

CHAPTER FOUR

PLANNERS AND GANGSTERS

*No one's life, liberty, or property is safe
While the legislature is in session.*

COROLLARY OF MURPHY'S LAW

UPON LEAVING FOR EXILE In 1828, after ruling for three years, Antonio José de Sucre Alcalá, the first president of independent Bolivia, summed up his country's situation. Sucre said, "The solution was impossible.¹ One hundred and ninety-five presidents later, Bolivian president Carlos Mesa maybe had similar thoughts when he resigned under pressure in June 2005.

In the sixteenth century, Bolivia (then known as Upper Peru) was among the richest provinces in the Spanish American empire. Today it is among the poorest countries in Spanish-speaking America.

What makes Bolivia so poor and ungovernable? Maybe 450 years of a white elite ruling a majority Indian nation has something to do with it. As late as 1997, representatives of indigenous parties made up less than 1 percent of Congress. The Bolivian government was ranked with the worst quarter of governments rated on corruption.

In 1545, Spaniards discovered the Americas' richest vein of silver at Potosí.² From then until the 1650s, Potosí was the largest silver mine in the world, generating Bolivia's first economic boom. Potosí was the largest city in the Western Hemisphere at that point.³ The European mineowners reinstated a forced labor system that had existed under the Inca empire, called the *mita*, drafting indigenous people to do the unpleasant work in the mines.

The boom spilled over into profits for European farmers growing maize, wheat, and coca leaf for mine workers. Under the *encomienda* system, well-connected conquistadores got large grants of land with rights to the labor and produce of the Indians who lived on them.

Indian mortality from European diseases broke up traditional communities and freed up land, which the wealthiest Europeans absorbed into the former *encomiendas*, now known as haciendas. Hacendados used Indian labor from those stranded by the decline of traditional communities.⁴ The rest of the Indians lived in their own communities, subject to a tribute tax for the crown.

Bolivia was the last Spanish colony in America to become independent, in 1825. The independent state was not so different from the colony. Haciendas only grew in importance. In 1846, about 5,135 hacendados managed a labor force of 400,000 Indian peasants. Six hundred twenty

thousand Indians lived in autonomous communities. Another 200,000 were smalltime landowners or rented land from haciendas or free communities.⁵ The 1880–1930 tin boom created even more rapacious demands by landowners. The government broke up free Indian communities by introducing individual titles to lands. The haciendas acquired land through small purchases in each community to break the community's cohesion, then used fraud and force as well as straight purchase to acquire Indian lands. Free communities saw their share of land fall from half in 1880 to less than a third by 1930. This third was the most unarable land.⁶

Not that the Indians could do much to protest. The elite showed little interest in the education of the majority. In the middle of the nineteenth century, only about 20 percent of the population could speak Spanish.⁷ Only 10 percent of school-age children were in school.⁸ Literacy requirements then restricted voting to the white population. The electorate was only about thirty to forty thousand in 1900.⁹ In the 1900 census, 13 percent of Bolivians were white. Indians worked on haciendas in return for use of usufruct land. They performed the hated *pongo* service for landowners, attending to the personal needs of the hacendado family. The Indians had to do *pongo* service even if the landowner lived in a faraway city, with the Indian bearing the transport costs.

The 1952 revolution failed to help poor Bolivians get out of poverty. Instead, the revolution took a conservative turn, in which the white elite soon regained ascendancy. After unstable civilian governments, unstable military governments took over. The military ruled from 1964 until 1982. There were eight coups from 1964 to 1981. Bolivia returned to democracy in 1982, but the transition was not smooth. Under the first democratic government, financial mismanagement caused hyperinflation to peak at 25,000 percent in 1985.¹⁰

After 1985, the donors got heavily involved. The government brought inflation down and pursued free-market reforms at the behest of the IMF and the World Bank, but economic growth did not revive.

After all the to-and-fro of Bolivian history, the Indians are still on the margins of the national society. Representation of indigenous parties in Congress was still only around 1 to 2 percent in the new democratic period of 1982–1997. The incidence of extreme poverty among the indigenous was 52 percent against 27 percent for non-indigenous in 2002.

Institutions remain enfeebled after Bolivia's chaotic history of European minority rule. There were sixteen massive purges of the judicial system between 1931 and 1982, making courts subservient to political interests.¹¹ A survey rated Bolivia's Customs Agency and its Internal Revenue Agency as the most politicized and corrupt government agencies. Enterprise surveys cite Bolivia as near the top in the world in the percentage of firms who cite corruption and the dishonesty of courts and police as obstacles to doing business there.¹²

Increased demands for representation by indigenous groups provoked the current political crisis. The American-imposed war against cocaine trafficking alienated coca leaf growers (also mainly indigenous). IMF structural adjustment conditions were unpopular. After seeing little benefit from previous silver and tin booms, indigenous groups are suspicious about an incipient natural gas boom driven by foreign companies. Violent uprisings occurred in April 2000, September/October 2000, January 2002, and February 2003, before an October 2003 uprising forced out President Gonzalo Sánchez de Lozada.¹³ His successor, Carlos Mesa, similarly resigned in June 2005. Mesa was unable to deal with another uprising of indigenous protesters, who blockaded roads to La Paz, demanding nationalization of the gas industry.¹⁴

Planners and Politics

One gut instinct that many people have about the poverty of nations is probably close to the target: it's all politics. As if the problems with markets were not enough, poor countries have bad governments. A good government might resolve some of the problems with markets discussed earlier.

Planners opt for one of two camps about bad government. One camp (associated with the U.S. government, the World Bank, and the IMF) says that poor-country governments are awful and the West should get tough with the bad governments—force them to change in return for aid. The other camp (associated with the United Nations and Jeffrey Sachs) says that poor-country governments are not so bad and that countries should be free to determine their own development strategies. However, this artificially restricts the debate. It may be true that poor-country governments are bad, and it may be just as true that Western attempts to change them have been fruitless. Continuing my subliminal quest for the most politically unappealing truths, this chapter considers what to do if both statements are true.

I feel awfully undiplomatic pointing out bad government in other countries. In the spirit of the rest of this book, outsiders like me need a lot of humility when they pass judgment on another society's government. Certainly my own government is no paragon when it goes around invading other countries for unconvincing reasons, violating human rights of prisoners in the war on terror, and financing political campaigns with corporate payola. I will *not* advocate some banana-republic stereotype of bad government everywhere in developing countries. There is a lot of variation both across developing countries and *within* governments as to quality of government officials. There is a layer of capable, honest, well-meaning technocrats in almost every government, who themselves are a promising group of Searchers looking for a way to increase opportunities for poor people. Over a couple of decades working on developing countries, I have met outstanding government officials from every continent, whom I admire greatly. These officials complain more knowledgeably about bad politics and corruption in their own countries than outsiders can.

We must face reality—decades of research by social scientists, not to mention everyday observation, show just how dysfunctional government can get in many countries of the Rest. We don't do the poor any favors by tenderly respecting the sensitivities of bad rulers who oppress their own people.

The theme of this chapter is similar to the last one on free markets: democracy works, but imposing democracy from the outside doesn't. First the chapter sketches a Civics 101 story of how good government might work through democracy. The chapter doesn't claim to resolve the many complicated issues of how and whether democracy works. It just gives one angle on democracy that throws it into sharp relief compared with Western assistance—democracy features feedback and accountability, rewarding Searchers, while foreign aid (or, in a later chapter, military intervention) does not.

But Planners with no feedback and accountability cannot impose a system of feedback and accountability! The chapter makes this more explicit by torturing you with many of the complexities that make attaining effective democracy and good government so difficult, even for insiders, and much more so for outsiders. Finally, the chapter goes through some of the evidence on how donors respond to bad government.

After the failure of free-market reforms, the next step in the escalation of the White Man's Burden (mainly in the nineties) was the attempt to foster "good institutions." With their Sisyphar

efforts to transform bad governments into good ones, donors wind up unable to screen out gangsters. We have yet another example of Planners aiming at the impossible, instead of letting Searchers work on the possible. (In two later chapters, we examine how outside Planners try to impose good government through “postmodern” trusteeships and military invasion.)

Can the State Build the Good Society?

Government institutions such as courts, judges, and police could solve some of the problems we saw with market transactions in the previous chapter. Impartial courts and police help make the market work in rich countries by enforcing contracts, protecting property rights, providing security against predators, and punishing lawbreakers.

The Achilles’ heel is that any government that is powerful enough to protect citizens against predators is also powerful enough to be a predator itself. There is an old Latin saying that goes, “*Quis custodiet ipsos custodes?*”—which translates freely as “Why would you trust a government official any more than you would a shoplifting serial killer?”

Democracy’s answer to “Who will watch the watchers?” (the more conventional translation of the above) is everyone. The other great invention of human society besides free markets is political freedom. According to the simplest view of democracy, an open society with a free press, free speech, freedom of assembly, and political rights for dissidents is a way to ensure good government. Free individuals will expose any predatory behavior by bad governments, and vote them out of office. Voters will reward with longer terms of office those politicians who find ways to deliver more honest courts, judges, and police. Political parties will compete to please the voters, just as firms compete to please their customers. The next generation of politicians will do better at delivering these services. Of course, no real democracy works anywhere close to this ideal, but there are some that come close enough to make development possible.¹⁵

Assuming good institutions are in place, markets work for private goods, the kind consumed in private, that affect only their individual consumer and nobody else. What about public goods such as roads and water? Another potential achievement of democracy is to provide feedback from the voters on how much and what kind of public good they need. If the voters see a shortage of roads in a particular location, they lobby and vote for politicians who offer increased government road building and road maintenance, financed by taxes on the voters. Political Searchers respond to these needs in return for the political support of the voters, akin to the way that private Searchers respond to consumer demands. The voters will reject a government that allows moon crater–size potholes to develop on major traffic arteries. The existence of little problems such as traffic jams in large cities shows that this does not work perfectly, but it works well enough to make road transport possible on a large scale in rich societies.

The stylized facts in the data support the idea that democracies do a good job of providing public services. Some World Bank researchers have collected surveys of many different attributes of government around the world. The two that are most relevant here are their measure of “voice and accountability” (democracy) and “government effectiveness” (whether the government fixes your potholes). Of course, these are highly correlated because they both go up with per capita income (which is probably both cause and effect). However, even after removing the effect of per capita income on each outcome, democracy is highly correlated with government effectiveness on delivering public services. Figure 12 shows the parts of democracy and government effectiveness that are *not*

explained by per capita income; the unexplained part of democracy is strongly associated with the unexplained part of the quality of government service delivery.

