

# Why USAID is Great for America and the World

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May 29<sup>th</sup>, 2025

# Who Am I?

- Associate Professor of Economics (tenured) at UW
  - I teach courses in economic theory/optimization (Econ 300, undergrad) and development economics (Econ 591, PhD-level)
- Worked at the University of Minnesota until 2024
- Ph.D. from Michigan, did BS, BA, & MA at Stanford
- Born and raised in Honolulu, Hawai'i
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# I am a development economist

- Most of my job is not teaching, but research
- I study why some places are persistently poorer than others, and what we can do about it
  - How much does a specific program affect the outcomes it targets?
  - What are the downstream impacts on other things?
  - Which intervention is the most cost-effective?
  - Where should we invest money to reduce global poverty?
- These are all **causal** questions
  - Development economists answer them using randomized controlled trials (like in medicine)
  - And by using statistics to do things that are “almost” randomized experiments



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  - But the freeze does not look like it will affect her much financially

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- I also have friends who have more direct financial stakes

# Global Poverty

# What does deep poverty look like?



- No shoes
- Hand-carrying goods
- *Everything* is homemade/used
- Mud houses w/grass roofs
- Toilets are outhouses or worse
- No electricity
- No running water
- No books/TV/other entertainment
- Limited healthcare

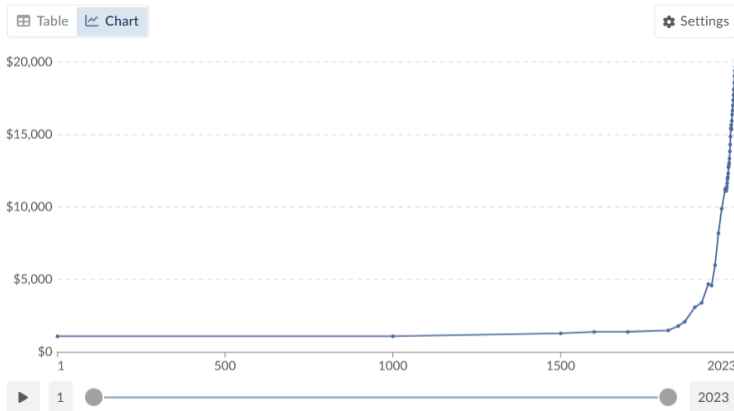


# Everyplace in the world used to be very poor

## Global average GDP per capita over the long run

Our World  
in Data

These historical estimates of GDP per capita are adjusted for inflation. We combine three sources to create this time series: the Maddison Database (before 1820), the Maddison Project Database (1820–1989), and the World Bank (1990 onward).



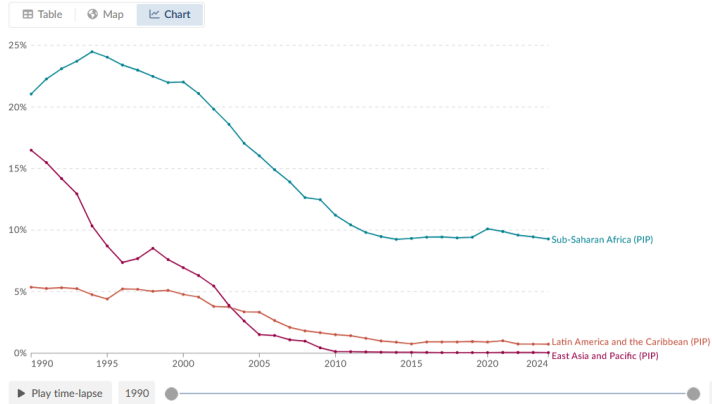
**Data source:** Data compiled from multiple sources by World Bank (2025); Bolt and van Zanden - Maddison Project Database 2023; Maddison Database 2010 – [Learn more about this data](#)

# But there has been tremendous progress

## Poverty: Share of population living on less than \$1 a day, 1990 to 2024

This data is adjusted for inflation and for differences in living costs between countries.

Our World  
in Data



Data source: World Bank Poverty and Inequality Platform (2024) - [Learn more about this data](#)

OurWorldinData.org/poverty | CC BY

Note: This data is expressed in international-\$ at 2017 prices. Depending on the country and year, it relates to income measured after taxes and benefits, or to consumption, per capita.

