

Book Review

The Tyranny of Experts:

Economists, Dictators, and the Forgotten Rights of the Poor

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“William Easterly: divine right of kings is now development right of dictators”, the title of Claire Provost’s article in *The Guardian*¹, captures the essence of *Tyranny of experts* - a book that presents an ongoing debate between two theories of development and their effects noticed throughout the history of development. Both theories were awarded the Nobel Prize in Economy in 1974: one belonging to Friedrich Hayek, and the other to Karl Gunnar Myrdal. The first advocates freedom and individual rights, and the second sustains authoritarian technocratic development.

A general economic dilemma is about state interventions versus market regulations, but the main topic of our book is “the debate they never had”² - “they” meaning Hayek and Myrdal – respectively the double measure logic applied to the countries of “the West” and the countries of “the Rest” regarding individual rights and collective rights in the process of economic development or, as mentioned, “autocracy versus freedom”. This dichotomy is divided in three dimensions:

1. **Blank Slate Versus Learning from History:** should experts develop the strategy from scratch ignoring the history or should they consider the historical development of that country?
2. **The Well-Being of Nations Versus the Individual Well-Being:** “Is development about meeting national goals, or letting individuals choose and meet their own goals?”
3. **Conscious Design Versus Spontaneous Solutions:** “Was development the result of deliberate design by experts at the center, or did it emerge from unplanned solutions by individuals?”³

The book starts with an example illustrating the first dimension. The anthropologist Clifford Geertz considers that Myrdal’s study “Asian drama” pictured India in a stereotypic and very abstract manner, ignoring its complex social system, profound culture and vitality.

One point of view that explains the economists’ bias toward the Blank Slate approach lays in the fact that “Third world” countries have much more in common compared with “First world” countries: a low per capita income, a low level of health and education, and high corruption.

Another case illustrating the Myrdal’ Blank Slate orientation is reflected by the idea that traditional Sweden families are “pathological” in respect to the way they take care of their children, generating a decreasing number of child births. His proposed solution, another example of the technocratic thinking, was to create the “great national household” that shall take care of all Swedish children. Myrdal was unable to understand “the family”, which is a historical, more complex, naturally evolved institution, with a very important role in the human evolution.

Among the most salient negative consequences of the Blank Slate approach we identify aspects like the unconsidered positive impact of the individual freedom in development, the need for more autocratic coercion (in order to make the individuals renounce former institutions and adopt the experts' new solutions) and the fact that knowledge of local non-experts about how traditions are working for them might be more valuable for development than the knowledge of imported experts.

The debate of the Blank Slate versus traditions took place in the West, but in the Rest there were no democratic institutions to reject the autocratic solutions where the autocrats and their experts had more power to impose their solutions. A moral hazard issue could be discussed here in the sense that the experts and autocrats would make decisions, and later would not bear the consequences of these decisions due to their privileged status.

Myrdal considers ethnic origin, tradition and culture as barriers in development, and he argues that they should disappear, as mentioned in his *Asian Drama* report. Hayek positions himself at the other end: he believes this approach to be a dangerous action in respect of individual rights, and he considers that a threat to small ethnic groups' rights.

Approximately 5 years after Hayek published *The Road to Serfdom*, in 1950 Kenneth Arrow developed the "impossibility theorem"; proving that by satisfying the rules of consistency and coherence there is no method that could rank the choices of a community of people. In fact, politics and economics imply competing ends or different needs of different people, and some goals have to be sacrificed to achieve other goals. The important issue is, in fact, what the authority that establishes the algorithm of aggregating preferences in a community is.

Our author's opinion is that Hayek was visionary with his concept of "spontaneous order" that could be assimilated with Owen Barden's contemporary concepts of emergence and complex adaptive and self-organizing systems"⁴, developed in 2013. Lawrence Summers, a Harvard economist and Kenneth Arrow nephew, emphasizes "Hayek legacy": the invisible hand, the tacit knowledge (trained and most unconscious knowledge) are much more powerful in complex systems than the visible hand and formal knowledge. Hayek defines individualism as "an attitude of humility before this social process and of tolerance to other opinions"⁵. In his opinion this individualism shall predict better results in the country growth or development.

An alternative to the expert solution would be a market competition mindset where consumers choose the most appropriate product/service depending on their needs, quality and costs. Experts or centralized problem solvers have no access to tacit knowledge, and that is why the spontaneous solution might be more appropriate for a sustainable development than the experts' designed solutions, with knowledge limitation.

The book identifies reasons explaining why the debate did not happen.

On one hand, political reasons are most prominent: experts from developed countries considered that there was no other solution than the one of a much powerful state ignoring the individual rights. Experts justify that poor people rights could not be so useful without material prosperity. In 1949 Truman announced the initiative to give aid to poor countries in the framework that "for the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people"⁶. With his statement we can identify issues like framing, moral hazard and informational asymmetry. Framing may refer to the way in which the experts emphasises the whole country development, avoiding the topic of individual rights enhancement (thus, a collective frame). Traces of moral hazard can appear due to the fact that the experts decide and establish targets, but they do not bear the consequences of their decisions. Lastly, informational asymmetry exists in the sense that tacit and cultural knowledge might remain unknown at the centralized expert level.