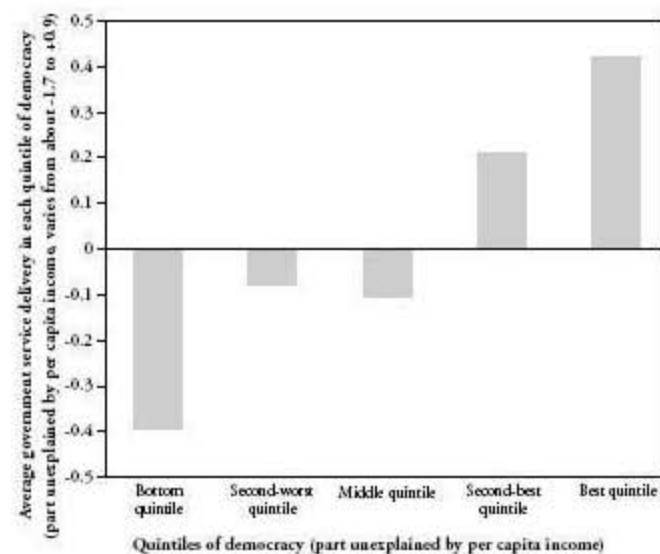


Fig. 12. Democracy and Government Service Delivery

Democracy is a bottom-up system that rewards local, specialized knowledge in a similar way to free markets. In a democracy, the squeaky wheel gets the grease. Whoever complains most vociferously about their local problems, which usually is related to how severe the problem is, will attract the attention of politicians and get a remedy. Democratically elected politicians at the national level will craft solutions to national problems that are more sensitive to the peculiarities of local cultures, social norms, and circumstances than those that outside benefactors would impose. Harvard economist Dani Rodrik calls democracy a “meta-institution” that uses locally specific knowledge to choose all the other appropriate institutions for making a society work.¹⁶

Why Democracy Is Not So Simple

Alas, democracy is not a quick fix for poor countries, just as free markets are not a quick fix. The road to a stable democracy is even more tortuous than that to efficient markets. Just like markets, the functioning of democracy depends on the slow and bottom-up evolution of rules of fair play. You can cheat at elections just as you can cheat your market customers, as a sorry history of rigged elections around the world illustrates. How to prevent cheating? Just to cite one problem, judges could referee what is fair political competition, but who appoints the electoral judges?

Even aside from cheating, democracy is an intricate set of arrangements that is far more than just holding elections. Another problem with democracy is that of the tyranny of the majority. If a majority of the society hates a minority, they may decide to abuse that minority. If the majority hates some minority viewpoint, they may vote to censor dissidents. This would limit the free speech and debate that is one of the virtues of democracy. These points are far from hypothetical in poor-country democracies, which are often polarized along ethnic and class lines and where the winners sometimes abuse the losers.

This is why a complete definition of democracy involves some protection for individual rights and freedom of dissent as well as majority rule. To see why democracy doesn't work well without

these, consider what is known as the paradox of democracy. The paradox is that the majority may vote to abolish democracy.

To see one way in which this could happen, suppose that the majority wanted to make sure that its preferred policies were followed forever after. They could simply vote to deny the minority the right to vote in future elections. For example, the red states in the United States, which had a slight majority in the 2004 election, might want to make sure that the American government from now on consisted of god-fearing gun owners rather than married gay couples having abortions. So they could pass an electoral reform that denied citizens of blue states the right to vote. Then the majority of the most zealous remaining voters could vote to disenfranchise a less-zealous minority. So now the electorate is down to a little over 25 percent of the citizens. This could keep going indefinitely, until only television evangelists were voting.

Fortunately, the U.S. Constitution and its amendments guarantee every citizen basic rights such as voting and freedom of speech; usually honest Supreme Court justices enforce the Constitution; and the social norms that would protest such a violation of the blue states' rights are strong. American democracy is not utopia; it is just a system that has worked pretty well to search for good economic results for most people. Social norms may be the most difficult part of building a democracy—many poor countries are far from such norms. A staple of elections in many poor countries is to harass and intimidate the opposition so that they don't vote.

Minority rights are even more important in ethnically more heterogeneous poor countries. Unfortunately, the same ethnic heterogeneity makes it less likely that a minority-protecting democracy will evolve, as Philippe Aghion, Alberto Alesina, and Francesco Trebbi of Harvard have recently pointed out. The people who make the rules are going to be those who belong to the majority ethnic group, and they are unlikely to write rules that give away some of their power to a minority group (as Iraqi Sunnis today could testify). Aghion, Alesina, and Trebbi found that checks on the majority's executive power (and even democracy in general) were statistically less likely with higher ethnic heterogeneity.¹⁷ In fact, a recent study found that democracy, as usually defined by Polity IV, does *not* lower the probability of the most extreme violation of minority rights of all: state-sponsored mass killings (even genocide) of political or ethnic victims.¹⁸ A more complete definition of a democracy would include protections for minorities.

Property Rights and Democracy

Another form of violation of individual rights could come about if the majority decided to redistribute the income of a minority. This could prove politically appealing if the majority were poor and the minority were rich. Democracy for a long time was viewed as a threat to private property for just this reason. James Madison and Alexander Hamilton worried a lot about this in writing the U.S. Constitution, and they sought to build in checks—such as the Senate and the Supreme Court—against a populist majority. The Fifth Amendment to the Constitution (the same amendment that protects you against self-incrimination) rammed home the rule that nobody could “be deprived of...property, without due process of law; nor shall private property be taken for public use, without just compensation.” But a populist majority could still vote for high taxes on the rich, stunting future development prospects.

An oligarchy (rule by the rich few) could thus have decent economic growth (even if abysmal justice) compared with a democracy, at least for a while. In a recent paper, economist Daron

Acemoglu of MIT talks about the tradeoff between oligarchy and democracy for economic growth.¹⁹ The oligarchy has the advantage of eliminating the democratic threat to property rights. This could make economic growth quite high for a while as the elite invested in what they were good at doing, secure that they would get to keep the returns. However, an oligarchy is not a good system for Searchers. The elite protect only the rich who are incumbents, and erect barriers to the entry of newcomers. Acemoglu points out that in the dynamic world economy, the payoff to any particular economic activity is always changing, as old sectors decline and new sectors emerge. A democracy with equal rights for everyone will do better giving opportunities to the Searchers, whom we need to get the new sectors to emerge.

To make things concrete, Acemoglu gives the example of the Caribbean versus New England in the eighteenth and nineteenth centuries. In the early eighteenth century, the Caribbean was much richer thanks to profitable sugar plantations worked by African slaves and owned by European settlers. The white Caribbean oligarchy invested a lot in the profitable sugar economy, secure in their own brutally enforced property rights over their human and real property. The New Englanders had more democracy, but only modest incomes from family wheat farms, fishing, and the shipping trade. However, New England was able to take advantage of the new technologies emerging out of the industrial revolution, with opportunities for new entrepreneurs to emerge from humble origins. The Caribbean oligarchs just kept on doing sugar, even though sugar's fortunes declined in the nineteenth century. By the end of the nineteenth century, New England was much richer than the Caribbean.

Oligarchy, Democracy, and Revolution

Acemoglu and political scientist James A. Robinson of Harvard also discuss the role of the oligarchy in a fascinating new book, *Economic Origins of Dictatorship and Democracy*. They see democracy emerging out of a strategic face-off between the rich minority and the poor majority.²⁰ The rich prefer not to have democracy because of the threat of redistribution. However, an even worse threat to the elite is total revolution by the poor, which would destroy the elite altogether. The poor can threaten revolution in order to try to extract democratic concessions from the rich. Often there is only a temporary revolutionary window of opportunity, such as during a war or a major economic crisis. (Although Acemoglu and Robinson had in mind a traditional elite, the rich minority could just as well be a recently created group of political insiders who fed off state revenues.)

Why don't the rich just defuse the temporary crisis by promising some redistribution toward the poor, instead of agreeing to democracy? Or why don't they just repress the poor with military force? Acemoglu and Robinson show that the first option doesn't work because the poor are not stupid—they know that the autocratic elite can reverse the redistributive policies after the revolutionary crisis passes. Only a permanent institutional change toward democracy assures the poor that they will remain in charge and will permanently benefit from some redistribution.

Repression could work with a poor, disorganized population, but it gets more and more costly (and less likely to succeed) as the majority gets more educated and has more politically active Searchers (a point that is not lost on the oligarchy, who often block mass education). Under these circumstances, the elite agree to a transition to democracy. Acemoglu and Robinson cite the gradual movement toward universal suffrage in Britain in the nineteenth century as an example. As Prime Minister Earl Grey explained in 1831, well before he launched his world-class brand of tea: "There is no-one more decided against annual parliaments, universal suffrage and the ballot, than I am. My

object is not to favour, but to put an end to such hopes and projects.... The principle of my reform is, to prevent the necessity of revolution...reforming to preserve and not to overthrow.²¹

The rich gave in more easily to democracy in Britain and America because the design of the new democratic system had some checks against the redistributive powers of the majority. A two-chamber legislature had the upper chamber less under the sway of the majority. A system of winner-take-all elections for legislative representatives (as opposed to holding plebiscites on how much to tax the rich) made the more radical redistributionists unelectable.

The rich also find it reassuring that they can spend their money lobbying against redistribution. You need just the right amount of protection for the rich under democracy: too little, and the elite won't want to agree to democracy; too much, and the poor will go ahead and have the revolution anyway. A more recent example is the Chilean military oligarchy agreeing to democracy in 1990, conditional on giving the military enough remaining power to protect the free-market and private-property reforms they had introduced during their bloody tenure from 1973 to 1990.

In natural-resource producers, or in very unequal societies (these two categories heavily overlap, as we discuss), things will not work out so well. In these societies, the assets of the rich are in land or natural resources, which are much easier to tax than machinery or human skills. The rich thus have much more to lose from a democratic majority deciding on taxes. The poor will choose a higher tax rate, the higher the inequality. (They have more to gain from redistribution if the gap between rich and poor is large, and they have less future income to lose if tax rates penalize income growth.) Poor peasants are also much easier to repress with force than richer industrial workers. Thus perpetual oligarchy is more likely in unequal agrarian or mineral societies than in more equal industrial societies, as Latin America demonstrated for most of the nineteenth and twentieth centuries. Cross-country studies have indeed found the incidence of democracy to be higher in more societies with a higher share of income going to the middle class—even when addressing possible reverse causality from democracy to the size of the middle class (see figure 13).²²

What has determined different-size middle classes in different countries? Many authors have pointed to natural-resource endowments. Economic historians Stanley Engerman and Kenneth Sokoloff have highlighted the role of sugar plantations and silver mines in contributing to Latin America and the Caribbean's high inequality (which adds another angle on Caribbean stagnation to that given earlier). The plantations and mines had to be operated on a large scale, and wound up in the hands of a few, and the planters relied on slavery to work the sugar plantations—an extreme form of inequality. You couldn't grow sugar in North America; wheat was the crop of choice. Wheat could be produced on a small scale, hence a middle class was formed made up of family farmers in the United States and Canada. Heavy reliance on tropical commodities and minerals was also associated with inequality elsewhere in the world.

