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A Gangster Has Many Faces

By Anthony Dick

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UC-Berkeley economist Edward Miguel explores how corruption and violence keep certain countries mired in poverty.



The son of Polish and Uruguayan immigrants, Edward Miguel has been interested in global economic development since he was a teenager. By the time he graduated from high school, Miguel had traveled to Eastern Europe and Latin America and witnessed firsthand the scourge of endemic poverty. "I had seen the contrast between those countries and America," Miguel says, "and it was jarring." These experiences stayed with him as he pursued his undergraduate degree at MIT and his doctorate at Harvard. Now a member of the economics faculty at the University of California, Berkeley, Professor Miguel is bringing a fresh perspective to the debate over reducing global poverty.

That debate typically breaks down into two camps. One side believes in the "poverty-trap" hypothesis, which says that the world's poorest societies are incapable of providing themselves with even the most fundamental preconditions of economic growth. Their only hope is to receive a massive jolt of foreign aid that will break the cycle of poverty, plant the seeds of economic growth, and begin the process of development.

The other side argues that this theory neglects the baleful impact of bad governance. All too often, foreign assistance winds up lining the pockets of embezzlers, warlords, and thieves. Even if it does reach people in need, it provides a short-term fix that does not translate into long-term prosperity and material independence. So before we send money to the poorest corners of the globe, we need to make sure that the recipient countries have effective legal, political, and social institutions.

But what comes first? Financial aid to provide the material preconditions of development, or institutional structures to provide a stable framework for prosperity? "It's a chicken-and-egg problem," Miguel says, "and lots of claims are being made in the public sphere without too much evidence to back them up." In order to evaluate the merits of these claims, "we need to better understand corruption, violence, and the motivations of the economic gangsters who are responsible for so many past development failures."

Miguel's approach is on display in his new book, *Economic Gangsters: Corruption, Violence, and the Poverty of Nations*, coauthored with his former graduate school colleague and now Columbia Business School professor Raymond Fisman. The book reads like a sort of *Freakonomics* for international development, analyzing a series of familiar phenomena through an unexpected lens.

The project was shaped by Miguel and Fisman's broad interest in global poverty, but it ended up being what the authors call "a walk on the dark side of economic development." Through their fieldwork in Africa and Asia, Miguel and Fisman came to realize that "the concurrence of violence, corruption, and persistent poverty is so pervasive that it is almost impossible to separate the study of poverty from these other social ills." They decided to focus their research on the criminal behavior that plagues so many developing countries.

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The result is a fascinating blend of economics and cultural anthropology. Miguel and Fisman use rainfall data to show that violence in Africa increases reliably during periods of drought and scarcity. When farmers can't raise crops, they are more likely to turn to pillaging. An increase in pillaging can provide further disincentive for others to be productive (why build a farm if it's going to be looted?), thus triggering a cycle of brutality. Miguel and Fisman argue that economic conditions can be as important as (if not more important than) cultural factors in stoking Africa's bloody conflicts. Somalia, for example, is one of the least ethnically and religiously diverse countries on the planet, but it has been wracked by persistent outbursts of violence, many of which can be linked to droughts.

Fisman and Miguel identify an analogous phenomenon in Tanzania, where times of drought are highly correlated with spikes in "witch killings," the murders of elderly women who are frail and unable to pull their own economic weight. Miguel reckons that under conditions of extreme resource scarcity these women become attractive targets for violence, making them victims of economic deprivation as much as bizarre religious fanaticism.

So if economic scarcity can spark intense violence, and if we know which events are likely to create economic scarcity, we should be able to target development assistance in ways that please both sides of the foreign aid debate. Sending a stream of money into corrupt and unstable countries is a bad idea, but critical instances (such as during droughts) exist when narrowly focused aid initiatives can help poor countries prevent bloodshed.

To be sure, Miguel stresses that culture and conscience obviously play a significant role in shaping human behavior. For example, Tanzanian witch killings occur much more frequently in villages dominated by traditional pagan religions than in Christian and Muslim areas.

According to Miguel and Fisman, cultural factors also help explain why, in New York City, certain diplomats tend to rack up more parking tickets than others. The value of a parking space in Manhattan is upwards of \$450 per month, and diplomats can use their "immunity" to park anywhere for free. It is not surprising that many of them accumulate scores of unenforceable parking tickets. Miguel and Fisman demonstrate that culture is a very effective predictor of unscrupulous parkers: offenders are much more likely to come from countries where government corruption is an accepted way of doing business.

So the power of economic motivation to explain human behavior depends on specific circumstances. "I am very committed to empirical data," Miguel says, "and to basing prescriptions on research." The war against global poverty won't soon be won, but Miguel's research should help us decide which battles to fight.

Anthony Dick is a former associate editor at National Review.

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