

December 5, 2013

The Pope has criticized "unrestrained capitalism." As if a system like that exists anywhere in the world today. What we need is *real* unrestrained capitalism. The Pope's enmity towards free markets gets a few rebukes. [David Harsanyi](#) is first. ... *For starters, it's troubling that the Pope fails to make any genuine distinction between Western poverty (terrible) and the poverty of the Third World (unimaginably terrible). But is it really true that "absolute autonomy of markets and financial speculation" are the driving reasons for poverty and inequality? People in places like Congo, Burundi, Eritrea, Malawi, or Mozambique live under corrupt authoritarian regimes where crippling poverty has a thousand fathers — none of them named capitalism. The people of Togo do not suffer in destitution because of some derivative scheme on Wall Street or the fallout from a tech IPO.*

"While the earnings of a minority are growing exponentially," the Pope goes on to say, "so too is the gap separating the majority from the prosperity enjoyed by those happy few."

In truth, global inequality has been dropping for years. The World Bank estimates global poverty was halved from 1990 to 2010. In fact, according to the World Bank, the United Nations' "millennium development goal" of cutting world poverty in half by 2015 came in five years ahead of schedule despite a major global recession. The decline in poverty coincides, not coincidentally, with developing nations embracing more market-based systems.

Moreover, the Pope falls into the trap of conflating inequality and poverty. ...

... Rather than credit those who do their best to balance this imperfect system that lifts millions out of impoverishment, the Pope attacks them for the prevalence of imaginary economic Darwinists who callously keep equality from blooming. "Consequently," these people "reject the right of states, charged with vigilance for the common good, to exercise any form of control," Pope Francis contends.

Any form of control? Really? The Federal Registry of the United States regularly comes in over 60,000 pages. Or, to put it another way, it's longer than all 46 books of the Old Testament, the 27 books of the New Testament and every gospel the Council of Nicaea decided to toss, combined. And the United States, a place teeming with these economic Darwinists, also happens to be one of the most charitable places on the planet — even before we begin counting per capita spending on safety nets. ...

... Finally, the Pope claims there is no evidence that a trickle down "theory" — by which we assumes he means market economies — works. Greg Mankiw, professor and chairman of the economics department at Harvard, points out on this blog, that "as far as I know, the pope did not address the tax-exempt status of the church. I would be eager to hear his views on that issue. Maybe he thinks the tax benefits the church receives do some good when they trickle down."

Supposedly religious institutions get a \$71 billion dollar tax break every year — far too little, in my estimation. I assume the Church believes it does an effective job helping the needy. The Pope doesn't stash all his money in a Swiss bank account. It trickles downwards to the poor. The Apostolic Exhortation, in fact, calls for the decentralized Roman Catholic Church. Surely,

Pope Francis can't believe that the centralization of charity (or, in the government's case, welfare) is a better idea than allowing locals to meet the needs of their communities?

*Actually, he might. Because, as compelling and as charismatic as he is, if we, in *The City of Man*, took the Pope's advice on economic issues, we'd end up with millions more living in poverty.*

And **James Pethokoukis** has more.

Pope Francis has offered a sharp critique and challenge to market capitalism and its proponents, focusing on materialist consumerism and rising inequality within nations. While the pope's comments are excellent cause for reflection, they should not obscure the reality that innovative free enterprise is the greatest wealth generator ever discovered and the economic system most supportive of human freedom and flourishing.

In a new research note, JP Morgan Chase economist James Glassman doesn't mention Pope Francis by name, but clearly — at least to me — had his comments in mind as he addressed the record of market economies:

"Those concerned about global poverty have more to be thankful today than to complain about. The commonly-heard complaints that today's economic systems fail to address the plight of the poor ignore several fundamental facts.

Poverty is not a modern phenomenon. Second, the developed economies are still recovering from deep recessions and in time will reach their full potential. That is, of course, why central bank policies remain so stimulative. Those hurt by the recession will be restored as the developed economies continue to recover. And third, despite the cyclical problems of the developed economies, the average global living standard is at a record high—the highest known in the records compiled by economists and still climbing, thanks to the support from the developed economies.

In other words, market-oriented economic systems are doing more to cure global poverty than any other effort in the past." ...

Another example of today's cascading economic stupidity is the developing campaign to raise the minimum wage. **John Steele Gordon** posts;

*Steve Coll has a comment in this week's *New Yorker* calling for a higher federal minimum wage. He points out that it's awfully hard for a family of four to live on the current minimum wage, which would produce a family income of about \$15,000 a year. That is certainly true, but Mr. Coll leaves out a few things. A family of four with an annual income of \$15,000 would be eligible for food stamps amounting to \$7,584 and an earned income tax credit of \$5,372. That raises the family income to \$27,911, which is quite an improvement. The family would also be eligible for Medicaid, school lunch and breakfast programs, perhaps housing assistance and other forms of help. He also leaves out the fact that very, very few people earning the minimum wage are the sole breadwinners of a family of four. Most are entry-level employees, often*

teenagers, with no developed skills. Most people who take a job at the minimum wage are earning above that level within a year, having learned marketable skills.

To be polite, Mr. Coll is being tendentious. To be less polite he is being grossly intellectually dishonest.

The minimum wage is a favorite liberal hobbyhorse, heavily promoted by labor unions. It is typical progressivism: a liberal politician (or journalist) says, in effect, "See that man over there? He needs help." Then he points to an employer and says, "You, help him." Finally, he points to himself and, addressing the man needing help, says, "Don't forget where the help came from."

...

In Barron's Paul Theroux, travel writer and novelist, who first went to Africa in 1963 as a Peace Corp volunteer, writes about the damage done there by philanthropy. *The desire of distant outsiders to fix Africa may be heartfelt, but it is also age-old and even quaint. Curiously repetitive in nature, renewed and revised every decade or so, it is an impulse Charles Dickens described, in a wickedly accurate phrase, as "telescopic philanthropy." That is, a focus from afar to uplift the continent: New York squinting compassionately at Nairobi.*

Never have so many people, so many agencies, so many stratagems, so much money been deployed to improve Africa -- and yet the majority of the movers are part-timers, merely dropping in, setting up a scheme in the much-mocked "the-safari-that-does-good" manner, then returning to their real lives, as hard-charging businessmen, Hollywood actors, benevolent billionaires, atoning ex-politicians, MacArthur geniuses, or rock stars in funny hats. ...

