parties, however would not detract from the otherwise passionate contrariety that existed between them. How was this dissonance made to work in politics? I would like to argue that a paralipic reading of the narrative will reveal the true attitude of both Parties towards the use of International development for domestic profits.

Between 1967 and 1976, five editions of the official pamphlet "What is British Aid" were published, both by the Ministry of Overseas Development and the Overseas Development Administration (depending on whether the Labour Party or the Conservative Party was in power at the time). Although published by different governments, all five publications display remarkable continuity of ideas about and positions to aid. I would like to argue that it is the self-similar ambivalence existing within both political parties with respect to international development produces these seemingly consistent policies of development. Paralipically read, the pamphlet reveals the true nature of British international development rhetoric - a reading of tacit omissions. The emergence of this pamphlet sublates the British rhetoric by simultaneously advancing/perpetuating it and transforming it for a new phase in international

development.

“WHAT IS BRITISH AID?” THE DOMESTIC FACE OF INTERNATIONAL AID



Fig. 3.2 Cover of “What is British Aid” (“What Is British Aid?” 1976)

The slim volume titled “What is British Aid? 67 Questions and Answers” was first published by the Ministry of Overseas Development in 1967, with 5 reprints (the last one in 1976, when the number of questions had dwindled to 52). The 1970 and 1971 publications were by the Overseas Development Administration, the agency established by the Conservative Party. The

first appearance of the publication - in 1967, was not surprising. It was one year into the Harold Wilson's Labour Party's strengthened administration³⁸, and amidst the financial crisis, Wilson was hoping to make a strong case for continued British support to international development aid. These publications - which can perhaps best be described as pamphlets - answered "*...some of the questions asked [by British citizens] whenever [international] aid is discussed.*" The Labour government had inherited the large trade deficit, which in turn had maintained the devalued rate of the sterling. The Labour party managed to improve its majority somewhat in 1966, but the urgent need for the immediate gratification of the British public was clear. The Labour party - with its left-of-center policy rhetoric demanded protection of both local jobs and industry, while minimizing all protection offered to potential competition emerging outside the UK. At such a time, any foreign aid, especially when understood as charity, could be mistaken as being completely frivolous and dispensable. As the pamphlet summed it, the key question being asked was, "*...doesn't charity begin at home?*"

If we study the publication itself, we see that it is divided into 5 main sections. The first deals with what aid means, and when it is given. The second section explains the legalities of aid. The third explains Technical Assistance, and ways in which British firms can profit from development aid. The fourth section explains the effects of aid by way of broad figures for poverty at global scales, and the final section is the conclusion, and how the government seeks

³⁸ Although Wilson came to power in 1964, his majority was slim, and he improved it only in 1966. Wilson's election manifesto had a section dedicated to international development and the responsibilities of the British Government to its former colonies.

to continue the project of international development. Conspicuously missing are sections on the motivations behind aid (beyond the rich-helping-the-poor rhetoric), case studies with actual numbers showing how aid has “helped”, aid failures and lessons learnt from those, and ultimately, the historicization of British aid itself.

OBJECTIVE: The publication states, “...the essence of development aid is a transfer of resources on concessional terms. The object of aid is to help the poorer countries *in their own efforts* to improve the living standards of their people. World events increasingly show us that we are dependent one upon another, that we are all members of an interdependent global community. We cannot therefore be assured of an *untroubled future* while two out of every three inhabitants of this planet are living in extreme poverty, hunger and disease.” (All emphasis mine) This statement is self-explanatory - it locates British interest in development aid as a way to create a global market for its economy, a market that is free of strife and dissent. The booklet further states that, “...it is in the interests of every one of us that the world community develops economically and grows healthily. Also as a trading nation, we can expect to benefit when people, now too poor to buy many of our products, develop to a point when they can afford to buy most of what they need.” However, the key difference here was that domestic spending of the aid monies ($\frac{2}{3}$ of the aid money was actually spent in the UK between 1967 and 1976) for British aid was significantly higher than other donor countries. (Morgan 1980)

RECIPIENTS: “About 75% of our aid is ‘bilateral’, that is, given or lent on a government-to-government basis³⁹.” The reason behind this was two-fold. If on the one hand it allowed the British government to effectively target its aid for specific countries and projects where it felt development was necessary, on the other hand, it permitted the government to involve itself in each project in a much greater level. Along with this “greater involvement” came both a check against wastage and/or corruption, as well as the opportunity to develop the projects in directions conducive to British industries. The decision to focus on bilateral aid was also so that the British could focus on aid to its former colonies, as there was a high moral necessity to target aid in those regions. “...over 80% (of British bilateral development aid) goes to the developing countries of the Commonwealth, from whom we have inherited a *special responsibility*.” (emphasis mine) Again, the reason for this focus on the Commonwealth was that the Commonwealth was largely coincident with the Sterling area, which the British were protecting due to a combination of self and collective interests. The other reason was its legacy of Empire that led the UK to focus its policy on a Imperial and ex-Imperial arena.

FOREIGN POLICY: The “philanthropic” nature of development aid meant that it was not exactly possible to target aid only to friendly countries. For the most part, Britain’s former colonies had decided to join the Commonwealth as well as the Sterling Area⁴⁰, which meant

³⁹ British development aid was, until 1997, largely “bilateral” - that is, lent to other governments, using official governmental channels.

⁴⁰ Canada was a notable exception, as it decided to peg its currency to the US Dollar instead.

that nearly 60% of the aid recipients (80% of the 75% that went as bilateral aid) could be considered “friendly”. However, the development aid policy was clearly embedded within the larger foreign policy of the state, and followed its demands. “Aid is not a means of winning friendship. It is provided to promote development. However, our aid programme must be consistent with the rest of our foreign policy, and we have had to terminate or suspend aid agreements when countries adopted policies which made co-operation impossible.”

CONSISTENCIES: The five editions of “What is British Aid” display no significant deviance from each other, save a significant change in the graphic design over the years, and even the introductions are remarkably similar. This only reinforces that the pamphlet is symptomatic of the seamless policy-transitions between the Labour and Conservative Party governments, and that both groups have the same set of expectations from foreign aid. Given the ideological similarities and the relatively rapid changes in government, there were no significant deviations in foreign aid policy until 1975. The overlap of ideological position with respect to foreign aid ultimately plays out in a policy that is wholeheartedly adopted by both groups: the Aid and Trade Provisions. If “What is British Aid” was a domestic propaganda tool that betrays an ideological consistency between the two ends of the political spectrum with regards to international development, the Aid and Trade Provisions was a policy decision that betrays the colonial⁴¹ origins of British Aid itself.

⁴¹ If colonialism is to be understood as the subjugation of one group of people by another for the purpose of profit and power.

