The great unknown

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New plans to save the world enter a crowded field. Any fresh look at aid, trade, poverty and Africa will jostle for attention with the sweeping generalisations and soaring hubris of politicians and celebrities suggesting that the way to prosperity for developing countries is already known, and that only the will - expressed through ever more foreign aid - is needed.

In reality, the solutions to the problems of countries that are very poor and appear stuck that way, which mainly means sub-Saharan Africa, should fall emphatically into the category of a known unknown. The battlefield is littered with the bodies of simplistic theories about poverty and failure, for every one of which there is a contradiction. Africa is poor because it has had bloodstained and kleptomaniac dictators, for example, ignores the fact that so has Indonesia, whose record on growth and poverty reduction compares rather favourably with the self-confessed failure of Tanzania's remarkably decent and honest Julius Nyerere.

Among the familiar prescriptions are: such countries need a fair deal; they need more aid and they need to do better at governing themselves. Two recent books - William Easterly's The White Man's Burden and Robert Calderisi's The Trouble with Africa - lean towards the last of these. The first two are favoured by Joseph Stiglitz and Andrew Charlton in Fair Trade for All, published just before last December's almost entirely futile Hong Kong ministerial meeting of the World Trade Organisation.

There is a temptation to which denizens of the "development community" - the fractious fraternity of ministers, international institutions, aid agencies, campaigning NGOs, rock stars and journalists - frequently succumb. This is to attach unrealistic expectations to a particular policy, agency or process whether it be debt relief, the millennium development goals or the independent Global Fund to Fight Aids, TB and Malaria. That is one of the problems with Fair Trade for All, a polemic by Nobel prize-winner Stiglitz and LSE academic Andrew Charlton about the "Doha round" of global trade talks which began in the Qatari capital in 2001 and, as the fractious meetings in Geneva last week show, are now close to collapse.

Stiglitz and Charlton lay out what might be called the NGO syllogism of Doha: trade can be good for development; many poor countries are not benefiting from trade; so trade rules urgently need to be changed. They couple this with the not unreasonable proposition that free trade is an end, and that countries such as China, which arrived at successful global integration, got there by a variety of means including gradual market opening.

But, disappointingly, Stiglitz and Charlton elevate their caution about trade liberalisation, which is essentially a caveat (albeit an important one), into something close to a policy handbook. They take these qualifications and use them to fashion a policy prescription that, for much of the developing world, can too easily be interpreted as a licence to do very little in Doha.

The authors' general proposition is that poor countries should often be exempted from cutting tariffs in order to retain the ability to protect and direct particular industries, and that they know better than anyone else what will be the growth sectors they should be encouraging. In the Doha round, the demands by developing countries for huge leeway to continue protecting farmers suggest that the message is getting through all too well.

In practice, the sad history of developing countries and particularly Africa is that when they are cut some slack on the policy rope they too often hang themselves with it. This distorts their economies to protect favoured but frequently wildly inefficient industries. Some Brazilians still shudder when they remember grandiose plans to create a domestic computer industry, which merely delayed the adoption of computerisation in Brazil's economy by making it too expensive to import cheap computers from abroad rather than slow, expensive and protected ones made in Brazil.

You may argue that these countries ought to have the right to make these mistakes themselves, and you may be right; but the right to make mistakes doesn't stop them being mistakes.

Stiglitz and Charlton's one big original idea is a liberalisation rule whereby all countries in the world would give completely free trade access to all economies that were poorer per head (and also poorer overall) than themselves. It is an elegant solution but throws up some anomalies that reveal that the divisions in trade are as much between different developing countries as between rich and poor. By my reckoning, for example, this plan would mean India offering open-market access to Vietnam, the world's second-biggest rice exporter. This would shortly be followed by a dislocation in the livelihoods of millions of small-scale Indian rice farmers, rapidly followed by a swift exit for the government that signed the deal.

So trade policy, as distinct from actual trade, is unlikely to help much on its own. What will? There are basically two schools of thought on this: one that we ("we" in this context being the rich donor countries) should give some of the aid and help we do now but do it differently and better; and two, that we should stop doing almost all of it and leave it to the Africans.

The first informs the conclusions reached by Robert Calderisi, formerly a senior World Bank official working on, and in, Africa. As a policy guide it is rather weak but it reads well as a personal narrative of engagement with a beguiling but maddening continent, avoiding the familiar positions among old Africa hands of either expressing contempt or excusing failure.

It also evokes the cynicism that sometimes underlies the surface piety of the aid industry, and how recipient countries have to learn to rephrase each request for foreign aid in the language of the latest fad. Development-minded visitors new to Africa are often surprised just how deep the pseudo-technical jargon of the aid business has soaked into everyday discourse. Interviewing primary-school teachers in the Zambian copper-mining region during one of my first trips to Africa, I found their answers were constructed with eerily familiar stock phrases from the aid business: "user fees" (fees for school or healthcare); "governance concerns" (corruption); "civil society" (broadly speaking, NGOs) and "capacity building", which can mean almost anything that involves spending aid money, particularly when there are no concrete results to show, but generally involves hiring new people to do something or training the ones who are already there.

