

William Easterly, Review of Dambisa Moyo's book *Dead Aid*, written June 2009

commissioned by *London Review of Books*, but then LRB rejected it for publication, it was never published.

Zambian economist Dambisa Moyo unleashes a powerful (although not flawless) blast against foreign aid to Africa. Her book has already attracted a lot of attention, partly because of the appeal of a new African intellectual emerging to comment forcefully and knowledgeably on issues affecting Africa. She is part of a welcome new wave of African professionals who serve as critics of the official aid agencies rather than (as in the past) as their co-opted employees and consultants. All of us would like to hear a lot more from independent African intellectuals on African issues, and a lot less from middle-aged white men (present company included).

Moyo's main argument against aid has three main strands. First, it is a complaint about how the West is patronizing Africans. Second, it documents specific ways in which aid has harmed Africa. Three, it offers entrepreneurial alternatives for Africa's path from now on.

The most compelling and angry part of Moyo's book is the first part, about how the prevailing approach in aid has been a kind of authoritarian paternalism. Moyo attacks this with moral outrage. She deserves to speak in her own words on this:

Scarcely does one see Africa's (elected) officials or ... African policymakers... offer an opinion on what should be done, or what might actually work to save the continent from its regression. This very important responsibility has, for all intents and purposes, and to the bewilderment of many an African, been left to musicians who reside outside Africa.

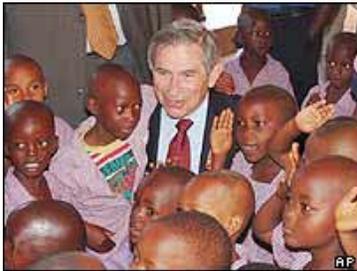
She complains "public discourse became a public disco," when "pop stars" and "movie stars" took on Africa as a cause "to carve out niches for themselves." President George W. Bush consulted with Bono on Africa in October 2005, and Bob Geldof (allegedly representing Africa's interests) practically had equal status to national leaders attending the 2005 G-8 summit.

To add to Moyo's indictment, an even more ridiculous incident was Bush's announcement of a 50 percent increase in US foreign aid in 2002, accompanied by the creation of a new US aid agency, the Millennium Challenge Corporation. According to multiple sources with firsthand knowledge, confirmed by news accounts, Bush's actions emerged out of a marathon negotiating session with Bono, who insisted on a large enough increase in US aid in return for posing with Bush in a photo-op. Again, this fails to pass the laugh test for our own societies – did it occur to Bush to negotiate with Britney Spears on the size of the Fall 2008 financial bailout?

Pop stars aside, Moyo is even harder on the patronizing foundational assumptions of the foreign aid agencies on Africa. She thinks this "largely unspoken and insidious view" is that Africans cannot "improve their own lot in life without foreign guidance and help." To Moyo,

Africa's development quandary offers two routes: one in which Africans are viewed as children, unable to develop on their own or grow without being shown how or made to; and another which offers a short cut to sustainable economic development – but which requires Africans be treated as adults. The trouble with the aid-dependency model is, of course, that Africa is fundamentally kept in its perpetual child-like state.

Moyo is onto something important but, as she says, seldom discussed openly. One of development's dark secrets is its still-influential origins in the “poor people are children” view, a view with a deeply rooted and very long history. The “development” metaphor was itself a biological one: poor people “develop” from childhood (poverty) into adulthood (prosperity). Some of the signs of this mindset are subtle but unmistakable. Just think of who was pictured in the last glossy “aid to Africa” brochure you saw? I am willing to bet it was African children. As David Rieff said in his classic book [A Bed for the Night](#), “There are two groups of people who like to be photographed with children: dictators and aid officials.” And of course, you don't let children manage their own affairs; the adults must do it for them.



Then-World Bank President Paul Wolfowitz in Africa

The “poor as children” view had been part of the excuse for colonialism. Article 22 of the League of Nations Covenant in 1920 said that despotic colonial rule was applicable to “peoples not yet able to stand by themselves.” The colonial powers in turn were required to accept that “the well-being and development of such peoples form a sacred trust of civilization.”