A FICTIONAL CONSENSUS

The consistent symptoms of “backwardness” in the developing world as spelt out in the publication were poverty, hunger and disease, and it was these that policies would want to target. Operationally however it would be impossible to target any of these objectively, without addressing the structural problem of poverty itself - a problem that that is centrally located within capitalism. As this was clearly not on the agenda, it made for instrumental reason that not poverty, but its imagined symptoms be addressed via vertical programs of industrialization, food production and healthcare⁴². This was reflected in state policies promoted by the less developed nations as well - in India for instance, Prime Minister Indira Gandhi fought a successful election at this time on the campaign slogan of “*Roti, Kapda aur Makan*” [Bread, Clothes and (a) House] and “*Garibi Hatao*” [Eradicate Poverty]. Both the British state, which was working closely with the Indian government at the time, and the Indian state managed to create the popular consensus that these three things were precisely what were needed for India’s economic salvation - a fictional consensus. This allowed both states to sidestep the actual problem of economic development itself.

AID AND TRADE PROVISIONS - A CONSENSUS OF POLICIES

The “Aid and Trade Provisions”, a policy introduced by Dame Judith Hart in the late-1970s, articulated ways in which British trading corporations could benefit from the international

⁴² As these were “vertical” programs, something that the World Bank pursues to this day, it meant that only a certain industry would be promoted, the production of only a certain kind of food grain would be intensified, and only a certain disease would be combated.

development aid budget. In 1977, the midst of a long debate in the House of Commons regarding the efficacy of development aid and the logic of budgeting for aid in times of domestic financial crisis, the international development aid budget was increased by £20 million. This seemingly counter-intuitive act should be seen in light of claims by lobbying British exporter firms that the British Government was: "...standing idly by while foreign countries were using overseas aid money to give their national firms an unfair advantage in developing country markets." (Erswell 2001, p.78) They accordingly petitioned the British Government to eliminate that unfairness, by devoting part of its aid in the financial support of specific British bids for business in developing countries.

By July 1977, the idea of "mixed credits" started gaining ground within Whitehall, which proposed the use of a fixed percentage of the Aid budget to serve the interests of British corporations. The Department of Trade and Industry saw it as a protection of British industry against "unfair competition", while the Overseas Development Ministry saw it as a way to bargain for greater increases in the overseas development budget. The resulting increase of £20 million in the aid budget was therefore at the cost of the Aid for Trade Provision. The exact rationale behind the provision was explained by Judith Hart in an interview:

"This was a sort of tacit, not spoken, but tacit bargain: alright you can have this Aid and Trade thing, but I want my increase in the aid programme. ...I didn't have any terribly deep resistance to the concept. The French were getting away with it all the time under *crédit mixte*. I was trying to help our own industry and our own people's jobs - I didn't think there was anything wrong about that." (Quoted in Erswell 2001, p. 80)

The provisions for the Aid and Trade provisions were laid out in the 1975 White Paper⁴³ *Overseas Development: The Changing Emphasis in British Aid Policy - More Help for the Poorest* (1975), and the document itself gained its currency because it was ultimately based on the Colonial Development Act 1929. To continue pushing the theme of tacit approval, let us dig into some text of the White Paper. If the goals set in the White Paper are examined, one finds that while "...the criterion used by Her Majesty's Government's aid policy is primarily that of need," it also went on to say that there could be other "...wider considerations, ...including political and commercial factors, whose significance will, of course, vary with time and circumstance." Another issue was that of "local" costs - paragraph 8 of Chapter 3 stated: "...aid programmes specifically designed to help the poorest sections of the society are likely to involve a high proportion of projects where most of the money involved has to be spent on local wages and local materials and equipment." Paragraph 9 then states, "We are ready to consider allowing in exceptional cases a limited part of our financial aid to meet local costs of individual projects." We can see that the Aid and Trade Provision is never explicitly mentioned in the White Paper, nor are its terms of operation codified. Its existence in the document is paralytic. Its materialization on the other hand is tacit.

The Aid and Trade Provision suffered from an internal conflict between its commercial and its developmental objectives. Given the profitability motive of these provisions, the firms would

⁴³ The Ministry of Overseas Development, *Overseas Development: The Changing Emphasis in British Aid Policy - More Help for the Poorest*. (London: The Stationery Office, 1975).

not be interested in the smaller profits to be made from the poorest countries. Thus, they would likely benefit the most affluent developing nations, while actively diverting aid away from poorer nations. The technology-intensive nature of the firms interested in profiting from the provisions would mean that even within the aid receiving nations, the richest group of people stand to benefit, and no aid would reach the truly poor and destitute. In spite of, or perhaps by virtue of these problems, Aid and Trade Provisions were enthusiastically adopted by the Conservative Party Government. Gross UK public expenditure on aid (measured at constant 1995 prices) peaked in 1979, at around £2.8 billion. Throughout the early 1990s the sum fluctuated around £2.5 billion, having reached a post-1979 low of just over £2 billion in 1987 (roughly equivalent to the 1975 figure).

1979-1991: THE THATCHER PERIOD

The key scholarship about the Thatcher-Major period from 1979 onwards has generally focussed on two things. On the one hand, the British economy showed significant signs of revival, especially towards the end of the Thatcher regime, in part due to a generally bullish global economy, but also due to the complete adoption of liberal free-market reforms. In this period, several British companies were either sold or dismantled, as Thatcher ruthlessly cut subsidies and looked at ways of slimming government. At the same time, she concentrated all power in her own hands, and ran the government with a tight fist. On the other hand, this extreme concentration of power, along with the over all abdication of authority by state meant

that the government was highly susceptible to corruption. Scholarship then has chosen to focus on these two aspects of Thatcher's rule.

In the context of international development, the Conservative Party's attitude was that much more conservative than the Labour Party. At the same time, I have already discussed how both Parties displayed a certain ambivalence towards international development, an ambivalence that ultimately brought them together as demonstrated in the "What is British Aid" series. If the repercussions of the reform-corruption dualism of the Thatcher government, together with the unexpected practical policy overlaps (notwithstanding ideological dissonance) of the 1980s Conservative Party rule on international development are to be understood, they need to be seen through the Thatcher regime's attitude to Aid and Trade Provisions.

If the Labour Party tried to govern with a quasi-Keynesian model of economic planning, the Conservative Party on the other hand was significantly more committed to free market reform. One of the key opinion-makers for the Conservative Party at the time was Peter Bauer, an influential developmental economist from the London School of Economics and a contemporary of Friederich Hayek. Locating himself in classical laissez-faire liberalism, he argued against the idea that there was any moral obligation on the part of former colonial governments to act in order to aid development in developing nations. He was of the strong opinion that economic differences are deserved, and stated that -

“(An) advocacy of egalitarianism usually assumes that people’s capacities, attitudes, values and beliefs are uniform, so that differences in income and wealth, among both societies and individuals result from accident or exploitation. If that were so, redistribution (i.e. confiscation) would both be just and relatively painless. ...Income differentiation is just, and not a result of misappropriation by others. Attempts at redistribution will cause injustice by conflicting with liberty... The West has not caused the relative poverty of the Third World. The opposite is the case. Even if it could be established that colonialism was on balance harmful to the colonized, this would still not provide an argument for Western aid generally - this is because except for very short periods, historical wrongs cannot be put right.” (Bauer 1981)

Thatcher’s ideological proximity to Bauer was likely what led her to call foreign development aid expenditure “hand outs” (The Times, 25th January 1981). However, it was increasing pressure by private lobbyists seeking to profit from international development that forced Thatcher to continue funding international development.

