Rethinking Development Assistance
the implications of social citizenship in a global economy

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The emerging model for development assistance in the coming decades is based on supporting the full integration of developing countries into the global economy by correcting for failures in product and factor capital markets. 'Aid' as such would be confined to humanitarian emergencies and activities with large international externalities. However, without free labour movement, the logical implication of this approach is that citizenship itself becomes an economic asset. This model contrasts sharply with the notion of development assistance based on resource transfers to the most vulnerable countries or social groups as a form of 'social entitlement' in a global market. Such minimal entitlements can be derived from accepted principles of the theory of justice and are implied by international law. However, this model of global social citizenship would also logically imply a corresponding system of international taxation. Despite the dominance of the first model, some trends in the international political economy may favour the second.

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1. Introduction: the Motivations for Development Assistance

While private charitable initiatives across frontiers are at least two millennia old, and public support of client states is probably even older, 'development assistance' in the institutional form with which we are familiar is barely half a century old. It is not surprising therefore that the end of the Cold War has seen a profound reconsideration of the role of development assistance; due in part to doubts about 'aid effectiveness'[1] but mainly to changing geostrategic priorities, fiscal pressure in donor countries from their own welfare commitments, and the shift in perception as to the relative merits of public action and private initiative.

The Development Assistance Committee of the OECD, which officially represents the views of donor governments and coordinates their aid efforts, gives three principal motivations for such assistance in the next century[2]:

> 'the first motive is *fundamentally humanitarian.* Support for development is a compassionate response to the extreme poverty and human suffering that still afflict one-fifth of the world's population. (They) ... lack access to clean water and adequate health facilities ... sufficient nourishment to live a productive life ... basic literacy or numeracy skills. The moral imperative of support for development is self-evident';
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> 'the second motive ... is *enlightened self interest.* ... Increased prosperity in the developing countries demonstrably expands markets for the goods and services of the industrialised countries. Increased human security reduces pressure for migration .... Political stability and social cohesion diminish the risks of war, terrorism and crime that invariably spill over to other countries';
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> 'the third motive is *the solidarity of all people with one another.* ... one way that people from all nations can work together to address common problems ... Sustainable

[1] Although there are clearly serious problems of aid effectiveness (lack of donor coordination, failure to support local institutions, local corruption, perverse macroeconomic consequences, insufficient government commitment to agreed programmes, inappropriate conditionality etc.), these are not the topic of this paper. For a balanced discussion, see Cassen & Associates (1994).

[2] DAC (1996a, p. 6).

development expands the community of interests and values necessary to manage ... environmental protection, limiting population growth, nuclear non-proliferation, control of illicit drugs, combatting epidemic diseases'

Despite this 'moral imperative', the stagnation in official development assistance (ODA)[3] seems intractable: the net real flow has fluctuated around US$ 50 billion a year in 1993 over the past ten years. Meanwhile the 'burden sharing ratio' has declined: ODA declined from 0.34 percent of GDP among DAC members in 1983-4 to 0.30 per cent in 1993-94. Within this flow, there have been a number of significant changes since the mid-1980s. The proportion of development assistance channelled through multilateral institutions has risen from a quarter to a third; Japan has emerged as the major bilateral donor, and with EU members now accounts for three-quarters of all ODA; and an increasing share is allocated towards the least-developed countries and to humanitarian emergencies. Further, non-governmental organizations (NGOs) have taken a growing role in the delivery of assistance - particularly in conditions of extreme poverty and conflict situations. Last but not least, official development finance has declined from two-thirds to one-third of total net resource flows to developing countries, due to the extraordinary expansion of private investment flows towards 'emerging markets'. ODA remains, none the less, crucial to the low-income countries, accounting for as much as 11 percent of GDP in the case of Sub-Saharan Africa.

The emergence of an integrated 'global' economy clearly presents a profound problem for the form and organization of development assistance. On the one hand, a single world market for capital and commodities presents new opportunities for the dynamic developing countries to modernize their economies on the basis of foreign financial resources, technology transfer and access to vast consumer markets[4]. From this point of view, the task of aid agencies should be to help poor countries take advantage of these opportunities, and to ensure that the emerging institutions of global governance such as the WTO ensure equitable treatment to all participants in the global market. Aid should also support public action to tackle global cross-border externalities such as environmental degradation or the drugs trade. These efforts to underpin a global market correspond to the second and third of the three motivations as defined by the DAC mentioned above.

