

This year, economists, politicians, and rock stars in rich countries have pleaded for debt relief and aid for the world's poorest countries. It certainly sounds like the right thing to do. But utopian dreams of alleviating poverty overlook some hard facts. By promising so much, rich-world activists prolong the true nightmare of poverty. | **By William Easterly**

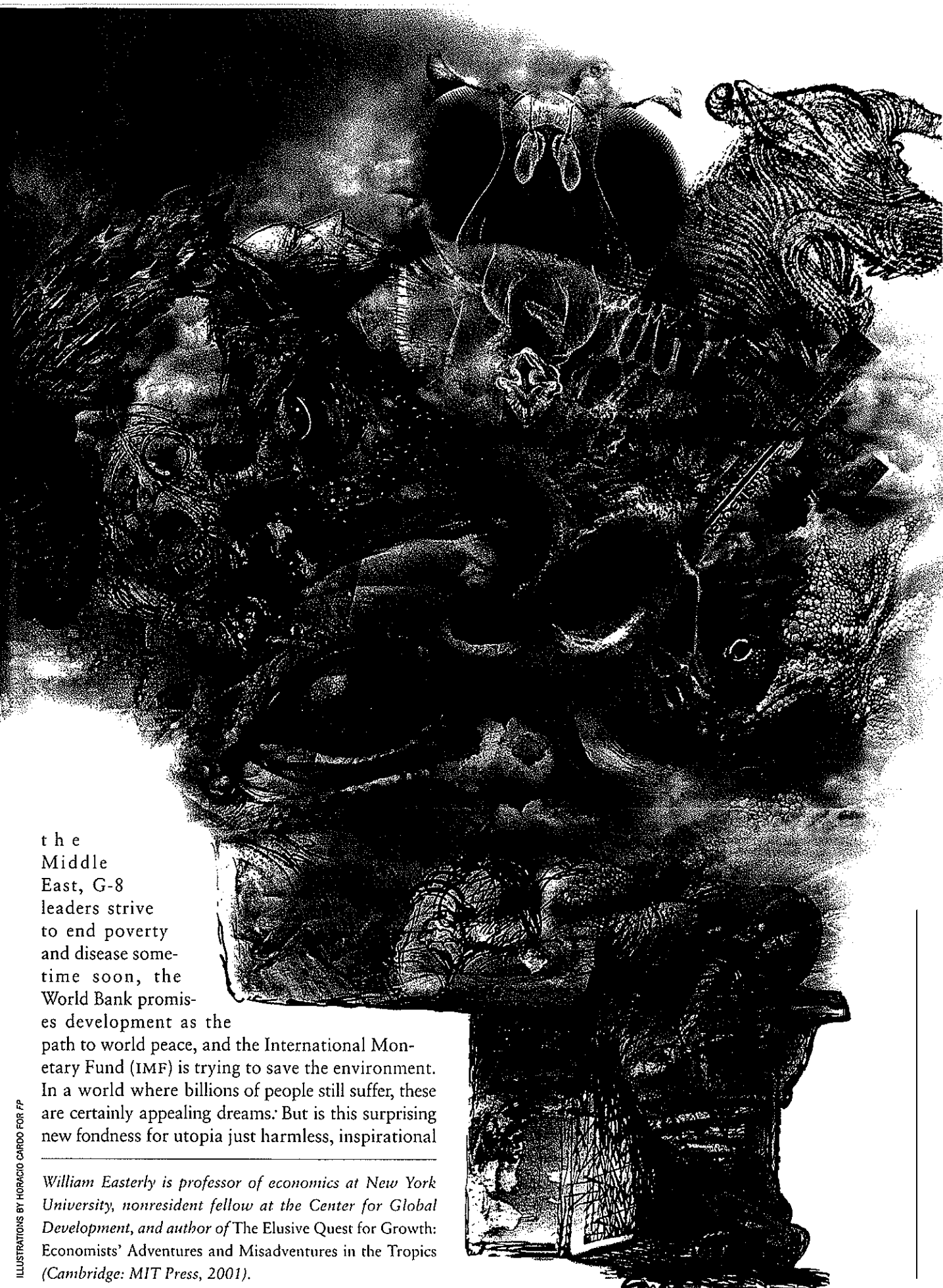
The past has prepared all the materials and means in superabundance to well-feed, clothe, lodge, train, educate, employ, amuse, and govern the human race in perpetual progressive prosperity—without war, conflict, or competition between nations or individuals.”

