

Tom's Notes from 12/8/18 WSJ Article Interview with **Bill Easterly, Critic of Bill Gates and Current Fashionable Philanthropic Approach** helping 3rd world countries

- ONGOING FEUD WITH BILL GATES ON **BEST WAY TO HELP POOR COUNTRIES**
- CRITICIZES, **REJECTS EXPERT-DRIVEN SOLUTIONS** FROM WEST
 - SEDUCTIVE BECAUSE APPARENTLY "BENEVOLENT" AUTOCRATS CAN STIFFLE DISSENT AND **QUICKLY IMPLEMENT THE "WESTERN EXPERT" SOLUTION**
 - SMACKS OF CENTRAL PLANNING
 - **EASY TO DO, CONVENIENT, FEELS GOOD, STROKES BIG EGOS, BECOMES SOCIAL, CLUBBY** BUT DOES NOT ADDRESS ROOT ISSUES
 - **RESULTS RECORD - TERRIBLE**
 - **EASIEST THING TO DO - DEFAULT SOLUTION - SEDUCTIVE**
- BAD E.G. GATES WORKING ON SUPER EXPENSIVE HIGH TECH TOILETS
 - CHEAP TOILETS WORK FINE
 - PROBLEM IS "SHORTAGE OF ECONOMIC, POLITICAL INCENTIVES TO PROVIDE CHEAP TOILETS"
 - ROOT PROBLEM IS POOR NEED POLITICAL RIGHTS SO CAN DEMAND GOOD SANITATION
 - ROOT ROOT PROBLEM IS CONVINCING DICTATOR TO GIVE UP CONTROL!!!
 - ROOT ROOT PROBLEM IS ECONOMIC CONDITIONS > MOTIVATE SUPPLIERS > SELL CHEAP PRIVATE TOILETS
- BAD E.G. U.N. COMMISSION > "GIVE EVERYONE ACCESS TO BROADBAND > TOP DOWN" > RESULT WAS YOUNG MEN LAYING VIDEO GAMES AND WATCHING PORN
 - BETTER E.G. > LARGELEY UNPLANNED EXPANSION OF CELL PHONES IN POOR NATIONS > SERIOUS CONTRIBUTION TO PROSPERITY
 - KEY LESSON: EGO, TOP-DOWN DRIVEN SOLUTIONS - RARELY WORK. **CUSTOMER DRIVEN PROBLEM/SOLUTION DRIVEN EFFORTS WORK MUCH BETTER**
- **HUGE PARALELLS TO MY 40 YEARS TRYING TO GET BEST RESULTS FOR CLIENTS FROM APPLICATION SOFTWARE**
- **ROOT ROOT ROOT PROBLEM: JUDE 1:11, KORAH, CAIN, BALAAM**
 - **"HOW DO YOU GET SOMEONE IN POWER TO GIVE UP CONTROL???"**
 - **YOU CAN'T - WHY URGING PEOPLE / EXEC'S / COMPANIES TO DO SOMETHING NOT IN THEIR SELF INTEREST IS JUST DUMB**
- **BIG, HARD DECISIONS:**
 - **IN 3RD WORLD ECONOMIC DEV: "DO I CONTINUE TO GIVE MONEY, SUPPORT TO BAD GOVTS (DICTATORS) OR WITHOLD, SIT IT OUT???"**

- ROOT ROOT ROOT: DICTATOR WILL NOT GIVE UP CONTROL
- IN IT PROJECTS: "DO ENGAGE, SELL MY TIME TO FFS, WHERE FFHP DOES NOT EXIST - OR GO HUNGRY???"
 - ROOT ROOT ROOT: FINANCIAL GUYS, EXECs, BU MGMT, IT MGMT WILL NOT GIVE UP CONTROL
- DOCUMENTED \$2 TRILLION+ OF BIG FAILURE PURSUING COMPREHENSIVE, BIG, TOP-DOWN, FEEL-GOOD PROGRAMS:
 - RESEARCH SHOWING SMALLER, STEADY, CUSTOMER PROBLEM / SOLUTION EFFORTS - MUCH BETTER RESULTS RECORD
- SAW SUCCESS STORY IN GHANA AS YOUNG MAN - FOLLOWED HIS WHOLE LIFE
 - LIKE MY BIG SUCCESS PROJECTS - BUT TOO FEW AND FAR BETWEEN
- EASTERLY CONCLUDES "WE ARE REALLY ENGAGED IN AN ADVOCAY WAR... ANSWERS FOR DEVELOPING COUNTRIES"
 - WESTERN CAPITALISM / DEMOCRACY APPROACH (DESPITE 'EXPERT SOLUTION, TOP DOWN" FAILINGS...)
 - PUTIN / RUSSIA APPROACH
 - CHINA APPROACH
 - STRONGLY PREDICTING CHINA WILL HIT PLATEAU, SELF LIMIT, BIG SLOWDOWN BECAUSE THEIR CLOSED SYSTEM IS ONLY PARTIALLY REFORMED VS. MAO ZEDONG TOTALITARIAN
 - CAN'T SAY WHEN - BUT WITHOUT LIBERATING MARKETS, CAPITALISM, PEOPLE - WILL HAVE BIG BIG SLOWDOWN

