

REVIEW OF EASTERLY'S *THE WHITE MAN'S BURDEN*

WALTER E. BLOCK*

THE WHITE MAN'S BURDEN: WHY THE WEST'S EFFORTS TO AID THE REST HAVE DONE SO MUCH ILL AND SO LITTLE GOOD. By William Easterly. New York, N.Y. Penguin Books, 2006.

WHEN I FIRST STARTED READING this book I said to myself, “Oh, goodie, another publication in the tradition of Peter Bauer, my mentor and guru on the economics of foreign aid and economic development.” My thought was that studies in this tradition all make the case the government to government transfers of funds are the last thing we need if we are to cure poverty in the underdeveloped parts of the world. Rather, free enterprise, private property rights, free trade, etc., the rule of law based on them, is the best and indeed only way to attain these ends. I was looking forward to an updating of the Bauer oeuvre, for refinements thereof, a piling on as it were, of the case for laissez faire as the cure-all for what can help these barbaric areas of the globe. I was contemplating with pleasure reading all about the latest government interventions into the economy, and how they ruined economic welfare.

In the event, I was sorely disappointed. Easterly (2006) is not at all a clarion call for economic freedom that I had hoped for and expected. Rather, while, in part, it is an appreciation of these types of institutions, it constitutes a sort of “one cheer for capitalism” that I have come to associate with the

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economic mainstream, including the Public Choice School, the Chicago School, the Supply Siders, Monetarism, etc. Yes, there is some criticism of central planning but a limited trouncing of the enemy hardly constitutes the spirited defense of all that is good, true and right that I was counting¹ upon.²

William Easterly has a high profile reputation as an advocate of free enterprise.³ However, his deviations from this philosophy are both serious and extensive. It is the purpose of this essay to document them. I do so by using Easterly (2006) as a prism through which to test the hypothesis, that this author is no friend of economic freedom.⁴

Let us start off by establishing claims⁵ to the effect that he favors private property and economic freedom, and does so in an efficient and rational manner. Exhibit A might well be the subtitle of this very book. No one who makes such a claim can be all bad from the point of view of *laissez faire* capitalism. Then, too, a previous book of Easterly's (2001) was so unacceptable to his employer, the dirigiste World Bank, that he had to depart from that august socialist institution.⁶

¹ I gratefully acknowledge the many excellent criticisms of an earlier draft of this paper from a referee of this journal which enabled me to greatly improve it. However, any remaining errors or infelicities are of course my own responsibility.

² When I was a graduate student at Columbia University in the late 1960s, Peter Bauer came to lecture. He was roundly condemned by the entire faculty of the economics department and by all of the syncophantic graduate students as well. Much to my amazement and dismay, I was the only one in the Columbia University community to defend him. Much more recently, I attended an economic seminar at my next door Tulane University, and in my very short contribution to the discussion I positively mentioned the dread name of Peter Bauer. This statement of mine was received with the same sort of snickers and incredulity I had witnessed in about 1967 in New York City. It seems that nothing much has changed in the last 45 years or so amongst the neoclassical mainstream in this regard.

³ According to this report "The [Development Research Institute](http://www.templeton.org/development_research_institute) (DRI) was founded, according to Easterly, "to bring mainstream economic thought about free markets to the development establishment." http://www.templeton.org/templeton_report/20100707/. Also see Easterly, 2009.

⁴ All cites to this author, unless otherwise noted, will be to this one book.

⁵ For example, Kahn (2001) mentions that Easterly "said the bank should encourage countries to adopt traditional free-market policies."

⁶ Source: back cover of Easterly, 2006. This of course opens up the question of how a presumed supporter of free enterprise could work for that organization in the first place. According to Block (2004, 2006, 2008B, 2009A, 2009B), it is compatible with libertarianism to accept employment with illicit organizations, provided only that the employee undermines the mission of the employer. However, while there is

Having sketched out the positive case for Easterly's free market credentials, let us now consider what the devil's advocate would say. We start off with Easterly's contention, made right after he ever so properly excoriates "foreign aid," (4) and "traditional Western assistance"(5)⁷ as a "Big Plan" that has failed, he states (5): "the right plan is to have no plan." But this gives the game away at the very outset to our friends on the left. To not plan at all is to be irrational. This, however, is precisely the accusation made against the free market system. Mises (1998, 725-26) offers a stern rebuke⁸ to Easterly⁹ on this matter:

As the interventionist sees things, the alternative is 'automatic forces' or 'conscious planning.' It is obvious, he implies, that to rely upon automatic processes is sheer stupidity. No reasonable man can seriously recommend doing nothing and letting things go as they do without interference on the part of purposive action. A plan, by the very fact that it is a display of conscious action, is incomparably superior to the absence of any planning. *Laissez faire* is said to mean: Let the evils last, do not try to improve the lot of mankind by reasonable action.

This is utterly fallacious talk. The argument advanced for planning is entirely derived from an impermissible interpretation of a metaphor. It has no foundation other than the connotations implied in the term 'automatic' which it is customary to apply in a metaphorical sense for the description of the market process. Automatic, says the *Concise Oxford Dictionary*, means 'unconscious, unintelligent, merely mechanical.' Automatic, says Webster's Collegiate Dictionary, means

indeed some evidence attesting to such a claim in this case, it is the thesis of this review that overall this author has supported dirigisme, not opposed it.

⁷ Although Easterly cites Peter T. Bauer, only once in his entire book, another quite negative indication, regarding free enterprise status, he does not employ Bauer's far more reasonable characterization of these programs as the non pejorative "government to government transfers of wealth." For more on this see Bauer, 1954, 1972, 1981, 1982, 1984, 1987; Bauer and Yamey, 1957

⁸ I realize full well that Mises wrote long before Easterly. Does this mean that the former cannot "rebuke" the latter, as a referee of this journal wonders? Not at all, if due allowance is given to poetic or literary license.

⁹ Is it possible to reinterpret Easterly as merely opposing statist central planning, but not market planning? Well, anything is possible, I suppose. But this NYU economist clearly states: "the right plan is to have no plan." It seems difficult to reconcile this statement with free enterprise. I would not have mentioned this possible reinterpretation of Easterly, did not a referee of this journal raise that point. This referee also asks: "Am I (Block) saying that the free market is accused (by Easterly) of having 'no plan?'" Yes, that is precisely what I am accusing this economist of. Hayek, 1976, 1978 is an antidote to that type of thinking.

‘not subject to the control of the will, . . . performed without active thought and without conscious intention or direction.’ What a triumph for the champion of planning to play this trump card!

