



THE WHITE MAN'S BURDEN
FEATURING AUTHOR WILLIAM EASTERLY AND
HOST PROFESSOR CHARLES CALOMIRIS

Book Release and Discussion

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On April 11, 2006, Charles Calomiris, the Henry Kaufman Professor of Financial Institutions and academic director of the Columbia Business School Jerome A. Chazen Institute of International Business and the Columbia University Center for International Business Education and Research (CIBER), hosted William Easterly, professor of economics at New York University and senior fellow at the Center for Global Development, for a presentation about his book The White Man's Burden.

Professor William Easterly introduced *The White Man's Burden* as discussing "what is fundamentally misguided about the current attempts to end world poverty."

Easterly outlined the current system: aid donors and recipients are collectively responsible for 449 separate interventions, which are applied to meet 54 United Nations Millennium Development Goal (MDG) indicators, such as reducing infant mortality. Easterly asks, "Is this an effective framework to give people the power to actually accomplish progress on all of these fronts?" According to him, the answer is a resounding "no." By way of explanation, he offers three criticisms of the current system.

First, although the current system's objectives are worthy, the existing framework is badly designed; in particular, states Easterly, among the donors and recipients, "nobody is individually responsible for doing any one thing to achieve any one goal." As a result, he believes the lack of individual accountability provides weak incentives to make the system deliver its objectives. Moreover, Easterly notes that after \$2.3 trillion worth of foreign aid, there is still no independent evaluation of how this money is spent. There is only self-evaluation, which, according to Easterly, "is the same as no evaluation."

Second, the current system is based on central planning, which, Easterly says, causes a knowledge problem. The planners at the top, who are spending the aid money, really

don't know which of the 449 interventions are appropriate to assist poor people in their particular local contexts. Only people on the ground will know this.

Finally, Easterly notes that poverty is the outcome of many political, economic, social and technological variables interacting in a complex system. Because of this complexity, although government officials and aid experts know how to deliver specific solutions, “the sad truth is that . . . we don't know how to solve world poverty.” Inevitably, when planners direct aid effort at such an unknowable and complex goal, much of this effort is wasted and dispersed unproductively.

So why do planners get it wrong? Easterly offers four reasons, framed by the mnemonic “CIAO”:

- Lack of **customer** feedback: There is, at present, little way of knowing if the ultimate customers, the poor, actually receive the aid money that is dispersed.
- Lack of **incentives**: The actors in the current system aren't incentivized to ensure that the aid money flows down the distribution chain to reach the poor.
- Lack of **accountability**: Since everyone is collectively responsible, no one can be held individually accountable.
- Lack of **omniscience** (knowledge): The perfect aid plan to end poverty is impossible since we do not really know enough about poverty to end it.

According to Easterly, “Aid has increased dramatically under the ‘Big Plan’ mentality.” However, growth and aid in Africa appear to be inversely correlated. Easterly demonstrates that as aid has risen the moving average of growth rates over the past few decades in Africa has declined. “The bulk of the evidence is that the effect of aid on growth is zero,” Easterly says. “There is no evidence of a causal effect of aid on economic growth.”

Furthermore, Easterly comments on the pernicious effects of so-called structural adjustment plans, under which provision of aid is contingent upon reform of a government's policies. According to Easterly, these plans have restricted the economic growth of many developing countries, from Africa to Latin America. In particular, Easterly notes the populist, anticapitalist backlash in Latin America that has resulted from the clumsy, top-down imposition of free markets, a requirement of successive structural adjustment plans.

What is the alternative to planners and planned aid? Easterly offers a system of “searchers” as an alternative and cites two examples from Western life by way of illustration. First, in the market, searchers look for products that satisfy the needs of customers in return for money. Second, in the field of politics, searchers—namely, politicians—look for ways to satisfy the needs of their constituents in return for political power. In the same way, Easterly believes, searchers acting in a bottom-up, decentralized way could be incentivized to find solutions that benefit the poor.

Easterly concluded his remarks by summarizing his five policy recommendations for providers of foreign aid:

- When something doesn't work, discontinue it.
- When something does work, do more of it.
- Discontinue structural adjustment plans.
- Recognize that subscribing to a utopian goal of ending world poverty is not a constructive way of aiding the world's poor; instead, develop systems that encourage customer feedback and accountability.
- Encourage homegrown entrepreneurs and reformist politicians.

According to Easterly, all the top-heavy overheads that are attached to foreign aid, such as the MDGs and poverty-reduction strategy papers, can be discarded. Instead, resources need to be directed to people who are finding solutions. Easterly does concede, however, that foreign aid can accomplish great things in a supporting role. Once aid agencies are free of grandiose, utopian goals, they can provide the necessary piecemeal steps, such as providing schoolchildren with textbooks or striving for changes in government regulations to promote entrepreneurship, thereby facilitating homegrown economic development.

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