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One Per Cent not 33 Dollars

by

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Although I have, in my youth, slept on the floor of an occupied university senate building, it not likely that I shall ever join in an anti-globalization protest. Whether the youngsters realise it or not, capitalism is the most efficient form of organization that the world has ever seen. Protesting because human beings enjoy going to hamburger restaurants is at best illiberal.

Nevertheless, there is something important to be faced here. The amount of inequality across nations, which motivates a lot of protest, is intolerable. The protestors are right. Rich countries should have the decency to be more generous to the poor ones, so it is time for economists and politicians to start to thinking about things from the point of view of the more sensible of those protestors. This article makes a concrete suggestion.

Here, first, are some facts for westerners. You may, as the saying goes, find them disturbing -- especially if you live in the United States, the UK or Italy.

At the start of the new millenium, the average income of an American was 32,000 dollars a year. By contrast, the average income in Sierra Leone was 400 dollars a year. You do not need to be a mathematician to notice that such an amount is about one dollar a day, or, in other words, only a little more than one hundredth of the income of an average American. In Ethiopia, income was 600 dollars a year, in Tanzania 500, in Mozambique 800.

By the age of five years old, 7 out of every 1000 American babies have died. By the age of five years old, 300 out of every 1000 Sierra Leonean babies have died. Nothing much one can say when one

hears those statistics, is there? If a visiting Martian professor said to me that the human race should be ashamed of itself, I cannot think what I would say as a good counter-argument before she stepped back into the flying saucer.

Like other countries, the United States provides official aid to developing nations overseas. This is through taxes, and the money then gets relayed to poor countries. How much do you think is given in this way, per American, to poor nations every year?

One thousand dollars from each American? Five hundred? One hundred?

The answer is 33 dollars. Thirty three dollars per American citizen each year to go as aid to help world poverty -- out of an average US citizen's income of about one thousand times that.

On this criterion, the USA is the world's most selfish country. It has the lowest amount of giving, as a percentage of national income, of any rich nation. Net official development assistance, to use the jargon, from the USA is 0.1% of Gross Domestic Product. Compare this with Denmark and Norway, which are the most generous countries in the world. You have to take your hat off to them -- though in a harsh light even those numbers seem small -- because they give 1% of their GDP.

It is hard not to be disappointed by the American figure -- if only because such a great and largely admirable country could win goodwill for itself with trifling extra amounts of generosity. A better reason to be upset, of course, is that more aid would save lives.

My country is not much better. The other Scrooge-like rich nations are the United Kingdom and Italy. Second from worst, in the World's Selfishness table, come the Italians. Italy's official aid to developing nations is 0.15% of its Gross Domestic Product. Then, third in the selfishness league, comes the UK, where official giving is 0.2% of GDP.

More generous nations include the Netherlands (0.8%) and Sweden (0.7%). In the middle there are ones such as Finland and Switzerland (both 0.4%).

What if we look at the pattern through time? Is there reason to be cheerful?

No: the aid figures are becoming less generous. The average developed nation in 1990 donated 0.4% of its GDP to developing countries. Ten years later, that had become only 0.3%. The rate of decline was faster than that in the case of the United States. The UK, to its credit, slightly raised its giving over the course of the decade.

If we study the numbers from happiness surveys (of the sort, in fact, that I have worked on), the evidence suggests that as a rich nation becomes wealthier the average perceived quality of life does not go up. Most nations do not say they feel much happier, decade after decade, as they acquire more sports cars, Armani ties, and Game Boys. Why? The most common theory among happiness researchers is that people care dominantly about their relative income, that is, how their standard of living compares to people around them. Paradoxically, therefore, if we all get to own Aston Martins, those cars are not much worth having. There is only so much rank to go around.

Whatever the practical difficulties about getting money to hungry people, western society must do better. We should lobby our politicians for a coordinated new tax, of one percent on our income, with all proceeds to go specifically to poor countries. That would be a small but important start. One per cent, not 33 dollars.