

Policy Analysis for Big Issues

Policy Analysis for Big Issues:

*Confronting Corruption, Elitism,
Inequality, and Despair*

By

Robert Klitgaard

**Cambridge
Scholars
Publishing**



Policy Analysis for Big Issues: Confronting Corruption, Elitism,
Inequality, and Despair

By Robert Klitgaard

This book first published 2023

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Copyright © 2023 by Robert Klitgaard

All rights for this book reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner.

ISBN (10): 1-5275-2528-7

ISBN (13): 978-1-5275-2528-3

For Elaine van Biljon Klitgaard
Once again—and always.

TABLE OF CONTENTS

Praise for the Book	ix
List of Figures and Boxes	xii
List of Tables	xiii
Preface	xiv
Acknowledgments	xvii
Chapter One.....	1
Conclusions as Provocations	
Section I: Corruption	
Chapter Two	8
Tropical Gangsters	
Chapter Three	45
Controlling Corruption	
Chapter Four	65
Corrupt Cities: A Practical Guide to Cure and Prevention	
Section II. Elitism	
Chapter Five	82
Choosing Elites	
Chapter Six	101
Elitism and Meritocracy in Developing Countries	

Section III. Inequality

Chapter Seven..... 132
Adjusting to Reality: Beyond “State vs. Market” in Economic
Development

Chapter Eight..... 158
The Culture and Development Manifesto

Chapter Nine..... 179
Bold and Humble: How to Lead Collaboration across the Public-Private-
Citizen Divide, with Five Success Stories

Section IV. Despair

Chapter Ten 204
Prevail: How to Face Upheavals and Make Big Choices with the Help
of Heroes

References 216

Notes..... 230

PRAISE FOR THE BOOK

“*Policy Analysis for Big Issues* is a banquet of insights, ideas, and practical notions. And as the writing is great, every course goes down so very smoothly.”

—EUGENE BARDACH, Goldman School of Public Policy, University of California, Berkeley, author of *A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem Solving*

“Robert Klitgaard is a rare scholar who has freely migrated back and forth between academia and application across over 30 countries on topics ranging from anticorruption to selecting candidates for elite colleges to culture and economic development. *Policy Analysis for Big Issues* is as close as one can get to the greatest hits of his distinguished career—a collection of conclusions from his oeuvre that distil his rich, hard-won, first-hand insights. The riveting stories from Asia, Africa, and Latin America; thought-provoking cases of policy successes and failures; and practical advice on how to transform ourselves and the world for the better will no doubt leave readers wanting to go out and buy the full Klitgaard collection.”

—MICHAEL MUTHUKRISHNA, London School of Economics, author of *A Theory of Everyone: Who We Are, How We Got Here, and Where We're Going*

“Professor Klitgaard’s trademark has been tackling complex and under-researched societal issues with an unusually diverse analytical toolkit. This volume shows why he’s one of the policy world’s most creative problem-solvers.”

—MICHAEL RICH, President and CEO, RAND Corporation (2012–2022)

“Over a prolific career that has tackled some of the wickedest of policy problems, Bob Klitgaard has demonstrated a remarkable ability to distil complexity into insight and to serve up the result with energizing clarity.”

—KARTHIK RAMANNA, Professor of Business and Public Policy, University of Oxford

“Bob Klitgaard is a world-class one-man think- and do-tank. This book is at once a collection of his greatest hits, a tempting introduction to his extraordinarily rich and diverse body of work, and a call to action on what are still some of the most pressing issues in global development today.”

—RT HON JESSE NORMAN, Minister of State and Member of Parliament of the United Kingdom

“Robert Klitgaard has not just taken on the hardest issues, ones too often avoided, from corruption to culture to inequality, he has *lived* them. His writing is a delight, combining the sharp analytics of a Paul Krugman with the vivid imagery of a Paul Theroux.”

—GREGORY F. TREVERTON, University of Southern California, former Chair of the U.S. National Intelligence Council, author of *Telling Truth to Power*.

“Robert Klitgaard uses analytics to guide practice in ways that help make the most daunting challenges we face that much more tractable. And he does so in his own inimitable, erudite-yet-humorous style. For the habits of mind and practice it fosters, *Policy Analysis for Big Issues* belongs in the toolkit or fieldwork backpack—just don’t leave it on the shelf!—of anyone who cares about effecting practical change against daunting odds.”

