

Tabloid Edition

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September 08, 2005

UNDP Human Development Report.

As reported in the [Guardian](#) today the UNDP has released this year's Human Development Report. Things are not getting better everywhere and more should be done. That basic analysis seems unobjectionable. There is one slight problem, however, if this [Bill Easterly](#) paper touched on by [Owen Barder](#) is to be believed.

What should we actually be doing? Follow the Sachs plan to meet the Millenium Development Goals? The sort of thing that the G8 agreed to? This is based on an analysis of the problem described in the paper thusly:

The UN Millennium Project and Jeffrey Sachs argue that it is the poverty trap rather than bad government that explains poor growth of low income countries and the failure to make progress towards the Millennium Development Goals (MDGs). Sachs says "the claim that Africa's corruption is the basic source of the problem {the poverty trap} does not withstand practical experience or serious scrutiny." Likewise the Millennium Project says "Many reasonably well governed countries are too poor to make the investments to climb the first steps of the ladder."

The paper closes with the finding:

The classic narrative -- poor countries caught in poverty traps, out of which they need a Big Push involving increased aid and investment, leading to a takeoff in per capita income -- has been very influential in development economics. This was the original justification for foreign aid. The narrative became less popular during the market-oriented 80s and 90s (even then the idea of the "takeoff" remained widely accepted, as it still is), but has made a big comeback in the new millennium. Once again it is invoked as a rationale for large foreign aid programs.

However, the description of poverty traps, Big Pushes, and takeoffs as a justification for foreign aid receives scarce support in the actual experiences of economic development. The paper instead finds support for democratic institutions and economic freedom as determinants of growth that explain the occasions under which poor countries grow more slowly than rich countries.

There is no doubt that there is a problem. I also have no doubt that we have a moral duty (quite apart from the fact that helping the poor get rich will make us even richer) to help solve that problem. But when a respected academic in the field (as Bill Easterly is) says that the basic structure of the problem has been misidentified, and that thus our solution is completely wrong, don't you think we might want to sit down and have a little discussion? Instead of throwing money at it in a way that we know is incorrect?

(Some useful things to do while having that discussion might be the immediate abolition of all farm support, quotas, export subsidies and import tariffs on all goods including agricultural ones, by the EU and the US [the so called zero zero option], thus allowing the Doha round to proceed.)

September 8, 2005 in [Make Poverty History](#) | [Permalink](#)

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» [Aid and the UN Summit](#) from Owen's musings
 The debate between Bill Easterly and Jeff Sachs, which I mentioned here last week, has been jumped on as evidence that our solution is completely wrong. In fact, the debate shows no such thing. There is a clear consensus among the expe... [\[Read More\]](#)

Tracked on Sep 8, 2005 4:52:43 PM

Comments

With Government you only get an expensive forced transfer service.

Using only the threat of jail/death the government can only make one person richer, by making another poorer. This is fine for those whose politics revolves around jealousy of others financial success, and conflate stealing with sharing.

The price of this is very high, government administration is allways inefficient and wasteful. The scond order effects of discouraging wealth creation are hidden but even more costly.

Posted by: Rob Read | Sep 8, 2005 11:42:10 AM

All this UNDP etc stuff says is 'give more money to the poor'. But we should be doing that only after we have made every effort to make the market work much better for them so they can try and get out of poverty on a sustainable basis. That's the key to successful aid programmes. For example the UK New Deal - helping poor folks get into jobs in a booming labour market. The expediency of excess labour where there's excess demand, but a bit of investment needed to get them job ready.

Also - no solution is a panacea - its about getting the basics right, and working hard at some of the little unglamorous things that add up to (economically)sustainable solutions.

So There.

Tim adds: Well, quite. The New Deal cstuff was all based on Layard from the mid 1980s...he used to cram that idea down our throats at the LSE.
 But to get the basics right you do, umm, have to get the analysis right first?

Posted by: [angry economist](#) | Sep 8, 2005 11:59:16 AM

Tim

From time to time, you agree with people who say things like "we should be doing that [give aid] only after we have made every effort to make the market work much better for them".

Is it your view that we should not give aid until we, and they, have reformed trade?

In other words, are you in favour of trade AND aid, or trade THEN aid?

My view is that we should be giving aid as well as reforming trade (and, if anything, aid is especially important while we refuse to open up our markets). Most of the time you seem to take a different view, which is that we should not give aid until we have done everything else. But when I accuse you of being opposed to aid, at least for now, you deny it. And yet here you are agreeing with someone saying just that.

Can you clear it up for us?

Posted by: [Owen Barder](#) | Sep 8, 2005 5:09:27 PM

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Glenn Reynolds
Greenie Watch
Harry's Place
Iain Dale
In Actual Fact
INDC Journal
Ironies
Jonathan Lockhart
Kasparsohn
Kick-AAS
Kim du Toit
L'Ombre de l'Olivier
Laban Tall
Maggie's Farm
Make My Vote Count
Marginal Revolution
Mr and Mrs McMuffin
Natalie Solent
Newmark's Door
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Owen Barder
Par Blog
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Perfect.co.uk
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Worthwhile?

Possibly

Definitely

Sorta

Orta

Yes

But No

But Yes

Right On

Celebs

Wibble

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