[3] All data in this paragraph is drawn from DAC (1996b); see also Table 2 below.

On the other hand, the poorest countries and vulnerable groups which do not possess the resources to compete effectively have become more vulnerable to exogenous shocks and fall further behind in the race for technological competence[5]. From this point of view, aid agencies should become part of an international social safety net which reflects not only the global ethical responsibilities of the rich for the poor, but also the claim of the poor upon the rich as members of the same global community. This corresponds to the first of the three DAC motivations, but the international institutions which reflect this claim do not have a clear place in global economic governance.

In this paper I address these two very different models of development assistance from the viewpoint of the problematic nature of citizenship within a global economy without a global state. First, I explore the model of aid derived from the notion of 'incomplete global markets'. This appears to be the logic of the approach espoused by the World Bank and the International Monetary Fund, where the central role of development assistance would be to support the full integration of developing countries into the global economy by correcting for failures in product and capital markets. I shall also argue that because free migration - and thus truly global labour markets - are not part of this model, the logical implication is that citizenship itself becomes an exclusive form of property and thus an economic asset. Second, I shall discuss an alternative model of aid based on 'global entitlements'. The right to the satisfaction of certain universal entitlements to livelihood is contained in core UN agreements between governments as well as in international law. The central role of development assistance would be to ensure the provision of minimum levels of health, education and nutrition to be reflected in specific poverty and life expectancy targets. I shall also argue that the recognition of this claim logically implies a concept of global social citizenship, and thus by extension a system of international taxation to support it. The paper concludes with a brief discussion of the ways in which changes in the global political economy may affect the way in which development assistance evolves in the future.

2. The 'Incomplete Markets' Model for Aid: Development Assistance as a Correction for Market Failure

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[4] World Bank (1995).
[5] UNRISD (1995).

The ‘developing countries’, now joined by ‘transition economies’, are now central to the world economy as well as containing the greater part of the world population. As Table 1 indicates, the ‘rest of the world’ other than the industrial countries now account for nearly half of global production and more than half of global investment, even though their share of world trade is somewhat less. Capital flows to the ‘rest of the world’ from the industrial countries now exceed US$ 150 billions a year as international capital markets have been privatized and integrated worldwide; although as they only represent 5 percent of fixed investment, local savings still provide the main source of development finance. Indeed, the greater part of resource transfers from the developed to the developing countries now takes non-official ‘private’ forms - as Table 2 indicates. What is more, the observed rates of interest paid by developing countries on their debt does not differ significantly from the higher levels paid by public borrowers within the OECD itself[6].

So is official development assistance needed at all? In principle, all the tasks carried out by aid could be done by the private sector. Finance for economic and social infrastructure projects could be provided by international equity or bond markets; balance of payments support could be provided by commercial banks; and LDC governments could borrow to fund welfare expenditure even in emergencies - just as developed counties do. Technical assistance could be provided by consultancy firms; and in the last resort the poorest could be supported by international charities. None the less, capital flows to low-income countries mainly take the form of official flows (‘aid’), which allow a current account deficit in the balance of payments to be maintained, and investment rates to be kept higher than saving rates. These flows represent almost 5 percent of the income of official borrowers (see Table 1), and thus one quarter of their investment levels. However, these aid flows represent as little as 0.2 percent of world income, and thus less than 1 percent of global saving; or approximately 0.4 percent of industrial countries’ income and 2 percent of their saving.

The need for aid in this model arises because there is ‘market failure’ in the strict sense of their existing a wide range of activities in developing countries which are economically profitable but which the private sector (domestic or foreign) is unable or unwilling to finance because the external

[6] Data in IMF (1996) suggests that the rate of interest effectively paid on debt (defined as debt service divided by debt outstanding) during 1993-5 in Africa was 12 percent, which refers mainly to official debts; while the average for all developing ‘countries with debt service difficulties’ as a whole was 11 percent - not significantly different from the yield on government debt in Southern Europe.