—SCOTT FRITZEN, President, Fulbright University Vietnam, co-author of *The Routledge Handbook of Public Policy*

“In nine rigorously analytical books, Klitgaard has examined challenges of implementing high-minded policy in the real world. This well-crafted anthology of concluding chapters encourages previous readers to go back and savor favorite passages. New readers are in for a treat!”

—IAN D. CLARK, Distinguished Fellow at the Munk School of Global Affairs and Public Policy and former Secretary of the Treasury Board of Canada, co-creator of Atlas of Public Management

“The books that stay in my mind are a tiny fraction of the ones I read. Robert Klitgaard wrote two of them—*Choosing Elites* and *Tropical Gangsters*. Reading the concluding chapters of his other books in *Policy Analyses for Big Issues* tells me that I’ve just scratched the surface of the things that he has to teach me.”

—CHARLES MURRAY, Friedrich Hayek Emeritus Scholar, American Enterprise Institute

“Robert Klitgaard leaps above the microscopic orientation of most policy analyses. He trounces policy advocacy masquerading as objective analysis. If you seek to address major issues confronting our world, take heed of the themes, principles, and approaches Klitgaard outlines.”

—RICHARD ZECKHAUSER, Frank P. Ramsey Professor of Political Economy, Harvard University

LIST OF FIGURES AND BOXES

Fig. 5-1 Indicating the Uncertainty of Academic Prediction	98
Fig. 9-1 Steps for Analyzing Public-Private-Citizen Collaboration	182
Fig. 9-2 Step 5 - How to Mobilize Supply, Demand, and Resources	183
Fig. 9-3 Bhutan's Extraordinary 2021 Vaccination Campaign.....	193
Box 3-1 Participatory Diagnosis.....	49
Box 3-2 Incentive Myopia.....	54
Box 3-3 Information and Incentives	57
Box 3-4 Communism and Corruption	60
Box 4-1 Recommended Steps in Preventing Corruption.....	72
Box 6-1 When Standards Fall.....	108
Box 6-2 The Other Side of Weber: The Bureaucratic Costs of Rigid, Centralized Selection.....	123
Box 7-1 The Spiral of Increasing Intervention	141
Box 7-2 The New Information Organization.....	147
Box 7-3 The Pedagogy of Aid.....	154

LIST OF TABLES

Table 6-1 Illustrative Calculations of the Efficiency of Various Selection Methods	112
Table 6-2 Checklist for Studying Efficiency of Selection	113
Table 6-3 Checklist for Calculating the Benefits and Costs of Representation	119
Table 6-4 Incentives Created by Selection Systems: A Checklist for Policymakers	122
Table 6-5 Other Examples of Making Merit Work	129
Table 8-1 Design Principles for Managing Common-Pool Resources ...	168

PREFACE

With big issues like corruption, elitism, and inequality, we're often not serious as scholars or as societies. Partly because they're big, they intimidate us. Partly because they're so contextual, they seem intractable. In response, we've cultivated habits of outrage on the one hand—"We have to take on systemic inequality!"—or (with a glass in hand later) resignation. "Haven't you heard of the Pareto distribution? We can't really do anything about inequality."

Political polarization has increased on big issues ranging from climate change to immigration, from early childhood interventions to the rights of indigenous peoples. Ideologies lurk, indeed barely lurk. Even many experts feel thwarted; even many universities and research institutions pull back. Policy analysis lags.

Take the big issue of admissions policies for elite universities and the use of standardized tests. It is once again on the front pages as I write this preface. What should we do, given the dual threats noted long ago by Max Weber?

Democracy takes an ambivalent stand in the face of specialized examinations, as it does in the face of all the phenomena of bureaucracy—although democracy itself promotes these developments. Special examinations, on the one hand, mean or appear to mean a "selection" of those who qualify from all social strata rather than a rule by notables. On the other hand, democracy fears that a merit system and educational certificates will result in a privileged caste.¹

Overlay that dilemma with ethnic differences, even gender differences, especially at the tails of the distributions of many measures of ability and achievement—and you can see why people *flail* or *bail*.

Flail: "We have to go beyond dimension X or Y!" or "We have to invest more in ...," often without assessing what "going beyond" means and what the investments yield and cost.