These words were not uttered by a hopeful world leader at the most recent Group of 8 (G-8) summit, or by Bono at a rock concert—but they certainly sound familiar. They were written in 1857, when British reformer Robert Owen called upon rich

countries, who could “easily induce all the other governments and people to unite with them in practical measures for the general good all through futurity.” Owen was laughed out of town as a utopian.

How comforted Owen would be if he were alive in 2005, when some of the most powerful and influential people seem to believe that utopia is back. American President George W. Bush has dispatched the U.S. military to spread democracy throughout

The Utopian Nightmare



t h e
Middle
East, G-8
leaders strive
to end poverty
and disease some-
time soon, the
World Bank promis-
es development as the
path to world peace, and the International Mon-
etary Fund (IMF) is trying to save the environment.
In a world where billions of people still suffer, these
are certainly appealing dreams. But is this surprising
new fondness for utopia just harmless, inspirational

William Easterly is professor of economics at New York University, nonresident fellow at the Center for Global Development, and author of The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics (Cambridge: MIT Press, 2001).

ILLUSTRATIONS BY HORACIO CARDO FOR FP

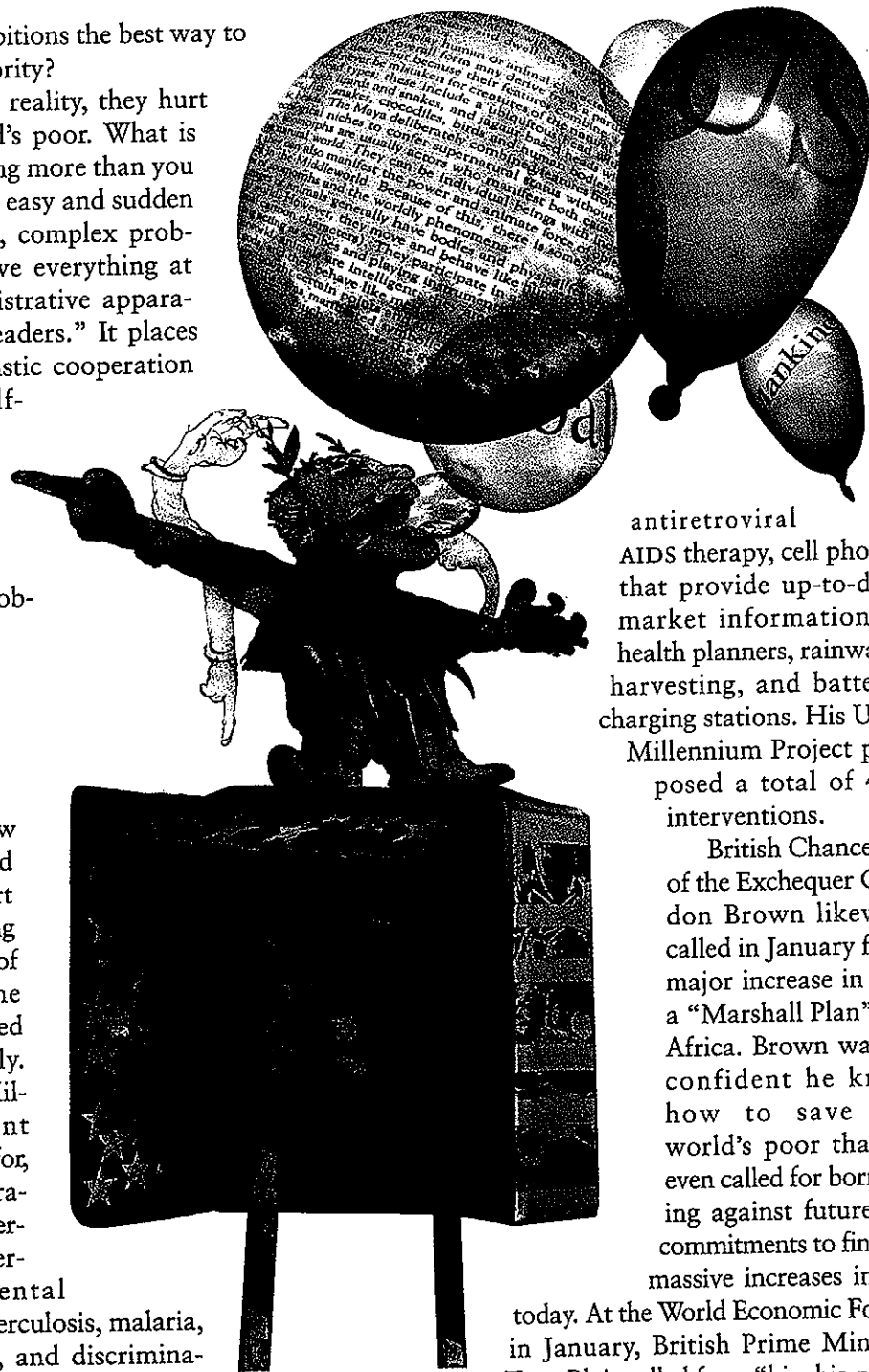
rhetoric? Are utopian ambitions the best way to help the poor-world majority?

