

Policies, Politics

Even the most well-intended and well-thought-out policies may not have an impact if they are not implemented properly. Unfortunately, the gap between intention and implementation can be quite wide. The many failings of governments are often given as the reason good policies cannot really be made to work. Government inadequacy is also one of the older arguments advanced by some of the aid skeptics to explain why foreign aid and other attempts by outsiders to influence social policy are likely to make things worse in poor countries rather than better.¹

The Ugandan government gives per-student grants to schools to maintain their buildings, buy textbooks, and fund any extra programs that their students might need (teacher salaries are paid directly out of the budget). In 1996, Ritva Reinikka and Jakob Svensson set out to answer a simple question: How much of these funds allocated to schools by the central government actually made it to the schools?² It was a relatively straightforward exercise. They just sent survey teams to the schools and asked them how much they had received. Then they compared the numbers to computer records of how much had been sent. The answer they got was nothing short of stunning: Only 13 percent of the funds ever reached the schools. More than half the schools

got nothing at all. Inquiries suggested that a lot of the money most likely ended up in the pockets of district officials.

It is easy to get depressed by such findings (which have been corroborated by similar studies in several other countries). We are often asked why we do what we do: “Why bother?” These are the “small” questions. William Easterly, for one, criticized randomized controlled trials (RCTs) on his blog in these terms: “RCTs are infeasible for many of the big questions in development, like the economy-wide effects of good institutions or good macroeconomic policies.” Then, he concluded that “embracing RCTs has led development researchers to lower their ambitions.”³

This statement was a good reflection of an institutionalist view that has strong currency in development economics today. The real problem of development, in this view, is not one of figuring out good policies: It is to sort out the political process. If the politics are right, good policies will eventually emerge. And conversely, without good politics, it is impossible to design or implement good policies, at least not on any scale. There is no point to figuring out the best way to spend a dollar on schools, if 87 cents will never reach the school anyway. It follows (or so it is assumed) that “big questions” require “big answers”—social revolutions, such as a transition to effective democracy.

At the other extreme, Jeffrey Sachs sees corruption, perhaps not surprisingly, as a poverty trap: Poverty causes corruption, and corruption causes poverty. His suggestion is to break the trap by focusing on making people in developing countries less poor: Aid should be given for specific goals (such as malaria control, food production, safe drinking water, and sanitation) that can easily be monitored. Raising living standards, Sachs argues, would empower civil society and governments to maintain the rule of law.⁴

This presumes that it is possible to successfully implement such programs on a large scale in poor, corrupt countries. According to Transparency International in 2010, Uganda ranked 127th out of 178 countries in terms of how corrupt it was (better than Nigeria, at the same level as Nicaragua and Syria, worse than Eritrea). Can we expect any progress on education until Uganda solves the bigger problem of corruption?

However, there was an interesting coda to Reinikka and Svensson's story. When their results were released in Uganda, there was something of an uproar, with the result that the Ministry of Finance started giving the main national newspapers (and their local-language editions) month-by-month information about how much money had been sent to the districts for the schools. By 2001, when Reinikka and Svensson repeated their school survey, they found the schools were getting, on average, 80 percent of the discretionary money that they were entitled to. About half of the headmasters of schools that had received less than they were supposed to had initiated a formal complaint, and eventually most of them received their money. There were no reports of reprisals against them, or against the newspapers that had run the story. It seems that the district officials had been happy to embezzle the money when no one was watching but stopped when that became more difficult. A generalized theft of government funds was possible, it seems, mainly because no one had bothered to worry about it.

The Ugandan headmasters suggest an exciting possibility: If rural school headmasters could fight corruption, perhaps it is not necessary to wait for the overthrow of the government or the profound transformation of society before better policies can be implemented. Careful thinking and rigorous evaluations can help us design systems to keep corruption and inefficiency in check. We are not "lowering our ambitions": Incremental progress and the accumulation of these small changes, we believe, can sometimes end in a quiet revolution.

POLITICAL ECONOMY

Corruption, or the simple dereliction of duty, creates massive inefficiencies. If teachers or nurses do not come to work, no education or health policy can really be implemented. If truck drivers can pay a small bribe to drive massively overloaded trucks, billions of dollars will be wasted in building roads that will be destroyed under their wheels.

Our colleague Daron Acemoglu and his long-term coauthor, Harvard's James Robinson, are two of the most thoughtful exponents of the rather melancholy view, active in economics today, that until political institutions are fixed, countries cannot really develop, but institutions

are hard to fix. Acemoglu and Robinson define institutions as follows: “Economic institutions shape economic incentives, the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on. Political institutions determine the ability of citizens to control politicians.”⁵

Both political scientists and economists typically think of institutions at a very high level. They have in mind, if you like, institutions in capital letters—economic INSTITUTIONS like property rights or tax systems; political INSTITUTIONS like democracy or autocracy, centralized or decentralized power, universal or limited suffrage. The argument in Acemoglu and Robinson’s book *Why Nations Fail*,⁶ which reflects a widely shared view among scholars⁷ of political economy, is that these (broad) institutions are the prime drivers of the success or failure of a society. Good economic institutions will encourage citizens to invest, accumulate, and develop new technologies, as a result of which society will prosper. Bad economic institutions will have the opposite effects. One problem is that rulers, who have the power to shape economic institutions, do not necessarily find it in their interest to allow their citizens to thrive and prosper. They may personally be better off with an economy that imposes lots of restrictions on who can do what (that they selectively relax to their advantage), and weakening competition may actually help them stay in power. This is why political institutions matter—they exist to prevent leaders from organizing the economy for their private benefit. When they work well, political institutions put enough constraints on rulers to ensure that they cannot deviate too far from the public interest.

Unfortunately, bad institutions tend to perpetuate bad institutions, creating a vicious circle, sometimes called the “iron law of oligarchy.” Those who have power under the current political institutions get to make sure that the economic institutions work toward making them rich, and once they are rich enough they can usually use their wealth to forestall any attempts to move them out of power.

