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Olivet Nazarene University

The Effects of FDI and AID on Development in Latin America

Political Science Senior Seminar

Jesse Mezera

Friday April 26, 2013

Over the past 100 years the face of international relations has changed. No longer interested in colonizing weaker nations, the ethic that governs the relationships between nations is now one of mutual benefit. Where in the past each country was looking to take their cut of the world's economic pie of wealth, we have evolved to a system that is now much more focused on creating development in all areas of the world; the thought being that if we can bring everyone up then wealth increases for all as well. The wealth of nations is no longer measured in the weight of gold that they can carry back to their homeland, but by their partnerships with other countries in the work of world development and globalization. The hard policy of swords and seizure of gold has been replaced by the soft policy of diplomacy and loans.

Under the old paradigm for international relations the weaker countries were consumed by the stronger and stripped of all of their value in order to enrich the homeland. Compassion has now become the calling card of the contact between nations. Those countries that are better off economically have begun to realize that it is to their benefit to strengthen their weaker counterparts. Strengthening these countries helps to bring greater stabilization to the region as well as creating new markets in which the global capitalism of today may take root. An important part in taking this step towards a more egalitarian interaction between countries has been the creation of supranational organizations. Organizations such as the UN, IMF, and World Bank have been integral in making this transition towards relations based on a system of interconnectedness and aid. The mission of these groups is to help make the world a better place by increasing both economic and social development. Supranational organizations allow ideas and resources to meet together in an open market place to increase the wealth and prosperity of all. They act as a conduit between the richer nations such as the United States and Europe to their neighbors located largely in the global south in such areas as Latin America, Africa, and South East Asia. Democracy and Capitalism are being preached as the champions of the poor, who together can overcome the obstacles of poverty and starvation. If developed nations can bring wealth and technology into the underdeveloped nations then maybe these chronically underdeveloped nations can finally succeed. This is the mission of these global aid organizations.

The amount of aid, developmental loans and foreign direct investment (or FDI)¹ that flow between each country every year is astronomical; billions of dollars of wealth are being transferred all around the world in the name of compassion and development. Nearly as numerous as money given however, are those who have second thoughts about the reasoning behind the aid that is being promulgated throughout the world. What has motivated this transfer of wealth; is it just a concealed form of a modern colonialism, a totalitarianism masked by "compassionate money"? Had one century's tyrannical means of control come into the new century masquerading like a wolf in sheep's clothing? The once bright future forecasted by foreign aid and developmental loans seems on the verge of becoming a dystopian nightmare. While developed nations claim to be putting money into developing nations, there is a net transfer of wealth from poorer countries to rich countries. Former U.N. Secretary General Kofi Annan had this to say about aid when he addressed the General Assembly in 2003, "developing countries made the sixth consecutive and largest ever transfer of funds to "other countries" in 2002, a sum totaling almost \$200 billion. Funds should be moving from developed countries to developing countries, but these numbers tell us the opposite is happening. Funds that should be promoting investment and growth in developing countries, or building schools and hospitals, or supporting other steps towards the Millennium Development Goals, are, instead, being

¹ In the future these three components may be condensed down and referred to solely as aid. This will be the case unless otherwise noted.

transferred abroad.”² If the purpose of aid is indeed to help poor underdeveloped countries to truly develop than this net transfer of wealth from poor to rich must stop.

If our current system of administering aid is not reaching the goals that we have set (such as the Millennium Project) then what is the next step? There has been a misstep in the creation of efficient and effectual aid that must be reconciled. Aid is not helping those countries whose growth is stunted, suffering from chronic underdevelopment. Many have written on this issue and few more persuasively than Dambisa Moyo, a Harvard graduate and former World Bank and Goldman Sachs employee. Aid has become an expensive issue that may no longer be ignored. Moyo has this to say on the subject in her book entitled *Dead Aid*, “Were aid simply innocuous - - just not doing what it claimed it would do -- this book would not have been written. The problem is that aid is not benign -- it's malignant. No longer part of the potential solution, it's part of the problem -- in fact aid is the problem”³ What then can be done to fix this problem? If the purpose of aid is truly to help those that are receiving it, then it is part of the responsibility of those sending the money to make sure that the aid is being used correctly.

This question of responsible use of aid raises a very serious question. Is the aid and FDI being given to countries that suffer from chronic underdevelopment having the desired effect by increasing the development of the recipient nation? If billions of dollars are being given to poor countries each year, they should be having serious results in creating improvement. In many areas of the world this fact seems to not hold true. If aid money is going in to a country there should be a positive correlation between money received and an increase in development.

Taking a look at both the amount of aid received, and the perceived development based upon certain factors, this paper will test the thesis that aid money entering a country will help to increase development within that country. To allow for an adequately sized sample for this project I will be looking at the twenty nation region of Latin America. This region of the world presents an interesting region for study in that while being a very diverse nation it is fairly homogeneous when it comes to back ground and current economic standing. All of the nations in this region have received a large amount of aid, while still remaining for the most part chronically underdeveloped. In the arena of political science Latin America is considered an important region for performing case studies.⁴ Now that a specific developing region of the world has been chosen for this case study the first part of this process is to create a quantifiable definition for the word “development”.

Defining Development

The word development is a commonly used word, and thus a specific definition is rather ambiguous. The Merriam-Webster definition for development's root word, develop is, “to make active or promote the growth of”⁵ This definition is appropriate in that the aid going in to a country is meant to help promote its growth. However, for the purpose of this study a more specific definition of development must be used so as to make “development” be quantifiably identifiable. In order to create this definition I looked for a definition that had previously been

² UN News Service, “Development funds moving from poor countries to rich ones, Annan says.” UN News Service, <http://www.un.org/apps/news/story.asp?NewsID=8722&Cr=financing&Cr1=development>

³ Dambisa Moyo, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*, 1 Reprint ed. (New York, NY: Farrar, Straus and Giroux, 2010)

⁴ For more reading on the history and interconnectedness of Latin America, I suggest reading *Latin America: Politics and development* edited by H.J Wiarda, and H.F. Kline.

⁵“Develop,” Merriam-Webster, from <http://www.merriam-webster.com/dictionary/develop>.

used for measuring development in this region. I finally decided to use the definition of development for the Latin American region put forth by Lawrence Harrison in his book *Underdevelopment is a State of Mind: the Latin American Case*. In this book Harrison defines the term development, “as the extent to which the human creative capacity is encouraged and used.”⁶ In order to measure this development Harrison created seven different criteria by which to judge development. They are as follows:

1. The expectation of fair play
2. Availability of educational opportunities
3. Availability of health services
4. Encouragement of experimentation and criticism
5. Matching of skills and jobs
6. Rewards for merit and achievement
7. Stability and Continuity

This was a good measure of development for a pair of reasons. The first reason for this is that it is a very unique, yet thorough measurement of development. Rather than basing development on hard numbers such as a rise in GDP or PPP, Harrison chose to focus more on what life is like for the average citizen of each of these countries. For example if there were to be an increase in the amount of money available to a villager in Nicaragua, this would be great news; but if the nearest doctor available was 50 miles away this would do him very little good if he was sick. An increase in money only tells a partial story of development, these seven criteria help to tell a more holistic tale. The second reasoning for why this measure of development was a good one is because of the amount of first hand expertise Harrison has in this region. He spent twenty years of his life working in Latin America with the Agency for International Development, also known as AID, which is one of the leading aid organizations in the United States. This firsthand experience with an influential group lends a special weight to his word as he has done work in country on creating development. Harrison is able therefore to have a deeper understanding than most over what it is that seems to cause development, and is able to help paint a picture of what development truly looks like.⁷

Research Method for Development Indicators

These seven criteria will also form the basis for my research concerning this topic. These seven characteristics will be the building blocks for how development will be measured for the purpose of this paper. I will find data concerning each of the seven areas of development and place that info into a data table. While there are many separate organizations that measure in their own way each of Harrison’s seven criteria, these very different measures are not readily available in a cohesive manner. I will bring all of these seven measurements into my data tables.

