ECONOMIC DEVELOPMENT THROUGH AID OR INTERNATIONAL TRADE

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Abstract: *Economic development is the supreme goal of modern civilization. This phenomenon is seen not just in terms of growth, but rather as an overall improvement in living standards. Economic development is a national goal, but also an objective of international economic bodies. Talks about development are held in the context of the opposition between developed countries and developing countries. In this article, we discuss whether development aid that originates from industrialized states supports sustainable economic rise of the countries lagging behind and whether it is preferable to let market operate freely, through the liberalization of international trade. Our conclusion is that economic development through the promotion of free trade would be achieved faster and more efficiently, based on net gains from trade and the pride of the peoples who would have won by themselves their daily bread and a place in the global market.*

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1. ECONOMIC DEVELOPMENT - THE ULTIMATE GOAL OF NATIONS

> *"The purpose of true economic knowledge is not wealth, one of the golden calves that mankind has worshiped too much, but the total, miraculous man, so little understood, and the Good that he need to serve, as a way of relating to the Being."* (Brăilean, 2001)

On the basis of this belief, enrichment is no longer purely invoqued when referring to a better life; instead talks go about a multidimensional concept – development. Development therefore involves the rise of the entire social, economic, political, cultural system - pieces of a puzzle whose image would be distorted in the absence of one of them. For development to achieve such a goal, it should be seen as "the ensemble of all changes in mental structures and social behaviors that increase the actual global product and which transforms private developments in generalized social progress." (Guillaumont, 2003 in Pohoață).

We refer to development as the capacity of a national economy to generate and sustain the annual growth of macroeconomic indexes.

For a formal definition of the concept, however, we can make appeal to the economic dictionary, which presents economic development as a "manifestation of macroeconomic dynamics, which involves, in addition to the economic growth of nations, a set of quantitative, structural and qualitative changes both in the economy as well as in scientific research and manufacturing technology, in the mechanisms and organizational and functional structures of the economy, in people's thinking and behavior." (Carcota and Carcota, 2004)

Therefore, economic development involves the improvement of living standards, which means that "people are eating better, are taking better care of themselves and are gaining a better knowledge." (Perroux in Pohoață, 2003)

Similarly with Fr. Perroux, Leszek Balcerowicz talks about development as representing "the systematic, sustained, and mass centered improvement of the material conditions of life, i.e. the conditions in the consumer's sphere: food, clothing, housing, provision of housing, transportation, communications, access to services, etc.. This type of common approach is appropriate because it correctly expresses people's expectations, as consumers, from the part of the economy." (Balcerowicz, 1998)

Finally, economic development is emerging as the desire of all nations, the key to a better, prosperous and peaceful life.

From a developmentalist perspective, the world is now talking about developed countries, developing countries, least developed or underdeveloped countries. Consequently, there would be no development without underdevelopment.

We have, therefore, the image of the diptych formed by those two extremes. Specifically, according to the United Nations' (UN) classifications, in the first category there are the United States of America (USA), Western Europe, Canada, Australia, Japan and South Africa. The second group is represented by more than 50 countries, mainly African. The latter are categorized as underdeveloped or belonging to the 4th World in terms of three criteria cited by the UN: low per capita income compared to the developed countries (i.e. the annual GDP per capita below USD 750), the criterion of "weakness" of human resources and economic vulnerability. This lattermost criterion is reflected by the instability of agricultural production, that of exports of goods and services, economic importance of non-traditional sectors in the economy and economic underdevelopment disability.

Because there are discrepancies in living standards between developed and underdeveloped countries, NGOs spotlight and policies are focused on the poorest countries. Major economic powers, U.S. and EU in particular, are racing to adopt political programs for the economic development of the most backward regions of the world.

2. THE NORTH IN TEARS

"Come, fix upon me that accusing eye. I thirst for accusation." (William Bulter Yeats in Bauer, 1981)

Yeats's words can be considered to illustrate the attitude of the developed countries towards the underdeveloped nations. The assumed blame for the poverty that millions of people suffer at this hour is illustrated in the backward countries' development policies fever. Partly leaving the territory of economic logics, the economic North gave itself up to the mercy for those unfortunate, considering itself guilty for being the cause of a profound disability. One of the advocates of this guilt of the rich for the poverty of Africa, Professor Peter Townsend, points out in his book "The Concept of Poverty" that the wealth of some is historically and contemporary linked to the poverty of others. "This system functioned in a cruel manner during the colonial rule, and continues to operate today, albeit more subtly through trade, education, political relations, military alliances and industrial corporations." (Townsend in Bauer, 1981)

In the same vein, in 1972, a report by Oxfam showed: "*Coffee is grown in poor developing countries like Brazil, Colombia and Uganda. But that does not stop rich countries like Britain exploiting their economic weakness by paying as little for their raw coffee as we can get away with. On top of this, we keep charging more and more for the manufactured goods they need to buy from us. So? We get richer at their expense. Business is business.*"

We see therefore that for years, the industrialized world has been filled with exuberant sensibility, drowning in tears and hyperbolizing its own responsibility for the precarious situation of people living in the so-called 4th World. Concentrating rather on self-blame than on improving the actual situation of the under-developed countries, the North continues to be indebted to its own ideology that considers economic disparities abnormal and unfair, as well as being a reflexion of exploitation.