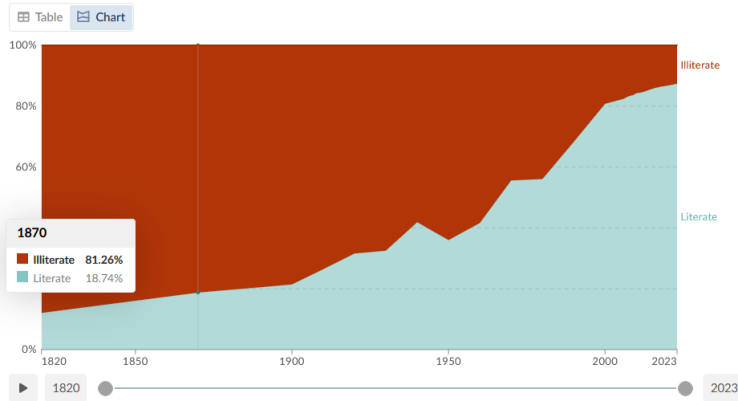


# And not just in terms of income

## Literate and illiterate world population

The share of adults aged 15 and older who can read and write a short, simple statement on their everyday life.

Our World  
in Data



Data source: World Bank (2024); van Zanden, J. et al. (2014) - [Learn more about this data](#)

OurWorldinData.org/literacy | CC BY

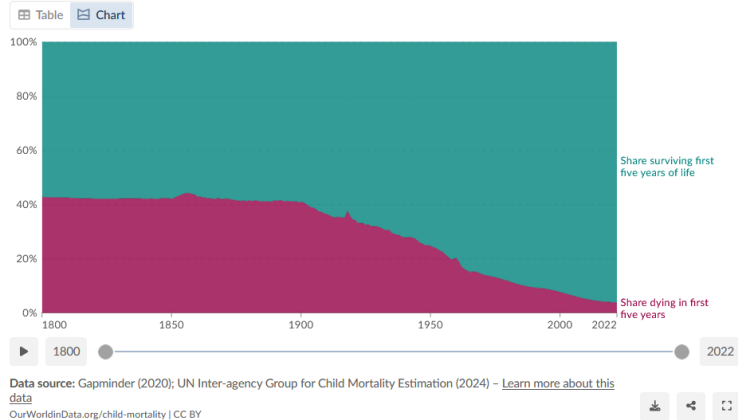


# Colossal gains in health as well

## Global child mortality

The estimated share of newborns who die or survive the first five years of life.

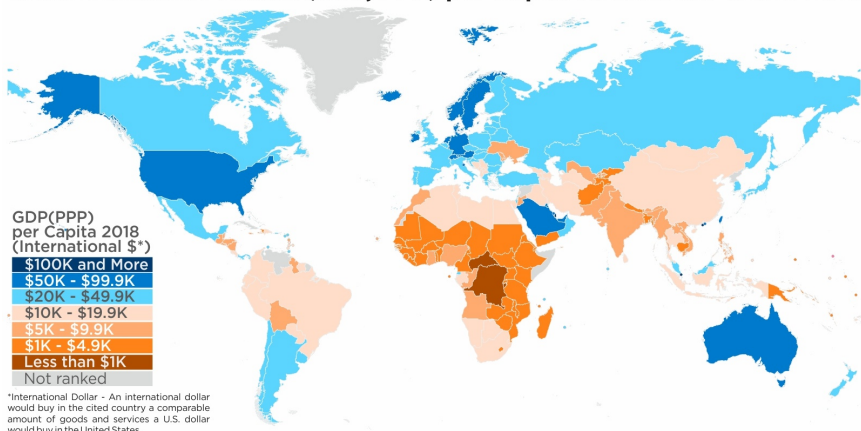
Our World  
in Data



Related: [How common was the death of a child in the past?](#)