The truth is that the alternative is not between a dead mechanism or a rigid automatism on one hand and conscious planning on the other hand. The alternative is not plan or no plan. The question is whose planning? Should each member of society plan for himself, or should a benevolent government alone plan for them all? The issue is not automatism versus conscious action; it is autonomous action of each individual versus the exclusive action of the government. It is freedom versus government omnipotence.

Laissez faire does not mean: Let soulless mechanical forces operate. It means: Let each individual choose how he wants to cooperate in the social division of labor; let the consumers determine what the entrepreneurs should produce. Planning means: Let the government alone choose and enforce its rulings by the apparatus of coercion and compulsion.”¹⁰

¹⁰ Continues Mises (1998, 727), as if he had Easterly specifically in mind: “Only that plan is genuine which the individual planner fully approves. All other plans are simply counterfeit. In saying ‘plan’ what the author of a book on the benefits of planning has in mind is, of course, his own plan alone. He does not take into account the possibility that the plan which the government puts into practice may differ from his own plan. The various planners agree only with regard to their rejection of laissez faire, i.e., the individuals’ discretion to choose and to act. They entirely disagree with regard to the choice of the unique plan to be adopted. To every exposure of the manifest and incontestable defects of interventionist policies the champions of interventionism react in the same way. These faults, they say, were the results of spurious interventionism; what we are advocating is good interventionism, not bad interventionism. And, of course, good interventionism is the professor’s own brand. Laissez faire means: Let the common man choose and act; do not force him to yield to a dictator.” This is a long quote from Mises. What is its relationship to Easterly’s claim? In the view of Easterly, “the right plan is to have no plan.” According to Mises, “The alternative is not plan or no plan. The question is whose planning?” The point is, human action is not and cannot be planless. If human action is to take place at all, whether by human beings functioning in the market or in their role as statist, it must be in accordance with some sort of plan or other. Even if the actions are based upon something as “planless” as a coin flip, it is still a plan of sorts, to be guided by whether heads or tails comes up. States Kirzner (1976) on this matter, “Now insofar as all human action is teleological and is the expression of purposes consciously chosen, it is clear that all action must necessarily be part of the operation of the tendency toward the identification of means and ends. The man who has cast aside a budget plan of long standing in order to indulge in the fleeting pleasure of wine still acts under a constraint to adapt the means to the new program. Should a fit of anger

Next, consider this howler (5): “This is not to say that everything should be turned over to the free market that produced Harry Potter. The poorest people in the world have no money to motivate market Searchers to meet their desperate needs.”

I strenuously object to this statement of Easterly's. But, before I explain why, let us clarify what this author means by “searchers.”

It might appear that “Searchers” is Easterly's synonym for entrepreneurs, or free enterprise businessmen. But this is not at all true. Rather, “Searchers” is the word he employs to denigrate the kind of foreign “aid” givers that he likes, and Planners the type of which he disapproves (5-6):

In foreign aid, Planners announce good intentions but don't motivate anyone to carry them out; Searchers find things that work and get some reward. Planners raise expectations but take no responsibility for meeting them; Searchers accept responsibility for their actions. Planners determine what to supply; Searchers find out what is in demand. Planners apply global blueprints; Searchers adapt to local conditions. Planners at the top lack knowledge of the bottom; Searchers find out what the reality is at the bottom. Planners never hear whether the planned got what it needed; Searchers find out if the customer is satisfied....

A Planner thinks he already knows the answers; he thinks of poverty as a technical engineering problem that his answers will solve. A Searcher admits he doesn't know the answers in advance; he believes that poverty is a complicated tangle of political, social, historical, institutional and technological factors. A Searcher hopes to find answer to individual problems only by trial and error experimentation. A Planner believes outsiders know enough to impose solutions. A Searcher believes only insiders have enough knowledge to find solutions, and that most solutions must be homegrown.

More accurately, Easterly employs “Searchers” as a shorthand for “good guys,” or economic actors of whom he approves, and “Planners” for

impel him to forgo this program as well and to hurl the glass of wine at the bartender's head, there will nonetheless be operative some constraint—let us say the control required to ensure an accurate aim—which prevents his action from being altogether rudderless. It is here that praxeology has grasped the possibility of a new scientific range of explanation of social phenomena. Precisely because man's actions are not haphazard, but are expressions of a necessity for bringing means into harmony with ends, there is room for explanation of the content of particular actions in terms of the relevant array of ends.”

those of whom he does not.¹¹ At bottom, Easterly favors government to government transfers of wealth. That is, there is nothing in his discussion that prevents “searchers” from involving themselves in government programs. For example, he (11) supports “Ethioia(n) aid agencies ... (that) devise(d) a program to give cash subsidies to parents to keep their children in school.”

What, in very sharp contrast, is the view of the advocate of free markets toward solving problems of poverty, whether domestically or abroad? It is not to involve the government in this process, no matter how wise and “searcherish” are the bureaucrats. Rather, it is to promulgate the free enterprise system, the best and really only method for alleviating poverty, bar none, coupled with yet another voluntary institution, private charity.

With this in mind, here is why I strenuously object to Easterly’s statement. This sort of thing has been much said before and ‘twill be said again in the future ad nauseum. But, usually, there are reasons given for this attack on economic freedom: that the poor cannot motivate Easterly’s entrepreneurial searchers. Here, there are none. In such a situation, unadorned by any substantive defense or even explanation, such a statement reduces to mere name-calling, against the free enterprise system.¹² The only surprise is that it emanates from a supposed defender of markets.

Of course capitalists can earn money off the backs of the poor. Critics of the market complain, practically, of nothing else.¹³ The poor in Africa, at present, are richer, far more so, than those at the bottom of the economic pyramid right before the industrial revolution.¹⁴ Yet, great fortunes were earned by “exploiting” the downtrodden in that bygone era. Surely, any modern entrepreneur is more than capable of doing so; that is, “exploiting” the poor during the industrial revolution, to their vast betterment.

¹¹ As can be seen from his distinction between “searchers” and “planners,” Easterly has no principled or systematic approach, he just recites a litany of unconnected ad hoc examples. Thus, criticizing his viewpoint is an arduous task.

¹² What “name” is Easterly calling the free enterprise system? He is characterizing it as unable to lift the poor out of poverty, and gives no reason for this strange claim of his. In my view, that constitutes name-calling.

¹³ Ok, ok, they also complain of racism, sexism, environmental despoliation, etc; but, surely, taking advantage of the least capable members of society is still high on their list.

