

CHAPTER 1

The Same Species, the Same Dreams

Over the past twenty-five years, I have traveled in some of the world's poorest countries, such as Somalia and Bolivia, and worked alongside some of the poorest citizens in developing countries, such as Nigeria and China. Working as an investor and manager in the developing world, I have had to deal with the rich and the powerful. But I have also had to recruit local employees and research what products local people need and desire. And I have had to confront at least a few of the same challenges—bureaucratic mazes that lead nowhere, officials who will do nothing without a bribe, shortages of everything from fresh water to electricity—that the locals endure in spades. I have also spent weeks and months as a guest in the homes of everyday families from Rada in Yemen to Coroico in Bolivia, from Multan in Pakistan to Mombasa in Kenya, in each place seeking to learn about the local culture and society.

Some of the poor people I have met had become resigned to their fate, had grown passive because of past failure, or had tired of trying to overcome resistance to change within their family or community. Others were fearful of losing the little they did possess by investing in business ventures, or they lacked the skills, savings, or contacts to believe they could get far. Yet the vast majority was brimming with energy and initiative.

During the seven years I lived in China, for instance, I witnessed millions of poor people help transform global supply chains and geopolitical relationships. Employees, colleagues, and friends rarely lacked for determination. Their grandparents and parents often had been illiterate and desperately poor, and the younger generation has been more than happy to take risks and work tirelessly to escape the same fate.

The Chinese have been able to build themselves a better future because they have been fortunate to have both of the two key ingredients for robust economic growth: First, they live in a country whose people are linked together through extensive social networks and who share a common identity. Thus, there are few societal barriers preventing the great majority of people from seeking their fortune on a relatively level playing field. Second, their government finally adopted

a set of policies to capitalize on China's enormous pool of human and social capital—an emphasis on inclusive, export-led growth and on investing in infrastructure and education.

This winning combination has helped China make great strides forward over the past three decades. It's hardly perfect, of course. China still suffers from the widespread corruption and malfeasance typical of struggling states and still lacks the mechanisms to hold officials accountable, typical of democratic regimes. But it's on the right track. A friend, Zou Qifang, like many across the country, struggled to acquire an education when he was young (before the government started its development drive) but has over the past decade built the country's largest chain of dental clinics. Bit by bit, he learned the management skills he has needed to grow his business. Similar tales could be told of nearly all of the country's most successful entrepreneurs.

What I have seen not only in East Asia but also in West Africa, the Middle East, South America, and other poorer or downright impoverished corners of the globe has dramatically changed my picture of the world's poor. My unique perspective has fostered an appreciation for the talents and ambitions—and the obstacles—that are typically ignored or airbrushed out of the portraits of the poor to be found in media reports and aid appeals.

The poor are not a different species from us. Nor are they culturally unrecognizable. Like us, they have dreams for themselves and their families, and they are willing to take risks when they see something worth achieving. They display resourcefulness, sometimes getting ahead and sometimes suffering setbacks. And just like us, there are great differences among individuals in their attitudes, skills, and experiences.

If anything, the world's poor must work harder and show more initiative than we do because the challenges they face are so great. Difficult circumstances beget resourcefulness and creativity beyond what we can imagine, because we have grown up in predictable environments. We know precisely what we need to do to graduate from high school, to get into college, to build a career. We know—or can easily discover—what we need to do to set up and run a business. We assume that if our legal rights are abused, we will get our day in court. We expect when we turn on a faucet, we will get water, when we flick a switch, we will see light. The poor in the developing world have no such luxuries. Their education is typically brief and irregular. To grow a business they have to pay bribes they cannot afford and jump dozens of bureaucratic hurdles they cannot see. The courts, perhaps the entire legal system, may be closed to them or weighted against them. If they have a faucet to turn or a switch to flick, it may work, but it may not—not today, and maybe not tomorrow, next week, or next month.

But what the poor lack most of all is opportunity.

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The poor are poor because they are excluded, deliberately or not, from opportunity—from the opportunity to go to school, to get funding to grow their businesses, to get a fair hearing in a court of law. The elites who control corrupt

governments and divided societies don't just keep prosperity out of reach; they don't let the poor even see the glimmer of a brighter future.

