

Trust the development experts – all 7bn

By William Easterly

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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.

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