

# LETTER FROM THE EDITOR

Foreign economic aid, which has never been without some detractors, has been subjected to a sustained barrage of criticism in recent years. Its foes have raised questions not only about whether official development assistance (ODA) was as efficient in helping the countries receiving the aid as it should have been but also whether aid actually left recipient countries worse off than they would have been without it. Aid's supporters have presented detailed defenses and counterarguments but have had trouble rallying public opinion to their side during a period of budgetary austerity in donor countries and in the absence of active geopolitical competition between superpowers.

In view of the current controversy over aid, it is useful to present some highlights of recent research done at the World Bank on the impact of ODA. In this issue's lead article, Craig Burnside and David Dollar examine how successful ODA provided during 1970–93 to a broad sample of countries was in enabling them to increase their economic growth rates and reduce the incidence of poverty. By comparing the experiences of aid recipients that have different policies, the authors formulate some pointers that could help to guide both donor and recipient countries onto the road to effective aid and keep them there.

Two other articles examine capital market challenges facing developing countries. An article by the staff of the IMF's Research Department discusses the flip side of the beneficial effects of capital inflows: that is, recipients of such flows become vulnerable to sudden shifts in market sentiment, which may result in destabilizing capital outflows and speculative currency attacks, as have been seen recently in several East Asian countries. This article discusses ways in which a country can improve its ability to avoid or bounce back from such attacks. Marcel Cassard and David Folkerts-Landau's article on managing the risks of sovereign debt looks at how developing countries can cope more effectively with market turbulence by adopting a strategy designed to minimize the currency, interest rate, and maturity risks associated with their external debts.

In his article, Professor Stephen S. Golub of Swarthmore College examines the topical and controversial issue of international labor standards. Carefully evaluating the arguments made by both sides in the debate, he suggests a pragmatic middle course designed to balance the interests of industrial and developing countries.

In "The IMF Monetary Model: A Hardy Perennial," that model's principal author and longtime director of the IMF's Research Department, Jacques J. Polak, discusses how this widely used model was devised, how it has been applied and modified over time, what its limitations are, and how the IMF has modified its methods of evaluating member countries' economies in the light of changing economic and financial conditions.

Ian S. McDonald  
*Editor-in-Chief*



## Our New Editor

Ian S. McDonald is the new Editor-in-Chief of *Finance & Development*. A UK national, Mr. McDonald was previously Chief Editor and Chief of the Editorial Division in the IMF's External Relations Department. Prior to his service with the IMF, he was Washington Correspondent for *The Times* of London, an editorial writer for *The Glasgow Herald*, and a Fellow of the World Press Institute of St. Paul, Minnesota. He has M.A. degrees from Oxford University, England, and The George Washington University, Washington, D.C.

Mr. McDonald replaces Mrs. Claire Liuksila, who has been appointed Chief of the Country Data Review Division in the IMF's Statistics Department.