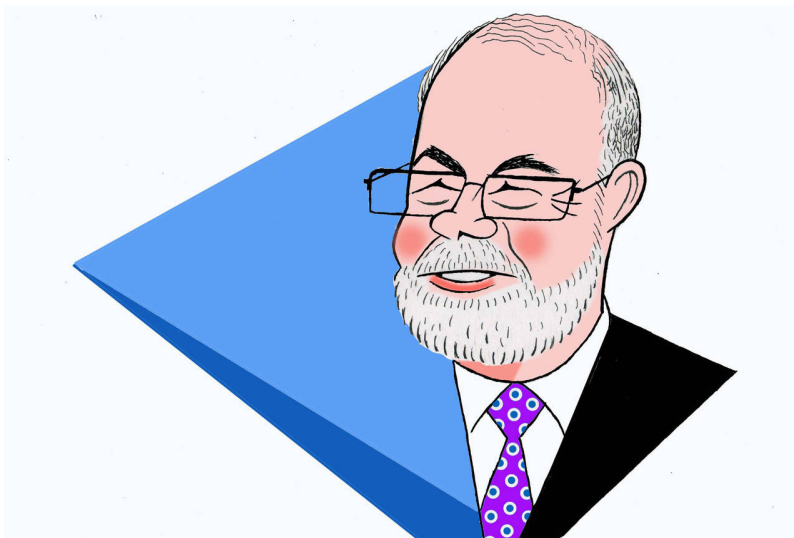
- **BIG CONCLUSIONS ON US ECONOMY:**
 - **REJECTS SLOW GROWTH AS INEVITABLE**
 - **SEES LONG TERM DOUBLING OF INCOMES EVERY CENTURY**
 - **ALARMISM CAN REALLY HURT - AVOID**
 - **STICK TO SIMPLE BASICS WE KNOW WORK**

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THE WEEKEND INTERVIEW

The Anti-Bill Gates

How do poor countries get rich? Not with World Bank help but by unleashing the talents of the poor, says Bill Easterly, an economist who defies the philanthropic consensus.



By Adam O'Neal

New York

Secretary of State Mike Pompeo took on the World Bank and International Monetary Fund in a Brussels speech this week. He said they often advise countries to “inhibit growth and crowd out private-sector actors” and vowed to “reduce taxpayer handouts” to them. It was something of a vindication for Bill Easterly, a development economist who began his career with an unsatisfying stint at the World Bank and has emerged as a leading critic of the foreign-aid consensus that guides international institutions and philanthropists—including Bill Gates, with whom he’s had a longstanding feud.

Mr. Easterly’s interest in international development began with his first visit to Ghana. “I saw the standard kind of stereotypical images, babies with swollen bellies from

malnutrition being tormented by flies,” he tells me. He still felt optimistic about the country’s future, but, as he later wrote, “my projections did not receive a great deal of public notice, perhaps because I had just finished elementary school.”

That was 1969. His biologist father had a yearlong teaching gig in Cape Coast, on the Gulf of Guinea. The boy didn’t immediately decide to devote his life to understanding why countries develop or fail to grow. “I sort of spontaneously stumble into things that later seem to make sense,” he says. “Spontaneous order characterizes my life, as well as what I think is the optimal system for development.” Years passed before he returned to Ghana. Yet he continued to watch as the country vindicated his early optimism.