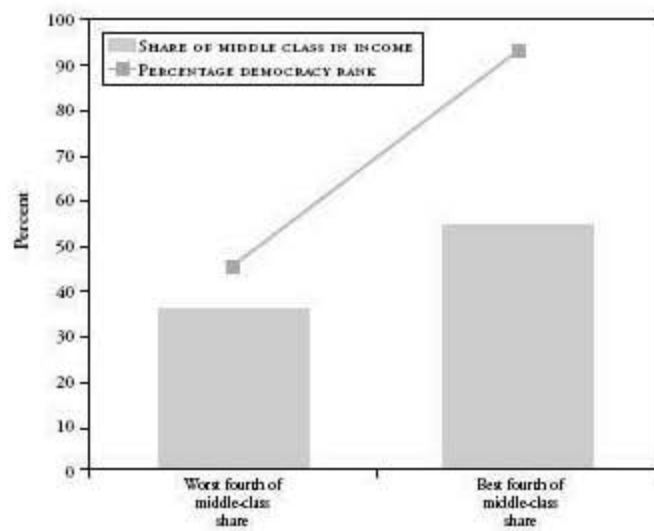


Fig. 13. The Size of the Middle Class and Democracy in 2004

In unequal societies, the violent repression of the poor by the rich creates grievances among the victims of that repression. Violence begets more violence, so violent revolution is also more likely (as opposed to the happy democratic compromise described earlier). Hence, in Latin America, we have seen successful violent revolutions such as that in Mexico early in the twentieth century and in Bolivia (at least an incomplete revolution), Cuba, and Nicaragua; and attempted revolutions such as those in El Salvador,

Guatemala, and Colombia. The big successful Communist revolutions occurred in poor agrarian societies—Russia in 1917 and China in 1949—not in industrialized societies, as Marx had predicted. Democracy in unequal agrarian societies tends not to last, as it alternates between populist demagogues attempting redistribution and the rich striking back with military coups. Democracy is indeed negatively associated with the share of agriculture in the economy in cross-country data (although the share of agriculture could just be a proxy for income), controlling for the size of the middle class (which remains an important statistical predictor of democracy).

A natural-resource oligarchy is particularly inimical to democracy. Oil is infamous for undermining or preventing democracy. Oil revenues are very easy to redistribute, so wealthy and well-connected insiders who benefit from oil controlled by a dictatorship have a lot to lose from a democracy that would surely result in redistribution. Hence we get oil societies desperate to prevent democracy, ranging from the oil-rich Middle East to Africa.

NYU politics professor Leonard Wantchekon documented systematically the association of resource wealth with autocracy in Africa, as others did using worldwide patterns.²³ Wantchekon shows that new democracies have succeeded in Africa mainly in resource-poor places such as Benin, Madagascar, and Mali, while oil-rich states such as Algeria, Cameroon, Gabon, and Libya still have dictators. Worldwide, oil producers were on average in the worst fourth of the world's countries in democracy in 2004, as democracy was measured by three World Bank researchers.²⁴ (Unfortunately, foreign aid can be a lot like oil revenues in its negative effect on incentives for democratization, as we see later.)

The negative effect of oil on democracy could be one of the main mechanisms for the “natural resource curse,” in which windfalls of natural resources, even though boosting income directly, have a negative effect on subsequent economic growth.

There is one big historical experiment with oligarchy that confirms the Acemoglu predictions, which happens to be indirectly related to one unsavory side of the West's interaction with the Rest. This was the settlement of relatively rich Europeans as a minority group among poor indigenous people in the Americas and some places scattered throughout Africa. Places of minority European settlement included most of Latin America and the Caribbean, Algeria, Angola, Kenya, Rhodesia, and South Africa. The rich Europeans in Latin America, the Caribbean, and African settler colonies typically awarded themselves a monopoly of political power and privileged access to land and education (albeit to a more extreme degree in Africa than in Latin America, since Latin American racial distinctions were not as sharp). Hence the whites fit almost perfectly the definition and predicted behavior of an "oligarchy." Although the white minority societies account for only a small part of poor countries today, they illustrate a general problem of oligarchy that is far more widespread.

The figure below shows indeed that the minority European settlements were richer than the average of Australia, Canada, New Zealand, and the United States in 1820; the latter were democratic places with a large majority of the population European. However, these democratic countries dramatically outperformed the economies of oligarchy over the next two centuries. As Acemoglu predicted, oligarchy can perform well for a while, but tends to stagnate eventually. The Bolivian example given at the beginning of this chapter fits the pattern of oligarchy and stagnation.

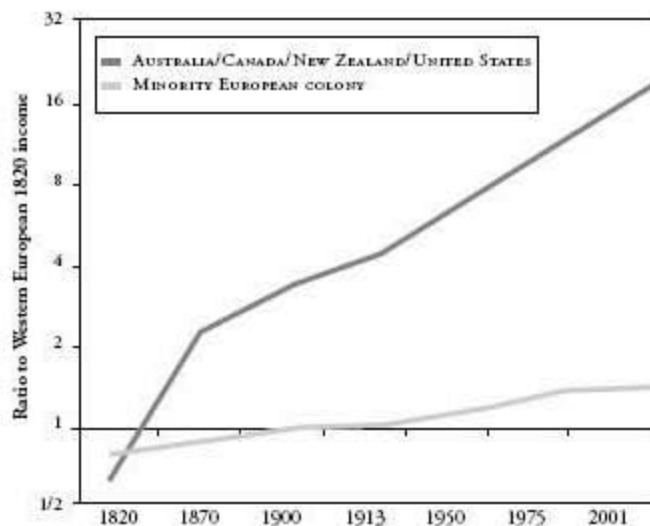


Fig. 14. Minority European Versus Mostly European Colonies

Illiberal Democracy

Fareed Zakaria, in his 2003 book, *The Future of Freedom*, has brought to wide attention the idea of "illiberal democracy." Why do democracies sometimes produce awful government despite free elections?

A big problem with democracy and development, particularly with uneducated voters, is that the politicians could appeal to voters' gut instincts of hatred, fear, nationalism, or racism to win

elections. Edward Glaeser of Harvard had the insight that politicians will promote hatred when it helps achieve other unrelated political goals.²⁶ A politician who wants to avoid redistribution to the poor will preach ethnic hatred toward a poor minority that happens to be ethnically distinct. Thus, for example, rich white leaders in the American South defeated populism in the late nineteenth century by persuading poor whites to hate poor blacks. (This is one way that an oligarchy can keep power even in a democracy.) Unfortunately, the political entrepreneurs can pander to the majority's hatreds as well as (or instead of) to the majority's need for public services.

Without protections for minority rights such as those discussed earlier, majority ethnic groups in a democracy can exploit minority ones. In many ethnically divided countries today, politicians often exploit ethnic animosities to build a coalition that seeks to redistribute income to "us" from "them." The perpetual distributive contests among ethnic groups in Africa, for example, have complicated African democracy and made it difficult to achieve long-run development there. Even if patronage is not so overt, voters may simply not trust a leader from another ethnic group to act in their interest. Different ethnic groups may have conflicting interests in public services: group A wants a road in their region, while group B wants a road in *their* region; the more segregated ethnic groups are, the less likely group B voters are to use, or care about, the road in group A's region. This may cause voters to choose a lower level of public services overall. Researchers have documented links between ethnic divisions and poor schooling and infrastructure, between ethnic divisions and poor-quality government, and between ethnic divisions and lower spending on public services.²⁷

Ethnic hatreds are at work even when politics are not democratic. For example, Arab leaders may preach incessant hatred of Israel because that hatred justifies a powerful army, which also comes in handy to suppress political dissidents and preserve the autocrats' hold on power. Pakistani leaders may have preached hatred of India and kept alive the Kashmir dispute for similar reasons. Nationalism may be even more of a popular political platform in poor countries, where the masses have less accumulated wealth at stake when they fight ethnic wars. This is not to deny that many nationalist grievances are genuine; it is just that nationalist leaders seem to pursue such grievances at the expense of future economic development.

Another problem with the ideal vision of democracy is corruption. Competitive elections are no guarantee against corruption. Politicians can buy votes instead of earning them with good government. They can steal from state coffers to fund payoffs for their supporters. Corrupt politics merge with ethnic politics as parties compete to win resources for their own ethnic group. Politicians can buy off journalists or dissidents who might expose their peccadilloes. Even democratically elected politicians can buy favors from the army and the police to intimidate the opposition in future elections. It could turn out that all political parties are corrupt and that it is just the better-organized machine that wins the election. For example, Pakistani democracy in the 1990s was dominated by two rival political machines led by Benazir Bhutto and Nawaz Sharif, who were both corrupt. The president of Pakistan, Farooq Leghari, even accused Prime Minister Bhutto's government of complicity in killings of political opponents. (Bhutto denies the charges against her.) Overturning corrupt democracy often takes freedom of speech and freedom of the press, which in turn require many independent sources of power that cannot all be bought off by corrupt politicians.

Are you worn out by all this to-and-fro about whether free elections will come about, and whether they will work if they do? I hope you are now so worn out that you won't impose a simplistic democratic blueprint on poor countries! I have not even gotten close to an exhaustive survey of what makes democracy possible or impossible, work well or work badly. But even this superficial sketch of democracy and its vulnerabilities has uncovered several reasons why good government may not

take hold—elite manipulation of the rules of the political game, weak social norms, landed wealth, natural resources, high inequality, corruption, and ethnic nationalism and hatreds.

Unfortunately, the aid agencies have had little idea how to fix these problems from the outside when they have tried to change bad governments into good governments. In fact, we will see in later chapters that during the previous history of Europe's attempted transformation of the Rest—colonization, European-imposed borders, decolonization, and military intervention—the West often made things worse rather than better on many of these dimensions.

Problem Governments

Many countries of the Rest have conditions unfavorable to democracy and good government: they are producers of natural resources such as oil, and/or are unequal agrarian societies, and/or are just unequal, and/or have a lot of ethnic conflict. So many countries of the Rest have corrupt and undemocratic governments. Badly governed countries are poor countries.

We see an association between democracy and income (see figure 15). The graph is logarithmic, meaning that every unit increase on the graph represents a doubling of per capita income. As one moves from the least democratic to the most democratic countries, income increases by a factor of ten.

