



Why Humanitarian Action Fails

Guest: Christopher Coyne

May 9, 2014

Christopher Coyne is the F.A. Harper Professor of Economics at George Mason University and Associate Director of the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics at the Mercatus Center. He is the author of [Doing Bad by Doing Good: Why Humanitarian Action Fails](#).

WOODS: That's quite a good and effective title you have: *Doing Bad by Doing Good*. There are a lot of people who are well intentioned, who think they are doing good, and have done an awful lot of bad over the years. Let's talk about just foreign aid in general. I want to talk in particular about your thesis in this book, but I want people to have a sense of what the record has been, let's say, since World War II in state-led development efforts. We have the ledger now, and what it is telling us?

COYNE: Sure, well, first of all, you raise a very important point which is since World War II, governments, nation-states, have become the central or dominant player in international affairs and humanitarian action in foreign aid, and this is very important for understanding the effectiveness of aid. Now, the record is mixed depending on how you measure it, but the clear consensus, if the goal is promoting long-term sustainable development—by that I mean, development and reductions in poverty that do not require continued external assistance—then foreign aid has failed. Now, some people, typically advocates of aid, will point out individual cases of success, whether it is things like building infrastructure, or schooling, or hospitals, but when you look at the long-term trend related to growth and development and improving standards of living, foreign aid has been a failure.

WOODS: We need to understand why it's been a failure, because it would seem, at least from a superficial glance, that sending money to impoverished countries ought to do some good. I think it comes as a surprise to people that it generally either hasn't done good, or in some cases has even retarded progress. Why should that be?

COYNE: Right, so you're exactly right on the first blush the problem seems quite simple. So there are people that are poor, and the idea is, look, these individuals are basically living at

subsistence levels, so they consume everything they produce, and they can't save, and in order to promote economic development you need capital investments. You need to forgo consumption and invest in more roundabout processes of production, and the argument goes that they are stuck in a poverty trap where they can't do that. The idea behind foreign aid, or one of the key ideas, is that wealthy countries can break that cycle by filling the investment gap and by giving money to these people that they then can invest. But of course, the problem isn't that simple, because humans are involved, and so decisions need to be made about who is going to get aid, how it's going to be allocated, and then the recipients, of course, have to make decisions about how it's going to be allocated as well.

There's really two core reasons, if I had to summarize it, why aid fails. The first is the famous Mises/Hayek point on economic calculation, which is: outside the market process there is no way for central planners to know how to allocate resources to their highest-valued use which, of course, is a necessary prerequisite for development. You need to continually reallocate resources to new and better uses from the perspective of consumers, in other words, producing things that people value, not just producing random outputs as determined by a planner. And this logic doesn't just apply to central planning in the context of socialism which, of course, is where Mises and Hayek were focused, but also to foreign aid, which is kind of the new form of central planning, if you will, which is that supposedly enlightened experts who are typically very well educated in top ranked schools, get together and decide how much aid a country is going to get, and then allocate that aid and tell them how to spend it and attach conditions to it and so on, and so really you have the planner's problem in the context of foreign aid. The second issue, then, is politics. You have a fundamental problem of how you're—you don't know how to best allocate the aid, but then you dump millions and millions and millions of dollars into already corrupt and dysfunctional political institutions, and the outcomes are extremely predictable. You don't just get the money wasted or stolen, but you also perpetuate those dysfunctional institutions, and the costs tend to fall on ordinary citizens who are already suffering.

WOODS: So the issue here, then, is not a matter of having good people in charge of the programs, that maybe we have had people who haven't been as effective as they might be, and if we can only get more competent people in charge of the system, things will work. The problem is the assumptions behind the whole approach. You start off the book talking about the man of the humanitarian system who thinks that these problems that we observe around the world can be solved if people of good will just put their heads together, organize resources, and go over there and get things done. But it's not a matter of good intentions. It's not a matter of organizing properly. There's a problem at the heart of the whole system.

COYNE: That's exactly right. The man of the system idea comes from Adam Smith and *The Theory of Moral Sentiments*, and he characterizes this kind of mentality, or this idealized type of bureaucrat, who comes up with a plan that they view is a beautiful plan for society, and they think that they can move around people as if they are pawns on a chess board. That's really the

kind of mentality that is prevalent throughout international relations in general, which is that supposedly enlightened experts can solve all these problems if they just have enough resources and enough smart people. But of course, this ignores the fundamental knowledge problems and the fundamental incentives that both the planners face but also on the recipient side as well. If this happens over and over again, if you read pretty much any government report on foreign aid at the end there's always a "lessons learned" section, it's typically always the same thing: we need better coordination, more resources, better planning. But that completely ignores the fundamental problem which you just mentioned.

WOODS: In order to evaluate humanitarian programs and efforts, I think it's helpful to ask this question. How, if we were to generalize across experiences of many countries, have poor countries become wealthy?

