

## Aid and Liberty in West Africa, 1975-2005

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### INTRODUCTION

This paper presents a history of foreign assistance (aid) in seven West African countries for the years 1975 to 2005. We have chosen this period because it allows us to analyze the trends in aid and liberty for fifteen years of aid during the Cold War (1975-1989) and fifteen years of aid in the Post-Cold War period (1991-2005).<sup>2</sup> The period of analysis also begins 15 years after the countries under study became independent (from France in 1960), which we are assuming is an adequate period of time for the countries to have established autonomous governance.

Our analysis of aid in West Africa is unique in that it explores the relationship between aid and human liberty as opposed to more typical explorations of aid's effect on economic growth. In what follows we use two proxies for liberty; the first is a measure of political rights and civil liberties and the second is the incidence of freely-elected leadership (democracy<sup>3</sup>) in a

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<sup>2</sup>In fact 1975 – 2005 is 31 years not 30 years. We are including the year 1990 as a transition year between the Cold War and Post-Cold War periods.

<sup>3</sup>We are assuming for this paper that measures of *democracy* are the standard by which we are judging the 'success' of a nation's political system. This premise is based on the notion of freedom of choice. Democracy offers the individual a choice in how their government uses its powers to tax and

country. We take an economic-oriented approach to the analysis of government and political processes. Only government has the power to transfer wealth from one individual to another, through its power to tax, to spend and to borrow. In a democratic system it is the political process which determines to what extent the government exercises these powers. Thus our analysis centers around the size of aid relative to a recipient nation's economy in order to observe the magnitude of aid in relationship to our proxies for liberty. The purpose of this paper then is to show the relationship between aid and the success or failure of the recipient nation's political system in fostering human liberty.

#### FOREIGN AID

Donor nations give aid for many reasons; these might be said to include historic, political, and altruistic reasons. Recipient nations accept aid for many reasons; these reasons might include the economic and the political (Chang 2005, Easterly 2007, Weber & Thiemann 2007, Easterly 2011). In the 60 plus years since the Marshall Plan, there have been many studies on the effectiveness of aid, just as there have been many different approaches to aid. Researchers have called for the abolishment of aid, for an increase in aid, and for types of aid differing from the given development orthodoxy at any given moment in time over the past 60 years. This paper does not evaluate aid's effectiveness in 'economic development', but rather explores aid's effect on individual liberty. An example of the aid and politics nexus we are concerned with can be found in Brautigam and Knack (2004), who found that aid, by increasing access to resources not generated by a nation's citizens, may reduce the need for a government to be responsive to these citizens.

Aid, in brief, is the giving of economic assistance and policy advice from donor nations to recipient nations. There are two categories of aid;

- a) Grants and policy advice given directly from donor nations to recipient nations. This type of aid is called bilateral assistance, or, official development assistance (ODA), and
- b) Concessional loans and policy advice given by international development institutions to recipient nations.

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regulate and to establish the social and economic policies under which they are governed. We are not making a judgment on whether or not democracy is the ideal political system or actually delivers the policies and programs the majority of people want.

These international development institutions are the International Monetary Fund, the World Bank and the African Development Bank.

For the purpose of this paper, we are adding together these two types of economic assistance - official development assistance and concessional loans – to derive our definition of and measures for aid relating to the specific time and place under review.

### **THE WEST AFRICA MONETARY UNION (WAMU)**

Seven nations (Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal and Togo) make up the West African Monetary Union (WAMU).<sup>4</sup> There are many reasons for our interest in these countries, not least of these are because West Africa remains one of the world's poorest regions despite having been the recipient of aid for more than 50 years. In addition, analysis of the WAMU countries together allows for a reasonable comparison between and among these countries because the countries share a common monetary policy. Differences in macroeconomic policy are less random than between nations without a common monetary policy.

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<sup>4</sup>Guinea-Bissau is also part of WAMU, however it did not become independent from Portugal until 1974 so it is excluded from our analysis as does not fit within the historical trajectory of our independent governance assumption.

TABLE 1 – FORMS OF GOVERNMENT, POPULATION AND FREEDOM INDEX FOR 1975 AND 2005

Country	Form of Government (2005)	Population (millions)		Freedom House Index (with 1 being most free) <sup>5</sup>	
		1975	2005	1975	2005
<b>Benin</b>	Republic	3.1	8.2	6.5	2
<b>Burkina Faso</b>	Republic	6.2	13.2	5	4
<b>Cote d'Ivoire</b>	Republic (under international mediated power-sharing agreement)	6.8	18.2	5.5	6
<b>Mali</b>	Republic	5.9	13.5	7	2
<b>Niger</b>	Republic	4.8	14.0	6.5	3
<b>Senegal</b>	Republic	4.8	11.7	5	2.5
<b>Togo</b>	Republic	2.3	6.1	6.5	5.5
<b>Average</b>		4.8	12.1	6	3.6
<b>Total</b>		34	85		

Source: Freedom House (freedomhouse.org), African Elections Database, World Bank 2007, calculations by author.

Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal and Togo became independent from France in 1960. As part of its post-colonial policy France created the West African Monetary Union, which tied the currency of these seven nations to a fixed parity with the French Franc. Since the

<sup>5</sup>Freedom House assigns a number of 1 to 7 (one through seven) to value the status of Political Rights and Civil Liberties in a country, with 7 being the least and 1 being the most free. In this paper we combine the two and take an average. In general the numbers for each classification track each other closely and are very similar if not the same. A combined average of better (lower) than 3 means according to Freedom House that a country is "Free".

establishment of the Euro as the common currency for the European Monetary Union and the discontinuance of the French Franc, the WAMU local currency has been tied to the Euro since 1999. Tables 1 and 2 show general political and economic information for the countries under study.

Table 1 shows that all of the countries under study were classified as republics in 2005, and, all but Cote d'Ivoire, which had experienced on-going civil strife, improved their measures of civil liberties and political rights according to Freedom House. However, in 2005 only Benin, Mali and Senegal are considered "free" by Freedom House (none of the countries were considered free in 1975). There were 85 million people in the WAMU countries in 2005.

Table 2 shows that over the 31-year period more than eleven billion dollars in aid was spent, yet per person income decreased in the region by approximately 10%.<sup>6</sup> During this same period, world per person income increased around 74%, the average per person income of the Least Developed Countries (LDCs) increased around 19%, and the per person income of the Low and Middle Income countries increased around 217%.<sup>7</sup> Aid as a percentage of the economy in the WAMU countries grew from an average of 9% of the economy in 1975 to 17% of the economy in 2005, a growth in market share of 89%.<sup>8</sup>

It is not possible from looking at our end-point data to generalize a trend and correlation between aid and per person income and individual liberty in West Africa.<sup>9</sup> In Cote d'Ivoire aid increased from 3% of the economy to 22%, per person income *decreased* by 40% and the Freedom House composite shows the country marginally less free (moving from 5.5 to 6). In Burkina-Faso aid increased from 9% to 21%, income per person *increased* 46% over the period and the country gained marginally in civil liberties and political rights (moving from 5 to 4

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<sup>7</sup>  $(1280-1154)/1280 = .0984$ , or, approximately 10%.

<sup>8</sup> Author's calculations based on purchasing power parity per capita at constant 2000 international dollars for the "World"  $[(8508-4901)/4901 = .7359]$ , or, approx. 74%, "Least Developed Countries"  $[(1291-1081)/1081 = .1942]$ , or, approx. 19%, and "Lower and Middle Income"  $[(4641-1465) = 2.168]$ , or, approx. 217%; country classifications from the World Bank 2007.

<sup>9</sup>  $(17-9)/9 = 0.8888$ , or, 89%.

<sup>10</sup> Raghuram & Subramanian (2007) find a negative correlation between aid and industrial development in low-income countries for the period 1980 to 2000, so it is not surprising that in the WAMU countries, where aid as a percentage of the economy per person has increased an average of 85% from 1975 to 2005, to not see economic growth, or, in fact, to see negative growth per person in a regional with minimal industrialization relative to its trading partners.

in the Freedom House average). Mali's Freedom House indicator improved the most over the period (from 7 to 2), income per person increased by 24% yet aid as a percentage of the economy increased the same relative to other countries in the region. Thus an increase in aid meant a decrease in liberty in Cote d'Ivoire, and an increase in liberty in Mali (and a decrease in per person income in both countries), while an increase in aid correlated with an increase in both income and liberty in Burkina Faso.

TABLE 2 – INCOME AND AID FOR 1975 AND 2005

Country	National Income (constant \$'s, millions)		Income Per Person (constant \$'s)		Aid as Percentage of National Income (%)		Total Aid 1975- 2005 (constant \$'s, billions)
	1975	2005	1975	2005	1975	2005	
<b>Benin</b>	889	2,727	861	1005	8	14	1.3
<b>Burkina Faso</b>	1,060	3,433	763	1111	9	21	1.8
<b>Cote d'Ivoire</b>	6,288	10,230	2,434	1,437	3	22	2.6
<b>Mali</b>	1,221	3,294	742	919	15	22	2.2
<b>Niger</b>	1,181	2,199	985	700	13	25	1.8
<b>Senegal</b>	2,288	5,467	1468	1584	8	12	1.3
<b>Togo</b>	763	1,480	1708	1319	5	5	0.1
<b>Average<sup>10</sup></b>			1280	1154	9	17	
<b>Total</b>							11.1

Source: World Bank 2007, calculations by author.

<sup>6</sup> Note that averages in the tables are calculated at the country level and not by using regional aggregates.