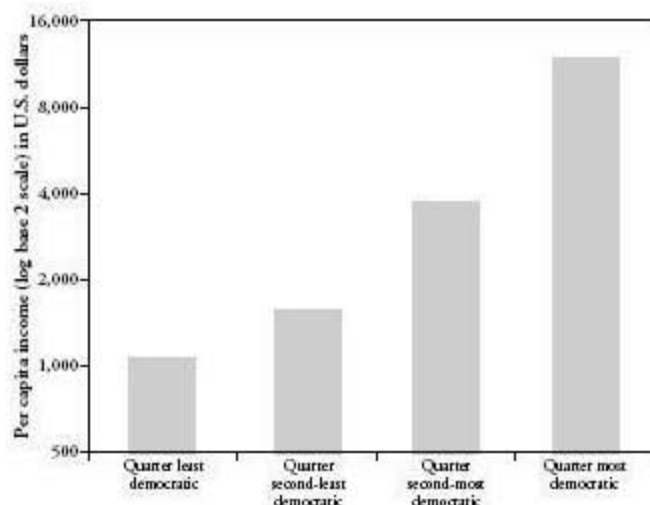


Fig. 15. Per Capita Income at Various Levels of Democracy, 2002

Correlation is not causality—it could be that rich people demand more political rights and, in general, good government. Democracy could also be standing in for some other aspect of good government. However, to deal with the first problem, since researchers know a little bit about the determinants of bad government, studies can explore whether bad government *causes* poverty, rather than (mainly) the other way around. We can take the part of bad government induced by the factors mentioned earlier—such as commodity and natural-resource endowments—and see if it is associated with poverty. If it is, that would suggest that bad government caused poverty. We can also test whether these noneconomic factors affect poverty directly or only through bad government. Most of the research that takes this line finds that bad government does indeed cause poverty, and that the influence of the noneconomic factors is only through bad government, not directly on poverty.²⁸

The research is less successful at identifying which aspect of bad government matters, such as democracy versus corruption. Different dimensions of good government tend to come together in packages, so it is hard to tell which one is causing economic development.

We have already seen that bad government has a lot to do with the low growth of poor countries that were allegedly in “poverty traps.” Now we see some evidence that bad government has a lot to do with their being poor in the first place.

Along with these formal data, we have plenty of anecdotes of what a poor job the state does in poor countries in enforcing contracts and protecting property and persons. In one poor neighborhood in Thailand, the police were so ineffective that parents reported keeping children out of school to guard the family homes against break-ins.²⁹ Police in Mtamba, Malawi, gave crime victims the unwelcome assignment of catching the thief or murderer and delivering him to the police station.³⁰ Far from enforcing property rights, the police themselves often seize property to extort bribes. The police grabbed the tea shop of Ali Ahmad in Patna, India, and detained him. He bribed the policeman 920 rupees to get his shop back, which his wife borrowed from a neighbor at a high interest rate. In Patna, the police and criminals collaborate in blackmail, harassment, and extortion from shop owners and vegetable sellers.³¹

Likewise, traders in food crops in Cameroon describe soldiers and police setting up roadblocks to demand bribes, which the traders must pay or risk seizure of their goods. Not exactly the kind of strong property rights that would facilitate trade.³²

The rich can often count on better treatment from the police than the poor can; the police will back the rich in any dispute between the two. Some poor people in Dangara, Uzbekistan, said, “The police have become the rich people’s stick used against common people.”³³ Villagers in Bangladesh told interviewers, “Poor people have no access to the police station, government offices, and the judge of the village court. The rich people dominate these institutions.” Illiterate poor people have difficulty with written documents and formal bureaucratic procedures to prove claims to property.

Reporting a crime to the police is often counterproductive, as the police themselves rob the poor or are in cahoots with the criminals. In Ozerny, Russia, a robbery victim identified the perpetrator and filed a statement with police. The victim was understandably distressed later to see “the policeman drinking with the guy who robbed me.”³⁴

Dealing with Bad Governments

The foreign aid Planners in the West have never figured out how to deal with bad government in the Rest. We donors are reluctant to admit publicly that some bad governments have deep historical roots, as sketched in the first half of this chapter, even if we know it privately.

The donor agencies are dealing with a difficult problem: they want to give aid to poor countries, not to rich countries. The rich countries have decided that the donor agencies have to give mostly to the government in the recipient country. For example, the writers of the original charters of the IMF and the World Bank—mainly the United States and the United Kingdom—decided that they could operate only through governments in the recipient countries. If virtually all poor countries have bad governments, then the donor agencies will give aid to countries with bad governments.

Another problem is that foreign aid is used as a political reward to allied governments, no matter how unsavory they are. U.S. military aid to a poor country, presumably a measure of strategic importance to the United States, helped predict whether that country received IMF and World Bank

structural adjustment loans. However, strategic geopolitics explains only a small portion of the variation in aid receipts across countries; many bad governments of no strategic importance whatsoever still get a lot of aid.

So we had the world's twenty-five most undemocratic government rulers (out of 199 countries the World Bank rated on democracy) get a sum of \$9 billion in foreign aid in 2002. Similarly, the world's twenty-five most corrupt countries got \$9.4 billion in foreign aid in 2002. The top fifteen recipients of foreign aid in 2002, who each got more than \$1 billion each, have a median ranking as the worst fourth of all governments everywhere in 2002 (ranked by democracy, corruption, etc.). It would be good to get aid from the rich of rich countries to the poor of poor countries, but what we see happening is that aid shifts money from being spent by the best governments in the world to being spent by the worst. What are the chances that these billions are going to reach poor people?

Despite these sorry numbers, donors now aim at transforming government. Ten years ago, the aid donors, the World Bank, and the IMF seldom discussed corruption or dictatorship. Since then, donor talk radio has been full of chatter about "good governance." However, donors have still not figured out what to do to make good governance happen, or how to be selective about whom they give their money. As the figures just cited show, the gangsters are still getting plenty of aid.

More systematically, Alberto Alesina of Harvard and Beatrice Weder of the University of Mainz have found no evidence that aid donors give less aid to corrupt countries; in fact, in some of their statistical analyses it was found that donors gave these countries more aid.³⁵ Have things changed over the past few years? In 1996, there was no association between how much aid per capita a developing country received and its rating on the World Bank measure of corruption (controlling for other determinants of aid per capita, such as per capita income and population size). Six years later, in 2002, after oceans of ink on corruption, there was still no association between aid given to a country and how corrupt that country was.³⁶ Similarly, there was no association between aid given to a country and how democratic it was, either in 1996 or 2002, controlling for per capita income and population size.

So donor bureaucracies remain stuck with the recipient government bureaucracy when they try to implement their aid projects, even when that bureaucracy is not customer-friendly to the poor. World Bank economists Deon Filmer and Lant Pritchett report on the results of a survey at government health centers in the Mutasa district of Tanzania. In the survey, new mothers reported what they least liked about their birthing experiences assisted by government nurses. The poor mothers-to-be were "ridiculed by nurses for not having baby clothes (22 percent)...and nurses hit mothers during delivery (13 percent)."³⁷

Good Government in the Tropics

There have been *some* cases of foreign aid supporting reform and good government. One happy example is with the aforementioned Botswana. Before independence, Seretse Khama was heir to the most prominent traditional chiefdom. He shocked the neighboring white South Africans by marrying a white woman, which caused the British colonialists to ban him from Botswana until he gave up his chiefdom. Khama became Botswana's leader anyway upon independence in 1966.

Prospects at independence were not great for a country that was mostly desert. Faced with a crippling drought, Botswana accepted large amounts of foreign aid, especially from the altruistic Scandinavians. In the 1960s and 1970s, aid averaged about 16 percent of Botswana's income. After

discovering large amounts of diamonds in the late 1960s, the Khama government managed to avoid the curse discussed earlier that had plagued other mineral-rich nations, such as Angola, Nigeria, Sierra Leone, and Zaire. The government managed both aid and diamond revenues wisely enough to foster economic growth, with the result that the economy expanded at 10 percent every year.

Rapid growth continued under Khama's democratic successor, Ketumile Masire, who took over in 1980 and governed until 1998. Masire's government prevented a famine in 1981–1987 when drought devastated crop production. The government expanded rural villages' access to clean water, health clinics, and good roads. It decentralized government functions to local authorities to increase democratic accountability.³⁸ The government was not perfect—it failed to prevent one of the world's worst AIDS crises—but its accomplishments give a hint of how much development was possible in Africa with good government.

There are other cases of good government breaking out even without much donor involvement. Aid researcher Judith Tandler at MIT wrote a great book called *Good Government in the Tropics*, about the success story of the Ceará state government in northeastern Brazil. Traditionally one of the most corrupt and backward states in Brazil, Ceará had two reformist governors alternating in power from 1987 to 2001—Tasso Jereissati and Ciro Gomes. They had the State Department of Health do a new preventive health program using community health workers. Only a few years after the beginning of the program, vaccination rates for measles and polio had increased from 25 percent to 90 percent. Infant mortality in Ceará fell by one third.³⁹

It would be too simplistic to attribute these success stories just to governors Jereissati and Gomes. Part of the success of the Ceará programs was the way they built in feedback from the poor. The state publicized the new programs, leading the local communities to expect more from (and to monitor) the government workers, such as the new health workers. The health workers themselves felt motivated by community approval when they got good results, and they got rewarded for such approval. The Ceará story shows that good government can happen in the tropics, and that it can happen for homegrown reasons.

Could Aid Make Government Worse?

We can turn to cross-country data to see which is most typical—aid promoting good government, aid not affecting government at all, or possibly even aid promoting bad government. Earlier, this chapter talks about how oil makes democracy and good government less likely—the “natural-resource curse.” More recent studies have found that there is also an “aid curse”—probably for the same reasons as the oil curse. High aid revenues going to the national government benefit political insiders, often corrupt insiders, who will vigorously oppose democracy that would lead to more equal distribution of aid. Systematic evidence in a couple of recent studies suggests that aid actually decreases democracy and makes government worse. Steve Knack of the World Bank finds that higher aid worsens bureaucratic quality and leads to violation of the law with more impunity and to more corruption. Maybe bad government attracts donors who want to reform it just as sinners attract televangelists. However, even if you control for this effect, donors make government worse.⁴⁰

Simeon Djankov (of the World Bank), Jose Montalvo (of Pompeu Fabra University in Barcelona), and Marta Reynal-Querol (World Bank) similarly found that high aid caused setbacks to democracy over 1960–1999.⁴¹ They found aid's effect on democracy to be worse than the effect of *oil* on democracy.

Social Action Programs for Lending

Bad governments can sabotage even the most well-intentioned aid programs. Another critical government input for development is good public services. Governments in poor countries often fail at delivering basic health and education services. One egregious case that donors tried to remedy is Pakistan, which has poor health and education even when compared with other poor countries at its level of income. Pakistan has 36 percent lower births attended by trained personnel. It has 11 percent more babies born with low birth weight, 42 percent lower health spending per capita, 1.6 percent less GDP in public health spending, twenty-seven excess infant deaths per thousand, nineteen excess child deaths per thousand, and 23 percentage points lower share of the population with access to sanitation. Relative to children in other countries at Pakistan's level of income, 20 percent fewer Pakistani elementary school-age children are enrolled in primary school. This gap is explained entirely by the 40 percent fewer elementary school-age girls who attend primary school. The 14 percent shortfall in secondary enrollment compared with other countries at Pakistan's income level is explained mainly by a 20 percent shortfall for females. Twenty-four percent more of Pakistan's population is illiterate than is normal for a country of its income level, reflecting excess illiteracy of 32 percent for females and 16 percent for males.

