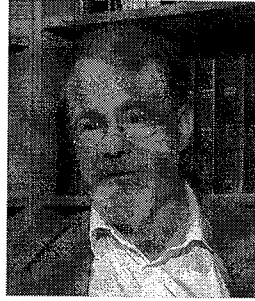


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Colonialism in its early phases was a system of plunder and exploitation that left a legacy of violence and a dysfunctional nation-state system, particularly in Africa. Corruption and violence in Africa today are a product of that legacy. Although colonialism may have impoverished the people of the global South by leaving behind a social system based on exploitation rather than mutual exchange, the colonizers did not become rich by dominating the world. The Industrial Revolution occurred as a result of internal changes within Europe, not because of silver mined in Latin America. The leading colonizer, Spain, was one of the last countries of Europe to industrialize. Meanwhile, Germany and Scandinavia industrialized without the help of colonies. The main cause of poverty today is that colonialism persists in the form of paternalism. Jeffrey Sachs personifies that characteristic, as he ignores the disasters he has left in his wake in Bolivia and Russia. The IMF and World Bank have taken over from the old colonial administrators in offering bad advice and forcing poor countries to implement economic projects that benefit the North more than the South. Foreign aid fails precisely because it is paternalistic. Development can only occur under conditions that allow people to experiment, make mistakes, and find their own way forward.



Consequences of Colonialism

Colonialism had very negative and lasting consequences in poor countries. Colonialism is one reason why countries are still poor. There are two obvious things that colonialism did: a legacy of violence and a legacy of artificial states.

The most obvious example of the legacy of violence is the slave trade. Millions of Africans were captured, kidnapped, and taken across the ocean under horrific conditions to be slaves for the colonial powers. That left a horrible legacy in Africa because it created a tradition of getting rich through violence. Also, some African chiefs were involved in the slave trade. But the tradition of internal exploitation of one African by another was started by Europeans, who put in power the most unscrupulous people in Africa and gave them enormous power by arming them with guns. That is a terrible legacy for Africa, and that is one of the reasons why Africans are still poor today.

Second, colonialism left a very bad legacy of artificial states, particularly in Africa. The colonizers drew the boundaries completely on their own whim, having no respect whatsoever for the realities on the ground. The

WHY GLOBAL POVERTY?

colonialists separated ethnic groups into different states and divided them with artificial boundaries. The Ewe tribe in West Africa was actually split among four different states. There are some in Ghana, some in Togo, some in Benin, and a few in Nigeria. In Europe, ethnic or linguistic groups created their own states. For the Ewe, this whole process was short-circuited by the colonizers splitting them up among four different states, and preventing them from having a natural evolution towards a coherent nation.

As a result, the corrupt African leaders who are the legacy of the slave trade can prey easily on their populations, because they rule over artificial states. Upon independence, the power of the state, the army, and the foreign aid budget were handed over to hand-picked successors.

Did Colonialism Finance the Industrial Revolution?

Spain took silver from South America, and all the colonial powers got rich through sugar plantations in the New World worked by slave labor. The Dutch took resources out of Indonesia. So, the colonies transferred a lot resources to Europe. But was that transfer enough to account for the Industrial Revolution in Europe? I do not think so.

It is true that colonialism impoverished colonies by leaving a lasting destructive legacy of inequality and class antagonism. But the wealth and industry of Spain, England, and France today are not because of colonialism.

Consider the evidence. First, Spain was the main beneficiary of the exploitation of the New World, and yet Spain did not industrialize. It remained backward until the twentieth century. Second, some European nations that industrialized had virtually no part in exploitation of the New World, like the Scandinavian nations, or Germany. Third, the size of the resource flows involved is not enough to explain how rich Europe became. The European countries never got more than a small percentage of national income from the colonies. More wealth was being created at home, because of British and French and Dutch institutions, than was coming from the colonies.