Paternalism towards Africans today is remarkably like late colonial attitudes towards Africa, after it had dropped some of the more racist language. The UK Colonial Development and Welfare Act in 1940 had already started to engage in the same kind of double-talk that characterizes aid today, denying authoritarian paternalism in name but implementing it in practice. So, for example, this Act dictated from London announced that “from London there will be assistance and guidance, but no spirit of dictation.”

As development anthropologist Andrea Cornwall at the University of Sussex has noted, the 1940 Act was a precursor to the aid business much as it would continue to function for the next 69 years, which would continue authoritarian paternalism, but not admit it. The 1940 Act expressed the happy hope that “Colonial Governments, who best know the needs of their own territories, should enjoy a wide latitude in the initiation and execution

of policies, the primary purpose of which is to promote the prosperity and happiness of the peoples of the Colonial Empire.” That Africans had only the most minimal and token representation in “Colonial Governments” was overlooked in the warm glow of such statements.

This 1940 colonial language is practically equivalent to what the World Bank uses today when it invites African governments (with similar indifference to whether they have any democratic basis) to submit “country-owned” development programmes (known now as “Poverty Reduction Strategy Papers -- PRSPs) to guide aid. These PRSPs evince a remarkable similarity across countries, despite the country-specific analysis allegedly produced by “country-owned” deliberations. Perhaps it’s because the World Bank and International Monetary Fund staff subject the PRSPs to a Joint Staff Advisory Note (JSAN), which they say is their “analysis of the strengths and weaknesses of the poverty reduction strategy of the member concerned and identifying priority areas for strengthening the poverty reduction strategy during implementation.”

There are some good intentions at work here. The paternalism of the rich comes from the obvious fact that they are much richer than the poor – perhaps they do have some useful advice to the poor on how to get rich. The authoritarianism may result from the feeling that poor societies do not have enough rules of the game in place to make a democratic regime possible, so perhaps there is no just no viable way to hear the voice of the poor.

But the degree of authoritarian paternalism has outrun whatever slender justifications come from such arguments. As Dambisa Moyo mourns, “the net result of aid-dependency is that instead of having a functioning Africa, managed by Africans, for Africans, what is left is one where outsiders attempt to manage its destiny and call the shots.” Moyo quotes Angolan economist José Cerqueira on the International Monetary Fund’s “condescending attitude” as it dictates major social restructuring to African nations: “For them, we should have ears but no mouth.”

The second part of Moyo’s critique is on the harmful effects aid has on Africa. The kind of aid she is critiquing is official aid (from rich country governments and international organizations) directed to poor country governments. (Her book does not address private international philanthropy or humanitarian aid like disaster relief.) Part of the authoritarian paternalistic mindset, as we have seen, is to place a low value on political liberty for the poor and so official aid does not discriminate in practice between democratic and authoritarian poor country governments. Donors have more influence over who winds up in government in many African countries than the citizens of those countries.

So it’s not a total shock that well-respected academic studies (cited by Moyo) show that official foreign aid to such governments fails to raise economic growth.¹ The studies

¹ See in particular the survey and results in Rajan Raghuram and Arvind Subramanian, 2008, *Aid and Growth: What Does the Cross-Country Evidence Really Show?* Review of Economics and Statistics, November 2008, Vol. 90, No. 4: 643–665

suggest also that such aid fuels corruption, makes democracy less likely, reduces local savings, causes inflation, and makes African exports uncompetitive.

Moyo's overly terse summary of the studies overstates the degree to which these studies are definitive.² There is first the tricky question of how to control for other factors affecting African outcomes. Second, there is a genuine debate about which causes which, between aid and bad African outcomes, which is never going to be conclusively resolved. Donors may give a lot of aid to Africa BECAUSE things are bad in Africa. You need to resolve these problems to answer the key "counterfactual question": what would have happened without aid? It is not enough to show that outcomes with aid are positive or negative, you must compare this outcome to what the outcome would have been in the absence of aid.

Moyo also neglects to mention that there is also some evidence for some success in African aid in other areas, especially in health, where there have been successful efforts at vaccination campaigns (lowering child mortality) and ending or curtailing diseases like smallpox, Guinea worm, and riverblindness. This raises hope that aid could register further successes in health.