The long shadow of bad political institutions, for Acemoglu and Robinson, is the main reason many countries in the developing world have failed to grow. Those countries inherited from the colonial period a set of institutions that were put in place by colonial rulers not for the

development of the country but to maximize the extraction of resources for the benefit of the colonial powers. After decolonization, the new rulers found it convenient to hold on to the same extractive institutions and use them for their own benefit, thereby setting off a vicious cycle. For example, in an article that has become a classic, Acemoglu, Robinson, and Simon Johnson showed that former colonies where the disease environment prevented large-scale settlements by Europeans tended to have worse institutions during colonial times (because they were naturally picked for being exploited from afar), and these bad institutions continued after decolonization.⁸

Abhijit and Lakshmi Iyer found a striking example of the long shadow of political institutions in India.⁹ During British colonization, different districts got different systems of land-revenue collection, for largely accidental reasons (mainly, which institution was chosen depended on the ideology of the British servant in charge of the districts and the views prevalent in Britain at the time of conquest). In the *zamindari* system, the local landlord was given the responsibility for collecting land taxes: This served to reinforce his power and strengthen feudal relationships. In the *rayatwari* system, farmers were individually responsible for their own taxes: These regions developed more cooperative and horizontal social relationships. Strikingly, 150 years later and long after all land-revenue collection has stopped, the areas that were placed under elite domination still have tenser social relationships, lower agricultural yield, and fewer schools and hospitals than those placed under village control.

Acemoglu and Robinson do not think it is impossible for former colonies to escape the vicious circle of bad political and bad economic institutions. But they say that it will take the right alignment of forces, combined with a fair amount of luck. The examples they emphasize are the Glorious Revolution in England and the French Revolution. The fact that they are both major upheavals from at least 200 years ago is not entirely encouraging. Acemoglu and Robinson do end their book with some suggestions about what *may* help to bring about this change, but they are very cautious.

There are two other influential points of view that share Acemoglu and Robinson's basic stance about the primacy of institutions, but not

their essential pessimism. The two groups want to take us in radically opposed directions: In one view, if countries are stuck because they have bad institutions, it is incumbent on the rich countries of the world to help them get better institutions, by force, if need be. In the other view, any attempt at manipulating institutions *or policies* from the top down is doomed to fail, and changes can only come from within.

One possible way to break the vicious cycle of bad institutions is to import change from the outside. Paul Romer, known for his pioneering work on economic growth a couple of decades ago, came up with what seems like a brilliant solution: If you cannot run your country, subcontract it to someone who can.¹⁰ Still, running an entire country may be difficult. So he proposes starting with cities, small enough to be manageable but large enough to make a difference. Inspired by the example of Hong Kong, developed with great success by the British and then handed back to China, he developed the concept of “charter cities.” Countries would hand over an empty strip of territory to a foreign power, who would then take the responsibility for developing a new city with good institutions. Starting from scratch, it is possible to establish a set of good ground rules (his examples range from traffic congestion charges to marginal cost pricing for electricity, and of course include legal protection of property rights). Because no one was forced to move there and all new arrivals are voluntary—the strip was empty to start with—people would not have any reason to complain about the new rules.

One minor drawback with this scheme is that it is unclear that leaders in poorly run countries would willingly enter into an agreement of this sort. Moreover, even if they did, it is not clear they could find a buyer: Committing not to take over the strip of land once it is actually successful would be quite difficult. So some development experts go further. In his books *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* and *Wars, Guns, and Votes: Democracy in Dangerous Places*, Paul Collier, an Oxford University professor and former World Bank economist, argues that there are sixty “basket case” countries (think Chad, Congo, and so forth) in which about 1 billion people live.¹¹ These countries are stuck in a vicious circle of bad economic and bad political institutions, and it is the duty of the West-

ern world to get them out, if necessary through military interventions. As an example of a successful intervention of this type, Collier cites British support for Sierra Leone's fledgling effort at democratization.

One of the most vocal critics of Collier's proposal is, predictably, William Easterly.¹² The central problem, he rightly points out, is that it is easier to take over a country than to know how to make it run well. The disastrous effort of the United States to institute a market-friendly democracy in Iraq is just one recent example.¹³ But more generally, one size does not fit all. Institutions need to be tailored to the local environment, and therefore any top-down attempt to change them would probably backfire. Reform, if possible at all, must be gradual, and must recognize that existing institutions are most likely there for a reason.¹⁴

This mistrust of outside experts leads Easterly to be very skeptical not only of foreign takeovers but of foreign aid in general, in part because aid typically comes with an attempt to influence policies often at the cost of actually worsening the politics by continuing to spend aid even when leaders are corrupt.¹⁵

Easterly is not pessimistic, though. He believes that countries can find their own way to success, but they need to be left alone to do so. Despite his aversion to experts and his claims that there are no "one-size-fits-all" solutions, Easterly has one piece of expert advice—freedom. Freedom means both as much political freedom as possible and economic freedom, "the most underrated of human inventions," that is, free markets.¹⁶ This is part of his notion that we need to let the "7 billion experts" take charge of their destiny.¹⁷ Free markets will give would-be entrepreneurs opportunities to start their ventures and create wealth if they are successful. As a committed demand wallah, Easterly also wants governments to stop pushing education and health care on an indifferent populace but rather allow them the freedom to find ways to get themselves educated and healthy, through their own collective action.

Of course, there are many instances where people within the society may feel that the complete free market outcome may not be the ideal one. First, as Easterly points out,¹⁸ the poor may not be able to participate in the market, and they need to be helped until the market finds a

way to reach them. Second, some rules are necessary for markets and society to function. For example, people who don't know how to drive may nevertheless want to drive their car. But society feels that it is better if they don't, because of what it means for the rest of us. A free market in driver's licenses obviously cannot solve this problem. The problem is that if the state is weak or corrupt, the free market will tend to naturally reemerge via bribes and corruption. A study of the allocation of driver's licenses in Delhi showed that knowing how to drive did not really make it more likely that someone would actually get a driver's license, but being willing to pay more to get it fast did.¹⁹ Delhi effectively has a free market in driver's licenses, and that's exactly what we do not want. The challenge is how to get the state to do the job when avoiding the free market outcome is precisely the goal.

So governments are necessary, to provide basic common goods and enforce the rules and norms that the market requires to function. According to Easterly, democracy will help provide the bottom-up feedback to hold governments accountable. The next question, then, is how will free market institutions and democracy emerge? Easterly is consistent: He points out that freedom cannot be imposed from outside, otherwise it would not be freedom. These institutions, then, have to be homegrown and emanate from the bottom up. All that can be done is to campaign for the ideals of individual equality and rights.²⁰

The main lesson from Acemoglu and Robinson's historical analysis, however, is that bad institutions are very persistent, and there may be no natural process to eliminate them. We share their skepticism both about the danger of a strategy to impose institutional change wholesale from outside and about the hope that things will eventually fix themselves if we leave people alone. Where we part with them is in continuing to be optimistic: In practice, we do see a lot of significant institutional changes happening, at the margin, in the absence of an outside invasion or a full-scale social revolution.