Or bail: "What can one do about elites and elitism? They're part of every society and always have been."

Another numbing aspect of big issues is who should address them. The usual answer is government. But it's a confusion to state a public problem is best addressed by the public sector, especially by *just* the public sector. Thus the explosion of initiatives around the world under the heading of

public-private partnerships. What are different organizations—and types of institutions—good at? Let's coordinate their comparative advantages in a partnership. But given that no one likes to be coordinated—and given, too, the advantages of specialization—why and how and when to create partnerships? Oh, and if we do, don't partnerships spawn corruption?

Which is another big issue around the world. Corruption is the misuse of office for illicit ends. It's the market entering where we've decided as a society that allocation should take place through other means—elections, seniority, random assignment, merit systems, and so forth. Corruption happens in governments but not just there: also in businesses, universities, charities, churches. What to do? With this big issue, again you'll hear flailing and bailing. Strident but vague speeches: "Fighting corruption is this government's number one priority!" As well as sighs of fatalistic resignation. "Nothing you can do about corruption—it's always been there, everywhere in the world."

In this book, you'll find hope.

First of all, hope via examples where progress has been made on big issues. "Progress" means doing better, not once-and-for-all "solutions." You'll see courageous leaders, and you'll also see the structural changes they made to build momentum and mobilize collaboration. From those examples we can build something like a model—I like Atul Gawande's word "checklist," except it may suggest a checklist for dummies instead of what he calls a structured way to help everyone work through a complicated problem together.² You'll find examples and checklists regarding institutional reforms in government and business (Chapter 7). Examples and checklists for collaboration across government-business-citizen divides on big issues such as the advancement of indigenous cultures, cleaning up cities, and rural economic development (Chapter 9). And examples and models applied to the challenge of corruption (Chapters 3–4).

In the case of elitism and meritocracy (Chapter 6), you'll find three checklists related to different outcomes of interest: efficient allocation, the representation of valued groups, and incentive effects.

The last chapter of this book seems different, but let me try to tie it in. It was also the final chapter in *Prevail: How to Face Upheavals and Make Big Choices with the Help of Heroes*. Its substance is personal—about you and me as individuals. Metaphorically, it's about how we can analyze our own "big issues," including finding purpose, garnering insight, feeling gratitude, and then sharing and serving. Again, you'll find examples of progress—the heroes, often flawed, of history and religion, of arts and sciences, and importantly of everyday life. And you'll find checklists of things you can do, sometimes together with others, to prevail instead of flailing or bailing.

As I finish this anthology, I realize how our despair over big issues has two parts. First, despair over the suffering of real people because we don't do better on big issues.

And second, despair over the reasons why intellectuals, activists, and policymakers don't do better. Too often, we bail, meaning we look at a big issue and say, "That's way beyond my ken. That topic is loaded—you could get cancelled for diving into that one the wrong way." Or we flail, meaning we feel the outrage of victims, or we feel the loss of traditions and values, and we metaphorically scream out. We may jump to what seem to be logical, even obvious steps—and in our haste, leave aside systems effects that can lead to devastating results. Take China's dismantling of its meritocracies during the Cultural Revolution (see pp. 103–106). The goal was to tear down entrenched elites and examination systems based on cerebral achievement. In their place came democratic systems of selection that favored the disadvantaged. Groups of workers, peasants, and soldiers would choose the best among themselves, using criteria derived from the Cultural Revolution. The goals included creating a "new man" (and woman) and a communist society.

The results were disastrous, as judged by the Chinese themselves, and the new selection system was abolished within fifteen years. Intellectual criteria and so-called objective performance metrics—always imperfect, always with adverse impact against the poor—were reemphasized. Simultaneously, policies at local levels freed up some private property rights and enabled some markets, which in turn led the country away from the more utopian ideals of Chairman Mao.

I use this example here as a warning to myself as much as to you, dear reader. Faced with upheavals and big choices, it is a relief to seem to find a radical way out. We can cry out for action, we can align with fellow believers, and thereby we can feel better even in our despair. *Prevail*—and this whole volume—have different advice for us. Buck up. Get into the imperfect, sinful world and do the best you can. Think hard about goals, alternatives, systems, and inclusive processes. Find things that are already working. Bring people together to share information about the challenges and opportunities, including generic international expertise and local knowledge. Help them work through big issues, together.