⁶ Lawrence E. Harrison, *Underdevelopment is a State of Mind: the Latin American case* (Lanham, MD: University Press of America, 1985).

⁷ A quick caveat on Mr. Harrison and his work. Harrison and his book *Underdevelopment is a State of Mind: the Latin American Case* while heralded by some, is equally reviled by others for its controversial conclusion that chronic underdevelopment in Latin America is because of the backwardness of their culture. He believes chronic underdevelopment to be an incompatibility between modern development and the culture of the country. While I do not agree with Mr. Harrison’s conclusion, I respect his experience working in the field of development in Latin America, and also greatly value his example on how to objectively write on such a controversial topic as aid.

I will use the following organizations and their measures for each of the seven criterion drawing data from the findings of each organization from 2000 until now. This info will then be compiled into different tables for each criteria point. For brevity in these tables the country names will be formatted as shown:

Country Name	Country Code
Argentina	ARG
Bolivia	BOL
Brazil	BRA
Chile	CHL
Colombia	COL
Costa Rica	CRI
Cuba	CUB
Dominican Republic	DOM
Ecuador	ECU
El Salvador	SLV
Guatemala	GTM
Haiti	HTI
Honduras	HND
Mexico	MEX
Nicaragua	NIC
Panama	PAN
Paraguay	PRY
Peru	PER
Uruguay	URY
Venezuela, RB	VEN

After these tables have been formulated they will be followed by a description of the tables significant findings. At the end all of the compiled data will be used to determine whether or not aid has been effective in creating development, and the reasons for why this may or may not be occurring.

The expectation of fair play

To measure the expectation of fair play I will use a measurement of the equality between males and females in each country. I will gather this data from the study put forth by the World Economic Forum and their Global Gender Gap report⁸. This report measures the equality between male and female citizens in 4 main areas: Economic Participation and opportunity, educational attainment, health and survival, and political involvement.

Measuring an expectation of fair play by using a measure of gender equality is the most equitable way possible of measuring fair play. This measurement moves the argument from being a socio-economic measure of the haves versus the have not's into being a measure of achievement based upon equal footing. The Global Gender Gap report will measure the ability of

⁸ "Global Gender Gap Report," <http://www.weforum.org/issues/global-gender-gap> (accessed April 1, 2013).

an individual to actively participate in the public sector based upon merit and not socio-economic upbringing. The only variable will be gender. If two qualified candidates with similar backgrounds were to be compared to one another, what would be the equality of outcome if one were male and the other female? There would be the expectation of a fair chance given to both candidates based not upon their gender but their experience and the value that they can bring to their potential employers. Gender equality is a very important factor in the economic development of a country. A country with gender equality has a much more diverse and robust public life, with input and ownership being much more diverse and holistic. With more available talent the country is better able to compete in a global market. The Gender Gap Report is therefore a very good indicator for development and the expectation of fair play.

The Gender Gap Report creates their rankings using a very complex but thorough process. The 4 main categories detailed earlier are split into 14 sub-indexes:

1. Economic Participation and Opportunity
 - a. Ratio: female labor force participation over male value
 - b. Wage equality between men and women for similar work (converted to female over male ratio.)
 - c. Ratio: estimated female earned income over male value
 - d. Ratio: female legislators, senior officials and managers over male value
 - e. Ratio: female professional and technical workers over male value
2. Educational Attainment
 - a. Ratio: female literacy rate over male value
 - b. Ratio: female net primary level enrolment over male value
 - c. Ratio: female net secondary level enrolment over male value
 - d. Ratio: female gross tertiary level enrolment over male value
3. Health and Survival
 - a. Sex ratio at birth (converted to female-over-male ratio)
 - b. Ratio: female healthy life expectancy over male value
4. Political Empowerment
 - a. Ratio: females with seats in parliament over male value
 - b. Ratio: females at ministerial level over male value
 - c. Ratio: number of years of a female head of state or government (last 50 years) over male value

To measure the data the first step is to translate all of the data into female to male ratios. After this a *one-sided scale* is used which measures how close women are to reaching parity with their male counterparts. For the purpose of this study the scale does not penalize countries where the ratio of females to males is higher than 1. The next step they undertake is to calculate the weighted average of each sub index variable to give each sub index a weighted score. In order to give each variable equal weight for the average they equalize the standard deviation of each variable by calculating what a 1% change would have to standard deviation by dividing .01 by the standard deviation for each variable. This valuation for each variable of a sub index is then used as the weight to give a weighted average score for each variable. These scores are scored on a scale of 0 to 1 where 1 signifies equality and 0 signifies inequality. An un-weighted average of each sub index score is then used to calculate the overall score for each country in the Global Gender Gap Report.

For a more detailed explanation on how scores are developed for each of these categories see the World Economic Forums 2012 Global Gender Gap Report.⁹ I believe that this is a good index to measure an expectation of fair play because it thoroughly covers many aspects of the life of the citizen and the development of the country using similar criterion as the seven controlling criterion which I drew from Harrison's work.

Expectation of Fair Play							
Country Code	2006 Score	2007 Score	2008 Score	2009 Score	2010 Score	2011 Score	2012 Score
ARG	0.6829	0.6982	0.7209	0.7211	0.7187	0.7236	0.7212
BRA	0.6540	0.6637	0.6737	0.6695	0.6655	0.6679	0.6909
BOL	0.6335	0.6570	0.6667	0.6693	0.6751	0.6862	0.7222
CHL	0.6455	0.6482	0.6818	0.6884	0.7013	0.703	0.6676
COL	0.7040	0.7090	0.6944	0.6939	0.6927	0.6714	0.6901
CRI	0.6936	0.7014	0.7111	0.7180	0.7194	0.7266	0.7225
CUB		0.7169	0.7195	0.7176	0.7253	0.7394	0.7417
DOM	0.6639	0.6705	0.6744	0.6859	0.6774	0.6682	0.6659
ECU	0.6433	0.6881	0.7091	0.7220	0.7072	0.7035	0.7206
SLV	0.6837	0.6853	0.6875	0.6939	0.6596	0.6567	0.663
GTM	0.6067	0.6144	0.6072	0.6209	0.6238	0.6229	0.626
HTI							
HND	0.6483	0.6661	0.6960	0.6893	0.6927	0.6945	0.6763
MEX	0.6462	0.6441	0.6441	0.6503	0.6577	0.6604	0.6712
NIC	0.6566	0.6458	0.6747	0.7002	0.7176	0.7245	0.7697
PAN	0.6935	0.6954	0.7095	0.7024	0.7072	0.7042	0.7122
PRY	0.6556	0.6659	0.6379	0.6868	0.6800	0.6818	0.6714
PER	0.6619	0.6624	0.6959	0.7024	0.6895	0.679	0.6742
URY	0.6549	0.6600	0.6907	0.6936	0.6897	0.6907	0.6745
VEN	0.6664	0.6797	0.6875	0.6839	0.6863	0.6861	0.706

Leading the way in this category are **Cuba** and **Nicaragua**, with Nicaragua being ranked number 9 with a score of .7697 as of 2012 following a precipitous rise in equality between males and females since 2006. The most surprising finding from this list is the low world ranking of **Chile** at 87 scoring only .6676. Chile is considered a strong democracy and to be a developed country, so this low of a scoring in a developmental category comes as somewhat of a surprise as development and gender equality are usually something that we assume as going hand in hand.

⁹ "Global Gender Gap Report," <http://www.weforum.org/issues/global-gender-gap> (accessed April 1, 2013).