Indeed, we feel that this entire debate is missing something basic about the definition of institutions: Institutions define the rules of engagement. This certainly includes the INSTITUTIONS that have been the focus of much of the analysis, at least by economists and political scientists, and still dominate the debate: democracy, decentraliza-

tion, property rights, the caste system, and so on. But every INSTITUTION at this level is realized, on the ground, through many specific local *institutions*. Property rights, for example, are constituted by a combination of a whole range of laws—about who can own what (Switzerland, for example, restricts foreign ownership of chalets), what ownership means (in Sweden people have the right to walk everywhere, including on other people’s private land), how the combination of the legal system and the police acts to enforce those laws (jury trials are common in the United States, but not in France or Spain), and much more. Democracies have rules about who is eligible to run for what office, who can vote, how campaigns should be run, and legal protection systems that make it more or less easy to buy votes or intimidate citizens. For that matter, even autocratic regimes sometimes leave some limited space for citizen participation. We have seen it over and over in this book: Details matter. Institutions are no exception. To really understand the effect of institutions on the lives of the poor, what is needed is a shift in perspective from INSTITUTIONS in capital letters to institutions in lower case—the “view from below.”²¹

CHANGES AT THE MARGIN

Acemoglu and Robinson’s pessimism comes in part from the fact that we rarely see successful drastic regime change from authoritarian and corrupt to well-functioning democracy. The first thing the view from below allows us to see is that it is not always necessary to fundamentally change institutions to improve accountability and reduce corruption.

Although wholesale democratic reforms are few and far between, there are many instances where democracy has been introduced, to a limited extent and at the local level, within an authoritarian regime. Electoral reforms have even taken place in otherwise authoritarian states such as Indonesia under Suharto, Brazil during the military dictatorship, and Mexico under the Institutional Revolutionary Party (PRI). More recently, local elections have been introduced in Vietnam in 1998, Saudi Arabia in 2005, and Yemen in 2001. The reforms have typically been met with skepticism in the West: The elections are often rigged, and the elected officials have very limited powers. Yet there is

compelling evidence that even very imperfect local elections can make a substantial difference in how local governments are run. In the early 1980s, village-level elections were progressively introduced in rural China. Early on, the Communist Party still decided who was allowed to run. The Communist Party branch continued to operate in the village, with its appointed secretary. Ballots were not always anonymous, and the ballot boxes were reportedly often stuffed. Despite these shortcomings, a study²² found a surprisingly large effect of this reform, suggesting greater accountability to villagers. After a village starts holding elections, the village chiefs are more likely to relax unpopular central policies, such as the one-child policy. The reallocation of farmland, which happens from time to time in Chinese villages, is more likely to benefit “middle-class” farmers. Public expenditures are more likely to reflect villagers’ needs.

Similarly, fighting corruption appears to be to some extent possible even without fixing the larger institutions. Relatively straightforward interventions, such as the newspaper campaign successfully implemented by the Ugandan government, have shown impressive success. Another interesting story comes from Indonesia, which remains quite corrupt even after the fall of Suharto. In 2010, it ranked 110th out of 178 countries in Transparency International’s corruption perception index. Corruption was evident in a government program, funded by the World Bank, that provided money to villages to build local infrastructure, including roads. The easiest way for the community leader to skim some of these funds is to over-invoice for materials and to report wage payments that have never been made. Our colleague Benjamin Olken hired teams of engineers to excavate a tiny bit of road in 600 or so villages to figure out how much material had actually gone into the road’s construction. The cost estimate was then compared with what was reported. Another team interviewed some of the people who were reported to have worked on the project about how much they had actually been paid. Theft was rife: 27 percent of the wages reported to have been paid had somehow vanished, and so had 20 percent of the materials. To make matters worse, the money was only one part of the waste. The roads that were built were still the same length (otherwise the theft would be too obvious) but the missing materials meant that

they were built less well, and therefore more liable to be washed away by the next rains.²³

In an effort to fight corruption, government officials in charge of the program told the village leaders that the building programs would be audited, and the results would be made public. The government did not hire especially honest auditors—they worked within the existing system. Yet, Olken showed that the threat of audits reduced the theft of wages and materials by one-third, compared to the villages where audits were not conducted (the villages where audits were conducted were randomly selected).

In the Indian state of Rajasthan, we worked with the police department and sent “mystery shoppers,” or “decoys,” to police stations with instructions to try to get the police to register some made-up petty cases—stolen cell phones, a case of “Eve-teasing” (the expression that Indians use to describe harassing women in the streets), and such similar cases.²⁴ Indian police stations are evaluated on the basis of the number of unsolved cases, that is, the more unresolved cases, the worse the evaluation. Therefore, an easy way to get better evaluations is to register as few cases as possible. In our first set of decoy visits, only 40 percent of the cases actually got to the point where the police were willing to register them (at which point our decoys were required to reveal that it was just a test). It is therefore no surprise that the poor rarely attempt to report any petty crimes to the police.

The police in India represent a near-perfect example of a persistent colonial institution. Despite the fact that they were originally designed to protect the interests of the colonists, there was no attempt to reform the Indian police after Independence. The Police Act of 1861 is still in effect! Since 1977, a succession of Police Reform Commissions has recommended wide-ranging changes, but implementation, so far, has been very limited. Yet the system is nowhere near as sclerotic as this history would suggest.

At the end of each decoy visit where the case was about to get registered, the decoys revealed their ploy: The police therefore figured out that there were these decoys running around, trying to register petty cases. Despite the fact that the data from the visits were explicitly not shared with their bosses, and not linked to any sanction, the registration

rate went from 40 percent at the first visit to 70 percent by the fourth. They had no way to identify the decoys (they were just a set of local people who had been fed the stories), so registration rates must have increased for all such cases: The fear of decoys was sufficient to lead the police to do their job better.

Top-down monitoring is not a particularly new idea. But audits and decoys seem to be effective, presumably because once the information is out there, there is some chance that it will be used to punish the offenders. A few people within the system who believe in fighting corruption may be enough.