ACKNOWLEDGMENTS

Each of the nine books from which these chapters are drawn carries its own list of tributes to mentors, colleagues, reviewers, sponsors, and friends. Their influence extends beyond those pages and into the anthology you now hold. I trust that they continue to recognize the extent of their impact, and I hope they know how grateful I remain.

Thanks to the original publishers of those books for allowing me to use the final chapters in this anthology. A special shout-out to my co-authors of *Corrupt Cities*, Ronald MacLean-Abaroa and H. Lindsey Parris, for permitting its conclusion to become Chapter 3. And a big tip of the hat to Kai Klitgaard and Jennifer Verdier for their invaluable assistance in bringing this project to fruition.

I also want to acknowledge the institutions that have provided me with fruitful settings for policy analysis: the Applied Economics Research Centre of the University of Karachi, Harvard Kennedy School, Centre d'études et de recherches internationales, Yale School of Management, University of KwaZulu-Natal, RAND Corporation, Pardee RAND Graduate School, Lee Kuan Yew School of Public Policy at the National University of Singapore, Bhutan's Royal Institute for Governance and Strategic Studies, and Claremont Graduate University.

At a time when many universities and research centers are criticized as biased or irrelevant, my experiences with these institutions have been marked by unfettered exploration and engagement. For this, I am truly grateful.

CHAPTER ONE

CONCLUSIONS AS PROVOCATIONS

This anthology is a collection of concluding chapters from nine books. But beware: “Conclusions are the weak points of most authors,” George Eliot once wrote to her publisher, “but some of the fault lies in the very nature of a conclusion, which is at best a negation.”³

What might conclusions “negate”? They can curtail complexity, nullify nuance, flee to the formulaic. In policy analysis, they can epitomize what the anthropologist Clifford Geertz memorably condemned as “size-up-and-solve social science.”⁴ Conclusions can even be dictatorial—instances of what the economist William Easterly called “the tyranny of experts.”⁵ When a conclusion intimidates us with jargon and methodology, it may send an arrogant and unwelcome message: “Listen, I’ve done the analysis. I know. Just do what I say.”

Not in this book.

Instead, please take the conclusions offered here as provocations, in the spirit of Marcel Proust:

This is one of the great and wondrous characteristics of beautiful books (and one which enables us to understand the simultaneously essential and limited role that reading can play in our spiritual life): that for the author they may be called Conclusions, but for the reader, Provocations. We can feel that our wisdom begins where the author’s ends, and we want him to give us answers when all he can do is give us desires . . . The end of a book’s wisdom appears to us as merely the start of our own . . .⁶

A good conclusion can provoke curiosity, even passion. It can inspire creativity by instigating new puzzles. And a good conclusion may help people make decisions, collaborate, do something concrete.

These functions of a conclusion are not the same, but they overlap. Conclusions might combine them, as these final chapters aspire to do.

Examples

Here are a few of this volume’s provocations.

1. On big issues, analyze, don't pontificate—and don't just avoid them. Here are some methods and examples.

Big issues like corruption, elitism, and inequality readily provoke grandstanding and virtue signaling. “Our government is giving absolute priority to the fight against corruption.” At the other extreme, big issues induce cynicism. “What can anyone do about corruption? It's been present in every society in history.”

When it comes to many big issues facing our world, a prevalent impulse is not to analyze, but to proclaim. Or not to dig in, but to stay away. Alas, this is even true of many professors and professional policy analysts, of many universities and research institutions.

Instead, policy analyses for big issues should lay out problems in ways that help us see their various dimensions. They should give real examples that help us understand how context matters and inspire us about the possibilities for change. They should provide models that help us work through goals, alternatives, and consequences. And they should do all this not to tell us what to do, but to enhance our understanding and catalyze our creative problem solving. This book provides guidance and inspiration for doing so.

2. Those reactions of grandstanding or resignation are particularly prominent when big issues involve inequalities among groups. This book provides examples of how to do better.

The inequities experienced by vulnerable groups often trigger outrage and condemnation, making it perilous to analyze objectively the pros and cons of potential policies.