benefits cannot be captured by the investor or because of the risks involved. Further, there exist a range of social services - such as health and education - that have an positive return to the economy as a whole in the long run, but which governments cannot fund due to fiscal constraints. In other words, official development assistance is seen as complementary to - rather than a substitute for - private investment. We can identify five causes of market failure in this sense:

first, *asymmetric information*, where private investors do not have sufficient information about profitable projects, but where an international body can act as an effective intermediary due to its analytical capabilities, or by increasing the information available, reduce the cost to investors;

second, *economies of scale, scope and learning* where the scale of the investment required or the time-scale involved is to great for individual foreign investors, so again an international public body can act as an effective financial intermediary by relying on the long-term borrowing capacity of member governments;

third, *significant externalities* occur where the economic benefits of (say) education and health provision would not accrue to the individual investor, although they clearly increase profits of investors as a whole in terms of future production costs, market expansion and technological innovation;

fourth, *agency problems*, where there exist serious risks of non-performance by debtors or macroeconomic instability which reduce asset values, and where an international agency can reduce this risk through policy conditionality and policing of ‘free-riding’, and in the last resort control outbreaks of violence which threaten global markets as a whole;

fifth, *coordination failure*, where joint action by public or private agents would be to the benefit of all - typically in the spheres such as environmental maintenance, financial regulation, crime prevention or disease control - but where an individual agent cannot ensure such joint action, and may benefit more from individualistic behaviour.

These problems are of course systemic to all markets (particularly financial markets) but are particularly strong in international capital markets. Development cooperation under these circumstances would in effect be designed to overcome market failure; and thus to the extent that markets work better can be gradually reduced. In consequence the status of countries as eligible for of aid would be based on incomplete market access rather than a particular level of per capita income. It would thus be possible to both 'graduate' most middle-income countries and even some of the larger low-income countries from eligibility, *and* retain the possibility of temporary access in emergency situations when market access is interrupted.

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The justification of aid in this model would be that by making international markets work more efficiently, the welfare of both donors *and* recipients is increased. Donor countries get a higher return on investment because risks are reduced; while the level of investment and growth in recipient countries is also raised. In terms of political theory, this approach would correspond to the liberal arguments for residual state involvement in economic and social affairs within a single sovereign jurisdiction. It would be quite distinct from the traditional utilitarian argument for aid as the redistribution of income in order to increase global welfare on the basis that the marginal utility of income for donors is less than that of recipients, because the per capita income of the former is higher than that of the latter. In terms of moral philosophy, this approach to aid would thus appear to correspond to commutative ('horizontal') equity and thus ultimately to a sense of 'fairness' as the basis for a liberal theory of justice[7].

Examples of this picture of aid are not difficult to find, and are clearly representative of a strengthening trend. The role of the IMF in policy-conditioned balance of payments lending to developing countries is well established, and the recent loans to Mexico[8] underline the bailing-out of private investors from rich countries. The World Bank increasingly sees its role as supportive of private investment, and would wish to expand the activities of the International Finance Corporation. The Asian Development Bank emphasises its role as underpinning large

[7] Rawls (1972).

[8] The US$50bn support operation in 1995 was almost as large as total ODA recorded by the DAC for that year.

infrastructure projects where private funding predominates. The privatization of utilities and charging systems for health and education are actively supported by the Inter-American Development Bank. Most OECD members provide some sort of export and investment risk insurance for foreign investors in developing countries. The Club of Paris attempts to write off old debts in order to restore the credit-worthiness of the least-developed countries.

The gradual process of reform of international trading arrangements - particularly the WTO - can be read in much the same manner. The gradual dismantling of import barriers by industrial countries is intended to benefit developing country exporters as well as developed country consumers, and should increase production efficiency on both sides. Similar arguments have been made for commodity stabilization schemes of various kinds, which reduce risk and increase the welfare of both producers and consumers. The rather more controversial proposals for the inclusion of labour standards in future global trading arrangements are explicitly seen by their proponents[9] as a means of helping the poor within developing countries, defending them from their own governments and entrepreneurs, in the name of horizontal equity. The justification of similar trade measures for environmental protection, in contrast, could be expressed in terms of the externalities arising from private investment and would thus justify public action in the way discussed above.

At first sight, this argument might seem to exclude humanitarian emergencies or situations of extreme poverty. None the less, the logic of market failure might be extended to these cases too. Emergency relief can be seen as a consumption loan over the life cycle until recipients can become self-supporting (on a parallel with 'workfare'); or as the cost of maintaining security in a particular region so that economic institutions do not break down in a wider area. None the less, it is clear that this model of aid is more appropriate to middle-income developing countries where the private sector (ranging from large oligopolistic corporations to small farmers and artisans) is strong enough to take advantage of international markets with adequate support.