COYNE: Sure. Of course, the history of each society varies greatly, but at the core of economic development is private property rights and innovation and the subsequent developments that follow from that process, and of course it's a never-ending process. We know this. All economists know this. It's just an issue of where the emphasis is placed. A lot of economists make the argument that you need to centrally plan markets in order to then get the subsequent development generated by markets. But of course, there's a fundamental irony there, which is markets are desirable precisely because they don't need anyone to plan them. They are self-ordering and self-correcting, and they generate desirable outcomes on their own, and markets can't be planned. It's just like the outcomes of markets can't be planned. So that's ultimately what's required for development is freedom, economic freedom, and the protection of private property rights.

WOODS: I think today when people think about humanitarian intervention, though, they don't think about the types of state-led development programs, the very ambitious programs of the '60s and '70s. I think they are thinking precisely about finite projects like the ones you mentioned at the beginning—well, can't we get clean water over in this area for x-billion dollars, and can't we vaccinate this many children, or can't we build schools over here, and if you're saying well, by and large those do seem to work, then how does that not undercut the case against humanitarian intervention?

COYNE: Sure. This is a great point, and one of the things in the book from when I talked about what I tried to do. So when I first started writing this, I was focused just on short-term, immediate relief, things like you're pointing out—vaccines, food, water, shelter, and so on. But very quickly I realized that it's very hard, if not impossible, to find a state-led effort that is narrowly focused on just those things. In reality what happens is, it's a combination of short-term aid but also long-term development, and the idea was that in the 1990s the humanitarian community got together and said, look, we can't just keep giving short-term aid because that might help them today and tomorrow, but what about the next day? And what about next week? Are we going to stay here forever and just keep giving them handouts? And they said, well, we can't do that, so we have to create the conditions for development so that we can

leave eventually. So very quickly short-term development efforts transformed into a hybrid of short-term humanitarian aid plus long-term development.

Now, in the post-9/11 world, a whole new element got added, which was the militarization of humanitarian aid. So now the U.S. military got involved, and it's a combination of short-term relief, long-term development relief, and squashing supposed insurgents. You saw this in Afghanistan with the whole idea of a government in a box, which was the military is going to go into an area, kill the insurgents, the humanitarians are going to follow. The military then provides short-term relief, and then the development experts are going to come in and provide long-term relief and build democracy and the supposed good stuff that we're going to bring to Afghanistan. And we know how that turns out. Same issue in Haiti right now. It was supposed to be immediate short-term relief and the promise then was long-term development. The motto was "we're going to build it back better." That perfectly captures the man of the system type mentality that we can build Haiti the way we want to, we being the experts.

So you can't really separate those things. On top of it, even if you look at short-term aid, even if you do isolate that in the kind of things like health care, vaccines, and so on, the record is very mixed. You do see cases where the U.S. government and other governments have successfully provided aid. But you know, if you step back for a moment, this isn't that shocking. If I said to you, look, I want you to buy more water, and I handed you money to go buy more water, and you bought more water, I wouldn't count that as a success. That's logic—the logical outcome of spending more money on something. The more shocking outcome is that more often than not, the U.S. government tries to deliver short-term aid and it never arrives to the people in need. It's either stolen, it is sold on black markets, or the money is just wasted if we spend it on things that—by "we" I mean the U.S. government—spends on things that people don't need, and so even in those cases it's unclear that short-term aid is successful.

WOODS: Now, in terms of the long-term development and long-term development aid programs, the key figure of course is Peter Bauer, who was a voice crying in the wilderness for many years, and then in the 1980s he began to be vindicated as more and more people were taking a second look at these state-led development programs and saying they've had disappointing results, to put it mildly. Even the *New York Times* by the 1990s was saying well, everybody knows these programs don't work. It's funny for them to say that now because I am sure they thought they worked, they were a good idea, in the '70s when everybody was laughing at Peter Bauer. But as the 1990s wore on and we got into the twenty-first century, we started to hear something called the new economics of foreign aid. That yes, yes, yes, we know that if you send money to a bad person, a bad regime, you're going to have bad results, so we're going to try to target the money to good regimes. Well, what's funny about this new economics of foreign aid is that they've been trying that for years. Even Jimmy Carter, who prided himself on his commitment to human rights, spent half of his foreign aid budget on black Africa in what was then Zaire, giving it to Mobutu, one of the worst people in the world ever. So number one, they've supposedly been trying to target it for many years, so I don't trust them to

start with. But secondly, let's give you the most difficult possible case. Let's imagine they are able to isolate individual political leaders who are like Chris Coyne, but they are in charge of a government somewhere, and they just want to promote the free market. What if we send them foreign aid? What if help kick-start investment in their countries? What would go wrong there?