... In its naked reality, Africa, the greenest continent, is still the most beautiful, the least developed, the wildest on earth. Vast plains, big animals, hospitable people, who have been enslaved, sidelined, colonized, and converted willy-nilly either to Christianity or Islam. This receptive amphitheater of goodwill and big game, inspires megalomania among its foreign visitors who strut upon it -- it has always done so, for those who seek the singularity of a little excitement and glory. I sometimes think that if the poorer counties of America's Deep South had rhinos and elephants, instead of raccoons and possums, the philanthropists might direct their attentions to those parts, too.

A rich white donor in black Africa is a study in high contrast that puts one in mind of the gallery of role models: Tarzan, Mr. Kurtz, King Leopold, Cecil Rhodes, Livingstone, Mrs. Jellyby, Albert Schweitzer, Hemingway, Henderson the Rain King: the overlords, the opportunists, the exploiters, the visionaries, the hunters, the care-givers, the baptizers, the saviors, all of them preaching the gospel of reform and seeking a kingdom of their own, if not an empire.

Henry David Thoreau, the 19th-century American author, believed that all such outgoing people had something discreditable in their past that through giving they aimed to expiate.

And all are characterized by the rather touching innocence of a billionaire faced with the brutal truth that the relative simplicity of acquiring wealth is nothing compared to the extreme difficulty of giving money away, for the common good.

The real helpers are not the schemers and grandstanders of the eponymous family foundations or charities; they are nameless ill-paid volunteers who spend years in the bush, learning the language and helping in small-scale manageable projects, digging wells, training mid-wives, teaching villagers that unprotected sex spreads HIV; and among these stalwarts are the long-serving teachers who have liberated Africans by simply teaching them English, and are still doing so, even as they make the local governments lazier.

The so-called White Fathers (the Society of Missionaries of Africa) I met in Malawi who ran upcountry clinics used to say, "I guess I'll be buried here."

No one ever says that now, and significantly none of the people I spoke with for this piece ever expressed a wish to spend any serious length of time in Africa. None speaks an African language. To the detriment of their aims, they are on better terms with the African politicians than the common ruck of African people.

Years living simply on the ground in Africa convinced me that there was more for me to learn from Africans than to teach. I saw there were many satisfactions in the lives of people who were apparently poor; many deficits in the lives of the very wealthy. I saw that African families were large and complex and interdependent; that old age was revered, that Africa's link to the distant past -- to the dawn of the world -- was something marvelous and still intact in many places.

Most of all, I was impressed by the self-sufficiency of ordinary people. Without much in the way of outside help, the people in the countries I knew managed to endure, usually through the simplest traditional means, and finally to prevail. Africa has the schools, the money and the resources to fix its own problems; it's appalling to think of donors telling them otherwise, of the whole continent terminally indebted and living on handouts.

The Federalist

What The Pope Gets Wrong About Capitalism

(Hint: Just about everything)

by David Harsanyi

Pope Francis's first apostolic exhortation, [Evangelii Gaudium](#) ("The Joy of the Gospel") is a beautiful document and a joy to read. I'll leave its theological implications to those who live in the Church. What's got many people praising the Pope today, though, isn't his plea for good works, but rather his critique of capitalism. Ed Morrissey [argues](#) that many in the media misunderstood the Pope's point. And Bishop James D. Conley [tells us](#) that The Joy of the

Gospel was a rejection of “idolatry of any economic system as a panacea” rather than a specific rejection of capitalism and consumerism.

Maybe.

As fascinating as the context of Pope’s message might be, there *is* — or seems to be — something new about this rhetoric. You could always detect a pinch of socialistic seasoning in the Church’s theological stew. This, no doubt, is why God saw fit to create Robert P. George and Robert Sirico. In this case, the Pope didn’t simply point out that the wealthy weren’t doing enough to help alleviate poverty. He used the recognizable rhetoric of the Left to accuse free-market systems of generating and nurturing that poverty. And these platitudes — things that run wild in the liberal imagination like unfettered capitalism and “trickle-down” economics — were clearly aimed at the United States.

The Pope condemns the “new tyranny” of “idolatry of money,” not only reasonably arguing that economic systems should not be accepted with blind faith, but that “as long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world’s problems or, for that matter, to any problems.”

For starters, it’s troubling that the Pope fails to make any genuine distinction between Western poverty (terrible) and the poverty of the Third World (unimaginably terrible). But is it really true that “absolute autonomy of markets and financial speculation” are *the* driving reasons for poverty and inequality? People in places like Congo, Burundi, Eritrea, Malawi, or Mozambique live under corrupt authoritarian regimes where crippling poverty has a thousand fathers — none of them named capitalism. The people of Togo do not suffer in destitution because of some derivative scheme on Wall Street or the fallout from a tech IPO.

“While the earnings of a minority are growing exponentially,” the Pope goes on to say, “so too is the gap separating the majority from the prosperity enjoyed by those happy few.”

In truth, global inequality has been dropping for years. The World Bank [estimates](#) global poverty was halved from 1990 to 2010. In fact, according to the World Bank, the United Nations’ “millennium development goal” of cutting world poverty in half by 2015 came in five years ahead of schedule despite a major global recession. The decline in poverty coincides, not coincidentally, with developing nations embracing more market-based systems.

Moreover, the Pope falls into the trap of conflating inequality and poverty. Some countries enjoy income parity because most citizens are rich and others because most citizens are poor. Put it this way: Egypt, Pakistan, and Mongolia all enjoy more economic equality than the United States. The GDP per capita [here](#) is \$49,800. In a country like Argentina, the Pope’s homeland, a place where wealth is more fairly distributed, [it’s](#) \$18,200.

Now, no reasonable person believes any economic system is a cure-all. But how many reasonable people argue that market-based economies — and the underlying morality that drive them — haven’t done more to alleviate poverty worldwide than any other system? For the most part, in fact, the more unfettered a nation’s economic system is the prosperous the population becomes, and consequently the more it spends on charity and safety net programs. When we match up the Cato Institute’s Index of Economic Freedom with the World Bank’s measure of per

capita income, we find that the countries with the most unencumbered systems and the most financial “speculation” usually have the least of amount of poverty:

Hong Kong — \$51,946

Singapore — \$61,803

Australia — \$44,598

New Zealand — \$32,219

Switzerland — \$53,367

Canada — \$42,533

Chile — \$22,352 (Chile’s score has jumped considerably since unfettered capitalism took over)

Mauritius — \$15,649

Denmark — \$42,086

Rather than credit those who do their best to balance this imperfect system that lifts millions out of impoverishment, the Pope attacks them for the prevalence of imaginary economic Darwinists who callously keep equality from blooming. “Consequently,” these people “reject the right of states, charged with vigilance for the common good, to exercise any form of control,” Pope Francis contends.