However, a more general problem with this approach derives from the so-called 'Pareto conditions' for a free-market equilibrium to lead to welfare maximization. It can be shown that once various sources of market failure such as those discussed above have been overcome, a perfectly free

[9] The motives of some of the supporters of these proposals - such as labour-intensive industries in

market in equilibrium maximizes welfare for a given prior distribution of assets - whether financial wealth or human capital - by equating the marginal utility of consumers with the marginal cost of production in all markets. However, there is a distinct equilibrium for each such prior distribution of assets, and no reason to believe that over time the market will lead to that distribution changing in a welfare-enhancing manner.

For the poor in developing countries people one of the key characteristics of this prior distribution is precisely their location in those countries - in other words their citizenship. The emerging global economy evidently implies integrated and minimally regulated international markets for goods and capital - but not for labour. The traditional economists' response to this problem is based on the Stolper-Samuelson theorem. The potential economic benefits of migration in terms of increased employment and higher wages can be achieved just as well by labour-intensive exports and international investment in developing countries. In other words, free markets and capital mobility substitutes for labour mobility. There is thus no need to liberalize international labour markets. However, it is clear that people in developed and developing countries do not share this view - because the former are continually trying to migrate and the latter to prevent them from doing so. Indeed one of the major justifications for European Union aid to its poorer neighbours is to raise the level of employment there in order to reduce the pressure for illegal immigration.

In effect citizenship[10] is the single most important asset most people possess in developed countries: it is a better explanator of income differences between their incomes and those of people in developing countries than skills or labour productivity. In this sense citizenship represents a claim on the accumulated social capital of the relevant country - including its power in international economic arrangements. In the specific case of the poor, of course, citizenship represents a claim on welfare payments which, discounted to the present, can be understood as a capital sum.

At firt sight it might seem that citizenship cannot be properly considered as an economic asset as it has no market. However, there is an implicit market in citizenship in the sense that many developed countries - and small developing countries hoping to attain status as financial centres - confer work permits and eventual citizenship on highly skilled persons, or if they are substantial investors. Admittedly such citizenship is inalienable, but it can often be conferred on spouses and usually on

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developed countries - may be suspect, but this does not detract from the merits of the original proposal.

children. Moreover, many forms of property (particularly land) are restricted in their sale and may, for instance, revert to the state if the owner no longer uses them - as in a sense happens when a citizen dies.

A recent libertarian proposal in the tradition of von Hayek - which would in effect formalize the >purchase= of social citizenship - is that immigration should be permitted if the applicant can provide sufficient capital so the net per capita wealth of the host country is not reduced[11]. This is rather more consistent with actual practice, as well as with the tenets of neoclassical trade theory, although it poses the obvious problem that the remaining population in country of origin will then have a *lower* per capita wealth and presumably a net welfare loss.

In sum, one of the major difficulties inherent in the emerging global economy - and by extension of the market-failure approach to aid - is the effective prohibition on international labour mobility which, as we have seen, makes citizenship an economic asset. Justification of aid in terms of horizontal equity (or commutative justice) do not really meet the requirements of the liberal political theory. The contractarian approach to economic justice proposed by Rawls involves the application of a test based on the 'veil of ignorance' in order to assess the fairness of a particular set of institutional arrangements[12]. In this case, the appropriate test would presumably be whether a rational person would be willing to be born into the world irrespective of her citizenship. Clearly the answer is negative - in which case it would appear that the present arrangements can be properly judged as being unjust[13].

3. **The 'Human Entitlement' Model for Aid: Development Assistance as Global Social Citizenship**

Consideration of 'vertical equity' as a model for aid, as opposed to the 'horizontal equity' in the

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[10] I use the term in preference to 'nationality' because one state can contain many nationalities.

[11] "Free immigration for people who can prove to be self-reliant (privately insured for sickness and old age), not being a risk for the immigrant country's social security system" Giersch (1996, p. 4).

[12] Rawls (1972).

[13] Beitz (1979).

previous model, implies a quite different approach based on the entitlement of the poor or vulnerable to economic support on the grounds of a common humanity - recognizing their membership of a global moral community similar to that existing within a single country.

The ethical or moral basis for aid, despite the apparent status of the first 'DAC motivations' quoted above as a 'moral imperative', is not unambiguous. The argument for aid on grounds of humanity derives from the obligation to relieve human suffering when this can be done at little personal cost, which is a universal obligation in relation to all humans simply by virtue of our shared humanity; it is based on the Kantian proposition that the principle of respect for persons is a minimal condition for moral relations to exist at all[14]. This means that the moral foundations of aid are derived from the 'obligations of humanity (that) require resources to be transferred to the poor, irrespective of state or national boundaries. These obligations rest on individuals, though they may be satisfied through the agency of the state, and they require wealthy individuals to transfer sufficient resources to provide the poor with the means of survival'[15].