Instead of working to build inclusive societies with growing prosperity for all, most of those with power and money prefer to serve their own narrow self-interests—even if it means that many of their compatriots will go without proper schooling, remain stuck in shantytowns for life, or even starve. The Nigerian novelist Chinua Achebe points an accusing finger at his own country's leaders, but what he says is true about the elites in many corners of the developing world:

The trouble with Nigeria is simply and squarely a failure of leadership. There is nothing basically wrong with the Nigerian character. There is nothing wrong with the Nigerian land or climate or water or air or anything else. The Nigerian problem is the unwillingness or inability of its leaders to rise to the responsibility, to the challenge of personal example which are the hallmarks of true leadership. . . . Does it ever worry us that history which neither personal wealth nor power can pre-empt will pass terrible judgment on us, pronounce anathema on our names when we have accomplished our betrayal and passed on? We have lost the twentieth century; are we bent on seeing that our children also lose the twenty-first? God forbid!¹

The anger palpable during the Arab Spring can be felt in slums, cities, and farms across the developing world, where hundreds of millions of people feel betrayed by those who control the levers of power and wealth in their countries and use that power for their own benefit. As Paulo Silva, who lives in a slum in Luanda, Angola's capital, angrily states, "Angola is a rich country, but we don't get any of it. The people in power are eating all the money."² Or as one member of a discussion group in Kagera, Tanzania, explains, "When you have no power, stop dreaming; you will have no freedom, no equality, and democracy will remain a story to you."³

If the poor are given opportunity—if they are allowed to see the chance of a brighter future and to reach for it—they can transform their own lives. Policies that offer a better chance of participating as equals in marketplaces and governments can unleash the power of hundreds of millions. Equal access to schooling, financial services, information, transportation, courts, and other drivers of empowerment will transform the lives not just of individuals and families but also of businesses, communities, and entire countries. But much has to change first.

A number of other books published in the past few years have focused on the world's poor, but none has focused on the poor as the instruments of their own salvation. Authors such as William Easterly (*The White Man's Burden*), Paul Collier (*The Bottom Billion*), and Jeffrey Sachs (*The End of Poverty*) have instead tended to concentrate on the role of outsiders, especially Western governments and aid agencies.⁴ Other writers, such as Dambisa Moyo (*Dead Aid*), have sought somewhat simplistic solutions in the better use of international financial markets.⁵ Hernando de Soto (*The Other Path* and *The Mystery of Capital*) looks for ways to empower the poor in his writing but then settles on a narrow set of prescriptions related to property rights and legal reform.⁶ Daron Acemoglu and James Robinson's *Why Nations Fail*, published in 2012, emphasizes the importance

of inclusive institutions to economic success but defines these narrowly, failing to take into account the diverse ways in which inclusiveness has been achieved in various places. As a consequence, *Why Nations Fail* has a hard time explaining why many countries, especially outside the West, have succeeded.⁷ Other authors, including Jared Diamond (*Guns, Germs, and Steel*), Max Weber (*The Protestant Ethic and the Spirit of Capitalism*), Niall Ferguson (*Civilization*), and David Landes (*The Wealth and Poverty of Nations*), have sought to explain the prosperity or poverty of countries by looking at things like the environment, culture, institutions, competition, rule of law, and religion.⁸

What Is an “Inclusive Society”?

This book lays great stress on the extent to which poverty is related to social and economic *exclusion* and on the critical role that *inclusive* societies play in tackling poverty. But what exactly is an “inclusive society”?

In inclusive societies, elites feel a sense of moral, psychological, or social obligation to other people in their countries, especially the poor. This sense is strong enough to inspire elites to introduce or support government policies that give the poor the opportunity to improve their lives. The roots of this readiness among elites to extend opportunity to all members of a society can usually be found in a shared sense of identity, whether national, cultural, ideological, religious, or ethnic, or in some other form of intellectual, spiritual, or physical kinship. Effective institutions that serve people equitably can intensify this sense of attachment or compensate for its absence.