But we have a long way to go

## Gross Domestic Product (GDP, PPP) per Capita Around the World 2018



### Article & Sources:

<https://howmuch.net/articles/gdp-per-capita-around-the-world-2018>  
International Monetary Fund - <https://www.imf.org>

howmuch<sup>net</sup>

USAID is Great for America

USAID is an incredible brand



**USAID**  
FROM THE AMERICAN PEOPLE

This logo is plastered on every project they help fund

Other countries' brands are not nearly as good



中国援助  
**CHINA AID**  
FOR SHARED FUTURE



Foreign, Commonwealth  
& Development Office

**giz**

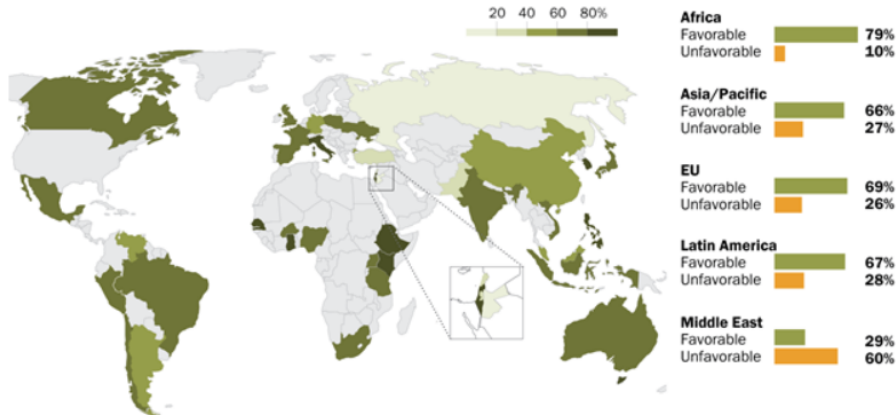
Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