COYNE: Here is the interesting irony behind all that. The people that, or the governments, that have the capacity to handle aid the way we want to, in other words, to use it the way the U.S. government wants, don't need it. The reason why is, if they are already committed to limited government and limiting corruption and not taking stuff from people, then investment will follow. The problem in countries that can't attract foreign investment is simple: people don't want to invest their property where there is predation and confiscation by government. So it's actually relatively simple in terms of the solution, which is governments need to stop taking stuff. And it's a simple test, just stop it or don't. It's no foreign aid. Foreign aid is not going to help the problem, because if you're already committed to this you can adopt policies conducive to that. If you are not, and you say, well, I need foreign aid in order to adopt these policies, then you should have no confidence that they are going to actually adopt them because they already have proven they can't overcome the dysfunctions in their own political setting. So the money is more likely than not going to be wasted. So again, foreign aid is most likely to work where it's needed least because the state capacity already exists. It's where it's needed most because the people are suffering the most—it's going to work the worst because state institutions are so dysfunctional, which is what the cause of human suffering is.

WOODS: And of course, it's going to encourage these state institutions to persist in the very policies that have driven their countries into the ground. Why should I reform if I keep getting money the poorer the country is?

You made brief mention earlier to Afghanistan, and I think a lot of people do know a little bit about what happened there, but I bet the average person really just knows a few headlines. What was the problem in Afghanistan, from your point of view, in terms of humanitarian intervention? Was this even a humanitarian intervention to start with anyway?

COYNE: Well, you know, in the book—in *Doing Bad*—the way I tried to define it is very broad because again, I realized very quickly that lots of people mean different things by humanitarianism. So I defined it as efforts undertaken by the state with the stated end of improving human well-being, so the end as stated by government officials. From that standpoint, Afghanistan falls under the definition because the idea was, we're going to not only root out insurgents that are a threat to the U.S. but also nation-build and bring liberty, and freedom, and democracy to Afghan citizens. The problem with the effort was—well, there's numerous problems, but the main one was that the U.S. government, just like all governments and all social scientists, actually doesn't know how to nation-build, doesn't know how to build a free society from the ground up. On top of that there was a blatant disregard for history. General Stanley McChrystal—who, of course, oversaw the Afghan forces for several years—in 2011, he was speaking at the Council on Foreign Relations, and he admitted: "We didn't know

enough, and we still don't." "Most of us," and he says "me included," had "a very superficial understanding of the last 50 years." And so these people didn't even bother to read a basic history book about what had happened in Afghanistan over the last century. And of course, if you go back to the attempt by the Russians to invade, we know what happened there. There's a lot of lessons to learn there as well, and so really what's happened now is the U.S. government is stuck in a terrible spot because about 95 to 97 percent of the country's economy is dependent on foreign aid. The main kind of crop is poppy, and of course, the U.S. is pursuing counterattacks there. One is they have, of course, the War on Terror, and the other is the war on drugs. So if they, and of course, the U.S. flip-flop on this policy during the Afghanistan occupation, they started destroying the poppy crops as part of the war on drugs, but then they realized that Afghan citizens were going to revolt against them because that was their main staple—their main livelihood, and so they shifted policy multiple times. There is no semblance of any kind of national government. But of course, in Afghanistan the history of the country is such that there's never really been a strong national government. So the idea that the U.S. could supposedly just put one in place in a matter of a couple of years was pure nonsense.

WOODS: Now, of course, when we're talking about things like improving water quality or spreading education, that's one thing, but I could imagine some people saying people suffer from things other than lack of access to education, clean water, and things like that. Sometimes they suffer from a government that is outright murderous. Sometimes there are atrocities taking place around the world. Can you extend your analysis to include interventions to help people in situations like that?

COYNE: Yes, and I think that's a very important aspect. Early on in the book I talk about something called the responsibility to protect norm, which was this norm adopted by the United Nations in the early 2000s. The idea, the typical kind of international relations story, and of course governments oftentimes don't follow it, is that there's sovereignty. There's national sovereignty, and you don't intervene in a sovereign state unless they are threatening or attacking your state. That's the simplified baseline version. The responsibility to protect norm said governments have a responsibility to protect their citizens. If they fail to do so, if they commit genocide or crimes that they are perpetuating famine or things along those lines, the international community, meaning other governments, have a moral responsibility to intervene and to correct the situation. President Obama invoked the spirit of this norm when he justified the U.S. intervention in Libya, and my analysis fits actually quite nicely because Libya is a perfect example of something that to many people seems like an obvious, clear-cut case for intervention, but it's a disaster, and so people said, "Look, there's not going to be any U.S. boots on the ground. It's a short-term commitment. What can go wrong?" The basic logic of the seen and the unseen which, of course, we emphasize in basic, core microeconomics, which is you just don't focus on the observable but also the whole chain of consequences that emerges. In the context of Libya, the scene was you had Gaddafi, who was a terrible person violating human rights. Of course, we forget that the U.S. government was his friend on and off for decades, but we'll put that aside for a moment. So the U.S. government helped overthrow him.

