

## **Whither Development Aid? Review of Collier, Easterly and Sachs**

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December 2007

Collier, Paul (2007): *The Bottom Billion*. Oxford: Oxford University Press, 205 pp.  
ISBN 978-0-19-531145-7 US\$ 28.00 (cloth).

Easterly, William (2006): *The White Man's Burden*. New York, NY: Penguin Press, 436 pp.  
ISBN 1-59420-037-8 (hc.); ISBN 978-0-14-303882-5 US\$ 16.00 (pbk.)

Sachs, Jeffrey D. (2005): *The End of Poverty*. New York, NY: Penguin Press, 398 pp.  
ISBN 1-59420-045-9 (hc.); ISBN 0 14 30.3658.0 US\$ 16.00 (pbk.)

For most of the history of mankind people – with very few exceptions – were united in abject poverty. Equality in poverty was lost, when some countries invented new technologies and evolved institutions conducive for their widespread adoption, including markets, that allowed industrial firms to specialize and to grow. Beginning with the industrial age at around 1800, the evolutionary pathways of regions, countries, and people began to diverge: the people in some countries became rich, on average and in comparison, whereas others stayed as poor as they had always been, and sometimes became even poorer yet. The widening chasm between the wealth of the rich and of the poor has tested economists explanatory powers for generations and it has given rise to a whole industry concerned with dislodging poor developing countries and their people from economic stagnation. The books by Collier, Easterly, and Sachs are a sample of the latest crop of books where economists try to make accessible to the public some of the insights about the causes of economic stagnation and poverty together with policy recommendations for overcoming both.

All three authors are economics professors - Collier at Oxford, Easterly at New York University, and Sachs at Columbia University - and all three have substantial professional experience as policy advisors for one or more of either the World Bank, the IMF or the UN. Of the three, Collier is the most widely known - he has the most Google-hits to his name and his book has the highest Amazon-sales rank of the three.

After brief reviews of the books, I discuss the authors' treatment of four issues: the desirable volume of aid, military intervention, the role of agriculture, and the use of digital information technology. I close the review with a recommendation for readers.

## **Easterly: Dismiss the Planners - make room for the Searchers**

William Easterly's "White man's burden" is a lively told story of the lost battles for economic development in the poor countries of the world. The distinction between "Planners" and "Searchers", which is fundamental for the rest of the book, is explained in the first chapter. Planners, in Easterly's diction, are "advocates of the traditional approach" to development aid. Planners "announce good intentions but don't motivate anyone to carry them out", they "raise expectations but take no responsibility for meeting them", they "apply global blueprints" and "determine what to supply", they "lack knowledge from the bottom", the Planner "thinks he already knows the answers" and "he thinks of poverty as a technical engineering problem." Searchers, in contrast, "find things that work" and that are in demand, they "accept responsibility for their actions", they "find out what the reality is at the bottom" and they "find out if the customer is satisfied". In short, Easterly's "Planners" are stylized bureaucrats who lack feedback and proper incentives, whereas the "Searchers" are entrepreneurs rich in both – reliable feedback and proper incentives. Easterly does not deny the good will of the Planners, who tend to have the rhetorical advantage for themselves. But he blames them for the "second tragedy" of the world's poor: "People die ... because of ineffective efforts by those who do care" (p. 7).

Easterly then spends three chapters on explaining "Why Planners cannot bring prosperity". Here he first tries to deflate the legend of the poverty trap and the belief that a big infusion of aid money is required to help poor countries to escape the trap. In chapter 3 with the title "You can't plan a market", Easterly attempts to convince his readers of what the Austrians Menger, von Mises, and von Hayek have known since long: market economies are complex arrangements that are not made to serve anybody in particular but that emerge from the interactions of many economic agents. Consequently, Planners' attempts to institute markets as a means to promote economic development are likely to fail. The best chapters of the book are chapters 1 and 3 together with chapter 5 "The rich have markets, the poor have bureaucrats", where Easterly provides ample evidence of the failures of governments and their aid and development agencies.

Having castigated the Planners, Easterly can easily resist the temptation that all too many development economists have found difficult to control: He suggests no grand plans and great leaps forward. Instead, he recommends entrepreneurial Searching: looking for opportunities for change wherever they may occur, and grasping them.

### **Collier: Focus on the bottom billion**

Collier suggests that aid policy needs "to narrow the target and broaden the instruments" (p. 192). Narrowing the target means focusing aid and other development instruments not on all developing countries and all poor people in the world, but only on those of the "bottom billion". By this, Collier means the close to one billion people who have the misfortune to be citizens of one of the about one hundred countries that have been caught in one or several of four traps: the conflict trap, the natural resource trap, the trap of being landlocked and saddled with bad neighbors, and the trap of being a small country with a bad government. Collier refrains from publishing a comprehensive list of the bottom-billion countries, most of which are located in Africa and which share a number of undesirable attributes - widespread poverty, low or no growth, proneness to coups and civil wars. In short, they are the countries where "development" does not happen at any significant scale, but which are "falling behind and falling apart". Collier, like Easterly, regards the poverty trap is a myth - something the late Peter Bauer has told us long ago - and he argues that aid is not particularly effective for the bottom billion whose "reality is the fourteenth century: civil war, plague, ignorance". Aid therefore needs to be complemented by three additional instruments: military intervention, laws and charters, and trade policy.