Unfortunately, no. In reality, they hurt efforts to help the world's poor. What is utopianism? It is promising more than you can deliver. It is seeing an easy and sudden answer to long-standing, complex problems. It is trying to solve everything at once through an administrative apparatus headed by "world leaders." It places too much faith in altruistic cooperation and underestimates self-seeking behavior and conflict. It is expecting great things from schemes designed at the top, but doing nothing to solve the bigger problems at the bottom.

THE YEAR OF LIVING UTOPIANLY

At the dawn of the new millennium, the United Nations realized Robert Owen's dream of bringing together the "Potentates of the Earth" in what the global organization called a Millennium Assembly. These potentates set Millennium Development Goals for 2015, calling for, among other things, dramatic reductions in poverty, child mortality, illiteracy, environmental degradation, AIDS, tuberculosis, malaria, unsafe drinking water, and discrimination against women.

But it is in 2005 that utopia seems to have made its big breakthrough into mainstream discourse. In March, Columbia University Professor Jeffrey Sachs, celebrity economist and intellectual leader of the utopians, published a book called *The End of Poverty*, in which he called for a big push of increased foreign aid to meet the Millennium Development Goals and end the miseries of the poor. Sachs proposes everything from nitrogen-fixing leguminous trees to replenish soil fertility to



antiretroviral AIDS therapy, cell phones that provide up-to-date market information to health planners, rainwater harvesting, and battery-charging stations. His U.N. Millennium Project proposed a total of 449 interventions.

British Chancellor of the Exchequer Gordon Brown likewise called in January for a major increase in aid, a "Marshall Plan" for Africa. Brown was so confident he knew how to save the world's poor that he even called for borrowing against future aid commitments to finance massive increases in aid today. At the World Economic Forum in January, British Prime Minister Tony Blair called for a "big, big push" to meet the goals for 2015, and his administration issued a fat report on saving Africa in March. The World Bank and the IMF issued their own weighty document in April about meeting these goals and endorsing the call for a big push, and utopians of the world will reconvene at the U.N. World Summit in September to evaluate progress on the Millennium Development Goals. The G-8 leaders agreed on a plan in June to cancel \$40 billion worth of poor-country debt to help facilitate the

“push.” The IMF might even tap its gold reserves to bolster the effort.

The least likely utopian is George W. Bush, who has shown less interest in vanquishing poverty, but has sought to portray the Iraq misadventure as a step toward universal democracy and world peace. As he modestly put it in his Second Inaugural Address in January 2005, “America, in this young century, proclaims liberty throughout all the world, and to all the inhabitants thereof.”

These leaders frequently talk about how easy it is to help the poor. According to Brown, medicine that would prevent half of all malaria deaths costs only 12 cents per person. A bed net to prevent a child from contracting malaria costs only \$4. Preventing 5 million child deaths over the next 10 years would cost just an extra \$3 for each new mother, says Brown.

The emphasis on these easy solutions emerged as worry about terrorist havens in poor states intersected with the campaigning on the part of Sachs, Bono, rocker Bob Geldof, and the British Labourites. All these factions didn't seem to realize aid workers had been trying for years to end poverty.

ALL TALK, NO TRACTION

We have already seen the failure of comprehensive utopian packages in the last two decades: the failure of “shock therapy” to convert the former Soviet Union from communism to capitalism and the failure of IMF/World Bank “structural adjustment” to transform nations in Africa, the Middle East, and Latin America into free-market paragons. All of these regions have suffered from poor economic growth since utopian efforts began. In the new millennium, apparently unchastened, the IMF and World Bank are trying something even more ambitious—social, political, economic, and environmental transformation of the poorest nations through Poverty Reduction Strategy Papers. These reports, which the IMF and World Bank require that governments design in consultation with the poor, are comprehensive plans to make poverty vanish in each nation. It is a little unclear how a bureaucratic document can make often undemocratic governments yield some of their power to the poor, or how it will be more successful than previous comprehensive plans that seem modest by comparison.