Period	Category	Poorest 50	Other Low Income	Lower Middle Income	Upper Middle Income
1978-79	ATP	33.1	37.9	1.9	27.1
	Non-ATP	69.2	6.4	17.6	6.9
1980-82	ATP	30.8	2.0	21.2	46.0
	Non-ATP	65.4	7.8	16.5	10.4
1983-84	ATP	60.0	3.7	13.8	22.5
	Non-ATP	63.7	14.6	15.3	6.4
1985-86	ATP	44.6	0.1	4.8	50.4
	Non-ATP	67.8	8.0	12.2	11.9
1987-88	ATP	72.3	6.1	7.9	13.2
	Non-ATP	69.2	8.2	14.1	8.4

Fig 3.3: UK Bilateral aid expenditure: Table showing % distribution of ATP and non-ATP aid per year, and by income groups (Countries), 1978-88. The Vertical columns therefore show percentage change in their respective categories. Source: Compiled from data in (Erswell 2001).

The preceding table 3.3 shows that, throughout the existence of Aid and Trade Provisions, upper middle-income countries have consistently claimed a higher share of ATP than normal bilateral aid. The ATP then can be understood as a mechanism that channels more aid to the richest developing nations than would be allocated if such a mechanism did not exist. This is because British firms stand to profit most when they are working on projects based in richer countries. Thus, channeling ATP to relatively well-off nations is a way of increasing gross profits for British firms. Broadly speaking, in 1978-82, and then in 1985-86, the ATP placed the poorer nations at a clear disadvantage. While this data is inadequate to declare if the ATP were truly the cause for any serious lack of development in certain parts of the world, one can definitely deduce that the Aid for Trade Provision was at serious odds with any policy of providing more aid to the ones who need it.

AID AND TRADE PROVISIONS AND POLITICAL SCANDALS

The ATP were designed to encourage funding of international development projects that had potential commercial interests to the UK. Thatcher was ideologically committed to recovering the national debt from the private sector, and therefore actively favored the ATP. The dependence on the private sector implied - as (Baran and Sweezy 1966) have explained - that national debt was actually recovered through additional income in the private sector of the economy. It then follows that government spending must be restricted to those forms of production and services that do not compete with those of private capital, for otherwise, the

'effective demand' through government-induced production would cancel out 'effective demand' in the private sector of the economy. Government led production must therefore remain non-profitable production. Government led production must also remain small, relative to total production so as not to deprive the capital resources their *capitalistic* character, i.e. means of production capable of producing profits. Thus, a dependence on private-enterprise for lowering the national debt limits government-led production, and in cases of large debts (or a very liberal state), would lead to a substantial reduction (or privatization) of state-owned industry. In addition to this, there would have to be significant sops provided to private industry to eventually deliver enough money back to the Government. In accordance with the general trend of eliciting domestic profits from international development, the percentage of aid allotted through Aid and Trade Provisions, aid that would immediately benefit the private sector in the UK, rose significantly during the Thatcher regime that began in 1979.

However, two significant political scandals regarding international development in the mid and late 1980s forced subsequent UK governments to significantly change their position towards ATP. The first case was that of the Westland Helicopters, a British aviation company that was floundering in the 1980s. By the mid-80s, the Thatcher government was under significant pressure to bail out the enterprise, and there were talks of a possible merger with European or American corporations. In 1985, as a strategy to save the company, Margaret Thatcher convinced Rajiv Gandhi, the then Prime Minister of India to use £65 million of specially

sanctioned British Aid money to purchase twenty-one *Westland 30* helicopters. The money was, following the conventions of the Aid and Trade Provisions, completely sourced from Britain's aid budget, given to India on the condition that it bought the helicopters. (Hencke "Audit Office to Check Helicopters 'Gift' to India" 2002) Rajiv Gandhi's aviation experts were set against the deal, largely because the helicopters were widely considered unsafe to fly. The helicopters were manufactured and delivered in 1987. As was predicted by many experts, the *Westland 30s* proved to be highly unreliable, and two helicopters crashed soon after their arrival in India, killing over ten people. In 1991, they were grounded for being un-airworthy. Because of the peculiar nature of their financing, the Indian state was unable to sell or otherwise dispose of these helicopters, and they languished in stores for over nine years.

In 1998, a British aviation specialist company, AES Aerospace, offered £900,000 to buy the languishing helicopters from the Indian state and refurbish them and sell their spare parts⁴⁴. The money from the sale was to be given to the Indian government to use on poverty relief programs approved by the Department for International Development (which was now the agency in charge of overseas development for the UK). This is because the finances for the purchase originally came (indirectly) from the UK, and the Indian state had no real control over the money recovered from this sale. If this entire narrative were to be abstracted into its constituent elements, we see that the Thatcher government used the Indian state to launder

⁴⁴ Incidentally, shipping expenses for the transport of half the number of helicopters was over £1 Million.

£65 Million to benefit a British corporation by using international development aid money. Fifteen years later, the Indian state got £900,000 (or roughly 1.4%) of the aid money for the actual purpose of development. It is unclear if the amount made available by Thatcher was a grant or a loan (largely due to the secrecy surrounding the case, and also it is not exactly possible to separate aid monies by projects), but in either case, this was a scandal that was widely debated in both the British Parliament and in the news media.

The second political scandal was the case of the Pergau dam in Malaysia. £234 million of development aid was spent in the construction of a hydroelectric dam at Pergau, Malaysia. (Pearce 1994) The final estimates of expenditures on the project were reported to be close to £417 million. Conceived and planned between 1989 and 1991 by the Thatcher and Major governments, this was at the time the largest project funding made available by the UK to a single project of international development. The combined might of the Foreign Office and the Department of Trade and Industry (DTI), backed by both Thatcher and Major, endorsed the project as a way of opening up Malaysia to all sorts of British exports. The ODA, the organization in charge of clearing such projects (as well as determining the overall direction of Britain's overseas development budget) opposed the project, but was overruled⁴⁵ by the Foreign Secretary. The Sunday Times leaked a secret memorandum of understanding between Britain and Malaysia - negotiated when Thatcher was prime minister (Pearce 1994). This revealed that

⁴⁵ Sir Tim Lankester, the then permanent secretary at the ODA described the project as "...Unequivocally a bad buy" and "...an abuse of the aid system" when speaking to the Public Accounts Committee of the House of Commons. Quoted in Fred Pearce, "Britain's Other Dam Scandal," New Scientist (February 26, 1994).

Britain and Malaysia had linked aid for the Malaysian dam - to be paid under the government's aid and trade provision - towards orders for fighter aircraft manufactured in the UK. In addition to this, UK construction companies were given priority for the award of the building contracts, The resulting scandal was significant, although it was publicly announced by Thatcher that such deals were the norm, and that Britain's foreign aid policy was rife with examples of this sort⁴⁶.