On the other hand, economists, confronted with colonialism and autocracy in "the Rest" countries, have created the field of development economics, focusing their interests on economic growth and structural change at national level.

Chapters three, four and five describe, through examples of China, Ghana and Colombia, where these autocratic economic development principles have led. We can mention here that the biases of Western countries representatives, as avoiding the recognition of race equality in individual rights, were combined with the biases of autocratic leaders, as a propensity towards the present.

In 1919 with the Versailles Treaty, out of 27 states, the powerful Great Britain, France and United States influenced the two decisions that would have a big impact on the future development of the Rest of the world countries: the first one - the League of Nation mandates creation, the second one - the avoidance of racial equality endorsement.

A problematic example was the Oriental Exclusion Act in 1924 because it totally interdicted the Asian immigration at the time where the Europeans were free to immigrate, and the Americans preserved the right to stay in China carrying special privileges. NGOs like Rockefeller foundation, Young Men's Christian Association (YMCA) and Yale Club found complementary interests, and due to their further collaboration, the initial purpose of YMCA conference to fight racial discrimination was changed to a neutral tone of a forum of Asian and white experts. Another delicate issue was the "Survey of Race Relations", supported by Ray Wilbur, the president of Stanford University. He considered that this research solved racial problems by "establishing the material interests of each race".

Continuing with the history of China, after Sun Yat-sen death, the World first development plan was initiated. Because market competition was considered a big waste of resources, H.D. Fong, a former Yale doctoral student together with a group of American experts and having Chang Kai-shek support, has created the great Trust of Chinese companies (owned by Chinese people).

Some behavioural economics aspects could be identified in this situation. The technocratic mind-set framework helped policy makers shift attention from the rights of Chinese people and the extraterritoriality issue to the country's development policy, supporting in the meantime the Chiang Kai-shek' needs for limitless power. Technocrats changed Chinese focus on Western abuses of Chinese rights to the technical issue of fast country's development, short cutting the natural way of development. Thus, experts sustained autocrats' need to quickly cover the gap between West and the Rest – thus illustrating a type of present focus bias, while maintaining the Western countries decision to not eradicate the race inequality – thus expressing both status-quo bias and loss aversion.

Switching then to the African continent, the book highlights that Anson Phelps Stokes, an American philanthropist, organized in 1943 the *Committee on Africa the war and peace aims*. He attested in a report that Africans were not less able to achieve an equal education and similar responsibilities as the Europeans. Officials banned racism in public, but Hailey used similar arguments in favour of a technocratic approach, extrapolating and generalizing that political liberties are useless if not built on social and economic progress. The Second World War helped Hailey with the authoritarian development approach on the expense of political rights for nonwhites – this approach for development of all people by international UN states involvement was declared an important goal during the UN conference in 1945.

In Columbia – 1948 – the technocratic development approach became politically convenient for The West also because of the Cold War. In the World Bank's view Colombia would have been saved from poverty with a Blank Slate strategy, and also would have become an inspiring example for other underdeveloped countries. But, between 1948 – 1956, Colombia knew the "La Violencia" period – a state of political conflict with 400,000 people murdered; therefore, the approach failed to prove useful in that context also.

In the third part of the book Easterly criticises the Gates Foundation campaign in Ethiopia, to decrease the child mortality, comparing the actions of Gate Foundation with Rockefeller Foundation actions supporting autocratic development in underdeveloped countries. Here in Ethiopia, even though a decrease of child mortality was noticed, there is evidence that dictators used the international support discretionary in their political interest as well.

Chapter six supports the idea that cities within free regions grew into more than cities in non-free regions and compares the North and the South regions of Italy. A parallel is made between

Genovese merchants and Maghribs Jews merchants in Tunisia, the last ones being a close culture, with collectivist values, where trade was organized by ethnic groups or families, in contrast with the Genovese merchants. In approximately 150 years the Genovese commerce increased by 46 times on the Mediterranean trade, while the Maghribs lost it almost entirely.

The Tabellini study (2010) reveals that the regions with collectivist values and autocratic history are poorer than those with individualist values and a more democratic history. Majority voting is not sufficient for a democracy. New democracies expectations are much higher for countries with previous long autocratic regime; trust is also a sensitive issue in these countries, and its level influences the potential for trade and contracts reinforcement.

Easterly states that democratic capital is strongly correlated with individualism. In the autocratic solution we can identify knowledge and incentives problems. Some knowledge is often localized and tacit. Also, voting only does not incentivize the government enough to act properly because in fact there is almost no punishment for government action that can be imposed.

The AJA tribe in Africa is an example of geographic oppression due to the fact that it was the closest African population to Brasilia, and AJA tribe members were slavery victims. Nunn and Wantchekon's barometer revealed that trust is much lower on ethnicities that have experienced high levels of slavery than the ones that escaped from slavery.

Easterly's vision is that Elites (mostly American and European descendants) try to limit the rights of nonwhites in order to preserve their advantages, which otherwise would be threatened by the economic and political rights of the majority.

