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A FAREWELL TO ALMS?

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In 1985, when Bob Geldof organized the rock spectacular Live Aid to fight poverty in Africa, he kept things simple. “Give us your fucking money” was his famous (if apocryphal) command to an affluent Western audience—words that embodied Geldof’s conviction that charity alone could save Africa. He had no patience for complexity: we were rich, they were poor, let’s fix it. As he once said to a luckless official in the Sudan, after seeing a starving person, “I’m not interested in the bloody system! Why has he no food?”

Whatever Live Aid accomplished, it did not save Africa. Twenty years later, most of the continent is still mired in poverty. So when, earlier this month, Geldof put together Live 8, another rock spectacular, the utopian rhetoric was ditched. In its place was talk about the sort of stuff that Geldof once despised—debt-cancellation schemes and the need for “accountability and transparency” on the part of African governments—and, instead of fund-raising, a call for the leaders of the G-8 economies to step up their commitment to Africa. (In other words, don’t give us your fucking money; get interested in the bloody system.) Even after the G-8 leaders agreed to double aid to Africa, the prevailing mood was one of cautious optimism rather than euphoria.

That did not matter to the many critics of foreign aid, who mounted a lively backlash against both Live 8 and the G-8 summit. For them, continuing to give money to Africa is simply “pouring billions more down the same old ratholes,” as the columnist Max Boot put it. At best, these critics say, it’s money wasted; at worst, it turns countries into aid junkies, clinging to the World Bank for their next fix. Instead of looking for help, African countries need to follow the so-called Asian Tigers (countries like South Korea and Taiwan), which overcame poverty by pursuing what Boot called “superior economic policies.”

Skepticism about the usefulness of alms to the Third World is certainly in order. Billions of dollars have ended up in the pockets of kleptocratic rulers—in Zaire alone, Mobutu Sese Soko stole at least four billion—and still more has been misspent on massive infrastructure boondoggles, like the twelve-billion-dollar Yacyreta Dam, between Argentina and Paraguay, which Argentina’s former President called “a monument to corruption.” And historically there has been little correlation between aid and economic growth.

This checkered record notwithstanding, it’s a myth that aid is doomed to failure. Foreign aid funded the campaign to eradicate smallpox, and in the sixties it brought the Green Revolution in

agriculture to countries like India and Pakistan, lifting living standards and life expectancies for hundreds of millions of people. As for the Asian nations that Africa is being told to emulate, they may have pulled themselves up by their bootstraps, but at least they were provided with boots. In the postwar years, South Korea and Taiwan had the good fortune to become, effectively, client states of the U.S. South Korea received huge infusions of aid, with which it rebuilt its economy after the Korean War. Between 1946 and 1978, in fact, South Korea received nearly as much U.S. aid as the whole of Africa. Meanwhile, the billions that Taiwan got allowed it to fund a vast land-reform program and to eradicate malaria. And the U.S. gave the Asian Tigers more than money; it provided technical assistance and some military defense, and it offered preferential access to American markets.

Coincidence? Perhaps. But the two Middle Eastern countries that have shown relatively steady and substantial economic growth—Israel and Turkey—have also received tens of billions of dollars in U.S. aid. The few sub-Saharan African countries that have enjoyed any economic success at all of late—including Botswana, Mozambique, and Uganda—have been major aid recipients, as has Costa Rica, which has the best economy in Central America. Ireland (which is often called the Celtic Tiger), has enjoyed sizable subsidies from the European Union. China was the World Bank's largest borrower for much of the past decade.

Nobody doubts that vast amounts of aid have been squandered, but there are reasons to think that we can improve on that record. In the first place, during the Cold War aid was more often a geopolitical tool than a well-considered economic strategy, so it's not surprising that much of the money was wasted. And we now understand that the kind of aid you give, and the policies of the countries you give it to, makes a real difference. A recent study by three scholars at the Center for Global Development found that, on average, foreign aid that was targeted at stimulating immediate economic growth (as opposed to, say, dealing with imminent crises) has had a significantly beneficial effect, even in Africa.

There's still a lot wrong with the way that foreign aid is administered. Too little attention is paid to figuring out which programs work and which don't, and aid still takes too little advantage of market mechanisms, which are essential to making improvements last. There's plenty we don't know about what makes one country succeed and another fail, and, as the former World Bank economist William Easterly points out, the foreign-aid establishment has often promised in the past that things would be different. So we should approach the problem of aid with humility. Yet humility is no excuse for paralysis. In 2002, President Bush created the Millennium Challenge Account, which is designed to target assistance to countries that adopt smart policies, and said that the U.S. would give five billion dollars in aid by 2006. Three years later, a grand total of \$117,500 has been handed out. By all means, let's be tough-minded about aid. But let's not be hardheaded about it.