The book is a pleasure to read and its organization is crystal clear: The first chapter introduces the "bottom billion", then there are four chapters on the traps, followed by an interlude on globalization. Four chapters on the instruments are assembled in Part 4 of the book and in the last chapter Collier delineates his "Agenda for Action." Collier bases his arguments on his empirical research but he does not burden readers with details of this research. Instead, he has added a list of references to papers that he has authored or co-authored. This list is the only reference list of the book.

### **Sachs: More transfers of wealth from the west to the rest**

Sachs is an unabashed planner and unrelenting promoter of increasing financial aid. He wants all western countries to spend the 0.5 percent of their GDP so that the Millennium Development Goals (MDG) can be reached by 2015. These utopian goals, which Sachs helps to implement, he promotes with fervor. Sachs also suggests a long list of interventions, most of which are familiar to development practitioners: bed nets to prevent malaria, fertilizer for farmers, wells for villages, medicine for the HIV-infected, etc. Naturally, everything,

according to Sachs, should be provided for free, because the poor have no money, and be paid for by those who do have money, the taxpayers in the West.

The book is uneven. The first three chapters are concerned with broad issues of economic development in the world. Chapter 4, "Clinical economics", is an oddity. Here Sachs claims that "Development economics needs an overhaul in order to be much more like modern medicine, a profession of rigor, insight, and practicality" and he suggests that economists apply "differential diagnosis for poverty reduction", a concept which culminates in a checklist not longer than a page. It is unlikely that this approach will have much appeal for development economists. In chapters 5 to 7 Sachs relates his personal contributions to the development efforts of Bolivia, Poland, and Russia and in chapters 8 and 9 he relates his views on the progress of India and China. The core of the book are chapters 10 to 18 where Sachs delineates his ideas how the poor countries of the poor might be dislodged from stagnation, what that would cost, and how it could be financed through increased financial transfers from the west tot the rest. .

## **Issues**

### *Desirable volume of aid*

Economists are reared on the idea of decreasing marginal returns to inputs - be that land in farming, labor in mining, or capital in steel milling. There is no reason to expect that decreasing marginal returns do not apply when aid money is used to produce growth and poverty reduction with the help of governments' bureaucracies. Collier and Easterly support that belief: Collier thinks that the returns to aid investment drop off when aid reaches around 16 percent of a country's GDP; Easterly cites a study whose authors expect this to happen at 8 percent already. In African bottom-billion countries aid amounts to around 15 percent of GDP, according to Easterly. From this perspective, Sachs' demand to substantial increase aid to Africa is unsound.

### *Dispatching the troops*

Armed troops are ever more frequently sent to parts of the world where earlier only technical aid experts had ventured. Against the backdrop of the festering debacle of the Iraq war, however, Collier's suggestion to include armed military missions in the development toolbox is bound to be highly contentious. Collier is aware of this. He nevertheless puts much hope into armed campaigns, like the British intervention in Sierra Leone, which was successful. Easterly, in contrast, cautiously rejects the very idea of interventions by armed forces: "The

pre-cold war, cold war, and post-cold war on intervening militarily to promote the more ambitious goals of political and economic development yield a cautionary lesson - don't" (Easterly, p. 335). Sachs had nothing to say on military intervention - it is not part of the MDG.

### *Developing agriculture*

A generation ago Theodore Schultz, a Chicago economist, reminded the world in his Nobel address that if we knew more about the economics of agriculture we would know more about poverty. The insight has been lost on Collier and on Easterly. The index of Collier's book does not know the word "agriculture". Easterly has a few pages on agricultural schemes during colonial times. Only Sachs recognizes that many poor people are farmers who can be helped with improved farming technologies and better infrastructure.

### *Deploying IT*

The spectacular development of digital information technology has also gripped the most remote corners of the bottom-billion world. What will be the impact of digital information technology (IT) on the poor? The usual sermon that the poor are too poor to afford the technology is nonsense - witness the rapid spread of mobile phones in India and Africa. Easterly and Sachs mention the spread of mobile phone and Sachs includes mobile phones and PC among the technologies he wants to bring to poor villages. Easterly suggests a kind of "eBay meets foreign aid: websites, such as [globalgiving.com](http://globalgiving.com), where people can donate money to finance small projects by entrepreneurs in poor countries. Collier is mute on IT.

### **Recommendation**

Few people will want to read all three books. For those whose attention is exhausted by one of the three titles, I recommend Collier. It is the shortest and crispest of the three but its content is not wanting for this reason. Easterly is the next contender, although Easterly - or his editor - could have spent more effort tightening the content. Readers, who do not want the whole Easterly should at least have a look at chapters 1, 3, and 5. I hesitate to recommend Sachs. The book is nearly as long as Easterly's, but too many of Sachs' ideas and arguments are incoherent and unconvincing. Moreover, the planning approach to overcoming poverty, which Sachs recommends, is as likely to enrich the people of the poor countries as it had enriched the people trapped in the centrally planned economies of the faded communist world.

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