In exclusionary societies (discussed in chapter 4), elites have little affinity for the poor and instead see them as significantly or even fundamentally different. This attitude enables elites to justify their continued subjugation of or indifference toward the poor. Exclusionary societies are most likely to be found in countries with deep social fissures based on ethnicity, religion, caste, or clan and a long history of elite-dominated political and economic systems. Exclusionary tendencies are reinforced in countries with ineffective governments that cannot hold leaders accountable or prevent the rich and powerful from corrupting the state. In such environments, elites have little or no incentive to act inclusively.

Such exclusionary attitudes, it should be noted, have little to do with how market-oriented a country’s economic policies are. A country could adopt the most pro-market reforms yet still leave most of its population disadvantaged, unable to access the economic opportunities created by those reforms because those in power favor their cronies or systematically underinvest in certain parts of the country. In such an environment, a handful of people would get rich, but most would stay poor—Africa and the Middle East offer many examples of this phenomenon.

The World Bank's *Voices of the Poor* and *Moving Out of Poverty* series come closest to looking for ways to empower the poor; indeed, they helped inspire this book with their unflinching portraits of the hardships the poor must confront at every turn. But while these series deliver in terms of letting the world hear the "voices of the poor," their solutions for "moving out of poverty" do not take into account some of the most important aspects of their own research. They do look at poverty through the eyes of the poor, but they do not integrate what they see about power relationships into their prescriptions for a better world.

This sort of problem is all too common. Many academics and practitioners have long recognized the crucial role that strong institutions and "good" politics play in promoting development, but few experts took this understanding and used it as the foundation for practicable policy recommendations until recently. The ideology that frames debates on poverty has too often downplayed the political causes of poverty by focusing on very specific factors, such as the poor's lack of access to technology. The poor themselves would not make that mistake. They know all too well how the economic and political system work to deny them opportunity while preserving the status quo. Elites take advantage of the poor without feeling any obligation to ensure governments work equally for everyone. "Money, money, money!" complained one Cambodian villager. "There is no responsibility or accountability from authorities and government officials."⁹

In recent years, a number of European development think tanks and research programs have conducted multiyear studies on the politics of development, bringing much needed attention to the subject. By seeking to understand the incentives that drive political behavior and the power dynamics that determine how countries and economic sectors evolve, these studies have broken new ground in our understanding of development, state building, and poverty.¹⁰ In the United States, Douglass North, John Joseph Wallis, Steven Webb, and Barry Weingast—the editors of *In the Shadow of Violence*—have similarly blazed a new analytical trail, developing a completely new framework for understanding how the politics of developing countries work.¹¹

Betrayed is indebted to the pioneering work of these recent works, and draws on them in a number of places in the following chapters. In other places, however, such as when I discuss strategic urbanization or the role of leadership, I draw chiefly on my personal experiences and observations in China and elsewhere in Asia.

Betrayed is not another work focused on Western aid and how it might work better. Instead, it is a book aimed squarely at the lives of the poor and what it might take to give them the chance to make better use of their own hard work and resourcefulness. It concentrates on the billions of impoverished people in less-developed countries—making up roughly one-half of the developing world's population—who are disadvantaged because of how their states and economies fail them. *Betrayed* is about how to foster the political change and economic opportunity that will produce more inclusive societies and empower the poor so that they can prosper on their own.

The power to bring about that change lies chiefly with leaders and elites of the developing countries, and for that reason most of the suggestions in this book for creating inclusive societies are addressed, explicitly or implicitly, to those leaders and elites. But the international community also has a significant, if fundamentally supportive, role to play in this transformation, and thus this book is also aimed at *everyone* who is interested in making the developing world a much more inclusive place: not just Western government policymakers, those who work for official development agencies, and academics, but also the NGOs who are fighting for the world's poor and the millions of people in Western societies who care about that fight.

The audience for this book is thus very broad, as is the cast of actors who appear in its pages. But throughout the book it is the poor and their leaders who take center stage.

CHAPTER 2

The Blame Game

Confronted by perennial poverty in Africa, Asia, and Latin America, Westerners have an old habit of pointing an accusing finger at the poor themselves.