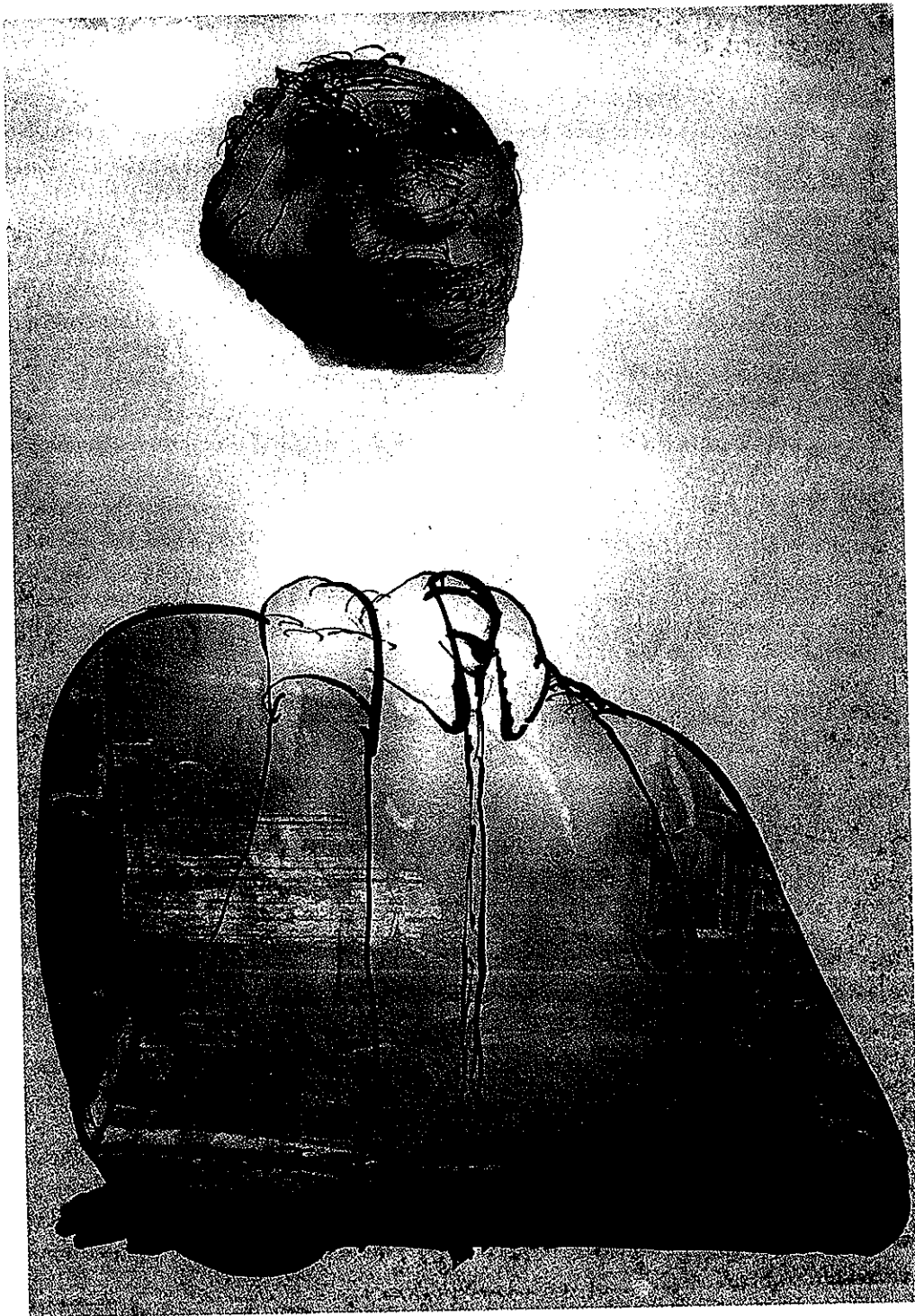
Indeed, we have seen the failure of what was already a “big push” of foreign aid to Africa. After 43 years and \$568 billion (in 2003 dollars) in foreign aid to the continent, Africa remains trapped in economic stagnation. Moreover, after \$568 billion, donor officials apparently still have not gotten around to furnishing those 12-cent medicines to children to prevent half of all malaria deaths.