Any form of control? Really? The Federal Registry of the United States regularly comes in over 60,000 pages. Or, to put it another way, it’s longer than all 46 books of the Old Testament, the 27 books of the New Testament and every gospel the Council of Nicaea decided to toss, combined. And the United States, a place teeming with these economic Darwinists, also happens to be one of the most charitable places on the planet — even before we begin counting per capita spending on safety nets.

The Pope goes on to decry the current “economy of exclusion and inequality.” Well, aimed at a nation incessantly debating ways to create more opportunities for the super poor to catch up to the super rich seems a bit unfair. We can do better, of course. But as inequality goes, [according to two measurements](#) (the Palma ratio and the Gini coefficient) the United States falls somewhere in the middle of the pack. That’s more impressive than you think, considering we welcome more immigrants, temporary workers, and foreign students than most nations. The majority of these visitors and immigrants –some of them illegal — begin their time here poor.

The Pope also throws around a bromide about “speculation” creating “a throwaway culture that discards young people as well as its older people.” One assumes that by young people he also mean abortions (mostly, the media skips this part), but the fact is, generally speaking, older people in the U.S. benefit more from financial speculation in the marketplace than anyone. Many people in retirement, if not most, live partially off the wealth created by their lifelong speculation in the marketplace, either through their pension plans, 401(k)s, or property speculation. Without

these investments, more Americans would be living off of safety net programs, which wouldn't exist long with that kind of pressure.

Finally, the Pope claims there is no evidence that a trickle down "theory" — by which we assumes he means market economies — works. Greg Mankiw, professor and chairman of the economics department at Harvard, points out on this blog, that "as far as I know, the pope did not address the tax-exempt status of the church. I would be eager to hear his views on that issue. Maybe he thinks the tax benefits the church receives do some good when they trickle down."

Supposedly religious institutions get a \$71 billion dollar tax break every year — far too little, in my estimation. I assume the Church believes it does an effective job helping the needy. The Pope doesn't stash all his money in a Swiss bank account. It trickles downwards to the poor. The Apostolic Exhortation, in fact, calls for the decentralized Roman Catholic Church. Surely, Pope Francis can't believe that the centralization of charity (or, in the government's case, welfare) is a better idea than allowing locals to meet the needs of their communities?

Actually, he might. Because, as compelling and as charismatic as he is, if we, in The City of Man, took the Pope's advice on economic issues, we'd end up with millions more living in poverty.



Argentina's Christina Kirchner with another leftist.

American.com

[A JP Morgan economist \(in effect\) responds to Pope Francis](#)

by James Pethokoukis

Pope Francis [has offered a sharp critique and challenge](#) to market capitalism and its proponents, focusing on materialist consumerism and [rising inequality within nations](#). While the pope's comments are excellent cause for reflection, they should not obscure the reality that innovative free enterprise is the greatest wealth generator ever discovered and the economic system most supportive of human freedom and flourishing.

In a new research note, JP Morgan Chase economist James Glassman doesn't mention Pope Francis by name, but clearly — at least to me — had his comments in mind as he addressed the record of market economies:

Those concerned about global poverty have more to be thankful today than to complain about. The commonly-heard complaints that today's economic systems fail to address the plight of the poor ignore several fundamental facts.

Poverty is not a modern phenomenon. Second, the developed economies are still recovering from deep recessions and in time will reach their full potential. That is, of course, why central bank policies remain so stimulative. Those hurt by the recession will be restored as the developed economies continue to recover. And third, despite the cyclical problems of the developed economies, the average global living standard is at a record high—the highest known in the records compiled by economists and still climbing, thanks to the support from the developed economies.

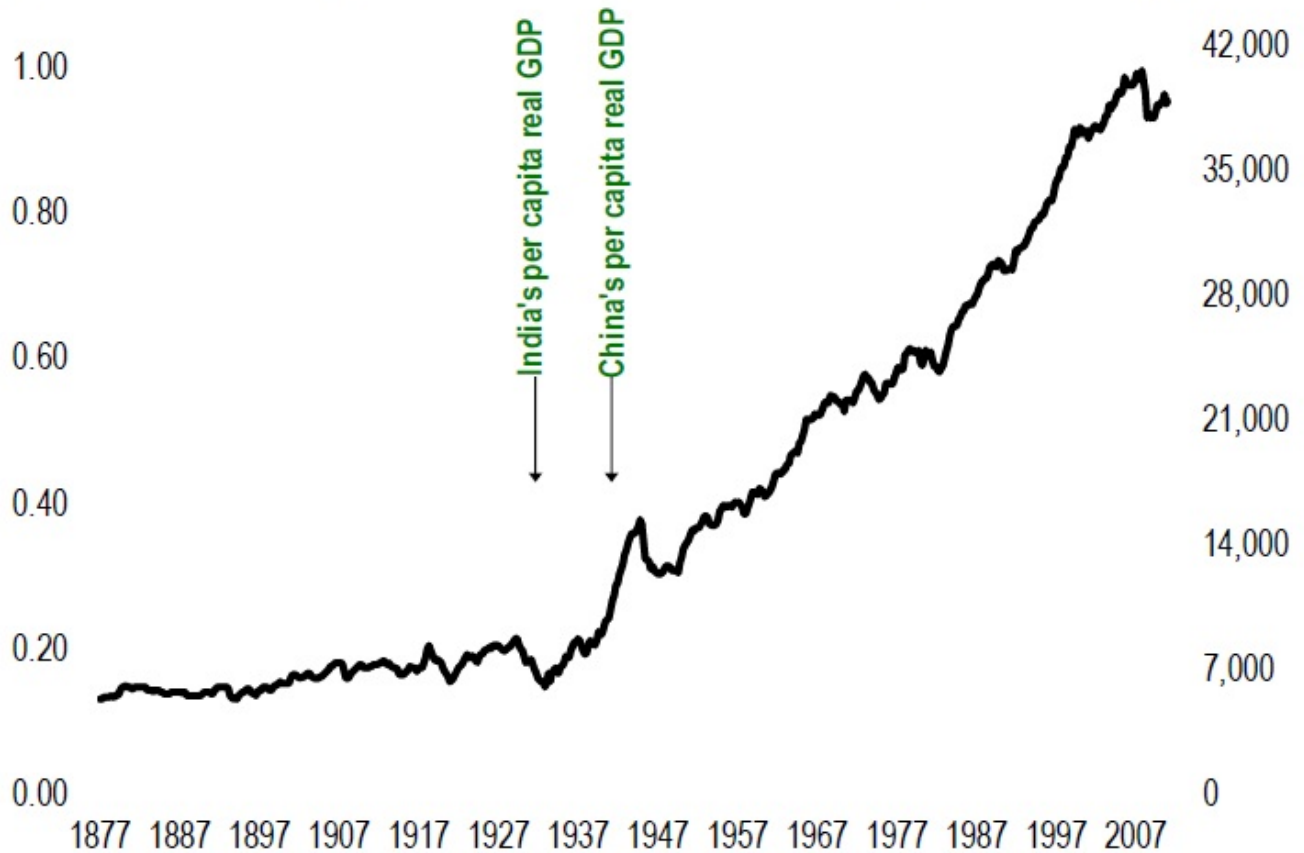
In other words, market-oriented economic systems are doing more to cure global poverty than any other effort in the past. ...

