

## 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.<sup>1</sup>

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.<sup>2</sup> 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

<sup>1</sup> 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.

<sup>2</sup> 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.

# Diagnosing Political and Cultural Assimilation through Game Theory: A Coyne Review

By Jayne Du

*After War: The Political Economy of Exporting Democracy.* By Christopher J. Coyne. Stanford Economics and Finance: Stanford University Press, 2007. 248 pp. US \$24.95 (paperback) ISBN 0804754403

Written in a prose of similar to that of Machiavelli's *Prince* and adapted to the political regime of the twenty-first century, Christopher Coyne's *After War* provides a policy outlook of framing risks and incentives of reconstruction, with engagement as a main tool used in United States foreign policy to export principles of Western liberalism. The exportation of values is usually concurrent with engagement in a war and as conditions of reconstruction become established, the main tenets of liberalism under democracy and free trade are hopefully sustained and supported by established institutions. This is the central thesis of Coyne's book: to understand how liberal political regimes are exported and developed, barring any reliance on excessive uses of force and military engagement. This story of reconstruction starts in the ashes of World War II and the Cold War, where early and more sanguine efforts in reconstruction evolved into the economic houses of Japan and Western Germany. Yet, Coyne seeks understanding not in the rosy images, but in the stories of contention that still rise from the ashes of US current involvements, namely in Somalia and Haiti; and more recently in Afghanistan and Iraq.

Perhaps the most noteworthy feature of this book comes from Coyne's innovative use of economic principles to analyze successes and failures in foreign policy. By employing methods in Game Theory, Coyne penetrates into the complex layers operating in any given social space, at any given time, and narrows them into a series of incentives and disincentives in order to highlight those policies that influenced the outcomes of reconstruction efforts. By referring to individual motives as a conditioning tool towards cooperation or conflict, Coyne delivers an analysis that takes into account all factors (individual, local and national as well as domestic

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and foreign) within a societal level when dealing with reconstruction.

Coyne identifies the expectations of the receiving culture as one significant factor for a sustainable liberal political system to emerge during reconstruction. Here Coyne strikes a semblance once again between purpose and motivations when comparing the different foreign policy approaches historically taken to sell the image of reconstruction. Dominant factors that iterate throughout are within known principles and concepts within Game Theory, such as credible commitment and public choice. Coyne then uses these frameworks to analyze the successes and failures of recent campaigns. Furthermore, he uses this framework to explain how distortions from a mission can occur and does so as an attempt to bypass among the popular cultural myths that sees current US efforts in reconstruction as an anti-thesis to the missions of democracy. Coyne argues that “lack of credible commitment” from all sectors in society, including confidence in institutions, historical experience with democracy and even trust in the entering regime, can reduce the missions of liberalism into an understanding of individual motives and desires and distort acknowledging these systemic failures into individual attributes such as corruption and greed. Furthermore, by accounting for historical and political factors, Coyne paints a picture of two distinct types of receiving cultures: those who were able to adapt to the liberal system and successfully transform into full functioning market-led democracies against those which have failed (or are currently ongoing). Here the notion of “public choice” prevails as a dominant factor on whether a mission receives a welcomed cooperation or stringent opposition. Overall, the most rewarding aspect of Coyne’s use of Game Theory comes from the recognition of multiple layers existing within society, characterizing its dynamic as a series of micro and meso-level nested games that influence the outcome of a meta-level game, complicating a strategy of reconstruction especially when considering today’s historical, political, religious and cultural contexts.

The benefits of using a nested game analysis are strong-fold and Coyne makes this clear. By highlights the varying motives of individuals and groups at meso-, micro-, and meta-levels, Coyne successfully highlights the distinct and minute intricacies that serve to highlight the vastness and complexity of the project of exporting democracy after a war. Here, Coyne clearly delineates the enormous and complicated levels that needs to be overcome and successfully identifies the social actors operating within the dynamic of any given social space which then begs the question: has the United States overstepped its boundaries, especially when missions of liberalism have devolved into sustained military engagements that are both ineffective and expensive? Yet, Coyne highlights the delicate magnitude of a mission endowed with an agenda of as weighty as promoting democracy in conflict-ridden states thereby further questioning: Is there an authority powerful enough to execute such a mission other than the United States? Through the vastness and complexity of the project, Coyne presents how a process of democratization can transform into principles of management and precisely within the delivery of technical institutional methods does resistance occur. Can the United States then continue to take this

mantle when coupled with the growing international skepticism over mechanisms and also altruism of their democratic agenda?

Putting aside questions of legitimacy in involvement, Coyne's analysis summarily alludes to how missions are most affected by the variability of cultures when coupled with the struggle over political domination that typically arises during post-war reconstruction. It is here that Coyne attempts to create a framework for understanding how various factions of fragmented groups can work together if appropriate motives and tradeoffs can be identified to mold behavior towards cooperation rather than conflict. The strength is that Coyne is able to provide a quasi-quantitative framework for analyzing a complex social policy situation. However, Coyne fails to account for the possibility that some factors simply cannot be reduced to quantifiable triggers, such as a lack of institutional memory for democracy (as in the case of Haiti and Somalia) which serves as a disincentive against cooperation and may also fuel greater opposition against the US due to their perception of the country as an image of imposition rather than liberation, which has affected the way reconstruction has unfolded in both Afghanistan and Iraq. Coyne also lays great emphasis in the importance of associations and the art that usually stems from institutional or cultural memory as a powerful contributive factor over reconstruction success.

The situation is complex and the actors are all subjected to the whims that characterize humanity in an age of military engagement over a struggle of power in a democratizing project. However, the analysis also highlights how using non-traditional factors of measuring reconstruction can be helpful for instance, by considering the role of social capital and the functioning of informal network that can serve as positive influences in the transition towards democracy. The art and process of building institutions continues to be informed as Coyne presents a delicate analysis on the nuances percolating inside any socio-cultural fabric which presents opportunities for those involved in reconstruction to assess the socio-political context of a society.

The greatest contribution of the book is in highlighting the societal levels that operate inside and outside normative political structures as elements to be factored in any agenda that purports to promote democracy through national reconstruction. These insights formed from our own current involvement shows how traditional engagement now requires non-traditional ways of finding solutions, a factor that Coyne so brilliantly captures in his innovative use of engaging science with social science to carve insights into one of the greatest missions of our time: over the principles of alleviating conflict and oppression in poverty-ridden states.