

Book reviews

The White Man's Burden, William Easterly, The Penguin Press (2006)

1. Introduction

According to Easterly, foreign aid doesn't work because it doesn't take into account the fact that people respond to incentives. If you spend lots of money on education but there are no jobs, people will have little incentive to remain in school so enrollments will remain low. Easterly makes this argument in his first book, *The Elusive Quest for Growth*, and he repeats much of it in his new book, *The White Man's Burden*. This time though, it's more personal. Easterly is vehemently opposed to Jeff Sachs' grandiose plans and uses his energy in this book to attack people, ideas and institutions he categorizes as "planners." He rejects the traditional top-down approach to development practiced by "planners" and advocates for an alternative approach practiced by "searchers" or – as he calls them – agents for change.

Easterly's description of the aid business goes something like this: planners – Jeff Sachs, governments and donors – have everything backwards. They don't deal with the people who need the help but instead with bureaucrats. These bureaucrats often have little incentive to increase the standard of living of the poor. This is because they might then have to share their wealth with the poor. Planners don't listen to their beneficiaries and they don't get in trouble for dreaming up bad projects. Poor people don't have the means to hold planners accountable for meeting their needs. But, planners are accountable to people who need to feel like they are doing something good for the world no matter how ill-conceived. So, we don't treat prostitutes who are probably the single most important carriers of HIV/AIDS but instead we treat the afflicted. Planners have all the wrong incentives.

On the other hand, searchers – the poor, entrepreneurs and western researchers – really care about finding the right answers. After all, the poor have the biggest incentive of all to find the right answers — they don't want to be poor! Entrepreneurs have the right incentives, profit. And for some reason, western researchers also have all the right incentives too. They don't care about publishing or winning Nobel prizes. They get close to the people, they do things on a smaller scale and they use randomized controlled trials to test their ideas. It doesn't matter that they use the world's poor as guinea pigs for ideas frequently cooked up in the halls of the elite academic institutions of the United States. And it doesn't matter that – they too – are not really accountable to anyone but themselves.

That's his argument in a nutshell. Does he have a point? Easterly's observation that foreign aid could be better spent is surely correct. That is almost always true. But Sachs is right too — rich countries don't spend enough money on foreign aid. Even Global Giving, an internet-based platform for matching donors and projects, has a business development director charged with increasing the flow of donor contributions to projects in poor countries (<http://www.globalgiving>).

[com/aboutus/bios.html](http://www.ifpri.org/themes/progres.html)). The problems are enormously complicated and money, planners and searchers are all needed to tackle them.

Take PROGRESA for example. PROGRESA (now called Oportunidades) is one of the major programs of the Mexican government aimed at developing the human capital of poor households. <http://www.ifpri.org/themes/progres.html>. It has been successful on a number of counts: children are healthier and they go to school instead of working. Easterly hails it as a “clearly documented success” that with suitable local adjustments could be expanded to more countries on a much larger scale. But Easterly himself argues in the *Elusive Quest for Growth* that education “is another magic formula that has failed to live up to expectations.” Estimates of youth unemployment in Mexico range as high as 40% and gang violence is a growing problem. What happens when all the kids that went to school as a result of PROGRESA graduate? Will they be angry because they went to school with the promise of a job only to find out upon graduation that there weren’t any? Should the Mexican government wait for searchers to prove that youth unemployment is a problem before providing investment incentives to local entrepreneurs? It may be that these are unavoidable costs associated with PROGRESA but somebody needs to ask these questions. PROGRESA is also notable for how expensive it is. Mexico is a middle income country that borrowed money from the World Bank to help finance PROGRESA. How are countries like Ethiopia supposed to keep their children fed and in school? I wish Easterly would spend less time bashing Jeff Sachs and more time thinking about these issues. He’s a macroeconomist with lots of experience in developing countries and Africa in particular who could offer a unique perspective on – for example – how to design programs like PROGRESA for Africa.