Availability of educational opportunities

To measure this criterion I will use data drawn from the World Bank and their extensive research.¹⁰ Specifically data will be used that the World Bank has collected concerning the nations literacy rate for youths age 15-24, the gross percentage of students enrolled in a secondary school, and also the expenditure per student in secondary school (measured as a % of GDP per capita). While these measures fail to note the number or proximity of secondary schools for students, it helps to show the success rate of a student's education and attendance at secondary schools regardless of distance.

I chose to focus on secondary school, as it shows a higher commitment to education than merely completion of primary school and better prepare a student to be a valuable member of society after they graduate. This is also the reason why I chose to use literacy rate for youths age 15-24 because it will stay consistent with my other data based around students in secondary school. Measuring the literacy of this age group will also more accurately help to give a measure of the effectiveness of aid since the year 2000. Those in the age group 15-24 will be receiving the benefit on their education of any aid that has been received since 2000. In order to help counteract any gaps in annual data on literacy rates per country I will use an average % literacy rate of all the years shown.

A measurement of Government spending on secondary school is important because it shows a government's commitment to supporting education, which is often one of the main things which aid is earmarked for. Also using a measure of percentage of GDP per capita helps to remove the subjectivity of the number because of varying levels of affluence countries in this region; This measure will instead solely highlight the government's commitment to spending on education. The hope would be that countries with high amounts of aid would have a per student spending policy that reflects the increased resources from aid.

I believe that these three separate education data sets should give an accurate view of a nation's access to education. Literacy is a crude measure of the effectiveness of the education, enrollment measures the ability of students to access their country's education system, and expenditure per student helps to measure the value that a nation's government places in their secondary education system and its availability to its citizens. To give each of the countries a concise measure for the purpose of this study of the effects of Aid on development I will be using a two-step process. In the first step I will multiply the amount spent per student by the gross percentage of students enrolled in secondary school. Taking this number in the second step I will then multiply literacy rate by the value calculated in step one. The higher the score in this survey the better the country has scored in this measure. Hopefully this score will give an accurate measure of the ability of educational opportunities for the citizens of a nation. If you wish to find exact measures of the component parts of this measure, a bibliography with the source information will be included at the end. Two notable exclusions from this measure are Haiti and Honduras. There was not enough data available, specifically in the gross rate of secondary school attendance, for them to be included. While slightly skewing the findings, it continues the trend of showing just how deeply these countries are in need of development.

¹⁰ "Education" The World Bank. <http://data.worldbank.org/topic/education> (accessed October 25th, 2012)

Availability of Educational Opportunities

Country Code	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ARG	15.1	16.4	14.6	12.2	13.3	16.5	17.0	18.3	20.2	23.7	22.4	
BOL	7.6	8.3	10.8	11.5			11.7		13.3			
BRA			10.9		11.9	13.5						
CHL	11.5		12.7	13.2	11.9	11.3	10.6	11.4	13.5	14.4	13.6	
COL	9.1		10.0		11.7	11.7	9.3	8.7	13.2	14.1	14.5	14.2
CRI	11.2	13.2	14.9		13.0				11.3	13.7		
CUB	33.9	34.2	38.8		39.8	43.5	39.2	49.1	48.8	45.2	46.6	
DOM					2.1	3.3		3.0	4.7	5.4	4.9	5.1
ECU	3.3										14.1	
SLV	3.8		5.2	5.0		5.4	4.6	5.5	5.4			
GTM	1.4	1.8	1.5		1.8	1.9	2.2	2.8	3.0		3.0	
HTI												
HND												
MEX		14.0	12.1	12.4	11.6	12.3	11.6	11.5	11.5	13.3		
NIC						1.7	2.0				4.6	
PAN	14.0	9.5	10.8		8.3			10.3				8.2
PRY	11.1	10.3	9.7	9.6	8.6			10.5			11.5	
PRI												
URY	9.7	9.6	8.4	7.0	8.9	9.9	10.6					
VEN							6.3	6.3				

Many times when there are gaps in data that is a result of no number being available for government spending and school enrollment. There tends to be gaps in data when both of these factors occur. **Cuba** and **Argentina** lead this list, with Cuba comfortably in the lead with a literacy rate of 100% and very high spending on education, they are doing a great job of emphasizing education. Of the countries able to be listed **Guatemala** and **Nicaragua** both hold the dubious position of having the least accessible education. Their literacy rate is low, most likely as a result of having very low spending on and attendance at their schools. They need to do a better job in this area to increase their development in education.

Availability of health services

Availability of health services is a key indicator for whether or not development is occurring. The ability of nation's citizens to receive medical care is a good measure of the quality of life that exists in country. To try and get a measure of the availability of health services in the country I am going to be using World Bank Data to measure the following three indicators. I will look at the infant mortality rate (as a measure of deaths per 1000 live births), the percentage of birth attended by a skilled physician, and finally the average life expectancy at birth for males and females. I hope that this will give a holistic view of the availability of health services as it will help show the success rate of births and then the country's ability to ensure that its citizens have a long and healthy life. In order to combine all these factors into one table I will use a simple formula to standardize these disparate forms of measurement. I will use simple

division. In the numerator I will multiply together average life expectancy and the average percentage (2000-2011) of births attended by a skilled physician. For the measure of births attended by a skill an average of the percentages from 2000-2011 will be used because of the difficulty in attaining this data every year by the WHO. In order to create an equitable measure over time for all countries of Latin America an average was used to compensate for years that went without data. An increase in these two measures would be a benefit to these countries. In the denominator will be the infant mortality rate. As infant mortality is a negative when it comes to development, the larger the value of infant mortality, the more it will drive down the overall score for Availability of Health Services. This is a simple way for me to correlate these three factors with a positive or negative impact on development.

Average life expectancy while not a direct measure of the availability of health services, is an important part of this measure. As noted by Margaret Kruk and Lynn Freedman¹¹ the availability of health services in a country is only important if those health services help to increase life expectancy by providing adequate vaccinations and other medical care. This goal can only be reached by being readily accessible to a country's citizens. An increase in life expectancy in a country will help to demonstrate that a nation's health services are becoming more effective at making adequate medical care available to its citizens. This is a key sign in the development of a country.

Availability of Health Services												
Country Code	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ARG	3.99	4.12	4.27	4.44	4.59	4.76	4.93	5.11	5.42	5.63	5.82	6.02
BOL	0.72	0.76	0.79	0.82	0.86	0.90	0.94	0.98	1.02	1.06	1.10	1.15
BRA	2.17	2.32	2.47	2.67	2.90	3.14	3.40	3.69	4.00	4.34	4.71	5.11
CHL	8.43	8.86	9.21	9.48	9.74	9.89	9.91	10.05	10.06	10.21	10.22	10.24
COL	3.20	3.30	3.40	3.52	3.64	3.77	3.89	4.04	4.15	4.29	4.42	4.54
CRI	6.99	7.34	7.72	8.06	8.24	8.44	8.54	8.65	8.76	8.88	8.99	9.11
CUB	11.56	12.14	12.79	13.51	14.05	14.64	14.98	15.64	16.01	16.39	17.15	17.57
DOM	2.21	2.29	2.38	2.49	2.59	2.68	2.80	2.92	3.04	3.16	3.29	3.43
ECU	2.56	2.66	2.76	2.86	2.96	3.07	3.17	3.27	3.40	3.52	3.65	3.79
SLV	2.34	2.51	2.69	2.90	3.10	3.34	3.58	3.86	4.16	4.45	4.82	5.16
GTM	0.85	0.89	0.93	0.97	1.01	1.06	1.10	1.15	1.20	1.26	1.31	1.37
HTI	0.20	0.21	0.21	0.22	0.23	0.24	0.25	0.26	0.26	0.27	0.23	0.29
HND	1.50	1.56	1.63	1.71	1.78	1.87	1.95	2.04	2.15	2.25	2.36	2.46
MEX	2.91	3.09	3.27	3.47	3.66	3.87	4.11	4.35	4.58	4.88	5.13	5.42
NIC	1.44	1.51	1.58	1.65	1.73	1.82	1.90	1.99	2.09	2.19	2.28	2.41
PAN	3.22	3.29	3.38	3.44	3.52	3.60	3.68	3.77	3.87	3.94	4.04	4.15
PRY	1.92	2.00	2.09	2.20	2.27	2.37	2.46	2.58	2.67	2.78	2.89	3.02
PER	1.79	1.93	2.07	2.23	2.39	2.58	2.76	2.98	3.21	3.44	3.70	3.98

¹¹ Margaret Elizabeth Kruk and Lynn P. Freedman, "Assessing Health System Performance in Developing Countries: A Review of Literature," *Elsevier* (2007): page nr., <http://www.ppmrn.net/storage/ppmrn/Margaret%20Elizabeth%20Kruk%20Lynn%20P.%20Freedman.pdf> (accessed April 20, 2013).