Information technology could help. Led by Nandan Nilekani, who used to run Infosys, one of the country's largest software companies, India is in the midst of an unprecedented effort to give each resident a "unique ID" number, linked to people's fingerprints and a picture of their irises. The idea is that any person registered in the system will be able to establish their identity at any place equipped with the right recognition equipment. Once this is done, it will be possible, for example, to require people to scan their fingerprints to take delivery of any subsidized grains from the government fair-price shops. This will make it much harder for the shop owners to sell off the grains at market prices and claim that they have sold to the poor. The fundamental flaws in the Indian institutional frame will remain. Despite that, there is a chance that this "technical fix" can actually contribute to making life significantly better for the poor (although we do not have evidence yet, as the system is still being put in place).

DECENTRALIZATION AND DEMOCRACY IN PRACTICE

Although there is scope for improvement in accountability and corruption even within the framework of generally "bad" INSTITUTIONS, there is, conversely, no guarantee that good INSTITUTIONS necessarily work well in practice. Once again, it depends on how they operate on the ground. At some level, this is a rather obvious point, and one that institutional pessimists agree with. What is not recognized as often, however, is how important the effect of seemingly very small modifications in the rules can be.

There was a striking example of the impact of such a small change in Brazil. Brazil used to have a complex paper ballot. Voters had to choose one candidate from a long list, then write in the name (or the number) of the candidate they wanted to vote for on their ballot. In a country where roughly one-fourth of adults are not functionally literate, this led to the de facto disenfranchisement of a large number of voters. In the average election, almost 25 percent of the votes were invalid and not counted. In the late 1990s, electronic voting was introduced, at first in the largest municipalities, and then in all of them. A simple interface allowed voters to select the number of their candidate, and a picture of the candidate appeared on the screen before the voters validated their vote. This reform, introduced primarily to make it easier to tally the election results, had an unintended consequence: The number of invalid votes was 11 percent lower in the municipalities that introduced electronic voting than in very similar municipalities that had not yet converted to the new system. The newly enfranchised voters were poorer and less educated; the politicians they elected were themselves poorer and less educated; and the policies they chose were more likely to be targeted to the poor. In particular, there was an increase in public health expenditures and a reduction in the number of low-birth-weight babies among less educated mothers. A seemingly minor technical fix, involving no major political battle, changed the way in which the voice of the poor was taken into account in Brazil's political process.²⁵

Power to the People

Another example of the surprising power of small changes comes from the rules governing local political processes. The new ideology in a lot of international institutions is that we should hand the beneficiaries the responsibility for making sure that schools, clinics, and local roads work well. This is usually done without asking the poor whether they really want to take on this responsibility.

In the face of the state's clear failure to deliver public services to the poor, as documented in various chapters of this book, the logic of handing anti-poverty policy back to the poor is superficially irresistible.

The beneficiaries are directly hurt by bad services, and they should therefore care the most; moreover, they have better information, both on what they want and on what is happening on the ground. Giving them the power to control the service providers (teachers, doctors, engineers)—either the ability to hire and fire them or, at least, the power to complain about them—ensures that those who have the right incentives and the right information are the ones making the decisions. “If the stakes are high enough,” the World Bank wrote in its 2004 World Development Report, devoted to the delivery of social services, “communities tackle the problem.”²⁶ Moreover, the very act of working together on a collective project may help communities rebuild their social ties after a major civil conflict. The so-called Community Driven Development projects, in which the communities choose and manage collective projects, are quite the rage in post-conflict environments like those in Sierra Leone, Rwanda, Liberia, and Indonesia.

However, in practice, the implementation of community participation and decentralization matters quite a lot. How exactly does the community express its preferences, given that different people often have different views? How can we ensure that the interests of the underprivileged groups (women, ethnic minorities, lower castes, the landless) are represented?

The fairness and the outcomes of the decision process in such environments crucially depend on such details as project selection rules (a meeting? a vote?), who is invited to the meetings, who speaks, who is in charge of implementing the project on a day-to-day basis, how these project leaders are selected, and much more. If the rules operate to exclude minorities or the poor, it is not clear that this kind of decentralization will help them or that handing power to the locality will help maintain communal harmony. On the contrary, groups that now discover they are disenfranchised by their own neighbors may in fact become angrier.

Take the example of the village meeting, an essential institution of local governance. This is where grievances are discussed, budgets are voted on, and projects are suggested and approved. The idea of a village meeting perhaps evokes quaint images of the yearly Town Meeting in Vermont, full of bonhomie and salty humor. But the reality of local

government meetings in developing countries is much less attractive. The meetings of the Kecamatan Development Project (KDP) in Indonesia (a World Bank-funded project in which communities were given money to build or repair village infrastructure such as local roads or irrigation canals) had an attendance of about fifty, out of the several hundred adults in the village, and half of those were members of the local elite. Most people who attend do not speak: In the KDP meetings, an average of eight people actually said something, of whom seven were from the elite.

It would be tempting to conclude that the iron law of oligarchy was reasserting itself at the village level. But a small change in the rules changed everything. In Indonesia, in some randomly selected villages, people were formally *invited* to meetings through letters. This made a big difference in attendance: Turnout increased to almost sixty-five attendees on average, including about thirty-eight not from the elite. More villagers spoke, and the meetings were more animated. Moreover, some of the invitation letters included comment forms that asked about the way the KDP was being conducted, and in a randomly chosen fraction of villages, these were distributed to all schoolchildren to take home. In the rest of the villages, letters were given to the village head to distribute. When the comment forms were distributed through the schools, the average comments were significantly more critical than when they were distributed by the village heads.

If the rules make such a difference, then it becomes very important who gets to make them. If the village is left to its own devices, it seems likely that rule making would be captured by the elite. It might therefore be better for the decentralization to be designed by a centralized authority, with the interest of the less advantaged or less powerful in mind. Power to the people, but not all the power.

One specific example of such top-down intervention is to restrict whom villagers can elect as representatives. These restrictions may be needed in order to ensure adequate representation of the minorities, and they make a difference.

India's system of village government, or *gram panchayat* (the GP, or village council), has such restrictions. Elected every five years at the local level, the GP administers the local collective infrastructure, such

as wells, school buildings, local roads, and so on. To protect underrepresented groups, the rules reserve leadership positions in a fraction of GPs for women and for members of various minorities (including the lower castes). If the elites had completely captured the *panchayat*, however, mandated representation of women or minorities would make no difference. The real bosses of the villages would continue to rule, presumably fronted by their wives, or by their lower-caste servants, whenever the bosses themselves are prevented from running for office. Indeed, when Raghabendra Chattopadhyay, of the Indian Institute of Management in Kolkata, and Esther embarked on a *panchayat* survey in 2000 to find out whether women leaders invested in different types of local infrastructure, they were warned by everyone, from the minister of rural development in Kolkata to their survey staff (and including many local academics), that this was a futile quest. The show, everyone claimed, was run by *pradhanpatis* (the husband of the *pradhan*, or chief of the GP), and the shy, often illiterate women, many of them with their heads covered, were certainly not making any decisions on their own.