However, it is difficult to establish any clear ethical argument for aid beyond this basic 'human entitlement'[16]. The Aristotelian notion of redistributive justice is usually applied (as in the contractarian theory of Rawls) to individuals within an identifiable community. To apply it internationally poses two problems: first, whether the contractarian responsibility of individuals extends beyond state boundaries; and (b) whether states can properly be considered as moral agents in the international sphere[17]. It can be argued that even within the liberal scheme, principles of justice are relevant because international trade and investment activities produce substantial aggregate benefits, while participation is largely non-voluntary for poor countries[18]. Equally, it can be argued that these activities do not constitute a relevant scheme of cooperation at all - particularly or individuals upon whom moral obligations ultimately rest - as is evidenced by the nature of the international organizations that exist in practice[19].

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[14] Benn (1988).

[15] Opeskin (1996, p. 22). He effectively dismisses the 'consequentialist' argument against aid (that it is largely ineffective and may even do harm) by pointing out that this is a pressing moral argument for reforming ad institutions, not for refusing aid as such.

[16] In Sen's terminology, these would be 'social' entitlements in contrast to market-based entitlements based on income or wealth - see Sen & Dreze (1989, chapter 2).

[17] Opeskin (1996, pp. 28-30).

[18] Beitz (1979).

[19] Barry (1973).

Despite these philosophical ambiguities, there does appear to exist in fact a significant - and growing - obligation on states under international law to confer development assistance. Traditionally, international law has been concerned with the international rights and duties of states, however 'one of the most significant advances of international law has been the development of rules and principles governing the rights and obligations of individuals'- and in particular the rules of international law offering protection to individuals under the law of human rights[20]. This represents a significant departure from the positivist approach to international law based on custom and treaty, and 'in practice, the bulk of human rights law operates to prevent the state from causing 'harm' to its own nationals. This does not mean merely physical injury, but can encompass economic, social, legal or intellectual harassment'[21]. The source, of course, is the Universal Declaration of Human Rights adopted by the UN General Assembly in 1948. The effectiveness of these rights depends on the existence of mechanisms for implementation, which at present is mainly limited to 'first generation' civil and political rights that form the core of most human rights treaty regimes.

UN resolutions, from Chapters IX and X of the UN Charter itself through to the 1986 Declaration on the Right to Development, recognize the urgent need to deal with economic and social problems. Indeed, under international public law 'there is probably also a collective duty of member states to take responsible to create reasonable living standards both for their own peoples and for those of other states'[22]. However, these 'third generation' human rights are commonly assumed to be 'emerging' rather than an established part of international law as the first generation are - although the right to development has a prominent position in both literature and diplomacy, while the right to an adequate standard of living (otherwise the Right to Food) has received substantial recognition as a legal standard[23].

This recognition of international obligation clearly cannot be interpreted as reflecting 'global citizenship' in the full sense, because there does not exist anything approaching a 'global state'[24].

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[20] Hill (1994, p. 275); the other aspect is personal responsibility for pricacy, crimes against humanity etc.

[21] *op. cit.* pp. 276-7.

[22] Brownlie (1990, p. 259)

[23] Brownlie (1987).

[24] The UN General Assembly cannot really be considered as anything more than an intergovernmental association.

The original idea of 'civil' citizenship was one of equality before the law and active participation in classical society which clearly excluded foreigners as well as slaves and women. Even the universalist ideal, culminating in the French Revolution, established a 'political' citizenship based on the theory of consent which only extended to (male) members of a single nation. Moreover, the contractarian approach to citizenship explicitly rejects the communitarian notion of the 'common good' by which global public action can be justified. Indeed, it can be argued that this tension is inherent to capitalism as a social formation, where 'the tension between ...the egalitarian promise of citizenship and the inequalities of the market economy have surfaced and been negotiated is that of the welfare state'[25].

