

Trust the development experts – all 7bn

By William Easterly
Financial Times, May 28, 2008

The [report](#) of the World Bank Growth Commission, led by Nobel laureate Michael Spence, was published last week. After two years of work by the commission of 21 world leaders and experts, an 11- member working group, 300 academic experts, 12 workshops, 13 consultations, and a budget of \$4m, the experts' answer to the question of how to attain high growth was roughly: we do not know, but trust experts to figure it out.

This conclusion is fleshed out with statements such as: "It is hard to know how the economy will respond to a policy, and the right answer in the present moment may not apply in the future." Growth should be directed by markets, except when it should be directed by governments.

My students at New York University would have been happy to supply statements like these to the World Bank for a lot less than \$4m.

Why should we care about the debacle of a World Bank report? Because this report represents the final collapse of the "development expert" paradigm that has governed the west's approach to poor countries since the second world war. All this time, we have hoped a small group of elite thinkers can figure out how to raise the growth rate of a whole economy. If there was something for "development experts" to say about attaining high growth, this talented group would have said it.

What went wrong? Experts help as long as there are useful general principles, such as could be established by comparing low-growth and high-growth countries. The Growth Commission correctly pointed out that such an attempt to find secrets to growth has failed. The Growth Commission concluded that "answers" had to be country specific and even period specific. But if each moment in each country is unique, then experts cannot learn from any other experience – so on what basis do they become an "expert"?

The logical next step at this point would have been to give up on experts. But the commission insists that experts, who will communicate their advice to technocratic leaders, are still the answer. Partly this reflects how wedded the World Bank is to the "leaders and experts" vision of how growth happens, since such a world-view does create a big role for World Bank experts.

The commission made the common mistake of anointing high growth rates as the measure of success, whereas high growth mysteriously comes and goes. Indeed, only two of the 13 high-growth episodes the commission studied were still going at the time of the study. Yesterday's growth failures (for example India) are today's successes and yesterday's growth successes (for example Brazil) are today's failures. Much of this volatility is inexplicable and unpredictable. To give credit to whatever leader happens to

be in power during a burst of high growth is just circular reasoning (How do we know they were a great leader? Because there was high growth!).

The details of success are equally unpredictable. Where are the experts who guessed in advance that an obscure Indian company making edible oils would become a \$10bn-plus company (Wipro) providing information technology services and call centres? Or that a loss-making Brazilian state enterprise (Embraer) would go on to capture a lot of the world market for regional jets after being privatised? Or that South Korean entrepreneurs would create a carmaker (Hyundai) with greater market value than General Motors or Ford? Or that a schoolteacher named Dong Ying Hong, formerly earning \$9 a month in Datang, China, would become a millionaire making socks?

What to do in a world of such unpredictability? There *are* some general principles and they do not require experts. Another Nobel laureate gave the crucial insight a long time ago – the answer is freedom for multitudinous individuals to figure out their own answers. Friedrich Hayek said: “Liberty is essential to leave room for the unforeseeable and unpredictable; we want it because we have learned to expect from it the opportunity of realising many of our aims. It is because every individual knows so little and ... because we rarely know which of us knows best that we trust the independent and competitive efforts of many to induce the emergence of what we shall want when we see it.”

The evidence for this vision is not found in those baffling fluctuations of growth rates, it is in the levels of development attained in the long run. Confirming Hayek, *systems* that give more liberty to individuals – featuring both more economic and political freedoms – are associated with much less poverty. The evidence for this comes from both history (for example old, despotic, poor Europe compared with modern, free, rich Europe) and cross-country comparisons (for example South Korea compared with North Korea, former West Germany compared with East, New Zealand compared with Zimbabwe). This alternative paradigm has a much smaller role for experts, because experts cannot direct or impose freedom from the top down (or else it would not be freedom).

The end of the “development expert” paradigm does not mean the end of hope for development. Development is already gradually ending poverty (global poverty rates have fallen by more than half in the past three decades) – not because of development experts such as those who wrote the World Bank Growth Commission report – but thanks to more freedom for more of the 6.7bn individual development experts alive today.