Still Moyo is correct that most of the statistical evidence suggests either a zero or a negative effect of aid on most development outcomes, with at least some attempt to identify the causal effect of aid and the counterfactual alternative. Compared to the expectations for aid, the ambitious claims and propaganda campaign of its proponents, it is understandable that Moyo is a bit one-sided in stressing the negatives.

Yes, what would have happened without aid is obviously very hard to determine. But most of us get some intuition on counterfactuals from the inter-ocular test: when you look at aid to Africa, what hits you between the eyes? Are things so bad that it is hard to believe they would have been even worse without aid? It would seem so. After hundreds of billions of aid dollars, African living standards by the end of the millennium were barely above what they were at independence (in contrast to more than a doubling of income in other poor countries), corruption was flourishing, and civil wars were rampant. African trade was stagnant until recently, while countries with hardly any aid as a percent of income like Korea, Singapore, Hong Kong, Taiwan, China, India, and Vietnam rode out of poverty on massive export booms.

For example, take the study that finds aid increases corruption and decreases democracy. The intuition is clear: aid increases the slush funds available to the government, both making more corruption and more repression of democratic opposition feasible.³ It's not

² For example, even though the bulk of evidence supports the view that aid increases corruption, another recent study found that aid *decreases* corruption: Jose Tavares (2003) Does foreign aid corrupt? *Economics Letters* 79 99–106.

³ Simeon Djankov & Jose Montalvo & Marta Reynal-Querol, 2008. "The curse of aid," *Journal of Economic Growth*, Springer, vol. 13(3), pages 169-194. KNACK,

exactly news that the African continent has long been awash in corrupt autocrats supported by foreign aid. Cartoon kleptocrats like Mobutu and Bokassa attracted great notoriety during the Cold War. However, the effect of aid on corruption and democracy could still be an open question today, because aid agencies say that now they are a lot more discriminating on democracy and corruption.

Maybe so in public statements, but research on trends in aid has yet to detect any increased sensitivity of donor aid to corruption and autocracy compared to the bad old days. As of the latest data, the average official aid agency directed two-thirds of their aid to corrupt countries, using a widely accepted definition and measurement of “corrupt.” Democracy is even worse, as 78 percent of aid from the average agency went to autocratic countries.⁴ Why does this happen? Donors want to give aid to the poorest countries, and these are likely to be autocratic and corrupt. This understandable pattern, however, does not change the reality that aid to corrupt dictators is unlikely to reach the poor, nor does it do full justice to the potential for being more selective since not all poor countries are corrupt autocracies.

Moyo notes also that even when aid agencies are paying lip service to the issue, they seem to be arbitrary and inconsistent among themselves whom they classify as “corrupt autocrats.” So Ethiopia is inexplicably an aid darling despite an autocratic government that rigs elections, jails opposition politicians, fields an army accused of atrocities in the Ogaden, and foments corrupt practices that give it a ranking on Transparency International of 138th out of 179 countries. The British Department for International Development currently provides this same Ethiopian government with “budget support,” meaning a direct transfer to the government with few or no strings attached.

What are they thinking? The British response was that their so-called “Protection of Basic Service” project bypassed the national dictator Meles Zenawi after the rigged national election of 2005, and gave budget support to local governments to fund health and education. Their heart was in the right place, but autocrats can usually outsmart aid donors. After this British program started, the ruling party made an even more forceful attempt to rig LOCAL elections in 2008, successfully capturing 99 percent of constituencies.

Another still current example is the corrupt dictator of Cameroon, Paul Biya, who is marking his 27th year in power by wrapping up the latest in a never-ending series of aid loans from the International Monetary Fund (which de facto acts like an aid donor in Africa). Cameroon tied Ethiopia on the Transparency International rankings, yet Biya

STEPHEN. (2001) Aid Dependence and the Quality of Governance. *Southern Economic Journal* 68(2):310–329. KNACK STEPHEN (2004) Does Foreign Aid Promote Democracy? *International Studies Quarterly* 48, 251–266. SVENSSON, J. (2000) Foreign Aid and Rent-Seeking. *Journal of International Economics* 51(2):437–461.