None the less, there is a sense in which the practice of both international public law and international development assistance - despite their evident shortcomings - can be interpreted as reflecting a degree of implicit recognition of 'global social citizenship' in terms of both rights and duties. Marshall's notion of social citizenship (also termed, interestingly, the 'citizenship of entitlement') conisists of 'the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in society'[26]. This is not, therefore, an argument from compassion, which focuses on the point of view of the donor as (global) citizen and where the recipients are not perceived as citizens with entitlements to benefits and rights of particiapation in decisions which affect them, but rather as beneficiaries of largesse. A depersonaised relationship based on entitlement is essential if recipients of social benefits are to be citizens rather than subjects[27]. Social citizenship also depersonalizes the function of giving, converting it from a voluntary act by a few 'good citizens' to a duty on the part of all citizens who can afford to do so to pay tax so that the needs of the body of the citizenry are met as of right.

The global fiscal revenue required to meet even a minimal obligation to render humanitarian development assistance is much greater than the present level of aid. If we adopt as a minimal income requirement the World Bank's standard of US$1 per diem, then 1.3 billion people currently fall below this standard[28]. The annual transfer of income required to bring this one-fifth of the world's population up to the minimal level would be approximately US$250 billion per annum,

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[25] Riley 192, p. 187).
[26] Marshall (1950, p. 11).
[27] Oliver & Heater (1994).

more than four times the current level of development assistance[29]. In terms of material objectives, the DAC has accepted the following specific targets for all developing countries by 2015[30]: (i) reduction by one half of the proportion of people living in poverty; (ii) universal primary education; (iii) a reduction of infant mortality by two-thirds and maternal mortality by three-fourths; (iv) universal access to primary health care and family planning methods; and (v) reversal of current trends in the loss of environmental resources. These have not been costed, and would involve more domestic than external resources, but can be assumed to raise the presumptive resource requirement to at least 2 percent of the GDP of the industrial countries - even if all other aid objectives were abandoned[31].

Social citizenship implies not only entitlements to welfare payments, but also the obligation of better-off citizens to pay tax in order to finance them if the system is to be something more than social insurance - which would merely be an extension of the first model of aid. Such taxation is implicit in the existing funding of ODA out of tax revenue. A global progressive income or wealth tax in addition to existing taxation would be the ideal theoretical solution, but is hardly practicable[32]. An alternative approach would be base such a tax on ‘global’ activities, specifically on the income derived from transactions arising from the process of globalization itself. One possibility is a duty on international airline tickets[33], as this would be relatively easy to collect (through IATA) and fall on the better-off. Another is the so-called ‘Tobin tax’ on short-term capital flows[34], although this would be extremely difficult to administer.

The political legitimation of such a tax would also require a system of distribution of development assistance that effectively reached the poor, and thus an even greater degree of aid conditionality than is the case at present. This might seem to involve a considerable reduction of sovereignty by

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[28] OECD (1996a, p. 6).

[29] This is conservative estimate, based on the assumption that this group is evenly distributed about the mean (ie $0.5 per diem) and that the transfer will be completely efficient (ie no administrative cost) so that the mean is raised to $1.

[30] DAC (1996a, pp. 9-11).

[31] At present, only 15 percent of ODA is allocated to health and education, and of this only a small proportion goes primary provision - see Table 2.

[32] Whether existing aid funding is progressive in the distributive sense depends upon what the marginal source of fiscal income for aid donors is considered to be. At the margin, OECD countries under public sector borrowing constraints and reluctant to increase tax rates might well reduce their own social expenditure - which is hardly a desireable outcome!

[33] Originally proposed in order to finance the UN itself, which has inevitably made it somewhat unattractive.

[34] Originally proposed in order to reduce capital account and exchange rate volatility, although it would not in fact have any appreciable effect on speculation at feasible rates.

recipient states, but there are two reasons for believing that this would not be the case. First, the identification of specific targets in terms of (say) primary health and education services would allow a contractual relationship to be worked out in a way similar to that which exists between central and local government in federal states (eg the USA or Germany) or within the European Union. Second, the recognition of universal rights and obligations would radically change the present asysmetric relationship between aid 'donors' and aid 'recipients' in much the same way that the replacement of charity by welfare systems did in Western Europe.

4. **Conclusion: Development Assistance and International Political Economy**

In this paper I have discussed two conceptual approaches the future of development assistance in a global economy. The first is based on an apparently contractarian approach which emphasises the role of aid in overcoming international market failure and thus ensuring horizontal equity. None the less, the logic of this argument seems to lead to citizenship of a developed state becoming a significant economic asset, and the resulting situation clearly fails the standard test for 'fairness' as the basis for a liberal theory of justice. The second is based on a more communitarian notion of social citizenship on a global scale, which emphasises the role of aid in guaranteeing the livelihood for all human beings on the basis of recognition of their humanity, and thus ensuring a minimum of vertical equity. However, this argument seems to lead to financial obligations on the part of developed countries which can only be supported by an implicit or explicit system of global taxation and some international system to supervise expenditure.