The World Bank in 1993 tried to repair this social train wreck by supporting a "social action program" in Pakistan, which aimed to "improve the coverage and quality of basic social services." An independent analyst, Dr. Nancy Birdsall of the Center for Global Development, later concluded that aside from a few modest successes, the period during which the SAP was implemented witnessed stagnation, marginal improvement, and—in some cases—even a decline in social indicators. For example, aggregate education enrollment rates stagnated during the 1990s, with enrollments for children from public schools registering a modest decline.⁴²

World Bank staff recognized the first phase of the project, SAP I, as a failure. Therefore, World Bank management approved a second phase, SAP II. Deep into the project, in 2000, a World Bank review concurred: "Improvements in service delivery are either not happening, or occurring at a very slow pace." After nearly a decade of failure, the SAP was finally abandoned in June 2002.

Dr. Birdsall asked, "Why did a sound idea turn into a practical disaster?" She said that "implementation failures were rampant—manifested in non-merit recruitment of staff, absenteeism of teachers and doctors, and frequent transfers of essential staff.... [P]oliticians used staff recruitment, construction contracts, and site selection for schools and clinics to enrich their kith and kin." A Pakistani economist gave the deeper reason for failure in 2003: "[T]he poor face markets, state institutions and local structures of power that discriminate against [them]....[They are] unable to access public entitlements like...goods and services." Foreign aid could not deal with the deep roots of bad government in Pakistan, such as a powerful agrarian elite and sharp ethnic divisions.

The Selling of Bad Governments

Since donors understandably don't want to admit they are dealing with bad governments, diplomatic language in aid agencies becomes an art form. A war is a "conflict-related reallocation of resources."⁴³ Aid efforts to deal with homicidal warlords are "difficult partnerships."⁴⁴ Countries whose presidents loot the treasury experience "governance issues." Miserable performance is

“progress [that] has not been as fast and comprehensive as envisioned in the PRSP.⁴⁵ When government officials want to steal while the aid agency wants development, there are “differences in priorities and approaches [that]...need to be reconciled.” If debt-relief dollars disappear before reaching the poor, then “continued progress on the Expenditure Management and Control Program will be needed to maximize the benefits from the HIPC [Heavily Indebted Poor Country] Initiative.⁴⁶

Diplomatic donors also put a positive spin on awful recipient governments by asserting that while things are bad, they are getting better. The use of gerunds indicating progress is ubiquitous in aid documents, such as “developing,” “emerging,” and “improving.” This language infects even scorecards that are supposed to hold governments accountable for poor results. The aid agencies recently evaluated the “supportive environment” for achieving the Millennium Development Goals created by Cameroon’s autocratic and corrupt ruler Paul Biya (in power since 1982).⁴⁷ The aid agencies’ possible evaluations were “strong,” “fair,” and “weak.” They opted for “weak but improving.”

The “weak but improving” line is popular among aid agencies in Africa. The World Bank produced a stream of progress reports on Africa over the last two decades. It first described the poor state of African government: “Domestic policy inadequacies...trade and exchange rate policies have overprotected industry, held back agriculture” (World Bank, 1981). “Unless [there are] major changes in African programs...no amount of external assistance can generate rising levels of income” (World Bank, 1984). “Weak public sector management has resulted in loss-making public enterprises, poor investment choices, costly and unreliable infrastructure, price distortions” (World Bank, 1989). “Most African countries still lack policies that are sound” (World Bank, 1994). “The adjustment decades also saw a substantial deterioration in the quality of public institutions, a demoralization of public servants, and a decline in the effectiveness of service delivery in many countries” (World Bank, 2000). Africa “remains the world’s foremost development challenge. Many countries continue to be held back by weak institutions, civil strife...” (World Bank, 2004).⁴⁸

Donors then responded to these disasters with perpetual promises of a change for the better, sometimes detecting a nascent trend toward improvement: “many African governments are more clearly aware of the need to...improve the efficiency...of their economies” (World Bank, 1983). “African leaders increasingly recognize the need to revise their development strategies....[S]ome countries are introducing policy and institutional reforms”(World Bank, 1984). “Progress is clearly under way. Especially in the past two years, more countries have started to act, and the changes they are making go deeper than before” (World Bank, 1986). “Since the mid-1980s Africa has seen important changes in policies and in economic performance” (World Bank, 1989). “African countries have made great strides in improving policies and restoring growth” (World Bank, 1994). “Since the mid-1990s, there have been signs that better economic management has started to pay off” (World Bank, 2000). “Africa’s leaders...have recognized the need to improve their policies, spelled out in the New Partnership for African Development [NEPAD]....[They] have pledged to pursue a compact of good governance with their people” (World Bank, 2002). There has been “remarkable progress in several African countries over the past year” (World Bank, 2004).

The contradiction between “weak institutions” and “remarkable progress” calls to mind Japanese government propaganda during World War II, which to the very end of the war celebrated every battle as a triumph. The long-suffering Japanese people could track the war’s progress only by noting that the glorious victories of the emperor’s forces were moving them ever closer back to Japan.

Differences in Government Performance Across Countries and Sectors

Some blame the perception of bad government in Africa on racism—an insult to the many courageous Africans who have resisted tyrannical rulers at risk of their lives and safety. It is a mistake to go to either extreme—overlooking bad government in Africa or embracing a stereotype of African government as *always* bad or ineffective.

The aforementioned Botswana is a long-standing African democracy. Countries such as Benin, Ghana, and Mali now have democratic governments after decades of autocracy (see figure 16). Other countries such as Kenya and Nigeria now have more turbulent democracies that are still an improvement over the dictators who used to hold power. A rating of democracy (again from Polity IV) shows a rise in democracy in Africa since the early 1990s, although still far short of a high rating (such as Botswana achieves).

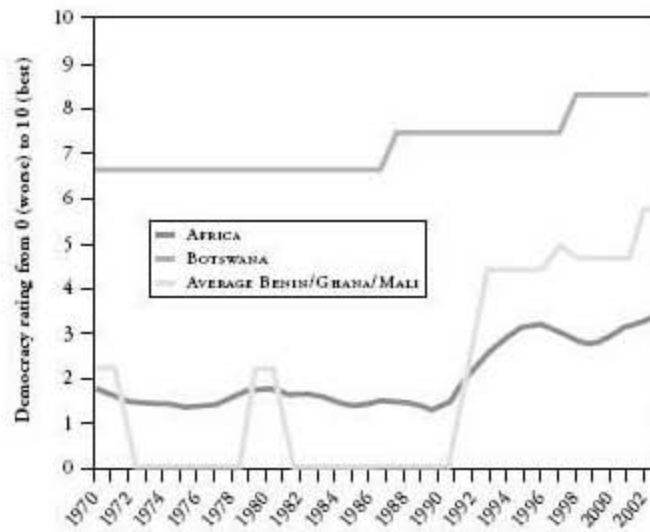


Fig. 16. Democracy in Botswana and Average for Africa

Moreover, governments—together with foreign aid—do not have a universal record of failure in Africa. One success was the steady expansion of education, represented by the huge leap in adult literacy rates from 1970 to 2000. Another accomplishment has been in reaching girls for education, as the ratio of female-to-male literacy has climbed steadily over the last thirty years (see figure 17). The higher literacy of men and women has so far not translated into increases in earnings, but education is both a worthy end in itself and a contribution to many other good development outcomes. There are some quality problems, such as poorly motivated teachers and the absence of textbooks, not to mention inadequate utilization of educated people because of other distortions in African economies—which may be why education has not translated into rising incomes.

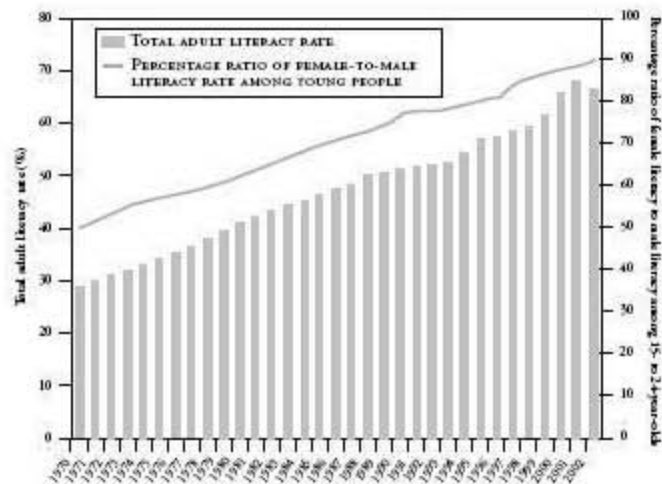


Fig. 17. Total Literacy and Female-to-Male Ratio in Africa

There were also upward trends in electrification (provided by state-owned utilities) until 1990, although this stagnated afterward. Electric production per person increased by 50 percent from 1973 to 1990. Again, there are some quality problems, with power outages common, but the increased quantity indicates that some progress is being made (see figure 18).

In a more general area where effort is less visible—corruption—there are so far no signs of progress (see figure 19, which has two different measures of corruption). Some democratic governments in Africa have turned out to be as corrupt as some autocratic ones. As the great Alfred E. Newman once said, “Crime does not pay...as well as politics.”

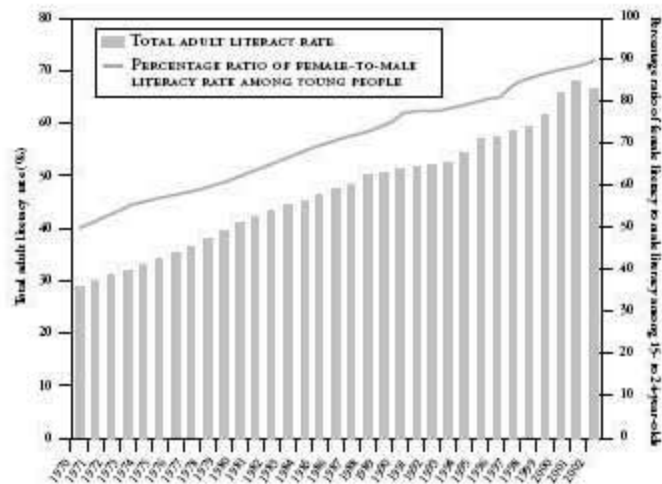


Fig. 18. Electricity Production Per Capita in Africa

Some progress in government performance in Africa is taking place—from which donors might have learned more if they had not patronizingly claimed progress in places where and when there was none. These examples also show that governments and donors working together do sometimes achieve something—again, it seems that piecemeal interventions with visible outputs, such as education and electricity production, show more progress than more general programs where effort is less measurable, such as controlling corruption or stimulating economic growth. Donors are more accountable for visible, piecemeal improvements. Governments, even non-democratic ones, could also be more accountable for these hotly demanded and visible services. The interaction between the

donors and African governments led to happier outcomes in these areas—perhaps because the greater accountability of the donors forced them to work out a pragmatic way to deal with the governments, or the governments were more accountable in these areas to deal with donors and the public, which facilitated the outcome.

