cial system, outlining an approach that expands financial disclosure; clarifies standards of disclosure; rethinks penalties and enforcement efforts; and creates a feedback loop implemented through the financial system’s supervisory institutions, the Securities and Exchange Commission, and the Federal Reserve.

While Bernasek acknowledges the normative importance of integrity and trust in society, her emphasis throughout the book is instrumental in nature. This is not necessarily a criticism, however. Without discounting the regulatory importance of the state, she argues that the market and free association are the basis of a successful economy. Integrity and trust cannot be legislated. These concepts need to be discussed and considered in the normal decision-making calculus involving economic transactions. I agree with Bernasek that there is a false choice between free markets and regulation, but there is an important debate on the degree of dependency on either market-related or nonmarket-related responses to specific industry-related activities. Integrity and trust should be identified with neither a politically left or right philosophy but should be fundamental to the competitive success of a nation and economic institutions.

Bernasek has written an informative book explaining the positive practical implications for a nation (and its institutions) when it actively incorporates the essential moral precepts of integrity and trust in its society.

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The Aid Trap: Hard Truths About Ending Poverty
R. Glenn Hubbard and William Duggan
New York: Columbia Business School, 2009 (198 pages)

All of us who are concerned about the eradication of world poverty can congratulate Dean Hubbard and Professor Duggan for their penetrating analysis of poverty and their pro-business solution to it. The Aid Trap is a concise, beautifully written, stimulating, profound, and up-to-date reminder to all of us who are deeply concerned as to just why our traditional aid programs continue to fail us.

The beauty of the book is that it focuses attention on the need for the creation of local business activities, the neglect of which the authors prove to be the fundamental reason why most entrapped nations cannot escape persistent poverty. It demonstrates convincingly that the standard remedies have failed to solve the problem. Foreign aid, culminating in the currently fashionable Millennium Development Goals, though it has achieved some meager results, seems destined to perpetuate the age-old problems of forever sustaining the self-same corrupt recipients of foreign aid, as George Ayittey describes them: “… stodgy, pudgy, and wedded to the old colonialism/imperialism paradigm with an abiding faith in the potency of the state.” The governments of most poor countries “are mostly anti-business, and the aid that rich countries give them overwhelmingly supports government agencies and nongovernmental organizations (NGOs) rather than business.” It is the
story of thwarted prosperity, so different from the mystique of America’s former president Cal Coolidge, who used to hold that “the business of America is business.” The solution to poverty should be business.

Alongside the aid trap, our authors criticize the charity trap promoted by innumerable NGOs and celebrities because charity often merely substitutes and blocks out the creation of local business. Charity usually serves to marginalize the real solution, impeding the creation of a functioning local business system.

The mantra in the book, repeated at every strategic crossroad, lists the four antiprogress systems: “tribalism, despotism, feudalism, pure or national socialism,” whereas the true remedy is, again in George Ayittey’s words: “unleashing the entrepreneurial talents and creative energies of the real African people” (142). The basic building blocks on which The Aid Trap constructs its case are the World Bank’s Doing Business reports that grade each country on ten incisive checkpoints, the first of which is “starting a business.” They show that those nations that excel in “doing business” have created riches and the derelict ones that have not remain buried in their misery. This is the result of an antibusiness mentality, along with many other contributing factors.

One of the stirring features of The Aid Trap is the admirable clairvoyance of the authors. At each important point, they list the logical alternatives to each problem they discuss. For example, they clarify the “hard truths” that we are responsible for our continued failure. They offer four reasons why liberal business countries are promoting antibusiness systems—the three fallacies of industrial technology as a single dream; the three deadly errors of the aid system; and, hitting hard, four good reasons why aid will not change.

Hubbard and Duggan offer the reader a much simpler solution than say, Paul Collier, in his well-received book, The Bottom Billion. Collier lists four traps: conflicts, natural resources, landlocked geography, and bad governance. He proposes four remedial instruments: aid, military intervention, laws and charters, and trade policy, which for him means mostly tariffs and globalization problems to be resolved by governmental accords.

On the contrary, The Aid Trap lets us concentrate uniquely on business—on the business world, on business associations, and on the business programs of the universities—thus affording us clear insights and practical alternatives toward a much-neglected, essential, and workable solution to poverty. “Business must come first in solving the problem of poverty,” the authors insist. It is business that makes the prosperity that pays for all the charitable activities.

Hubbard and Duggan propose a new Marshall plan, one directed by business and business interests. The post-World War II plan, according to economic historian Herman Van Der Wee “gave a new impetus to reconstruction in Western Europe and made a decisive contribution to the renewal of the transport system, the modernization of industrial and agricultural equipment, the resumption of normal production, the raising of productivity, and the facilitating of intra-European trade.” The Marshall plan addressed each of the obstacles to postwar recovery. It succeeded in modernizing European industrial and business practices using high-efficiency American models, reducing artificial trade barriers, and instilling a sense of hope and self-reliance.
We should also cite some parallel business initiatives, such as the success of the Grameen Foundation, which holds that “for many of the poorest regions in the world, micro business creation is the only way for families to escape poverty and build a better future for their children.” Another initiative is that of Eric Melin of www.philanthropist.org, which promotes the creation of micro-philanthropists “to identify and profile hard-working entrepreneurs in areas of need and to facilitate access to capital.”

In the same line as our authors, a novel idea recently offered by Paul Romer in the Atlantic Review proposes the recreation of chartered cities like those that formed the Hanseatic League in the Middle Ages; in these entities “new cities with new rules” would be created that should attract business investment, as happened centuries ago. Certainly, the idea has merits, though it would involve an almost impossible conversion on the part of political authorities jealous of their domains.

It is the fostering of business, practical business, in the underdeveloped world, not aid and charity that will make progress thrive. For stating this fact so splendidly, we are grateful to our authors for a job well done. As Grameen Bank founder Mohammad Yunus himself said of The Aid Trap: “It is that rare prescriptive book, and the world must pay attention.”

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