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## V V: Is small beautiful?

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V V / New Delhi July 29, 2006

The secret isn't (about) counting the beans; it's growing more beans: Roberto Goizueta.

*"I never knew a man who had better motives for all the trouble he caused,"*  
Graham Greene: *The Quiet American*

Has foreign aid really benefited the world's poor? After 50 years and more than \$2.3 trillion in aid from the West there is precious little to show for it. Have the IMF and the World Bank only aided bloated bureaucracies in the Third World, which have swallowed up the money? William Easterly, professor of economics in New York University and earlier a senior research economist at the World Bank, says in his bestseller *The White Man's Burden: Why the West's Efforts to Aid the Rest have Done So Much Ill and So Little Good* (Penguin, special Indian price, \$22.95) that something has gone awry and that "the aid industry remains a refuge for utopian social engineers whose boldness of vision is matched only by the poverty of their achievements".

The book is based on extensive field studies, backed by development theories. It is divided into four parts, preceded by an introductory chapter "Planners Versus Searchers". It is the Introductory chapter that spells Easterly's approach to foreign aid for the poor: Donors offer what they think the poor need, not what the poor can use profitably for their own good. As a result, aid is used clumsily and a lot goes waste or is simply swallowed up by corrupt bureaucracies. The yardstick to measure success or failure or accountability is acceptance by the market. Companies learn fast whether the goods or services they offer are acceptable; if they aren't they cut their losses and move on. Similarly, if aid programmes don't deliver, they should be cut and withdrawn.

But Easterly draws a line on how far the market can be trusted or should be taken as the final criterion for success. Obviously, the Russian "shock therapy" plan (the top-down imposition of markets) that supposedly contained "all the essential elements necessary for a rapid transition to the market" had severe limitations because it led to rampant inflation and production collapse. "Overnight transformation to a market economy had joined the list of failed utopian schemes." What Easterly overlooks and what the IMF and Russian economists failed to realise is that there has to be a cultural background for the market economy to work.

So, Easterly distrusts sweeping free market reforms and all attempts at social engineering. On the masthead of his chapter "From Colonialism to Postmodern Imperialism," Easterly quotes the Austrian/British economist and philosopher F A Hayek from his work *The Fated Conceit: The Errors of Socialism*: "The curious task of economists is to demonstrate to men/How little they really know/About what they imagine they can design."

What then is Easterly's recipe for success? It is gradualism, or, to use his favourite expression, "piecemeal" reforms. He is all praise for the god of small things. Fine, as far as it goes: easier to monitor and manage. Our own experience with massive PSUs that have provided little returns goes some way

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to prove his point. But surely there are small things that have to be done on a gigantic scale if they are to make any visible impact on our lives.

For instance, take polio and small pox campaigns. Piecemeal efforts can bear little fruit. Both propaganda and the campaign have to be carried into every home and hamlet in the remotest village. Or elementary education, which is up to class V, where the child would have learnt reading and writing his/her name, and simple arithmetic up to 100. How can gradualism make any sense here?

What Easterly has said has been said before in several academic studies, which have proved time and again that aid doesn't filter down to those we describe as BPL (below the poverty line). But it isn't just because the projects are too grandiose and therefore cannot be monitored; or because the experts appointed don't really know what needs to be done on the ground. So, Easterly's panaceas—make them small, make people accountable, reward success and penalise failure—sound very naïve. But he is right on one vital point: Forget utopian social engineers and involve people from the field—“searchers”, as he calls them—who know what needs to be done that would make a difference to the lives of many.

All said and done, “the secret isn't counting the beans; it's growing more beans,” as Easterly quotes a Latin American economist, Roberto Goizueta, to support his plea to take the finger out and move on. Just motives aren't enough; you have to make sure they work for lives on the edge.

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