

A Comment on ‘The White Man’s Burden’ by William Easterly
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William Easterly, a development economist, has done research and operational work in many developing and transition economies. Since his retirement from the World Bank he has published widely. His academic work probes the elusive nature of economic growth and the uncertain poverty reduction impact of aid. His new publication (*The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good*) addresses the general public. Sales have been brisk in the United States and the book is just about to be launched in Europe. A soft cover edition is in the works.

Some books about development are lean and mean. This one is not lean (380 pages) but it is mean all right. At a time when public support for foreign aid is growing, Easterly challenges the basic assumptions that underlie how the business is currently conducted. Since public opinion is fickle and hostility to aid remains widespread, especially in the United States (which ranks close to the bottom of the aid league table) a balanced and constructive critique would have been welcome.

Unfortunately, William Easterly has chosen to burden the book with ideas that pander to the aid critics of the radical left as well as the extreme right. The book offers a devastating critique of the aid establishment – of which he was a part for more than sixteen years. It is filled with vignettes, anecdotes and humorous asides as well as learned disquisitions about development theory. It is entertaining, instructive and easy to read. But its central message is stark: the aid business must reform itself or else “the current enthusiasm for addressing world poverty will repeat the cycle of its predecessors: idealism, high expectations, disappointing results, cynical backlash”.

Five useful themes

Easterly is adept at illustrating the potential of aid by pointing to successful development interventions carried out by the private sector (e.g. Shell’s market based promotion of improved stoves), the voluntary sector (e.g. Population Services International distribution of bed nets that serve to combat malaria) and private individuals (e.g. the water development scheme sponsored by a Ghanaian immigrant to the United States in a remote village plagued by Guinea worm disease). But revealingly, no example of success drawn from the official aid portfolio is put forward.

Included in the book is a thoughtful review of the aid effectiveness literature. Five important and relevant themes of the book stand out. First, Easterly describes the horror of global poverty with economy and eloquence. Second, he disseminates good practice examples of aid initiatives that work – or at least seem to work. Third, he stresses that the quality of aid matters more than quantity. Fourth, he defines aid effectiveness in terms of its innovative and incentives characteristics. Fifth, he advocates greater accountability and more independent evaluation within the aid industry.

These are sensible propositions. They could have been the central thrust of the book. It is certainly helpful to debunk the cross country econometric studies that measure aid strictly

in dollar terms and aid success solely through the proxy of growth. The costs and benefits of aid are far more complex. First, the cost of aid includes its transaction costs, the lack of coordination with other donors, tied procurement rules, etc. Second, economic growth does not capture such benefits as reduced infant mortality or improved maternal health. Easterly rightly suggests putting a close this kind of research which is bound to remain inconclusive and does not offer insights into what makes aid tick.

Easterly is also on the mark when he reminds readers about the perils of externally induced policy reform. At a time when macro-economists have captured the commanding heights of the aid enterprise, it is refreshing that Easterly describes development as a microeconomic phenomenon generated bottom up by social entrepreneurship, cynical idealism and hard headed analysis. Furthermore, a book that pulls no punches about the need for aid to reform itself is timely since much remains to be done to improve aid effectiveness.

It is good fun to puncture the exaggerated claims of aid advocates who pretend that doubling of aid volumes will ensure achievement of the millennium development goals. It is also healthy to decry the prohibitive administrative burdens that current aid practices impose on weak governments. Finally, there is little doubt that 'big pushes' on the aid front embedded in the International Financing Facility championed by Gordon Brown are likely to be detrimental to aid quality. Indeed, a modest and incremental approach is a respectable way to conduct the aid business.

Unfortunately, these are not the messages that readers will remember. What makes the book distinctive is its vivid and eloquent confirmation of the biases, exaggerations and half truths that have long sustained the anti-aid lobbies of the right and the left. Indeed, if the 'White Man's Burden' has become a best seller in the United States it is for three main reasons. First, it provides learned justifications for that country's miserly contributions to development. Second, it perpetuates convenient myths about the aid industry. Third, it is silent about the distortions of the global system that keep poor countries poor. For all three reasons the net effect of the book on global welfare may not be positive.