In comparison with underdeveloped regions, Easterly takes into discussion the Soho/Green Street historic area of New York and analyses its free development since the seventeenth century. Even if the specifics of the area and ethnicity constitution differs drastically, he still believes that Soho has much better development results only from the fact that rights of the majority were respected. While this is a powerful and often convincing framework of depicting the facts, it is also flawed from a methodological point of view – discussing upon not comparable geographic areas, cultures, homogeneity, size of population, resources and know how.

Inequality in opportunities between world countries is demonstrated by many World Bank studies. In this respect Easterly exposes a pro migration opinion due to the remittances benefits and opposed to “brain drain” and nationalist arguments, showing us that a spontaneous solution might be successful. The Mourides example reflects a spontaneous organization transformed into a business, which found a way to succeed worldwide starting from Senegalese migration. In this context, a successful paper of the World Bank “How Do National Policies Do Affect Long-Run Growth?” established just how little national policies actually do affect growth: “national growth success is usually temporary and quickly reversed”⁷.

In 2012 Dr. Jim Yong Kim, World Bank Director, sustained that the World Bank should become a solution bank, one with “evidence-based, non-ideological solutions to development challenges”⁸. Easterly considers Kim as another promoter of conscious expert solution, which again tends to neglect spontaneous solutions from market traders, individuals, entrepreneurs, and innovators.

In chapter eleven the author speaks about markets and how spontaneous solutions appear from the association of problem solvers, as a result of the fact that solving a common problem is easier if interested people form an informal a community spontaneously. He speaks about the case of Chung who, from a poor food producer in Asan, became -the entrepreneur who founded the giant Hyundai automotive group. In fact, the author sustains Adam Smith's “invisible hand” of the market that solves many problems due to the three concepts: gains from specialization, gains from commerce and labour's division also solving the knowledge and incentives issues.

Chapter twelve describes another facet of the “Invisible Hand”: problem solving by inventing technologies. This means that the current trend of population increase can have positive effects as an increasing number of ideas also may increase innovation; nonetheless, the negative effects remain in place, the most visible being the decrease of the land surface per capita.

Experts' predictions are that the more technology one holds, the faster the innovation is. By patenting innovations, the Western countries stimulated it. This way the innovation incentive problem was solved. The spread of technology could have been done by importing products and copying it or moving around people with the proper skills. Frontier countries are called the ones that adopted the latest technologies, while non-frontier countries are the ones that did not adopt them. This is a separation similar to the rich and poor countries separation because we know that technology is an important factor influencing income per capita.

The author further reveals how the spontaneous combination of technology and innovation can generate positive development surprises. An example is Mpesa microcredit business which, using phone technology, obtained a good market share in Kenia where the banking services are poorly developed. Another example is Rwanda's high quality coffee (24 \$/pound) transportation by plane instead of cars due to the fact that the roads to the nearest port are also very poor. Similarly, Kenia and Ethiopia use air transportation for flowers and coffee, respectively Tanzania and Uganda for fresh fish.

Some of Easterly's case studies presented in the book reflect examples of heuristics that make people remind selectively of some aspects, ignoring others that might be important too and finally reaching wrong conclusions. An example of how the media can bias us is "the successes of autocratic countries." In fact, because the successes were mentioned more than the failures, in New York Times and other publications, we behave according to the availability heuristic - the bias toward using the most recent, easy to access or familiar information. Also the fact that our mind does not work well with probabilities and statistics is another fact that makes us more prone to associate the autocratic leaders with high growth, even if growth miracles are very rare.

Another case he mentions is that "we are well aware", from abundant information spread by the media, of the fact that the "Gang of Four"—Singapore, Hong Kong, South Korea, Taiwan kept growing by 6%/year. This example shows us a commonly encountered bias that is taking the short-term trend as predictor for the long-term trend. From a theoretical perspective this happens because of misperceiving the randomness aspects and the tendency to ignore the regression to the mean. The randomness misperception appears because people have a need to feel in control or to avoid cognitive dissonance and overestimate causality. Regression to the mean is a statistical concept which is not so intuitively understood and predicts that if a variable takes an extreme value, the next time the variable shall take a closer value to the mean. Most people generally ignore this because extrapolation works more intuitively for them. Thus, they might be wrong finally thinking that this 6% growth will continue and even will increase.

At the end of the book Easterly concludes that we should care more about the rights of the poor than their material suffering, and we should sustain the Abuse-Free Development. In this way we shall support an increased growth rate. He believes that "the West and the Rest" double standard incidence decreased in the present also due to the fact that the number of dictators was reduced (in Africa by around 30%, compared to 1988; in Latin America the situation has improved also since 2010; even in China the author believes that the individuals' rights improvement is near).

From my point of view, the book signals the subject of individual rights as an important aspect of approaching other humans or communities' development. In fact, nobody would like to be a subject of abuse. The other valuable aspect is that the experts should think twice and avoid imposing Blank Slate based solutions because the complexity of cultural, historical, informal institutions factors might have hidden knowledge and benefits, being more appropriate from a sustainability point of view in that specific country or community.

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William Easterly

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