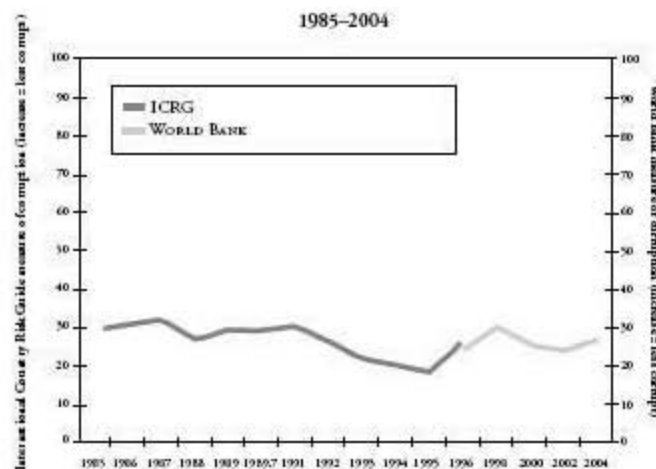


Fig. 19. Percentage Ranking on Corruption of Typical African Country, 1985–2004

The trend toward increased democracy in Africa (noted in figure 16) may be an exception where donors contributed to progress on a general goal of transforming government. However, this chapter has mentioned two findings that are evidence against this: (1) who got aid was unrelated to democracy, so it is unclear how the donors applied pressure; and (2) the formal statistical findings suggest that aid makes democracy worse, not better. Maybe Africans should get some credit for increased democracy for themselves?

Power to the People

The World Bank and the IMF are certainly aware of the problems of dealing with gangsters in trying to deliver foreign aid. They have recently emphasized consultation with nongovernmental think tanks and philanthropic organizations (the so-called “civil society”), seeking to have ordinary people participate in designing economic policy by getting their input on a “Poverty Reduction Strategy Paper” (PRSP). This is a positive step for the World Bank and IMF, to talk to people outside government.

However, as a device to get good government, this falls a few valleys short of the mountaintop. A PRSP is no substitute for democracy. Even if civil society prepared the PRSP with participation by everyone and his cousin, it is unclear how we bureaucrats could redistribute power from those who had it to those who did not. For example, in April 2002, the World Bank and the IMF awarded a second round of debt relief to Burkina Faso, based upon the country’s satisfactory completion of a participatory PRSP.⁴⁹ Burkina Faso is run by the same ruler who has been in power since 1987, who was among the worst fifth in the world in corruption in 2001, and who supported rebel warlords who perpetrated atrocities in Angola, Liberia, and Sierra Leone.

To the aid agencies, participation is an apolitical technical process of consulting the poor. As Daniel Patrick Moynihan said about a similar participation idea in the 1960s: “The socially concerned intellectuals...seemed repeatedly to assume that those who had power would let it be

taken away a lot easier than could possibly be the case if what was involved was *power*.⁵⁰

The participation chapter of the IMF and World Bank's PRSP Source-book advocate consultation of the poor "stakeholders." The Sourcebook does not address how aid deals with tyranny and political conflict—if "stakeholders" disagree with a dictator, as seems likely, who does the IMF and World Bank listen to? What if stakeholders disagree with one another? It is hard to think of how the IMF and World Bank are in a position to do anything constructive to referee political conflict and opposition to tyranny.

Often society and politics fracture along regional or ethnic lines, and foreign aid maintains neutrality with difficulty. For example, a study of the Mahaweli irrigation project in Sri Lanka showed that aid biased toward Sinhalese areas exacerbated the Tamil-Sinhalese hatred during the ongoing civil war.⁵¹ Even humanitarian aid can make political conflict worse rather than better. In the worst-case scenario of Somalia in the early 1990s, food aid increased violence among rival clan militias, who fought to steal the food. The warlords may even have provoked starvation to get more food relief. This was not typical—most poor-country government leaders are better than Somali warlords (rather faint praise).

Ironically, the way the donors implement "participation" sometimes contradicts existing democratic mechanisms. In Tanzania, the democratically elected government had already devised a National Poverty Eradication Strategy in consultation with its parliament, but the IMF and World Bank insisted upon a new process for the Poverty Reduction Strategy Paper anyway. Because of "the urgency with which they wanted to secure HIPC relief, the Tanzanians initially acquiesced in the World Bank writing the I-PRSP for them."⁵²

The IMF and the World Bank don't show a ton of respect for democracy when it starts to take hold. As Yale Professor of political science and anthropology James C. Scott points out, there is an inherent contradiction between planning (what he calls "high modernism") and democratic politics: "Political interests can only frustrate the social solutions devised by specialists with scientific tools adequate to their analysis. As individuals, high modernists might well hold democratic views about popular sovereignty...but such convictions are external to, and often at war with their high-modernist convictions."⁵³

The head of the IMF, Michel Camdessus, told the Haitian parliament during the 1990s that if it rejected privatization of state enterprises, it "would mean that the people are rejecting the support that they need, [support] the international community sees as necessary for Haiti. It will mean that Parliament rejects those policies and this support at a very heavy cost."⁵⁴ Similarly, one of the main World Bank goals for Bolivia in 2004 was that "Bolivia opts for a 'Yes' vote in the Referendum" on gas exports.⁵⁵

This is not to automatically canonize democratically elected governments. They, too, can make terrible choices—this reinforces the main point of this chapter: it is awfully hard to get democracy working well. And the IMF and World Bank could conceivably take a stand for unpopular positions that are the best thing for the country. Yet outside interference doesn't have a great record on improving matters, on making governments do the "right" thing.

Ventriloquism

The Planners are aware that it looks bad to boss around poor-country governments, and increasingly they deny that they do so. At the same time, the IMF and World Bank want to put conditions on aid

and loans to ensure that the governments use the money well. The Planners tie themselves up in rhetorical knots as they try to resolve the unresolvable contradiction between conditions and sovereignty. In 2001, the World Bank described the Poverty Reduction Strategy Paper as a means to resolve the contradiction: “the PRSP...was a crucial step towards greater national ownership of development programs which is essential for increased effectiveness of external assistance.”⁵⁶ The IMF agreed: “The broadest and most fundamental changes to the work of the IMF arise from the fact that the targets and policies embodied in [IMF]-supported programs will emerge directly from the country’s own poverty reduction strategy.”⁵⁷ (The “country” here means the government, as it almost always does in foreign aid.)

Cornell political scientist Nicolas Van de Walle describes the PRSP process as one of “ventriloquism” by the IMF and World Bank.⁵⁸ The IMF and World Bank have allegedly given up on telling governments what to do. So, instead, they want a government to tell them what it will do in order to get a loan. Of course, the IMF and World Bank will approve only acceptable actions in return for infusions of cash. So the poor-country governments, instead of being told what to do, are now trying to guess what the international agencies will approve their doing. The PRSP plans are similar to the long lists of conditions that the IMF and the World Bank impose on the poor countries. If the government doesn’t guess the right answer the first time, the IMF and World Bank prepare a “joint staff assessment” of each PRSP.

Peer Review

Another device by which donors try to get “local ownership” of good government reforms is “peer review” of some African rulers by others. This is part of what is called the New Partnership for African Development (NEPAD), which is supposed to have African rulers enforcing standards of good governance on one another. It is a little mysterious why the donors embrace a mechanism of accountability for African governments that they would never apply to their own countries. (Would the American government submit to peer review by the Canadians?) Anyway, “peer review” misses the whole point of democracy, which is government accountability to its own citizens—not to some other government.

The International Monetary Fund and the Gangsters

The IMF’s charter bans it from considering domestic politics. Sometimes this approach leads to happy outcomes. Over the last decade, Mexico has made a transition to democracy and has pursued pro-market reforms and macroeconomic stabilization. It did this with the support of IMF lending (short-term crisis loans called standbys), although corruption, drug trafficking, and violence remain problems. The IMF tactfully overlooked Mexico’s previous autocratic government.

But a problem with the apolitical approach is that it is not apolitical. Supporting a sitting government with funds is unavoidably a political act. Such an approach doesn’t have much of a safeguard against the IMF enabling some really awful rulers. To see some of the consequences, answer the following trivia question: Who got the most standbys from the IMF over the last half century? The answer is Haiti, with twenty-two. And not just Haiti, but the Duvalier family (Papa Doc and Baby Doc), under whom Haiti got twenty of the twenty-two standbys from 1957 to 1986.

The politics were bad, but the Duvaliers made up for it with even worse economics. The income of the average Haitian was lower at the end of the Duvalier era than at the beginning. Half of all children did not go to elementary school when Papa Doc came to power; half of all children were still out of school when Baby Doc left power.

The Duvalier dynasty was only the latest installment in a toxic history. Haiti has known some degree of democracy for only five recent years out of its two hundred-year history (1990, 1994–1998); for most of that history it had the worst possible democratic rating on a scale of zero to ten.⁵⁹ After almost two hundred coups, revolutions, insurrections, and civil wars since independence, Haiti today still has one of the world's most undemocratic, corrupt, violent, and unstable governments.⁶⁰ The IMF didn't check the history: how much could it help a state that had been dysfunctional for two centuries?

The dysfunctional state reflects in part the legacy of minority European settlement of the worst kind. In 1789, Haiti (then known as Saint-Domingue) was one of the richest places in the world, and the most unequal. A population of 40,000 whites, 30,000 freed mulattoes (the offspring of slave owner wenching), and 450,000 slaves produced \$800 million in exports in today's dollars. These exports included sugarcane, coffee, cotton, indigo, and cocoa.⁶¹ Saint-Domingue provided 60 percent of the world's coffee and 40 percent of the sugar imports of France and England.⁶² The value of production per worker was far higher than that in the United States.⁶³

Today, Haiti is the poorest country in the Western Hemisphere and among the poorest tenth of countries worldwide. Its population of 8.3 million produces \$463 million in exports of goods and services. Exports per person were thirty-one times higher in 1789 than in 2002.

A slave regime produced the 1789 exports. The legacy of slavery has something to do with Haiti's failure at political and economic development. The exports of 1789 showed just how much potential the land of Haiti had; the exports of 2002 show how two centuries have passed moving the country ever further away from that potential.

The Haitian Revolution of 1791–1804 overthrew the hated slave owners. However, the mulattoes and their descendants took the whites' place as the oligarchy, which dominates to this day, and the black majority transferred its hatred of the white slave owners to the mulatto elite. Much of Haiti's history consists of struggles between the mulatto elite and the black military elite (who originated in the leaders of the war of independence), with all possible permutations of alliances, betrayals, and divisions making any stability or prosperity a distant dream.