Aid volumes are meager

Right after a vivid and forthright description of the human costs of extreme poverty ('the first tragedy'), the book identifies a 'second tragedy': the allegedly massive failure of aid. How is it, the book intones, that despite aid expenditures of \$2,300 billion over five decades, there are still 1 billion people without access to clean water, malnutrition affects 840 million people and 10 million children die needlessly every year while they could have been saved by four-dollar bed nets and twelve cents medicines?

One does not need a PhD in economics to point out that \$2,300 billion over 50 years is equivalent to \$46 billion a year. Since 5.3 billion people live in developing countries, they receive aid that amounts to \$8.6 per capita per year. If aid could be targeted and limited to the 3 billion poor people that live on less than \$2 a day, it would not amount to more than 4 cents a day, just enough to a big coca cola bottle every month.

The truth is that aid accounts for only 0.4 percent of the national incomes of rich countries. Following a secular decline in the share of national incomes allocated to aid, a recovery is currently underway but it will take many years to reach the 0.7 percent level that OECD countries have undertaken to reach at successive United Nations' conferences. The money spent on military expenditures by the United States is twenty times larger than all the aid provided by OECD countries.

Aid quality is mixed

Regarding the quality of aid, the policy research evidence is mixed and the fortunes of aid recipients vary. Some aid recipients have experienced growth rates that are unprecedented in world history. Whereas the United Kingdom took more than sixty years to double output per person (1780-1838), Turkey did it in twenty years (1957-77), Brazil in eighteen years (1961-79), and China and Korea in ten years (1977-87). Between 1966 and 1990, Thailand tripled its real per capita income and India doubled its per capita income.

Independent evaluations suggest that over two thirds of projects funded by the World Bank have met their relevant objectives efficiently and that the trend is up. As for the cottage industry of cross-country correlation studies, it remains inconclusive. A careful review of the evidence suggests that the effect of aid volumes on growth is small and statistically insignificant in the aggregate. However, the econometric studies that underlie this conclusion do not distinguish between aid channels, instruments or modalities. Nor do they take account of the social and institutional environment within which aid activities are embedded.

This performance record within a public domain that is inherently risky and offers exceptionally high rewards to global peace and prosperity does not justify the vitriolic attacks on aid that the Easterly book offers. Of course, in Sub-Saharan Africa, overall poverty rates have been rising instead of declining and this is a region that has received a great deal of aid¹. But it is also a region that has endured a heavy colonial legacy and a great deal of conflict.

If in John Lennon's words, we 'imagine, there is no country' the development narrative has not been altogether bleak. As a share of the total population, poverty dropped in the aggregate between 1981 and 2001 – from 67 percent to 53 percent for the two dollar a day benchmark. Indeed, during the 1980-2000 period annualized per capita growth rates was 3.6 percent for developing countries compared to 2 percent for rich countries.

Average social indicators in developing countries have recorded major gains: life expectancy rose from 55 years in 1970 to 64 years in 2000; infant mortality rates dropped from 107 per thousand in 1970 to 58 in 2000; literacy rose from 53 percent in 1970 to 74 per cent in 1998; the number of people suffering from chronic malnutrition declined from 35 percent to 17 percent of the population. Aid did not do it all but it certainly helped.

¹ Whereas its share of the developing world's population is about 10%., based on OECD data, Sub-Saharan Africa received a third of all aid in 2004 - \$26b out of a total of \$78b. (OECD/DAC, 2006 – table 25)

For every aid failure one can point to a spectacular aid success that has delivered widespread benefits. River blindness has been banished in many countries as a direct result of aid. Clinics funded by aid have saved thousands of lives throughout the developing world. The green revolution has helped to avert large scale famines and it would not have been possible without the investments in new varieties, irrigation, fertilizer plants and agricultural supporting services funded by aid. For these reasons, in a review of Easterly's book that appears in the October 4 issue of the New York Review of Books, Nicholas Kristof opines that 'foreign aid is often the very best investment in the world'

The pros and cons of aid advocacy

The most unattractive feature of the book (and unfortunately one that readers will enjoy most given Easterly's masterly use of ridicule as a debating tactic) is the frontal attack on Jeff Sachs, Bono, Gordon Brown and other advocates of doubling aid to developing countries. To be sure, these personalities have exaggerated the poverty reduction impact of aid but other public advocacy campaigns are similarly prone to exaggeration and simplification. Would aid have rebounded from its secular decline without ambitious millennium development goals that reflect universal human aspirations and that the public can readily understand?