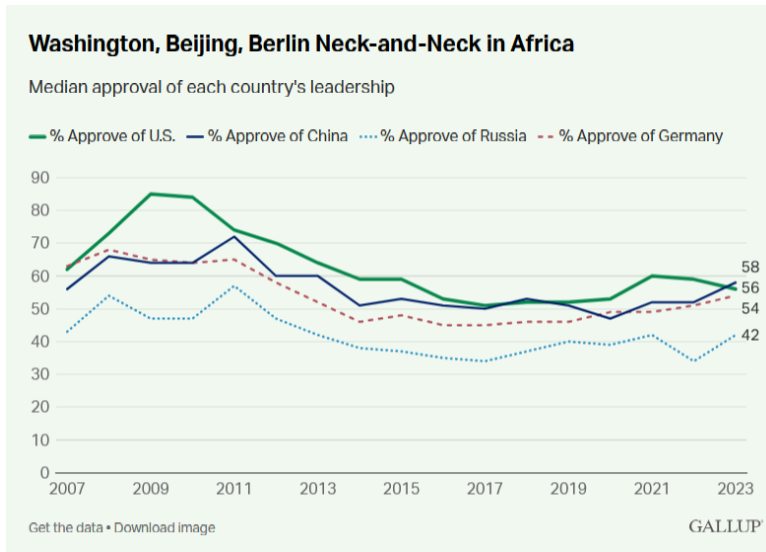
# Africans view the US very positively

## Views of U.S. Most Favorable in Africa

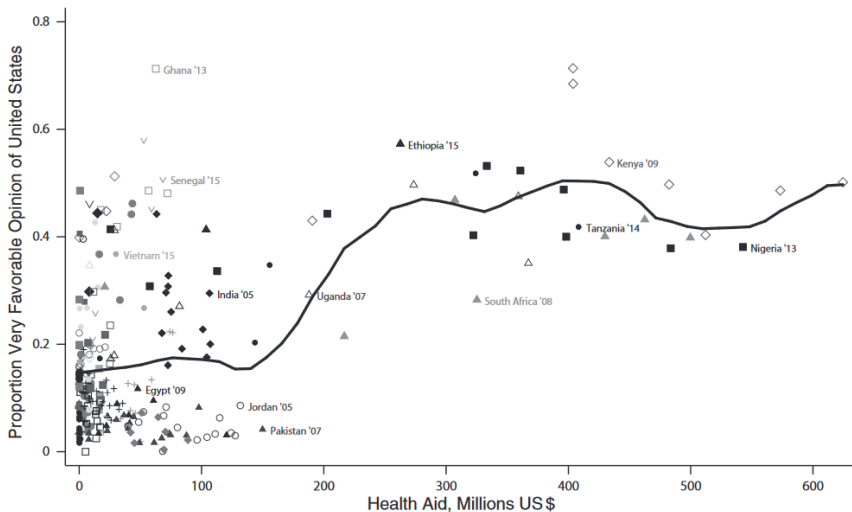
*Favorability of U.S.*



# But we are in a close race with China

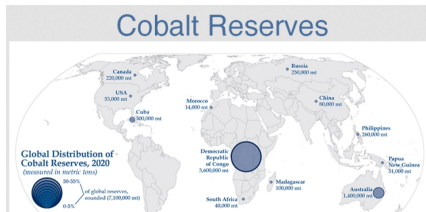


# Foreign aid strongly increases American soft power

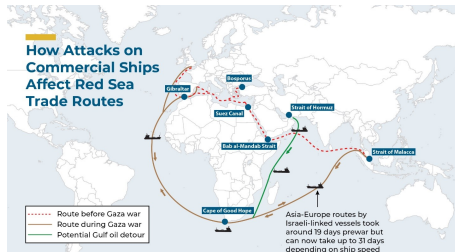
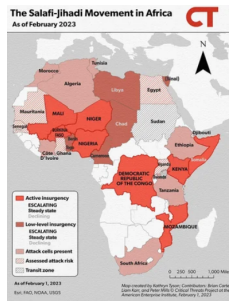


For every \$100 million/year in health aid, views of the US improve by 5 percentage points

# Why do we care? Africa is the geopolitical key to the 21st century

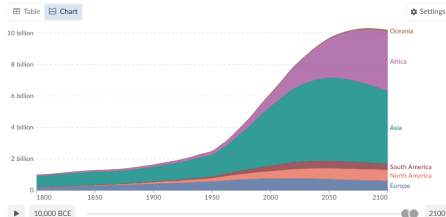


In February 2018, global asset management firm [AllianceBernstein](#) defined the DRC as economically "the Saudi Arabia of the electric vehicle age", due to its cobalt resources, as essential to the [lithium-ion batteries](#) that drive [electric vehicles](#).<sup>[106]</sup>



## Population by world region

Historic estimates with future projections based on the UN medium scenario.



Data source: HYDE (2023); Gapminder (2022); UN WPP (2024) - [Learn more about this data](#)

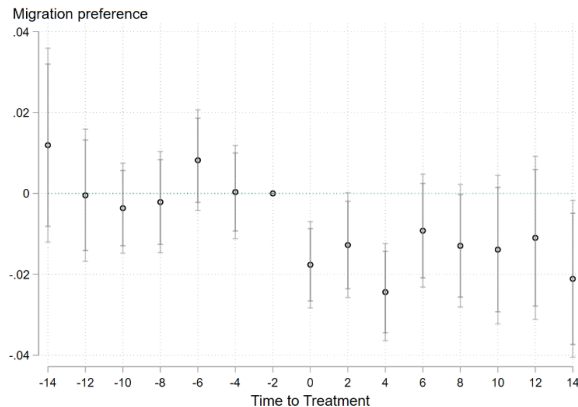
## What about the border crisis? Foreign aid can help



- Huge surge in arrivals at southern US border in recent years
- People fleeing dangerous and impoverished homes for the US
- Increase in asylum seekers strained immigration system and local communities
- Can foreign aid help with this?

## Aid disbursements reduce asylum seeking

- Compare regions within same country that got more aid money to those that got less
- Short-run: reduced desire to migrate, **drop** in asylum-seeking
- Long-run: increase in migrating on an actual visa
- Reduction in chaos at the border



(from Gröger et al. 2024)

USAID is Great for the World

# The President's Emergency Plan for AIDS Relief (PEPFAR)

*The New York Times*

## When George W. Bush Was a Hero

April 8, 2023



*The Washington Post*  
Democracy Dies in Darkness

**Opinion**

George W. Bush

### George W. Bush: PEPFAR saves millions of lives in Africa. Keep it fully funded.



Former president George W. Bush greets children at a school in Gaborone, Botswana. (Mike Hutchings/Reuters)



## PEPFAR has saved between 7.5 and 30 million lives

- Compare poor countries that got PEPFAR to poor countries that did not
- Look at before-after changes in each group, and see how much more deaths dropped in PEPFAR group
- This is called a “Difference in Differences”

And so we are winning the war on AIDS

## And so we are winning the war on AIDS

When I was in college my doctor told me Africa was doomed because of AIDS. He was **wrong**.

