

# PROSPERITY AND VIOLENCE

THE POLITICAL ECONOMY  
OF DEVELOPMENT

SECOND EDITION

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# 4

## STATE FORMATION IN THE MODERN ERA

*There mark what ills . . . life assail,  
Toil, envy, want, the patron, and the jail*

—SAMUEL JOHNSON, *THE VANITY*  
*OF HUMAN WISHES*, LINES 159–60

AT THE ONSET OF THIS BOOK, we visited a museum and journeyed back in time; later, over coffee, we moved through space, traveling from contemporary Europe to East Africa. The museum took us back to a period before states had been formed or industries founded and the café to a region where political disorder threatened economic development. In this chapter, our journey continues, as we explore the process of development following the Second World War.

Historically, development has been the product of war, or at least of efforts to prepare for it. In the modern era—i.e., after World War II—efforts to develop have taken place in an inter-

national environment dangerously frozen in place. In this chapter, I argue that absent immediate military danger, the search for public revenues in the developing world was decoupled from the quest for economic development, a change that profoundly affected both the economic role of governments and the prospects for parliamentary democracy.

### **POLITICAL BEQUESTS**

Today's developing nations emerged from Europe's empires. Rivalries between the European states—Holland, France, Britain and Spain—had led to the seizure of the Indies (East and West), the colonization of North America, and to the occupation of Latin America. In the nineteenth century, the rise of Germany provoked a scramble for Africa and the humbling of China and the Ottoman empire. Although competition among the European states thus led to the growth of their empires, wars between them led to their dismantling. When Napoleon invaded Spain, colonies in Latin America revolted, proclaiming their freedom from their Iberian overlords. Germany's empire was dismembered following its defeat in World War I.<sup>1</sup> And while France and England numbered among the victors in World War II, the costs of their triumph undermined their capacity to defend their possessions overseas. The poverty of the war-torn nations left two powers standing—the Soviet Union (USSR) and the United States. Both supported those who called for the dismantling of Europe's empires, the first in order to weaken their capitalist rulers and the second to check the spread of communism in the developing world.

<sup>1</sup> But was promptly shared out among the victors!

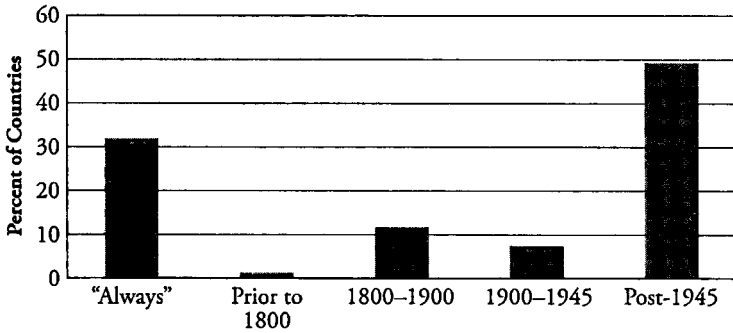


Figure 4.1 Achievement of Independence (187 Countries)

Source: Adapted from data in David Abernethy, 2000, *The Dynamics of Global Dominance: European Overseas Empires, 1415-1980*. New Haven and London: Yale University Press, Appendix.

As seen in Figure 4.1, the majority of today's nations achieved independence following World War II. They emerged into a world once dominated by Europe and animated by its conflicts but now dominated by the United States and the USSR and the Cold War between them.

### THE BI-POLAR WORLD

Europe may have once ruled the world. But in the competition between the United States and Soviet Union, it was Europe itself that was the prize. The United States valued its democratic institutions and capitalist economies; for the Soviet Union, Europe constituted the danger-laden core of the capitalist world and a promising, if challenging, venue for the extension of communism. Because both realized that Germany—as the largest state—held the keys to the continent's future, the details of Germany's occupation sparked heated confrontations between the United States and the USSR: disputes over the valuation of the Deutschmark; the

movement of people and goods between the Soviet and American zones; and, above all, the government of Berlin, the German capital. The Berlin blockade; the Cuban missile crisis, in which events in Berlin played so big a part; the construction of the Berlin Wall—each clash between the United States and the Soviet Union gave rise to the possibility of renewed fighting in the post-war period.

These conflicts resonated not only throughout Europe, but throughout the developing world as well. Both superpowers recruited confederates among the undeveloped nations. Each coveted the undeveloped nations' ports and airbases; their petroleum, cobalt, and uranium; and the votes they could cast to discomfit its rival in the United Nations—the Soviets, by sponsoring embarrassing resolutions regarding the UN mandates in Africa, for example<sup>2</sup>; or United States by securing the backing of the UN in the Korean War. In Europe, the superpowers may have been prepared for combat. But in Lusaka or Bogotá, their rivalry took the form of efforts to win "hearts and minds"—and to recruit political supporters.