With all the political and popular support for such ambitious programs, why then do comprehensive packages almost always fail to accomplish much good, much less attain Utopia? They get the political and economic incentives all wrong. The biggest problem is that the rich people paying

After handing out \$568 billion in aid, donor officials apparently still have not gotten around to furnishing those 12-cent medicines.

the bills do not share the same goals as the poor people they are trying to help. The wealthy have weak incentives to get the right amount of the right thing to those who need it; the poor are in no position to complain if they don't. A more subtle problem is that if all of us are collectively responsible for a big world goal, then no single agency or politician is held accountable if the goal is not met. Collective responsibility for world goals works about as well as collective farms in agriculture, and for the same reason.

To make things worse, utopian-driven aid packages have so many different goals that it weakens the accountability and probability of meeting any one goal. The conditional aid loans of the IMF and World Bank (structural adjustment loans) were notorious for their onerous policy and outcome targets, which often numbered in the hundreds. The eight Millennium Development Goals actually have 18 target indicators. The U.N. Millennium Project released a 3,751-page report in January 2005 listing the 449 intermediate steps necessary to meet those 18 final targets. Working for multiple bosses (or goals) doesn't usually work out so well; the bosses each try to get you to work on their goal and not the other boss's goal. Such employees get overworked, overwhelmed, and demoralized—not a bad description of today's



That is not to say that it is impossible to meet multiple goals for multiple customers with multiple agents. The various needs of the rich are met easily enough by a system of decentralized markets and democracy, which utilize feedback from the customers and accountability of the suppliers. Rich, middle-aged men can buy Rogaine to grow hair on their heads, while women can buy Nair to get rid of hair on their legs. No Millennium Development Goal on Body Hair was necessary. The Rogaine and Nair corporations are accountable to their customers for satisfaction. If the customers don't care for the product, the corporations go out of business; if the customers do like the product, corporations have a profit incentive to supply it. Similarly, men and women in

working-level staff at the World Bank and other aid agencies.

Top-down strategies such as those envisioned by President Bush, Prime Minister Blair, and Bono also suffer from complex information problems, even when the incentive problems are solved. Planners at the global top simply don't know what, when, and where to give to poor people at the global bottom.

wealthy countries can complain to democratically accountable bureaucrats and politicians if garbage collectors do not pick up their discarded Rogaine and Nair bottles. Private markets also specialize; there is no payoff for them to produce a comprehensive product that both removes hair from women's legs and transfers it to men's heads. The irony of the situation is tragically obvious: The cosmetic needs of the rich are met easily, while the much more desperate

needs of the poor get lost in centralized, utopian, comprehensive planning.

POVERTY STARTS AT HOME

Free markets and democracy are far from an overnight solution to poverty—they require among many other things the bottom-up evolution of the rules of the game, including contract enforcement and fair political competition. Nor can democratic capitalism be imposed by outsiders (as the World Bank, IMF, and U.S. Army should now have learned). The evolution of markets and democracy took many decades in rich countries, and it did not happen through “big pushes” by outsiders, Millennium Development Goals, or Assemblies of World Leaders. Progress in wealthy countries arrived through piecemeal steps, gradual reforms, incremental improvements, and experimental probing, accompanied by gradually accelerating economic growth, rather than through crash programs.

The problems of the poor nations have deep institutional roots at home, where markets don't work well and politicians and civil servants aren't accountable to their citizens. That makes utopian plans even more starry-eyed, as the “big push” must ultimately rely on dysfunctional local institutions. For example, there are many weak links in the chain that leads from Gordon Brown's 12-cent malaria drug to actual health outcomes in poor countries. According to research by Deon Filmer, Jeffrey Hammer, and Lant Pritchett at the World Bank, anywhere from 30 percent to as much as 70 percent of the drugs destined for rural health clinics in several African countries disappear before reaching the clinics. According to one survey in Zimbabwe, pregnant women were reluctant to use public health clinics to give birth because nurses ridiculed them for not having better baby clothes, forced them to wash bed linens soon after delivery, and even hit them to encourage them to push the baby out faster during delivery. And Africa is not alone—nearly all poor countries have problems of corrupt and often unfriendly civil servants, as today's rich countries did earlier in their history. Researchers find that many people in poor countries bypass public health services altogether, in favor of private doctors or folk remedies.

The poor have neither the income nor political power to hold anyone accountable for meeting their needs—they are political and economic orphans. The rich-country public knows little about what is happening to the poor on the ground in struggling countries. The wealthy population mainly just wants to know that “something is being done” about such a tragic problem as world poverty. The utopian plans satisfy the “something-is-being-done” needs of the rich-country public, even if they don't serve the needs of the poor. Likewise, the Bush Doctrine soothes the fears of Americans concerned about evil tyrants, without consulting the poor-country publics on whether they wish to be conquered or democratized.