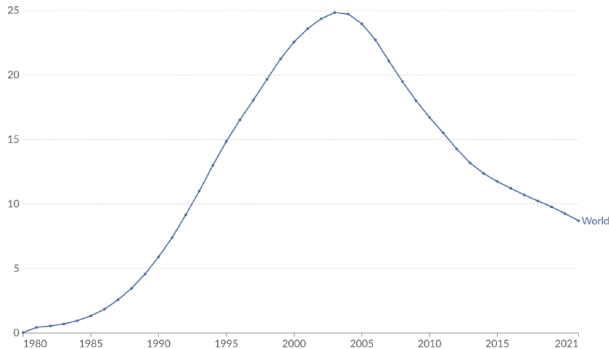
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## Death rate from HIV/AIDS

The number of deaths from HIV/AIDS<sup>1</sup> per 100,000 people.

Our World  
in Data



Data source: IHME, Global Burden of Disease (2024)

OurWorldinData.org/hiv-aids | CC BY

Note: To allow for comparisons between countries and over time, this metric is age-standardized<sup>2</sup>.

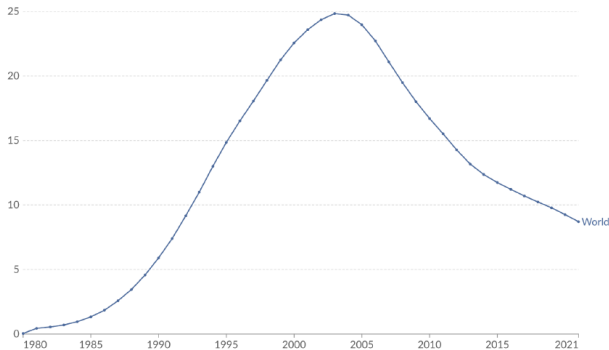
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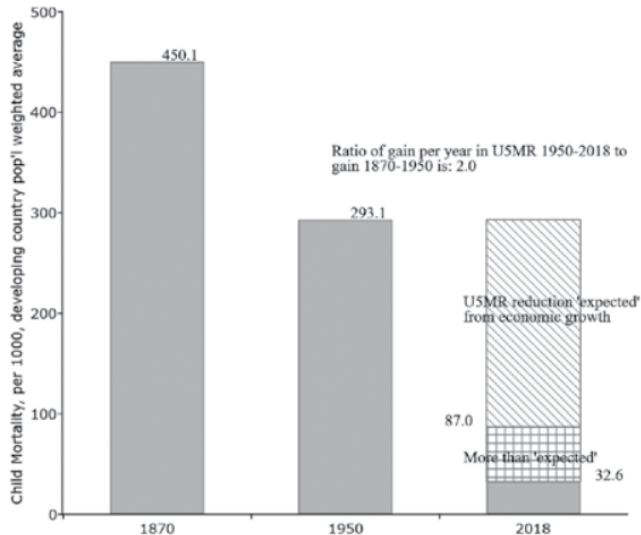
OurWorldinData.org/hiv-aids | CC BY

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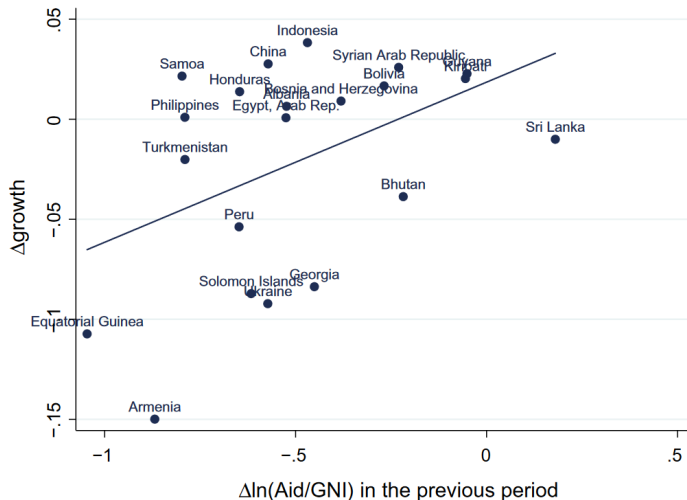
Incredible scientific advances & the generosity of the American people have led to the biggest public health triumph in history.