FIGURE 2. THE ELEPHANTS IN THE ROOM

Real GDP per capita

(percent of 2013 US level)

(2005 US dollars per person)



Sources: NBER Macroeconomic Database; JPMorgan Chase & Co. Updated through 2013 Q3.

Unflattering opinions about market-oriented economies see in the successes of some a system that rewards the survival of the fittest with benefits that only trickle down to others, glossing over the interdependence of economic actors that is fundamental to modern economic systems. Technological innovation often is portrayed as a destroyer of jobs rather than a creator of new economic frontiers. The benefits that come in the form of new jobs and industries and higher living standards are usually too difficult to visualize.

Technological innovation enables economies to do more with less. It's the "less" that negative views about technology tend to fixate on. Yet, policy actions and new opportunities created by innovation create jobs for the displaced and it is the "more" that at the end of the day lifts a nation's living standard. And because the distribution of income has widened in the last several

decades, many assume this is an inevitable feature of free-market economies that calls for intervention from time to time.

For sure, times are challenging for many, owing to the trauma associated with our latest business cycle that thankfully is gradually passing, the rapid pace of technological change that has displaced many jobs, as it has for almost three centuries, and new competition from abroad as others attempt to replicate what the developed economies have done.

Nonetheless, in most cases, our hardships don't compare with those our predecessors faced even in the past century, recalling the stories of those who lived through the Great Depression or were uprooted by the chaos of war and social upheaval in Europe and Asia in the first half of the 20th century.

We are fortunate. So are those who live and work in Western Europe, Canada, Japan, Taiwan, Israel, New Zealand, Australia, South Korea, parts of the oil-rich Middle East. Nonetheless, we account for only one billion of the world's seven billion, or less than 15 percent of the world's population.

Now others have a chance, because their governments have embarked on aggressive development agenda and are able to move forward quickly by opening their borders to the international business community and stabilize their currencies to those in the developed economies. China and India, in particular, are an example that is indirectly benefiting their neighbors and inspiring others.

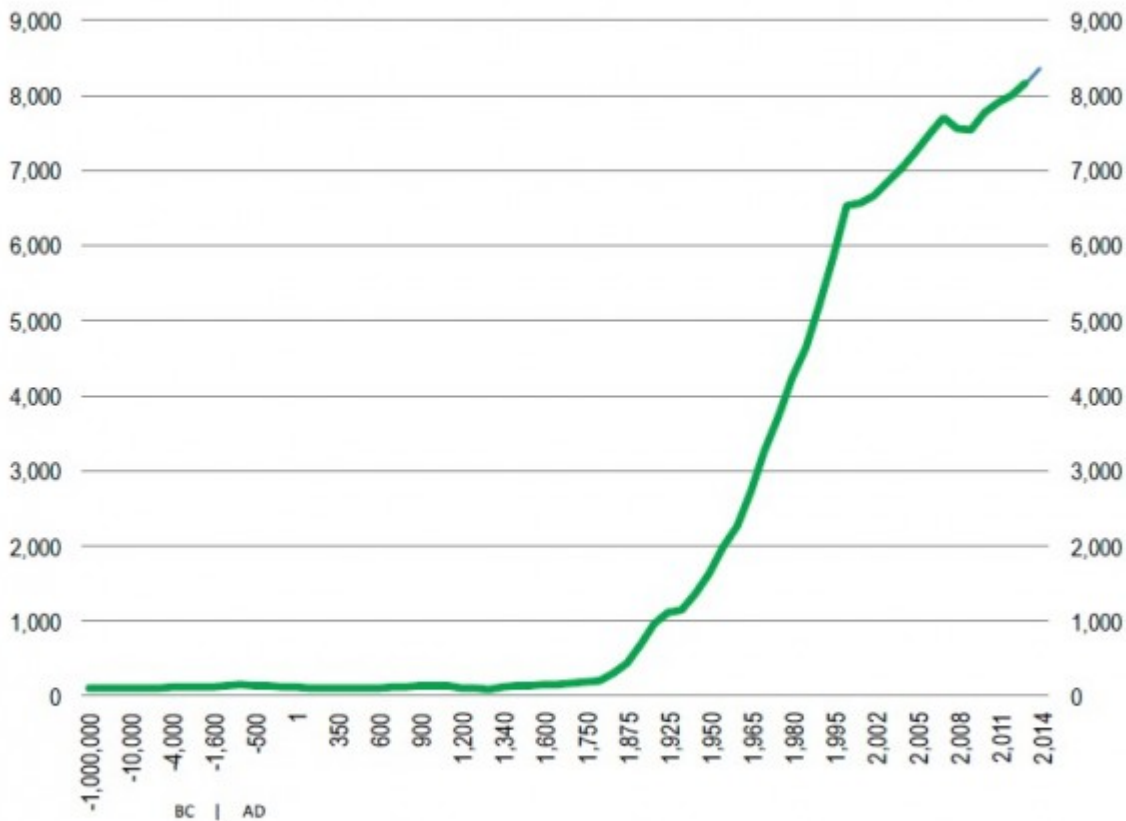
The widening distribution of income in the US and other developed economies is attracting considerable attention. It would be unsettling, and destabilizing, if the global "economic pie" were static and one group were benefiting at the expense of others. Instead, what likely is driving the distribution of income is the wealth of opportunity that is associated with an expanding global "economic pie" and that because it is occurring at an eye-popping pace has uneven benefits. The global community has much to be thankful for and modern market-oriented economies deserve considerable credit for the battle against global poverty.

The chart below is a compilation of charts which show how free markets have conquered poverty

"Estimates of World GDP, 1 Million BC – Present," J. Bradford De Long, Department of Economics, University of California at Berkeley, 1998. JPMorgan Chase & Co., 2000 to the present."

FIGURE 1. THE RECORD OF MARKET-ORIENTED ECONOMIC SYSTEMS ON POVERTY

Real GDP per capita (1990 US dollars, purchasing power parity basis)



Sources: De Long; JPMorgan Chase & Co. Updated through 2013 Q3.