This book delves into these complex matters. For instance, Chapters 5 and 6 illustrate how selection systems in education and elsewhere can help combat systemic discrimination. Chapter 7 takes a global perspective, drawing on three chapters from the book *Adjusting to Reality* to shed light on ethnic inequalities around the world and potential policy solutions.

3. Many chapters show how effective policies regarding big issues depend on implementation. Meaning good flows of information about actions and consequences—and incentives linked to both. Also meaning processes that involve government, business, and civil society.

Consider the record of big reforms in many so-called developing countries. A democratic reform creates a new constitution and calls for fair elections. An economic reform declares free markets. A merit system is

introduced to promote fair competition and reduce the impact of connections, region, and class.

These reforms have often disappointed. As Chapter 7 shows, “structural adjustments” are often not accompanied by “institutional adjustments”—and therefore they fall short. (The same qualitative insight holds for revolutionary changes from the left or the right: institutions are often underemphasized, and therefore the revolution often falls short of its goals.)

The architect Frank Gehry once said, “As an artist, I have to work with constraints. One of them is gravity.”

In policy design and implementation, *greed is like gravity*.

Just as even the dreamiest building design that ignores gravity will fall down, so a seemingly ideal policy design will collapse if it ignores greed in the officials that implement it and the businesses and citizens affected by it.

That’s why information and incentives matter so much. Luckily, there are excellent examples of institutional reforms that take information and incentives seriously. And there are analytical models to explain how to do so. In this book, some of the models come from economics, especially in Chapters 3, 4, 7, and 9. Other chapters use models from decision theory and psychometrics, especially in Chapters 5, 6, and 7.

In every case, the focus is how both examples and models can catalyze our creative thinking about our inevitably distinctive challenges.

4. Culture also matters, perhaps especially regarding big issues—but it’s so easy to engage in fruitless culture speak and avoid policy analysis. Here’s how to do better.

A fraught theme in many debates over big issues is “culture.” For example, some people assert that the white patriarchy privileges culturally specific ways of thinking and doing, which turn out to work against people from other cultural backgrounds. In a quite different vein, others blame problems like corruption, elitism, and inequality on the cultures of the disadvantaged themselves. Or you hear critiques of this form: “Those supposed policy solutions are culturally ignorant and therefore culturally impotent.”

All these assertions have a point, but too often they are stoppers, rather than the beginnings of careful, practically focused analyses. It is notable (and sad) that the disciplines best equipped to take culture into account have remained on the sidelines of policy analysis. Chapter 8, which concludes *The Culture and Development Manifesto*, reviews that book’s findings about why anthropology and cultural studies have been so ineffectively applied—and shows how experts from these disciplines, working with local communities and policymakers, can help advance policies to address

systemic disadvantage and cultural diversity. In other words, we can do better together, and here are examples and a framework for how to do so.

You'll be inspired in Chapter 8 by the account of Nepalis improving their irrigation systems and forest management with the help of Elinor Ostrom's policy analyses. It's an exemplar of collaboration and cultural responsiveness, combining local knowledge and ingenuity with international expertise.

5. Real examples are crucial for understanding big issues, and examples of success are doubly useful for activating new ideas and actions.

Examples are inherently place- and time-specific. Yet although our own context inevitably is unique, we can learn from examples from elsewhere.

First, they can show us how particular challenges manifest themselves. Chapter 2 describes Equatorial Guinea at a particular time in its journey out of dictatorship and extreme poverty. It is a story that, though extreme and idiosyncratic, illustrates and I hope illuminates challenges that many countries face, big issues like corruption, elitism, tribalism, and poverty.

Second, throughout this book you'll find examples that demonstrate how a big issue was confronted and, at least in part, dealt with. You'll appreciate how leaders diagnosed an issue with a hard head and an innovative vision. How they considered collaborative solutions, then explored them with potential partners. How they involved citizens in designing and implementing change.

Many of the examples are drawn from my own experiences in Africa, Asia, and Latin America. Not all are from poor countries. Chapter 5 focuses on elitism and meritocracy at American universities, with the case study of Harvard taking central stage. Chapter 10 confronts despair—comprising a lack of purpose, insight, gratitude, and dedicated action—with theories and examples from the most apparently advanced societies.