URY	5.03	5.17	5.36	5.56	5.89	6.27	6.61	5.07	7.41	7.89	8.34	8.74
VEN	3.64	3.79	3.93	4.05	4.21	4.35	4.50	4.67	4.84	5.06	5.23	5.44

Cuba has phenomenal Medical Services, as evidenced by their score especially that they have 99.9% of all births attended by skilled physicians. **Puerto Rico** also scored very high in this indicator, as a result of their status as a protectorate of the United States, they have the same number of infant deaths per 1000 as the United States. Cuba and Puerto Rico were the two highest scorers. **Haiti** and **Bolivia** performed dismally in this indicator being the two lowest ranked countries by a wide margin.

Encouragement of experimentation and criticism

This is one of the most important of the seven indicators when it comes to measuring development. This measurement is especially important because it tells us just how free the people are to do as they please, which is an important part of development. Since freedom is such an abstract and subjective idea, this was a difficult topic to create some sort of quantifiable data for. How does one really measure someone's ability to experiment and to express their opinions? My first thought was to measure this using some sort of rating of the freedom of the press, but the more I researched the less I liked that characteristic as a measure for this criterion. I felt that this was an inadequate measure because while it does show the ability to express and critique, it is limited to a select few in the media. Freedom of the press was also an inadequate measure of one's ability to experiment and critic because it is limited to measuring freedom of expression in print. A true measure of a citizen's ability to experiment and critique needs to be a measure of something more physical and permanent to truly show freedom, a concrete example of that person's individuality.

Upon further research I decided that the Heritage Foundation's Economic Freedom Index¹² would be a perfect measure for the encouragement of experimentation and criticism. The Heritage Foundation defines economic freedom as follows, "Economic freedom is the fundamental right of every human to control his or her own labor and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please, with that freedom both protected by the state and unconstrained by the state. In economically free societies, governments allow labor, capital and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself." To measure this economic freedom the Heritage foundation has 10 indicators which are broken up into four main categories

1. Rule of Law
 - a. Property Rights
 - b. Freedom from Corruption
2. Limited Government
 - a. Fiscal Freedom
 - b. Government Spending

¹² "Economic freedom index." The Heritage Foundation, <http://www.heritage.org/index/ranking> (accessed October 15, 2012)

3. Regulatory Efficiency
 - a. Business Freedom
 - b. Labor Freedom
 - c. Monetary Freedom
4. Open Markets
 - a. Trade Freedom
 - b. Investment Freedom
 - c. Financial Freedom

One of the benefits of this Economic Freedom Index is that it measures an individual's ability to be financially successful, without interference from the government. Something that might have skewed this study and kept it from being a good measure of the ability to experiment and criticize is misconception that a measure of economic success is the same as economic freedom. China and India are ranked 136th and 119th respectively in this index because of the high amount of government involvement and corruption in the bureaucracy present in both of these erstwhile successful economies. The Economic Freedom Index negates any sort of benefits received from government involvement. I think that this Index adequately fits the criterion being tested because it measures the ability of a person to do with their property, their time, and their labor as they please. This is a true measure of experimentation, and the consequences of their actions will carry a weight that is a true critique of their society and nation. For this study a higher score means is better.

Encouragement of Experimentation and Criticism

Code	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ARG	70	68.6	65.7	56.3	53.9	51.7	53.4	54	54.2	52.3	51.2	51.7	48	46.7
BRA	65	68	65.1	64.3	64.5	58.4	57.8	54.2	53.1	53.6	49.4	50	50.2	47.9
BOL	61.1	61.9	61.5	63.4	62	61.7	60.9	56.2	56.2	56.7	55.6	56.3	57.9	57.7
CHL	74.7	75.1	77.8	76	76.9	77.8	78	77.7	78.6	78.3	77.2	77.4	78.3	79
COL	63.3	65.6	64.2	64.2	61.2	59.6	60.4	59.9	62.2	62.3	65.5	68	68	69.6
CRI	68.4	67.6	67.5	67	66.4	66.1	65.9	64	64.2	66.4	65.9	67.3	68	67
CUB	31.3	31.6	32.4	35.1	34.4	35.5	29.3	28.6	27.5	27.9	26.7	27.7	28.3	28.5
DOM	59	59.1	58.6	57.8	54.6	55.1	56.3	56.8	57.7	59.2	60.3	60	60.2	59.7
ECU	59.8	55.1	53.1	54.1	54.4	52.9	54.6	55.3	55.2	52.5	49.3	47.1	48.3	46.9
SLV	76.3	73	73	71.5	71.2	71.5	69.6	68.9	68.5	69.8	69.9	68.8	68.7	66.7
GTM	64.3	65.1	62.3	62.3	59.6	59.5	59.1	60.5	59.8	59.4	61	61.9	60.9	60
HTI	45.7	47.1	47.9	50.6	51.2	48.4	49.2	51.4	49	50.5	50.8	52.1	50.7	48.1
HND	57.6	57	58.7	60.4	55.3	55.3	57.4	59.1	58.9	58.7	58.3	58.6	58.8	58.4
MEX	59.3	60.6	63	65.3	66	65.2	64.7	66	66.2	65.8	68.3	67.8	65.3	67
NIC	56.9	58	61.1	62.6	61.4	62.5	63.8	62.7	60.8	59.8	58.3	58.8	57.9	56.6
PAN	71.6	70.6	68.5	68.4	65.3	64.3	65.6	64.6	64.7	64.7	64.8	64.9	65.2	62.5
PRY	64	60.3	59.6	58.2	56.7	53.4	55.6	58.3	60	61	61.3	62.3	61.8	61.1
PER	68.7	69.6	64.8	64.6	64.7	61.3	60.5	62.7	63.8	64.6	67.6	68.6	68.7	68.2
URY	69.3	70.7	68.7	69.8	66.7	66.9	65.3	68.4	67.9	69.1	69.8	70	69.9	69.7
VEN	57.4	54.6	54.7	54.8	46.7	45.2	44.6	47.9	44.7	39.9	37.1	37.6	38.1	36.1

Chile and **Uruguay** are the two freest economies in Latin America ranking in at number 7 and 36 in the world respectively. Chile especially has gained this ranking through an emphasis on property rights, and investment freedom for companies. **Venezuela** and **Cuba** are both ranked 174th and 176th in the world only one spot ahead of North Korea. There is a high amount of government involvement in each of these economies, especially in the areas of trade and business finance.

Matching of skills and jobs

If a country is to be successful they must have a skilled and educated work force. A major part in looking at development these days is to measure a countries ability to educate its citizens. Giving them a good education though is only half the battle as it then becomes necessary to provide these people with jobs. If there are not enough jobs available or if the qualities of these jobs are poor this may lead to a phenomenon called “brain drain” where a countries best talent leaves to find employment elsewhere. Brain drain is a killer of development, so it is vital that for a country’s development that they are able to match a person’s skills and education with a job creating value domestically.