No government exists to police these disputes at the global level: no police force, no bureaucracy, and but a vestigial scattering of courts of law. Viewed in the context of earlier discussions, the geo-political order of the post-war era thus resembled

<sup>2</sup> Following the defeat of Germany in World War I, the allied powers made territories—such as Namibia or Tanzania—protectorates and mandated that specific states—in these instances, South Africa and Great Britain, respectively—oversee their administration. They also mandated the League of Nations to oversee the manner in which the territories were governed. The United Nations inherited the League's mandates. That Namibia was torn from Germany only to be tossed to South Africa, which also supported Aryan supremacy, and that the Western democracies refused to press the United Nations to annul South Africa's mandate, suggests the magnitude of the Allies' hypocrisy and the Soviet Union's opportunities for playing on it.

a tribal society, with the big powers playing the heads of rival factions and the less developed countries the role of junior kin. And in keeping with this analogy, relations between the two postwar alliances can be cast as a feud.

In the postwar period, peace among the great powers was characterized by the vocabulary of threat: "brinkmanship," "balance of terror," and "mutually assured destruction," for example. In their relations with the big powers, most of the smaller countries attempted to remain "nonaligned"; relations with their confederates were marked by pledges of "nonaggression." In pursuit of these objectives, the developing countries formed regional alliances, seeking thereby to augment their influence in their relations with the great powers and to lay the foundations for greater cooperation with their neighbors.

To illustrate the behavior of the big powers, consider the Congo crisis of the early 1960s. In 1960, a vehement critic of imperialism, Patrice Lumumba, seized control of Kinshasa, the national capital, while Moïse Tshombe—who labored comfortably and profitably with Congo's former colonial overlords—dominated Katanga, the richest of the provinces. In an effort to avoid having to share Katanga's wealth with the rest of the Congo, Tshombe declared it independent. Western nations backed Tshombe; supporters of the Soviet Union backed Lumumba. When Cuba, an ally of the Soviet Union, inserted forces to support those allied against Tshombe, the United States responded by mobilizing its clandestine services and recruiting mercenaries. As the conflict began to escalate, the major powers paused, reassessed and backed off, orchestrating an intervention by a neutral third party: the United Nations. The big powers may have been willing to pay the

price of war to secure hegemony in Europe; but they were reluctant to pay that price to secure supremacy in a nation in the periphery.

To illustrate the temper of the politics among the developing world themselves, consider the Organization of American States (OAS), which formally endorsed a policy of nonintervention in Latin America. So vocal was its commitment that it even held the United States in check when it pondered the invasion of Cuba (Kaiser 2008), reminding it of the dangers of introducing global conflict between superpowers into the Western Hemisphere. Or consider Africa, where regional pacts, and especially the Organization of African Unity (OAU), checked not only aggression among member states but also challenges to incumbent regimes. While often provoked by the intemperate claims of neighboring heads of state, Africa's governments refrained from war in all but a few instances in the period following independence.

In the postwar world, big power aggression would trigger retaliation; the need to preserve credibility required as much. In the context of the times, small transgressions could therefore yield large wars. In such an environment, the best strategy was to bristle with menace while avoiding actual provocation. In the dangerous world that followed the Second World War, peace persisted amidst a global feud.

#### **PUBLIC FINANCE**

Just as monarchs in the past transformed the state into a "fountain of privilege," so too did chief executives in the postwar era. To a far greater extent than in the past, however, during the Cold War, they could secure resources from abroad. The case of

Kenya provides an example. In the late 1960s, as two political parties—the Kenya African Democratic Union (KADU) and the Kenyan African National Union (KANU)—competed for power, one figure stood apart from the fray: Paul Ngei, the political godfather of the Kamba of Machakos, his political constituency. By threatening to tip the balance between the competing parties, Ngei provoked competition between them. When KANU came to power, it therefore turned to foreign donors and called for “development assistance.” A notable feature of the assistance it received was the degree to which it was targeted for Machakos. The donors responded with an elaborate infusion of development schemes. For cattle herders in Machakos, they constructed dips laced with insecticides to annihilate tick-borne diseases; for farmers, terraces on the hill-sides to check erosion; for children, schools; and for women, prenatal clinics. By channeling foreign aid to the politically pivotal constituents of Paul Ngei, the government sought to bind him politically to the ruling coalition and to consolidate its hold on power.