Both these cases are relevant here, as they are symptomatic of British Development aid in the 1980s, where, with the long Conservative rule, the interest shifted from a general service of the British economy (as was the motive behind the Sterling Area and other such endeavors) to using development aid to benefit certain sections of the British industry. Aid and Trade Provisions played a key role in facilitating such a transition. Promoting successful industries such as construction was a way to grow the British economy, which promoting failing industries such as aviation companies was a way to save face in domestic politics. By the end of the 1980s, the pro-liberal reforms had started bearing short-term fruit, and the UK economy was looking up. The Thatcher administration looked at foreign aid as hand-outs, but as the previous table demonstrates, the ATP was effectively used by Thatcher to channel aid to richer

⁴⁶ The Pergau Dam was not an isolated infrastructure project to be handled in this way. The Samanalawewa Dam in Sri Lanka also won British aid funds despite objections on technical and economic grounds from ODA officials. As with Pergau, British engineering firms were appointed to design and help build the project, and were then expected to win more work around the world from the experience gained in Sri Lanka. In addition to the scandal of the explicitly tied aid, the Samanalawewa Dam was plagued by technical problems, including a leaking bed and a failed abutment that resulted in a "waterfall" that leaked for over three years, and required a separate plan of £30 million to correct.

countries and make substantial profits for British industry. The scandals attached to ATP, along with a general disapproval of (explicit) tied aid amongst the donor community meant that the UK would have to look at new ways to deploy its aid program profitably. With yet another shift in the British economy in the 1990s, the time was right for a policy change.

4 | LIBERAL BRITISH AID

A POST-1997 BRITAIN: TONY BLAIR AND THE CREATION OF DFID

By the late 1980s, Thatcher's regime of liberalization and privatization had helped British economy emerge from the deep balance of payments crisis, and the economy was doing relatively well, with moderate increases in the GDP. This success was, however, short lived. In October 1990, UK joined the European Union "Exchange Rate Mechanism"⁴⁷, presumably with the intention to fight rising inflation. The Pound (and consequently the British economy) crashed, and the official (and market) diagnosis was still one of recession. In addition to this,

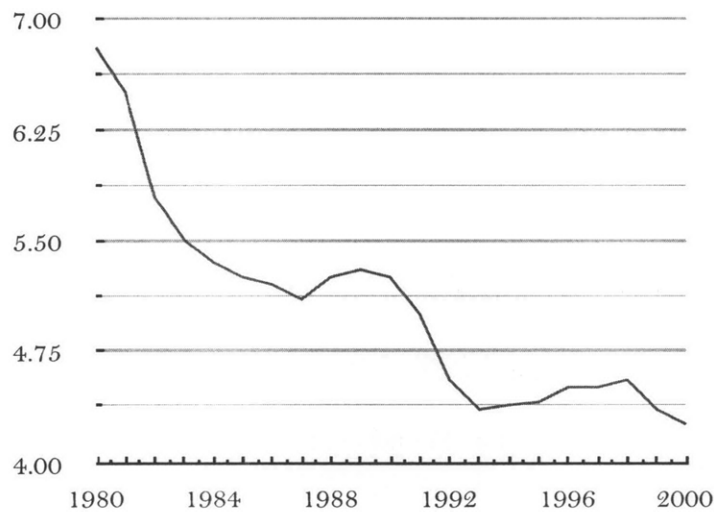
⁴⁷ The European Exchange Rate Mechanism, ERM, was a system introduced by the European Community in March 1979, as part of the European Monetary System (EMS), to reduce exchange rate variability and achieve monetary stability in Europe, in preparation for Economic and Monetary Union and the introduction of a single currency, the euro, which took place on 1 January 1999.

the 1990s saw a massive decline in manufacturing related jobs and the UK manufacturing economy in general. The following tables demonstrate the extent of this decline.



— UK Trade Balance in manufactured goods (billion £) Source: UK Statistics Office

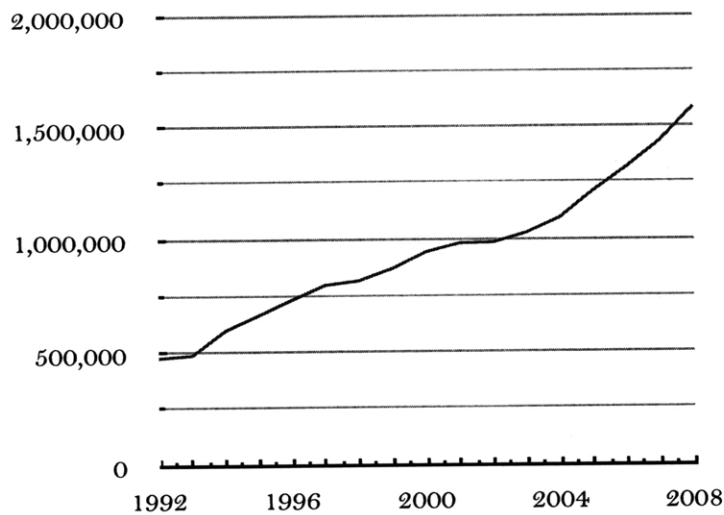
Fig. 4.1 Manufacturing in the UK 1980 - 2000



— UK Employment in Manufacturing (millions of people) Source: UK Statistics Office

Fig. 4.2 Manufacturing jobs in the UK 1980 - 2000

On the other hand, the Service economy in the UK was rising rapidly, particularly in London. This rise was observed predominantly in the financial services sector, and in professional fields such as management consultancy, accounting, design, construction consultancy etc. We see the peculiar case that even in an overall state of recession, the services economy was booming.



— UK Income from Service Sector (billion £) Source: UK Statistics Office

Fig. 4.3 Service Sector in the UK 1992 - 2008

The empirical observations contained in the three graphs above are not surprising. With rising costs of manufacturing, both in labor and in raw materials, together with the costs of health insurance and other safeguards that developed economies (especially in Europe) were obliged to provide, manufacturing had been steadily moving out of developed nations and into labor-intensive countries like China and (to some extent) India. On the other hand, some of the less developed countries had also been playing catch-up, and had significantly increased their

production capacities. The transition from a manufacturing economy to a service economy was part of the ongoing global economic restructuring that is globalization. Even within this shift, high-value services such as finance, design etc. tend to stay within developed economies (Linden et. al. 2007) while low-value services such as call centers and data processing move to less developed economies. In the context of this particular narrative, what this means is that by the mid-1990s, the formerly large and powerful lobby of manufacturers were no longer able to exert the same amount of pressure on the UK governments as in the 1980s. New lobbies consisting of services consultants were being formed, including large corporate consultancies. These new interest groups were now becoming significant lobbyists making demands of the government. In addition to this, the service economy was globalized - at least throughout the developed world. This meant that it had no particular allegiance to a country, and would remain in those economies that best positioned themselves as hosts for such companies.

It was at such a moment of great economic transition in the UKs economic history that Tony Blair was elected to government. The economy was making a clear transition from a mixed economy to a high-value service based economy, or what has also been called the “new economy” or “new capitalism” (Sennett 2006). If the Blair government was to retain these high value services, it would have to make significant concessions to these service providers, in the same manner as previous governments have for manufacturing concerns. A crucial issue in the context of a changed foreign aid policy, one that forms the basis of the last part of this

evaluation, was the Aid and Trade Provisions (ATP). After the scandal that ensued from the Westland Helicopters “sale” to India and the subsequent takeover of the company by Sikorsky-Fiat (ultimately creating WestlandAugusta in 2001), and the significant public relations problems caused by the corruption allegations in the Pergau Dam project, the ATP was under fire.

