William Easterly: Economic growth in comparative perspective

Easterly, William. 2006. *The Elusive Quest for Economic Growth.*

An outspoken and somewhat unorthodox contributor to the literature on economic growth and development, William Easterly does an exceptional job of detailing economists' pursuit of the cause of economic growth in *The Elusive Quest for Growth*. In addition to offering a meticulously researched summary of the attempts made thus far, he manages to offer some innovative insight into what a growth-conducive economy would look like, all while using a rhetorical style that is unassuming, direct, and witty.

The logic flows seamlessly, with appropriate modesty, and with exceptional use of analogical examples and extensive data. Easterly may be labeled a pessimist, but his own rhetoric suggests that he is more pragmatic than anything else. Far from not caring about the poor or not supporting initiatives for the betterment of their situation, Easterly is foremost a critic of the fact that money, time, and energy have been wasted on the inefficient means by which the international community has all been trying to reach that end.

Easterly positions his book as a chronicle of the adventures of economists in attempting to explain why growth happens and, therefore, what a country can do to make its economy grow. His admission throughout of the faults of his own discipline, and indeed the faults in his own work, is particularly admirable. On their elusive quest, he suggests that economists have been searching for various panaceas that will serve as magic bullets to growth in all contexts. Somewhat provocatively, he then suggests that most of these proposed solutions to the problem of why developing economies do not grow are sorely misguided. The refrain that people respond to incentives is constant, and it is obvious that Easterly believes his field has not taken this fully into account at any point.

It is difficult to believe on instinct that all development economists to date have been this far-off base, but Easterly's logic and extensive analysis of various data sets does lead a reader to have faith in his argument. He resolutely attacks the pillars of modern development thinking: the financing gap (and its solution, foreign aid); technological change; investment in human capital; population control; and debt forgiveness. But the attack is well-planned and well-executed — after reading his book, it is easy to see why all of these efforts have indeed been fairly misguided (and in some situations sorely so), and, more importantly for Easterly, why they have created perverse incentives for growth. One of his most recurrent points is that societies that are primed for growth (or are on a path to growth) are those that see value in investing in the future. A simple concept, to be sure, but one that he fleshes out excellently by showing how the reverse is true; economically stagnant societies are those that are not investing in the future (evidenced by how their economies, fiscal policy, and governance systems are structured).

It is on the point of governance that Easterly reaches some of his most insightful conclusions. Overall, he suggests that the international financial institutions (the IMF and the World Bank for example) need to wake up to the economic inefficiency of their programming and the inadequacy of their monitoring systems. At the very least, this is one issue on which Easterly and Jeffrey Sachs agree. Easterly advocates for a complete overhaul of the approach, noting that, "the motto of the IMF, World Bank, and the recipient governments sometimes seems to have been 'millions to resolve a crisis, not a dollar to prevent one'" (115). On the recipient side, he takes aim at inefficient and often criminal governments of the developing economies.

His further points on the corruption present in the governments of many developing countries are well placed and make the reader wonder why few others have vocalized this particular brand of inefficiency so openly. Easterly makes a very important note in saying that economists who are studying growth and development must essentially consider the role of politics, as governments are the primary agents of decision-making in most collective policy that will foster (or circumvent) growth.

Easterly's insights on the role of social polarization are also quite novel. Putting the machinations of government officials on behalf of ethnic interest groups in economic terms is a valuable and rare contribution to the thinking on these issues. It is more common to hear about the role of inequality and wealthy elites in perverting policy, which Easterly does address at some length, but rare to discuss social polarization as a concept in the terms of development economics. His further discussion of initiatives on the part of governments to avoid undue influence of one ethnic or class interest group (central bank independence, an independent budget-setting authority) also seems quite novel.

Overall, Easterly's work is highly insightful and critical. The reader soon develops a strong sense of respect for his ability to cut through the rhetoric and promises of development programming throughout the decades and critically evaluate its success with respect to its primary aim. The intermezzos and other short examples of the real-life component behind his data sets and evaluation of economic models serve to ground his work with a sense of purpose and responsibility. It is also admirable that he rarely resorts to the high-minded rhetoric of many writers in the field, instead choosing to invoke the emotional element judiciously. The choice to begin and end the book with the same real-life example was an apt way of demonstrating his concern for the discovery of responsible solutions to the vast issues of extreme poverty and economic development. As he writes, "nothing would be sadder than to give up the quest altogether" (291).