In order to measure a country’s ability match the skills of workers with jobs I am going to be combining two different data sets that I think will give us an interesting picture of a countries efficient use of their skilled labor. The first data set I will use comes from the United Nations and their Inequality adjusted education index as part of their Human Development index.¹³ This index, using UN protocol for adjusting for inequality, gives a development index for each member nation of the UN based upon their average level of education available to each citizen. I will then combine this with data gathered from the World Bank database and their information on the percent of total unemployment of each nation.¹⁴ Taking both of these separate measures I will multiply each countries inequality adjusted education level from 2012 and their total unemployment to give them a composite score. The thinking behind this is if the level of education in a country stays the same and unemployment is fluctuating, you can begin to get an adequate idea of the ability of the government to create employment for its citizens. Shrinking unemployment denotes a country that is able to attract the jobs necessary for the education and skill level of which they are capable. Using the composite score, with a lower score being more favorable, I will generate with the two aforementioned indicators a table which will then allow me to get a measure of a country’s progress towards development.

While these scores will give an idea of a government’s ability to attract employment for their workers, it does not illustrate the skill level of the employment being drawn into the country. Some countries with a low education rating and low unemployment will score better in this rating than a country with a higher education rating but also high unemployment. Therefore a low score in this category for a country such as Argentina, who has a very high level of education, but also high unemployment, should be taken with a grain of salt. While this rating will show a country’s ability to attract employment for its labor force, it may not adequately demonstrate a country’s ability to attract high skilled service and technology oriented

¹³ “Inequality adjusted education index” United Nations <http://hdrstats.undp.org/en/indicators/71406.html> (Accessed October 25, 2012)

¹⁴ “Unemployment, total 2011”, World Bank, <http://data.worldbank.org/data-catalog/world-development-indicators> (Accessed November 1, 2012)

employment which is a sign of development. Plainly spoken this is a measure of underemployment.

In the case of Cuba and Paraguay an Inequality Adjusted education rating was not given. To substitute this data for the sake of this study I scored Cuba and Paraguay using their non-adjusted education rating minus the average difference between the adjusted and unadjusted education ratings of the other Latin American countries. The data I received for Cuba and Paraguay using this method was consistent with other development data I found during the course of my research. While not a perfectly scientific measure of this development indicator, it will fit my purpose and show a simple positive or negative trend towards development in this area. For Haiti because of the disarray in the country there is no solid data on their unemployment rate. The only reputable number I could get was a 2010 estimate by the CIA that put unemployment at 40.6%¹⁵. For the purpose of this study I will be using this percentage when measuring Haiti's matching of skills and jobs.

Matching of Skills and Jobs

Country Code	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ARG	10.74	13.10	12.82	11.53	9.02	7.59	7.23	6.09	5.58	6.16	5.51	5.16
BOL	2.58	2.90	2.90	2.90	2.31	2.90	2.85	2.79	1.56	1.83		
BRA		4.68	4.58	4.88	4.48	4.68	4.23	4.07	3.57	4.17		
CHL	6.34	6.27	6.13	5.86	6.06	5.51	5.31	4.89	5.37	6.68	5.58	4.89
COL	8.47	7.64	7.64	6.28	6.22	5.91	5.49	6.28	6.90	6.28	6.07	
CRI	3.13	3.67	3.85	4.03	3.91	3.97	3.61	2.76	2.94	4.69	4.39	4.63
CUB	3.82	2.90	2.33	1.63	1.34	1.34	1.34	1.27	1.13	1.20	1.77	
DOM	6.50	7.19	7.37	7.65	8.43	8.24	7.51	7.19	6.50	6.82	5.68	
ECU	4.76	5.66	4.81	6.03	4.55	4.07	4.07	3.23	3.86	3.44	2.65	2.22
SLV	3.00	3.00	2.66	2.96	2.92	3.09	2.83	2.70	2.53	3.13	3.00	
GTM	0.39	0.36	0.87	0.78	0.87		0.50	0.70			0.98	1.15
HTI											9.78	
HND		1.69	1.61	2.15	2.48	1.73	1.28	1.20	1.28	1.36	1.98	
MEX	1.47	1.41	1.64	1.69	2.09	1.97	1.80	1.92	1.97	2.93	2.93	2.99
NIC	3.44	2.25	4.28	2.81	2.35	1.97	1.86	1.76	2.18		2.81	
PAN	8.22	8.53	8.22	7.92	7.13	5.97	5.30	3.90	3.41	4.02	3.96	2.74
PRY	3.75	3.75	5.28	3.90	3.65	2.86	3.30	2.76	2.76	3.21	2.81	2.76
PER	4.20	4.73	5.22	5.54	5.65	6.13	4.73	3.87	3.44	3.39	4.25	4.20
URY	9.28	10.37	11.59	11.46		8.32	7.23	6.27	5.18	4.98	4.64	4.09
VEN	7.54	7.31	9.25	9.59	8.57	6.51	5.31	4.28	3.94	4.45	4.91	4.74

For this measure of Development **Guatemala** and **Cuba** Score the best in this category, gaining the 1st and 2nd lowest scores in Latin America. This means that for their level of education they are doing a great job of creating jobs to create that employment. **Chile** and **Argentina** score the worst in this category with both of them having a high level of underemployment. While both

¹⁵ "Haiti", CIA World Fact book, <https://www.cia.gov/library/publications/the-world-factbook/geos/ha.html> (accessed April 23, 2013).

Chile and Argentina are two of the most developed countries in the region, they are doing a poor job at attracting employment that is equal to their level of education.

Rewards for merit and achievement

Part of having a just and developed country is ensuring that a citizen of that country is allowed to succeed based upon their merit and hard work. A system of nepotism and corruption is detrimental to the long term growth and development of any country. To measure a nation's ability to reward based upon merit and achievement I will use Transparency International's Corruption Perception Index¹⁶.

The Corruption Perception Index measures the extent to which the citizens of a nation believe their public sector to be corrupt. This index gathers its data from 13 different world wide surveys asking a countries citizens and experts to give their opinion on the amount of corruption present in their countries government and public sector. In this survey a higher score means that there is perceived to be the least amount of corruption.

An important thing to note is that this index is based upon a *perception* of corruption. As corruption and nepotism is something that is purposely kept secret the only reliable measure that can be ascertained is a perception of the corruption that occurs in a given country. The scores for each country's perception of corruption are measured using a standardized average of all 13 scores collected. The formula to standardize these scores is created, "by subtracting the mean of the data and dividing by the standard deviation (z-scores) and then rescaled to have a mean 45 and standard deviation 20"¹⁷ Overall this index is a good measure for a country's tendency to reward based upon merit and achievement. While this may not be a purely scientific score being based on perception, it is a good measure as it illustrates a country's citizen's belief in their ability to succeed on their own merits and achievements. It is vital for the citizens of a country to believe in the viability of their countries system if that country is supposed to fully develop. It is a citizen's belief in a government that truly gives the government authority, and makes the leadership of that country grow towards full legitimization and development.