Contentions

Other People's Money: The Minimum Wage

by John Steele Gordon

Steve Coll has [a comment](#) in this week's *New Yorker* calling for a higher federal minimum wage. He points out that it's awfully hard for a family of four to live on the current minimum wage, which would produce a family income of about \$15,000 a year. That is certainly true, but Mr. Coll leaves out a few things. A family of four with an annual income of \$15,000 would be eligible for food stamps amounting to \$7,584 and an earned income tax credit of \$5,372. That raises the family income to \$27,911, which is quite an improvement. The family would also be eligible for Medicaid, school lunch and breakfast programs, perhaps housing assistance and other forms of help. He also leaves out the fact that very, very few people earning the minimum wage are the sole breadwinners of a family of four. Most are entry-level employees, often

teenagers, with no developed skills. Most people who take a job at the minimum wage are earning above that level within a year, having learned marketable skills.

To be polite, Mr. Coll is being tendentious. To be less polite he is being grossly intellectually dishonest.

The minimum wage is a favorite liberal hobbyhorse, heavily promoted by labor unions. It is typical progressivism: a liberal politician (or journalist) says, in effect, "See that man over there? He needs help." Then he points to an employer and says, "You, help him." Finally, he points to himself and, addressing the man needing help, says, "Don't forget where the help came from."

But is the minimum wage a good idea?

Labor unions love it for a very simple reason, even though few unionized workers earn the minimum wage: labor contracts are often predicated on the minimum wage, with the bottom tier of workers earning 1.5 or 2 or 3 times the minimum wage. So if the minimum wage goes up, so do the wages of all the workers covered by such a contract. Labor leaders may shed crocodile tears for the poor and downtrodden, but what they care about—because that's what they're paid to care about—are their often well-paid workers.

Steve Coll points out that a higher minimum wage polls well, even among Republicans. But this sort of polling is junk polling, good only for producing rhetorical ammunition for the chattering classes, not judging real public opinion. The overwhelming majority of people don't think deeply about matters of public policy, so asking the right question will always produce the desired answer. Even if the poll is honest it will elicit, at best, an algorithmic response not a considered judgment.

But marshaling the opinions of the self-interested and the ill informed is not much of a test for public policy. Does the minimum wage make economic sense? The answer is no. It's price fixing (fixing the minimum price of labor) and price fixing is always economically pernicious. Set the price too low, and instant scarcity results, such as affordable housing in cities with rent controls. Set it too high and instant glut happens, such as with, well, the minimum wage. In economics, a transaction is, by definition, "an exchange of commodities between two parties, to the economic benefit of both parties." If an employer has to pay \$8 an hour in wages, he must get \$8 an hour in work from the employee or he won't hire him. Could that be a reason teenage unemployment right now is 22.7 percent and unemployment among black teenagers is 36 percent?

Is there a better solution for the few people who are working full-time, trying to support a family, on the minimum wage? Yes, and it's been in place for the last forty years, the earned income tax credit mentioned above. It is a refundable tax credit for people earning less than a "living wage." (A refundable tax credit is one that is paid to the tax filer even if his tax liability is zero.) If the wages produced by a free market are not sufficient to produce a living wage, the EITC supplements those wages until, as skill levels improve and wages thus increase, the wages paid produce a living wage. It incentivizes the unskilled to develop the skills needed to make a living on their own without distorting the free market and producing untoward results, such as horrendous teenage unemployment.

Of course, from the politician's viewpoint, the EITC would have to come out of tax revenue, requiring either skimping on other types of spending, raising taxes or worsening the deficit. Any

of those choices might imperil the politician's reelection. Or, of course, the politician could find ways to operate the government more efficiently, freeing up the needed revenue.

But that last option would take hard political work. It's a lot easier to be generous with someone else's money, secure in the certainty that liberal journalists will carry the necessary water.

Barron's **[Africa's Aid Mess](#)**

Renowned author Paul Theroux discusses why the philanthropy of Bill Gates, Bill Clinton, Bono, and Jeffrey Sachs largely fails. Here's what works.

by Paul Theroux

The desire of distant outsiders to fix Africa may be heartfelt, but it is also age-old and even quaint. Curiously repetitive in nature, renewed and revised every decade or so, it is an impulse Charles Dickens described, in a wickedly accurate phrase, as "telescopic philanthropy." That is, a focus from afar to uplift the continent: New York squinting compassionately at Nairobi.

Never have so many people, so many agencies, so many stratagems, so much money been deployed to improve Africa -- and yet the majority of the movers are part-timers, merely dropping in, setting up a scheme in the much-mocked "the-safari-that-does-good" manner, then returning to their real lives, as hard-charging businessmen, Hollywood actors, benevolent billionaires, atoning ex-politicians, MacArthur geniuses, or rock stars in funny hats. It's not hard to imagine the future tombstones of the Clintons and Bono and Gates, and many others bitten by the eleemosynary itch, chiseled with the words, Telescopic Philanthropist. The farther away the donors are, the shorter their visits ("Chelsea Clinton took time out of her 10-day humanitarian trip in Africa to meet some of the kids that her AIDS work is benefiting..."), and the more passionate their feelings.

Never mind that Africa receives roughly \$50 billion in aid annually from foreign governments, and perhaps \$13 billion more from private philanthropic institutions, according to Penta's estimate. Never mind that Angola's oil revenues are around \$72 billion, and Nigeria's \$95 billion; that Africa boasts at least 55 verified and somewhat detached billionaires. I can testify that Africa is much worse off than when I first went there 50 years ago to teach English: poorer, sicker, less educated, and more badly governed. It seems that much of the aid has made things worse.



In the Kibera slum, Nairobi, Kenya. African cities are growing so fast it is estimated that half the population will be living in them by 2030.

I am not alone observing this fact. In his new book, *The Great Escape: Health, Wealth, and the Origins of Inequality*, economist Angus Deaton questions the usefulness of all aid, and describes how the greater proportion of the world's poor are found not in Africa but in the booming, yet radically unequal, economies of China and India. Zambian-born economist Dambisa Moyo calls aid a "debilitating drug," arguing that "real per-capita income [in Africa] today is lower than it was in the 1970s, and more than 50% of the population -- over 350 million people -- live on less than a dollar a day, a figure that has nearly doubled in two decades." The Kenyan economist James Shikwati takes this same line on aid, famously telling the German magazine *Der Spiegel*, "For God's sake, please stop."

There have, of course, been a few successes. For all his faults, Bill Clinton's strong-arming of pharmaceutical companies to lower the price of one-a-day AIDS medications, to less than a dollar per pill, has delivered real relief to Africa's most vulnerable. But we also need to be honest about such grandiose ambitions: Most fail. (For lessons on what to avoid and what to do in order to execute effective philanthropy in Africa, see the box at end of story.)