3. THE ECONOMIC NANNY

"Official aid is more likely to retard development than to promote it." (Peter Thomas Bauer)

Consequently, opposing a motivating competitive position, major economic powers were turned into "nannies" of the poor. And to obtain world forgiveness for the mystified abuses begun in the colonial era, they almost replace the wretched in their development process.

And the most obvious way to wash away the sins and satisfying the public has resulted to be the allocation of financial aid for development. Different from humanitarian aid and, along with it, part of the global foreign aid, development aid took over time especially the form of donations.

World's main donors are the U.S. and EU, project implementation mechanisms and donations being accomplished through bilateral government agencies such as USAID or multilateral bodies like the World Bank or charities such as Oxfam. The total annual amounts allocated have varied between 50 and 60 billion dollars, reaching $ 100 billion in 2005. Related to recipients of foreign aid for development, the principal amount took the road for Africa.

The problem arising now, however, is: what are the benefits of the billions of U.S. dollars pumped in these countries? Are they able to provide a decent living for their citizens and to compete independently on the world economic scene? Supporters of development aid inefficiency hypothesis have made their voices heard since the '60s, when Peter Bauer and Milton Friedman argued that this aid can only hinder the economic development of poor countries. Moreover, we can mention a number of negative effects such as artificial and exaggerated assessment of the national currency due to currency inflation, leading to eventual exports uncompetitivity, increased corruption, delay of economic reforms and the dissolution of foreign capital. For this last point, illustrating the case of countries in South-East Asia, although they recorded a growth of 8%, went into a deep financial crisis boosted by the capital investment in unproductive projects in the context of corrupt governments and poor banking systems. We are talking here about the main form of development aid: the official or governmental one. This form tends to serve the powerful interest and mafia groups, the aid rarely getting to help the families of farmers and craftsmen, which could boost domestic production. Inefficiency is also highlighted in the results. Although efforts have been made for decades and specific development goals have been imposed (Millennium Development Goals - MDGs) for Africa, for example, these objectives remain only in the written project plan. Although progress has been made throughout, even the well-governed African countries have failed to eliminate extreme poverty in its varying forms. The proportion of people living on less than $ 1 a day dropped, but not enough to achieve the target. For instance, the percentage of 49.5% in 1999 has only dropped to 41.1%. Furthermore, from 1990 to 2005, the percentage of underweight children below five years declined by only 4%, from 33% to 29%.

In conclusion, the U.S. and EU guilt mainly distinguishes itself by theatricality.

4. TRADE – NATURAL AID

"Here is what we know: all people are created equal. Given the tools and incentives for success, they will succeed, no matter who they are or where they live." (Paul O'Neil, former US Treasury Secretary)

Interpreting the above quotation, we conclude, for the commercial sector, that the context on militating in favor of trade liberalization and the development of a free market, under-developed countries should have full rights and freedoms to compete in world market without being held by the hands like younger and incompetent brothers.

Appealing to the economic theory of international trade, we retain the essence: a closed economy produces as much as it consumes, based solely on available resources, while an open economy can produce and consume more using the same amount of resources, due to international specialization and exchange. Earnings are based on two types of international trade gains: gain from commercial arbitration and international specialization.

History supports these theoretical assertions. Thus, the attitude of the North is unproductive. There was no advantage taken from African resources, but we have cooperated with them about business, giving them through trade, economic freedom and development premises. Years ago, for example, when Ghana was a prosperous country, the national welfare was due to massive cocoa exports to developed countries. Moreover, internally, cocoa farmers' category was the most prosperous, while subsistence producers were the poorest.

And examples may go on, at the end one obvious conclusion remaining: the current North is the main agent for economic progress in terms of a trading partner. The richest countries of the 4th or 3rd World have had or continue to have intensive and extensive trade contacts with developed countries. Poorest nations are technologically backward and without external business contacts, but are instead financed by external aid for development.

NG Roegen showed that economic process is not governed by the first law of thermodynamics - "nothing is lost, nothing is created, everything is transformed", but the second law -

“continuously available energy is converted into unavailable energy until it disappears completely”. (Philip, 2009)

By analogy with physics, the relevance of the second law of thermodynamics is highlighted in the discussion on foreign aid for development. Excessive pumping of capital, because of guilt and following the logic imposed by developers, without considering the social characteristics of the beneficiaries determines that capital investment "melts" in unproductive activities and available productive national energy dissipates.

Economically and socially healthy alternatives to achieve general long term and self regenerating welfare would be: focusing foreign aid on the individual as a social actor and on the entrepreneur as economic developer; by treating under-developed countries as equals - trading partners with similar goals and dignities. Uganda's President Museveni stressed for The Guardian in 2003, *Africa needs development assistance as much as it needs to be free from the burden of international debt. But aid and debt issues may not go further. We request the opportunity to compete, to sell our products on the western markets. In short, we want to buy ourselves out of poverty.*

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