# Health aid has helped people escape misery even *before* they escape poverty

- Richer countries have lower child mortality
- And poor countries are getting richer
- But child death rates are dropping even *faster* than we'd expect from income increases alone
- Evidence shows that foreign aid was a major factor in this



# Foreign aid also boosts economic growth



- As countries get richer they qualify for less foreign aid from the World Bank
- Can use that as a natural experiment: do growth rates drop at the same time?
- **Yes:** every 1% increase in aid leads to a 0.35 pp increase in economic growth

# How to Make USAID More Efficient



## How much money are we spending on all this?

About what fraction of the US federal budget would you estimate is spent on foreign aid?

- (a) 20%
- (b) 10%
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- (d) 1%

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So just 0.9% of the federal budget goes to foreign aid

- USAID specifically is **0.3%**

You personally contributed a couple hundred dollars to this

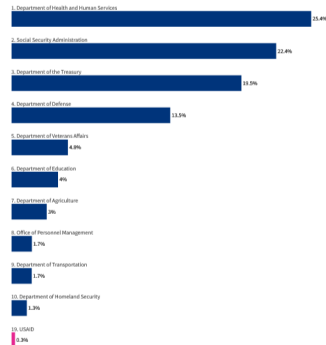
- In 2023, the average American's tax bill was \$19,113
- Just \$176 of that money went to non-military foreign aid
- And \$57 went to USAID specifically
  - About \$2 per paycheck

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## The USAID accounted for 0.3% of all federal spending in FY 2024.

Share of USAID net spending compared to the top ten highest spending agencies in FY 2024



## What about waste?

DOGE identified \$120 million in projects it thinks are wasteful in data covering two decades of USAID's work

- That's \$6 million per year
- Or 0.03% of USAID's budget
- About 5 cents per taxpayer per year
- And not all that money is actually wasted

Rough estimate: about 83% of USAID spending goes to people in need

- About 10% goes to US government costs
- Another 7% or so goes to overhead & staff within implementing orgs/local governments



## Using science to make foreign aid work better & more cheaply

An example from my own research:

- School outcomes are very bad in Africa
  - 4<sup>th</sup>-graders often read at well below the Kindergarten level
- We partnered with an NGO that developed a better literacy program in Northern Uganda
- Designed a randomized experiment to test its effects
  - Invited all 128 eligible schools to a public lottery:
    - 1/3 got literacy program
    - 1/3 got a low-cost version of the program
    - 1/3 assigned to a control group
  - Any differences in test scores can be attributed to the effects of program

Cutting costs did not make the program more cost-effective

## Cutting costs did **not** make the program more cost-effective

Cost-Effectiveness Calculations

	Full-cost	Reduced-cost
Cost per student per year	\$19.88	\$7.14
Letter Name Knowledge		
Effect size (SDs)	1.014	0.407
Cost per student/0.2 SDs	\$3.92	\$3.51
SDs per dollar	0.051	0.057
PCA EGRA Index		
Effect size (SDs)	0.638	0.129
Cost per student/0.2 SDs	\$6.23	\$11.08
SDs per dollar	0.032	0.018
PCA Writing Test Index		
Effect size (SDs)	0.449	-0.159
Cost per student/0.2 SDs	\$8.85	N/A
SDs per dollar	0.023	-0.022