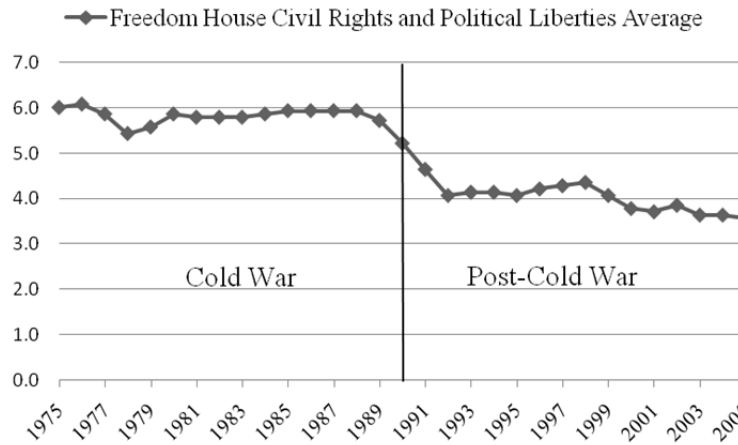
### **POLITICAL RIGHTS AND CIVIL LIBERTIES**

In this section we analyze the trend in political rights and civil liberties in the WAMU countries, dividing the trend line into Cold War and Post-Cold War periods. Figure 1 shows the region-wide Freedom House averages year-by-year. According to the Freedom House data we find that there was little improvement in political rights and civil liberties during the Cold War, and we find that most of the improvement occurred during the last years of the Cold War and the first years of the Post-Cold War period, what we can call the “transition period”. In the Post-Cold War period political rights and civil liberties improved, but less dramatically than during the transition period which ended the Cold War. Figure 2 shows that the Post-Cold War period reversed the Cold War trend of an increasing growth in aid dollars to the region.<sup>11</sup> We cannot generalize as to aid effects on civil liberties and political rights because the Freedom House indicators remained relatively constant both in periods of increasing aid (the Cold War) and in periods of decreasing aid (the Post-Cold War). However it is clear that aid to West Africa became less of a priority for OECD countries after the Cold War.

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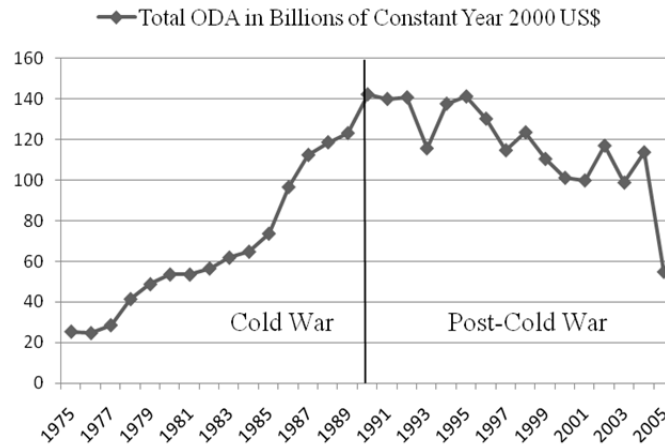
<sup>11</sup> The trend in aid dollars to WAMU countries gives credence to the theory that aid was used by the West as part of its Cold War spending.

FIGURE 1 – CIVIL LIBERTIES AND POLITICAL RIGHTS, WAMU COUNTRY COMBINED AVERAGES, 1975-2005



Source: Freedom House ([www.freedomhouse.org](http://www.freedomhouse.org)), calculations by author.

FIGURE 2 – TOTAL OFFICIAL DEVELOPMENT ASSISTANCE (ODA) GIVEN TO WAMU REGION, 1975-2005



Source: World Bank 2007, calculations by author.



### FREELY-ELECTED LEADERSHIP

The next proxy we have chosen to evaluate for human liberty is whether or not a nation has a freely-elected leadership, one commonly-accepted measure of human liberty being the right to choose one's own government (Buchanan 2005). Table 3 provides a brief overview of the major regimes over time in each WAMU nation.<sup>12</sup> The table lists the years of the various political regimes in each country and in capital letters the name of the elected President or, if not elected, the leader who assumed power under non-democratic means. Note that in the 31 years under study, the average time under freely-elected leadership in a West African WAMU nation is 12 years. Figure 3 tracks the number of countries out of our seven WAMU countries which had freely-elected leadership for a given year.

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<sup>12</sup> The data for Table Three comes from various sources but is independently verified with the African Elections Database. The African Elections Database classifications are used as definitive for this paper for determining whether the leadership is/was freely-elected. The classifications "Emerging Democracy", "Transitional Government", "Multiparty Transition" and "Democracy" are classified as freely-elected; "Restricted Democratic Practice", "One Party State", and "Military Regime" are not. Note that both the legislative bodies and the presidential leadership must be classified as freely-elected for the leadership to be classified as freely-elected.