The survey, however, revealed the opposite. In the state of West Bengal, under the quota system, one-third of the GPs were randomly selected every five years to be “reserved” for women to be the village head: In these villages, only women can run for office. Chattopadhyay and Esther compared the local infrastructure available in reserved and unreserved villages, just two years after the reservation system was first put in place.²⁷ They found that women invested much more of their (fixed) budget in the local infrastructure that women wanted—in West Bengal, that meant roads and drinking water—and less in schools. They then replicated these findings in Rajasthan, reputed to be one of India’s most male chauvinist states. There, they found that women wanted closer sources of drinking water above all, and men wanted roads. And sure enough, women leaders invested more in drinking water, less on roads.

Further studies elsewhere in India have made it clear that women leaders almost always make a difference. Furthermore, over time, women also appear to be doing more than men with the same limited budget and are reported to be less inclined to take bribes. Yet whenever we present these results in India, there is someone who will tell us this

has to be wrong: They have gone personally to a village and have talked to a woman *pradhan*, under her husband's supervision; they have seen political posters where the picture of the candidate's husband figured more prominently than the candidate herself. They are right: We, too, have had those conversations and seen those posters. Forcing women to run as political leaders is not the instant revolution that it is sometimes made out to be, with powerful women aggressively taking charge and reforming their villages. The women who are elected are often related to someone who was in politics before. They are less likely to chair the village meetings, and they speak less at them. They are less educated and less politically experienced. But despite all this, and despite the evident prejudice they face, many women are quietly taking charge.

Papering over the Ethnic Divide

Our final example looks at the role of ethnicity in voting. There is reason to be concerned that voting is often based on ethnic loyalties, which means that the candidate from the largest ethnic group often wins, whatever his intrinsic merit.

To measure the extent of political advantage from ethnic prejudice, Leonard Wantchekon, a political scientist at New York University and former student leader from Benin, convinced candidates for the presidential election (whom he knew well from his student days, when they were all part of the pro-democracy movement) to give very different speeches in different villages where they ran political meetings.²⁸ In the "clientelist" villages, the speech stressed the ethnic origin of the candidate and promised to bring schools and hospitals to the region and government jobs to his people. In the "national unity" villages, the same candidate promised to work for a national reform of the health and education sector and to work for peace among all the ethnic groups of Benin. The villages were randomly chosen to get different speeches, but all of them were in the candidate's political stronghold. The clientelist speech was a clear winner: On average, the clientelist candidate got 80 percent of the votes, as opposed to 70 percent in the national unity villages.

Ethnic politics is damaging for many reasons. One of them is that if voters choose based on ethnicity rather than on merit, the quality of candidates representing the majority group will suffer: These candidates don't need to make much of an effort because the fact that they are from the "right" caste or ethnic group is sufficient to ensure that they are elected. The Indian state of Uttar Pradesh, where politics became increasingly caste-based in the 1980s and 1990s, provides a clear illustration of this. Over time, there was a very large increase in the level of corruption among winning politicians from the numerically dominant caste group in all areas.²⁹ It did not matter whether that area was dominated by the lower caste or by the upper caste: The winners from the dominant group were more likely to be corrupt. By the 1990s, one-fourth of the members of the Legislative Assembly had a criminal case lodged against them.

Is it inevitable that voting in developing countries will end up being dominated by ethnicity? There is a long tradition of scholars who think so. Their view is that ethnic loyalties are the basis of traditional societies and are bound to dominate political attitudes until the society modernizes.³⁰ Yet the evidence suggests that ethnic voting is not as entrenched as is often believed. In one experiment in Uttar Pradesh during the 2007 state elections, Abhijit, Donald Green, Jennifer Green, and Rohini Pande worked with an NGO that ran a nonpartisan campaign (using street plays and puppet shows) around a simple slogan, "Don't vote on caste, vote on development issues," in randomly selected villages. This simple message reduced the probability that voters would choose a candidate from their own caste from 25 percent to 18 percent.³¹

Why do some people vote based on caste but readily change their minds when an NGO asks them to rethink? One answer is that, often, voters actually know very little about what they are choosing—they have typically never met the candidate except at election time, when everyone shows up and makes more or less the same promises. There is no obvious mechanism for finding out, for example, who is corrupt and who is not, and there is a tendency to assume that everyone is equally corrupt. Nor do voters know very much about the actual powers of the legislators: In India, we have often heard urban dwellers

blaming the state legislator for the condition of the drains in their slums, when in fact it is their local legislator who is supposed to take care of such problems, with the result that legislators feel that they will be blamed for whatever goes wrong, which does not create a strong incentive to perform.

Given that all the candidates look more or less the same to voters (and perhaps equally bad), the voters may feel that they might as well vote on caste: There is a small chance that caste loyalty will pay off and the politician will help, and in any case, what do they have to lose? But many of them probably don't feel particularly strongly about it, which is why they are also easily swayed.

Brazil is one country that has tried to provide voters with useful information about candidates. Since 2003, every month, sixty municipalities are drawn at random in a televised lottery, and their accounts are audited. These audit results are made public through the Internet and the local media. Being audited hurts corrupt incumbents. In the 2004 election, they were 12 percentage points less likely to be elected if their audit was revealed before the election. Honest incumbents, on the other hand, were 13 percentage points more likely to be elected if their audit results were revealed just before an election. Similar results were found in the slums of Delhi: Voters who were informed about the performance of their incumbents voted against incumbents when they had done poorly.³²

So politics is not very different from policy: It can (and must) be improved at the margin, and seemingly minor interventions can make a significant difference. The same kind of philosophy we have advocated throughout this book—attend to the details, understand how people decide, and be willing to experiment—applies as much to politics as it does to everything else.

AGAINST POLITICAL ECONOMY

Political economy is the view (embraced, as we have seen, by a number of development scholars) that politics has primacy over economics: Institutions define and limit the scope of economic policy.