¹⁴ Ashton and Hudson, 1998; Berg, 1992; Crafts, 1985; Floud and Johnson, 2004; Floud and McCloskey, 1994; Hartwell, 1967,1970,1972; Hayek, 1954; McKendrick,1983; Mises, [1949] 1998; Nardinelli, 1990; Rosenberg and Birdzell, 1987; Taylor, 1975

Easterly (6) quite properly disparages Jeffrey Sachs¹⁵ all throughout his book, but the two of them are really brothers under the skin. Both rely upon the state to solve the problem of poverty in the uncivilized world. The only difference, at least in Easterly's mind, is that he favors "Searching," whatever that means, well, efficient state bureaucracy,¹⁶ while, according to Easterly, Sachs supports the Big Plan, or inefficient government civil servants running things. For the true free enterpriser, this is not much of a difference.¹⁷ Nevertheless, Easterly is a generous sort of person, even toward Sachs, who he characterizes as "compassionate" (6) and others of his ilk as exhibiting "good will" (7). I cannot see into the hearts or minds of either economist. Their motives are a hidden book to me. How does Easterly know any such thing about Sachs? I am not as munificent as is Easterly. I regard both of these scholars as at least engaging in reckless disregard for the truth, namely, that government is not the solution to poverty, but rather the source of it.

This holds true even when there are more efficient bureaucrats. Why? This is because there is no profit and loss market test of efficiency in the public sector (Hazlitt, 2008; Rothbard, 1956; Gordon, 1993). Easterly (6) asks: Will Gordon Brown be held accountable if the new wave of aid still does not get twelve-cent medicines to children with malaria? Of course Brown¹⁸ will not be. But, then, neither will the Searchers of whom Easterly is so inordinately fond. They, also, will not be subject to any market test. They cannot be, at least those of them who are statist searchers, who cannot be bankrupted even if they fail abysmally.

¹⁵ This world famous economist is "Director of The Earth Institute, Quetelet Professor of Sustainable Development, and Professor of Health Policy and Management at Columbia University. He is also Special Advisor to United Nations Secretary-General Ban Ki-moon" (<http://www.earth.columbia.edu/articles/view/1804>). Easterly is a right wing or conservative or semi free market economist. Sachs occupies political economic terrain far to the left of Easterly. In contrast, I support the libertarian position. For the uninitiated in economics, Sachs is to Obama as Easterly is to Rick Perry or Mitt Romney, as I am to Ron Paul. Or, to put this in economists terms, Sachs is to John Maynard Keynes or Joseph Stiglitz as Easterly is to Milton Friedman as I am to Murray Rothbard.

¹⁶ Of which there is no such thing.

¹⁷ By analogy, there is not much difference between Freidman and Keynes on business cycles. Both see market failure as causing depressions, and only differ on the type of statist cure: the former monetary policy the latter, fiscal policy. In sharp contrast to both, Mises and Rothbard see no tendency of the unencumbered market to hive off into depression or inflation, and thus no need for either policy.

¹⁸ Gordon Brown was Prime Minister of the UK from 2007-2010, and [Chancellor of the Exchequer](#) in the [Labour Government](#) from [1997](#) to [2007](#) under which position he was responsible for disbursement of funds, some of which went for foreign "aid" (http://en.wikipedia.org/wiki/Gordon_Brown).

Next, consider this (11): "... aid agencies cannot end world poverty, but they can do many useful things to meet the desperate needs of the poor and give them new opportunities. For example, instead of trying to 'develop' Ethiopia, aid agencies could devise a program to give cash subsidies to keep their children in school." This sounds like a Plan to me, one fully worthy of a Jeffrey Sachs, Easterly's favorite punching bag.¹⁹

Why does this not (10) "show a classic Planner's mentality: applying a simplistic external answer from the West to a complex internal problem in the Rest." Suppose for argument's sake, that this "Plan" of increasing the number of years children spend in school does not work.²⁰ Will Easterly, the Planner lose any money? Will he be less able to foist his nefarious Plans upon an unsuspecting public? To ask this is to answer it: of course not.²¹

Easterly (12) castigates "Planners" who "fail to search for what does work to help the poor." But, what does work to help the poor is neither the Big Planning of Sachs nor the "Searcher Planning" of Easterly, such as this arbitrary and capricious Plan to promote early education in Ethiopia, or any other such underdeveloped country.

Easterly (12) has the audacity to rely for support of his misbegotten educational Plan on "the free market (which) operates without fixed specific goals, only general goals (e.g., businessmen making profits, consumers achieving satisfaction). He (12) continues: "Rather, successful businessmen are Searchers, looking for any opportunity to make a profit by satisfying the consumers."

But Easterly has already at least partially eschewed the system of free enterprise. He has watered down this institution by permitting interventions under the guise of promoting "searching" in government operations. He has thrown in his lot with that of the Planners, that is, of course, the Searcher Planners. Further, didn't Easterly previously say that this "looking for any opportunity to make a profit by satisfying the consumers" couldn't work,

¹⁹ Easterly spends more time criticizing Sachs in his book than any other one person.

²⁰ We quickly pass over, alright, ignore, the issue of how it can ever be determined whether such a Plan has "worked" or not, given that there are so many contributing factors to a nation's economic well being.

²¹ Yes, he will lose credibility, and thus be less able in future to push others of his favorite nostrums, but this only holds true when these failures are clearly seen as his fault. But, we live in a complex world, where such things rarely occur. It is always easy to blame others for one's own mistakes. For example, the socialists excused their errors regarding the failures of the economies of U.S.S.R., Cuba, North Korea, the eastern bloc, on their inability to mobilize good leaders (Hoppe, 1993A). In their view, the next socialist utopia, surely, will succeed, if it can but attract a good leader.

since the poor had no money? Yes, indeed, he did (5): “This is not to say that everything should be turned over to the free market that produced Harry Potter. The poorest people in the world have no money to motivate market Searchers to meet their desperate needs.”²² Here we have a downright logical contradiction, just seven pages apart.

For Easterly, Searcher Planners are far superior to non Searcher Planners. How so? The former follow his style of statist central planning, the latter do not. What is this business about Harry Potter? Easterly is, as is his wont, again denigrating the free enterprise system. He is saying that while the non-poor of the world have enough money to support the writings of J. K. Rowling, the creator of the fictional character Harry Potter, and the movies based thereon, the poor have no such funds at their disposal. Therefore, laissez faire capitalism cannot help them. But the poor of the world do have their labor power. If, for example, there were no laws against “sweatshop labor” nor vicious campaigns against it in the economically illiterate west, then, surely, it would be profitable for capitalists to go into these countries and hire these people, thus saving them from their present immiserating poverty. Contrary to Easterly, these poor do not at all need money to attract the attention of entrepreneurs; sweated labor will do just fine, thank you (Block, 2000, 2008A, 2011; Greene, Henry, Nathanson and Block, 2007; Powell, 2006; Powell and Skarbek, 2006; Zwolinski, 2007).