Throughout the nineteenth century, blacks and mulattoes in Haiti alternated in power. Of the thirty-four signers of the Haitian declaration of independence, only five died a natural death. Only one Haitian ruler finished his constitutional term alive.⁶⁴ In the second half of the century, political life was polarized between a mulatto Liberal Party and a black National Party.⁶⁵

For example, the mulatto leader Jean-Pierre Boyer ruled from 1818 to 1843, with all important political posts filled by mulattoes.⁶⁶ Emulating French colonial policy, he founded schools for mulattoes but none for blacks. An Englishman observed at the time, "The present government seems to consider the poverty and ignorance of the people as the best safeguards of the security and permanence of their own property and power."⁶⁷ The illiteracy and powerlessness of the majority of the population had condemned Haiti to underdevelopment long before the Duvaliers and the IMF arrived, and it still does today. The IMF giving Haiti credit after credit did nothing to address the centuries-old political roots of macroeconomic instability, not to mention the country's underdevelopment.

The International Financial Institutions Get Taken Again

One test of how donor agencies deal with government is to see how they respond to some of the worst cases. Haiti is not the only failed state getting IMF credits. Another notorious case is Mobutu's Zaire. The IMF gave Mobutu eleven bailout loans during his tenure. It was not that his thefts were a secret. The IMF had sent a German banker named Erwin Blumenthal to the Central Bank of Zaire in 1978-1979. He carefully documented how much Mobutu was stealing, and reported back to the IMF and the World Bank.

Mobutu could use thuggery as well as bribery: In the late 1970s, a Zairean army unit attacked an uncooperative resident representative of the IMF and the World Bank. The soldiers beat him up and raped his wife and daughters, with strong signs of Mobutu's complicity.⁶⁸

The two institutions nevertheless kept on lending. Zaire spent 74 percent of the time during the years 1976-1989 in an IMF program. The fund thought giving Mobutu a carrot to reform would help the country's people. The IMF and World Bank finally cut him off in 1990, twenty-five years into his misrule. Altogether, the country had received twenty billion dollars in foreign aid during Mobutu's tenure.⁶⁹ Of course, Mobutu was a cold war protégé of the West, but the IMF and World Bank claim to be apolitical.

An even more extreme example of what the apolitical approach can yield comes from the period just before the Rwandan genocide that began on April 7, 1994. In fairness to the international financial institutions (IFIs), they could not have anticipated such a rare cataclysmic event as the genocide. Yet there were plenty of ugly things going on beforehand. Rwanda's Hutu government had long had an official program of discrimination against Tutsis; there was not a single Tutsi head of Rwanda's 143 communes (local governments). Things got worse after a Tutsi-led rebel army invaded Rwanda in 1990. The Hutu government was complicit in massacres of hundreds of Tutsis by Hutu mobs in separate incidents in October 1990, January 1991, and February 1991.⁷⁰ Despite these events, the IMF concluded that Rwanda's problem was "structural adjustment," for which it gave the Hutu government a loan on April 24, 1991. (The loan was cut off before being fully disbursed, but it is hard to understand why it was made at all.) Before the genocide, foreign observers noted in the early 1990s the Hutu hate speech and the Tutsis' well-justified fears. The World Bank in 1991 somehow concluded that "Rwanda has made a creditable effort toward social and economic development." The World Bank also made a large loan in 1991, and gave additional credits in 1992-1993. Led by the IFIs, foreign aid to Rwanda increased by 50 percent from 1989-1990 to 1991-1993. Aid worker Peter Uvin, from whom these facts come, described the situation:

The development aid system knew of the disintegration of Rwandese society; saw the many Tutsis working for aid agencies or partner NGOs being harassed, threatened, or killed; discussed these matters and surely regretted them; but seemingly felt it was outside its mandate or capacity to intervene, that all it could do was to continue business as usual. Thus aid continued to muddle through, trying to make its usual projects work with a faltering government, until the day the genocide began..⁷¹

In what was perhaps the worst timing in the history of foreign aid, the World Bank issued an anodyne report on development in Rwanda in May 1994—while the genocide was in progress. The foreword to the report notes the horrific massacres beginning in April 1994, but goes ahead with its bland recommendations.⁷² The report makes no mention of the accelerating persecution of the Tutsis that was taking place while the report was being written in late 1993.⁷³

Things have improved over the last decade, as the IFIs are more aware of the problems of corruption, autocracy, and violence. Unfortunately, instead of shunning awful governments altogether, IFIs have made *more* hubristic attempts to transform bad government. So they have continued to be involved recently with some very bad actors under the rubric of “post-conflict reconstruction”—that is, lending in the wake of a civil war. These include Angola and the successor state to Zaire, the Democratic Republic of the Congo.

Maybe there is a case for aiding societies trying to find peace. But note that “post-conflict reconstruction” means you have to do deals with even worse gangsters than under peacetime conditions. And what incentives does it create to give aid money to the men of violence in post-conflict societies, many of whom committed war crimes, while shunning peaceful democratic politicians?

In Angola, a movement away from a Stalinist economic system and toward a market economy in the late 1980s stirred enthusiasm at the IMF and World Bank, but corruption undermined all attempts at economic reform. The abundant oil revenues disappeared somewhere in the Bermuda Triangle of the treasury, the central bank, and the state oil company (Sonangol).⁷⁴ President José Eduardo dos Santos is at the end of a long receiving line for plundered oil revenue. The temporary European minority settlers in Angola left behind the “one hundred families” who are the traditional *mestiço / assimilado* elite, who control both the economy and politics.⁷⁵ Out of 195 countries, the World Bank ranks Angola as the fifteenth most corrupt country in the world.

The World Bank had already given \$180 million to the Angolan government from 1992 to 1999, despite civil war and corruption. Now that peace had finally come to Angola after years of civil war, the country received \$421 million in foreign aid in 2002, despite abundant oil revenues for its population of thirteen million.⁷⁶

After the civil war ended, the World Bank did a new report, in 2003. Following the usual language of “catastrophic but improving,” it detected that “reformists within the Government have been achieving incremental improvements in the transparency and accountability of public resource management.” The World Bank acknowledged that “much more remains to be done.”⁷⁷

For its part, the IMF mission “explained” to the Angolan civil servants in 2003 “that a regular reporting and auditing of Sonangol’s operations was needed...to reduce the risk of corruption and mismanagement.”⁷⁸ The IMF mission records that “the authorities agreed.”

Perhaps the World Bank and IMF efforts could be helpful in making a terrible situation better through the reporting, auditing, and transparency of Sonangol. But the IFI efforts have yet to show up in the World Bank’s rating of Angola’s corruption, which has stayed unchanged from 1996 to 2004.

Next door, in the Democratic Republic of the Congo (DRC), the latest IMF mission has arrive after the state is starting to put itself back together in the wake of two horrific civil wars. Of course, government is going to be pretty awful right after a war, and movement toward good governance is slow in DRC. The U.S. State Department Human Rights Report for 2003 noted that the new Congolese government’s “security forces committed unlawful killings, torture, beatings, acts of rape, extortion, and other abuses, largely with impunity.”⁷⁹ The IMF mission in 2004 met with two of the

four vice-presidents in the coalition government, including Jean-Pierre Bemba (the head of the Uganda-backed Mouvement de la Libération du Congo, accused of massacres in early 2003) and Azarias Ruberwa (the de facto head of the Rwanda-backed Rassemblement Congolais pour la Démocratie, accused of summary executions during a revolt in Kisangani in May 2002).⁸⁰ In 2004, the IMF said that “the staff commends the authorities for their steadfast efforts to consolidate peace.” The IMF and World Bank note that the autocrats and warlords had completed an interim PRSP “through an extensive consultative process.” The rulers promised a shift toward “pro-poor spending.”

These are extreme examples that illustrate the IFIs’ worst cases: coddling awful gangsters who just call themselves a government. The poor population was going to be liable for IMF loans that were never going to reach them.

What is the IMF’s overall record on screening out bad governments? The news is a little better than the situations in Angola, DRC, Haiti, and Rwanda would indicate. We have the World Bank’s comprehensive averages of ratings of countries on corruption and democracy from 1996 to 2002, and the time those same countries spent in IMF programs over the same period. The governments rated as among the worst tenth among developing countries in terms of corruption spent an average of 20 percent of the time in IMF agreements, which is significantly less than the average of 41 percent of the time for the rest of the sample. Governments rated as among the worst tenth in terms of dictatorship spent 9 percent of the time in IMF agreements, which is much less than the sample average. So the IMF does show some willingness to lend less to the most awful governments. Unfortunately, once governments get out of the worst tenth, there is no further tendency to penalize bad governments. For example, governments rated among the second-worst tenth on democracy and corruption are no less likely to spend time in IMF programs than the rest of the sample.

The United Nations and Gangsters

The UN has not done any better than the IMF and World Bank in dealing with bad government. An international organization in which it is possible for the Libyan government to chair the Human Rights Commission does not seem to have high standards for good government. Human Rights Watch cites such qualifications of the chairman of the commission as “the abduction, forced disappearance or assassination of [Libyan] political opponents; torture and mistreatment of detainees; and long-term detention without charge or trial or after grossly unfair trials. Today hundreds of people remain arbitrarily detained, some for over a decade.”⁸¹

The United Nations Millennium Project report in January 2005 argues that bad government is not the primary problem facing poor countries, and if there is bad government, it is because of lack of money (a thesis contradicted by the “oil curse” and “aid curse” studies cited earlier): “Many reasonably well governed countries...lack the fiscal resources to invest in infrastructure, social services, and even the public administration necessary to improve governance. Without adequate public sector salaries and information technologies, public management is chronically weak” (p. 34, main report).

Although convinced that bad government was not the problem, the UN report did rule out aid to the four most awful rulers in the world. The report identifies these four governments—Belarus, Myanmar, North Korea, and Zimbabwe—as beyond the pale. This is a pretty small number for bad governments of the world. Even a dictator like Saparmurat Niyazov of Turkmenistan, who so terrorizes his country that he has renamed the months of the year after himself and his late mother,

can't get into the UN bad despots club.

The Millennium Project 2005 report then recommends that most others become eligible for the "Big Push" of foreign aid out of the alleged poverty trap, that "well-governed low-income countries be granted 'fast-track MDG status' by the international community and receive the massive increase in development assistance needed for them to implement MDG-based poverty reduction strategies."⁸²

The search for the elusive "well-governed low-income countries" casts a broad net. The report lists sixty-three poor countries that are "potentially well governed," and thus potentially eligible for a massive increase in foreign aid. The list includes five out of the seven countries singled out by Transparency International in October 2004 as the most corrupt in the world: Azerbaijan, Bangladesh, Chad, Nigeria, and Paraguay. The list of "potentially well-governed" countries also includes fifteen governments that Freedom House classifies as "not free." Such dictators as Paul Biya of Cameroon, Hun Sen of Cambodia, and Ilham Aliyev of Azerbaijan are on the list. President Aliyev of Azerbaijan has scored a double as most autocratic and most corrupt since he was "elected" to succeed his autocratic father in 2003.⁸³

In his book *The End of Poverty*, Jeffrey Sachs emphasizes that many African countries do not have unusually bad governments compared with other countries at their level of income. Unfortunately, what counts for the population's well-being is not how good the government is for its level of income; it is just how good the government is, period. Aid agencies have to face reality: Is money given to a bad government going to reach the poor? Perhaps the reason the country is poor has something to do with bad government?

