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**The basic question:** Has foreign aid ever lifted any country out of poverty?

**Sachs:** Of course not. But it has repeatedly played an important role. Do you believe India would be one of the world's fastest growing countries if it wasn't for the Green Revolution? Do you think it would have been able to carry it out without any foreign aid? Of course not!

**Easterly:** No. Foreign aid can improve individuals' living conditions, but it cannot end a country's poverty. And this shows how ineffective these ideas are. Why do we keep on talking about a Big Push if we have been doing so for the last 50 years without having had success one single time? Aid has to be focused on those areas where it works, with quantifiable objectives and by organizations which can be held accountable. Such unquantifiable things as fighting poverty in general or promote economic progress have to be kept out of foreign aid.

Henry Kissinger once remarked that academic debates tend to be so fierce because the stakes are so low. This is of course not the case when it comes to Jeffrey Sachs and William Easterly. For the last few years the two economists have lead one of the fiercest debates in American academia. And the stakes are high indeed: The \$100b the rich worlds dedicates on a yearly basis to lift the developing world out of poverty. For Sachs this amount is insufficient, for Easterly a big part of that money is simply wasted. Both have written bestsellers about their respective ideas, Sachs's *The End of Poverty* and Easterly's *The White Man's Burden*. The title of the latter is borrowed from Rudyard Kipling's most racist poems, in which the poet from the British Empire described the duty to bring civilization to the colonies as the white man's burden. For Easterly the ideas exposed by Sachs- and shared by the biggest part of aid organizations and NGOs- are nothing more than a well-intentioned, racist paternalism; comparable to the decision to invade Iraq in order to democratize the Arab World. Easterly's principal target are the Millennium Development Goals, an ambitious initiative by the United Nations to reduce global poverty by half over the next decade, which was launched in the year 2000 and is directed by Sachs himself. The Spanish government approved a 528 million Euro contribution to this program last December. The discussion between Easterly and Sachs has become the cornerstone of the foreign aid debate in the 21<sup>st</sup> century. A debate which sometimes comes close to personal insults, but the conclusion of which might decide over life and death for the 1 billion persons in the world living on less than a dollar a day.

**Question:** In the end Paul Wolfowitz has announced his resignation as head of the World Bank for the end of June. What's your reaction?

**Sachs:** Evidently his resignation was necessary. More than that, his nomination wasn't justified in first place. He wasn't qualified for the job because he didn't have any experience in the development field and his international credentials were marked by his leadership of the disastrous Iraq war. His time as the head of the World Bank has been a debacle. His crusade against corruption was a mistake because it had the Bank neglecting its true job, which is to help the poor to invest in sectors of critical importance in agriculture, education and infrastructure. Corruption has to be fought within the context of aid programs and not as a separate crusade.

The Bank will only improve if it is lead by an experienced professional development economist. Someone who understands the problems the poorest of the poor are facing and who doesn't repeat like a parrot the US government's extremist free market ideology.

**Easterly:** Wolfowitz's resignation was necessary not only because of the corruption scandal which broke out just when he was busy fighting corruption himself, but for two additional reasons. Firstly, for continuing his predecessor's (James Wolfensohn) utopian tradition. This consisted of holding grandiloquent speeches about good and bad governments, attaining the grandiose Millennium Development Goals, save Africa etc. Secondly, because of his management style, which had him- or his lackeys- terrorize the Bank's staff without taking advantage of these people's skills. It's been a repetition of the mistakes committed in the war in Iraq: a naïve and arrogant focus on solving problems from the top and with a big plan; and without having the slightest idea about the often confusing realities underlying these problems. It's as difficult to reform and improve the foreign aid system as it is to democratize the Middle East.

**Q:** Wolfowitz made the fight against corruption the principal aim of his administration.

**S:** He put the cart before the horse. The aid effort has to be and can be carried out with the lowest level of corruption possible in every single case, program by program. But Wolfowitz only dealt with corruption as an isolated concept. It's a platonic concept, like the idea of the Axis of Evil countries. Big ideas which have nothing to do with real life. And that's how things are now at the World Bank: Big concepts which have nothing to do with reality.