In the nineteenth century, for instance, an American traveling to Mexico declared the inhabitants to be the most “lazy indolent poor Starved set of people as ever the Sun Shined upon.” Another visitor remarked that the Mexicans are “too ignorant and indolent for enterprises and too poor and dependent were they otherwise capacitated.”¹

In the early twentieth century, a British school textbook, cowritten by Rudyard Kipling, the Nobel Prize–winning author of such children’s classics as *The Jungle Book*, explained that the Caribbean contains

a large population, mainly black, descended from slaves imported in previous centuries, or of mixed black and white race; lazy, vicious, and incapable of any serious improvement, or of work except under compulsion. In such a climate a few bananas will sustain the life of a negro quite sufficiently; why should he work to get more than this? He is quite happy and quite useless, and spends any extra wages he may earn upon finery.²

Such blatant racism has largely disappeared from public view in the past hundred years, but many people still equate poverty with laziness. One American (whose own industriousness has produced a resume that runs from professor of economics to financial planner to talk show host) concluded after visiting a “spectacularly verdant” region of the Andes in 2000 that “there is reason to believe that many Altiplano people are lazy. How else could it be that a non oppressed people, living in a relatively free society, would perpetually remain in abject poverty?” The local Indians’ “lethargic, even indolent” behavior was due to their lack of a Protestant work ethic.³

A lot of people in the rich world pin the blame on culture. “Underdevelopment is a state of mind,” as the title of a book by Tufts professor Lawrence Harrison puts it.⁴ Oscar Lewis, an influential anthropologist who died in 1970, created the concept of “the culture of poverty.” Poor people, said Lewis, feel a sense of

“helplessness, of dependency, of not belonging. . . . Along with this feeling of powerlessness is a widespread feeling of inferiority, of personal unworthiness.”⁵

The late Harvard professor Samuel Huntington made a name for himself by portraying the world as a seething cauldron of sharply distinctive and competing cultures. In Huntington’s world, culture is destiny. Why, for instance, has South Korea prospered while Ghana has not? Because, says Huntington, “South Koreans valued thrift, investment, hard work, education, organization, and discipline. Ghanaians had different values. In short, cultures count.”⁶ A contributor to *Culture Matters*, a book coedited by Huntington and Harrison, echoes the point: “Work is not highly valued in progress-resistant societies . . . the entrepreneur is suspect . . . a job well done, tidiness, courtesy, punctuality . . . are unimportant in a resistant culture.”⁷ Such attitudes are deeply ingrained, dating back at least to biblical times. After all, Proverbs cautions: “How long will you recline, O sluggard? When will you arise from your sleep? A little sleep, a little slumber, a little folding of the hands to recline, and your poverty will come like a traveler, and your lacking like an armed man.”⁸

For most well-off people in the rich world—as well as in developing countries—the poor are to blame for their troubles. This holds true whether the poor are in Africa, Latin America, and Asia, or much closer to home. Bill O’Reilly, the popular (if controversial) American television host, declares that poor people are “irresponsible and lazy . . . because that’s what poverty is.”⁹ More than six out of every ten Americans believe that poor people are at least partly to blame for their own poverty.¹⁰ Even many people within poor countries believe that the poor only have themselves to blame for their situation. Community members and local government officials in Tanzania, for example, dismiss the poor as “these people” (*hawa watu*), hapless individuals responsible for their own plight.¹¹

What often goes unsaid in these perceptions is an underlying prejudice, an assumption that there is some fundamental difference between the poor and “ourselves.” Whether racial, ethnic, religious, geographical, gender, caste, or class in origin, such attitudes can quickly become a rationale for exclusion on account of “otherness.” And billions suffer from exclusion, from “otherness.” If we count all the people trying to scrape by on less than \$1.25 a day (which, as the following chapter explains, is one internationally accepted standard of poverty), we arrive at a total of something like 1.3 billion people, one-fifth of the world’s total population. If we use a figure of \$2.50 a day (another standard), we arrive at roughly 3 billion people, roughly one-half of the developing world’s population. We arrive at much the same range of figures if we add up all the people structurally excluded from economic and political power across the world (a phenomenon discussed in chapter 4).

As far as Huntington and fellow moralizers are concerned, dividing humankind into two groups—and assuming that the poor are not “one of us”—makes perfect sense: one part of the world consists of people like them—hardworking souls who have earned the wealth they enjoy; the other consists of billions of idlers whose poverty is exactly what they deserve.