The two models are not entirely antithetical, if only because in an ideal world both vertical and horizontal equity would be attained. Indeed they might be though of as complementary to the extent that the minimal provisions of international social citizenship would make the residual inequalities arising from individual state citizenship easier to justify. In practice, moreover, there is a clear tendency at present for the horizontal equity model to be used in relationships with middle-income developing countries (eg. Latin America) and the vertical equity one in relation to low-income countries (eg Africa). None the less, this may be a false distinction. On the one hand, any entitlements derived from global social citizenship must be universal, they cannot be confined to a particular (albeit poor) group without becoming a modern form of charity. On the other hand, low-income countries are as much in need of effective integration into world markets as any other, and probably more so as much of their problems stem from vulnerability to fluctuations in commodity prices.

In practice, there is every reason to believe fiscal constraints and changing geostrategic priorities will continue to constrain the absolute level of development assistance. Despite the decline in North American aid commitments, the US appears to maintain a high degree of doctrinal hegemony in international economic institutions; in contrast, Japan and the European Union - who are now the major aid donors - do not appear to have developed a clear strategy for global economic governance. Under these circumstances, even to maintain the present level of aid flows in real terms might even be considered optimistic, although this would imply a steady decline in the 'burden sharing ratio' to 0.15 percent by 2020. In sum, it would appear likely that the emerging system of global governance will privilege the international finance and trade institutions committed to the first 'horizontal equity' model discussed in this paper, despite its implications for citizenship.

None the less, there is some evidence that changes in the international political economy which respond to distinct institutional forces may eventually tip the balance back towards the second model:

first, the multilateralization of global economic governance means that systems of intervention have to based on rules rather than the discretion of hegemonic powers, as the consolidation of the WTO shows; in consequence, poor countries have a greater opportunity to press for the rationalization of development assistance;

second, the recent experience of humanitarian interventions is undoubtedly based on concerns for geopolitical stability, but the explicit recognition of the rights of vulnerable groups that this involves, independently of the position of states, is creating a precedent for global social citizenship - that is, a humanitarian entitlement to aid;

third, the emergence of the EU as a regional politico-economic grouping which can enforce social provisions appears involves for the first time the creation of trans-state social citizenship; while the gradual international harmonization of taxation provides the possibility that expenditure provisions might also be standardized.

Moreover, the treatment of commercial concerns in international law is developing rather more rapidly than those of poverty. Generally, when an individual or company enters into a contract with a state, that contract is governed by the municipal law of one of the parties, usually the state. This parallels the practice with contracts between firms from different countries, where the municipal jurisdiction of one of the contracting parties - or a third location such as New York - is chosen[35]. None the less, there is a growing tendency for contractual relations between a foreign national and a state to give rise to international responsibility for that state - and thus require international arbitration. Similarly, the gradual adoption of the 1964 International Convention for the Settlement of Investment Disputes provides a formal mechanism for the settlement of investment disputes between contracting states and nationals of contracting states, subject to prior consent - bringing a large measure of stability and certainty to foreign investment matters[36].

These arrangements, of course, correspond to the global effort to improve horizontal equity and reduce market failure in the first model discussed above. None the less, they may have positive implications for the development of global social citizenship. In particular, an increasing proportion of the expatriate employees of multinational firms either are not citizens of an internationally powerful state even if the mother company is registered there, or are employed by a multinational firm originating in a developing country. In either case, there is no clear means of guaranteeing the civil rights of such employees unless some kind of implicit universal citizenship is implicitly recognized. What is more, the growth of non-governmental organizations (as opposed to inter-governmental bodies) has lead to their acceptance as bearers of rights and duties under international law[37] even though the status of their employees - particularly those of the smaller aid agencies - overseas remains unclear. Both these trends should reinforce the pressure for effective enforcement of ‘first generation’ rights on a global basis for temporary residents, which in turn would support the case for global social citizenship in a wider sense - and thus for the redefinition of development assistance.