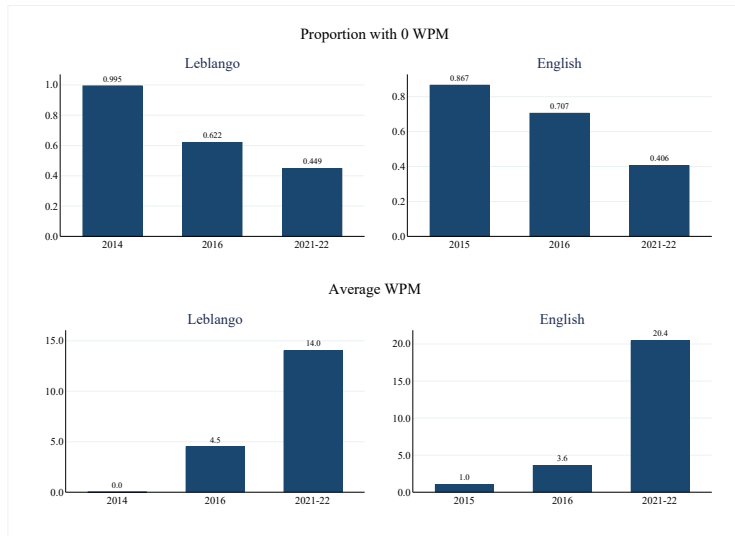
(1 SD = 210 points on the SAT or 15 points on an IQ test. Poor countries are  $\approx$  5 SDs behind rich ones on test scores.)

- Reduced-cost version was cheaper
- But it did **not** achieve higher gains per dollar
- Looks a little better on teaching kids the names of letters, but not on overall reading scores
- Actually *hurt* writing scores—worse than nothing at all!
- USAID actually cited and used these results

## What about the sustainability of the program?

- Ran both versions at larger scale in 2014-2016
- Have followed kids ever since—for 12 years total so far
- Last follow-up was in 2021-22: 8-9 years after program started and 5-6 years after it stopped
- Do these reading gains last?
  - We look at effects in both the local language (Leblango) and the language kids will have to use in high school (English)

# Control group progresses slowly in reading speed—but does progress

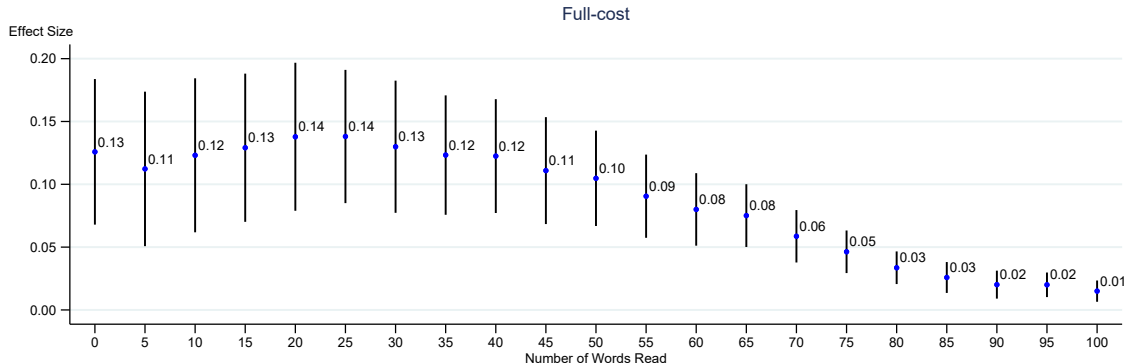


5-6 years post-treatment: over half of treatment effect persists in Leblango, nearly all of it persists in English

	Leblango Reading (SDs)	English Reading (SDs)	Math (SDs)
Full-cost NULP	<b>0.712***</b>	<b>0.547***</b>	-0.000
S.E.	(0.200)	(0.141)	(0.041)
R.I. p-value	[0.001]	[0.000]	[0.994]
Reduced-cost NULP	0.377***	0.249***	-0.036
S.E.	(0.148)	(0.101)	(0.045)
R.I. p-value	[0.000]	[0.002]	[0.555]
Difference between treatments	0.335	0.298	0.036
S.E.	(0.213)	(0.153)	(0.039)
R.I. p-value	[0.213]	[0.107]	[0.465]
Control Annual Gain (in SD)	0.161	0.344	0.332
N	2,315	2,315	2,314

# Reading scores are still higher throughout distribution

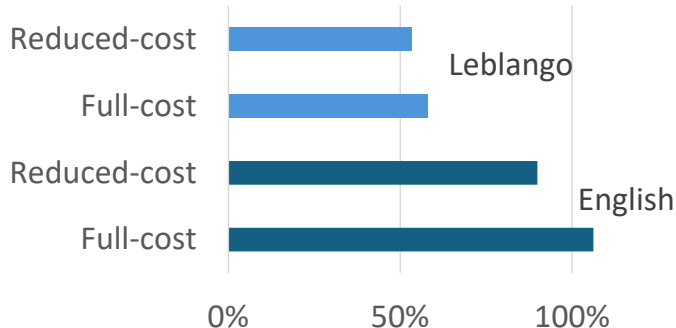
Distribution regressions of  $\mathbb{1}[\text{Read at least } W \text{ WPM in Leblango}]$  on treatment