This manner of discourse may be well intentioned, or at least reflect honest attempts to improve the way in which aid is spent, but it degrades both donor and recipient to have to learn a new vocabulary each time a new fad (aid-for-trade, or education-for-all etc) comes along.

Calderisi's prescriptions are, unfortunately, much less impressive than his descriptions. Some are so drastic or intrusive they seem as if they were designed merely to be provocative - cutting direct aid to most African governments by half, for example, or requiring all African ministers to publish their personal bank statements to counter corruption. (Surely people capable of stealing from aid budgets are also capable of setting up multiple or proxy accounts or dealing in cash?)

Another idea, by contrast, seems extraordinarily lax - putting foreign aid direct into the government budgets of five countries that are sufficiently well run that they should receive, in Calderisi's words, "the equivalent of blank checks": Ghana, Tanzania, Mozambique, perhaps Mali and definitely Uganda. I'll say that again: Uganda. The thought of delivering the public finance equivalent of a suitcase of cash to President Yoweri Museveni's Ugandan government is a startling one. Amid rampant corruption among his coterie and harassment of political opposition, donor countries including the UK, one of the biggest fans of "budget support" (i.e. putting cash direct into the national budget and trusting the government to spend it well), have reduced such aid to the country.

And Calderisi's final suggestion has, I can only presume, been put in there for comic relief: to merge the UN Development Programme, the World Bank and the International Monetary Fund. It won't happen, and nor should it; but I will be right at the front of the queue for press accreditation if it ever does. (For the uninitiated in the ways of international financial institutions, this would be the rough equivalent of combining into one the Women's Institute, Harvard University's Faculty of Arts and Sciences and the People's Liberation Army.)

Firmly on the sceptical side of aid is Easterly, a repentant World Banker with a strong dislike for the top-down way in which the bank and donor governments give aid. Easterly has established a dominant market position as one of the chief critics of aid, his analysis given weight not just by his academic heft - a member of New York University's increasingly star-studded economics faculty - but because he has worked in development all his life.

His arguments about the usefulness of aid in this book are by now fairly familiar. He and his frequent sparring partner Jeff Sachs, celebrity economist and aid cheerleader at Columbia University, have started a "yes aid works" - "no it doesn't" debate which, appearing on op-ed pages and think-tanks all over, is beginning to resemble a peripatetic Punch and Judy show. To be frank, I would say about the empirical work that there are so many competing analyses that you pays your money and you takes your choice. To me the centre of gravity on this debate rests around the proposition that well-directed aid can help growth and development but is not sufficient, may in fact not be necessary, and in any case is not the most interesting question.

More engaging is Easterly's theme that the aid business has too many Gosplan-style top-down "Planners" drawing up grand schemes at the national and international level, and too few low-level providers and consumers - Easterly calls them "Searchers" - who mimic free markets by trying out small-scale aid and development programmes on the ground. His suggestion that aid vouchers be given to villages or families to purchase services from competing aid donors is surely worth a shot. What, after all, do we have to lose by trying it?

Easterly's suggestions for useful development programmes are themselves not immune from criticism. He is keen on discrete observable interventions such as vaccination campaigns, which appeal to his sense of a clear cost-benefit analysis. But such programmes have sometimes acquired a bad reputation for pulling health workers out of existing positions and creating strains elsewhere in the health system. Then again, he has the honesty to admit these are just ideas. That, at least, is a refreshing change.

Out of these three books I found Easterly's by far the most stimulating - not because of his certainty that aid doesn't work, which I think he overstates, but for his frank admission that he doesn't, and can't, know what will. For some time now I have been working on an answer to the people who, when I point out that certain protected industries are not delivering the sustained growth that

Africa needs, ask what the Africans should be making and selling instead. Though it doesn't generally improve the temper of my challenger, my current practice is to respond: I have no idea. I'm not a farmer. I'm not a businessman. I have never lived in Africa. How would I know?

Alan Beattie is the FT's world trade editor.

FAIR TRADE FOR ALL: How Trade Can Promote Development

by Joseph Stiglitz and Andrew Charlton

Oxford University Press £15.99, 352 pages

THE TROUBLE WITH AFRICA: Why Foreign Aid Isn't Working

by Robert Calderisi

Palgrave Macmillan $24.95, 249 pages. Published in the UK in October by Yale University Press

THE WHITE MAN'S BURDEN: Why the West's Efforts to Aid the Rest Have Done so Much Ill and so Little Good

by William Easterly

Penguin Press $27.95, 436 pages. Published in the UK in September by Oxford University Press