Particularly valuable, I think, are case studies of successful reforms. The Nepali story in Chapter 8 is one. Five others appear in Chapter 9 on public-private partnerships. And so on throughout the book. Examples of success can instruct and inspire us—understanding that in our diverse and imperfect world “success” is always partial and contestable.

Please consider this book's examples in the spirit of the clothing designer Denise Benitez. Once I visited a museum of wearable art with her. She was admiring the various pieces, many of which simply baffled me. At the end, I asked her what she was learning from these exotic exemplars.

“Are you picking up techniques or styles to copy?” I asked.

“No,” Denise said.

“Are these display pieces like data points in some general theory of design that you’re developing?”

“No, not at all,” she laughed.

Denise paused and pondered.

“Well, it’s like this. I look at each piece carefully. I try to imagine what problem the designer was trying to solve. Then I see how he or she solved it. And that gives me . . . *ideas*.”

6. Policy analysis for big issues should present checklists that facilitate systematic, collaborative work.

I don’t mean checklists in the sense of the *Topic X for Dummies* volumes you’ll find on my bookshelf. Instead, think of Atul Gawande’s excellent book, *The Checklist Manifesto*, mentioned in the Preface. He shows how checklists help people work together on complex challenges of design and implementation, such as building skyscrapers, designing airplanes, and improving hospital systems.

In the present volume, many chapters present frameworks for policy analysis, or checklists. Sometimes more than one: regarding elitism, Chapter 6 supplies checklists for three different dimensions of selection policies, namely efficiency, representation, and incentives. Other chapters provide frameworks for policy analysis in fighting corruption and overcoming ethnic inequalities.

7. Progress on many big issues will require better collaboration among government, business, and civil society. Policy analysis can help.

Fighting corruption, overcoming elitism, and dealing with systemic inequalities: none of these big issues can be fruitfully addressed by government alone. Chapter 9 provides encouraging examples on big issues ranging from preserving indigenous cultures to reforming schools to enabling local economic development, and it gives general guidance for creating and managing public-private partnerships.

Big issues where collaboration is necessary—and that’s most of them—may benefit from a special brand of policy analysis. The goal is first, to convene people and institutions that ordinarily don’t talk or work well together. Then to catalyze their joint work by providing them with data, case studies, and checklists—in other words, with policy-relevant research—and facilitating a participatory process that helps them work together through goals, alternatives, and implementation strategies.

8. In all we do, but especially on big issues, criticize if we must; but to make a difference, be constructive.

Some of these conclusions sound negative notes, and this book does find fault with some policies and intellectual approaches. But the point is not to hector but to invite. These chapters try to show how policy analysts and policymakers can make better progress on big issues.

Finifugal

To close this introduction to a book of concluding chapters, let me ask you a question. Are you a *finifugal*? I hope so.

If this term is unfamiliar, don't fret—it's absent from the Oxford Dictionary. Definition-of.com defines finifugal this way: "hating endings; of someone who tries to avoid or prolong the final moment of a story, relationship, or some other journey."

Dictionary.com puts finifugal in the category of "words to describe those weird feelings we all get."

We've all experienced this feeling before: *Finifugal* is the resistance to an end of something.

This arcane-sounding word was coined in the 1800s and infrequently used during the last century, the word makes sense if you break it down: *fini* is Latin for "end" and *fugal* is Latin for "flight." If you're feeling a bit *finifugal* at the moment, just hit the "back button."⁷

If these chapters entice you, please do hit the "back button." May you be encouraged to visit the homes of these concluding chapters and explore their cited works.

May you also hit the "forward button." I hope that as you reach the end of each chapter, you're inspired as well as informed. Inspired to question, to discuss, to engage with these issues in your unique way. This is not just about learning from the past and understanding the present; it's about shaping the future.

Whether you're a policymaker, activist, academic, or an interested reader, I hope that you find your own path in grappling with these big issues. That you transform this newfound knowledge into tangible action, whether it's in your personal, professional, or public life.

SECTION 1:
CORRUPTION

CHAPTER TWO

TROPICAL GANGSTERS

From *Tropical Gangsters* by Robert Klitgaard, copyright © 1990. Reprinted by permission of Basic Books, an imprint of Hachette Book Group, Inc.

