



Intelligent Investing

Steve: Rethinking Aid

Steve Forbes 06.01.09, 6:00 AM ET

It's time to rethink how we give foreign aid to the world's poor. I was recently involved with the launch and promotion of a book called *Dead Aid*, by former Goldman Sachs economist Dambisa Moyo. She believes that direct foreign aid to African countries has bred dependency and corruption and trapped nations in poverty.

Here's an example from Moyo's book--an African entrepreneur who tried to sell low-cost mosquito netting to help combat malaria found himself put out of business by government aid programs that gave away the nets for free. Sometimes our good intentions have unintended consequences.

Over the last six decades, Western governments have spent \$1 trillion on aid to Africa and yet per capita incomes are below where they were in the 1970s. Without private industry and a business culture, all the aid in the world can't get Africans ahead.

Moyo wants to cut off all aid within five years. Some African leaders, such as the president of Rwanda, are so intrigued that they've met with her to discuss it. Hopefully the sort of microfinance that Moyo supports and venture capitalism like Jacqueline Novogratz practices can succeed where our trillions in aid have failed. That would be a great victory for capitalism and humanity.