Easterly makes great play over bed nets which protect against malaria by warding off disease carrying mosquitoes. Under bad old Planning, he (13) tells us, “such nets are often diverted to the black market, become out of stock in health clinics, or wind up being used as fishing nets or wedding veils.” But, with new, improved, wonderful, good Searcher Planning,²³ “PSI²⁴ sells bed nets for fifty cents to mothers through antenatal clinics in the countryside, which means it gets the nets to those who both value them and need them” (13).

Why is it that the good Searcher Planning did not eventuate in these nets being used for fishing and bridal veils, while the bad Planning Planning did? Easterly provides us no real answer. He claims, in effect, that when people paid \$0.50 for them, they valued them. Yes, but why did they not value them for fishing, or marrying? And how is it that people with such “desperate needs” (5), were able to afford to pay this amount of money?

²² I know, I know, I already used this quote. But it is just too good not to utilize a second time. Recycling, reusing, is my motto, as a politically correct watermelon.

²³ Easterly insists upon a sharp distinction between Searching and Planning, but has absolutely no warrant to do so.

²⁴ Easterly's Searcher organization

Even if Easterly could explain this disparity, this would still not show any market failure. Rather, it would only demonstrate that some government plans are worse than others. That is no news. For example, government prohibition of narcotics kills many people and ruins the lives of thousands of others. In contrast, the postal monopoly merely slows down a form of communication that is in any case becoming more and more obsolete. In some sense, then, drug policy is “worse” than postal policy, or the latter is “better” than the former. This hardly establishes that either is justified, as per Easterly and his malaria nets.

Easterly’s support of democracy is also problematic. He (15) avers that “rich democracies somehow work... In other words, politicians in rich countries are Searchers at home.” Yes, Western European countries are more democratic compared to other nations in the world, and they are also richer. But is this because of, or in spite of (Hoppe, 2001), being run on the basis of majority votes? After all Hitler, too, came to power as the result of an election. This hardly constitutes, therefore, a sound recommendation for this political system, Easterly to the contrary notwithstanding. Let us posit that despite Hoppe’s (2001) findings to the contrary, democracy tends to be better than other forms of government. This still does not demonstrate Easterly’s government Searchers hypothesis, for the market can still be more effective than even the most efficient state.

But this author has not had enough of democracy. Easterly (15) states: “Voters tell their local politicians that ‘public services suck,’ and the politician tries to fix the problem.” And again (16): “A political reformer takes responsibility for the results of the reform... politicians and bureaucrats have political incentives to correct any breakdown in trash collection. Feedback guides democratic governments toward supplying services that the market cannot supply, and toward providing institutions for the markets to work.” This seems particularly naïve. It sounds almost, like the functioning of the free enterprise system. Has Easterly not heard of the Public Choice School, which documents, not market but government failure? Does this author not realize that the dollar votes takes place every day (indeed, every second), while the political ballot box operates only every four years or so, at best? It is extremely rare that politicians take responsibility for their blunders. Has Roosevelt apologized for needlessly extending the Great Depression? (Rothbard, 1975). Have the mayors of Detroit, New Orleans and Newark taken responsibility for their crime-infested cities? The author of this book inhabits a very different world than the one occupied by ordinary mortals.

Easterly (25, 26) properly takes to task Gunnar Myrdal for saying “It is now commonly agreed that an underdeveloped country should have ... an overall integrated national plan ... under the encouraging and congratulating

applause of the advanced countries.” Presumably, this is the “bad” kind of government planning. But Easterly is on record, also, with his support of statist planning, albeit of the “good” variety. Talk about the pot calling the kettle black.²⁵

Our author (27) relieves himself of the opinion that “the poor are their own best Searchers.” Really? Why, then, are they poor? What would it mean for the poor to be Searchers? In Easterly’s lexicon, they would have to be entrepreneurial, efficient, effective, forward looking. This hardly sounds like the poverty-stricken (Banfield, 1977, 1990).

But Easterly is not always off the mark. He (27) concedes that “the Gang of Four—Hong Kong, Korea, Singapore and Taiwan” did very well “through the efforts of many decentralized agents participating in markets (the ideal vehicle for feedback and accountability)...” But, if so, why does Easterly not extrapolate from this keen insight and apply it to the currently underdeveloped and retrogressing economies, instead of supporting the Searching variety of governmental planning?

Easterly (28) asserts, seemingly in response to the query appearing immediately above, “For readers understandably impatient to answer the Big Question of ‘What can we do now to achieve prosperity?’ let’s just note that the previous fifty years of research have not yielded any simple answers. If there were such simple answers, there would be many more development success sorties than there are now.” But there most certainly are “simple” answers (Epstein, 1995). Or, rather, there is but one simple answer: As Bauer has shown, again and again, economic development stems from economic freedom.²⁶ After his very insightful appreciation of the economic history of the Gang of Four, why cannot Easterly see this?

Also remarkable is this (29) statement: “Idealists, activists, development workers of the world, you have nothing to lose but your utopian chains. Let’s give more power and funds to the many Searchers who are already working in development.” No, no, no! Governments need not brutalize taxpayers and give “funds” to statist bureaucratic “Searchers.” With so-called “free enterprisers” like Easterly in ascension, it is undoubtedly “utopian” to think that instead we could just work to promote economic freedom around the world as a solution to this problem. But, still, it is true that this is the only way to achieve this goal.

²⁵ Nowhere in Easterly (2006) does this author allude to Mises’s (1922) socialist calculation critique of central planning. He shows no familiarity with it. One wonders what Easterly’s general criticism of such planning would be.

²⁶ See also Gwartney, et. al, 1996; and Smith, 1776.

Easterly's (53–55) over the top complimentary treatment of the Food and Drug Administration is highly problematic. This governmental planning monopoly bureau has been responsible for several sins of commission (approving harmful drugs) and omission (preventing people from accessing good ones). Thanks to the FDA, the expense of obtaining approval for a new drug has skyrocketed. This arm of the government has been indecent in preventing people in the last stages of dying from dread diseases from engaging in a crap shoot with untested, or unproven experimental drugs. This is morally obscene.²⁷ And, yet, “free enterpriser” Easterly voraciously defends this violation of human rights. The problem is not so much these failures, heinous that they have been. It is that they cannot possibly go bankrupts as they long ago would have done, had they but been subjected to the cruel market test of profit and loss, that every mom and pop grocery store must continually meet.