The writer is professor of economics, New York University, visiting fellow at The Brookings Institution and author of The White Man's Burden

Read the debate - contributors so far include **Paul Seabright**, **Roberto Zaghera** and **William Easterly**.

4 Responses to “Trust the development experts – all 7bn of them”

Comments

1. **Paul Seabright:** What Bill Easterly writes is never less than entertaining and this column is even sharper than most. But he sounds like a crusader against modern medicine arguing that we should never listen to doctors because they have little idea why an illness strikes one person and not another, because much of what they tell us about diet and exercise and so forth is just common sense, and because we all fall sick and die in the end in spite of their efforts. All of these points are true, yet most of us would be loath to give up all recourse to medicine, for reasons that go beyond mere superstition. Modern development economics has an even less secure scientific grounding than medicine, but it has nevertheless taught us some valuable lessons that go beyond common sense. Common sense tells us that

- the world is flat;
- governments can improve the competitiveness of an economy by subsidizing the prices of its inputs (or offering gas tax holidays like those currently touted by Hillary Clinton and Nicolas Sarkozy);
- there will be less unemployment if we make it more difficult for firms to fire workers, or go bankrupt;
- control of the major resources in an economy should not be entrusted to speculators whose only interest lies in making a fast buck;
- foreigners will steal our jobs;
- foreign companies are only interested in ripping us off;
- profit is immoral since it means making more money from something than it is really worth.

Many of the development failures of the past were based on the rigorous application of common sense of this type. The solution to such delusions is indeed “more freedom” as Bill puts it, but it is not just more freedom, for two reasons. First: freedom for some may result in less freedom for others, as we are daily reminded by the current state of Iraq and Afghanistan, not to mention the subjection of women throughout much of the Islamic world, which is the direct consequence of granting untrammelled freedom to adult males without the enforcement of any responsibilities regarding the organization of their households. Secondly: without public sector investment in education, health services and enforcement of the criminal and civil law none of the freedom Bill describes would result in productive activity – it’s not an accident that Wipro grew to a \$10bn-plus company in India and not in Somalia. I can’t imagine that Bill believes that the only important difference between “old poor Europe” and “modern rich Europe” lies in their degree of despotism – the education systems in modern Europe are part of the story too, and they were not all built on private

sector initiative. There's much more that one could say, and much of it is indeed just an updated form of common sense that doesn't require a Ph.D., just as most of us get by most of the time on medical common sense that doesn't require a doctor's visit. But just as anti-medicine diatribes can lead a timid public to shun such real medical advances as vaccination, anti-expert diatribes in development economics open the door to populist versions of common sense that can inflict real damage on the lives of the poor.

Posted by: Paul Seabright | [May 29th, 2008 at 8:29 am](#) | [Report this comment](#)

2. **William Easterly**: I am a big fan of Paul Seabright. His book "The Company of Strangers" itself gives a great demonstration of how a complex economy works with no expert in charge.

Paul misunderstood my point, which is probably due to my inadequate exposition. There is a big difference between saying "a small group of experts cannot cause growth in a whole economy" and saying "all experts are useless." I was saying the first, and not the second. Paul seemed to think I was saying the second. I nowhere talked about relying exclusively on "common sense." I am implicitly defining the "development expert" as someone who has the presumption that they CAN cause growth in a whole economy, and saying the time of such "development experts" is definitely over. I think it is much more plausible that development happens in a decentralized spontaneous way through the efforts of many free individuals to seek better lives for themselves, through the market and through democracy. Of course, some of those ways involve many complex endeavors that need the advice and technical training of many specialized experts: doctors, biologists, physicists, engineers, and yes, definitely, economists. Economists give great guidance on everything from trading systems to macroeconomic stabilization to auction design to financial regulation. Keynes in a famous quote said it would be splendid if economists were thought to be as competent as dentists. I think we are getting close to Keynes' ambition, and all of the things I just cited where we can be good dentists will contribute to economic development. Let's just not make the enormous leap to the absurd and counterproductive presumption that we dentist-economists can come up with an expert plan that will achieve rapid growth for a whole society out of poverty into prosperity.