In an ideal world, a global entitlement to development assistance based on a concept of global

[35] Hill (1994).
[36] Dixon (1993).
[37] Detter (1994, p. 125)

citizenship should be supervised by the United Nations itself, possibly through a 'social and economic security council'[38]. As there is little prospect of this in the foreseeable future, it may well be better in practice to secure the inclusion of such entitlements in the emerging governance institutions of the global economy itself such as the WTO and the other eventual successors to the Bretton Woods Institutions[39].

[38] Mahbub ul Haq (1996).
[39] FitzGerald (1996).

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Table 1: The Structure of Global Capital Accumulation, 1994

	No.	% world gdp	%world exports	% world saving	% world invest.	S/Y	I/Y	(S-I)/Y
World	183	100.0	100.0	100.0	100.0	23.1	23.7	-0.6
Indust. Econ.	23	54.6	70.2	47.0	45.8	19.9	20.0	-0.1
USA	1	21.2	13.2	14.3	14.0	15.6	17.4	-1.8
Japan	1	8.4	8.4	11.5	11.2	31.7	28.8	2.9
EU	15	21.1	40.4	20.1	19.6	22.0	19.0	3.0
Rest of World	160	45.4	29.8	53.0	54.2	26.6	27.9	-1.3
Net Creditors	7	2.1	3.9	1.9	2.0	20.8	22.2	-1.4
Net Debtors	125	38.0	22.2	46.6	47.4	28.0	29.2	-1.2
Mkt Borr	23	23.0	16.5	33.5	33.2	33.3	33.8	-0.5
Div Borr	33	10.3	4.0	10.0	10.3	n.a.	n.a	n.a.
Off Borr	69	4.8	1.7	3.0	3.9	14.4	18.9	-4.5
Transition Ec	28	5.3	3.7	4.4	4.5	19.0	20.0	-1.0
Dev Countries	132	40.1	26.1	48.5	49.5	27.6	28.9	-1.3
Africa	50	3.3	1.7	2.5	3.1	17.3	21.7	-4.4
Asia	30	23.1	16.6	34.4	34.1	34.0	34.5	-0.5
ME & E	18	4.8	3.9	4.4	4.3	21.1	20.8	0.3
W. Hem.	34	8.9	3.9	7.1	8.1	18.2	21.4	-3.2
Balanced Acc.								
World	183	100.0	100.0	100.0	100.0	23.6	23.6	0.0
Indust Econ	23	54.6	70.2	46.3	43.6	20.0	18.8	1.2
RoW	160	45.4	29.8	53.7	56.4	26.6	27.9	-1.3

Source: IMF (1995a) for shares of world gdp (on a ppp basis) and exports of goods and services, and for saving/investment rates (ie shares of current gdp) by country groupings.

Notes: The estimates of country group shares in world investment and saving have been made by weighting the respective rates for each country grouping by their share in world gdp. As the IMF estimates for world investment and saving are not in balance (as they must be by definition), 'balanced accounts' are also shown where the error (some 0.6 % of world gdp - mainly attributable to unreported investment income) is allocated to industrial economies' income and saving, and then the resulting shares recalculated.

Table 2: The Pattern of Development Assistance, 1994

Net Resource Flows to Developing Countries (US$ bn)	
Official Development Assistance (ODA)	59.7
Other Official Development Finance	10.5
Total Offical Development Finance (ODF)	70.2
Export Credits	3.2
Direct Foreign Investment	47.0
International Bank Lending	21.0
International Bond Lending	32.7
Other Market Flows	4.0
Grants by Non-Governmental Organizations	5.7
Total Private Flows (from DAC members)	110.4
Total Net Resource Flows	183.8
Distribution of ODA by Income Group of Recipient (percent)	
Least-Developed Countries (LLDCs)	24.2
Other Low-Income Economies	14.7
Total LICs (per capita GNP ‘ $675 in 1992)	38.9
Lower Middle-Income Countries ($676-$2695)	20.8
Upper Middle-Income Countries ($2696-$8355)	3.8
Total Middle-Income Countries	24.2
High-Income Developing Countries	2.9
Other (geographically unallocated)	34.0
Total ODA	100.0
Major Uses of Aid (percent)	
Social and Administrative Infrastructure	27.3
of which, health and education	14.0
Economic Infrastructure	27.5
of which, energy	11.6
Agriculture	8.6
Industry and Other Production	6.1
Food Aid	1.9
Programme Assistance	8.9
Other	19.6
Total	100.0

Source: DAC (1996b).