What are we to make of Easterly's (59) contemptible call for ceilings on interest rates, when he castigates “moneylenders” for imposing “usurious (sic) rates” on “the poor”? Will he next call for other types of price controls to combat poverty, such as minimum wages or rent control? If there is anything that can leave his so-called free market credentials in tatters, it is this unwarranted attack on usury and money lending. Why is it that the poor pay higher interest rates? This will come as a shock to the Easterlys of the world, but it is because they have less collateral, poorer records of repayment in the past; in a word, they are more likely to renege on their obligations to repay agreed upon interest and principal.²⁸

Easterly's entire chapter 3, “You can't plan a market” is an explicit attack on the free enterprise system. If there were a button that I could press, that would impose by force of arms, free enterprise all over the world, I would blister my finger doing so (Rothbard, 2008). All this means, of course, is that I would use defensive violence to oppose government takeovers and regulations, and denial of private property rights, that interfere with *laissez faire* capitalism.

Would Easterly join me in this button pushing exercise? No, he would not. Why not? Because several extant attempts to install *laissez faire*

²⁷ For devastating critiques of the FDA, see Becker, 2002; Goodman, 2011; Gottlieb, 2010; Henninger, 1990; Higgs, 1994; Hoppe, 1993B; Kaitlin, et. al., 1987; Kazman, 1990; Peltzman, 1973, 1974; Sardi, 2007; Steinreich, 2005.

²⁸ For a defense of usury, charging whatever interest rate the market will bear, see Garrison, 1985; Hulsmann, 2008; Rothbard, 1995; 2010A, 2010B, 2010C; Tenney, 2004, 2005; Vance, 2008; Woods, 2005

capitalism, he thinks, were dismal failures. He correctly cites the experience of the U.S.S.R. (61) in this regard. Easterly's error, apart from the minor one of trusting statistics emanating from that corner of the world, is that he does not seem to realize that the market economy failed to be created in 1991. Easterly (61) writes as if *laissez faire* capitalism was installed in Russia at that time, but, somehow, it failed: "Overnight transformation to a market economy had joined the list of failed utopian schemes... top down imposition of markets did not work." No. Free markets were not imposed. If they would have been, then of course they would have "worked." They have done so everywhere, everywhere else they have been tried, the world over. Do economic principles not function in Russia, as they do on the remainder of the globe? That would appear to be Easterly's point.

What does the U.S.S.R. case have to do with button pushing? I would "push the proverbial button" to install free enterprise in Russia in 1991, Easterly would not. He would demur on the ground that it did not work. Economic freedom, he maintains, was imposed in that part of the world at that time, and it failed. In my view, in contrast, capitalism did not fail there and then, because he was not tried.

All we can sensibly mean by free markets is a clear (and just) definition of private property rights, coupled with what Nozick (1974) has called legitimate title transfers, that is, voluntary ones. The changes that occurred in 1992, when the U.S.S. R. disintegrated and was succeeded by the Russian Federation, did not succeed in imposing any such system. Had they but done so, there would not have been any "failure."

In sharp contrast, Ludwig Erhard did succeed in "imposing" a free market for post World War II Germany.²⁹ How so? It was simple. He unilaterally rescinded a whole host of stultifying wage and price controls. Easterly, in contrast, is on record, *supra*, as opposing even the rescinding of interest rate controls. Easterly (63) goes so far as to correctly place scare quotes around the phrase, "free market reforms" when applied to Russia. Why, then, does he not realize that free market reforms never came within a million miles of being imposed on this country? If he did, he would have to withdraw his nonsensical claim that had they been, they would not have "worked."

²⁹ Well, it didn't achieve full *laissez faire* capitalism by any means, but, compared with what went on in that country before, it was a reasonable move in this direction. For more on this see Blanchette, 2004; Erhard, 1957; Formaini, 2005; Tucker, 2010; Vogelgesang, 2002

Speaking of linguistic accuracy, I do wish Easterly would cease and desist from his annoying habit (67) of using “anarchy” as a synonym for “chaos.” Has he really not ever heard of free market anarchism, or anarcho-capitalism?³⁰

Here is another instance of Easterly’s misuse of language; he conflates “perfect competition” with “free enterprise,” an elementary misunderstanding. He maintains (74): “Economists have mathematical proofs that show that under certain conditions free markets lead to the best possible allocation of the economy’s resources for everyone—given each person’s initial stock of possessions.” And, again (75) “Any economy in which people do not equalize returns across all types of activities (getting an education, buying land, starting a small business, etc.) is not a free market economy.” Let me put this into words that even Easterly can understand: the assumption of perfect information, homogeneous products, an indefinitely large numbers of buyers and sellers, zero profits, equilibrium, etc., has nothing to do with economic freedom and free enterprise.³¹

Another elementary error of Easterly’s goes like this (75, emphasis added): “... voluntary exchange makes both parties better off, although not necessarily to the same degree. Our sense of fairness is offended if the price seems too high for one party or the other—if a New Yorker has a lot of unwanted Jell-O and a high demand for bagels, then an Ohioan can drive what will look like a great bargain in getting a lot of Jell-O for his bagels. Still, even if the Ohioan benefits more than the New Yorker, they are both better off making the trade.”

This is an exercise in interpersonal comparisons of utility. All such attempts, whether to measure utility either personally or interpersonally, are doomed to failure, as there is no unit of measurement, such as utils (Barnett, 2003; Gordon, 1993; Herbener, 1979; Rothbard, 1997). Thus, it is impossible to determine, as a matter of technical economics, the degree to which different people gain utility from a trade. All that can justifiably be said is that both parties gain *ex ante*.

³⁰ See on this: Anderson and Hill, 1979; Benson, 1989, 1990; Block, 2007, 2010; DiLorenzo, 2010; Guillory & Tinsley, 2009; Hasnas, 1995; Higgs, 2009; Hoppe, 2008, 2011B; King, 2010; Kinsella, 2009; Long, 2004; Molyneux, undated; Murphy, 2005; Rothbard, 1973, 1977, 1998; Stringham, 2007; Tannehill, 1984; Tinsley, 1998-1999.

³¹ Is my language, here, unduly harsh? I think not. When an eminent economist of the ilk of Easterly makes such a fundamental mistake, it is entirely just that he be severely rebuked for it.

