Topic IX. Is More Foreign Aid the Answer?

1. According to a study by Alesina & Dollar, what dictates the direction of foreign aid (i.e., which countries receive foreign aid)? (2 pts.)
   Answer (Any of the following)
   o Political/strategic considerations
   o As much by political/strategic considerations as economic need and policy performance

2. What is the complaint—from developing country leaders, international organizations, and aid advocates—regarding wealthy nations meeting their aid commitments? (2 pts)
   Answer (Any of the following)
   o World’s richest nations found money/trillions of dollars to rescue private companies/financial institutions but have cut back on aid to poor nations
   o Rich countries have cut back on aid to poor countries/aren’t honoring their pledge to increase aid to poor countries

3. Several new initiatives suggest that there is growing willingness among African leaders to address the continent’s many troubles. What is 1 of these initiatives? (2 pts)
   Answer (Any of the following)
   o Created a Pan-African Parliament, which will make continent-wide laws
   o Created a military force (African Standby Force), which it will intervene in conflicts
   o Created a human rights court (African Court on Human & People's Rights) that will hear human rights cases
   o Agreed to undergo peer review—countries will be reviewed/rated by fellow Africans for their progress in promoting democracy, good governance, human right, gender equality, and development
   o Rebirth of the East African Community, which will be an open market for East Africa
   o Created the African Union to replace the OAS, which will oversee/be an umbrella for the new initiatives

4. The Millennium Challenge account emerges from a shift in thinking among donor nations. What is this shift, regarding which countries should get aid? (2 pts)
   Answer (Any of the following)
   o Countries that rule justly, invest in education/health & provide economic freedom
   o Countries that implement political/economic reforms
   o Countries that are making a serious attempt to improve their economies
   o Countries with the right policies

5. What is Yunus’ criticism of traditional capitalism/free markets and what is the “bottom line” for his alternative to traditional capitalism? (2 pts)
   Answer (Any of the following)
   Criticism (1 pt.)
   o Many people have been left behind
   o It has failed to improved the lives of many people
   o It ignores the humanity in us

   Alternative (1 pt.)
   o Social business
   o Businesses that make a big impact on society
   o Businesses that improves the lives of people/the poor
   o Businesses where the owner does not expect to make a profit
   o How much it/capitalism impact it makes on society, rather than how much money it returns to investors

6. While Africa has received far less interest from most US leaders than the rest of the world, why could this be about to change (2pts)
   Answer (Any of the following)
   o The problems of Africa are becoming so immense and threatening
   o The realization that poor/underdeveloped countries are a breeding ground discontent that breeds terrorism
7. According to USAID Director Fulgham, what are 2 striking changes in Africa/sweeping reforms that have been launched in 40 African countries since the 1990s?

Answer (Any 2 of the following):
- Pro-business policies
- Strong judicial systems
- Better standards
- Respect for intellectual property
- Debt relief has improved Africa’s credit worthiness
- Monetary policies have reduced inflation
- Fiscal policies have turned budget deficits into surpluses