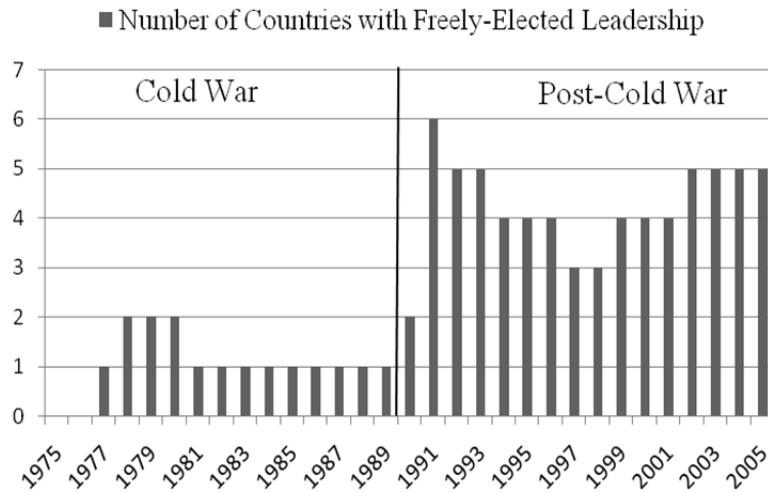
TABLE 3 – PRESIDENTIAL ELECTORAL HISTORY

Country	Presidential Electoral History <sup>13</sup>	Years of Freely-Elected Leadership (1975 – 2005)
<b>Benin</b>	1960-1972 Military governments 1972-1991 Marxist – Leninist dictatorship 1991-2006 KEREKOU [2006-Present YAYI]	15 (1991-2005)
<b>Burkina Faso</b>	1960-1977 Military Coups 1977-1980 LAMIZAWA 1980-2002 Military and Transitional 2002-Present COMPAORE	4 (1977-1980) 1 (1991) 4 (2002-2005)
<b>Cote d'Ivoire</b>	1960-1990 HOUPHOUET-BOIGNY 1990 HOUPHOUET-BOIGNY 1990-1995 HOUPHOUET-BOIGNY 1995-1999 BEDIE 1999 - Present Coup and Instability	1 (1990)
<b>Mali</b>	1960-1991 Dictatorship 1991 Coup 1991-2002 KONARE 2002-Present TOURE	15 (1991-2005)
<b>Niger</b>	1960-1991 Military Rule 1991-1996 Transition 1996-1999 Coup 1999-Present TANDJA	6 (1991-1996) 7 (1999-2005)
<b>Senegal</b>	1960-1968 SENGHOR 1968-1978 SENGHOR 1978-1983 SENGHOR 1983- 2000 DIOUF 2000-Present WADE	28 (1978-2005)
<b>Togo</b>	1960-1963 OLYMPIO 1963- 1967 GRUNITSKY 1967-2005 EYADEMA 2005- Present GNASSINGBE	3 (1991-1993)
<b>Average</b>		<b>12 years</b>

Source: African Elections Database, calculations by author.

<sup>13</sup> Through December 2007.

FIGURE 3 – FREELY-ELECTED LEADERSHIP



Source: African Elections Database.

We find again that the transition period from the Cold War to the Post-Cold War eras represents a major shift in the political economy of West Africa. The number of countries with freely-elected leadership jumped from a minority to a majority just two years after the fall of the Berlin Wall. During the Cold War only Senegal remained consistently democratic while through 2005 only Cote d'Ivoire and Togo remained undemocratic. The democratic regimes remained in place after the Cold War despite (or because of) the decreasing aid levels, while with increasing aid during the Cold War the WAMU countries remained without freely-elected leadership.<sup>14</sup>

<sup>13</sup> It should be noted that correlation does not necessarily mean causation where aid monies are concerned. For example, Bourguignon & Sunberg (2007) write, "The empirical literature on aid effectiveness has yielded unclear and ambiguous results. This is not surprising given the heterogeneity of aid motives, the limitations of the tools of analysis, and the complex causality chain linking external aid to final outcomes," p. 316.

## CONCLUSION

In this short paper we have not attempted to assign nor prove causality from exogenous events to events within the seven countries of the West Africa Monetary Union (WAMU), but instead have given an analytical narrative of aid and liberty in West Africa during and after the Cold War. The improvement in liberties and democratic status after the Cold War's end is unmistakable. A vast majority of West Africans who live in nations which after French colonialism became members of WAMU in 1960 had to wait until the end of the Cold War in 1989-1990 to experience the improved civil and political liberties which can arrive with democracy. This, despite (or because of) the fact that more than \$5 billion in aid was given to the region between 1975 and 1989 and at increasingly larger percentages of the local economy year-to-year during the Cold War period.

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