LABOUR RESPONSES TO ATP

The newly elected Tony Blair government faced several questions about ATP. On the one hand, they could not continue the earlier government’s policy regarding foreign aid, in the light of the extensive criticisms of ATP and tied aid. In fact, the ATP issue was used by the Blair campaign as a exhibit to demonstrate the corrupt nature of the Conservative Party. On the other hand, the Labour Party would have to deal with an equal amount of lobbying from industry seeking to profit from international aid. The Blair administration responded with a complete makeover of the British foreign aid system, to one that was synchronic with the contemporary state of the economy. No longer was it feasible or even necessary to use the aid-receiving countries as cheap sources of resources - the global manufacturing economy took care of that. What was needed was a method to use them as a market for the booming service economy. The archaic laws that the system depended on - the Colonial Development Act of 1929 for instance, were repealed. A new legal framework was sought to be established, which ultimately resulted in the International Development Act of 2002. A new organization, the

Department for International Development (DfID) was created under Ms. Clare Short as the Secretary of State for International Development, and poverty reduction was declared as the target for this new organization. In order to completely purge all connections to Conservative Party policies, Clare Short decided to abolish the Aid and Trade program, identifying the two scandals as "...the kind of aid misuse that must never happen again". (Hencke "Scandal That Rocked Tories" 2000). With a brand new bureaucracy and a new set of laws to guide it, DfID published a series of White Papers from 1997 onwards to state and then articulate its position vis-a-vis international development.

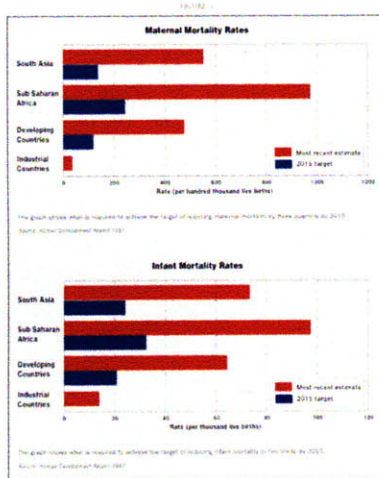
DFID: NEW BEGINNINGS IN DEVELOPMENT AID?

If the role played by DfID is to be understood, it has to be seen through the context of its deviation from previous international development policies of the UK. At this point, it would be interesting to note that the White Paper (WP) of 1997, titled *Eliminating World Poverty: A Challenge for the 21st Century* (henceforth called WP3) was only the third substantive WP by a British Government regarding its position towards foreign aid or international development in over 30 years. Both the WPs were prepared by Labour governments, and given the significant shifts in the UK's economic fortunes, from an extreme economic crisis of the 1960s and 70s to the relatively successful economy in the 1990s, coupled with the other social and political shifts both in the UK and in the aid receiving states, and most significantly, the transformation of the

British economy from manufacturing to services - it becomes relevant to see the significant differences between the current WP and its immediate predecessors.

The first WP, titled *Overseas Development: the Work of the New Ministry* (1965), (henceforth called WP1) (The Ministry of Overseas Development "Overseas Development: The Work of the New Ministry" 1965) facilitated the creation of a new Ministry of International Development, in an attempt to assemble departmental responsibilities for aid which had previously been dispersed across Whitehall into one unit. The second WP was *Overseas Development: The Changing Emphasis in British Aid Policy - More Help for the Poorest* (1975), (henceforth called WP2) (The Ministry of Overseas Development "Overseas Development: The Changing Emphasis in British Aid Policy - More Help for the Poorest" 1975). In the following sections, I will examine WP3 and look at departures (if any) from previous WPs, and try and contextualize these departures in their political moment. Before we examine some of the contents⁴⁸.

⁴⁸ The form of the WP3 - its graphic design - was a departure from previous WPs. A glossy document filled with several full-page color pictures and graphs, the document conspicuously lacked maps, but was replete with colored figures, boxes and panels to communicate information about a number of social and economic trends in developing areas. A small easy-to-read booklet contained a short summary and was distributed for free through high-street supermarkets. A useful paper that examines this changed design and language of DfID promotional literature is April R. Biccum, "Development and the New Imperialism: A Reinvention of Colonial Discourse in Dfid Promotional Literature," *Third World Quarterly* 26.6 (2005).



1.17 Sustainable development: To eliminate poverty, we must allow all in the achievement of economic growth that is not only stable and vigorous, but which enables poor people and allows them to share in the fruits of development. Such growth must outstrip population growth. For a sustained period of time to have an real effect on Figure 1.16, and recognize that environmental protection is an integral part of the development process. In order to benefit and promote the participation of the poor, economic growth must incorporate a sound and open market economic framework which fosters increased productivity and which facilitates the development of income and employment generating activities that specifically include poor people, particularly the women who comprise the bulk of the poor.

1.18 The experience of recent years in the most successful developing countries has clearly demonstrated the value of maintaining a sound fiscal balance and low inflation. To reach this goal, the role of privatizing state-owned and low regulated elements and firms is vital. However, not the worst but higher quality standards in business investment. Such a framework will encourage the private sector which provides the main impetus for economic growth. In some countries, foreign investment has also played an important role. The implementation of the economic adjustment in the economy may result in generating a wide range of products

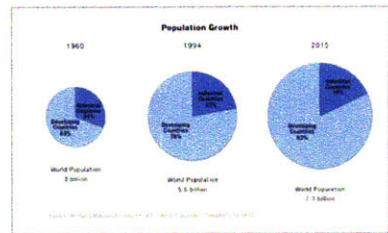


Fig. 4.4 A typical page from (The Department for International Development "Eliminating World Poverty: A Challenge for the 21st Century" 1997)

WP3 began with the pledge (to) "...refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor. We will do this through support for international sustainable development targets and policies which create sustainable livelihoods for poor people, promote human development and conserve the environment." (The Department for International Development 1997) The influence of the Rio Earth Summit⁴⁹ is clearly visible in this pledge. Further influence of the UN and such

⁴⁹ United Nations Conference on Environment and Development, held in 1992

other agencies can also be observed by the fact that the goals set up for the department (and the UK as well) are time based targets: a 50% reduction in the world's population in extreme poverty by 2015, removing the need for international development aid in its present form by 2025 and others. These goals are reminiscent of various United Nations Conventions and summit meeting Collectively formulated by various ministries and multilateral organizations. The grandiose and prescriptive nature of these “targets” sits uneasily alongside the WP1's candid recognition that “an imperfect understanding of social, economic, political and physical environments remains one of the main constraints to effective development assistance”. (The Department for International Development 1997)

WP3 is organized into three sections: *The Challenge of Development*, *Building Partnerships*, and *Consistency of Policies*. This is followed by a short summary in *Building Support for Development*. While the three sections deal with a range of issues with significant overlaps and cross-references, the general impression of an informed reader would be that the document tries to form a consensus by cursorily addressing the interests of each pressure group and stakeholder. (Burnell 1998) Thus, the volunteer aid and religious aid lobbies could find solace in the overall “halving poverty” rhetoric, academics, universities, think-tanks and research NGOs may find comfort in the commitment to research funds and other forms of knowledge generation. The official position on the issue of *conditionalities* might generally appeal to most critics of international development in its dominant form. The abolition of ATP could make certain

sections of the industry unhappy, but this “transition” is ultimately a planned move, as we will see later.