The most recent example of a Westerner running amok in Africa appears to be the celebrity-economist Jeffrey Sachs and his \$120 million effort to end extreme poverty there. Nina Munk documents in her book *The Idealist* ([see Penta Sept. 12](#)) how, among other things, Sachs' Millennium Villages Project poured \$2.5 million over three years into a sparsely populated community of nomadic camel herders in Dertu, Kenya, and trumpeted its success.

In actual fact, the charity's paid-for latrines became clogged and overflowing, the dormitories it erected quickly fell into disrepair, and the livestock market it built ignored local nomadic customs and was closed within a few months. An incensed Dertu citizen filed a 15-point written complaint against Sachs's operation, claiming it "created dependence" and that "the project is supposed to be bottom top approached but it is visa [sic] versa."

With such glaring examples of failure, the nature of African assistance is heading in a different direction. Today, there is a new push from wealthy Americans to jump-start self-help capitalism in Africa, rather than feed a bottomless pit of philanthropic aid, and in this group sit the likes of Howard G. Buffett, the philanthropist-farmer investing \$100 million in the Great Lakes region of Africa ([see Penta, Oct. 25](#)); Ron Cordes, the co-chairman of Genworth Financial Wealth Management and a proponent of impact investing; and John Coors, the brewery scion and founder of CoorsTek, hoping to convince like-minded families to invest in a start-up African fund.

But are these efforts really so new? When Coors spoke to me of his One Thousand & One Voices (1K1V) mission -- currently a 15-family effort to raise a \$300 million Africa fund -- he said, "We need to create jobs that people are proud of, and the best mechanism for creating jobs is business." I smiled in recognition. Coors was echoing the sentiments of one of the progenitors of the telescopic breed of Africanophiles, the English baronet Thomas Fowell Buxton (1786-1845) -- who was also made wealthy through his brewery and wished to fix Africa with family connections and beer profits.

ABOLITIONIST AND SOCIAL REFORMER Thomas Buxton urged in his book *The African Slave Trade and its Remedy* (1839) that a delegation sail to Africa to conclude treaties with African chiefs and kings, and convince them that, instead of capturing and exporting slaves, they could make a steadier (and more virtuous) profit in manufacture, and the selling of their produce. Through honest commerce, they could buy the guns, beads, cloth, and trinkets they desired. Buxton emphasized the then-novel view that the missionary impulse in Africa was not enough; trade was the key to improving the material side of the continent; business was salvation, at least here on earth.

Buxton's book inspired the Niger Expedition, an early version of the Clinton Global Initiative, which sailed to West Africa in 1841, but it failed, from death, disease, disillusionment and fever; and no treaties or business opportunities resulted. Yet a year earlier, a lecture by Buxton in London energized David Livingstone, who was in the audience. Livingstone set off that same year for Africa, his head filled with Buxtonian dreams of commerce on the Zambezi River, in his eyes a potential thoroughfare of prosperity. It is significant that in 33 years of travel Livingstone outlined many plans for commerce in Africa (white settlement, cotton growing, colonialism), but was a distracted messenger of the Lord's word. He managed to convert only one African to Christianity, according to Tim Jeal's exhaustive biography *Livingstone* (newly republished by Yale University Press), and the man later lapsed from the faith.

Buxton also inspired Charles Dickens, who was in his early thirties as a novelist at the time Buxton was preaching his message of legitimate trade. But this Dickensian inspiration was fictional. All potential telescopic philanthropists ought to read *Bleak House*, in which Dickens satirizes Buxton's effort in the minor but resonant character Mrs. Jellyby. She is a familiar figure and from her passions and predilections she might be one of our own contemporaries, paging through *Barron's*, studying the markets, seeking opportunities in mining and agri-business in Africa. "She was a pretty, very diminutive, plump woman of from forty to fifty, with handsome eyes, though they had a curious habit of seeming to look a long way off. As if... they could see nothing nearer than Africa!"

AFRICA'S PHILANTHROPIC PAST RETURNS

The idea of aiding the continent by bringing Western trade and commerce was first advocated by Sir Thomas Fowell Buxton and David Livingstone in the 19th century, and drollly skewered, even back then, by Charles Dickens. History continuously repeats itself in Africa. The grand philanthropic ambitions of Cecil Rhodes are found these days in the energetic works of the Clinton Global Initiative and the Bill and Melinda Gates Foundation.



Sir Thomas Fowell Buxton, 1786-1845



Charles Dickens, 1812-1870



David Livingstone, 1813-1873



Cecil Rhodes, 1853-1902



William Jefferson Clinton, 1946-



William Henry Gates, 1955-

Dickens knew the humiliations of poverty; his improvident father languished for months in Marshalsea Debtors' Prison. He is well-known for his depictions of the London poor in his

novels, and he was familiar with benefactors (*Great Expectations* is, among other things, a study in money and patronage). The idea that Mrs. Jellyby -- mother of numerous scattered children -- ignores her family and spends her time in an effort to fix Africa, Dickens finds a subject ripe for satire. Like Buxton, she ignores the squalor and the culture of paupers in London that pained Dickens and informed his fiction, and as a fundraiser she seeks redemption through her colonists on the Niger River.

It is the most modern of paradoxes. When Mrs. Jellyby says, "We hope by this time next year to have from a hundred and fifty to two hundred healthy families cultivating coffee and educating the natives of Borriboola-Gha, on the left bank of the Niger," she is echoing not only Buxton, but the mission statement of many modern NGOs and family foundations today. And Mrs. Jellyby's "coffee colonists" will have a further duty: "to teach the natives to turn piano-forte legs and establish an export trade."

I am not criticizing the humane desire to help. My modest point is that, for all the talk of "reinvention," aid to Africa has been discussed in exactly the same terms for 173 years. "Microfinance is the way forward," Ron Cordes, head of the Cordes Foundation, assured me. "We financed an initiative in Uganda. A small fund to provide loans for the village of Buyobo. The work we're doing is influenced by the business I had -- business services, banking the unbanked, assisting people in going up the ladder."

That too is Buxtonism, and it's not wrong, it might even work in a small way; it's just nothing new. And as a matter of fact the tiny village of Buyobo is not a benighted clearing in the Impenetrable Forest; it is a short drive from the prosperous Ugandan town of Mbale, with its 17 banks and three universities. I know this to be so. Working in adult education at Uganda's Makerere University, I supervised programs for extra-mural students from Mbale (and Buyobo), and economics was part of the curriculum.

That was 40 years ago -- see what I mean by repetition?