Posted by: William Easterly | [June 1st, 2008 at 4:56 pm](#) | [Report this comment](#)

3. **Roberto Zaghera** (guest contributor): Dismissing the efforts of a distinguished group of experienced practitioners with a broad attack on experts, Easterly's critique argues that development experts don't have much of value to say. He may also have confused readers about the Growth Report and the Commission that produced it.

A group of 21 leaders decided to work together for 2 years, pro bono, to try to understand how recent advances in economics and growth experiences can help

unravel what in a recent book Harvard Professor E. Helpman described as “The Mystery of Economic Growth”. The hope, the goal, is to be useful to the policy makers who are eager to bring the billions living in developing countries to industrialized countries’ income levels—as rapidly as possible. The members of the Commission include two academics, both Nobel Laureates for their contributions to the understanding of the functioning of markets, and economic growth. The other 19 include Ernesto Zedillo, former Finance Minister and then President of Mexico who rescued the economy from a financial crisis that threatened not only Mexico but also the stability of the US financial system. Montek Ahluwalia is one of the architects of India ‘s transition from a centrally planned giant to one of the world’s fastest growing economies. Robert Rubin is the US Secretary of the Treasury that in the 1990s returned the US to fiscal health and to one of the longest expansions in that country’s history. Edmar Bacha helped conceive and implement the stabilization plan that ended 15 years of hyperinflation in Brazil . As Finance Minister, Alejandro Foxley orchestrated Chile’s transition to a democracy and macroeconomic stability—in a country where few believed that sound economic management and democracy could co-exist. As head of China’s Central Bank, Governor Zhou conducted monetary policy in China, tamed inflation, and introduced major financial sector reforms. In various high ranking positions, most recently as Finance Minister and then Prime Minister, Han Duck-Soo helped in bringing Korea back from the 1997 financial crisis to sustained economic growth. As Minister of Finance of Nigeria, Ngozi Okonjo-Iweala brought the budget into balance and introduced fiscal responsibility legislation—the first in Africa. The list does not end here. But it is sufficient to make the point that the members of the Commission have distinguished themselves in the challenging job of making and implementing strategies and policies that made a positive difference in the lives of their societies.

One might expect a report from such group to be read with care, interest and attention for the insights its members can offer.

In addition, the writing of what ultimately became “The Growth Report” involved consulting with a large number of experienced and well known academics. The Commissioners met several times over two years to discuss their ideas, and what they were learning in the process of reviewing the state of the art of development economics. They reviewed papers. They wrote to each other. They met and held discussions with the Chair of the Commission in their countries of origin, and consulted with local economists, business associations, NGOs, and civil society. They commented on the successive drafts of the final report that the Chair prepared, and several took pen to paper to draft parts of the report. In short, they took their task seriously. The result of their enquiry is summarized in a 100 page report signed by all the Commissioners. About 80 working papers, workshop proceedings, and other documents informed their deliberations and discussions. Most of those who have read the 100 pages of their final report have been impressed by the clarity of thinking, the frank acknowledgement of what is

known and what is not, their openness in recognizing the areas in which they are not in agreement, and above all, by their attempt to be useful to other leaders who have the hard task of bringing economic prosperity to their societies—not by telling them what to do, but by providing them with a framework that can help them think development the issues through, ask questions to the “experts”, and identify options.

Easterly’s summing up of this effort is: “We do not know, but trust the experts to figure it out”. This is not what the Report says. There is a difference between not knowing everything and knowing nothing. He then goes on with further attributions that bear no resemblance to the report and concludes: “Why should we care about the debacle of a World Bank report”, and his response is because it represents the “end of the development expert paradigm.” The critique confuses the findings of an independent Commission the majority of which are practitioners with a World Bank Report. It claims that “high growth mysteriously comes and goes” whereas the Report shows this is not the case. Easterly asserts that growth “is volatile and unpredictable” on the grounds that of the 13 high-growth episodes the Commission studied, only 2 are still ongoing —after a quarter century of high growth. In making this assessment, Easterly ignores the distinction between catch up growth with (slower) long run industrialized countries’ growth. One should not expect Japan, Singapore, or Hong Kong to continue to grow at 7 percent or more, once they reached industrialized countries income levels. Many might think it is hardly a failure that their growth has slowed after such a major transition. The report is clear on this. It seems that much of Easterly’s critique is directed to self-constructed claims and assertions rather than drawn from the report.