DEVIATION 1: CALL FOR “PARTNERSHIP”

The first obvious aspect where the WP3 differed from others was the overwhelming use of the term “partnership” - as a shift from “aid and assistance” and “cooperation” in previous WPs (Burnell 1998). The idea of multiple stakeholders is implicit in the term “partnerships”, and while this was a nod to NGOs and other forms of civil society that are engaged in contemporary forms of international development, it was also a call for a more active participation, or “responsible behavior” from the LDCs themselves. This is in effect to say that they should be ready to make space for development (i.e. liberalize, decentralize and deregulate) if development is to occur. Continuing this theme of partnerships, the WP3 also stated that international development cannot be left only to wealthy nations alone. It recognized the role played by NGOs and multilateral agencies, and called for a wider involvement of civil society groups in development, and mentioned issues of violent conflicts, genocide and (in passing) “women and children related questions” as issues to be tackled. This was in direct contradiction to previous WPs, where there was a greater emphasis on both the role of the state and the role played by money.

DEVIATION 2: GREATER ROLE OF MARKET

As far as the ideological position vis-a-vis liberalization and private sector involvement is concerned, WP3 displayed a remarkable departure from the economic “conservatism” of previous Labour Governments. The WP1 restricted the flow of private capital to other countries (the continuing balance of payment crisis around 1965 being one of the key reasons for this restriction). The WP2 clearly argued that a socialist aid program would extend the public sector and reduce the power of private capital⁵⁰. (Dame Judith Hart, quoted in [Burnell 1998], p.792) WP3 differed significantly from its predecessors as it argued that a larger role in reducing global poverty would be played by free trade and private investment. In a continuation of the Structural Adjustment Program policies, it offered to assist LDCs in policy formulation for deregulating markets and liberalizing trade policy.

DEVIATION 3: ENGAGING CIVIL SOCIETY

The WP3 displayed great interest in promoting civil liberties and political accountability as qualities essential to the attainment of the targets for economic well-being, human development and environmental sustainability. There is no specific mention of the “spread” of democracy, which featured quite prominently in the Blair campaign. This could potentially be for two reasons: on the one hand, research⁵¹ had started showing that a multiparty democracy

⁵⁰ This was largely consistent with the larger trends in development aid at the time - literature and research at the time pointed towards the state as the panacea.

⁵¹ For instance, see Jonathan Isham, Daniel Kaufmann and Lant H. Pritchett, "Civil Liberties, Democracy, and the Performance of Government Projects," World Bank Econ Rev 11.2 (1997). 1997

had no significant effect on poverty alleviation. More significant results were to be found by following the World Bank tenets of civil liberties and “good governance” - that is, the introduction of political reform into economic development strategies. On the other hand, there was (and still is) the anxiety about the other effects of multi-party democracies - about what they could mean for global capitalism. The consequences of outright democratization could potentially be too numerous and discursive to measure, but minor political adjustments by way of reform would make the small changes necessary for the new form of development aid to operate seamlessly in this terrain. Thus, the WP3 followed the World Bank line on better governance, and chose to significantly shift its methodology of intervention in less developed countries.

DEVIATION 4: NO MORE ATP

WP3 abolished the ATP scheme, without mentioning that a former Labour government had been responsible for its introduction in the late 1970s. Concurrently, it also announced that all future aid from the UK would consist entirely of grants, and therefore positioning themselves with amongst an elite group of European donors. Thus, while the UK gave away as grants only about £2.151 billion, or under 0.27% of its GNP⁵², it paved the way for it to join the group of nations that provided free untied aid. Further, the cosmetic abolition of the ATP was matched by the announcement to maintain the practice of mixed-credits. While the language of

⁵² This figure is less than half of French and German grants as percentages. The European grant average was 0.37% of GNP.

development may have caught up with that of the multi-lateral agencies, British development aid remained about donors exercising influence over the recipient countries, within a continuing structural framework of coercive and asymmetrical power.

It is at the point of “Good Governance” that my argument about the DfID comes full circle.

The WP3 began with several calls for partnerships, the onus of development ultimately lay on the developing nation, and they were expected to participate in structural adjustment programs to prepare themselves for development. At the same time, the paternalistic tone towards developing nations made way for a more directive one. The political caution displayed by the previous WPs vis-a-vis issues like universal education was replaced by assertions that participatory frameworks of development will better serve the citizens. The level of commitment to poverty alleviation programs demonstrated by a recipient government was to be judged solely by DfID, and the WP3 was quick to state that if the state is judged to be inadequately committed, other channels of aid-provision - such as NGO partnerships or direct aid relief would be preferred. Finally, good governance only implies a *changed* governance - one that would subsequently have to be instructed in facilitating this change - Technical Assistance.

This brings us to the category of Technical Assistance. A concept developed by the the United Nations in the 1950s, Technical Assistance (Wilcox 1950) was to be strictly “...between governments, and on conditions that were acceptable to both governments.” The inter-

governmental nature of Technical Assistance continues till the 1990s, except in modified forms. On the one hand, there is the simple form of technical assistance, understood as *technical expertise*. Expertise provided by country A to B for setting up nuclear power stations in B might be an example of this. On the other hand, there is technical assistance for *reform*. Assistance given by A to B for establishing national legislations for nuclear power, such that the nuclear power stations are acceptable to the international community, is an example of this type of assistance. In the case of international development, the country which provides technical assistance can add the expenses incurred in the provision of such expertise into the total international aid budget. This is known as mixed credits, where some aid is provided as Direct Aid, or cash transfers, and some as Technical Assistance. This system is open for manipulation to the extent that the donor country can provide a consultant to a recipient country, leaving open the possibility that the consultant might be working on specific biased intentions of the donor.