Colonialism Interfered with Local Development

Even if precious metals from South America did not make Europe rich, colonialism interfered with the development process. Colonizers blocked homegrown efforts to develop better technologies, to learn crafts, to create their own specialties, and to learn what they are good at doing. Colonies were not allowed to trade with the rest of the world. In Latin America and other colonies, domestic industries were destroyed by the Europeans. This

interrupted homegrown economic evolution and development.

Another destructive feature of colonialism was the way the mother country would dictate what the colonies should produce. For example, in the fertile region around the Great Lakes of Africa, in nations like Uganda, Rwanda, and Burundi, the Europeans insisted that cotton be grown. This was a disaster for the farmers. Previously, they had a very high standard of living and a rich diet. But the heavy labor requirements for growing cotton interfered with food production, and they began starving. The nutritional content of their diet went way down. They were also inadequately compensated for the cotton they were growing.

Again and again, the same principle was at work. The colonizers forced their ideas upon the poor nations. It was almost like the IMF and World Bank structural adjustment programs that we see a hundred years later, forcing what the IMF and the World Bank experts think the countries should do to make themselves prosper.

What we see today is not so much neocolonialism as neo-paternalism. The aid donors today are the successors to the colonial ministries that existed in colonial times. The administrators who dispense foreign aid are almost as paternalistic as the colonial administrator was. It is still, "We know what is best for you. You should do x, y and z in order to profit." Some of the same specializations that were being urged and forced upon people in colonial times are now being forced upon people under the auspices of the World Bank, the IMF, the British aid agency, the US aid agency. They are the same imperial powers that existed in colonial times.

Repeated Failure of Foreign Aid: Incompetence, Not Design

The same foreign aid programs are tried over and over again, even though abundant evidence accumulates that they do not work. The Ivory Coast received 26 structural adjustment loans from 1980 to 1999 and had one of the worst economic depressions in history. That is a typical example of structural adjustment. Even worse, the Ivory Coast descended after that into civil war and anarchy, which is where it is still today. Everything went catastrophically wrong.

Structural adjustment programs, or SAPs, started around 1980. Despite overwhelming evidence that they do not promote economic growth and recovery, they still continue today in 2007. The conditional aid loans made by the IMF and the World Bank are exactly the same as the structural adjustment loans that were made in 1980. So why is this? How can anyone look at situa-

WHY GLOBAL POVERTY?

tions like the Ivory Coast and not conclude that SAPs are a disaster?

One hypothesis could be that aid programs were never really intended to work, that they were a vehicle to exploit poor countries or to keep them poor. I do not believe that. I am more convinced by the hypothesis of sheer incompetence than I am by intentional impoverishment or exploitation of poor countries.

Why can sheer incompetence persist for so long in foreign aid? Very simply, the bureaucrats and the aid agencies get to stay in power and keep their jobs, their high salaries, and their perks, whether the programs succeed or fail.

The Paternalism of Jeffrey Sachs

Jeffrey Sachs is the best possible example of modern day paternalism, which is the modern day equivalent of Rudyard Kipling's poem, "The White Man's Burden." According to that view, the white man knows best. Sachs has consistently taken that approach to every problem he has encountered in his career. With him, it has always been, "I am the expert. I will come in with my overnight solution to your problems. You have to do my ten-point program overnight, and that will fix all of your problems. Do not ask questions. Do not object. Do not give me any feedback from the people who are going to be affected by this program. Just do it, right away, and fast." So he "fixed" Bolivia by doing shock therapies to end inflation. Then, he "fixed" Poland and Russia by switching overnight from communism to capitalism, by privatizing everything and creating free markets overnight. Today, he proposes to end poverty in Africa by flying in foreign scientific experts to "fix" Africa's problems. With Sachs, it is always the same idea: the fantastically gifted, outside expert who knows the whole complex problem, who knows how to solve it, and is giving you the scientific answer: here it is.