Another disconcerting aspect of the book is the sharp distinction it draws between planners and searchers. Easterly scorns the former and lionizes the latter. The subtext is clear – governments are the problem and private agents the solution. But markets need states just as states need markets. What about fragile states where a third of the absolute poor live? Is there not a dark, illicit and frequently violent side to entrepreneurship when state institutions are failing or have failed?

There is little doubt that small development schemes run by voluntary organizations and private companies can be beautiful but all too often they have a short shelf life, they involve heavy transaction costs and they are far too dependent on their charismatic sponsors. They are often akin to Potemkin villages designed to lull gullible private donors. They usually escape any kind of evaluation. Nor are they easy to replicate or taken up on a large scale by resilient national institutions. This means that their poverty reduction impact is modest and that little is left behind when development fashions change.

The simple truth is that large programs that truly impact on poverty require a combination of searchers and planners. Innovative development searchers are frequently very good planners. Consider the uplifting stories of the cooperative dairy 'White Revolution' in India, the Grameen Bank in Bangladesh and Progreso, the widely acclaimed school feeding program of Mexico. In all three cases, the institutional innovation started on a small scale. Once proven, the pilot was expanded rapidly through planning and rigorous management – and with substantial official aid support.

Nor is the notion advanced by Easterly that aid conditionality never works in line with reality. To be sure, coercive, intrusive and complex conditionality backfires but the art of development assistance is to combine rigor, empathy and simplicity. Thus, the case of Turkey's policy shift favorably mentioned in Easterly's book is an instance where adjustment lending helped to deliver impressive results.

A grievous sin of omission

A major sin of omission is the book's neglect of the non-aid policies upheld by rich countries towards poor countries. Many of these policies are biased against the poor and they now matter far more than aid. Whereas open trade policies tie rich economies together, severe trade barriers, biased migration regimes, lopsided use of natural resources and unfair intellectual property regimes impose a heavy burden on poor countries. This is a far more shocking scandal than the alleged failure of aid.

Non aid policies must come to the centre stage since globalization has created new mechanisms of resource transfer that are dwarfing the 'money' impact of aid and creating new connections between rich and poor countries (as well as among poor countries). Already, at the global level, the private sector is already vastly outpacing the public sector both as a source and as a recipient of loans and grants. Worker remittances are growing rapidly and are expected to exceed \$230 billion in 2005. Another \$260 billion worth of foreign direct investment, equity flows and commercial loans is directed at poor countries.

Thus, total private flows are at least four times as high as aid flows. The net welfare benefits that could flow from trade liberalization is a multiple of aid flows especially if punishing tariffs against labour intensive products could be reduced, workers of poor countries were allowed temporary access to rich countries and food importing countries were induced to generate an agricultural supply response through well targeted aid and support for policies that are not biased against the rural poor.

Thus, trade protectionism on labor intensive products has greatly handicapped Bangladesh. It pays the United States more in import duties than France does, even though the value of French exports to the United States is 13 times as high. In the early 1990s, Bangladesh received USD 1.6 billion from foreign aid, USD 2 billion from exports, and USD 0.8 billion from remittances.

By the end of the decade, Bangladesh aid receipts had shrunk to USD 1.4 billion and its exports had risen by more than three times (to USD 6.5 billion)—and this despite an erosion of its terms of trade (by 10 percent). At the same time, receipts of remittances more than doubled, to USD 1.9 billion, and inflows of foreign direct investment, at USD 222 million, were seven times what they were ten years before.

If Bangladesh is no longer considered a basket case, it is in part because of reforms that were facilitated by policy adjustment loans provided by the World Bank. This is yet another development success that does not conform to William Easterly's dismal assessment. . To be sure there are still lots of poor people in Bangladesh but the bottom

line is that poverty reduction in that populous country has been remarkable. This is thanks to well planned and well targeted aid and the combined efforts of reforming governments, private investors and a vibrant civil society

Looking ahead, one can only wish that William Easterly will transcend his aid bashing proclivities and apply his debating skills and his sharp analytical mind to the non aid dimensions of the relations between rich and poor countries. This is where the true challenge of development cooperation lies in the 21st century.