In the past, lands seized from religious foundations and carved out of conquered territories had enabled monarchs to render the center the fountain of economic privilege. In the postwar world, “development assistance” played a similar role. Foreign aid may—or may not—have promoted the development of poor economies; but it certainly provided the largesse with which to forge a political base.

Less obvious, but perhaps of greater significance, was the impact of foreign transfers on political incentives. Given the possibility of international aid, public officials and technocrats who might otherwise have traversed rural districts seeking ways to strengthen the local economy found it more profitable instead to tour the capitals of the advanced industrial nations,



seeking donations from abroad. Rather than meeting with local investors to broker the finances for a canal, a turnpike, or a drainage system, they labored instead to fill out the forms required for the transfer of funds from Paris, London, Washington, or Stockholm to the national treasury. The availability of resources from abroad deflected the energies of those whose counterparts had in an earlier era labored in order to reorder their economies and to enhance the wealth of their nations.

### POLITICAL INSTITUTIONS

Historically, the creation of parliaments long predated the holding of popular elections; the roots of democracy lie in the creation of parliaments. In the postwar world, however, the flow of funds from abroad lessened the need for rulers to seek funding from their people; in so doing, it undermined the power of parliaments and stalled the development of democracy.

That donor aid reduces the need for executives to bargain has not been lost on those who reside in the developing world. I recall, for example, when the International Monetary Fund (IMF) returned to Kenya, having previously suspended its programs there in response to the abuses of Daniel arap Moi.<sup>3</sup>

In response to what appeared to be a reduction in corruption and the adoption of more disciplined fiscal policies, the IMF dispatched a senior official to give the Kenyan government its blessing and to resume lending. When it did so, a

<sup>3</sup> Daniel arap Moi was president of Kenya from 1978 to 2002. Under his regime, Kenya became a one-party state; many political opponents were jailed and some murdered; and corruption was rife.

prominent politician<sup>4</sup> addressed Kenya's Parliament and stated (I paraphrase here): "We had [the President] where we wanted him. Until now, he had to come to us for funding. Now he will seek to please the voters in America and England, rather than the citizens who sent us here."

In the postwar period, governments in the developing world derived a major portion of their revenues from international transfers; they had little reason, therefore, to bargain with their citizens. Not paying the costs of public policies, legislators, for their part, were more inclined to ratify than to criticize the choices of their executives. The availability of resources from abroad weakened the incentives for executives to elicit support from their citizens—or for citizens to challenge the policies of their governments.

IN THE PERIOD AFTER WORLD WAR II, two blocs competed for global hegemony. Because each had the capacity to destroy the other, caution tempered aggression, producing the tension-filled era of the Cold War. The developing nations therefore confronted a geopolitical environment that differed from that encountered by those nations that had developed before them. In this setting, the prize went not to those who could build armies or defeat others on the field of battle, but rather to those sufficiently wily to feign a preference for one or the other of the great powers, while reaping the benefits of the competition between them.

Consider the resultant political terrain, as viewed by a leader of a developing country. On the one hand stood the Soviet Union; on the other, the United States. Each was watch-

<sup>4</sup> Uhuru Kenyatta, who had run for president against Mwangi Kibaki in the presidential election.

ing, appraising, and recruiting local "talent": a trade union leader who could paralyze a port; a student activist who could mobilize demonstrators to storm a foreign embassy; a military officer who—for a consideration—would describe local force levels and weapons systems; or a political official who might be willing to recount the substance of recent cabinet meetings. Each of the great powers pressed development projects upon the government: the construction of a teaching hospital, a hydroelectric dam, or a highway. Each was willing to provide aid or to forgive debits. And each promised protection from foreign military dangers.

In the postwar environment, development was an international rather than a domestic activity; the call for development came as often from without as from within. Development was no longer a precondition for survival in the international arena; poor states remained intact. Nor did governments have to grow their economies in order to safeguard their domestic political positions; development was the product of international transfers rather than of bargains forged with citizens at home. We apply the word "states" to the political entities that emerged following the collapse of empires. But because they emerged into an international system profoundly different from that from which older states had emerged, they differed from their predecessors. Their key bureaucracies—those that manage military strategy and public finance—failed to impart political impetus to the search for prosperity; and their key institutions—those that might render elites politically accountable—remained weak, given that in pursuing public revenues, many executives found it more profitable to bargain with other states than with their own citizens.