⁴William Easterly and Tobias Pfutze, Where Does the Money Go? Best and Worst Practices in Foreign Aid, *Journal of Economic Perspectives*—Volume 22, Number 2—Spring 2008

received \$1.7 billion in aid in 2007 (40 percent of government revenue, even though it also gets oil revenues), including unconditional “budget support” from France. No wonder that Moyo worries about the effect of aid on governments like those in Cameroon and Ethiopia: “with easy access to cash a government remains all-powerful, accountable (and only then nominally) to its aid donors.”⁵

This is not to say the aid-state issue is easy to resolve. Do donors give up on those poor people stuck with a bad government? Do donors bypass a bad state for humanitarian aid directly to the people? Would that not retard the long-run development of the state as a sustainable provider of public services? But if you give aid to a corrupt dictator, doesn't that strengthen the current rulers vis-à-vis the population they are oppressing and robbing?

The aid system has never been able to resolve this terrible tradeoff between supporting a bad government and helping the population and today is not trying very hard to do so. Donors were certainly involved in internationally-supervised elections in formerly war-torn societies like Liberia and Democratic Republic of the Congo. Donors also applied pressure to Kenya to conform to democratic principles after the long-time autocrat Daniel Arap Moi left office, and again in 2007-2008 when there was a seriously flawed election. However, other flawed elections happened with little donor complaint (such as Nigeria in 2007), or there were forceful complaints by donors that have been ineffective (Zimbabwe 2008). Conversely, some democratic transitions in Africa were based on indigenous mass movements that forced autocrats to hold fair elections, with little donor involvement, such as Zambia, Ghana, and Benin.

Instead of real democracy, the donors prefer euphemisms like “country ownership” and “participation of civil society” -- which resolve nothing about who is really democratically accountable to the country or the civilians. (Moyo herself has one inexplicable lapse on this issue when she indicates sympathy for “benevolent despots,” while noting that such “benevolence” is rare – indeed!) Donors attempt to fund their idea of “civil society” -- Western-style NGOs that promoted political participation and issue lobbying -- historically often created artificial NGOs with few roots in the community, which would (and do) immediately collapse without donor support. In Africa, the uncomfortable reality is that many “civil society” groups formed along ethnic lines; other voluntary groups in Africa were economic self-help organizations that were relatively apolitical.⁶

⁵ For similar arguments, see Todd Moss, Gunilla Pettersson, and Nicolas van de Walle. 2008. *An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa* in William Easterly, editor, *Reinventing Foreign Aid*, MIT Press, Cambridge MA and Nicolas Van de Walle, (2001). *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge University Press: Cambridge UK

⁶ Marina Ottaway. 2000. “Social Movements, Professionalization of Reform, and Democracy in Africa,” in Marina Ottaway and Thomas Carothers, editors, *Funding Virtue: Civil Society Aid and Democracy Promotion*, Carnegie Endowment for International Peace: Washington DC.

The role of aid is even more questionable in the countries where the epic disasters occurred: the civil war atrocities in Sierra Leone and Liberia, the 1994 Rwandan genocide, the collapse of states in Somalia, Zaire/Congo, and Cote d'Ivoire, and the tragedy of Darfur today. All of these events were preceded by large scale involvement of the official aid agencies. I would not claim that aid CAUSED these disasters, but again it clarifies the mind on the "counterfactual question:" when the outcomes are so bad, it would be hard to believe that things would have been worse without aid.

In Rwanda, for example, the genocide was prefigured by massacres of hundreds of Tutsis by Hutu mobs (with the Hutu government's complicity) in separate incidents in October 1990, January 1991, and February 1991. Yet the World Bank in 1991 somehow concluded that "Rwanda has made a creditable effort toward social and economic development." The World Bank also made a large loan in 1991, and gave additional credits in 1992-93. Led by the World Bank, foreign aid to Rwanda increased by 50 percent from 1989-90 to 1991-93, right on the eve of the genocide. The French continued to support the Hutu government even AFTER the genocide began in April 1994.⁷ This is not to say that aid caused the genocide, and of course such a cataclysmic event could not have been anticipated, but the donors were not helping matters by financing an increasingly murderous state.