Consider a different problem. Farmers in Ghana would like to borrow money from the local bank for inputs and working capital. However, interest rates are exorbitant, they don’t have collateral and they are concerned that in the event of a bad crop year or a precipitous decline in prices, they wouldn’t be able to repay the loans. This is a tough problem. The farmers clearly want to improve their situation but without collateral or some kind of insurance, they are stuck. The banks might be able to make more money by lending to farmers but it is a risky business. Searchers might be able to help bridge the gap between the farmers and the bank by designing a loan product that makes money for the bank and creates an out for farmers in the event they are unable to repay the loan. But, it can’t be done in isolation and what works on a small scale might flop on a large scale. Suppose for example a financial product is developed that makes it possible for a few farmers to borrow money for fertilizer. The product is tested and it works and so is replicated across an entire region. Now, everybody is using fertilizer and producing more than they ever have. Prices in the region drop so low that most farmers cannot repay their loans.

This happened in Ethiopia in 2000/2001. There was a record harvest, farmers couldn’t repay their loans and in subsequent years farmers reduced fertilizer use and are now more dependent on food aid than ever before (*World Food Programme, 2002*). Some of these problems could be avoided if public investment in infrastructure were better. Ethiopia is a geographically diverse country — the western region gets plenty of rain and tends to produce grain surpluses while the eastern regions are drought prone. Why don’t surpluses from the west get transported to the east? Ethiopia’s road network is terrible, storage facilities are limited, information on grain prices around the county is limited and only six percent of Ethiopian traders own vehicles (*Gabre-Madhin, 2003*).

We economists have stopped arguing over whether there is a statistical relationship between foreign aid as a share of GDP and growth in income per capita. Now it’s time to stop pretending that there is a right way to help poor people. A little more humility on the part of the planners and the searchers might bring us all closer to our goal of helping the world’s poor.

Anyone interested in foreign aid will find this book an easy read. Veterans of the field are likely to find the book slightly annoying on a number of counts. Bashing Jeff Sachs and dividing the world into searchers and planners leaves those of us who have studied the field for years wondering just how seriously to take Mr. Easterly. Still, for students who don't know anything about the world of foreign aid, there are lots of colorful examples that bring the topic to life. You just need to make sure they hear the other side of the story. And, while it is possible to structure an entire course around *The Elusive Quest for Growth*, the same cannot be said of *The White Man's Burden*. The chapters are too long and the concepts too vague.

References

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Margaret McMillian
Department of Economics Tufts University Medford, MA 02155, United States
E-mail address: margaret.mcmillian@tufts.edu.

doi:10.1016/j.jinteco.2007.05.002

Global Migration and the World Economy: Two Centuries of Policy and Performance, Timothy Hatton, Jeffrey Williamson, The MIT Press (2005)

1. Introduction

Seven years after giving us *The Age of Mass Migration*—the definitive account of international migration during the “first global century”—Timothy Hatton and Jeffrey Williamson have brought their story up to the present in a remarkable new volume. *Global Migration and the World Economy* shows two master economists at work: applying simple but powerful theory, grounding their conclusions in carefully assembled evidence, and explaining everything in crisp compelling prose. This is simply the best book on migration available today. It will bring readers to the frontier of all the important debates on international migration. On finishing the book, it is hard not to be awed by what has been covered: more than two centuries of evidence, impacts on both sending and receiving countries (not to mention the migrants themselves), and path-breaking analyses of not just the economics but also the politics of global migration.

The book is chronologically organized in four parts. The story opens with the history of global migration before 1913, and then moves through the collapse of global labor flows between the wars, the revival of migration in recent decades, and finally the prospects for even greater flows in the decades ahead. As the authors note in their concluding chapter, three major themes run through these parts: “the forces that drive migration, the economic and social consequences of migration, and the policy responses to migration” (p. 393). In the remainder of this review, I will briefly comment on each of these themes. As the authors do not shy away from bold conclusions, I will, in the spirit of being constructive, emphasize a few areas where I draw some different lessons. But