

Massive Foreign Aid Is the Solution to Africa's Ills?

It Just Ain't So!

President Bush traveled to Africa in July. Those sympathetic to the President might say he went to show his charitable concern for the problems of Africa and his sincere care for the downtrodden of the world. But a less rose-tinted view might have shown an unprincipled but skillful political machine bolstering its image among centrist “liberals” and gamely trying to chip away at the Democratic Party’s lock on black voters.

Whatever the motivations of the administration, the trip brought the partisans of American engagement in Africa out into the media spotlight. The president had thrown a bone to the foreign-aid community with his surprising endorsement of a \$3 billion-a-year package of AIDS-fighting measures for Africa in his State of the Union address. Far from sated with this forced donation from U.S. taxpayers, the international aid bureaucracies have finally gotten a taste of red meat, and they want more.

How much more? One of the most notable calls for aid for Africa that emerged from this time was “A Rich Nation, a Poor Continent,” an op-ed by economist Jeffrey Sachs in the *New York Times*. Sachs sketches the truly terrible conditions in which many Africans live: life expectancy “is less than 50 years in most of Africa, and less than 40 years in some of the AIDS-ravaged countries. Until the pandemics of AIDS, tuberculosis, malaria and other killer diseases are brought under control in Africa, economic development and political stability will remain crippled.”

Having been a counselor on conversion to capitalism to ex-communist governments (most notably Russia), Sachs is now director of a sustainable-development center called “The Earth Institute” at Columbia University. He is also an adviser to UN Secretary General Kofi Annan. He has become a leading opponent of the free market and a cheerleader for foreign aid. His thinking seems to follow this general line: Capitalism and technology are good things, but any real progress in the world calls for international governmental solutions. In the case of epidemic disease in Africa, Sachs’s preferred solution is massive funding for the Geneva-based “Global Fund to Fight AIDS, Tuberculosis and Malaria,” to the tune of up to \$8 billion per year from the United States alone.

An aunt of mine who was an unreconstructed New Dealer used to say to me: “The problem with the poor is that they don’t have money.” This seems to be Sachs’s view of the needy in Africa: the only thing that keeps them sick is a lack of medicine, and they only lack medicine because they are poor. Sachs puts it this way: “If rich countries contributed a total of around \$25 billion per year [to fight disease in the Third World], the increased investments in disease prevention and treatment could prevent around eight million deaths each year in poor countries throughout the world.”

My aunt was right that the poor lack money. Any poor person could be made richer—at least temporarily—by a handout. And Sachs is right that in African countries where AIDS runs rampant, the sick lack medicines and too many don’t practice safe sex. Enough medicine and education could have a real impact, extending lives and encouraging people to act more prudently.

But Sachs is wrong to think that Africa’s problems are essentially medical or financial. He is wrong to emphasize charity at the expense of focusing on the real needs of Africa: rational culture, justice, and capital-

ism. And he, along with the Bush administration, is wrong to think that wealthy countries or wealthy people bear a responsibility for the health or welfare of others to whom they are unconnected by any significant ties.

My aunt ignored the fact that lasting poverty has roots in culture and incentives. Handouts don't eliminate poverty; too often they help entrench the habits that perpetuate poverty. For his part, Sachs ignores the fact that Africa's crisis has roots in gangster politics, irrationalism, and collectivism. No African country ranks among the 35 freest in the world, as objectively measured in *Economic Freedom of the World 2002*. In fact, several countries in Africa are among those with the least economic freedom and the most capricious legal environment. These include Zimbabwe, Guinea-Bissau, and both Congos. It is no accident that these are some of the poorest and most miserable countries in the world. It is misgovernment—not AIDS or any other disease—that has ruined these countries. When Sachs urges support for the Global Fund, he is calling, in effect, for the support of a new hyper-bureaucracy of foreign-aid experts and for open-ended support of the very regimes that are to blame for Africa's crisis. It precisely to accommodate corrupt and ineffective regimes that the Global Fund is at pains to describe itself as a funding supplement to existing government programs.