Rewards for Merits and Achievement							
Country Code	2005	2006	2007	2008	2009	2010	2011
ARG	2.8	2.9	2.9	2.9	2.9	2.9	3
BOL	2.5	2.7	2.9	3	2.7	2.8	2.8
BRA	3.7	3.3	3.5	3.5	3.7	3.7	3.8
CHL	7.3	7.3	7	6.9	6.7	7.2	7.2
COL	4	3.9	3.8	3.8	3.7	3.5	3.4
CRI	4.2	4.1	5	5.1	5.3	5.3	4.8
CUB	3.8	3.5	4.2	4.3	4.4	3.7	4.2
DOM	3	2.8	3	3	3	3	2.6
ECU	2.5	2.3	2.1	2	2.2	2.5	2.7
SLV	4.2	4	4	3.9	3.4	3.6	3.4

¹⁶ "Corruption perceptions index." Transparency International, <http://www.transparency.org/research/cpi/> (Accessed October 25th, 2012)

¹⁷ "Corruption perceptions index." Transparency International, <http://www.transparency.org/research/cpi/> (Accessed October 25th, 2012)

GTM	2.5	2.6	2.8	3.1	3.4	3.2	2.7
HTI	1.8	1.8	1.6	1.4	1.8	2.2	1.8
HND	2.6	2.5	2.5	2.6	2.5	2.4	2.6
MEX	3.5	3.3	3.5	3.6	3.3	3.1	3
NIC	2.6	2.6	2.6	2.5	2.5	2.5	2.5
PAN	3.5	3.1	3.2	3.4	3.4	3.6	3.3
PRY	2.1	2.6	2.4	2.4	2.1	2.2	2.2
PER	3.5	3.3	3.5	3.6	3.7	3.5	3.4
URY	5.9	6.4	6.7	6.9	6.7	6.9	7
VEN	2.3	2.3	2	1.9	1.9	2	1.9

Chile and **Uruguay** lead this region as the least corrupt countries. This means that the people of the country perceive that their public sector is not corrupt, and that they have a fair chance to succeed on their own merits. The most corrupt countries in this region are perceived to be **Haiti** and **Venezuela**. This does not come as much of a surprise, as both of these nations are noted for their level of corruption. This is especially true for Haiti, who has one of the weakest governments in the world. This is weak government is one of the main arguments for why Haiti has remained so underdeveloped for so long.

Stability and Continuity

To measure stability and continuity I will use a measure of the sustainability of government. To measure the sustainability of government I will be using the Fund for Peace's Failed State Index.¹⁸ The Failed State Index is an advanced warning system that helps to alert the international community to areas of concern in the world where there may soon be political unrest. This index measures, "normal pressures that all states experience, but also... identifying when those pressures are pushing a state towards the brink of failure." This index is measured by 12 different measures split into two subgroups:

1. Social and Economic Indicators
 - a. Demographic Pressures
 - b. Refugees and IDP's
 - c. Uneven Economic Development
 - d. Group Grievance
 - e. Human Flight and Brain Drain
 - f. Poverty and Economic Decline
2. Political and Military Indicators
 - a. State Legitimacy
 - b. Public Services
 - c. Human Rights and Rule of Law
 - d. Security Apparatus
 - e. Factionalized Elites
 - f. External Intervention

¹⁸ "Failed states index", Fund for Peace Retrieved from <http://ffp.statesindex.org/rankings-2012-sortable> (Accessed March 26, 2013)

Each of these 12 parts are given a rating and the compilation of these 12 scores will give a countries overall rating. Each of these 12 points is rated on a scale of 1-10 with the lower score being the best score. The lowest overall score is 20, which is by Finland who scored 177th out of 177. For comparison the United States is ranked 159th with a score of 34.8. This index will be used to show a simple positive or negative growth in the stability and continuity of each country over a given period of time.

Stability and Continuity								
Country Code	2005	2006	2007	2008	2009	2010	2011	2012
ARG		40.8	41.4	41.4	44.7	45.8	46.8	46.5
BOL		82.9	82	84.2	86.3	84.9	82.9	82.1
BRA	81	63.1	66.9	67.6	69.1	67.1	65.1	64.1
CHL		32	33.8	36.3	37.5	38	40.7	43.5
COL	95	91.8	89.7	89	89.2	88.2	87	84.4
CRI		49.6	50.5	50.9	52.5	52	50.6	49.7
CUB	83.7	81.9	78.6	78.6	80.6	79.4	76.6	73.1
DOM	94.2	85	80.6	78.4	77.7	76.8	76.9	74.1
ECU	87	81.2	79.9	80.3	81.2	81.7	82.2	80.1
SLV	75.5	76.1	74.9	75.5	77.2	78.1	76	74.4
GTM	91	84.3	81.4	80.6	80.6	81.2	80.1	79.4
HTI	99.2	104.6	100.9	99.3	101.8	101.6	108	104.9
HND	87.6	76.7	74.8	74.9	77.2	80	78.3	78.5
MEX	74.6	73.1	72.6	72.2	75.4	76.1	75.1	73.6
NIC		82.4	80	81.7	82.6	82.5	81.2	79.6
PAN		59.6	59.4	58.6	59.7	59.3	57.8	56.1
PRY	88.9	72	72.9	72.3	72	72.1	72.4	70.9
PER	88.1	79.2	76.4	77.5	77.1	76.9	73.6	73.5
URY		41.2	40.9	41.4	41.2	41.3	40.4	40.5
VEN	93.5	81.2	79.8	77.9	79.5	78.7	78.2	77.3

The data coming back from the failed states index was very interesting. **Chile** and **Uruguay** consistently scored the lowest; with Chile sometimes ranking in the low 30's putting them in the company of the United States and Great Britain when it comes to stability. **Haiti** and **Colombia** scored the highest over the length of this survey, meaning they are the countries with the most risk of becoming a "failed state" An interesting thing to not would be the rankings given to more totalitarian regimes such as Cuba; it scores well in comparison to its more democratic neighbors

Research Method for Aid entering countries

The second part of this research project is to gather data on the inflow of Aid to each of the countries in Latin America. This tracking of Aid will include both the amount of money flowing in to the country in the form of governmental loans and grants for the purpose of development, as well as tracking any foreign direct investment made in Latin America on behalf

of companies looking to invest in these countries. Unfortunately for the purpose of this study I will be unable to include private developmental assistance such as micro-loans as there is no reliable and consistent source for this information. Micro-financing and other such private development funds are in my opinion key to successful development, but are not included for the purposes of this study of traditional Aid and FDI. My source for tracking this data will be the World Bank Database and their measurement of Net official development assistance and official aid received (current USD). For this table aid is considered to be “Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent).”¹⁹ The data for the World Bank was collected with the help of the United Nations and the Organization for Economic Co-operation and Development (OECD). This data is current up until the end of the 2011 fiscal year. The countries contained in these tables are the same as those listed above in the tables for development indicators. This table is put into scientific notation for brevity because of the incompatibility in size that would not allow a full table with these values to exist in a word document.

Aid Inflows						
Country Code	2000	2001	2002	2003	2004	2005
ARG	5.25E+07	1.46E+08	8.15E+07	1.07E+08	9.13E+07	9.62E+07
BOL	4.82E+08	7.44E+08	6.89E+08	9.38E+08	7.85E+08	6.43E+08
BRA	2.31E+08	2.20E+08	2.08E+08	1.98E+08	1.54E+08	2.43E+08
CHL	4.89E+07	7.53E+07	-7.34E+06	8.57E+07	5.44E+07	1.67E+08
COL	1.86E+08	3.84E+08	4.38E+08	8.00E+08	5.15E+08	6.21E+08
CRI	9.62E+06	3.70E+05	-3.40E+05	2.90E+07	1.28E+07	2.58E+07
CUB	4.40E+07	5.37E+07	6.37E+07	7.50E+07	1.04E+08	8.84E+07
DOM	5.60E+07	1.07E+08	1.45E+08	6.89E+07	8.45E+07	8.06E+07
ECU	1.46E+08	1.84E+08	2.20E+08	1.75E+08	1.53E+08	2.26E+08
SLV	1.80E+08	2.38E+08	2.33E+08	1.92E+08	2.16E+08	2.04E+08
GTM	2.63E+08	2.34E+08	2.50E+08	2.47E+08	2.17E+08	2.57E+08
HTI	2.08E+08	1.70E+08	1.56E+08	2.13E+08	2.99E+08	4.26E+08
HND	4.48E+08	6.57E+08	4.21E+08	3.94E+08	6.58E+08	6.90E+08
MEX	-5.78E+07	1.18E+08	1.25E+08	1.23E+08	1.08E+08	1.80E+08
NIC	5.60E+08	9.31E+08	5.17E+08	8.43E+08	1.24E+09	7.63E+08
PAN	1.54E+07	2.61E+07	2.04E+07	2.74E+07	2.26E+07	2.67E+07
PRY	8.16E+07	6.14E+07	5.68E+07	5.12E+07	2.24E+07	5.07E+07
PER	3.97E+08	4.51E+08	4.88E+08	5.17E+08	4.63E+08	4.50E+08
URY	1.74E+07	1.52E+07	1.37E+07	2.36E+07	2.91E+07	1.44E+07
VEN	7.61E+07	4.47E+07	5.65E+07	8.11E+07	4.49E+07	5.03E+07