From the Dust Jacket

When Robert Klitgaard, an adventurous young economist and former Harvard professor, arrived in the steamy backwater of Equatorial Guinea as head of a World Bank program to rehabilitate its ruined economy, he soon discovered that beneath the placid surface of this tiny nation there seethed a host of tropical gangsters: corrupt government officials, capitalist cowboys, lazy “experts” paid through foreign aid, and fly-in, fly-out negotiators from international financial institutions. “If we can turn this country around,” the author said optimistically on arrival, “we can do it anywhere.”

In an account as gripping as any of V.S. Naipaul’s, Klitgaard chronicles his adventures as he tries to get Equatorial Guinea on the path of economic reform. Along the way he meets the witch doctor Milagroso, who runs the central bank, the aging World Banker Horace, who wishes the country would get no aid at all, and the brilliant Saturnino, an Equatoguinean who fights corruption and ends up being tortured for his courage. Klitgaard explores the country’s beaches in search of surf and the social life of its capital, Malabo, with its lone discotheque and exotic women. Whether drafting a controversial memo on the nation’s cocoa industry, or negotiating an agreement with the International Monetary Fund, or careening around the jungle on a full-race motocross bike, or fighting malaria, Klitgaard provides an insightful story of how the structural adjustment process hinges on who get structurally adjusted—and who turn out to be the real tropical gangsters.

Why is development in Africa—and by extension, the rest of the world—so difficult? Why has foreign aid so often failed? How can the new movement toward free markets be made to work? Klitgaard’s fascinating book has implications far beyond Equatorial Guinea or the African continent.

Praise and Reviews

“Robert Klitgaard, an administrator for two and a half years of a World Bank project to reform the economy of tiny, impoverished Equatorial Guinea, understands that transferring skills is more important than transmitting cash, and that neither givers nor recipients of aid programs know how to do it. His style is more that of a novelist or travel writer than of an economist, and his tale of lethargy and corruption among the Equatorial Guineans and indifference and frustration among foreign experts has the twists and surprises of fiction. But it is not made up. A reader learns much from it about why our approaches to the third world are often mischievous failures. In the end it even leads one to question the wisdom of the whole process of what we call development.”

—New York Times Book Review, *Books of the Century: A Hundred Years of Authors, Ideas, and Literature* (2000)

“I have never before shared so intimately anybody’s experience among people who are so desperately poor, so eager to learn, and so easy to like.”

—Thomas C. Schelling, Nobel Laureate in Economics

“This splendid book has been compared with the writings of V.S. Naipaul and Joseph Conrad, and with John Updike’s *The Coup*; to me it recalls Evelyn Waugh’s *Black Mischief*, except that it is all true and written by an economist with a cool head and a warm heart. Never before has economic analysis been presented in a more vivid, witty and (at least for some) winning way.”

—Paul Streeten, Director, World Development Institute, Boston University

“Not often will you meet a book on third-world development that is also painfully revealing, warm, bitter, funny, sad, engagingly autobiographical and about Equatorial Guinea. Here is one.”

—*The Economist*

DISSOLUTION

Though Equatorial Guinea needed the IMF's money urgently, the agreement was more important for what it represented. The IMF's approval of the government's economic strategy would ease the way for other lenders and aid donors and encourage foreign investors. It would also enable the long-delayed United Nations "round table" meeting with all the country's aid donors to move forward.

The next step was to get an agreement with the World Bank: a full-fledged structural adjustment program. Having succeeded with the IMF, we now had to detail not just what the government planned to do but how.

I agreed to stay till the end of October to help out. With Don Bonifacio of Finance and other Guinean officials, I would attend the annual meetings of the World Bank and the IMF in Berlin in late September. Then I would leave the country at the end of October, an agreement with the Bank (we hoped) in hand.

In August 1988, the technical committee that had worked so well on the IMF agreement began to meet again. The committee added two new members: the wise and able Saturnino, one of eight local professionals working on our economic rehabilitation project; and my assistant, Raúl. We began by dividing up the tasks that needed doing, and we met three times a week to move things along.

Attempted Coup

Meanwhile, President Obiang began an August tour of the country. His idea was to discuss with the people the idea of a presidential election—one party only and probably only one candidate, but a national election nonetheless. The President had told diplomats that he wanted to get a sense of his own support in the countryside. If he perceived a lack of enthusiasm, he said he would consider retiring. Some people whispered that the *jefe* was growing weary of the burdens of the office. Others talked of opposition to the President. The pro-democracy Guineans living in Spain were active as usual, but the talk concerned regional opposition—and opposition within the ruling clan of the President's hometown of Mongomo.

