

BOOK REVIEWS

Moyo Joins the Frey

By Anya Schiffrin

Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa. By Dambisa Moyo. Farrar, Straus & Giroux, 2009. 192 pp. US \$24.00 (hardcover) ISBN 0374139563

The question of development in Africa continues to provoke debate. Over the last few years this debate has polarized into two broad camps, each with its own set of books and gurus. The first—loosely defined by free market principles—argues that aid does not help Africa and only makes things worse. The second camp—most notably Jeffrey Sachs and Bono—believes that the problems lie in the amount of aid spent. Of course, such debates are not new and have been going on in the development and economics community for decades. However, the argument between Sachs and Easterly has recently been taken public and, in some cases, gotten rather personal. Former World Bank economist William Easterly has criticized Jeffrey Sachs' approach to development, and questions whether aid hinders development by allowing African states to subsist without needing to develop their national economies. Sachs (understandably) takes offense and feels his work is being undermined, especially since Easterly has become a darling of those on the right, who are generally opposed to spending money on aid and can now cite Easterly's work when asking Sachs to defend his positions.¹

The Easterly/Sachs feud became public in 2005 when Easterly gave a critical review in the *Washington Post* of Sachs' book, *The End of Poverty*. Easterly's own book, *The Elusive Quest for Growth*, gave a potted history of development theory over the last fifty years and explained what did not work and why. In contrast, Sachs took the view that more aid would be the solution and he was offended by Easterly's critique. Paul Collier weighed in with what was intended to be a more reasoned and middle-ground response. *The Bottom Billion* delved into countries afflicted by the 'resource curse' and the debilitating resource conflicts that arise. Collier calls for a

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fairer trade regime, better coordination between donors, international charters, and in some cases, military intervention.

The latest addition to the 'no more aid' camp is Dambisa Moyo, author of *Dead Aid*, as well as a student of Collier's. As Niall Ferguson points out in his introduction to *Dead Aid*, it is refreshing to hear an African woman add her voice to the debate. Though Ngozi Okonjo-Iweala and Ellen Sirleaf Johnson can certainly be found at all the major conferences on the subject, it is helpful to hear from more Africans. Moyo has impressive credentials—a Ph.D in economics from Oxford, consultancy work at the World Bank, and experience as an economic strategist at Goldman Sachs. Her ideas exemplify the free market views about development. She argues that aid is corrosive, it creates dependency, it causes corruption, and it stops Africans from solving their own problems. Much of what she says is not new, but that's not necessarily a bad thing.

The first section of the book covers the well-known arguments about why aid is bad: it creates corruption, stifles innovation, is often embezzled and placed in overseas bank accounts so it doesn't help Africans. Using some very familiar examples, Moyo points out that Sese Seke Mobutu looted \$5 billion and Nigeria's president Sani Abacha took about the same, though he later returned \$700 million. It's an old story and the response is usually that aid to Mobutu was never really intended to help the Congo, and was simply a payment to a Cold War ally. The fact that the aid did not help the country develop misses the point, because such aid was never intended to be used for development. However, Moyo fails to explain why we should be more worried about the misuse of aid from donors than from the private sector. Presumably, Moyo thinks that foreign businesses are harder to steal from than multilateral institutions like the IMF and World Bank. Though, wouldn't the stringent regulations attached to IMF and World Bank loans versus the numerous bribes and kickbacks paid by private businesses to corrupt governments suggest otherwise?

If Moyo's diagnosis of the problems is familiar, then so are her solutions. Moyo believes in trade not aid—especially with China and India, microfinance projects like Bangladesh's wildly successful Grameen Bank and raising money through capital markets. She asserts that Chinese investment in Africa is actually beneficial. Additionally, contrary to most Western notions of success, Moyo does not think that democracy is fundamental to development, and concludes that if donors cut off aid tomorrow, Africa would learn to solve its own problems.

There are a number of contentious claims made by Moyo. Her concept of raising money through capital markets is not feasible given the current condition of the international capital markets. In her chapter entitled, "China is our friend," she states that in 2002 China gave Africa \$1.8 billion in development aid, and in 2006 China signed trade deals worth almost \$600 billion. However, Moyo does not discuss the effects of this aid—whether jobs were created or what the trickle down effect has been. In reality the picture is greatly varied. The Chinese investors often bring in their own workers rather than hire locals, and their contracts are notoriously unfavorable to African governments.

Ultimately, what fails to convince the reader is the lack of research and evidence. Rather than proposing that donors should suddenly cut off aid, she could have written about countries that are outgrowing aid—namely China and Vietnam—and how this has happened. She suggests that aid is destructive but lumps different kinds of aid together. I find it impossible to believe that if all aid were to stop tomorrow, the private sector would be willing to fund schools, health projects, and basic infrastructure in remote parts of Africa where there is no chance of incurring a profit. Jeffrey Sachs notes that the total of all aid Africa has received since the 1960s adds up to only about US\$60 per person, which explains why aid has not been effective.

Moyo's use of hypotheticals detracts from her argument, as it would have been more effective to use real examples. She tells the story of a country inundated by donated mosquito nets after a Hollywood star appeals for more aid. Then, the local manufacturer collapses under the competition from the free nets, his workers lose their jobs, and in five years, the foreign-donated nets have holes and are useless. A more elaborate version of this story was told at the World Economic Forum in Davos in the years following Hollywood actress Sharon Stone's appearance in 2005. It sounded apocryphal so I contacted Jeffrey Sachs to ask for his response. According to Sachs, Moyo's tale is confused and mistaken, as there are only a few companies in the world that make long-lasting insecticide-treated nets that are effective and have been approved by the World Health Organization.² It is always a bad sign when a random fact-check of a book turns up inconsistencies like this. A bit more research might make Moyo's arguments more persuasive.

Notes

¹ Sachs' response to Easterly is that the specific life-improving and life-saving interventions that he recommends, for example, to fight AIDS, TB, and malaria; to control vaccine-preventable diseases; to help poor farmers to grow more food; to implement school feeding programs; and many others, have all demonstrated their value and as well as their ability to be scaled up rapidly, effectively, and reliably when backed by donor support and properly designed and transparent delivery systems.

² In a later email, Sachs added that: There is, however, a major African producer, A to Z Mills, that is licensed to produce the long-lasting insecticide treated nets, and A to Z Mills has tremendously expanded its production to more than 10 million nets per year as donor assistance for malaria control has increased (see <http://www.acumenfund.org/investment/a-to-z-textile-mills.html>). The mass distribution strategy that Sachs has long advocated is now accepted international policy, and has resulted in the rapid increase of malaria protection for tens of millions of households. Malaria deaths are now declining steeply in places such as Ethiopia and Zanzibar using Sachs' mass-distribution methods, and dozens more countries are now adopting that strategy.