Mr. Easterly, 61, a professor at New York University, may not seem optimistic at first. He sees the development establishment—philanthropic organizations, multilateral institutions, many of his fellow academics—as shortsighted and inured to failure. He emphatically criticizes the field’s leaders for being enamored with central planning, so-called benevolent dictators, and their own technocratic genius. Yet as he chats away in his tidy office, he proves soft-spoken and polite.

Mr. Easterly studied economics and math at Ohio’s Bowling Green State University, and earned a doctorate in economics at the Massachusetts Institute of Technology. “Economics seemed to be a way to combine mathematical techniques and statistics, with a concern for social justice,” he says. “When I was starting development economics, it was sort of the bad old days.” The dominant view favored heavy-handed, top-down planning. Experts saw poor countries as blank slates, waiting to be developed with a grand technocratic plan. “I’m still grateful that I was exposed to that,” he says. “For a while, I believed in that. Nothing like knowing a field from the inside. That helps you later disagree with it.”

He graduated from MIT in 1985 and went to work for the World Bank, a “dream job” because the bank “had a large research department that was having pretty open debate” over state-driven vs. market-oriented approaches to development. He “quickly got convinced that the market-oriented side was right, and that my previous training in development was not the best approach to global poverty.”

Soon after joining the World Bank, Mr. Easterly revisited Ghana. It was still poor but had attracted so much donor attention that vacant accommodations were hard to find. “I stayed at a rather substandard hotel,” he wrote, “where among other hardships the roof above my bed gave way during a rainstorm and my air conditioner exploded.” Ghana was recovering from a period in which price controls on cocoa had destroyed the country’s leading export. Mr. Easterly recalls that when he arrived Ghanaian leaders “were saying, ‘Oh. OK, let’s start liberalizing prices. Let’s let the market work.’” Economic freedom

“immediately started paying off with revival of the economy, revival of cocoa.”

Yet Ghana’s story is atypical for the World Bank. The organization’s leaders “were trying to make loans conditional on market-oriented reforms, but they were not enforcing the conditions,” Mr. Easterly says. “They were just giving the loans anyway, to really bad governments” that traduced economic and political freedom.

Watching his employer fail repeatedly led Mr. Easterly to write “The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics” (2001). He cataloged the developed world’s failures to promote growth in poor countries. His thesis: Countries respond to incentives to grow, and organizations like the World Bank and International Monetary Fund don’t design aid programs around incentives. Instead, they offer aid—while pursuing magic-bullet solutions like population control—that doesn’t resolve a country’s underlying problems. It’s a lively read, but Mr. Easterly is humble: “Calling an economist a good writer is a pretty low bar.” The book was well-received by critics—“this trend towards positive reviews did not continue in the long run,” he observes—but his World Bank bosses were less enthusiastic. “People in management really did not like what I was doing,” he says, although “the people at the working level were more likely to be supportive.” So began an awkward time. He’d received permission to write the book. “When it came out in a way they did not like—which they only noticed after it had come out—then the management could not really disavow the book. What they did say is I was allowed to have written the book, but I was not allowed to talk to anyone about it.” Mr. Easterly left the World Bank within a few months: “I wasn’t really fired, but I didn’t really leave voluntarily either.”

Academia proved more congenial to his unorthodox views. His next book, “The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good,” was published in 2006. It argues that while the West had spent some \$2.3 trillion on foreign aid over 50 years, much of it was wasted on programs that aimed to resolve poverty through comprehensive plans. Wealthy countries would be more effective if they aimed for less ambitious but steady gains. “When I joined NYU in 2003,” Mr. Easterly says, “one of my first trips was to Ghana. I was like, whatever job I take, I have to go to Ghana”—a country that over the decades has “kept making progress on both economic and political freedom.” Ghana has developed a tradition of democratic stability, and the blend of economic and political freedom has led to “a more consolidated success story than it was when I first saw it in the ’80s.” He stresses the importance of this “happy combination” in “The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor” (2014).

