


THE FINANCIAL PAGE

A FAREWELL TO ALMS?

By James Surowiecki

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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, Africa called Asian Tigers (countries like South Korea) to their aid, and they reduced poverty by pursuing what Boot called “super-

Skepticism about the usefulness of alms to order. Billions of dollars have ended up in the hands of dictators. In Zaire alone, Mobutu Sese Soko stole at least \$4 billion. In Argentina, \$1 billion has been misspent on massive infrastructure boondoggles, like the \$1.5-billion Yacyreta Dam, between Argentina and Brazil. In China, a former President called “a monument to corruption.” There has been little correlation between aid and economic growth.

This checkered record notwithstanding, it’s hard to see the failure. Foreign aid funded the campaign to end malaria in the sixties it brought the Green Revolution in India and Pakistan, lifting living standards and lifting millions of people. As for the Asian nations, they may have pulled themselves up by the bootstraps, but they were provided with boots. In the postwar years, South Korea, by good fortune to become, effectively, client state. South Korea received huge infusions of aid, with which it became a superpower. Korean War. Between 1946 and 1978, in fact, South Korea received as much U.S. aid as the whole of Africa. Meanwhile, the U.S. allowed it to fund a vast land-reform program. In the case of 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.

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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 the region (often called the Celtic Tiger), has enjoyed rapid growth since joining the European Union. China was the World Bank’s largest aid recipient in the last decade.

Nobody doubts that vast amounts of aid have been given for good reasons to think that we can improve on the aid of the Cold War. The Cold War aid was more often a geopolitical strategy, so it’s not surprising that it often failed. And we now understand that the kind of aid that goes to the wrong countries you give it to, makes a real difference. At the Center for Global Development, we found that aid that was targeted at stimulating immediate economic growth (dealing with imminent crises) has had a significant impact in Africa.

There’s still a lot wrong with the way that aid is given. Attention is paid to figuring out which projects are worth funding, but still takes too little advantage of market mechanisms. Making improvements last. There’s plenty of examples of a country succeed and another fail, and, as the economist William Easterly points out, the foreign-aid industry is full of people in the past that things would be different. We should give aid with humility. Yet humility is no excuse for inaction. 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

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\$117,500 has been handed out. By all means, let's be tough-minded about aid. But let's not be hardheaded about it.

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James Surowiecki is the author of "The Wisdom

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