DEVELOPMENT CONSULTING & INTERNATIONAL DEVELOPMENT

“Knowledge is the only instrument of production that is not subject to diminishing returns. The sale of knowledge to one party does not necessarily diminish, and may actually increase, its competitive value.” (J. M. Clark in McKenna 2006, p. 14)

As we saw previously, any change in governance cannot be brought about without some “training”. Insofar as international development aid is concerned, this means that governments

have to be advised on ways in which they can perform better. No longer are political exercises such as elections an index of government performance - bureaucratic devices such as the “Development Index” and “Quality of Life Index” do that instead. A political government needs training not only on how to govern in the face of international scrutiny, but also on how to project itself well in order to attract investments. With this, we come to the special case of global management consultants who work with Governments, and McKinsey & Co., Booz & Co., and Boston Consulting Group are some examples of this type. All through the 1990s, the rise of the service economy in the UK was matched by the economic rise of corporate consultancies. For instance, McKinsey & Co. saw an average yearly growth of over 14% in the early nineties⁵³. As early 1952, McKinsey prepared a report for US President Dwight Eisenhower, titled *“Restaffing the Executive Branch of the Federal Government at the Policy Level”*, following a broad directive to a) find out exactly how many jobs the Republicans would need to fill to control all policy-making, b) spell out the nature of each job and the qualifications required to fill it. (See [TIME 1953] for more on the report). Over the next decades, McKinsey and Co. consultants have developed particular expertise on working with the Public Sector, and even began their own Public Sector Practice, offering governments expert advice on restructuring Organizations, Operations, and IT to transform governance and engender participation. In industry terms, they provide consultancy on Defense & Security, Public Finance, Economic Development and Health⁵⁴, among other things. In the 1990s, McKinsey

⁵³ From the McKinsey corporate website <http://www.mckinsey.com> accessed 15th May 2009

⁵⁴ From the McKinsey corporate website <http://www.mckinsey.com> accessed 15th May 2009

acted as consultant to Governments⁵⁵ of UK, US, Turkey, China, India and others, in addition to various public sector agencies such as the North Carolina Department of Transport and city governments such as the municipal corporation of Mumbai. (Kinsley 2007) In addition to this, management consultants conduct a number of studies for the World Bank and non-profits on issues such as capacity building, fundraising, government interfacing and strategic operations. Many of these projects have been completed gratis, or have found corporate sponsors.

DfID AND TECHNICAL ASSISTANCE

If we combine the two strands from the preceding sections, we will see that on the one hand, DfID was preparing ground for using Technical Assistance as a way to significantly shore up its international development aid package. On the other hand, it was ensuring that its own services economy was going strong by ensuring that lucrative consulting contracts were awarded to consulting companies. This double play was successfully made possible using the category of mixed-credits, where part of the aid budget was spent as Direct Aid, and another part as Technical Assistance. Between 1991 and 1997, (if we compare Direct Aid and Technical Assistance funding) Direct Aid funding in British Overseas Aid diminished from about 60% to under 40%. During the same period, DfID funding for Technical Assistance rose from about

⁵⁵ The Tony Blair government seemed to be particularly interested in working with McKinsey, both for domestic and international projects, and even commissioned McKinsey in a secret £95,000 project for creating “a more strategic human resource function for the civil service and to help assess the strategic capabilities required in the Cabinet Office more generally” See Cathy Newman, “Blair Faces Storm over Report by Mckinsey,” Financial Times 25 November 2005. 2005 The Labour Government’s belief in using management consultants for government and administrative reform is not restricted to international development then, it also extends to itself.

40% to over 60%. Technical assistance replaced tied-aid with the hope of counter-acting internal political crisis as well as corruption and the peculiar accounting methods used ensure that while this assistance was reflected in total aid outlay, it did not reflect in the “tied aid” columns of the accounts.

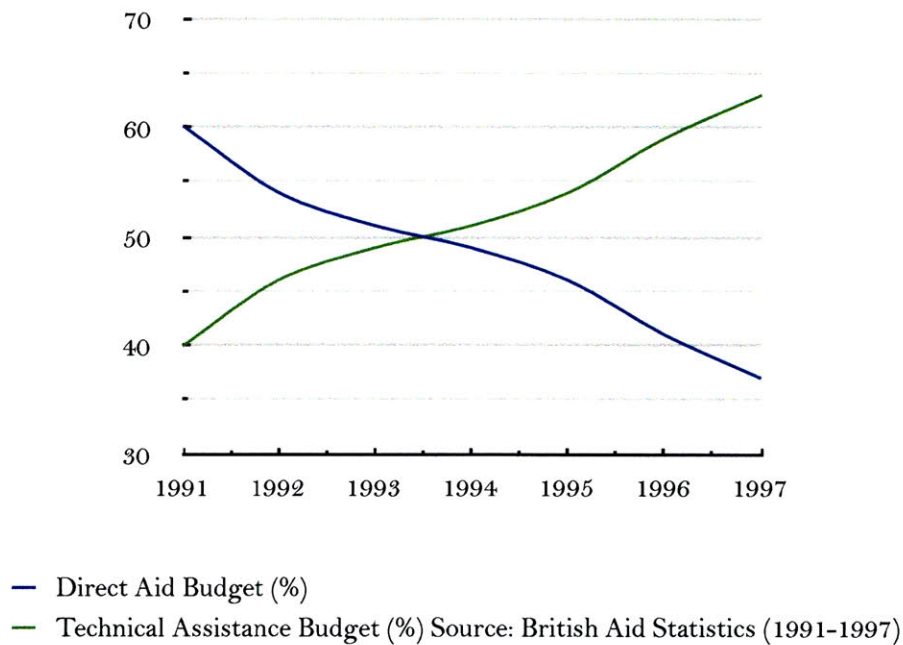


Fig. 4.5 UK Direct and vs. Technical Assistance: 1991-97

Further, in 1996 only 13.8% of UK bilateral official development assistance commitments was “tied”, exclusive of technical cooperation. However, the figure for 1996 would be 55% tied-aid, once Technical Assistance is included as tied aid⁵⁶. In this “partnership”, the donor had decided the rules in advance.

⁵⁶ The Select Committee on International Development, The Development White Paper: Second Report (London: 1997).

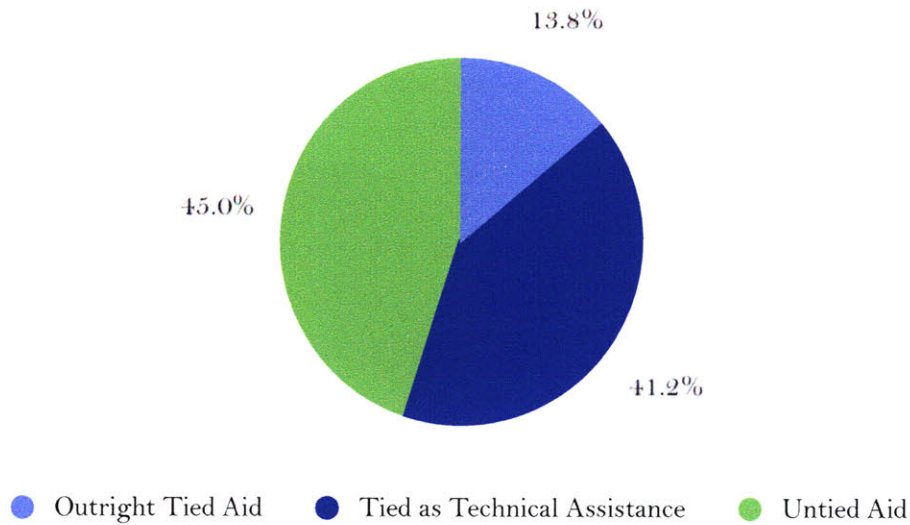


Fig. 4.6 Tied aid figures: 1996

This phenomenon, when seen with the demise of Aid and Trade Provisions and the retention of mixed credits in WP3, seems to then imply that Aid and Trade provisions have been replaced by a new form of Technical Assistance, which involves providing governments with expertise to design and execute projects, and benefitting certain sections of the service economy in doing so. This then is the new form of international development in the liberal economy.

