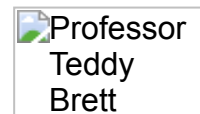


Aid Relationships, Global Governance and the International Crisis – Professor Teddy Brett

The unity and stability of the global economic system has always depended on aid relationships that sustain the concessional transfers that ameliorate the threats generated by economic, political and humanitarian crises, uneven development and environmental degradation. These transfers depend on discretionary exchanges between sovereign governments, multilateral agencies and civic organisations and individuals, but they also constitute a partially coordinated *system* of aid relationships that do impose real obligations on their participants even though they are not subject to collective control and enforcement. This system is coordinated by the IMF, World Bank (the IFIs), and UN agencies; the Development Assistance Committee (DAC) of the OECD; development ministries in donor countries; the international NGO community, and their counterparts in developing countries. (LDCs) They not only set spending targets but also the normative goals and policy frameworks intended to achieve them. Their agreements cannot be imposed on states, NGOs and private donors, but they do constitute an ordered system although it operates on what Bull (1977) calls *anarchical* principles because it depends on voluntary but binding agreements and reciprocal benefits, rather than centralised enforcement.



World Bank/IMF Annual Meetings 2009. Opening plenary session. Istanbul, Turkey. October 6, 2009 (via [World Bank Photo Collection](#) on Flickr. Licence [CC BY-NC-ND 2.0](#))

This system has witnessed significant changes in power relationships and policy agendas since metropolitan powers began aid programmes in the 1920s and 1930s to strengthen their economic relationships with their colonies. (Brett, 1973) The modern aid system was created in the 1940s by the USA, the IMF and World Bank to deal with post-war and then post-colonial reconstruction; transformed yet again in the 1980s and 1990s through Structural Adjustment Programmes (SAPs) that globalised the neo-liberal response to the economic crisis, (Brett, 1983; 1985) and most recently with the use of Austerity Programmes in the European Union to deal with 2007/8 crisis. Their role has been transformed again by a series of high-level agreements in the 21st century, negotiated that produced the Millennium Development Goals (MDGs) in 2000, the Paris Declaration on Aid Effectiveness in 2005, and the Sustainable Development Goals in Addis Ababa, and Paris Climate Change Agreement in 2015. ^



Millennium Development Goals Postcards (via [United States Mission Geneva](#) on Flickr. License [CC BY-ND 2.0](#))

These agreements are a response to the political and economic conflicts generated by SAPs in the 1990s and by the recessions, wars, terrorism, humanitarian emergencies, mass migrations and intensifying environmental degradation that have dominated the 21st century. They do include a strong commitment to poverty focussed policies, a shift from the fundamentalist neo-liberalism of the 1980s and 1990s, and an attempt to increase the bargaining power of recipient countries in aid negotiations. We cannot over-estimate their importance since these multiple crises clearly threaten us with a return to the ‘chaotic competition, monetary disorders, depressions, political disruptions and ... new wars within as well as between nations’, (White,^[1] 1944/1969: 37) that followed the First World War (Keynes, 1920/2005) and was only avoided by the massive redistributive transfers that occurred after the Second.

The survival of our civilization depends on our ability to generate a comparable response, but these still unresolved crises suggest that the existing aid architecture is unable to overcome the intensifying conflicts generated by growing inequality and uneven development.

The recent agreements are a real achievement, but they assume a universal commitment to pro-poor programmes that do not demand politically unsustainable sacrifices by haves or an effective ability to mobilise resources among have-nots. They attribute failures to technical weaknesses that can be overcome by better systems or to the activities of predatory rulers or irrational terrorist movements that can be eliminated by force. However, they are actually caused by deeper and more intractable problems – zero-sum conflicts over limited resources; growing poverty, exclusion and inequality in weak states that cannot compete effectively on increasingly open world markets; resistance from entrenched political and economic elites committed to pro-rich, not pro-poor policies; the refusal of rich countries and individuals to forego unsustainable levels of consumption and the reluctance of poor ones to forego the increased emissions needed to catch up with them.

We believe that these problems stem from a variety of market failures that can only be overcome by a qualitative increase in collectively managed redistributive transfers and interventionist policy programmes, comparable to, but different from those that sustained the post war boom. This creates a political economy rather than a technical problem, since effective solutions depends on the ability of rulers, firms and individuals in rich and poor countries, to place far more restraints on the ‘natural’ operation of free markets, and often accept reductions in their wealth and opportunities that people have only accepted in the past in response to the existential threats posed by wars, revolutions or economic disasters, and then only in the presence of political

movements with the leadership, expertise and organisational capacity able to implement them. (Brett, 1985, 2009, Conclusions)

Thus meeting these challenges will demand an ability to overcome almost unsurmountable problems that depends on our ability to produce far more realistic and synthetic diagnoses that enable progressive movements and communities to begin to make these changes before it is too late.

Professor E.A.Brett – LSE International Development

References

Bull, H. (1977) *The anarchical society*, London, Macmillan.

Brett, E. (1973). *Colonialism and Underdevelopment in East Africa: the Politics of Economic Change*. London: Heinemann.

Brett, E. (1983) *International money and capitalist crisis*, London, Heinemann.

Brett, E. (1985). *The World Economy since the war*. London: Macmillan.

Brett, E. (2009) *Reconstructing development theory*, London, Palgrave Macmillan.

Keynes, J. (1920/2005) *The economic consequences of the peace*, The Project Gutenberg eBook.

White, H. (1944/69) 'Preliminary draft proposals for a United Nations Stabilisation Fund', in J.K. Horsefield, ed., *The International Monetary Fund 1945-1965*, vol. III, *Documents*, Washington, IMF.

[1] H.D. White was Assistant Secretary to the US Treasury and, with Keynes, the architect of the IMF and World Bank.

January 20th, 2016 | [Featured](#), [Topical and Comment](#) | [0 Comments](#)