So what's the unseen? Well, domestically it's chaos there now. It's the equivalent of a civil war. There is militias throughout the country that are imposing significant costs on other citizens. There's no national government that has any kind of strength or ability to create order. On top of it, the chaos spilled over regionally, and right after we overthrew, the U.S. government overthrew Gaddafi, the French had to intervene in Mali, and the reason why is because Gaddafi's security forces fled to Mali and attacked the government there. Of course, on top of that, arms are flowing out of Libya into Syria, helping create chaos there and feeling that chaos. So the broader point is here are things that appear to be obvious cases where we should intervene, meaning the U.S. government and other governments, are not that clear-cut at all, and when you take into account the complexities of the world and the idea that the alternative isn't, you know, Gaddafi or a limited government that is constrained in any kind of way, the kind of cost-benefit analysis becomes very murky very quickly.

WOODS: And then, of course, although this is not central to your thesis, the reality of the situation is that Americans are faced with a media that is going to feed them what the political class feeds to it, and so we're likely to get an extremely distorted view of what's happening in, well, Libya, Syria, and a variety of other places, which further constrains our ability to make a sensible decision.

COYNE: That's exactly right, and it's in some sense even worse than that, because these things are like passing fads. Foreign interventions have become like the flavor of the week. So it's not only the misinformation, it's, you know, Libya is the hot topic today. Syria tomorrow. Now the Ukraine. Tomorrow there will be something else. And even if you were an ordinary U.S. citizen who goes to work every day and reads the newspaper, and even if you wanted to delve into, get the details, it would be quite hard to do just because you would be overwhelmed constantly by the new threat and the new supposed crisis that is happening somewhere else in the world. So it's overwhelming from that standpoint, and it's very easy for, like you said, the political class, but also the private sector that benefits greatly from these interventions. What's known as the military-industrial complex—they have an incentive to constantly create new threats and crises, and voters, the average citizen just can't keep track of it.

WOODS: At the beginning of your book you inform the reader that this is not a how-to book. This is not going to tell you how to improve people's lives. But you have to anticipate that that is the natural question someone will ask. So if you had to give advice based on what you know, having written this book, and the case studies that you've looked at, what would it be?

COYNE: Sure, well, when I say it's not a how-to book, I do have an argument for what's a better course for helping people, but the standard kind of practice with books on foreign aid and international relations is you point out the problems, and you come up with a nice, clean list of, you know, the U.S. should do these five things.

WOODS: Right.

COYNE: Usually very simplified steps that, again, that promises if you just follow these this time it will actually be different and will fix the world. But here's what I call for at the end of the book. Instead of the outward orientation of there's us, meaning the U.S., and the First World and them, which is everyone else that we need to fix, I want to focus on a shift to an inward orientation. By that I mean what we in the U.S. or other First World countries do to help the poorest people in the world, those who are suffering, those who the supposed humanitarians claim they want to help. My argument is there's lots we can do, and there's a few simple policies that we could adopt, the U.S., if we truly cared about the poorest people in the world. First of all, trade barriers—in the poorest countries in the world they are typically agricultural-based economies, and of course, if you look at the U.S., if you look at the European Union, what they do is pass massive barriers to agricultural products as well as a whole host of other trade barriers. Again, we know why they do this, because special-interest groups in the agricultural industry benefit from them. Costs are imposed upon those people who are suffering. So if we truly care about those people, removing those barriers is something that U.S. citizens should agitate for, as well as anyone concerned with humanitarianism. Second is migration, barriers to migration. Allowing people to move around is one of the best ways to help them, and I have this example at the end of this book because of course, someone might make the counterargument, well, these things might benefit people long-term, but what about short-term crises. And we have a great natural experiment, which is after the earthquake in Haiti hit in 2010, there was 200,000 Haitian citizens who were in the U.S. They were here legally. They had the appropriate paperwork, but those papers expired, and so instead of sending them back to Haiti, given the destruction, the government granted them temporary extensions. Those Haitian citizens, those 200,000 Haitian citizens, it's estimated by the World Bank, sent \$360 million in remittances back to family and friends in Haiti. That is more than the amount of foreign aid the U.S. government gave in 2010 that year. And so imagine what could happen if you doubled that number to 400,000 or 500,000 or so on. And you can see why this could have a major beneficial outcome for people who are suffering, because people who send remittances back, money to their country of origin have a stronger incentive to make sure it's being used to actually help people, as compared to some bureaucrat who is sitting in Washington D.C. or some field office spending other people's money and checking off a bunch of boxes of output measures for success.