And what are we to make of this blunder of Easterly's (77): "Nor are markets of much help to those who are now very poor—after all, the poor have no money to motivate any market Searchers to meet their needs." The poor would have a lot more money if they were not ground down by unwise and immoral policies such as protection, price controls, inflation, unions, minimum wage and usury laws rent control, and yes, welfare, whether of the domestic (Murray, 1984) or international (Bauer) variety. Nor is it true, as Easterly implies, that the poor have no money at all,³² even in the absence of private charity. Were that the case, they would not be alive. Nor, even, is it the case that the poor are struggling at the subsistence level. Were this the case, no one would pay anything for a slave, since there would be no proceeds to be obtained from owning one. Therefore, there would not be slavery. However, this institution has existed for thousands of years. Which proves that apart from wars and natural disasters, mankind was never struggling at the subsistence level (Block, Dauterive and Levendis 2007). So, yes, there is gold in them thar poverty-stricken hills. Why, then, do entrepreneurs not attempt to wrest some of it for themselves? This is for lack of private property rights, in a word, the very system of free enterprise so denigrated by Easterly.

"There is hope," Easterly (77) tells us, "only once you give up the Planner's ambition of universally imposing a free market from the top down." The Planners favor free enterprise? Who knew? This must be news at the U.N., the World Bank, the IMF, and all the other alphabet soup organizations that have for so long so heavily run into the grounds chances for economic development in the poorer regions of the earth. Now, I readily admit it; it is utopian in the extreme to ever expect anything like this to actually occur. However, it is entirely realistic to expect that if it but were done, then economic development would surely follow.

Do you really want to cure poverty in the third world? Then, impose free enterprise, Erhard-style. We can even contemplate going so far as to bring back colonialism if we were to look solely at this one goal.³³ This is the pattern pretty much responsible for bringing Hong Kong from an economic backwater in the middle of the last century to a world leading powerhouse in

³² Yes, Easterly does imply this, and implication may be too understated a word. This author says that capitalists can have no interest in these poverty stricken people. Even ignoring their labor services, that implies not that they have little money, or wealth, but that they have *none*.

³³ Which we need not at all do. That is, I support colonialism not as a categorical imperative, but rather, only, as a hypothetical one. *If* you want to better alleviate poverty in certain corners of the world, it is more likely to occur under this system than with the one that replaced it.

the modern epoch. What happened to Africa after their European overlords departed from the scene? Barbarism, Marxism, war, tribalism, more war, starvation, droughts and great poverty. Now, the present author is of course not actually advocating any such policy. But, strictly speaking, if we focus, solely, on the one challenge at hand, namely, how to end poverty in the third world, there would not seem to be any other realistic alternative. If there are any Ron Pauls in those nations, it is unlikely in the extreme they would be elected.

But Easterly is not finished denigrating *laissez faire* capitalism. He (77–78) informs us that

One type of cheating occurs when you cannot observe the quality of the good I am offering you. I could cheat you by running a taqueria in Mexico City and selling you tacos made under unsanitary conditions. ... When you later get sick, you realize you paid more than you would have had you known how unsanitary the tacos were. The quality problem is ubiquitous, and even the simplest kind of exchange has problems. If you had known the tacos might be unsanitary, you would have offered a lower price. If I had adopted costly but safe food handling methods and sold you healthy tacos, but you couldn't observe my safe handling and still offered the low price, then I would be the one who lost out in the exchange. So I would not bother with safe food handling, selling you the lousy tacos you expected. I could even keep all the best taco ingredients and safest procedures for tacos consumed by my own family, and sell you the tacos made with made with shoddy ingredients and food safety procedures. So the market does not supply healthy tacos! The economist George Akerlof of Berkeley won the Nobel Prize for this kind of insight, applied to the sales of used cars.

The market cannot supply healthy tacos! Presumably, this applies, also, to pizza, hot dogs, burgers, salads, pretty much to anything and everything else where there is a disparity of knowledge between buyers and sellers, which means, in our modern specialized economy, to pretty much everything, for it is difficult to find any exceptions to this rule at all. It applies not only to used cars, but to new ones too. And, to services as well, from piano teaching to medicine to accounting to lawyering, etc. Thank God for government for solving this problem, because the market surely could not. This, at least, is the view of William “Free Enterprise” Easterly.

The actual facts are far different. First, if this were the case, no one would engage in any trade at all.³⁴ Who wants to eat harmful food, purchase lemon cars, etc? We would all become (those few of us who could survive under these conditions) self sufficient. But, let us move back from this *reductio*, and, assume, that this problem of asymmetric information is not that far reaching. It applies only to some markets, not all, and to different degrees. Then, these few markets, used cars, fast food, would shrink relative to what would otherwise have obtained. But, they have done no such thing. Therefore there must be countervailing forces. One of them is the franchise movement. Few people, presumably, will patronize the Easterly taco stand, but this does not at all apply to Taco Time and Taco Bell. In these cases, the head office is forever sending out spies to ferret out any problems of the sort mentioned by our author. Why? Out of the goodness of their hearts?³⁵ Because of the FDA, mentioned above? Of course not. It is due to the fact that profits can best be maximized with repeat customers, and if people don't like the way they are treated by a restaurant, they will not return. And, the same applies to McDonalds, Burger King, Wendy's and other such franchises. Then, there is an entire industry whose task it is to certify the quality of merchandise. Included here are Good Housekeeping, with their Seal of Approval, Consumers' Reports, Moody's, Fitch and Standard and Poor for financial instruments,³⁶ numerous testing laboratories for engineers, and even the institution of Kosher foods. As to automobiles, sellers of both new and used units commonly insure their products against just the sort of difficulty mentioned by Akerlof and Easterly. Sometimes, this is done through market insurance companies. More often, the manufacturers offer product warranties.³⁷

Then, there is the "hold-up" problem, yet another market failure in Easterly's book (78): "Another trick by the supplier could be to appear before the lunchtime peak and demand extra payment above what I have already paid, knowing he has me in a tight spot—it being too late for me to find

³⁴ Well, maybe, this is a slight exaggeration. Poetic license; c'mon, give me a break. It is possible that people might want to risk all sorts of dangerous substances rather than engage in self sufficiency.

³⁵ Well, maybe, at least in part. Capitalists, after all, are not the ogres leftists such as Easterly suppose them to be.

³⁶ They, unfortunately, have been undermined by statism. See on this Liebowitz, 2008A, 2008B, 2008C, Liebowitz and Day. 1998.

³⁷ For critiques of the so called market failure of asymmetric information, see Anderson, 2001; DiLorenzo, forthcoming; Epstein, 2001; Kirzner, 1979; MacKenzie, 2003; Simpson, 2005.

another supplier... often at a point in a transaction, one party has a stranglehold on the other and can extort additional payment.”

