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COMMENTARY

Dismal Science

By WILLIAM EASTERLY
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Scientific American, in its November 2006 issue, reaches a "scientific judgment" that the great Nobel Prize-winning economist Friedrich Hayek "was wrong" about free markets and prosperity in his classic, "The Road to Serfdom." The natural scientists' favorite economist -- Prof. Jeffrey Sachs of Columbia University -- announces this new scientific breakthrough in a column, saying "the evidence is now in." To dispel any remaining doubts, Mr. Sachs clarifies that anyone who disagrees with him "is clouded by vested interests and by ideology."

This sounds like one of those moments in which the zeitgeist of mass confusion about national poverty, world poverty and prosperity comes together in one mad tragicomic brew.



AP Photo


Hayek: Sachs appeal

First, Mr. Sachs disses the great Hayek by repeating the old canard that Hayek thought any attempt at taxpayer-funded social insurance would put us all on the "Road to Serfdom." This is an especially strange charge, since Hayek (while certainly opposed to the social engineering that proponents of a full-blown welfare state usually have in mind) himself calls for some form of taxpayer-funded social insurance against severe physical deprivation on pages 133-134 of "The Road to Serfdom." Mr. Sachs, who is currently best known for his star-driven campaign to end world poverty, has apparently spent more time studying the economic thinking of *Salma* Hayek than that of Friedrich.

Second, if he had studied (Friedrich) Hayek, Mr. Sachs would realize what "The Road to Serfdom" is really about, and how it is of great relevance to Mr. Sachs's own current work, which has ironically little to do with what he wrote about in Scientific American. Hayek's great book is all about the dangers of large-scale state economic planning, courageously written in 1944 when Soviet central planning, technocratic socialism and administrative control of the wartime economy appealed as a peacetime model to many New Dealers, celebrity economists and policy wonks of all stripes.

The countries that are now rich subsequently listened enough to Hayek and to common sense to avoid the road to serfdom. Yet today, Mr. Sachs (in his book "The End of Poverty") is peddling his own administrative central plan -- 449 steps in all -- to end world poverty. In his plan, the U.N. secretary-general (to whom he is an adviser) would supervise and coordinate thousands of international civil servants and technocratic experts to solve the problems of every poor village and city slum everywhere. Mr. Sachs is not in favor of central planning as an economic system, but he offers it as a solution, anyway, to the multifold problems of the world's poorest people. If you want the best analysis of why the approach of Mr. Sachs and his confreres in Hollywood and the U.N. will fail to end world poverty

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this time (as similar efforts failed over the past six decades), you can find it in Hayek.

Third, Mr. Sachs's attempt to make the case for his best possible society, the Scandinavian welfare state, is a little shaky. If this is what passes for the scientific method in *Scientific American*, American science is in even worse shape than we thought. Economics is usually about the incentives that cause people to solve their own or other peoples' problems, but to Mr. Sachs, problem-solving seems always to be about raising more public money for whatever cause he is concerned with at the moment. (To give the celebrity economist his due, he does successfully raise the profile of genuinely tragic problems which compassionate people everywhere would like to see alleviated.)

Mr. Sachs's empirical analysis purports to show that Nordic welfare states are outperforming those states that follow the "English-speaking" tradition of *laissez-faire*, like the U.K. or the U.S. Poverty rates are indeed lower in the Nordic countries, although the skeptical reader (probably an ideologue) might wonder if the poverty outcome in, say, the U.S., with its tortured history of a black underclass and its de facto openness to impoverished but upwardly mobile immigrants, is really comparable to that of Nordic countries.

Then there is the big picture, where those *laissez-faire* Anglophones in, first, the U.K. and, then, the U.S., just happened to have been the leaders of the ongoing global industrial revolution that abolished far more poverty over the past two centuries than a few modest Scandinavian redistribution schemes. Mr. Sachs apparently thinks the industrial revolution was led by IKEA. Lastly, let's hear from the Nordics themselves, who have been busily moving away from the social welfare state back toward *laissez-faire*. According to the English-speaking ideologues that composed the Heritage Foundation/Wall Street Journal Index of Economic Freedom, Denmark, Finland and Sweden were all included in the 20 countries classified as "free" in 2006 (with Denmark actually ranked ahead of the U.S.). Only Norway missed the cut -- barely.

Mr. Sachs is wrong that Hayek was wrong. In his own global antipoverty work, he is unintentionally demonstrating why more scientists, Hollywood actors and the rest of us should go back and read "The Road to Serfdom" if we want to know what will *not* work to achieve "The End of Poverty." Hayek gave the best exposition ever of the unpopular ideas of economic freedom that somehow triumph anyway, alleviating far more national and global poverty than more fashionable Scandinavia-envy and grandiose plans to "make poverty history."

Mr. Easterly, professor of economics at New York University, is the author of "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good" (Penguin, 2006).

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