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Aid ironies

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The debate about foreign aid has become farcical. The big opponents of aid today are Dambisa Moyo, an African-born economist who reportedly received scholarships so that she could go to Harvard and Oxford but sees nothing wrong with denying \$10 in aid to an African child for an anti-malaria bed net. Her colleague in opposing aid, Bill Easterly, received large-scale government support from the National Science Foundation for his own graduate training.

I certainly don't begrudge any of them the help that they got. Far from it. I believe in this kind of help. And I'd find Moyo's views cruel and mistaken even she did not get the scholarships that have been reported (Easterly mentioned his receipt of NSF support in the same book in which he denounces aid). I begrudge them trying to pull up the ladder for those still left behind. Before peddling their simplistic concoction of free markets and self-help, they and we should think about the realities of life, in which all of us need help at some time or other and in countless ways, and even more importantly we should think about the life-and-death consequences for impoverished people who are denied that help.

Nine million children die each year of extreme poverty and disease conditions which are almost all preventable or treatable or both. Impoverished countries, with impoverished governments, can't solve these problems on their own. Yet with help they can. The Global Fund to Fight AIDS, TB, and Malaria, and the Global Alliance on Vaccines and Immunizations are both saving lives by the millions, and at remarkably low cost. Goldman Sachs, Ms. Moyo's former employer, gives out more in annual bonuses to its workers than the entire rich world gives to the Global Fund each year to help save the lives of poor children. And when Goldman Sachs got into financial trouble it got bailed-out by the US Government. Rich people have an uncanny ability to oppose aid for everybody but themselves.

Recently Paul Kagame, President of Rwanda, wrote an op-ed for the *Financial Times* praising Moyo's fresh thinking. This is extraordinary. His government has depended on aid for more than a decade. Nearly half the budget revenues currently come from aid. Rwanda currently imports around \$800 million of merchandise each year, but only earns \$250 million or so in exports. So how does it do it? Aid, of course, helped to pay for around \$450 million of the imports. Without foreign aid, Rwanda's pathbreaking public health successes and strong current economic growth would collapse. Kagame's op-ed did not help *FT* readers to understand this.

Americans are predisposed to like the anti-aid message. They believe that the poor have only themselves (or perhaps their governments) to blame. They overestimate the actual aid from the US by around thirty times, so they imagine that vast sums are flowing to Africa that are then squandered. Many believe, typically in private, that by saving African children we would be creating a population explosion, so better to let the kids die now rather than grow up hungry. (I'm asked about this constantly, usually in whispers, after lectures). They don't understand the most basic point of worldwide experience: when children survive rather than die in large numbers, households choose to have many fewer children, in fact more than compensating for the decline in child mortality. Africa's high child mortality is ironically a core reason why Africa's population is continuing to soar rather than stabilize as in other parts of the world.

Of course, most Americans know little about the many crucially successful aid efforts, because Moyo, Easterly, and others lump all kinds of programs - the good and the bad - into one big undifferentiated mass, rather than helping people to understand what is working and how it can be expanded, and what is not working, and should therefore be cut back. Nor do Americans hear that many poor countries graduate from the need for aid over time, precisely because aid programs help to spur economic growth and successfully prepare countries to tackle future priorities. US aid to India for increased food production in the 1960s paved the way for India's growth takeoff afterwards. There are countless other examples in which countries have benefited from aid and then graduated, including Korea, Malaysia, Taiwan, Israel, and others. Egypt is on that path today, and Rwanda, Tanzania, Ghana, and others will be as well if both donors and recipients carry forward with a sensible assistance strategies.

Here are some of the most effective kinds of aid efforts: support for peasant farmers to help them grow more food, childhood vaccines, malaria control with bed nets and medicines, de-worming, mid-day school meals, training and salaries for community health workers, all-weather roads, electricity supplies, safe drinking water, treadle pumps for small-scale irrigation, directly observed therapy for tuberculosis, antiretroviral medicines for AIDS sufferers, clean low-cost cook stoves to prevent respiratory disease of young children. Shipment of food from the US is a kind of aid that should be cut back, with more attention on growing local food in Africa.

Out of every \$100 of US national income, our government currently provides the grand sum of 5 cents in aid to all of Africa. Out of that same \$100, we have found around \$10 for the stimulus package and bank bailouts and another \$5 for the military. It is not wonderful that what has caught the public's eye are proposals to cut today's 5 cents to 4 or 3 cents or perhaps zero.

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