**E:** His intentions were good. I don't understand why fighting corruption is so controversial. It should be obvious not to give aid to corrupt governments. Wolfowitz met resistance because the Bank's staff was distrustful of him because of his past and afraid that the fight against corruption would be used as a tool of US foreign policy.

A majority of the statistical studies I know show that corruptions creates poverty. That's the academic consensus. And Sachs makes these incredible declarations that in Africa corruption is not the problem. It seems he's deliberately trying to make talking about corruption politically incorrect, but it's just voluntary blindness. On top of that, it's an insult to people like John Githongo from Kenya, who denounce corruption in their own countries and campaign for governments to be transparent, so that international funds benefit the people and not the country's civil servants and administrators.

**Q:** Spain has contributed 528 million Euros to the Millennium Development Goals.

**S:** I am delighted by it. This is the biggest campaign the United Nations have ever launched in order to eradicate extreme poverty around the globe. I expect us to be able to

manage the funds adequately. This is the biggest donations the United Nations Development Program (UNDP) has ever received.

**E:** The Millennium Development Goals are a sad story because they put public relations above substance. If you take a closer look at the goals you will realize that they don't give any incentives to anyone to do anything. No one is responsible, so the poor won't be helped. These are just grand gestures and grand, empty slogans: end poverty, reduce child mortality...Spain could do much more by focusing her aid on specific tasks which help people in a concrete way, instead of falling for such a pompous campaign as this. When is the Spanish taxpayer going to know if her money was spent well or badly? Never! Spain could set a good example by leaving the Millennium Goals aside and give the money to someone who says: "Look, we are going to use your Euros to achieve this and that, for this specific group of people. We are going to give food supplements to these undernourished children, or piped water to these villages which lack it, or vaccinate this population". And in order to do so you will have to get people from those countries involved.

One of my favorite examples is Patrick Awuah, who after living in the United States returned to his native Ghana and founded Ashesi University. It's an educational center of an enormous quality which grants scholarships to those students who don't have the means to finance their studies by themselves. Nonetheless, Ashesi University doesn't receive any funds from the aid agencies. And that's because it doesn't fit into the World Bank's and other aid agency's plans, which resemble Soviet era five year plans. And why not? Because it's a great university? Because it receives private funds?

**Q:** The Millennium Development Goals Program claims to be transparent, based on small scale interventions and oriented towards the poor country's needs.

**S:** This is because the traditional approach was completely unacceptable. We needed a complete change. And it's difficult to change the way governments and organizations work. Especially after so much time and money has been spent on the war in Iraq which should have been spent on development. So, it's a process which is still laden with difficulties, but there's some real progress. Seven years ago I gave a speech at the Durban Summit, asking for a global fund to fight AIDS. Back then, not a single person living in a developing country would be helped by his government to receive retroviral drugs. Now it has been decided that by 2010 everyone in need has to get them. Before, the issue of agriculture was completely abandoned in Africa, today we have an alliance of the Gates Foundation and the Rockefeller Foundation with the aim to promote a Green Revolution on the continent. These are real life examples of how far we've come. But one has to fight the indifference, the incompetence and the lack of funds of the so called international community, because we are still living in a world in which millions of persons are left to die.

**E:** Slogans and more slogans. The Millennium Development Goals program consists of 300 experts who have produced thousands of pages of documents explaining what needs to be done to attain these goals. It doesn't matter what they say, but what they do: They strengthen the bureaucracy. This is the basic disagreement between Sachs and me. He believes that in order to end poverty more bureaucracy is needed. The rich have markets and the poor have bureaucrats. It's a neocolonial mentality. It's like saying, and please forgive me if I am politically incorrect: "We, the white people know best what's good for

the black people”. And now certain NGOs are entering into the same dynamic. They started off well, focusing on concrete projects and avoiding the utopian talk about poverty reduction or the Millennium Goals. That was a good signal...but now the Gates Foundation is repeating the same mistakes others have made before them, for example Oxfam. They enter the development field by getting involved into agricultural development, that’s an excess of ambition.