Mr. Easterly faults the development community’s tendency to favor “benevolent autocrats” because they can stifle dissent and quickly implement Western experts’

solutions. The United Nations—“a very ineffective club of dictators”—is particularly bad about this. “Paul Kagame, leader of Rwanda, was on this [U.N.] commission and said broadband is the answer. Let’s just wire everybody,” Mr. Easterly says. An “irreverent researcher,” Kentaro Toyama, “pointed out young men are playing videogames and watching porn after they get connected to broadband”—which, Mr. Easterly dryly notes, is “not exactly what we had in mind for launching prosperity.” The contrasting example is the rapid, largely unplanned adoption of cellphones in the poor world. “When you allow it to happen,” Mr. Easterly says, “it does generate miracles and revolutions—but usually not the way that the experts intended or planned.”

This line of thinking irks those who favor expert-driven solutions. Mr. Easterly’s best-known adversary is Bill Gates, who has devoted much of his fortune to helping the developing world with technocratic know-how and new ways of thinking about capitalism. For years the economist and the philanthropist have sparred in public forums—from a Davos panel to the pages of this newspaper. In a 2008 op-ed, “Why Bill Gates Hates My Book,” Mr. Easterly knocked the billionaire’s idea of “creative capitalism,” which calls on “for-profit companies to meet the poor’s needs by boosting the ‘recognition’ of corporate philanthropy.” He wrote that “the dossier of historical evidence to suggest this would work is as thin as Kate Moss on a diet.” Mr. Gates “is now working on superexpensive high-tech toilets,” Mr. Easterly says. But existing toilets do the job just fine. The problem is a “shortage of adequate political and economic incentives to provide toilets.” What the poor need is political rights, so they can successfully demand good sanitation, and the economic freedom “that would motivate market suppliers just to sell an adequate amount of cheap, private toilets to poor people.”

You can see why would-be benefactors might find this unsatisfying. It’s easy for them to ship goods, whether toilets or mosquito nets, to an impoverished country. But what can they do to convince a dictator to relinquish control? Mr. Easterly says that question has “tormented me throughout my career,” but ultimately it’s a narcissistic one. “We really are engaged in a big advocacy war today, with the China model and the Putin model offering an alternative to the free model,” he says. “And I think it’s really incumbent upon all of us who are in the space of development debates to really be advocating the right ideas for freedom for poor people.”

Mr. Easterly doesn’t think President Trump’s trade war is an effective way to counter China’s model. The president, he says, “thinks of trade as something in which one side has to lose, and the other side has to gain, which is just sheer ignorance.” Mr. Easterly views China’s model as self-limiting. The country has made only a partial transition from the rule of Mao Zedong, “a totalitarian psycho.” Economic liberalization has enabled substantial growth, but the closed political system limits it in the long run. “Economists are living in a very noisy world, where we can’t say for sure next year’s growth rate is going

to be bad,” he says. “But I think it’s a safe bet that if there’s not liberalization, then China will really have a big slowdown.”

Mr. Easterly says that while he disapproves of Mr. Trump “for the racism, the xenophobia, for the hostility towards markets,” he welcomes the president’s critiques of elites and entrenched institutions. Could Mr. Trump’s skepticism of multilateral institutions, along with his generally disruptive disposition, shake up the development establishment? That’s easier said than done. When Mr. Trump tried to cut foreign aid, he faced bipartisan backlash in Congress. “The easiest thing to do is always this technocratic, designed-expert thing,” Mr. Easterly says, “which I don’t see changing that much.” Similarly, reformers heading the World Bank or other major international organizations “would be subject to political torment, until they behaved the way the establishment wants them to.” That doesn’t sound optimistic—but “the good news,” Mr. Easterly says, “is that progress is happening anyway.” He observes that “the average trend in the developing world is really one of progress on all major indicators of sanitation, clean water, education, economic growth, reduction in poverty rates. All of the health indicators are really great.” The World Bank and U.N. don’t need to be perfect. “Poor people are finding a way to solve their own problems, despite the arrogance and the incompetence of the experts.” He’s optimistic about the developed world, too, where he has little patience for the “secular stagnation” theory that slow growth is inevitable. “The advantage of being a development economist is you take the long-run view,” he says. With U.S. income, “you see kind of a remarkably constant progress of doubling over the last two centuries.” He continues: “I don’t believe in some kind of naive, facile optimism—that things will always turn out well, but I’m also very much aware of how alarmism can often lead to stupid mistakes in policy.” How to avoid that? “A few simple, core Econ 101 principles have stood the test of time, and let’s just try to stick to those.”

Mr. O’Neal is a Journal editorial writer in London.