MY FIRST EXPERIENCE OF AFRICA began at the end of the colonial period, in 1963, in Nyasaland, later Malawi. During the 50 years since, I have listened to the rubious generalities of telescopic philanthropists; I have been one myself -- perhaps I still am. I remain in touch with my fellow teachers and some former students; I watch developments in Africa, have written two travel books about traipsing through the continent, *Dark Star Safari: Overland from Cairo to Cape Town* (2003), and *The Last Train to Zona Verde: Overland from Cape Town to Angola* (2013). I give money to help fund an orphanage in Malawi. Out of a population of 15 million people, one million Malawians are orphans, mainly AIDS orphans, the relief of whom is a difficult task for all concerned, but in fact not many Malawians are concerned, another paradox, if not disillusionment, for the aid-givers.

The lamentable fact of so many orphans is something the new investment-minded donors, scornful of check-writing philanthropy, seem to overlook. Unless an orphanage is turned into a Dickensian workhouse, with manual labor as its primary purpose, there is no way for such an institution to turn a profit; and so such places depend on cash handouts, nearly all from telescopic philanthropists, and meanwhile the orphans, like the ones in Malawi Children's Village, try to be self-sufficient by tending vegetable gardens, doing household chores, helping with the upkeep and at the same time studying at local schools.

For two years in Malawi, I worked at a secondary school attached to teacher-training Soche Hill College outside the southern highlands town of Limbe. Our mission was to educate younger students, who would then join the college, become teachers and replace the American volunteers. When I returned to my hilltop school and college almost 40 years later, I was dismayed to find that foreign teachers were still the mainstay of the faculty. There remained a dire shortage of Malawi teachers; this is still the case.

This suggests a reason why Africa can't move forward. Training teachers has been a priority of the post-colonial African government of independent Malawi; education was equated with economic salvation. Now, 50 years later, the education system in Malawi is still faltering. Why? Because teaching as a profession in Malawi, and many parts of Africa, is undervalued, if not despised, and poorly paid. Besides, you can always find a foreign teacher willing to do the work: American, British, Japanese, Australian.

"Americans like working in the bush," my African friends used to tell me, and they were probably right. Giving a little they would add, "We prefer city life." With an almost unlimited supply of foreign teachers sponsored by their own governments, what incentive is there for any African ministry of education to improve conditions? I thought I was part of the solution in Malawi, and the experience changed my life in profound ways -- as a man, as a writer, as a traveler; but I see I was part of the problem. The obvious conclusion is that an unlimited supply of foreign teachers funded from the outside makes it possible for Africans to avoid having to spend their lives in a classroom in the bush. What is never commented upon is that the spirit of volunteerism that vitalizes foreign teachers in Africa has not created a similar enthusiasm among enough Africans themselves to take on these tasks.

When I voiced these experiences and apparent contradiction to John Coors, he said he was not deterred. On one of his visits to Kenya, he had an epiphany, he said. Driven to do good and unrelated to the profit motive, he flew a team of dentists and doctors to a village and let it be known that a clinic would be open to treat anyone in the immediate area. In the event, thousands of afflicted people showed up, and over the course of three days many hundreds of people received tooth extractions, root canals, and fillings, and medical needs were met.

The American medical team returned home after three days, "and thousands of people who had been waiting were left untreated," Coors said to me, in tones of genuine concern. He has repeated this story in other interviews, speaking of his "catalyzing moment" and his subsequent move to impact investing. But wait, I said. There is an institution in Kenya called The University of Nairobi School of Dental Sciences. It started as the Department (in the Medical School) of Dental Surgery in 1974 with 18 students, and it has grown, with German government aid, to a university dental school.

The catalyzing moment for me is not that Kenya has no dentists in that village, but the obvious fact that Kenya has been training dentists since 1974, almost 40 years, perhaps thousands of them. And yet there are none in sight -- none for those many upcountry with toothaches, witnessed by John Coors. If Kenyan dentists are not willing to travel a few hundred miles into the highlands or the bush to see to the needs of their fellow citizens, why should American dentists travel 10,000 miles to do so? That question also contains the answer: because American telescopic philanthropists provide health care for Kenya and many other African countries, there is little incentive for local doctors to engage in philanthropy.



Paul Theroux has lived in, worked in, and written about Africa over the past five decades.

Uganda, just a short distance up the road, has had a medical school for much longer than Kenya. Makerere University Medical School (as it is known now) has been in existence since 1924 -- my eldest son was born in Mulago Hospital, the teaching hospital in Kampala, where I lived, as a member of the faculty of Makerere, for four years after leaving Malawi. There are similar medical schools all over Africa, even in Zambia and Malawi now, places where -- another paradox -- doctors, dentists, and nurses are in short supply and are eagerly provided by the Gates Foundation and the Clinton Global Initiative, to name just two of the active billion-dollar philanthropies.

My experience with the teachers in Malawi might explain this paradox. With so many outsiders willing to travel upcountry to improve the state of health care, African doctors tend to stay in better-paying jobs in urban areas, or simply leave the country altogether for places where doctors are held in high esteem and amply rewarded. And the well-funded work on AIDS and antiretroviral drug therapy, known as ART, for HIV/AIDS patients, means that many local doctors are lured into these areas. Foreign donors guarantee better salaries and incentives, allowing them to bypass the crucial work of day-to-day doctoring.

Another ominous trend in Africa is the phenomenal pace of urbanization -- people flocking to cities, looking for work and finding none, and creating another circle of Hell in the shantytowns of Nairobi, Johannesburg, Cape Town, Dar es Salaam, and Luanda. Three-quarters of the four million people in the shantytowns of Dar es Salaam have no plumbing, according to my local doctor friend. A lack of facilities is no discouragement: African cities are growing so fast it is estimated that by 2030 half of all Africans will live in them.

As a Peace Corps volunteer, I got used to the shocked reaction of newcomers to my district, who believed, faced with mud huts, thatched roofs, and barefoot villagers, that they were seeing destitution. A mud hut and thatched roof is, in fact, renewed every few years; the cement

structures and tin roofs built by well-meaning NGOs create maintenance problems. A permanent structure often turns into an unfixable ruin.

Underlying all of Africa's problems are the infernalities of bad government. Rhodesia did not become independent Zimbabwe until 1980, when Robert Mugabe assumed power. Thirty-three years later, aged 89, with a young shopaholic second wife, he is still president. Mugabe's policy of violently taking over the white-owned farms has turned Zimbabwe from a well-fed exporter of food to a hungry republic, dependent on handouts from the UN World Food Program and the aid of foreign charities, such as the International Rescue Committee. In October this year, in the country where I help support the orphanage, Malawian President Joyce Banda sacked her entire cabinet for their wholesale thievery of public funds.

I raised the question of government corruption with a number of the new donors, and one surprised me by saying, "It is possible to run successful businesses even in a country where the government is corrupt."