It could be that donors are just making a pragmatic choice—appeasing the bad government so they can operate in the country on their own and reach the poor. It is true that donors do a lot on their own by bypassing the government. Unfortunately, they also spend massive amounts of their time trying to fix the bad government and work through it—much more than the token amount that the appeasement thesis would predict.

Screening Out Bad Governments

The Millennium Challenge Account of the Bush administration is one interesting experiment in trying to keep money out of the hands of gangsters. The U.S. Millennium Challenge Corporation gives aid only to governments that meet certain standards, such as democracy, investing in their people, freedom from corruption, and freedom from government interference in markets. It is a welcome step compared with giving money to gangsters, and it will be interesting to see how it plays out.

However, there are some potential pitfalls. Can outsiders really tell when government is good and when it is bad? Should outsiders be supporting a government that they decide is good, without a mechanism for feedback from the citizens of that country? There are certainly plenty of extreme cases of bad governments, such as in the examples given in this chapter, and crossing them off the list is a great step that other aid agencies should emulate. Yet there is a middle ground that is treacherous to negotiate. For example, as of June 2005, the Millennium Challenge Corporation had reached agreements on aid programs with two countries—Honduras and Madagascar. In 2004, Honduras's government was ranked by the World Bank as among the worst third in the world for corruption. Madagascar is better; it is smack in the middle on corruption. But the other problem is that these corruption ratings are imprecise. The World Bank reports the margin of error of its estimate, and fifty-seven other countries lie within the margin of error of the Madagascar rating on corruption. The

high margin of error reflects the difficulty that different outside rating agencies have reaching consensus on which countries are more or less corrupt. It looks like selecting good governments is not so easy.

Try Again

As the awful examples in this chapter illustrate, the official aid agencies simply don't know how to change bad governments into good governments with the apparatus of foreign aid. Bad government has far deeper roots than anything the West can affect. To make things worse, the aid agencies *need* the poor-country government, even a bad government, to fill the role of aid recipient to keep money flowing.

The aid system continues to pursue the contradictory combination of reforming government, promoting "government ownership" of reforms, and keeping aid money flowing. The current system drives outside observers, like yours truly, so nuts that we are prone to recommending drastic remedies. Right now foreign aid is caught in a nightmarish in-between world in which donors (1) take up much of the time of the government with attempts to impose "good behavior" (2) insist that the government freely choose to behave; and (3) sometimes bypass the government anyway to do the donors' projects. Observers of aid are sharply divided as to whether aid should bypass government even more, or whether it should bypass it less and try to strengthen low-income governments.

This chapter's reading of the evidence suggests dropping the obsession with always working through the government. However, let's hold fast to opposing shock therapy and universal blueprints, even for the country of foreign aid. Any of these changes should be tried in a gradual, piecemeal, experimental way, and the answers will be different in different countries and different sectors. Large infrastructure projects probably have to be done through governments, although private contracting can be used creatively. Some countries could have sufficiently functional democratic and effective governments so that the aid community could conceivably give the government a blank check. (However, we have seen how difficult it is for outsiders to determine just which governments are in this category.)

For the rest: let political leaders and social activists in the West expose and denounce tyranny in the Rest, but don't expect Western governments or aid agencies to change bad governments into good ones.

Today's system of foreign aid coddles (and probably worsens) bad governments. The long-standing dictator in Cameroon, Paul Biya, gets 41 percent of his government revenue from foreign aid. Under current proposals to sharply increase aid to Africa, that figure would increase to 55 percent.⁸⁴

Let social and economic interactions continue between private citizens of all lands, but Western governments or official aid agencies don't have to deal with corrupt autocrats. When working with the government doesn't get results for the poor, aid agencies should try something else. Can't donors take aid away from bad governments and see if they can get it into the hands of poor people?

And if aid is apolitical on the receiving end, so it should be on the giving end. Can't Western voters demand that their aid agencies direct their dollars to where they will reach the most poor, and not to ugly autocratic friends of the donors?

Even with well-functioning democracies, not everything is done through the government. I could organize a workshop in New York with foreign participants to discuss American economic policies without asking permission from President Bush. I could solicit foreign donations to alleviate poverty

in Harlem without checking with the secretary of housing and urban development. Why should donors insist that analogous exercises be run through the government in poor countries?

Some authors argue that aid has to go through even bad governments to promote their political development. This argument is based on the overambitious goals of political transformation, which have repeatedly failed. The argument is not too persuasive if aid aims not at transforming governments but just at helping very poor individuals with their most desperate needs.

The principle is *nonintervention*. Don't reward bad governments by working through them, but don't try to boss them around or overthrow them either. The status quo of both donors and gangsters badly needs some work.

SNAPSHOT: FELA KUTI

FELA KUTI (1938–1997) was not only an internationally famous Nigerian musician, the king of Afrobeat, he was also a courageous political activist. In his songs, he mocked the military rulers who had been such a plague on Nigeria. He said in one song that VIP meant “Vagabonds in Power.” Another song was called “Authority Stealing.” He also attacked Western racism and meddling in Africa. He was constantly persecuted by the military, beaten with rifle butts, and imprisoned—perhaps because his subversive music was so popular with Nigerians. In his 1977 song “Zombie,” he derided Nigerian soldiers as mindless robots obeying orders to harass the population. The enraged army attacked Fela Kuti’s compound in Lagos, torturing, raping, and murdering members of his entourage. Soldiers threw his aged mother from a second-story window; she subsequently died from her injuries. Kuti never forgave Olusegun Obasanjo, the military dictator at the time, who never apologized publicly for the attack. In 1979, when Obasanjo transferred power to a civilian regime, Kuti led a march of his followers to Obasanjo’s home carrying a mock coffin in protest against his mother’s murder. In 1980, Fela Kuti recorded a song called ITT (International Thief Thief), which accused Obasanjo of corruption.

Obasanjo went over to the opposition during the 1990s military dictatorship of Sani Abacha. After the death of Abacha, former military dictator Obasanjo was elected president in 1999. He promised to crack down on Nigeria’s notorious corruption, but his Anti-Corruption Commission managed to prosecute only one minor official during Obasanjo’s four-year term.⁸⁵ He got a second term in 2003, in an election in which European Union observers noted “serious irregularities.” He launched yet another anticorruption campaign in 2005, partly motivated by the desire to get relief on Nigeria’s high foreign debt. Governments since independence have so mismanaged the country’s oil riches that 60 percent of Nigerians remain below the poverty line.⁸⁶ Chronic violence between ethnic groups and weak economic performance have marred Obasanjo’s presidency. Fela Kuti is no longer with us, but his music remains popular. His courageous struggle for freedom from corruption, and from the heavy hand of the military, lives on.⁸⁷

SNAPSHOT: NEW YORK UNIVERSITY PROFESSOR LEONARD WANTCHEKON*

IGREW UP IN ZAGNANADO, a small town in Central Benin of about three thousand people, in the 1960s. It is one of the poorest towns in the country. There was no paved road, and no electricity, but it had one of the oldest elementary schools in the country. Our homes were constructed of straw, earth, brick, cement, or sometimes corrugated aluminum.

My parents, though illiterate, valued education immensely, and in that respect had great ambition for their children. In many ways they went against the grain of custom in the village. Many families had ten or twelve children, often two years apart. My mother decided to have only five children, four boys and one girl, and that she would have them at four-year intervals. All attended school until they were at least fourteen, an extraordinary accomplishment in a region where most frequently only one child from a family of twelve would receive any formal schooling whatsoever.

In Zagnanado, the farther one goes from the village, the easier it is to find a fertile field for one's own use. When my father finally found a good field, it was fifteen kilometers from the village. He fashioned a primitive shelter in a cave in order to store the harvest, and during harvest time he stayed in his field, too far from the village to return. He spent weeks harvesting, far from anyone, and with no means of communication. A man of enormous courage, he slept at night in the cave, alone, surrounded by snakes and monkeys. He only asked that his sons come on weekends to take away as much of the harvest as we could carry, which we then sold to buy books, pencils, and papers for our studies. He also earned extra revenue by taking in laundry from a local government official, but often still had to take on debt to provide his sons with the transportation and school supplies necessary to their studies.

Thirty years later, I realized that Zagnanado has produced ten university professors, thirteen medical doctors, two architects, four diplomats, and at least one hundred more with at least a university degree. At least seven of "our" professors and medical doctors work in the United States, Germany, and France. Zagnanado is also the hometown of Cardinal Gantin, the former dean of the Sacred College of Cardinals in the Vatican, who retired in 2002.

Zagnanado and its immediate surrounding towns have a large number of lakes and rivers, with wild animals, and could have been at least a major tourist destination. The story of Zagnanado could also well be the story of the whole of Benin.

Why did such an impressive collection of personal success and talent not translate into economic prosperity?

I thought the absence of democracy was the root cause of the problem. One year my father was asked to pay taxes amounting to 90 percent of his annual revenue, a level of taxation that was obviously impossible for anyone, but especially so for him, considering his advanced age. He was already quite old at the time, and too sick to work. Officials came to our home in the middle of the night, woke him up, arrested him, and forced him to parade himself throughout Zagnanado denouncing himself: "I am an irresponsible lout, I didn't pay my taxes. Look upon a horrible sight, I didn't pull my weight. I am stupid, and low, I didn't pay taxes." And this was

done to the kindest, sweetest, most generous man I ever knew. This was the treatment given to that courageous man who lived alone in a cave for weeks on end to provide for his sons. When it happened I thought, No, it's impossible, it can't happen. And it was then, when I saw my father humiliated in this way, that I resolved to change things in my country. From that point on I was committed to political change.

In 1979 and again in 1985, as a student at the National University of Benin (UNB), organized pro-democracy movements. I was arrested in July 1985 and fled in December 1986. The pro-democracy movement grew and led to major democratic reforms in the country in 1990. Meanwhile, I immigrated to Canada in 1988 and then later to the United States, in 1992. I enrolled in graduate programs at Laval University and UBC in Canada, and Northwestern University in the United States. I graduated in 1995 and became an assistant professor at Yale University in 1995 and an associate professor at NYU in 2001.

Today, Leonard Wantchekon, now an NYU professor of politics with a global reputation, runs a research institute in Benin devoted to testing what works in development programs for Benin, training the next generation and devising ways to hold the new democratic government of Benin accountable for delivering services to its citizens.