However, as we have just shown, there is scope for improving the functioning of institutions, even in relatively hostile environments. Obviously, not all the problems will be solved in this way. The fact that there are powerful people who stand to lose from the reforms does impose limits on how far you can take things, but there is a lot that remains possible: The politicians in Brazil who were going to be exposed by the audit did not manage to stop the legislation, nor did the newspapers in Delhi balk at publishing the records of the legislators. In Indonesia and China, the autocratic regimes themselves decided to allow a measure of democracy. The important lesson is to take advantage of whatever slack there is. The same is true for policies. Policies are not completely determined by politics. Good policies (sometimes) happen in bad political environments. And, perhaps more important, bad policies (often) happen in quite good ones.

Suharto's Indonesia is an example of the first point. Suharto was a dictator and was known for being particularly corrupt. Whenever he fell seriously ill, the stock market values of the companies owned by his relatives fell, which clearly shows that being connected to him was valuable.³³ Despite this, as discussed in Chapter 4, it was in Suharto's Indonesia that oil money was used to build schools. Suharto thought that education was a powerful way to diffuse an ideology, impose a unified language, and create a sense of unity in the country. The policy, as we have reported, led to an increase in education and, for the generations that benefited from this schooling, an increase in wages. The education expansion was accompanied by a massive program promoting better nutritional practices for children, in part by training 1 million village volunteers who were supposed to bring the message to their villages. Perhaps in part because of this intervention, malnutrition in children was halved in Indonesia over the 1973–1993 period. The point is obviously not to claim that Suharto's regime was good for the Indonesian poor, but merely to underscore that the motivations of the political elites are complex enough that it may be in their interest, at a particular time and place, to implement some policies that happen to be good for the poor.

And, once again, the converse holds as well. Good intentions are probably a necessary ingredient for good policies, but they only

go so far. Very bad policies are sometimes born out of the best of intentions, because of a misreading of what the real problem is: Public school systems fail the majority because everyone believes that only the elite can learn. Nurses never come to work because no one tried to make sure that there was demand for their services and because of unrealistic expectations about what they can do. Poor people have no safe place to save because the regulatory standards that governments set for institutions that are allowed to legally accept their savings are absurdly high.

Part of the problem is that even when governments are well intentioned, what they are trying to do is fundamentally difficult. Governments exist to a large extent to solve problems that markets cannot solve—we have already seen that in many instances government intervention is necessary precisely when, for some reason, the free market cannot do the job. For example, many parents may not end up immunizing their children or giving them deworming pills, both because they do not take into account the benefit this would have for others and because of the time inconsistency problems we discussed in Chapter 3. They may not choose the right level of education for their children, in part because they are not sure the children will be able to repay them after they have grown up. Firms would rather not operate their effluent treatment plant, partly because it costs money and partly because they don't really care if the water is polluted. At an intersection, we would rather go than stop at the red light. And so on. As a result, the agents of the government (the bureaucrats, the pollution inspectors, the policemen, the doctors) cannot be paid directly for the value they are delivering to the rest of us—when a policeman gives us a ticket, we complain, but we don't offer him a reward for doing his job well and keeping the roads safe for everyone. Contrast this with the grocery store owner: She delivers value by selling us eggs, and when we pay her for the eggs, we know we are paying for the social value she is delivering.

This simple observation has two very important implications: First, there is no easy way of assessing the performance of most people who work for the government. This is why there are so many rules for what bureaucrats (or policemen, or judges) should and shouldn't do. Second,

the temptation to break the rules is ever present, both for the bureaucrat and for us, which is what leads to corruption and dereliction of duty.

The risk of corruption and neglect is thus endemic in any government, but it is likely to be more severe in three circumstances: First, in cases when the government is trying to get people to do things whose value they don't appreciate, such as wearing a helmet on a motorcycle, or immunizing a child. Second, when what people are getting is worth a lot more than they are paying for it; for example, a hospital bed provided free to those who need it, regardless of income, invites a bribe from richer people who want to jump the queue. Third, when bureaucrats are underpaid, overworked, and not well monitored, and have little to lose by getting fired anyway.

The evidence of many of the previous chapters suggests that these problems are likely to be more serious in poor countries. Lack of the right kind of information and a history of government failures make people trust the government's diktats less. Extreme poverty makes it necessary to give away a lot of services at well below market prices. And people don't know what their exact rights are, so they cannot effectively demand or monitor performance; governments have limited resources to pay bureaucrats, and so on.

This is one important reason why government programs (and similar programs run by NGOs and international organizations) often do not work. The problem is inherently difficult and the details need a lot of attention. Failures are often not the result of sabotage by a specific group, as a lot of political economists would have it, but come about because the whole system was badly conceived to start with and no one has taken the trouble to fix it. In such cases, change can be a matter of figuring out what will work and leading the charge.

Absenteeism among health workers is a perfect, if tragic, illustration. You may remember, from Chapter 3 on health, the nurses in Udaipur District who were upset with us because we were part of a project that was trying to get them to come to work. As it turned out, they got the last laugh: The program we were working on with the local government and the NGO Seva Mandir was an utter disaster.

The program had started when, after seeing data we had collected with Seva Mandir, which showed that nurses were absent at least half

the time, the head of the district administration decided to tighten up the rules for nurse attendance. Under the new regime, the main nurse was supposed to be at the center for the entire day for one day a week, on Monday. On this day, she was not allowed to make home visits to her patients (often a convenient excuse to avoid coming to work). Seva Mandir was charged with monitoring attendance: Each nurse was given a time-and-date stamp and was asked to stamp a register affixed to the wall of the center several times a day on Mondays to prove her presence. Those who didn't show up at least 50 percent of the time would get their wages docked.

To see whether this new policy made a difference, we sent independent survey researchers to record absence both in the centers that Seva Mandir was monitoring and in the other centers (where the same rules applied in principle but where there was no monitoring).³⁴ Initially, everything went according to plan. Nurse attendance, which was around 30 percent before the launch of the program, jumped to 60 percent by August 2006 in centers where Seva Mandir was monitoring, but it remained unchanged elsewhere. Everyone (except the nurses, as they clearly let us know on the day we met them) was quite elated. Then, sometime in the month of November, the tide turned. Nurse attendance in the monitored centers started to drop, and kept dropping. By April 2007, the monitored and unmonitored centers were performing exactly the same—equally badly.