**Q:** The two of you have written two antagonistic bestsellers. What’s your opinion on your opponent’s book?

**S:** Let me read to you the following from page 368 of Easterly’s book: “Put the focus back where it belongs: get the poorest people in the world such obvious goods as the vaccines, the antibiotics, the food supplements, the improved seeds, the fertilizers, the roads, the boreholes, the water pipes, the textbooks, and the nurses. This is not making the poor dependent on handouts; it is giving the poorest people the health, nutrition, education, and other inputs that raise the payoff to their own efforts to better their lives.” That’s not me, that’s Bill Easterly! But what on earth are we talking about? I don’t understand it! This is what I have been saying for the past decade! His entire argument is absurd. He deliberately and completely distorts what I am saying, only to arrive the same conclusions I have arrived at.

**E:** Take a look at the introduction to Sachs’s book *The End of Poverty*. Bono, the vocalist of U2, - who is a much better musician than economist- says with reference to ending the world’s misery: “It’s up to us”. What else do you want? This is exactly the idea of the White Man’s Burden. I think I will leave our debate where it stands now. I frankly disagree with Sachs and want him to change the Big Plan way he thinks and to return to producing some good economics.

**Q:** This is not the first time Jeffrey Sachs is carrying out a massive economic plan. He already has a lot of experience as a controversial government advisor. He’s been a consultant in, among other places, Bolivia, Russia and Poland.

**S:** I’ve collected my first experience 22 years ago in Bolivia and I realized two things: Firstly, we have tools which can make a difference. And secondly, a lot of the things that happen are outside of our conceptual framework. And this mixture of theory and practice is extremely enriching. In this regard I’ve found myself to a big degree in a position similar to a physician. I realized that not all theory fits the practice, but also that the practice in turn needs to be sustained by theoretical concepts. The second thing I’ve learned is the importance of context. Because I realized that trying to solve tremendously complex problems requires viewing them in their geographic, political and cultural context. It took me more than 20 years to understand this. For example, at first I didn’t appreciate the importance of Bolivia being landlocked. It also took me a long time to realize that a lot of what passes as analysis oftentimes is nothing more than picking up a theory and using a word processor to exchange one country name for another. I am now allergic to doctoral theses on countries which the student never visited. Even though this is the way things are normally done in economics.

**E:** Sachs’s whole career is characterized by always doing big things, from the top, which require enormous amounts of money, paid by the West. In Russia it was the shock therapy, which involved a large number of experts telling Russians how to do things. But

a market economy cannot be planned, nor can a country's development. Back then it was the shock therapy for Russia, today it is Africa's turn.

**Q:** Sachs's ideas are reminiscent of those of the great economist from the 1950's, like Nurske, Rosenstein-Rodan and Hirschman. Development was attributed to the structure of the world economy and they defended big public programs in order to overcome these structural problems. Today, nonetheless, their influence has all but vanished.

**S:** Fashions emerge without being necessarily good or bad. During the 80's and 90's we went through a phase of market fundamentalism, and while I was working in Eastern Europe I was saying similar things. But we are now leaving that phase behind and beginning to better understand the reasons why some countries are developing and others are not; and that there is no single solution that fits all the problems. So one has to figure out which theory works for which case and some of these old debates can prove to be very useful. Some months ago I attended a conference on Hirschman in Mexico, and after reading his books and his papers I found some admirable things. Of course, I also found other things I don't agree with. It's not about revitalizing the ideas of the 50's and 60's, but we have to realize that we unfortunately forgot many things when introducing new ideas; and some of the structuralist interpretations can be very valuable.

**E:** Sachs is returning to the way things were done 50 years ago, it's like in the *Back to the Future* movies. Maybe Almodóvar could do something with it. These ideas are not even from the 50's but from the 40's: that the poor are too poor to save and thus to escape poverty; that population growth is too high; that some minimal investment levels need to be met...these ideas were contradicted decisively by the experiences of the past half century. Take a look at Korea: the economy was growing at around 3%, the United States shut down the aid flow and growth picked up to 10%. No poverty trap there. China is another example, it's moving ahead without any aid. This is what infuriates me so much about Sachs's intellectual irresponsibility. He's promoting ideas which have been abandoned by the whole development profession with the exception of a handful. He is popularizing them, and that's extremely dangerous because bad ideas can kill, literally. If today the people of certain countries are as poor as they were a few decades ago, it's partly because some vested political interests are an obstacle; but it's also because bad economic ideas have been applied: central planning, socialism.....over and over again.