The chief of state's tour mobilized the ministers. Some accompanied him, others were advance men. The rest might suddenly have to go to Bata for consultations. With so many ministers away from Malabo, employees would come to work late and wander off early. The energy of the tiny capital city seemed to dissipate.

Then on Thursday, 9 August, an alarming rumor swept Malabo. On the mainland there had been an attempt on the President's life.

Details, versions seeped out. One story had a coup plot based in Mongomo itself. The President was to have been assassinated when he and his entourage arrived in his hometown. The chief of police of Mongomo, plus locally based soldiers, were said to have stashed an armory for this purpose; but their designs had been uncovered. "Many" had been arrested. No official news on the matter—only rumor.

In Malabo all was calm. Business went on as usual on Friday, the weekend seemed normal, and on Monday our technical committee met. Everyone came but Saturnino. This was unlike him. After the meeting, I motorcycled over to the Ministry of Transportation to his office.

No sign of him. I asked one of the secretaries.

"Saturnino has not come today," she said softly, her eyes averted. "He will not come." Her voice and manner told me that something was wrong.

"Why?" I asked.

She wouldn't say. "Ask the secretary general."

I went to the secretary general's office. He looked grim. I had the feeling he knew why I was there. I explained that Saturnino had not appeared at this morning's meeting.

"I do not know, Roberto. Things have been said, but I do not know. Perhaps you should go to his house and find out."

I drove to public housing near the marketplace. The area was ugly and utilitarian, a bunch of blocklike concrete dwellings diagonally situated one after another on a large lot of packed dirt. I asked someone where Saturnino's place was. She took me there, past chickens and children and lines of tattered clothes. I knocked at the door. A shirtless teenage boy opened it and led me to the main room. It was barren and dark. Stark wooden chairs and tables, dull walls without decoration, a television. Two children were roaming on the floor. At a table against the far wall sat a woman. I introduced myself and asked about Saturnino.

"They came for him on Saturday," she said. "The police took him away. We do not know where he is or his condition."

She and Saturnino's teenage son related some details, which were few and uninformative. They did not know why Saturnino had been arrested. But over the weekend, others, too, had been picked up around Malabo.

"It has to do with the attempt to kill the President," the woman said.

* * * * *

Rumors roared through town. An ambush had been thwarted. The cause was an intra-clan battle, some said. Others cited the President's economic policies, the closing of the banks, the battenning down of extrabudgetary spending. It could have been all of the above. In Malabo a Spanish-based opposition politician, who had been granted a visa subject to the promise not to stir up trouble, had been arrested. So had a number of middle-level government officials.

My assistant, Raúl, told me something he had not shared with me before.

"You know, Bob, two years ago when there was supposedly a coup attempt against the President? Well, I was locked up and interrogated. No reason at all. But you know, Bob, they tortured me."

Raúl quietly described having his elbows tied together behind his back for days. He had been blindfolded and immersed in drums of water until he felt as though he were drowning. He had been beaten.

"At the end they released me," Raúl said. "No charges were ever made. But it, well, it ruined me for a long time. I could not move my arms right for months afterward. It took months before I was ready to work again."

Searching for Saturnino

I had to find out where Saturnino was, make sure he was okay.

Don Camilo knew nothing. He told me not to worry.

"This is not the time of Macías, Roberto. He will be taken care of. His situation will be investigated and fairly judged."

Don Bonifacio also professed ignorance. He advised caution.

"Roberto, you will not be able to know anything. You cannot help Saturnino."

But we had to make sure he was all right, that his rights were respected. He worked for us, for our project. He was our colleague.

"I understand what you mean, Roberto. But you as an outsider cannot help him. This is a matter of national security. It has its own process."

I protested that it was precisely as an outsider that I might be able to help. Maybe push things that, say, a minister could not.

Bonifacio nodded, but still advised me to do nothing.

"Bonifacio, suppose it was me that was jailed. Would you do nothing?" He paused, looked down, then looked back at me.

"No. I would try to help you." Another pause. "Be careful, Roberto."