¹⁹ “AID Inflows”, World Bank (2012) Retrieved from <http://data.worldbank.org/indicator/DT.ODA.ALLD.CD/countries>

Aid Flows continued

Country Code	2005	2006	2007	2008	2009	2010	2011
ARG	9.62E+07	1.15E+08	1.01E+08	1.31E+08	1.27E+08	1.21E+08	8.48E+07
BOL	6.43E+08	8.50E+08	4.76E+08	6.28E+08	7.25E+08	6.75E+08	7.59E+08
BRA	2.43E+08	1.13E+08	3.21E+08	4.60E+08	3.37E+08	6.61E+08	8.70E+08
CHL	1.67E+08	1.01E+08	1.05E+08	1.08E+08	7.87E+07	1.98E+08	8.23E+07
COL	6.21E+08	1.01E+09	7.23E+08	9.72E+08	1.06E+09	9.01E+08	1.13E+09
CRI	2.58E+07	3.17E+07	5.80E+07	6.61E+07	1.09E+08	9.50E+07	3.85E+07
CUB	8.84E+07	9.37E+07	9.28E+07	1.27E+08	1.15E+08	1.29E+08	8.37E+07
DOM	8.06E+07	5.38E+07	1.23E+08	1.56E+08	1.19E+08	1.75E+08	2.34E+08
ECU	2.26E+08	1.88E+08	2.17E+08	2.31E+08	2.08E+08	1.51E+08	1.71E+08
SLV	2.04E+08	1.63E+08	8.81E+07	2.33E+08	2.76E+08	2.83E+08	2.81E+08
GTM	2.57E+08	4.84E+08	4.54E+08	5.36E+08	3.76E+08	3.94E+08	3.92E+08
HTI	4.26E+08	5.82E+08	7.02E+08	9.12E+08	1.12E+09	3.06E+09	1.71E+09
HND	6.90E+08	5.94E+08	4.64E+08	5.64E+08	4.56E+08	5.74E+08	6.24E+08
MEX	1.80E+08	2.70E+08	1.13E+08	1.49E+08	1.84E+08	4.71E+08	8.82E+08
NIC	7.63E+08	7.40E+08	8.40E+08	7.41E+08	7.73E+08	6.21E+08	6.95E+08
PAN	2.67E+07	3.10E+07	-1.35E+08	2.85E+07	6.50E+07	1.29E+08	9.79E+07
PRY	5.07E+07	5.60E+07	1.08E+08	1.34E+08	1.48E+08	1.05E+08	9.37E+07
PER	4.50E+08	4.63E+08	3.07E+08	4.63E+08	4.41E+08	-2.56E+08	6.24E+08
URY	1.44E+07	2.11E+07	3.70E+07	3.33E+07	5.00E+07	4.67E+07	1.61E+07
VEN	5.03E+07	6.29E+07	7.78E+07	5.92E+07	6.63E+07	5.27E+07	4.53E+07

Another important part of development in underdeveloped countries is the entrance of Foreign Direct investment or FDI. To measure this inflow of resources I will again be using World Bank data for this. They define FDI as “Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor.”²⁰

FDI Inflows						
Country Code	2000	2001	2002	2003	2004	2005
ARG	1.04E+10	2.17E+09	2.15E+09	1.65E+09	4.12E+09	5.27E+09
BRA	3.28E+10	2.25E+10	1.66E+10	1.01E+10	1.82E+10	1.55E+10
BOL	7.36E+08	7.06E+08	6.77E+07	1.97E+08	6.54E+07	-2.39E+08
CHL	4.86E+09	4.20E+09	2.55E+09	4.31E+09	7.17E+09	6.98E+09
COL	2.44E+09	2.54E+09	2.13E+09	1.72E+09	3.02E+09	1.03E+10
CRI	4.09E+08	4.60E+08	6.59E+08	5.75E+08	7.94E+08	8.61E+08

²⁰ “FDI, net inflows” World Bank, <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> (Accessed October 25, 2013)

CUB	-1.03E+07	4.35E+06	2.65E+06	-7.26E+06	3.51E+06	1.56E+07
DOM	9.53E+08	1.08E+09	9.17E+08	6.13E+08	9.09E+08	1.12E+09
ECU	-2.34E+07	5.39E+08	7.83E+08	8.72E+08	8.37E+08	4.93E+08
SLV	1.73E+08	2.79E+08	4.70E+08	1.41E+08	3.63E+08	5.11E+08
GTM	2.30E+08	4.56E+08	1.11E+08	1.31E+08	2.96E+08	5.40E+08
HTI	1.33E+07	4.40E+06	5.70E+06	1.38E+07	5.90E+06	2.60E+07
HND	3.82E+08	3.04E+08	2.75E+08	4.03E+08	5.47E+08	6.01E+08
MEX	1.81E+10	2.99E+10	2.39E+10	1.86E+10	2.48E+10	2.44E+10
NIC	2.67E+08	1.50E+08	2.04E+08	2.01E+08	2.50E+08	2.41E+08
PAN	6.24E+08	4.67E+08	9.86E+07	8.18E+08	1.02E+09	1.10E+09
PRY	1.04E+08	8.42E+07	1.00E+07	2.74E+07	3.77E+07	2.53E+07
PER	8.10E+08	1.14E+09	2.16E+09	1.34E+09	1.60E+09	2.58E+09
URY	2.69E+08	2.97E+08	1.94E+08	4.16E+08	3.32E+08	8.27E+08
VEN	4.70E+09	3.68E+09	7.82E+08	2.04E+09	1.48E+09	2.71E+09

FDI Inflows continued

Country Code	2006	2007	2008	2009	2010	2011
ARG	5.54E+09	6.47E+09	9.73E+09	4.02E+09	7.06E+09	8.67E+09
BRA	1.94E+10	4.46E+10	5.07E+10	3.15E+10	5.33E+10	7.15E+10
BOL	2.81E+08	3.66E+08	5.12E+08	4.23E+08	6.22E+08	8.59E+08
CHL	7.30E+09	1.25E+10	1.51E+10	1.29E+10	1.54E+10	1.73E+10
COL	6.66E+09	9.49E+09	1.02E+10	7.14E+09	6.74E+09	1.36E+10
CRI	1.47E+09	1.90E+09	2.08E+09	1.35E+09	1.47E+09	2.16E+09
CUB	2.59E+07	6.37E+07	2.42E+07	2.44E+07	8.55E+07	1.10E+08
DOM	1.53E+09	2.25E+09	2.73E+09	1.70E+09	2.09E+09	2.30E+09
ECU	2.71E+08	1.94E+08	1.01E+09	3.21E+08	1.58E+08	5.68E+08
SLV	2.41E+08	1.55E+09	9.03E+08	3.69E+08	2.62E+08	2.47E+08
GTM	6.35E+08	8.59E+08	7.51E+08	6.96E+08	9.21E+08	1.08E+09
HTI	1.61E+08	7.45E+07	2.98E+07	3.80E+07	1.50E+08	1.81E+08
HND	7.18E+08	9.67E+08	1.05E+09	4.89E+08	7.92E+08	1.04E+09
MEX	2.02E+10	3.18E+10	2.75E+10	1.63E+10	2.10E+10	2.08E+10
NIC	2.87E+08	3.82E+08	6.26E+08	4.34E+08	5.08E+08	9.68E+08
PAN	2.94E+09	2.02E+09	2.53E+09	1.09E+09	2.19E+09	3.22E+09
PRY	2.47E+08	1.09E+08	3.31E+08	1.86E+08	4.75E+08	4.12E+08
PER	3.47E+09	5.49E+09	6.92E+09	6.43E+09	8.45E+09	8.23E+09
URY	1.51E+09	1.36E+09	2.14E+09	1.60E+09	2.19E+09	2.18E+09
VEN	1.98E+08	2.59E+09	4.09E+08	-3.05E+09	7.77E+08	5.23E+09

How did Aid and Development relate?