Have the donors learned their lesson now? Are they handling Darfur better? Despite all the anti-Sudan rhetoric, as of the latest data (2006), Sudan was the second largest recipient of aid in sub-Saharan Africa -- \$2 billion. The donors were unable to resolve the tradeoff between financing peace efforts for South Sudan and rewarding a government committing atrocities in Darfur.

Moyo cites other studies find that large aid inflows drive up the prices of essential local inputs that African exporters also rely upon, lowering their profits and sometimes putting them out of business. Large budget aid programs are competing with local private enterprise for construction materials, workers, and professionals.

Not the least of these essential local inputs are skilled Africans, who often wind up working for the aid agencies – either directly or starting their own "indigenous non-governmental organization (NGO)" to receive aid contracts. Zambia's Minister of Community and Social welfare, Marina Nsingo, asked in 2004: "People have gotten into the habit of hatching NGOs everywhere, saying they are doing poverty alleviation, HIV/AIDS. But what have they done? Or what are they doing?" The (democratically elected) Zambian president Levy Mwanawasa went even further, saying to an AIDS conference that most NGOs were composed of family members who got donor funding under the guise of AIDS prevention.⁸ There is no way to verify these accusations, and politicians don't often have pure motives for attacking NGOs, but there is wide agreement among many different observers that the Aid Establishment often induces a kind of internal brain drain of professionals into that same Establishment. These are the

⁷ Peter Uvin, *Aiding Violence: The Development Enterprise in Rwanda*, Kumarian Press, 1998

⁸ <http://ipsnews.net/africa/interna.asp?idnews=22739>, March 8, 2004.

same professionals that in other countries would be starting their own businesses or leading export firms. Light manufacturing, the usual entrée for industrialization and exports, particularly suffers – one calculation suggests that aid-intensive Zambia, because of aid, sees much lower growth in its apparel industry than low-aid-but-otherwise comparable Honduras.⁹ The risk is that Africa’s most successful industry will be exporting poverty images for aid.

There was another way in which the aid establishment had a lasting negative influence on Africa, and that was the government central planning approach to development that followed from the “authoritarian paternalism” tradition of aid. Dambisa Moyo condemns this implicitly in the third major strand of her argument: offering as an alternative to “Dead Aid” an entrepreneurial approach to African development in the second half of the book.

On top of the colonial tendencies towards state paternalism noted above, the original development thinkers were also heavily influenced by the failures of capitalism in the Great Depression, and the apparent success of state planning both in the 5-year plans for Soviet industrialization and in the production of armaments in the US during World War II (overlooking inconvenient facts like the superior performance of capitalism over the previous century, and the catastrophic human and material costs of Soviet industrialization.)

In 1951, the United Nations issued its first major report on economic development, written by a distinguished team led by later Nobel Laureate Sir Arthur Lewis. The anti-market approach was a kind of local application of authoritarian paternalism, with now the national government given the authority to patronize the masses: “given leadership and the public will to advance, all problems of economic development are soluble” and so “if the leaders win the confidence of the country... they inspire the masses with an enthusiasm for progress which carries all before it.” Poor countries are in a “poverty trap,” so entrepreneurs and markets will not get them out of poverty the way they did the rich countries. The solution is “development planning” by “those who are responsible” (the visionary leaders and their expert advisors). Another later Nobel Laureate Gunnar Myrdal claimed in 1956 that “special advisors to underdeveloped countries who have taken the time and trouble to acquaint themselves with the problem...all recommend central planning as the first condition of progress” (emphasis added). This was to be the development consensus for the next quarter century, and it remains influential today.