Easterly knows better. He is a fine economist. He worked at the World Bank from 1985 to 2001 as a “development expert” where he contributed to the “development expert paradigm”. He has published papers which shed light on complex economic phenomena and undertake subtle analysis. He was a student of one of the two academics on the Commission. For those who know the work he can do and has done in the past, this critique is perplexing. Irony and sarcasm do not contribute to a serious discussion and demolishing self-constructed propositions does not further understanding. It is a shame that Easterly has impugned the ambition to understand growth processes better and to share with developing country policymakers and civil society the perspective that successful experience can offer. We hope the insights of the Growth Report will encourage policymakers to make their own judgments and to craft home grown policies that weigh carefully the relevance of what the “development experts” have to say.

Roberto Zaghera is secretary for the Commission on Growth and Development

Posted by: Roberto Zaghera | [June 3rd, 2008 at 11:04 am](#) | [Report this comment](#)

4. **William Easterly:** I have always respected Roberto Zaghera as a valuable colleague from my World Bank days, and of course I respect the accomplishments and reputation of the contributors to the report (especially Professor Solow, who has always admonished the “new growth literature” that growth cannot be raised by fiat). This is a purely intellectual battle, and if it is sharply joined, it is only because there is so much at stake.

Zaghera spends two long paragraphs on the INPUTS to the report, but I am afraid OUTPUT is what matters.

On output, Zaghera simply restates the central thrust of the report that I was criticizing: “to be useful to other leaders who have the hard task of bringing economic prosperity to their societies—not by telling them what to do, but by providing them with a framework that can help them think development the issues through, ask questions to the “experts”, and identify options.” This is just the “leaders and experts” model of economic growth – “development experts” advise leaders, and then leaders attain high growth on the basis of such expert advice.

The report seems to want to have it both ways – admitting (correctly and, yes, courageously) that experts don’t have answers to how to attain high growth, but then it turns around and says that experts will advise leaders how to attain high growth. This contradiction is covered up with vague references to “frameworks”, “options”, and “context-specificity.” That an expert could give successful “context-specific” answers on how to attain high growth implies that this expert somehow has access to a remarkable amount of knowledge about what works when, where, and why to transform the whole complex dynamic system behind economic growth. It is inconceivable that there is any evidence base for such “answers.” As I said in the response to Paul Seabright above, I am not dismissing all “experts,” only the “development experts” who claim to know (even if “context-specific”) how to raise the growth of a whole economy out of poverty.

As far as “volatile and unpredictable” growth, there is evidence far beyond the 11 out of the 13 high growth episodes in the report having already ended. I am surprised that such an extensive consultative process did not alert the Growth Commission to one of the best-known and strongest regularities about economic growth – high growth tends not to persist staying high, and low growth tends not to persist staying low. In the next period, high growth tends to decrease back towards the world average, and low growth tends to increase back towards the world average. Across a huge variety of differing periods and country samples, in other words, researchers have found a very weak association between growth performance in one period, and that in the following period. Stated another way, there are actually many high growth episodes that have occurred over the last 50 years, but they are typically short (and there is no evidence their termination is related to the “end of catch-up” cited by Zaghera). Once one understands this, it becomes clear why high growth is much overblown as a measure of success; it is much better to treat the LEVEL of per capita income attained in the long run as

the success measure. Focusing on levels, one is then led to favor general systems of decentralized feedback and accountability that don't require having an expert in charge with a "growth strategy" – such systems as markets and democracy.

"Markets and democracy" is not a simplistic slogan that can be implemented top-down by experts, they tend to grow and evolve over a long period in a process that itself depends strongly on individual efforts and beliefs, and not primarily on "leaders." Heroic leaders make good Hollywood stories, but the "great man" theory of history was correctly rejected a long time ago in history; it's time we rejected it also in development economics.

Posted by: William Easterly | [June 3rd, 2008 at 5:34 pm](#) | [Report this comment](#)

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