When we looked into what happened, the striking fact was that *recorded* absence remained low even after the program fell apart. What went up sharply were “exempt days”—days when there was some reason, the nurses claimed, that excused them from coming in (training and meetings were the most common reasons cited). We tried to figure out why the exempt days suddenly exploded; we could find no record of meetings or training on the claimed dates. The only possible interpretation was that everyone in charge of supervising the nurses must have decided to look the other way when the nurses suddenly started reporting 30 percent more exempt days. Indeed, the nurses in the monitored centers ended up getting a bonus from the whole episode—they discovered just how little their bosses cared about whether they came to work and, based on that, figured that they had

actually been coming in *too often*. At some point, attendance in the monitored centers actually fell below that in the unmonitored ones and remained lower until the end of the study. By the end, the nurses in monitored centers came to work only 25 percent of the time. No one complained. Villagers were so used to the centers not working that they had lost interest in the system altogether. In our visits to the village, we could hardly find anyone to acknowledge that the nurses were absent. Everyone had entirely given up on the system and did not find it worth their while to find out what the nurse was doing, let alone complain about it.

Neelima Khetan, the head of Seva Mandir, offered an interesting interpretation of what happened. Khetan is someone who leads by example. She sets a high standard of behavior in her own professional life and expects others to follow. The nurses troubled her because they seemed so unconcerned about their own dereliction. She had discovered, though, that what they were supposed to do was crazy: Come to work six days a week. Sign in, then take your medicine bag and head out to one of the hamlets to do the rounds. Walk anywhere up to 3 miles to reach the hamlet, even if it is 100°F in the shade. Go from house to house checking on the health status of women of childbearing age and their children. Try to convince a few uninterested women to be sterilized. After five or six hours of doing this, walk back to the center. Sign out. Take a bus to go home, two hours away.

It is clear that no one could do this day in, day out. What had happened was that everyone accepted that the nurses were not really expected to do the job as described. But given that, what should they actually do? The nurses got to set their own rules. In the course of our meeting with them, they very clearly told us that we could not possibly expect them to come to work before 10:00 AM. The center opening hour, clearly posted on the wall outside, was 8:00 AM.

The rules were (obviously) not designed with the objective of undermining the effectiveness of the entire health-care system in India. On the contrary, they were probably put on paper by a well-meaning bureaucrat, who had his own views of what the system should do and did not pay too much attention to what that demanded on the ground. This is what we call, for short, the “three I’s” problem: ideology, igno-

rance, inertia. This problem plagues many efforts to supposedly help the poor.

The nurses' workload was based on an *ideology* that wants to see nurses as dedicated social workers, designed in *ignorance* of the conditions on the ground, that lives on, mostly just on paper, because of *inertia*. Altering the rules to make the jobs doable might not be sufficient to get the nurses to come to work regularly, but it has to be a necessary first step.

The same three I's problem has similarly undermined India's effort to make schools accountable to parents and students. The government of India's last major education reform introduced the idea of parental participation in the oversight of primary schools. Under the Sarva Shiksha Avyan (SSA), a massive, federally funded effort to improve the quality of education, each village was supposed to form a "village education committee" (or VEC, the local equivalent to the American Parent-Teacher Association) to help run the school, find ways to improve the quality of teaching, and report on any problems. In particular, the VEC had the option to petition for funds for an extra teacher's help for the school, and if it was granted the necessary funds, it had the authority to hire and, later, if need be, fire this extra teacher. This is a significant power, given that teachers are not cheap. But in a survey we conducted in the district of Jaunpur, in Uttar Pradesh (India's most populous state), nearly five years after the program was launched, we found that 92 percent of parents had never heard of the VEC. Furthermore, when we interviewed the parents who were members of the VEC, one in four did not know that they were members; of those who knew they were members, roughly two-thirds were unaware of the Sarva Shiksha Avyan program and their right to hire teachers.

This program suffered from the classic three I's problem. Inspired by an ideology—people's power is good—and designed in ignorance of what people want and how the village works, it was, by the time we were studying it, entirely sustained by inertia. No one had paid any attention to it for many years, except for some bureaucrat somewhere who was making sure that all the boxes had been checked.

Working with Pratham, the Indian education NGO responsible for the Annual State of Education Report (ASER) and the Read India

program we discussed in Chapter 4 on education, we thought that making parents more aware of their rights could breathe new life into the VEC. Teams of Pratham field staff were sent to sixty-five randomly chosen villages to inform and mobilize parents around their rights under Sarva Siksha Aviyan.³⁵ Because the Pratham team was somewhat doubtful that just telling people what they can do would have any effect without also telling them *why* they ought to do something, in another set of sixty-five villages a Pratham team taught interested villagers how to conduct the “dipstick” reading and math tests that are at the core of ASER and to prepare a report card for their village. The discussion of the report cards (which revealed that the number of children who could read and write was pathetically low in most villages) formed the starting point of the discussion on the potential role of parents and the VEC.

But neither of these interventions made any difference in parental involvement in the VEC, VEC activism, or child learning (what we ultimately care about) after a year. It was not that the community was not ready to mobilize. The Pratham team had also asked the community to come up with some volunteers who would be trained in Pratham’s Read India techniques for teaching children how to read, and thereafter run after-school reading classes for the children. Volunteers did come forward, and they taught several classes each. As we saw in Chapter 4, children’s reading levels improved dramatically in these villages.

The difference was explained by the fact that the villagers had been given a clear, concrete task: Identify volunteers and send the children in need of help to the remedial classes. This was much better defined than the probably overambitious target to convince people to go lobby the administration for extra teachers, or to force teachers to come to school, as the SSA would have it. In Kenya, a study that gave parents’ school committees a narrow assignment was successful in getting them to act. The committees were given a sum of money and asked to hire extra teachers with it, and in some of the schools, they were given the additional responsibility of paying close attention to what this extra teacher was doing and making sure the school was not misusing the new teacher. The program was well implemented in all the schools, and its effects were even stronger in schools where the school committee

was asked to pay close attention to how it worked.³⁶ Thus, parent participation in school can work, but it requires some thinking about what parents are asked to do.

What these two examples (the nurses and the school committees) illustrate is that large-scale waste and policy failure often happen not because of any deep structural problem but because of lazy thinking at the stage of policy design. Good politics may or may not be necessary for good policies; it is certainly not sufficient.

So there is no reason to believe, as the political economy view would have it, that politics always trumps policies. We can now go one step further and invert the hierarchy between policies and politics. Can good policies be a first step to good politics?