In my experience, a corrupt government, in Africa and elsewhere, always a blighting force, expects a share of profits from successful businesses, just as the Mafia preys on commercial success, in the form of protection rackets. While I lived in Malawi, Indian shopkeepers were routinely shaken down for contributions -- both money and merchandise -- by hacks from the ruling Malawi Congress Party. In Kenya, as the serving Indian ambassador told me with a sigh, President Jomo Kenyatta demanded the personal gift of Indian-made tractors for his family farm.

These are trifling examples of what is a general tendency; the thefts by one politician in Zambia, as revealed in court in 2007, ran to over \$50 million, and as I described in detail in my last book of African travels, oil-rich Angola is rife with corruption. A western diplomat in West Africa told me recently how China has become the new briber and enabler in the continent.

Consider the cautionary tale of Mo Ibrahim. To encourage good governance, Ibrahim, the Sudanese telecom billionaire, established a multimillion-dollar prize "to reward democratically elected African leaders who retire voluntarily at the conclusion of their mandated terms after displaying strong qualities of governance and leadership."

In seven years, it has been awarded only three times, and this year it has again gone unclaimed.

It is provable that the most corrupt and oppressive governments in Africa are the wealthiest -- the oil economies of Nigeria and Angola being prime examples of this malaise -- while the more transparent governments -- Ghana, Cape Verde, Botswana and South Africa -- are better for business.

When I began teaching in Malawi, in the first years of an independent government, my students spoke dreamily of wishing to build the nation. No one talked about emigrating. But on my trips through Africa in the past dozen years, all I hear in classrooms, in markets, on buses and trains, is the desire to flee. They emigrate and they shine. That's the universal human drive when corruption has quashed all hope: The most ambitious go where they stand a fighting chance to prosper quietly and safely and raise a family in peace.

My students made me aware that, to see a foreign donor or dignitary hob-nobbing with the hated head of state, is to be severely undermined. Ugandan president Yoweri Museveni was visited in 1998 by U.S. President Bill Clinton, who described him as "the head of a new breed of African leaders." Then Museveni invaded and tried to overthrow the governments of the Congo and Rwanda, rigged elections, and disdained gays; he no longer seemed like a new breed.

In its naked reality, Africa, the greenest continent, is still the most beautiful, the least developed, the wildest on earth. Vast plains, big animals, hospitable people, who have been enslaved, sidelined, colonized, and converted willy-nilly either to Christianity or Islam. This receptive amphitheater of goodwill and big game, inspires megalomania among its foreign visitors who strut upon it -- it has always done so, for those who seek the singularity of a little excitement and glory. I sometimes think that if the poorer counties of America's Deep South had rhinos and elephants, instead of raccoons and possums, the philanthropists might direct their attentions to those parts, too.

A rich white donor in black Africa is a study in high contrast that puts one in mind of the gallery of role models: Tarzan, Mr. Kurtz, King Leopold, Cecil Rhodes, Livingstone, Mrs. Jellyby, Albert Schweitzer, Hemingway, Henderson the Rain King: the overlords, the opportunists, the exploiters, the visionaries, the hunters, the care-givers, the baptizers, the saviors, all of them preaching the gospel of reform and seeking a kingdom of their own, if not an empire.

Henry David Thoreau, the 19th-century American author, believed that all such outgoing people had something discreditable in their past that through giving they aimed to expiate.

And all are characterized by the rather touching innocence of a billionaire faced with the brutal truth that the relative simplicity of acquiring wealth is nothing compared to the extreme difficulty of giving money away, for the common good.

The real helpers are not the schemers and grandstanders of the eponymous family foundations or charities; they are nameless ill-paid volunteers who spend years in the bush, learning the language and helping in small-scale manageable projects, digging wells, training mid-wives, teaching villagers that unprotected sex spreads HIV; and among these stalwarts are the long-serving teachers who have liberated Africans by simply teaching them English, and are still doing so, even as they make the local governments lazier.

The so-called White Fathers (the Society of Missionaries of Africa) I met in Malawi who ran upcountry clinics used to say, "I guess I'll be buried here."

No one ever says that now, and significantly none of the people I spoke with for this piece ever expressed a wish to spend any serious length of time in Africa. None speaks an African language. To the detriment of their aims, they are on better terms with the African politicians than the common ruck of African people.

Years living simply on the ground in Africa convinced me that there was more for me to learn from Africans than to teach. I saw there were many satisfactions in the lives of people who were apparently poor; many deficits in the lives of the very wealthy. I saw that African families were large and complex and interdependent; that old age was revered, that Africa's link to the distant past -- to the dawn of the world -- was something marvelous and still intact in many places.

Most of all, I was impressed by the self-sufficiency of ordinary people. Without much in the way of outside help, the people in the countries I knew managed to endure, usually through the simplest traditional means, and finally to prevail. Africa has the schools, the money and the resources to fix its own problems; it's appalling to think of donors telling them otherwise, of the whole continent terminally indebted and living on handouts.

African Philanthropy Done Right

Foundation Source is the philanthropic advisor and partner to over 1,100 family foundations. Penta asked the organization's chief philanthropic officer, Page Snow, to provide some basic guidelines on how to successfully execute philanthropic projects in Africa. Her advice:

Beware the panacea. Millions of dollars are wasted on overly ambitious projects claiming to be a 'killer app.' Projects that employ tried-and-true interventions, narrower in scope, usually have far greater impact.

Demand responsible management. Ask tough questions if money is flowing into a charity, but isn't flowing out to charitable causes.

Avoid duplication. Be aware of other efforts already on the ground and make sure that your program isn't a wasteful repeat but, preferably, leverages off what's there.

Support local, sustainable solutions. Avoid short term fixes by always seeking input from locals; plan for them to run the project on their own in the long-run.

Beware of poor infrastructure projects. Make sure wells are dug where they're actually needed, that the bridges and roads are integrated into existing plans by government or other NGOs.

Use technology intelligently. Over 90% of households across sub-Saharan Africa don't have access to electricity for their everyday needs, let alone power for laptops. Make sure locals have the skills, resources, and necessary tools to keep tech-dependent elements of your philanthropic project running.

Be prepared to face corruption. Even when a project has been granted governmental approvals, there's no guarantee of official cooperation; corruption and regional conflicts pose considerable challenges.

Be culturally appropriate. Put on your anthropologist's hat. Africans have their own process for dealing with grief and loss; Western-style grief counselors following a natural disaster or war aren't appropriate.

For more lessons on how to conduct effective philanthropy in Africa, please see this [list of five charities that have been successful on the ground](#) -- and why precisely. The list will surprise you.