The attempt to have states plan development was most disastrous in Africa, which had the weakest post-colonial states (in terms of legitimacy and skilled manpower). There followed horror stories such as ruinous “villagization” scheme under Nyere in Tanzania, the large DECREASE in output per worker in Tanzanian state-run industries after a large aid-financed INCREASE in machinery and equipment per worker at the same time, or the \$6 billion state-owned Ajaokuta steel mill in Nigeria that never produced a bar of steel. In

⁹ Raghuram Rajan and Arvind Subramanian, "What Undermines Aid's Impact on Growth," NBER Working Paper, No. 11657, 2005

one of the most egregious examples of state planning, Kwame Nkrumah and his successors in Ghana, there followed decades of falling living standards and the collapse of Ghana's leading economic activity, cocoa exports that had previously dominated the world market. In another similar example, Mozambique, a combination of doctrinaire central planning and civil war destroyed the economy after independence from Portugal in 1975.

After 1980 aid agencies finally gave some belated recognition that a market-friendly entrepreneurial approach to development might be preferable to central planning, in response to the success of the East Asian miracles and the dismal failure of state planning in Africa.

Characteristically, the aid agencies implemented this U-turn from planning to markets using the methods of authoritarian paternalism. In the 1980s and 1990s, the World Bank, IMF, and other aid agencies used heavy-handed conditionality on aid to coerce Africans to accept "free markets," an effort that became known as "structural adjustment." The aid experts specified in great detail the content and sequence of reforms to achieve a market, ignoring locals who might know more about the context. They in effect tried to centrally plan the free market (which had emerged in a homegrown, bottom-up way in other places free from aid experts).

As Moyo notes, the aid agencies managed to achieve the worst of both worlds – they did not actually change much the behavior of corrupt anti-market autocrats, but they did allow those autocrats to stay in power with a combination of aid's financial support and/or making it possible for the autocrats to attract more domestic support by complaining about foreign interference (Robert Mugabe is the classic exemplar, whom Moyo says would be gone by now if it weren't for aid). Less dramatic examples of bad outcomes under "structural adjustment" were Niger, Zambia, Madagascar, Togo and Cote d'Ivoire, all of whom received a dozen to two dozen structural adjustment loans from the IMF and World Bank in the 80s and 90s, yet saw little real pro-market change and had living standards drop sharply over this period.

In the new millennium, partly in response to the backlash against coerced market reforms and negative growth under structural adjustment, aid advocates like Jeffrey Sachs and Paul Collier have now circled back to the half-century old ideas of the poverty trap (Collier's traps are more complicated than Sachs': they include natural resource dependence, coups, and civil wars, but the implications on the need for outside rescue are the same). So they argue once again that development of Africa (a big part of the "Bottom Billion") should not be left to markets, but the rich countries should (again) ride to Africa's rescue. African governments should again do elaborate plans for "poverty reduction" and for attaining the "Millennium Development Goals" by 2015. Although not as anti-market as the first wave of planning, the influence of the 1950s' ideas in this thinking today is unmistakable. Lewis and Myrdal could possibly be excused for trying some new ideas way back when in the aftermath of the Great Depression. There is less excuse for Sachs and Collier to resurrect these same ideas despite the failure of aid to get Africa out of the alleged poverty trap over the intervening half century, while other

equally poor countries without much aid like South Korea, Malaysia, and Thailand grew rapidly on their own out of “poverty traps.”

Precisely when Sachs and Collier were resurrecting failed old aid models, Moyo notes that Africa had begun to get more access to private finance than ever before in its history. The governments of Ghana and Gabon placed large bond offerings in international capital markets. Moyo notes that Zambia even placed a local-currency-denominated bond in the international market, an unthinkable idea only a decade or two ago. Where Sachs and Collier saw traps for Africa everywhere, Moyo saw opportunities: global capital markets, international trade, entrepreneurship, domestic banking. Foreign direct investment in Africa indeed surged in the new millennium, and Africa-Asia trade went from nothing to over \$100 billion. There were entrepreneurial success stories like the entrepreneur Alieuh Conteh starting a billion-dollar cell phone company in the middle of the civil war in the Democratic Republic of the Congo, and Kenyan entrepreneurs taking over 40 percent of the European market in cut flowers.