Letting total aid money stand for accomplishment is like the producers of *Catwoman*, recently voted the worst movie of 2004, bragging about the movie's \$100 million production budget.

The “something-is-being-done” syndrome also explains the fixation on money spent on world poverty, rather than how to meet the needs of the poor. True, doubling the relatively trivial proportion of their income that rich Westerners give to poor Africans is a worthy enough cause. But let's not kid ourselves that spending more money on foreign aid accomplishes anything by itself. Letting total aid money stand for accomplishment is like the Hollywood producers of *Catwoman*, recently voted the worst movie of 2004, bragging about their impressive accomplishment of spending \$100 million on its production.

THE WAY OUT

Certainly not all aid efforts are futile. Instead of setting utopian goals such as ending world poverty, global leaders should simply concentrate on finding particular interventions that work. Anecdotal and some systematic evidence suggests piecemeal approaches to aid can be successful. Routine childhood immunization combined with measles vaccination in seven southern African nations cut reported measles cases from 60,000 in 1996 to 117 in 2000. Another part-

nership among aid donors contributed to the near eradication of guinea worm in 20 African and Asian countries where it was endemic. Abhijit Banerjee and Ruimin He at the Massachusetts Institute of Technology list examples of successful aid programs that passed rigorous evaluation: subsidies to families for education and health costs for their children, remedial teaching, uniforms and textbooks, school vouchers, deworming drugs and nutritional supplements, vaccination, HIV prevention, indoor spraying for malaria, bed nets, fertilizer, and clean water.

Of course, finding and maintaining piecemeal approaches that work well requires improving incentives for aid agencies. Better incentives might come from placing more emphasis on the independent evaluation of aid projects. Given the vast sums that are being spent, reliable evaluations remain surprisingly rare. Better incentives could also come from devising means to get more feedback from the poor people that the programs are trying to help, and holding aid agencies accountable when the feedback is negative. It seems more productive to focus on such critical problems in foreign aid rather than simply promising the rich-country public the end of world poverty.

If an aid-financed "big push" will not generate society-wide development, are things hopeless for poor countries? Fortunately, poor countries are making progress on their own, without waiting for the West to save them. The steady improvement in health and education in poor countries (except for the AIDS crisis), the market-driven growth of China and India, the movement toward democracy in Latin America and Africa (even amid continued disappointing economic growth), not to mention earlier successes such as Botswana and the East Asian Tiger economies, offer hope for homegrown and gradual development.

The outpouring of donations for last December's tsunami victims shows that Europeans and Americans have genuine compassion for those in need. Can the rich-country public call their politicians' bluff and refuse to let them get away with utopian dreams as a substitute for the hard slog-ging of delivering benefits to the poor? Will they hold the aid agencies accountable for getting money to those in need? Will they figure out new ways to give voice to the voiceless? If they asked, they would likely find that the poor are unmoved by utopian dreams. They probably just want those 12-cent medicines. **FP**

Want to Know More?

Some of 2005's grandiose plans and prescriptions for lifting up the poor include Jeffrey Sachs's *The End of Poverty: Economic Possibilities for Our Time* (Penguin Press, New York, 2005) and the World Bank and International Monetary Fund's *Global Monitoring Report 2005: Millennium Development Goals: From Consensus to Momentum* (World Bank, Washington, April 2005). See also the Web site of British Prime Minister Tony Blair's Commission for Africa.

Several works delve into why utopian plans to help the poor are often doomed. See, for example, *The Poverty of Historicism* (Boston: Beacon Press, 1957), by Sir Karl Raimund Popper, or *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998), by James C. Scott.

For a look at several of the programs and methods that have achieved some success in foreign aid, see Ruth Levine, et al., *Millions Saved: Proven Successes in Global Health* (Washington: Center for Global Development, 2004), and "Think Again: U.S. Foreign Aid" (www.ForeignPolicy.com, February 2005), by Steven Radelet.

William Easterly's previous works on rich-world attempts at poverty reduction include *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (Cambridge: MIT Press, 2001) and "The Cartel of Good Intentions" (*FOREIGN POLICY*, July/August 2002).

» For links to relevant Web sites, access to the FP Archive, and a comprehensive index of related *FOREIGN POLICY* articles, go to www.ForeignPolicy.com.