Needless to say, Easterly offers no evidence to support the claim that this unlikely contention is a real world problem. Without a doubt, in the entire history of mankind, this sort of thing has occurred, more than a few times. But, one problem with his analysis is that this would be illegal, certainly in any legal regime that respected contracts. Even apart from that, this is not the sort of practice that, to say the least, encourages repeat business. Once burned, twice shy.³⁸

But Easterly (78) is not yet done with his intellectual rape of the marketplace: “A contemporary of Julius Caesar’s, Crassus,” he tells us, “made a fortune in early Rome with a private fire company that would negotiate a price for extinguishing a fire as it was raging.” Why, pray tell, didn’t the authorities deal severely with this company, for contract violation? Failing that, why did not another, competing, fire company, guarantee that it would stick to the price it had already agreed upon? Surely, the latter would have captured all the customers of the former, even if the former was not incarcerated for contract violation.³⁹

Dealing with problems of trust, Easterly (85) correctly notes that “Hasidic Jews famously dominate the diamond trade on Forth-seventh Street in Manhattan.” This certainly reduces transactions costs. But no sooner does he say this but that he goes off the deep end, once again: “Refusing to deal with outsiders limits entry into particular sectors, limiting competition and giving above-normal profits to the established well-connected firms.”

There are several problems here. First, in the market, profits are virtually always “above-normal” (or below normal). After all in the real world, we do not have “perfect competition,” nor are we continually in equilibrium. Second, it is state restrictions on entry that do indeed artificially raise prices

³⁸ In another blatant self contradiction, Easterly (81) reveals: “Even if we don’t trust one another, there are other bottom-up solutions to opportunism. As far as not delivering products or not repaying debts, there are credit reporting agencies, and Better Business Bureaus that can handle these problems. Warranties protect the consumer against product defects.” Akerlof, where are you now that we need you?

³⁹ A somewhat different case occurred in Tennessee: a homeowner refused to sign a contract for fire protection. When a fire broke out, the fire battalion refused to douse it. Had it negotiated a very high price on the spot, it would have been entirely justified. The only thing proscribed by libertarian law would be renegotiating a contract at this point. See on this: Associated Press, 2010; Carden, 2010; Mackey, 2010; Murphy, 2010; Rose, 2010.

and profits. If these were merely private restrictions, as in the case of the Hasidic Jews, and profits rose as a result, this would attract new entry, which would tend to lower profits once again. A magnificent analysis of this phenomenon was offered by Friedman (1962, ch. 9), in his discussion of the American Medical Association restrictions on entry for doctors. But, these were backed up by government enforcement, and thus were not compatible with the operation of a free enterprise system.

As justification of his claim that it is impossible to impose free enterprise from above, Easterly (95–97) depicts the astoundingly complicated land title system among the Luo tribe in Kenya. But, his analysis is marred by his lack of appreciation for what justice consists of in terms of titles to land. For example he (91) maintains that the real owners of the land in the U.S., in its entirety, are the Native Americans. To fully articulate the notion of justice in this regard, at least according to libertarian law, would take us too far afield. Let it be said, however, briefly, that it is based on homesteading,⁴⁰ or mixing one's labor with the land.⁴¹ All that can be said about the arcane and confusing property titles of these people is that they are not at all compatible with that emanating from libertarian theory. As long as we are engaging in "top down" enforcement of justice in property titles, most of these would have to be swept away, if economic progress is to be made.⁴² Easterly, however, is not having any of this. He (96) says: "By imposing land titling on such complex social customs, 'private property rights' may actually increase the insecurity of land tenure rather than decrease it." Easterly is very correct in this assessment. But, only, in the short run, during the transition period. After that, the very opposite would be the case, as it is in western societies.

Easterly (100) also blames "free market reforms" for the debacle concerning the privatization of banks in Mexico. Of course, this process included all sorts of shenanigans (99): "... buyers of the banks could use loans from the banks they were buying to purchase the banks." As well, we are informed, there was "deposit insurance from the Mexican government," everything was subject to "Mexico's torturous (civil-law) bankruptcy laws," and there was "a bailout of the banking system's bad loans." This author does

⁴⁰ See on this Block, 1990, 2002A, 2002B; Block and Yeatts, 1999-2000; Block vs Epstein, 2005; Bylund, 2005; Hoppe, 1993, 2011A; Kinsella, 2003, 2006; Locke, 1948; Paul, 1987; Rothbard, 1973, 32; Rozeff, 2005

⁴¹ The native Americans were far too few to homestead the entire land mass of what is now the United States.

⁴² One might think that this is not all that important, as land contributes only some 10% of the GDP. However, one tenth of the economy is not to be sneezed at. In any case, the proportion is higher in the underdeveloped parts of the world.

not mention other deviations from laissez faire capitalism: legal tender laws, fractional reserve banking, lack of gold backing for the currency, etc. Nevertheless, he blames this system for the Mexican financial fiasco.

To add insult to injury, Easterly (101) also reveals himself as a gradualist: “Trying to change the rules all at once with the rapid introduction of free markets disrupted the old ties, while the new formal institutions were still too weak to make free markets work well. Gradual movement to freer markets would have given the participants more time to adjust their relationships and trades.” This is his explanation of “why the transition from communism to capitalism in the former Soviet Union was such a disaster, and why market reforms in Latin America and Africa were disappointing.” Permit us to offer an alternative explanation. First, these changes were not in the direction of economic freedom. Easterly would not recognize “free enterprise” if it bit him in the nose. Second, even if they were, it by no means follows that as an empirical issue, slower is better than faster. The experience of Ludwig Erhard is one case in point. Another is the elimination of slavery. Suppose that on the day in 1865 that the War between the states in the U.S. ended, that Easterly’s recommendation was followed. The slaves were not freed, all at once. This would have been too disruptive. The slave owners, and others dependent upon this system, would have needed “more time to adjust their relationships and trades.” Instead, only, say, 10% of the slaves were freed each year, and the process took a decade to complete. This would have been entirely unjust, in that then we had the power to entirely end this horrid system, but did so only partially. If so, we would have been responsible for continuing this system. We would have, in effect, supported slavery. Moreover, we would have thus enabled the forces of reaction to mobilize once again, to reinstitute their appalling slavery system.⁴³

Here is an interesting tidbit. Easterly (110) supports the Shell Foundations attempt to address the problem of indoor smoke “in which dozens and even hundreds of microenterprises produce and distribute stoves, adapting them to local consumer wants.” He characterizes this, you had better be sitting down when you read this, as “a market-based approach.” Au contraire. This attempt to undermine the benefits of mass production sounds like nothing as much as the Communist Chinese “Great Leap Forward”

⁴³ On slavery and its ending, see DiLorenzo, 2002A, 2002B, 2006; and Hummel, 1996.

program, under Mao's auspices, to produce steel in hundreds of thousands of back yard blast furnaces.⁴⁴