A Matter of Morality

Ultimately the case here is moral. Sachs wants the top 400 earners in the United States to give up 10 percent of their income to the Global Fund. He argues “our world is

dangerously out of kilter when a few hundred people in the United States command more income than 166 million people in Africa.”

The world *is* out of kilter, but not in the way Sachs means. Americans who have earned great wealth through their productivity are not vultures who prey on the poor. The world's poor are generally poor or sick or hungry for reasons that have nothing to do with the businesses that make Americans rich. In fact, having nothing to do with American-style capitalism tends to keep people poor, and it is corrupt, intrusive governments that keep them out of contact with the free market. (It is no accident that some of the best health care in Africa is that provided by big corporations for their local employees.) What is out of kilter is the political culture of Africa, not the fact that Americans and other mostly free people can acquire or possess great wealth.

There is nothing wrong with people giving some of their money away to help others. But when they do so, be they richer or poorer, they should make sure that they are really helping those in need, and not just throwing good money after bad into the pit of cultural and political corruption. The rich certainly do not owe the world an apology for what they have, and they are not responsible for all the terrible problems that people find themselves in. The health situation in Africa is a terrible shame. But the shame is not America's.

—WILLIAM THOMAS
(wthomas@objectivistcenter.org)
Senior Fellow for Objectivist Studies
The Objectivist Center
Poughkeepsie, New York

The Economics of Spam

by Christopher Westley

What's the matter with the Internet? I used to love it, at least the part of it that brought e-mail. One of the highlights of my day used to be Outlook Express's friendly tone announcing that another e-mail had arrived in my inbox. Then I would stop what I was doing to see which friend or colleague was checking in, or what requested information had arrived.

Those were my glory days of e-mail. I miss them. Nowadays, it seems that for every ten e-mails I receive, eight are unsolicited sales pitches, also known as spam. And of those eight, half offer samples of crude and dehumanizing porn. As a result, I never check my e-mail when my children are nearby.

Though I once wrote in praise of e-mail, I now consider it a mixed bag. A couple of my friends have forsworn it entirely, having decided that the costs outweigh the benefits, and it is hard not to agree that they have a point. There have always been the good and the bad aspects of e-mail, but it seems that lately, based on my own inbox and my ever-growing list of filtered terms, the bad aspects seem to be trumping the good.

My experience reflects the national trend. According to the *Wall Street Journal*, the amount of spam as a proportion of all e-mail on the Internet increased by 350 percent between the summer of 2001 and the sum-

mer of 2002. It is now approaching 50 percent of all e-mail traffic. Spam makes up 70 to 80 percent of all incoming e-mail to America Online's servers and 40 percent to Earthlink's network.

The economics of spam explain its pervasiveness. Once a spamming system is set up, the marginal cost of sending an unsolicited e-mail is virtually zero. As a result, the smallest of response rates can make the process profitable. The rule of thumb is that while old-fashioned junk mail sent via the post office requires a response rate of 1 in 100 to be profitable, spam mail requires a response rate of 1 in 100,000. This greatly increases its appeal as a marketing tool.

For instance, a recent story in the *Fort Worth Star-Telegram* reported on an Internet marketer who mailed ten million e-mails a day offering eavesdropping software for \$40. His annoying efforts result in 50 orders a day, allowing him to earn \$700,000 a year. Not bad for a response rate of only 0.000005 percent. Following the law of supply, his success only signals other spammers to enter the industry, which is an extremely easy process. Anyone with a computer and an e-mail account can enter.

The result is a reduction in the appeal of an otherwise remarkable medium. After all, how many people would watch TV if the networks only showed commercials? The disgust is growing, and the politicians are listening, as evidenced by a recent "Spam Forum" conducted by the Federal Trade

Christopher Westley (cawestley@msn.com) teaches economics at Jacksonville State University.