The entrepreneurial market message had already been more successful where it emanated more from homegrown reformers rather than World Bank and IMF coercion. Ghana’s courageous finance minister in the 1980s, Kwesi Botchwey, convinced a nominally socialist government to change course and embrace market reforms after a drought on top of the government destruction of cocoa exports led to an economic depression in 1982-83. The population was more than ready to go along after decades of collapsing living standards. Ghana has had a 5 percent growth rate in the quarter-century since then, more than tripling the size of the Ghanaian economy. The final defeat of authoritarian paternalism came with the population demanding democracy by the end of the 1990s. Ghana has just completed its second peaceful transition of power from one party to another under democratic elections.

As Africa turned towards markets and globalization since the turn of the millennium, the continent experienced the highest growth rates in its history. Historical evidence suggests that such wealth creation and growth does reach the poorest – growth of the poorest and the richest parts of the population tends on average to be the same.¹⁰ Among countries embracing both markets and democracy in the new millennium were the former statist disasters of Tanzania (7.1 percent GDP growth in 2001-2008) and Mozambique ((8.3 percent growth over the same period).

What about longer run models to support Moyo’s free market case? She cites Botswana, which started out at independence with high aid but rapidly weaned itself off it. Botswana is a happy exception to the litany of disaster in Africa – it has one of the highest growth rates in the world over the last five decades, peace, and political stability, thanks in part to its consistent embrace of democracy and free markets – the antithesis of authoritarian paternalism. As a country no longer dependent on aid, Botswana could reject the oscillations of the Aid World from African socialism, to coerced free markets, and then

¹⁰ **Dollar**, David & **Kraay**, Aart, 2002. " **Growth Is Good for the Poor**," Journal of Economic **Growth**, Springer, vol. 7(3), pages 195-225, September.

back to “poverty trap” thinking that markets (again) don’t work. Mauritius is another African market success story. There are plenty of long run market success stories from other parts of the world as well, such as Chile and Turkey, not to mention the breakthrough success of India and China as they turned away from state planning to much more free domestic markets and vigorous participation in world trade. Of course, free markets also require capable government regulation and a quality supply of public goods like health, education, and infrastructure. And Moyo unfortunately gives in to a very common tendency to overpromise how certainly and how soon economic growth will respond to reforms, when history shows only a long run effect NOT a sure-fire short-term response.

Moreover, the timing of Moyo’s recommendations for private international financing and free markets for Africa is very unlucky, coming when international capital and goods markets are in deep crisis. However, let’s remember that the Great Depression was responsible for encouraging many of the paternalistic ideas that would ruin African development economics for the next half-century. Should we let the current crisis ruin development thinking again for another half-century? Moyo’s instincts are sound if impolitic: it is a lot more productive to go with what works in the long run, not to give in to short-term hysteria.

Gunnar Myrdal was incorrect long ago when he claimed that every single economist recommended government central planning and reliance on aid. There has always been a market underground that challenged the aid establishment. Development dissidents like the South African economist Herbert Frankel had argued for an alternative anti-paternalistic, bottom-up view in a contemporary criticism of the 1951 UN report:

development depends not on the abstract national goals of, and the more or less enforced decisions by, a cadre of planners, but on the piecemeal adaptation of individuals to goals which emerge but slowly and become clearer only as those individuals work with the means at their disposal; and as they themselves become aware, in the process of doing, of what can and ought to be done next.

Alas, the Great Depression-induced mindset of state planning and reliance on aid triumphed in 1951 and many decades after – so much so that Herbert Frankel was completely ignored and then utterly forgotten. It took a lot of courage for an African economist like Frankel to challenge the aid establishment with entrepreneurial view when the aftermath of the Depression had made the intellectual climate so hostile to private entrepreneurs. It was heretical to suggest that the “piecemeal adaptation” of ordinary individuals (in both Africa and elsewhere) was more resourceful and promising than the doctrinaire plans of world-class experts. Yet in hindsight, the record of most rich and poor countries over the half century since suggests Frankel was right, and Nobel Laureates Myrdal and Lewis were wrong.

Dambisa Moyo is showing similar courage today in advocating an anti-paternalistic, entrepreneurial model for Africa despite the current neo-Depression. Who will history prove to be right: Aid or Moyo? I will bet on Moyo.