ATE is 14 WPM

## Persistence is much higher for effects on English & stronger for full-cost program

Percent of effect remaining



- Curriculum switches to English-only after grade 4
- More use of skills may explain higher persistence
- English persistence actually higher than 100% (can't reject equality)
- Larger boost  $\implies$  more persistence? Suggestive evidence but not definitive



## Ending politicization at USAID

- USAID employees skew left-leaning
  - E.g. 95% of donations from USAID staff went to Democrats in 2024
- But donors skew left within all orgs: e.g. 52% of USMC donations were to Democrats, vs. 65% of veterans voting for Trump
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  - Still a sizable partisan imbalance
- We need more conservatives to pursue careers in foreign aid
  - And more liberals to become police officers
  - Partisan sorting in occupations is very bad overall
  - Scrapping USAID is not a solution here
    - defunding police departments did not make liberals want to become police

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- Many USAID projects have ideological goals or use highly politicized buzzwords
  - This has to stop

# USAID *has* spent money on DEI and other politically-charged goals

 [factcheck.org/2025/02/sorting-out-the-facts-on-waste-and-abuse-at-usaid/](https://factcheck.org/2025/02/sorting-out-the-facts-on-waste-and-abuse-at-usaid/)

[FACTCHECK POSTS](#) > [FEATURED POSTS](#)

## Sorting Out the Facts on ‘Waste and Abuse’ at USAID

### Serbian ‘DEI’ Project

An [LGBTQ advocacy organization](#) in Serbia — a country that [fares poorly](#) compared with other European countries on measures of LGBTQ rights, according to data from the European Union Agency for Fundamental Rights — hosted a three-year [program](#) aimed at improving the inclusion of LGBTQ people in the workplace.

From February 2023 to October 2024, USAID [committed](#) to spending about \$1.5 million — in three roughly \$500,000 installments — to support the program.

At a [program conference](#) in September 2023, mission director for USAID in Serbia, [Brooke Isham](#), said, “At USAID, we know that inclusive development is important for driving economic growth and also for creating a healthier democracy.”



Description



THIS ACTIVITY AIMS TO ADVANCE DIVERSITY, EQUITY AND INCLUSION IN SERBIA’S WORKPLACES AND BUSINESS COMMUNITIES, BY PROMOTING ECONOMIC EMPOWERMENT OF AND OPPORTUNITY FOR LGBTQ+ PEOPLE IN SERBIA. IT WILL FOSTER A...

[read more](#)

**\$1.5 Million**  
Obligated Amount

## But not a lot of money

- The Serbia program is the only one I could find that was explicitly from USAID and about DEI
  - DOGE flagged other DEI programs but they were funded by the State Dept
- It cost \$1.5 million over 3 years, so for each year the cost was \$500,000
- USAID's budget was \$21.7 billion in 2024; written out, that's \$21,700,000,000
- DEI spending was 0.002% of USAID's budget
  - That means it cost the average taxpayer approximately one tenth of a cent

## My proposal: keep the USAID brand and spend the money even better

- Congress should set clear goals for foreign aid money
  - What do we want these funds to achieve?
  - These goals should (obviously) not be politically controversial or ideological in nature
  - Think PEPFAR, not DEI promotion or earmarking funds for Christian groups
    - These
- USAID should pick the most cost-effective programs for hitting those goals
  - Tons of excellent randomized trials we could use
    - 2019 Nobel Prize went to Banerjee, Duflo, and Kremer for founding this research agenda
- Untested programs are great—we should pilot-test them in randomized experiments first

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- Untested programs are great—we should pilot-test them in randomized experiments first
- USAID already does a lot of this
- It can be even better for America—and the world—if 100% of aid dollars go to evidence-based programs



# America should continue to lead the free world



And smart and strategic foreign aid is a crucial part of how we can do that

Thank you very much

Any questions?

## How to reach me

Please reach out if you have other questions or comments:

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