INTERNATIONAL DEVELOPMENT AND DE-REGULATION

It is then clear that the new form of International Development is but a call for de-regulation, with more and more state responsibilities being offered to international consultants. In fact, this has been naturalized, and is an argument that is commonly used to deplore the state of affairs in developing nations, citing state ineptitude, corruption and such other arguments. What is

more interesting is what this means for the Development agency. If the developing country is being forced to change to respond to the private sector, how does the development agency that represents the donor state have to change? First, it can be inferred that the earlier role of the development agency - and an entity that simultaneously decided what was best for developing nations, and then financed (or subsidized) the endeavor - was now obsolete. With private firms controlling the way international development was conceived and implemented, they were reduced to facilitators, which brought the developing countries and the private consultants together. A larger change was seen in development aid itself - the "creation" of aid - the creation of an economic context within which to administer aid - no longer remained necessary. The donor state does not need to create aid any more - the market does that now. The globalized economy serves the role of homogenizing consumption, and the value of the consumed goods. Global markets are sufficient to create the demand for aid, and it is not an aid of forced "dumping" of goods as was seen in the mid 20th century - the new markets themselves demand the aid, and strive hard to maintain their credit ratings.

International development in its form as seen in the 1970s and 1980s - a benevolent donor state tying up with charismatic leaders from the developing world who wished to bring social change in their countries - can no longer exist. For DfID, this obsolescence goes a step further. Even for a multi-lateral agency, the ambition of eradicating world poverty, while noble in itself, is a self-contradictory one. The structural problem of poverty can at best be transformed (or shifted to another class and/or nation) by reformist policies. The development agency faces a

dual challenge, one of poverty eradication that would lead to its own obsolescence, and the other of self preservation.

For a bilateral agency like DfID, the politics is not in the recipient states, it is at home. Each instance of self-preservation is met with fierce political opposition, while each instance of bilateral reform is limited in its success because of its inherently limited reformist tendencies. A case in point here would be the fierce domestic (political) opposition faced by DfID in 2008 to increase its allocations to the World Bank by 50% to £2.1 billion (or roughly 35% of total overseas development assistance by the UK in 2008), where the British Parliament questioned the accountability of the World Bank⁵⁷. The overwhelming belief in the UK seems to remain that bilateral aid holds more potential for real benefit because an agency controlled by the government is less likely to succumb to narrow agendas. This self-delusion on the part of the British state not only ignores its own historicity, but also maintains its façade of benevolence, one that is located in its own historic relation with its former colonies.

⁵⁷ For more on this, see *Parliamentary committee scolds DFID for its World Bank infatuation* at the Bretton Woods Project website: <http://www.brettonwoodsproject.org/art-560832> (accessed May 15, 2009)

5 | CONCLUSIONS

THE AMBIGUITIES OF BRITISH AID

In the preceding chapters, I have tried to explore the narrative of British aid to the developing world, and locate the origins of much of its 20th Century aid practices in the inter-war period. The motivation for doing so has been to break from looking at international development through a single lens. If the crisis of development is to be unpacked, along with the problematic idea of a universal aid-recipient, we will also have to dismantle the idea of a universal donor. This attempt at historicizing British Aid is the first step to understanding why,

in spite of different economic compulsions, have various national aid models resulted in similar⁵⁸ results?

With this account, it is also clear that the British project of foreign aid was a response to domestic and international economic compulsions, and each shift in aid policy has been a response to a specific national or global crisis. It is also clear that several of these responses were in fact delayed responses. In each iteration of British foreign aid policy, the calculated distance from the multilateral position, and especially that of the World Bank, is very obvious. It is only in 1997 with the White Paper for DfID that the UK officially recognizes its own position vis-a-vis the multilateral agencies, and previous White Papers make no mention of multilateral efforts except cursorily. Until 1997, as explicitly mentioned in the “What is British Aid” pamphlets, participation in multilateral efforts seems to be for the dual purpose of keeping up appearances, and access to multilateral funding related contracts.

On the other hand, as I argued in the last chapter, bilateral aid is rendered irrelevant after the shift to technical assistance. Within this story, the UK, no longer a major economic or imperial power, is further relegated to the sidelines. If the key partners in the program of international

⁵⁸ Although the universal failure of aid efforts that have been studied quite exhaustively. I have mentioned several relevant works in the introduction.

development in the 1950s and 60s were the technocrats⁵⁹, the focus shifted to charismatic politicians in the 1970s and 80s, such as Indira Gandhi in India and Suharto in Indonesia (who actively partnered with USAID). By the 1990s however, the focus shifted from the state and its appointees to NGOs, following accusations of corruption, coupled with the fact that over four decades of international aid had delivered few results, and much of the world was poor. Over the last two decades, the NGOs and the private sector have effectively become the primary conduits through which aid is delivered. The donor state, if operating under the outdated models of bilateralism, is an obsolete concept. Programs like USAID succeed in delivering limited results to the US only when they tie up with multi-lateral institutions.

This brings us back to the question of the discipline of Planning itself, and its role within a globalized economy. The globalized economy has made bilateralism obsolete. The dialectic role of international development - to naturalize a “need” by defining it as a problem, and then working on programs to resolve it - has been completely sublimated by the market. DfID is not only experiencing this failure, it is central to it. By maintaining its bilateral stance to international development, the UK has lost the race to garner a larger section of the international development market. While DfID is seeking to respond to the challenge of a globalized economy, it remains at best a residue of bilateralism, and therefore inherently obsolete from the moment of its inception. In competing with multilateral market driven aid, it

⁵⁹ For instance, in India the Planning Commission was a technocratic group established by Prime Minister Nehru in 1950, with the mandate of formulating Five-Year Plans for economic development. They were the key conduits for International development aid in the first two decades of Indian independence.

ends up a failure.

Ultimately, it is the dialectic of uncertainty about its own identity that plays out in this consistently bilateral position of the UK. In other words, the uncertainty of creating appropriate subjectivities domestically for the neo-imperialism brought about by development aid, and internationally for the neoliberalism by repackaging and marketing the nineteenth-century mission of civilization. This project - simultaneously a project of public work for the nation-state and for the transnational hinterland - a project that still underlies international development aid for the UK - in turn produces national subjectivities that are invested in both self-interest and moral duty. This dual mandate of British policy, the double economic and moral imperatives of British international development aid, has remained consistent in the face of shifts and debates within government and colonial policy and carries its continuity through to current UK development discourse. This discourse continues to posit itself as both magnanimously moral and simultaneously self-interested, a dialectic of ambiguity. The UK government has, in service of this ambiguity, established an entire parallel network of apparatus such as the British Council, the Commonwealth Awards, and many others, that produce national subjectivities infused with Britain's geo-political role as the post-colonizer. I propose to call this dialectic one of "pragmatic benevolence". This pragmatic benevolence of British international development has consistently succeeded in presenting the UK as a metropolitan nation that is civil, modern, developed and sensible, a nation that is poised to lead the globe out

of the crisis of poverty, while ensuring that it will never play a significant role in the marketplace of international development.

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