Easterly (166) reveals himself as a road socialist. That is, he avers, "Some goods are public services, such as roads, that have to be supplied by the state." Have to? This author neglects the fact that many early roads during colonial times in the U.S., turnpike highways, were private, not public (Block, 2009C). He gives no reasons, nor evidence, for this pronouncement of his. He seems not to be aware that several tens of thousands of people die on these charnel thoroughfares, many of them, the poor, his special focus. In his view, markets work reasonably well—for the rich, but not for the poor.⁴⁵ He forgets about the fact that companies like Wal-Mart and McDonalds have greatly alleviated poverty, both as employers and as suppliers of low priced merchandise. In the view of Mises (1998, 611): "The history of capitalism as it has operated in the last two hundred years in the realm of Western civilization is the record of a steady rise in the wage earners' standard of living. The inherent mark of capitalism is that it is mass production for mass consumption directed by the most energetic and far-sighted individuals, unflinchingly aiming at improvement. Its driving force is the profit-motive the instrumentality of which forces the businessman constantly to provide the consumers with more, better, and cheaper amenities. An excess of profits over losses can appear only in a progressing economy and only to the extent to which the masses' standard of living improves. Thus capitalism is the system under which the keenest and most agile minds are driven to promote to the best of their abilities the welfare of the laggard many."

Easterly (168) also places great reliance on democratic government: "Democracy also features feedback. If a citizen or civic lobby observes a problem and calls a public official to get it fixed, it often gets fixed. If the government does something that really pisses (sic) off the majority of the

⁴⁴ See on this "market-based" approach: "The Great Leap Forward also encouraged communes to set up "back-yard" production plants. The most famous were 600,000backyard furnaces which produced steel for the communes. When all of these furnaces were working, they added a considerable amount of steel to China's annual total—11 million tonnes" (historylearningsite.co.uk/great_leap_forward.htm). "The furnaces date from the Great Leap Forward, when the entire country was mobilized to turn scrap iron into steel using small-scale furnaces, with the aim of doubling the national output. The project was a total disaster and the furnaces were abandoned two years later" (<http://chinahopelive.net/2009/07/23/modern-chinese-archeology-backyard-furnaces-from-the-great-leap-forward>).

⁴⁵ The title of his chapter five is: "The rich have markets, the poor have bureaucrats." But what is so wrong about the latter for the poor, as long as they are Searchers, not Planners, is not explained by Easterly.

population, the voters scream loudly enough that the government changes its behavior.” And again (173): “If the citizens don’t get results from government bureaucracy, they complain to politicians who depend on the citizens’ votes. The politicians (principals) try to design bureaucracies (agents) with incentives to deliver results to the voters. In rich-country democracies, bureaucrats are more likely to be assigned a simple, doable task (Tacoma Park Public Works, U.S. Government Veterans Affairs, the State Highway Department, Social Security) rather than visionary ambitions. Politicians will blame bureaucracies (and voters will blame politicians) if they fail to deliver results (potholes fixed, veterans’ benefits delivered, new roads built, retirement checks issued). It appears that Easterly has never driven through the potholed streets of New Orleans; never lost any mail delivered by the U.S. Post Office; never waited in a long line at the motor vehicle bureau; has learned nothing from the fact that majorities favored the U.S. removal from wars in Viet Nam, Afghanistan, etc., and that the ruling classes long ignored them; writes in ignorance of the findings of the public choice school; has never heard of the irrational voter (Caplan, 2007); is unaware of the fact that Social Security⁴⁶ is a Ponzi scheme; neglects the fact that in the market, each and every transaction is beneficial to both parties in the *ex ante* sense, while this is never true in the “public” sector.

Everywhere throughout his book, Easterly cautions us to be mindful of local conditions; that one Plan will not suffice for all situations, since they are so heterogeneous. And yet he can tell us (190) that aid donors, presumably, all of them, on all occasions, “should just bite the bullet and permanently fund road maintenance, textbooks, drugs for clinics, and other operating costs of development projects.” Is this not the Planning against which he warns us? What happened to Searching, and being aware of the complexity of the local situation?

⁴⁶ Here is what Mises (1998, 613) had to say about this program: “Whether such a system of social security is a good or a bad policy is essentially a political problem. One may try to justify it by declaring that the wage earners lack the insight and the moral strength to provide spontaneously for their own future. But then it is not easy to silence the voices of those who ask whether it is not paradoxical to entrust the nation’s welfare to the decisions of voters whom the law itself considers incapable of managing their own affairs; whether it is not absurd to make those people supreme in the conduct of government who are manifestly in need of a guardian to prevent them from spending their own income foolishly. Is it reasonable to assign towards the right to elect their guardians? It is no accident that Germany, the country that inaugurated the social security system, was the cradle of both varieties of modern disparagement of democracy, the Marxian as well as the non-Marxian.”

I do not mean to suggest that Easterly is entirely impervious to the benefits of the free enterprise system. I would hardly be writing this review attesting to the fact that he is not, although widely claimed to be so, were it not at least partially true. We see some evidence of this in his (208, emphasis added) lukewarm support of the market when he comments upon Prahalad (2005): “He shows how private firms can sometimes find it in their own interest to help solve some of the problems of the poor that are traditionally addressed by aid agencies. The Searchers in a free market do much better than aid agencies in solving specific problems of the poor, although having a profit incentive to do so is not the typical case.” Sometimes? Not typical? It is the market, not government, not “aid” agencies, that makes it possible, at least in the U.S., for the poor to have cars, radios, colored television sets, air conditioning, toasters, computers, restaurant meals, nylons, lipstick, expensive shoes, etc. It is the mass production of capitalists, working for a gigantic audience which includes the least well off, that allowed vast profits to be earned in the service of all.

But the cases of very guarded praise for the free enterprise system are few and far between. More readily available in this book are hagiographical praise for non and anti market institutions (214): “The IMF has had some notable successes... The IMF bailout of Mexico in 1994–1995, although much criticized at the time, worked well... The IMF recruits talented Ph.D.’s in economics, who observe strong norms of professional analysis. It has an outstanding research department, as well as other specialized departments that provide valuable technical advice to poor countries on their fiscal and financial systems.” Yes, but, if this organization failed, would it automatically go broke? Does the IMF have a record of selling its advice to arm’s length clients for a profit? To ask these questions is to answer them.

It is time to bring this review to an end. I have purposefully focused on the negative aspects of this book, so as to correct the impression that Easterly is a strong supporter of economic freedom, private property rights, the rule of law. He is, and there are parts of this volume that are valuable because of it. This is especially true of his analysis of British errors regarding Palestine, Africa and India. And, all throughout, he does exhibit an appreciation of markets, albeit a rather limited one. Is he likely to be appointed an economic advisor to a President Ron Paul? In a word, no.

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