The purpose of Aid is to create development. If this is true then it is vital to ensure that Aid in fact is creating development. This brief case study looked to see if in fact this correlation between Aid and development does occur. In order to be able to do a quantitative study on such a qualitative subject like Aid, I used the following measures developed by Lawrence Harrison:

1. The expectation of fair play
2. Availability of educational opportunities
3. Availability of health services
4. Encouragement of experimentation and criticism
5. Matching of skills and jobs
6. Rewards for merit and achievement
7. Stability and Continuity

The categories above were then measured using varying independent indexes, which were then manipulated to show trends in development during the time period from 2000-2011. This was a massive amount of data to pull together in order to measure just seven different measures for development, making it a very broad topic with many divergent possibilities. The number of thought provoking insights that I could draw from all the time spent researching this topic are equally as numerous. Because this is such a broad topic, my conclusions will be more general than if the topic for this paper was of a more specific nature. These conclusions will center on the following question: how has Aid been a factor in creating development, and what have these developmental trends been?

Increase in Aid

Overall there has been a general trend of an increase in Aid and FDI flowing into the region of Latin America. Annually there are Billions of dollars flowing in to this region in an effort by the international community to try and create development throughout the region. Certain areas of Latin America, such as the Southern Cone and Brazil have had great success with this increase in Aid. This Aid has especially helped them in increasing their economic growth and development. Mexico has also benefited similarly from this increase in Aid. While large amounts of developmental aid have gone into these Mexico Brazil and the Southern Cone, the money has more specifically been in the form of FDI by international companies. Brazil leads the way with over \$70 Billion dollars entering the country in 2011 alone. This form of private aid has helped these countries immensely in terms of strengthening their infrastructure and economy. This has even led some of these countries, like Chile and Brazil, to create their own governmental departments that focus on creating development in country and creating a more competitive and advanced domestic economy²¹ As this sort of economic development has increased so has the tendency to have a more stable and continuous government.

It is a different part of Latin America that receives a majority of developmental Aid and loans. Countries such as Honduras, Bolivia, Nicaragua and Colombia lead the region in receipt of Aid over this time period. These countries seem to have a chronic problem with an underdeveloped economy and unstable governance. Adequate health services and

²¹ "Latin American Economic Outlook 2012.", ECLAC,
<http://www.oecd.org/dev/latinamericaandthecaribbean/48965859.pdf> (Accessed April 20, 2013)

technologically advanced employment still remain a problem in these countries. These countries struggle with drug problems, and partisan politics that drive these countries to the brink of total instability. These countries are unable to properly utilize the funds which they receive to help develop their country's economies and thus the use of funds goes to waste. Seeing little development in this area, more Aid will continue to pour into this region. This is where the never ending cycle of dead aid continues. The money flowing into the country is not furthering their development at a pace that will justify continuing to add on more outside aid and foreign debt. This money is just keeping an inefficient system on life support.

Does Aid Increase Development?

The purpose of this paper was to determine whether or not Aid (both for development and in the form of FDI) increases development, or if it fails in its task. After compiling and analyzing all of the data I would honestly have to say that the results are inconclusive. While some indicators showed an increase towards development, most of the indicators hovered around the same point without any meaningful movement either way. I believe that it is safe to conclude then that an increase in Aid and FDI has not been the engine for a holistic movement towards development for this region. There was not significant growth across all seven of my research indicators. While the main purpose for my research came up with no concrete answers, it was the trends and conclusions that I drew along the way that to me are the most valuable things that I have drawn from this project.

The first trend that I noted was the indicators in which there was an upward trend towards more development. From the data it appears that the most positive development occurred in the areas of Availability of Education, and the Availability of Medical Services. This trend was surprising to me because I had the preconceived notion that these two things would follow after development. Coming from a business background in development I am looking for a concrete improvement in a country's ability to help themselves economically, more than socially or medically. It was an epiphany to me that development could be seen more in these terms, and I began to understand more the benefits of having increased education and health services for creating long term development.²² It is for the future generations that development is occurring, so investing in their well being now makes perfect sense. I think that we tend to look at development on the macro-analysis scale of how it is affecting the government and the economy of these countries. We are making the mistake of not looking at development as it concerns its true purpose; how development is helping the citizens of a country.

Following this new chain of thought I looked at the countries in which health and education were especially strong, or had exhibited growth over the course the time surveyed. What I found was surprising in term of development as we traditionally know it; Cuba was the leader in this category. Cuba the country that has been excluded from U.S. contact for over 50 years has in many ways been more successful than many of the countries in this survey that had a lot more outside help (especially from the United States). Cuba's educational and medical scores in this survey were through the roof, and they also scored very well at providing adequate employment for their citizens. The areas in my research where they did not score well were in areas of freedom from governance and continuity of democratic elections. If they are doing well in providing for their citizen what then is the importance in terms of development in following a

²² This is to my discredit considering the reading I had done on the Millennium project as part of my research and their efforts in the area of health and education.

free and democratic form of governance? There appears therefore to be a bias in the way we as an international community tend to look at development. Dambisa Moyo in *Dead aid* makes this same point when she discusses the fact that a democratic and free government is not necessary for development. Arguing a slightly different point than I am she states the case of Chile in the mid 1970's under Pinochet. Despite of some unsavory tactics, he made development happen in his country through totalitarian means. Many of the world's poorest and least developed countries are "democracies" and this freedom is doing nothing to substantively help their people. In my opinion we tend to look at development as the Americanization of another country.

Development is usually seen as free and open markets along with democratic government. Brazil and Chile are shining examples of this to the world and the wonders of Democracy. The BRIC nations are applauded for their sudden growth and much of this is I think is believed to be a result of having an American style of doing government and economics. Other than China all of these countries are liberal democracies. What benefit does this truly serve them? Look at the data for Brazil and Chile and compare it to Cuba. When it comes to measuring the well being of their citizens in their everyday life Cuba has them beat hands down. Now this might be excusable if Brazil and Chile were shining examples of equality and Democracy but looking at the other data they are both less than stunning on this front. They are rife with perceived corruption and the lack of gender equality is something that while very cultural is not being rectified by their democratic form of equality and governance. This is not the end towards which true development leads.

Doing all of this research has been very formative in my opinion on Aid and international development. Wishing to make substantive change in other countries I was interested in taking a deeper look at the effectiveness of aid entering a country. What I found while not surprising to me, was revealing in what were the underlying issues with development. I hope all of this data, while not leading towards any sort of solid answer to my thesis for this paper, will be helpful in the conversation surrounding aid. We need to educate ourselves on the subject if we wish to create real and lasting development in the chronically underdeveloped areas of the world. We must decide what we wish aid to be. If we truly believe that aid should help better the lives of the poor and needy then we need to reexamine how we are doing aid. To rescue those living on less than a dollar a day, we have to answer the question of what development is. Are we trying to create capitalistic democracies, or are looking to help raise the standard of living for those all around the world? If the second part of this question is in fact the case then we must take the steps necessary to reach this goal, whether or not it fits our traditional mold for doing development.

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