When anything goes wrong, Sachs always has some excuse he can drag in to explain why things went wrong. Bolivia today is a disaster, and now Sachs says, "The altitude is too high." People like Sachs always have an airtight case. It is impossible to disprove what they say, because they can always come up with another hypothesis to excuse their failures. In Russia, he claimed, "Things failed because they did not do exactly what I said. They did points one through three of my ten-point program, but they neglected to do points four through ten." In Africa, if things do not work—and it is already pretty clear things are not going to work—it is because, "They did not take all of my advice, so I can only help five thousand people in one of my millennium villages. The rich nations did not give me all the money that

I asked for to implement my expert outside solution, my white-man solution for the problems of Africans.”

So Jeffrey Sachs continues to thrive as a fixer for poor nations, because his mistakes never catch up with him. And no one ever seems to question this whole mentality of “the white man knows best,” which is disastrous and insanely objectionable, paternalistic, and, dare we say, even a racist approach to thinking about poor people’s problems.

The unwillingness to accept responsibility for failure is not a characteristic of Jeffrey Sachs alone. It is also true of the experts in the IMF and the World Bank, who forever escape blame for these failures. They are skillful at turning development economics, which should be a science, into a pseudoscience. It is so flexible that they always have some explanation for why things went wrong. For example, they say, “They followed some of our advice, but not all of it,” or, “There were other bad things that happened, like the collapse of cocoa prices in the Ivory Coast.” There is always some excuse that takes attention away from the failure of structural adjustment.

The tragedy is that the people in charge are never held accountable for their mistakes if things are not working. So they go on doing the things that are not working. The bureaucrats always have some explanation for why things are not working. The tragedy of efforts to help poor countries develop is that the people in charge forever escape being held accountable for their mistakes.

Success Comes from Autonomy

How did the countries that are now rich, become rich? The only common thread among the developed nations is that they themselves were responsible for their own development. They were autonomous—not subject to the whims of outside experts or bureaucrats telling them what to do. Their success was homegrown. The free market was allowed to operate in a non-exploitative way. The free market was not imposed by outside experts.

Imposing a free market is a contradiction in terms. The whole idea of freedom is that you decide what to do, and I decide what to do for myself. The most famous success stories of the recent past are China and India. No one told them what to do. They were not subject to the whims of the IMF and World Bank and structural adjustment programs. Jeffrey Sachs played no role in China and India, and yet they found, through experimentation, their own path to rapid growth and lifting hundreds of millions of people out of poverty.

WHY GLOBAL POVERTY?

What Can Be Done?

People want to know what policy or action can help poor countries develop. The first step is recognizing that that is the wrong question. There is no one simple answer. To think that an outside expert could give such an answer is an example of intellectual arrogance. So, when somebody like Jeff Sachs says, "The answer to development is mosquito nets and fertilizer," that is ridiculous on the face of it.

We can observe how countries have developed in the past, and get some general lessons. They involve things like: individual freedom, human rights, democracy, freedom to borrow, lend, and trade, and entrepreneurship. These are the building blocks of national prosperity. They do not become rich by following an expert plan, like the one Sachs wants to impose on poor countries, involving little sound bite elements like mosquito nets and fertilizer. It involves a whole society building itself through the efforts of individuals. When somebody else tries to tell you the answer and forces the answer on you, that guarantees that you will not develop.

How Real are Environmental Limits to Growth?

There are those who claim that development in the form of economic growth must stop because the resources of the planet will not permit further growth. I disagree. We have not reached the capacity of the planet. If the poor today became rich, they would not be using so many resources that we would exceed the capacity of the planet. Human beings will find ways to adapt as resources become scarcer. They will find technological solutions to substitute for resources, like water, soil, or clean air.

Environmental standards are lax now, and we are destroying the environment, because there is no pressure on anyone to conserve the environment. When we increase pressure on the environment by raising the incomes of the poor, pressure will increase to conserve and protect the environment. People will find clean technologies that economize on the use of the environment and that are not so destructive. I am more hopeful than the pessimists who say, "The only way the poor can become rich is if the rich start to become poor." There is no way that the people who are now rich are going to voluntarily reduce their incomes to enable Africa and Asia and Latin America to become rich. That is never going to happen. Instead, the poor can become rich, with adaptation to the environmental scarcity that will come with more pressure on the environment.