

The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good

William Easterly

New York: The Penguin Press, 2006, 436 pp.

In 1982, Peter Bauer coauthored an article with the title “Foreign Aid Isn’t.” This title could serve as an apt summary of William Easterly’s new book.

Easterly, an economics professor at New York University and formerly a senior research economist at the World Bank, argues that foreign aid is neither necessary nor sufficient to raise living standards in developing countries. It is not necessary because several countries have been able to raise standards without a big aid-financed push—Korea is an obvious example. And it is far from sufficient because many countries have remained mired in poverty despite receiving substantial foreign aid. “The typical country in Africa,” Easterly writes, “received more than 15 percent of its income from foreign donors in the 1990s,” but that “surge in aid was not successful in reversing or halting the slide in growth of income per capita toward zero” (p. 45). Easterly suggests that the lack of growth in many developing countries is due to bad government, not to inadequate foreign aid. “One gut instinct that many people have about the poverty of nations is probably close to the target: it’s all politics” (p. 115).

Nearly all of Easterly’s conclusions serve to highlight the prescience of Bauer’s work, which makes the book’s solitary reference to Bauer seem rather stingy. Start with the term “foreign aid.” In “Development Aid: End It or Mend It” (International Center for Economic Growth, Occasional Papers No. 43, 1993), Bauer railed against calling it *aid* because “it promotes an unquestioning attitude. It disarms criticism, obscures realities, and prejudices results. Who could be against aid to the less fortunate? The term has enabled aid supporters to claim a monopoly of compassion and to dismiss critics as lacking in understanding and sympathy” (p. 2).

Bauer then went on to note the more substantive criticism that “the term also clearly implies that the policy must benefit the population of the recipient countries, which is not the case.” Easterly agrees: “The

West spent \$2.3 trillion on foreign aid over the last five decades,” he writes, adding that he feels like “a Scrooge” for pointing out that all this “well-meaning compassion” has brought about little improvement in the lot of the world’s poor (p. 4).

Next consider what Easterly calls “Legend Part One,” the claim that the poorest countries are stuck in a “poverty trap” from which they cannot escape without an aid-financed big push. The legend, says Easterly, is propagated by the likes of Columbia University economist Jeffrey Sachs, who wrote in *The End of Poverty: Economic Possibilities for Our Time* (Penguin Press, 2005): “When people are . . . utterly destitute, they need their entire income, or more, just to survive. . . . They are too poor to save for the future and thereby accumulate the capital that could pull them out of their current misery” (pp. 56–57).

Easterly vs. Sachs is a rematch of Bauer vs. Samuelson, circa 1950s. In the second edition his popular introductory economics textbook (*Economics: An Introductory Analysis*, McGraw Hill, 1951), Samuelson wrote that “[the backward nations] cannot get their heads above water because their production is so low that they can spare nothing for the capital formation by which their standard of living could be raised” (p. 49). Bauer, in *Economic Analysis and Policy in Underdeveloped Countries* (Routledge & Kegan Paul, 1965) noted that this thesis was refuted by the “very existence of developed countries, all of which began by being underdeveloped, but it is refuted also by the rapid economic advance of many underdeveloped countries in recent decades” (p. xiii).

Likewise, Easterly’s questioning of “Legend Part Two”—the claim that poor growth is due to a poverty trap rather than bad government—echoes Bauer’s writings. But to say, “It’s all in Bauer” is not to deny that Easterly’s book is invaluable in providing new examples that show the continuing relevance of Bauer’s work. Easterly also offers a useful summary of the latest studies in the “long and inconclusive literature” that uses statistical tests to demonstrate an effect of foreign aid on growth.

While the book’s main targets appear to be Jeffrey Sachs, the United Nations, and bilateral aid agencies, international financial institutions (IFIs) such as the World Bank and the IMF that make loans to low-income countries also come in for strong criticism. Though these loans are made conditional on countries carrying out agreed reforms, Easterly questions how effective this “intrusive and complex conditionality” turns out to be in practice. One reason why conditions are ineffective is that “each loan is an attempt to engineer paradise rather than do piecemeal reforms” (p. 234). Another reason conditions fail is that the World Bank and the IMF get involved in poor countries that are very “politically and institutionally dysfunctional.” He offers a number of examples of what he considers the “IFIs’ worst cases: coddling awful gangsters who just call themselves a government” (pp. 152–53).

Can the problems with aid be fixed? Easterly’s book concludes with the obligatory chapter on solutions, but it’s clear his heart isn’t in it: “If you think I will now offer a utopian blueprint to fix aid’s complex

problems, then I have done a really bad job in the previous chapters at explaining the problems with utopian blueprints” (p. 367). He advocates piecemeal interventions, such as the cash grants given out under Mexico’s PROGRESA scheme, and stresses the importance both of obtaining feedback from the poor on whether the interventions are actually helping and of holding the aid agencies accountable for when they are not. He also proposes issuing “development vouchers” that the poor could use to choose both the public goods they wanted and the aid agency they wanted to deliver the goods. “Giving vouchers to the poor may be the stupidest idea ever,” he concludes, “except for all the ideas that have already failed in foreign aid” (p. 379).

Prakash Loungani
International Monetary Fund