Voters adjust their views based on what they see happening on the ground, even when they are initially biased. The female policy makers in India are an example. Whereas the Delhi elite remained convinced that women could not be empowered by legal fiat, citizens on the ground were much more open to the opposite view. Before the policy of setting aside one-third of the seats of *panchayat* leaders to women, very few women were ever elected to a position of power. In West Bengal, in GPs that had never been reserved for women leaders, 10 percent of the *pradhans* in 2008 were women. Not surprisingly, the share jumped to 100 percent when the seats were reserved for women. But, once a seat that had been reserved went back to being open, women were more likely to be elected again: The share of women elected increased to 13 percent for currently unreserved seats that had been reserved once in the past and to 17 percent if they had been reserved twice. The same thing applied to city government representatives in Mumbai.³⁷ One reason for this is that voters' attitudes toward women changed. In West Bengal,³⁸ to measure prejudices about competence, villagers were asked to listen to a recording of a leader's speech. All villagers heard the same speech, but some heard it spoken in a male voice, and others in a female voice. After they heard the recording, they were asked to judge its quality. In villages that had never had reserved seats for women, and therefore had no experience of a woman leader, men who heard the "male" speech gave higher approval ratings

than those who heard the “female” speech. On the other hand, in villages that had been reserved for women before, men tended to like the “female” speech better. Men did recognize that women were capable of implementing good policies and changed their opinion of women leaders. The temporary reservation of one-third of the seats for women could thus lead not only to some additional drinking water sources but also to a permanent transformation of the role of women in politics.

Good policies can also help break the vicious cycle of low expectations: If the government starts to deliver, people will start taking politics more seriously and put pressure on the government to deliver more, rather than opting out or voting unthinkingly for their co-ethnics or taking up arms against the government.

A study in Mexico³⁹ compared the voting behavior at the 2000 presidential election in villages that had received the social welfare program PROGRESA—which gave poor households cash transfers as long as their children attended school and they visited health-care centers—for six months and in others that had received it for twenty-one months. Both the poll turnout and votes in favor of the PRI (the party that brought them PROGRESA) were higher in villages that had received the benefits for longer. It cannot be because the households were “bought” by the program, since by that time, all of them had received the benefits and knew the rules. But because the program was successful in improving health and education and the households that had received the program for longer had started to see some of these benefits in their lives, they responded by being more engaged (higher turnout) and rewarding the party that had initiated the program (higher vote for the PRI). In a context where all too many electoral promises are made and broken, tangible achievements provide useful information to voters about what the candidates may do in the future.

Lack of trust can explain why in the 2001 experiment in Benin, Wantchekon found that the clientelist message was more successful than an appeal to general interest. When politicians talked in broad terms about the “public interest,” no one took them seriously. At least, voters could more or less trust a clientelist message. If the “general interest” message had been clearer, more focused on some specific proposals, and had proposed an agenda that voters could hold the

candidates accountable to if elected, they might have been more swayed.

A follow-up experiment that Wantchekon conducted before the 2006 election suggests that voters are indeed prepared to support those politicians who take seriously the job to design and explain social policies.⁴⁰ Wantchekon and other civil society leaders in Benin started by organizing a broad consultation: “Election 2006: What Policy Alternative?” There were four panels on education, public health, governance, and urban planning, and four experts (two from Benin and two from neighboring Niger and Nigeria) provided a white paper with policy recommendations. These were all broad proposals, without clientelist appeal. All the parties represented in the National Assembly, as well as representatives from various NGOs, attended the conference. After the conference, several parties volunteered to use the proposals made at the conference as electoral platforms on an experimental basis. They did this in randomly selected villages, in town meetings, where the proposals were presented in detail and participants had a chance to respond and react. In the comparison villages, the usual festive political meeting took place, with the usual mix of clientelist messages, and broad but vague policy proposals. This time, the results were reversed: Instead of showing support for the clientelist message, the turnout and support for the party running the campaign were higher in villages where the town meetings were held and specific policy proposals were discussed.

This result suggests that a credible message can convince the voters to vote in favor of general-interest policies. Once the trust is there, the individual politician’s incentives also change. He can start to feel that if he does something good he will be appreciated and reelected. Many people in positions of power have mixed motives—they want to be loved or do good, both because they care and because it secures their position, even when they are corrupt. These individuals will do things to promote change, as long as they are not entirely inconsistent with their economic objectives. Once the government proves that it is trying to deliver, and wins the people’s trust, a further possibility arises. The government can now afford to be less concerned with the short term, less keen to win the voters’ approval at all costs, less compelled to indulge in giveaways. This is its chance to design better and more farsighted policies. As we

saw in Chapter 4, the demonstrated success of PROGRESA encouraged Vicente Fox, who took over as president after the PRI lost power in Mexico, to expand the program, instead of canceling it. What's more, programs of this kind have expanded all over Latin America, and from there to the rest of the world. These programs may initially be less popular than simple giveaways, because to get the money, the family has to do something it may not otherwise want to do, but it is believed (although, as we saw, perhaps incorrectly) that the conditionality is an integral part of "breaking the cycle of poverty." It is encouraging that parties, both on the left and on the right, now feel that they should run on platforms that put this long-term view at the center of the agenda.

Many Western scholars and policy makers are extremely pessimistic about political institutions in the developing world. Depending on their political leanings, they may blame old agrarian institutions, or the original sin from the West—colonization and its extractive political institutions—or just the unfortunate culture that countries are stuck with. Whatever the reason, this viewpoint holds that bad political institutions are in large part responsible for keeping poor countries poor, and getting out of that state is difficult. Some feel this is a reason to give up; others want to impose institutional change from outside.

Easterly and Sachs are both somewhat impatient with these arguments, for different reasons. Easterly sees no reason for "experts" from the West to judge whether a set of political institutions in another place is necessarily good or bad in that specific context. Sachs believes that poor institutions are a disease of poor countries: We can successfully address poverty, perhaps in a limited way, even in bad institutional environments, by focusing on concrete, measurable programs; and making people richer and more educated can start a virtuous circle where good institutions will emerge.

We agree with both of them: The focus on the broad INSTITUTIONS as a necessary and sufficient condition for anything good to happen is somewhat misplaced. The political constraints are real, and they make it difficult to find big solutions to big problems. But there is considerable slack to improve institutions and policy at the margin.

Careful understanding of the motivations and the constraints of everyone (poor people, civil servants, taxpayers, elected politicians, and so on) can lead to policies and institutions that are better designed, and less likely to be perverted by corruption or dereliction of duty. These changes will be incremental, but they will sustain and build on themselves. They can be the start of a quiet revolution.

