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Paved With Good Intentions

A crusading economist argues that utopian foreign aid plans do little to ease world poverty.

Reviewed by David Ignatius
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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. 436 pp. \$27.95

This is the season for critiques of global misadventures, and William Easterly has written a valuable one. His target in his puckishly titled *The White Man's Burden* is the spirit of benign meddling that lies behind foreign aid, foreign military interventions and such do-gooder institutions as the World Bank, the International Monetary Fund (IMF) and the United Nations. In his account, such efforts are fatally contaminated by what the philosopher Karl Popper called "utopian social engineering." Easterly's list of well-meaning villains stretches from the economist Jeffrey Sachs to the rock singer and charity impresario Bono.

His analysis is depressing but quite readable -- thanks largely to his skill in giving lively names and conceptual handles to his explanations for why the West's charitable works in fact accomplish "so much ill and so little good." The do-gooders' fundamental flaw, he argues, is that they are "Planners," who seek to impose solutions from the top down, rather than "Searchers," who adapt to the real life and culture of foreign lands from the bottom up. The Planners believe in "the Big Push" -- an infusion of foreign aid and economic advice that will lift poor countries past the poverty trap and into prosperity. But the Planners are almost always wrong, Easterly contends, because they ignore the cultural, political and bureaucratic obstacles that impede the delivery of real assistance (as opposed to *plans* for such assistance) to the world's poor. "The right plan is to have no plan," he asserts, in an economist's version of a Zen koan.

Think of Easterly as a kind of anti-Thomas L. Friedman. His dyspeptic view of globalization contrasts with the optimism of the New York Times columnist, but he has written his broadside in a brisk, Friedman-esque style of aphorisms, anecdotes and witty headings. Some of his section and chapter titles convey the breezy tone in which he delivers his gloomy analysis: "Why Planners Cannot Bring Prosperity"; "The Legend of the Big Push"; "The Rich Have Markets, the Poor Have Bureaucrats." Scattered throughout the book are upbeat "Snapshots" of poor Africans and Asians whom Easterly, now an economics professor at New York University, met on his travels during more than 16 years spent working as a World Bank development economist; he also offers portraits of the "Searchers" who are helping the developing world.

I confess that I occasionally began to find all the aphorisms and snapshots annoying; there actually is such a thing as a book about development economics that is too readable. And I would have been happier if his

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sainted Searchers had been subject to a bit more of the same skepticism that Easterly applies to the odious Planners. Not to diminish the "social entrepreneurs" whom Easterly celebrates, but their well-publicized efforts are a bit of a racket too. I've met with and marveled at some of the same African and Asian innovators Easterly applauds, but it is a tad utopian to think that these little examples will add up to big changes, absent the fundamental reforms for which Easterly has such scorn. For instance, he praises the success of an NGO called Population Services International in finding a way for poor Africans to make a profit distributing the bed nets that can prevent malaria. But surely the challenge for development economists is to find ways to replicate such efforts on a larger scale, which involves the dreaded "P" word.

What makes this book valuable is its devastating detail. Easterly, the author of an influential previous book, *The Elusive Quest for Growth*, has assembled overwhelming evidence of how little has been accomplished with the hundreds of billions of dollars in aid money, the thousands of advisory missions, the millions of reports and studies. Rebutting the "Big Push" idea favored by World Bank planners, he notes that 22 African countries spent \$342 billion on public investment from 1970 to 1994 and received another \$187 billion in foreign aid over that period. But the productivity gain from all this investment was zero. As an example of the Planners' folly, he cites the \$5 billion spent since 1979 on a publicly owned steel mill in Nigeria that has yet to produce any steel.

Easterly's critique of the World Bank and the IMF is persuasive. He argues that the IMF's structural-adjustment lending -- in which indebted countries get more money on the condition that they agree to Planners' free-market reforms -- simply hasn't worked. One big reason is that the IMF, like the World Bank, is always fudging its failures, finding excuses for why past aid and advice haven't worked, discovering reasons to pump in even more assistance. Indeed, Easterly finds a freakish correlation between IMF interventions and failed states. He notes the role corruption has played in distorting foreign aid and the growing insistence of aid donors on "good governance." But he cautions that attempting to change political cultures from afar often produces a show of good governance -- like the 2,400 reports Tanzania must produce every year for aid donors -- rather than the real thing. The absurdity of this hortatory culture emerges in his observation that among the 185 actions recommended by the 2002 Johannesburg Summit on Sustainable Development was "efficient use of cow dung."

With all of Easterly's aid-bashing, one might imagine that he is a conservative promoter of market solutions. But some of his most powerful criticism is reserved for the Planners who advocated "shock therapy" free-market reforms in Eastern Europe and the former Soviet Union. Free markets can't be imposed from outside, he insists, citing the example of the inefficient Soviet-era plants that survived their entry into the market era via their communist bosses' genius for bartering and cronyism. "The Soviet-trained plant managers at the bottom outwitted the shock therapists at the top," he writes. He finds a similar failure of free-market diktats in Latin America. The best era for Latin American growth was 1950 to 1980, the heyday of state intervention, while growth slowed in the market-reform years of the 1990s. As a result, Easterly argues, "the backlash against free markets is unfortunately now gaining strength in Latin America."

So what works? Easterly's argument is that if it's imposed from the outside, almost nothing works -- in either the economic or political sphere. It's no accident, he argues, that the great East Asian economic success stories of recent decades -- Japan, China, Taiwan, South Korea, Thailand -- all took place in countries that were never successfully colonized by the West. These nations evolved their own cultures, rules and disciplines and built an indigenous foundation for rapid economic growth. The region's laggard is the one nation that was colonized: the Philippines.

Easterly's dissection of the interventionist impulse of the Planners is powerful. His enthusiasm for the bottom-up successes of the Searchers is less so. He's looking hard for something encouraging to say, but it's a measure of the potency of his corrosive analysis that the good news isn't very convincing. ?

David Ignatius is a syndicated columnist for The Washington Post. His new spy novel will be published next

spring.

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